ANNUAL REPORT 2020

We continued to contribute to the green transition in an unusual and challenging 2020

Semco Maritime A/S
Esbjerg Brygge 30
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Company reg. (CVR) no. 25 49 07 62

As approved at the annual general meeting held on 20 April 2021

Jørgen Devantier Gade, chair

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Front-page photo: From service assignment on the Nordsee One wind farm in the German part of the North Sea.

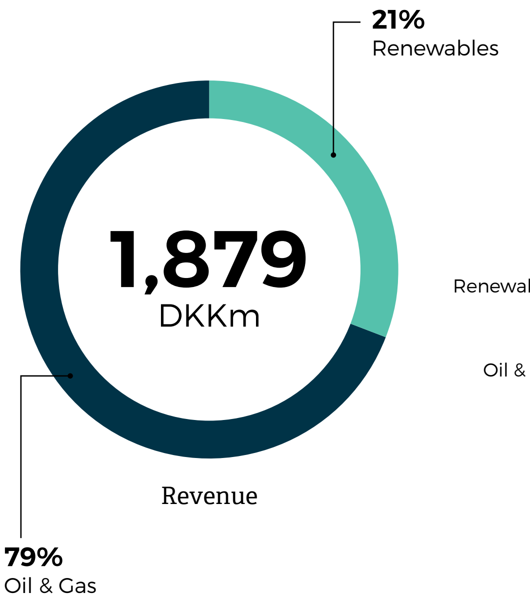
RENEWABLES

Mayflower Wind

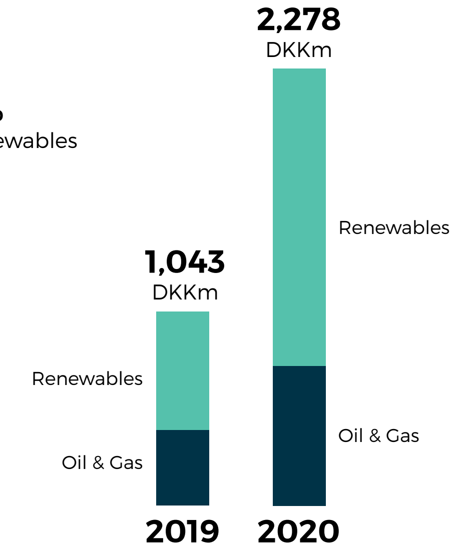
In January 2020, Semco Maritime began working on the Mayflower Wind project, which is the Group's largest order to date, comprising engineering works, procurement and the construction of a 1,200 MW offshore substation. The project is carried out in a consortium with Bladt Industries and has proceeded according to plan despite the COVID-19 pandemic. Mayflower Wind is being erected south of Nantucket, Massachusetts, and is expected to supply 804 MW of clean, renewable energy to power up to half a million households with expected start-up in 2025.

Overview

2020 highlights



Revenue



Order book

EBITDA before special items

71 DKKm

Equity ratio*

23.6%

Employees

1,429 employees (average)

2.9 million man-hours**

Employee turnover: 7%

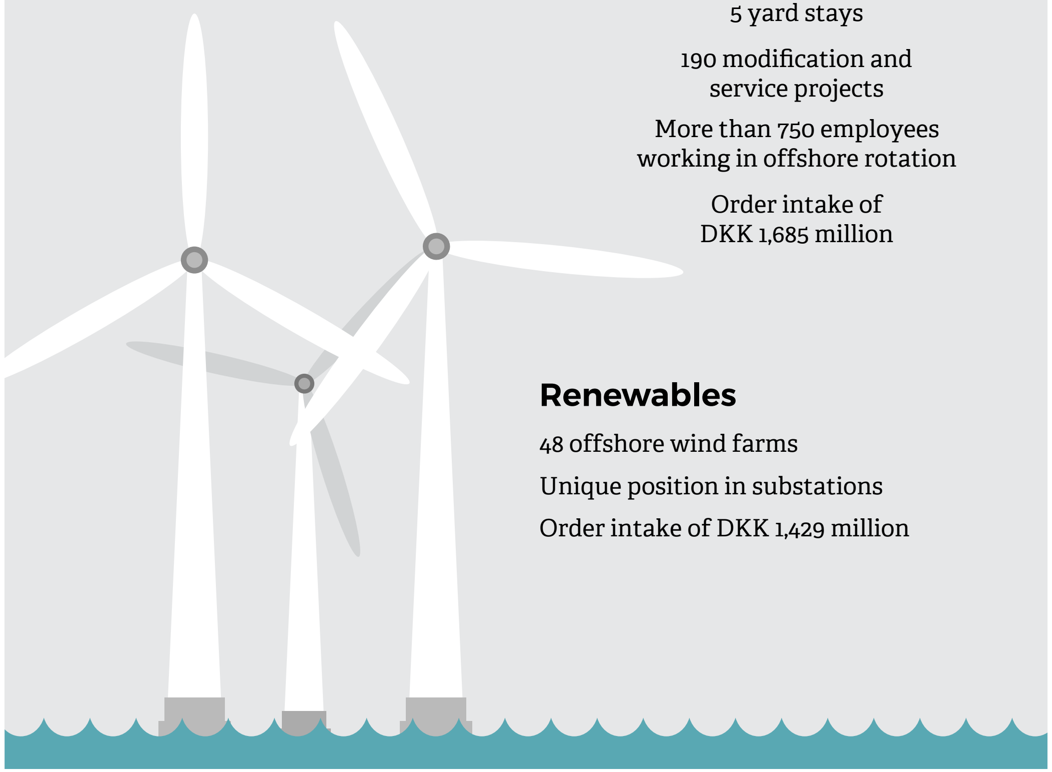
Oil & Gas

5 yard stays

190 modification and service projects

More than 750 employees working in offshore rotation

Order intake of DKK 1,685 million



Renewables

48 offshore wind farms

Unique position in substations

Order intake of DKK 1,429 million

*Equity ratio ex. effect of significant prepayment on a project in the Renewables business area.

**Including employees hired on a contract basis

Semco Maritime emerged stronger from the challenging 2020

Steen Brødbæk
CEO

We created strong results and ensured effective execution in 2020 although the year was both unusual and challenging for Semco Maritime and the entire energy sector. A strong start to the year with bright prospects and a historically strong order book was abruptly replaced by travel restrictions and difficult working conditions following the outbreak of COVID-19. The situation was exacerbated by severe oil price fluctuations, which made operators strongly hold back on investment decisions.

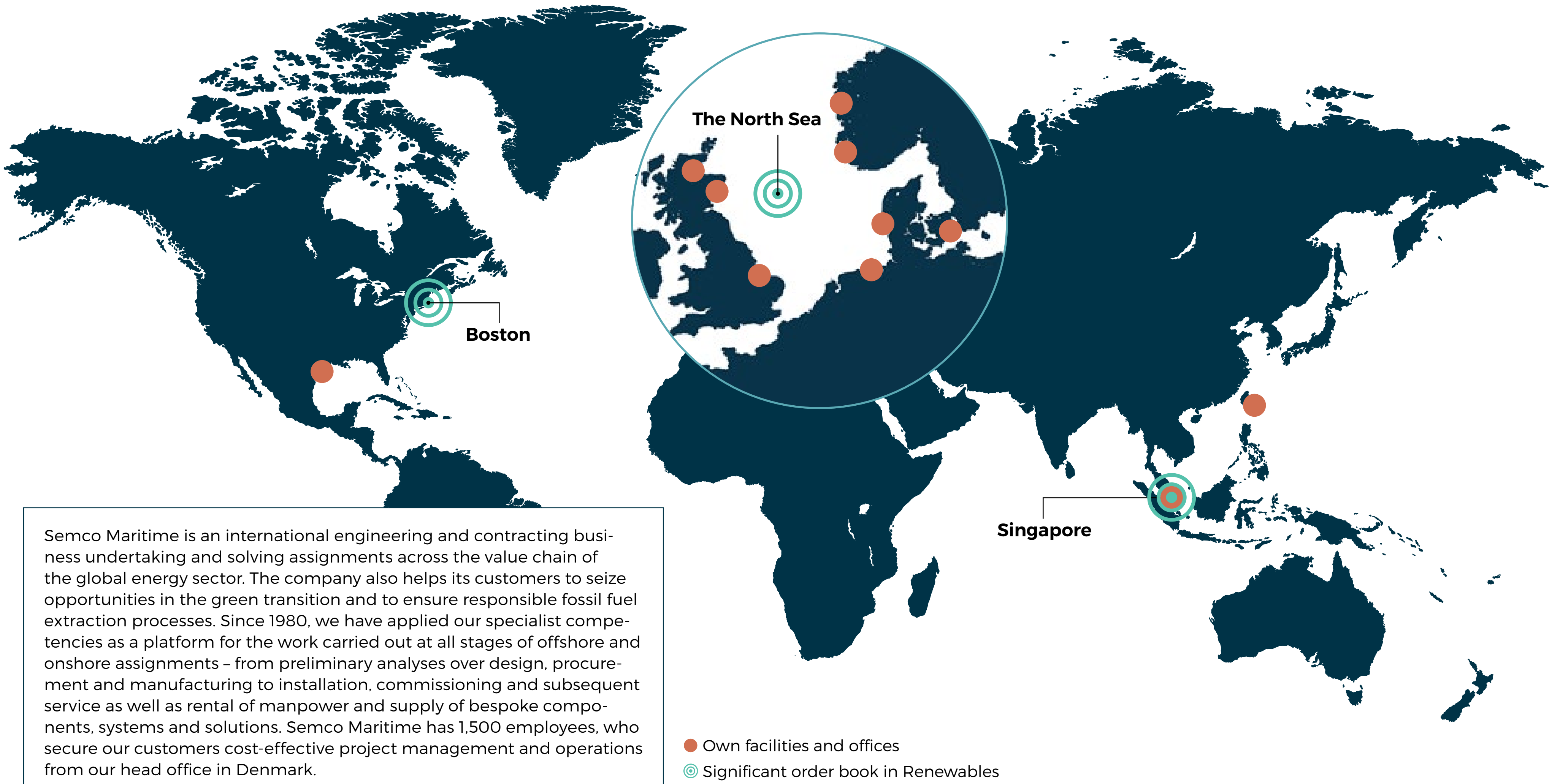
Nevertheless, we continued our endeavours to promote the green transition and to ensure responsible oil and gas extraction, taking every safety precaution necessary to avoid the spread of infection among employees, customers and business partners. Although we experienced an abrupt slowdown in our service business and more cumbersome decision-making processes, we continued to improve on project execution in both our business areas and to ensure strong business development despite historically different market conditions. By the end of the year, our revenue had stabilised at DKK 1.9 billion and all parts of our organisation had contributed to significantly lifting earnings (EBITDA) to DKK 71 million before special items relating to COVID-19 and other factors.

Our ability to deliver good results was attributable exclusively to an exceptional effort by all employees of Semco Maritime. In recent years, we have created an organisation capable of seamlessly switching between projects in Renewables and Oil & Gas, and the agility and flexibility of our employees have proven decisive for our ability to serve our customers in a satisfactory manner. In fact, we delivered all projects on time and to budget although the versatile environment placed heavy demands on our innovative capabilities along the way. We owe a sincere thanks to our dedicated employees in this regard.

At the same time, we were pleased to record an improved safety performance on the basis of our intensfied focus on this area in recent years, where we have carried out global safety campaigns and initiatives to bring attention to work-related incidents and »near-misses« throughout the organisation. All employees responded to the campaigns with a high level of responsibility, and in 2020 we sharply reduced the number of work-related incidents related to human causes. We will continue these efforts at full force in the coming years, with »safety« still being one of our core values.

Overall, Semco Maritime emerged stronger from 2020, which was in many ways a year of extensive learning. We learned that we can be efficient, adapt and perform by working remotely – but also that, longer term, we rely on fruitful cooperation with colleagues, customers and business partners to create the quality projects that Semco Maritime is known for. With customers who continue to have confidence in us, we landed an order intake of DKK 3.1 billion in 2020, and at 1 January we had a historically large order book of DKK 2.3 billion, with Renewables accounting for 76% and Oil & Gas for 24%. This makes us expect the high level of activity will continue in 2021, as we intend to increase our revenue and consolidate earnings, although we will also be investing heavily in creating continued growth in our Renewables business in particular.

Semco Maritime at a glance



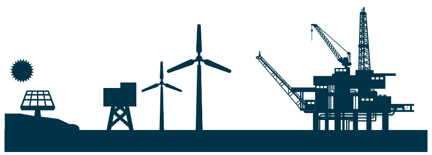
Semco Maritime is an international engineering and contracting business undertaking and solving assignments across the value chain of the global energy sector. The company also helps its customers to seize opportunities in the green transition and to ensure responsible fossil fuel extraction processes. Since 1980, we have applied our specialist competencies as a platform for the work carried out at all stages of offshore and onshore assignments – from preliminary analyses over design, procurement and manufacturing to installation, commissioning and subsequent service as well as rental of manpower and supply of bespoke components, systems and solutions. Semco Maritime has 1,500 employees, who secure our customers cost-effective project management and operations from our head office in Denmark.

Business model

Motivation

We aim to play a key role in meeting the growing global demand for energy in a safe and sustainable manner.

Markets



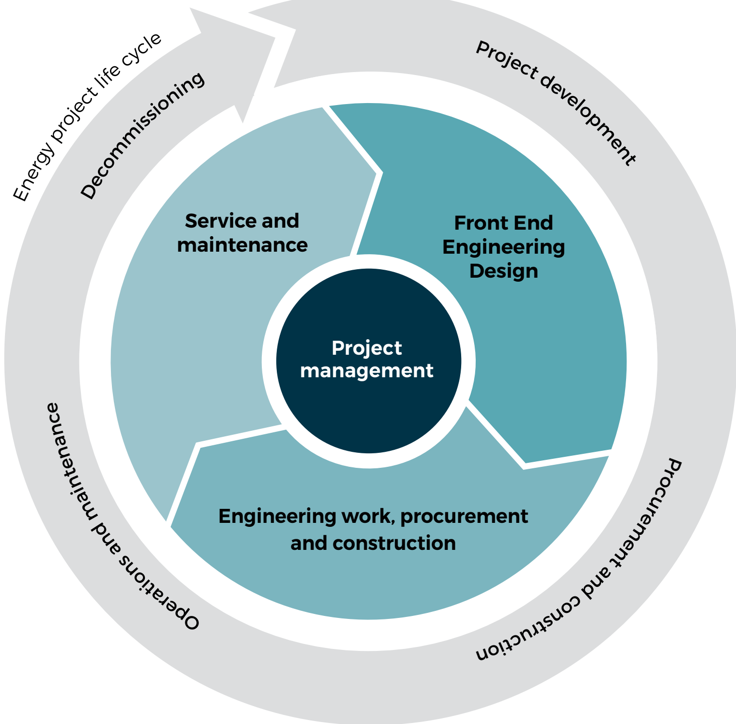
Renewables Oil & Gas

The Group's long-term 2023 goals

- Even distribution of revenue between Renewables and Oil & Gas
- 20% of revenue derives from service activities
- EBITDA margin of 6%

Value creation

- based on affordable, reliable and sustainable solutions



We provide assistance to our customers at all project stages

Promises

Safety
Safety is in our DNA. We always aim at reducing the number of work-related incidents to zero.

Customers
We bring our expertise into play to provide inspiration and optimise value across the supply chain to deliver safe solutions that always meet expectations.

Employees
We offer a safe and motivating workplace with unique development opportunities.

Owners
We intend to deliver profitable growth and make our owners proud.

Leader in offshore substations

Semco Maritime has built a market-leading position and unique expertise in the development, construction and commissioning of offshore substations for offshore wind projects. Over the coming years, Semco Maritime will contribute to ensuring that millions of people get access to renewable energy from more and ever-larger offshore wind farms.

Kaskasi II

Engineering works, procurement and construction of offshore substation and onshore and offshore construction work and commissioning.

- Innogy
- The German part of the North Sea
- 2019 - 2022
- 325 MW

Arcadis Ost I

The engagement covers engineering works, procurement and construction of an offshore substation in cooperation with 50 Hertz Transmission GmbH.

- Parkwind Ost
- The German part of the Baltic Sea
- 2020 - 2023
- 247 MW

Mayflower Wind

The project is the largest in Semco Maritime's history and covers engineering works, procurement and construction of a 1,200 MW offshore substation.

- Mayflower Wind Energy LLC
- Massachusetts, USA
- 2020 - 2024
- 1,200 MW

Vineyard Wind

Semco Maritime is to assist with engineering works, procurement and construction of a substation for the first offshore wind farm in the USA.

- Vineyard Wind LLC
- Massachusetts, USA
- 2019-2023
- 800 MW

Financial highlights

DKKm	2020	2019	2018	2017	2016
INCOME STATEMENT					
Revenue	1,878.8	1,904.8	2,041.4	1,407.8	1,598.5
Profit/loss before amortisation and depreciation and special items	70.6	52.5	54.1	25.8	(50.5)
Operating profit/loss	27.7	22.1	30.2	0.1	(127.2)
Net financials	(10.0)	(6.0)	(3.4)	(4.2)	(1.7)
Profit/loss before tax	17.6	16.1	26.8	(4.1)	(128.9)
Profit/loss for the year from continuing operations	17.6	18.0	28.4	(8.0)	(127.5)
ASSETS					
Non-current assets	881.3 *	138.0	135.1	152.1	161.8
Inventories	12.5	16.5	16.4	15.4	20.4
Receivables	522.7	594.3	416.3	379.1	416.3
Cash	55.2	18.8	18.0	14.9	15.5
Assets related to discontinued operations	-	-	4.4	12.3	-
Total assets	**1,471.7**	**767.6**	**590.2**	**573.8**	**614.0**
LIABILITIES AND EQUITY					
Equity	161.1	154.7	131.5	107.8	140.7
Provisions	25.4	31.0	45.8	17.8	26.5
Non-current liabilities	62.3	29.2	3.3	3.9	29.6
Current liabilities	1,223	552.7	408.0	435.8	417.2
Liabilities related to discontinued operations	-	-	1.6	8.5	-
Total equity and liabilities	**1,471.7**	**767.6**	**590.2**	**573.8**	**614.0**
FINANCIAL RATIOS					
Total cash flows from operations	270.9	(72.4)	(2.6)	(38.5)	3.5
Total cash flows	45.0	(4.6)	3.3	(54.2)	183.1
Average no. of employees	1,429	1,317	1,289	1,109	1,228
Profit margin, %	1.5	1.2	1.5	0.0	(8.0)
Equity ratio, %	10.9	20.2	22.3	18.8	22.9
Return on equity, %	11.2	12.6	23.7	(6.4)	(117.6)

**In 2020, non-current assets include an escrow account regarding prepayment on contract work in progress of DKK 753 million, which will be released in line with the completion of the project.*

Service and maintenance assignments in the Baltic Sea

Semco Maritime is performing more and more service and maintenance assignments in the Offshore Wind business area, and in 2020 we continued our project in the Baltic Sea north-east of the German island of Rügen, the site of Iberdrola's Wikinger wind farm. The assignments include planned as well as unscheduled service and maintenance of the electrical systems on the wind farm's offshore substation and on the turbine foundations and transition pieces. Furthermore, Semco Maritime's employees perform inspections of safety equipment, steel constructions and piping systems above and below sea level, including cleaning of the foundations.

A definition of financial ratios is provided on page 45.

Developments

MANPOWER

Collaboration with Total in the UK

In April 2020, Semco Maritime and its two partners in the PBS consortium, Ponticelli and Brand Energy & Infrastructure Services, commenced work on a large-scale maintenance and operations support contract with Total's UK entity Total Exploration and Production UK (TEPUK). The PBS consortium was established in 2019 to make a bid for the five-year contract covering all TEPUK assets, which produce more than 250,000 barrels of oil per day. The project involves, among other things, maintaining, securing and modifying TEPUK's assets, and will engage some 900 employees from the PBS consortium, who will contribute to improving the safety, effectiveness and sustainability for TEPUK.

Developments in 2020

Semco Maritime saw a stable business development in 2020 despite the historically difficult market conditions caused by the COVID-19 pandemic and very volatile oil prices. Accelerating its order intake, the Group secured a historically large order book in the Renewables business area, which in the coming years will represent a growing proportion of revenue in accordance with Semco Maritime's strategy.

Although travel restrictions and the postponement of customer investment decisions put a damper on the level of activity in 2020, Semco Maritime still managed to create stable results and a strong foundation for future growth.

Revenue

Revenue was relatively stable, totalling DKK 1,879 million (2019: DKK 1,905 million) despite the difficult market conditions in 2020. After a high level of activity during the first few months of the year, the COVID-19 pandemic weighed on revenue due to travel restrictions and an abrupt slowdown in the service business as well as slower decision-making processes by customers.

Semco Maritime reported a sharp order intake increase of 29% to DKK 3,114 million (2019: DKK 2,412 million) from a strong starting point. By the end of the year, the order book had thus risen to DKK 2,278 million (2019: DKK 1,043 million) with the positive developments driven especially by the conclusion of major strategic contracts in the Renewables business area.

Renewables

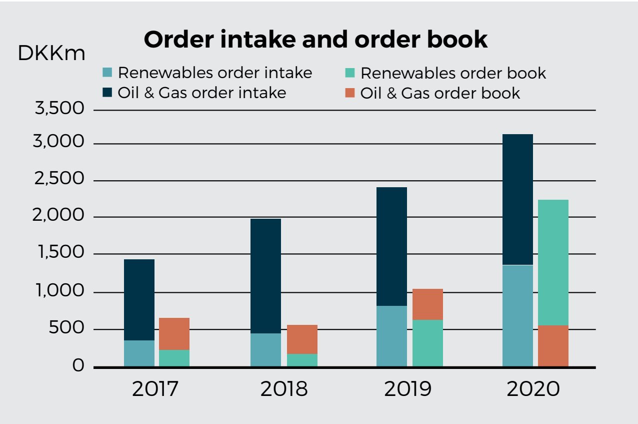
Revenue in the Renewables business area rose to DKK 395 million (2019: DKK 366 million) in 2020, when the Group started work on the large Mayflower Wind project in the USA and performed assignments on the Kaskasi II and Arcadis Ost offshore wind projects.

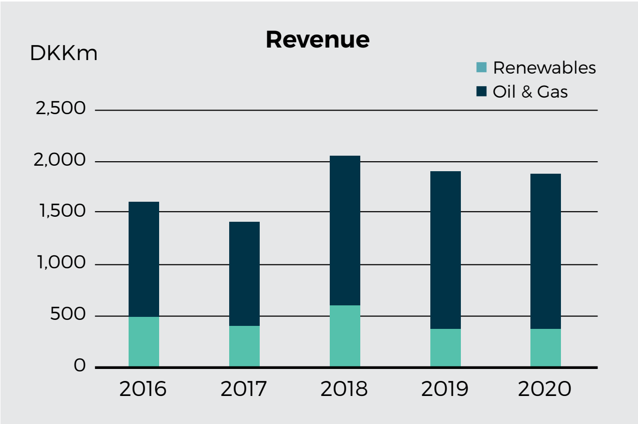
The order intake rose to DKK 1,429 million (2019: DKK 834 million) in 2020 driven by large and multi-year contracts for offshore wind projects, and the end-of-year order book reached DKK 1,734 million (2019: DKK 655 million).

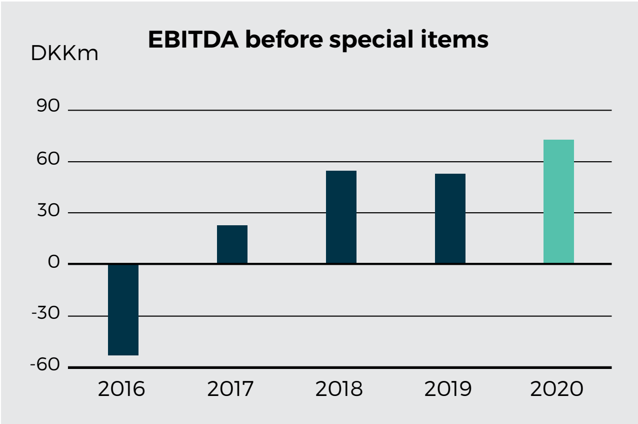
Oil & Gas

The Oil & Gas business area reported a moderate drop in revenue to DKK 1,484 million (2019: DKK 1,539 million) in 2020 owing to the effects of COVID-19 and declining oil prices over the course of the year. The negative effects of the difficult market conditions were partly offset by strong activity in the Group's facilities at Hanøytangen early in the year and a strong contribution from the activities in the PBS consortium for Total in the UK.

In 2020, the business area's order intake rose to DKK 1,685 million (2019: DKK 1,578 million), and the end-of-year order book rose to DKK 544 million (2019: DKK 388 million).







Developments in 2020

Earnings
Semco Maritime held its gross margin at 61% (2019: 61%) despite the negative consequences of COVID-19 in 2020 owing to strong project execution and cost management. The Group significantly improved its earnings, lifting EBITDA to DKK 71 million (2019: DK 53 million) before special items of DKK 26 million (2019: DKK 11 million) associated with handling the COVID-19 crisis etc. The EBITDA margin before special items was 3.8% (2019: 2.8%).

Financials items
Financial items amounted to an expense of DKK 10 million (2019: expense of DKK 6 million) in 2020 owing to higher interest expenses and negative exchange rate adjustments.

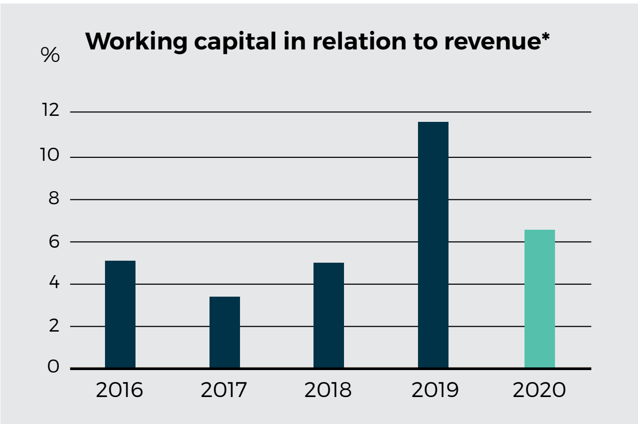
Profit/loss for the year
Profit before tax rose to DKK 18 million in 2020 (2019: DKK 16 million), and profit after tax was also DKK 18 million (2019: DKK 18 million).

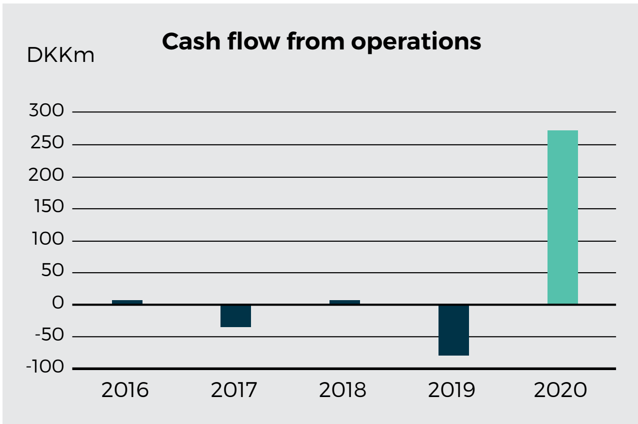
Cash flows
Consolidated cash flows from operating activities were significantly affected by working capital changes due to large prepayments from customers, tight cash management and the utilisation of the possibility of deferring the payment of employee income taxes during the COVID-19 pandemic. Against this background, cash flows from operating activities grew to a net inflow of DKK 271 million (2019: outflow of DKK 72 million). Cash flows for investing activities fell to DKK 10 million (2019: DKK 23 million) from a high level in 2019 driven by investments to upgrade Semco Maritime's facilities at Hanøytangen. In 2020, cash flows from financing activities amounted to a net outflow of DKK 216 million (2019: inflow of DKK 91 million) due to changes in the Group's credit facility resulting from a positive bank balance at year-end 2020.

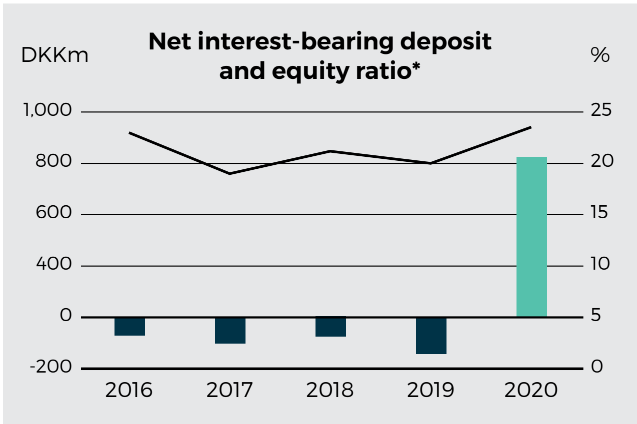
Balance sheet
Due to a special customer prepayment of DKK 789 million, Semco Maritime had a net interest-bearing deposit of DKK 802 million (2019: net interest-bearing debt of DKK 153 million) at the end of 2020. Equity improved further to DKK 161 million (2019: DKK 155 million), while the equity ratio fell to 10.9% (2019: 20.2%) because of a substantial increase in total assets to DKK 1,472 million (2019: DKK 768 million) driven by the high level of activity and the large prepayment. Return on equity was 11.2% in 2020 (2019: 12.6%).

Adjusted for the large prepayment, total assets amounted to DKK 683 million, and the equity ratio rose to 23.6%. The Group had financial resources of DKK 223 million at 31 December 2020.

Events after the balance sheet date
No events have occurred since the balance sheet date which are expected to have a material effect on an assessment of the Annual Report for 2020.







*Working capital in relation to revenue and equity ratio are shown exclusive of the effect of a customer prepayment of DKK 789 million in 2020.

Outlook for 2021

Management expects a higher level of activity in 2021 despite continuing adverse consequences of the COVID-19 pandemic. The positive development is to be achieved on the basis of the strong order book and sound business developments in the first quarter of the year.

The improvement is expected to be driven by strong activity on the large open contracts in Offshore Wind and in the PBS consortium for Total in the UK and in connection with the re-opening of the Tyra field in the North Sea in the second half of the year. Against that background, revenue is expected to rise in 2021, and EBITDA is also expected to improve as a result of the increased business activity and the continuing focus on good project management.

The Offshore Wind market is expected to see growth escalating further in the coming years, particularly in the new markets in the USA and Asia. Market growth will be driven by the enhanced focus on the green transition among populations, decision-makers and players in the industry, and markets are expected to remain extremely competitive in Europe, the USA and Asia.

Competition on prices remains fierce in the Oil & Gas markets, and management does not expect to see any noticeable changes in competition within the near future.

The outlook for 2021 is subject to considerable uncertainty due to COVID-19, which continues to affect several of the Group's markets.

Forward-looking statements

The forward-looking statements in this Annual Report reflect Semco Maritime's current expectations for future events and financial results.

The statements involve uncertainty and the results achieved may deviate from expectations, one reason being the trends in economic conditions, commodity prices, subsidy and grant schemes as well as fluctuations in the financial markets and amended legislation and rules in the Group's markets. See also Risks on page 18.

Increase in Offshore Wind investments

The global energy sector transition is leading to steadily increasing investments in Offshore Wind projects with a particularly strong trend in several markets outside Europe. The USA and Asia are expected to see a particularly strong increase in the number of offshore wind projects in the years ahead with the industry persistently being focused on lowering costs and ensuring that sustainable energy remains competitive.

Semco Maritime invests in product development and competence building, innovative solutions and digitalisation measures to retain and expand its strong position in the attractive market for Offshore Wind and also to continue to contribute to the all-important climate change mitigation.

Responsibility

Demand for innovative and sustainable solutions is growing in the international energy industry, and our ability to develop and deliver cost-efficient and sustainable projects makes us stand out from other market players and constitutes an ever-increasing competitive advantage to Semco Maritime.

Continuing safety improvements
In 2020, we continued our efforts to avoid negative impacts on our employees, stakeholders, assets and the environment. The level of safety improved notably, and we reduced the number of work-related incidents bringing the Total Recordable Incident Frequency down to 2.2 per one million man-hours, thus meeting our goal of a maximum frequency of 2.5. Against this background, we have reduced the future goal to a maximum frequency of 1.5.

We conducted a Safety Culture Survey at all operational and offshore sites, the result being a score of 3.26 on a scale from one to four (2019: 3.22). 58% of the recipients of the survey responded to the questions, and we improved the results, living up to our goal of achieving a level of 3.25. In 2021, our goal remains to land a result above 3.25 and a higher response percentage.

High employee satisfaction and loyalty
In order to retain and attract the most skilled employees, we focus on creating attractive jobs and optimum opportunities for professional development across the Group. In 2020, we conducted an employee satisfaction survey to areas such as management, cooperation and work-life balance and to provide us with an overview of our employees' knowledge of and insight into our strategy. In 2020, a record-high number of employees participated in the survey (89%), securing an overall score of 4.2 (on a scale of 1 to 5, with 5 being the best).

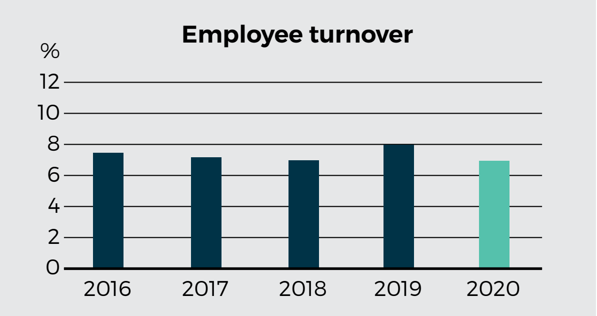
We also measure employee turnover, sickness absence and results of appraisal interviews.

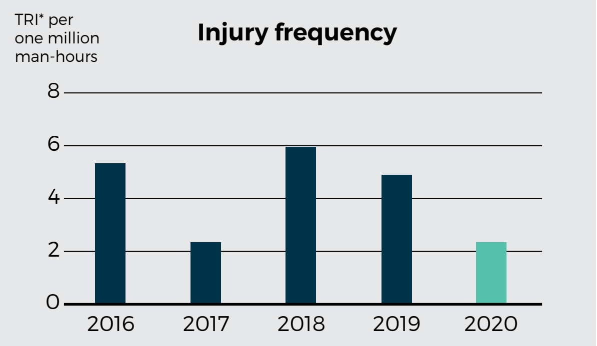
The employee turnover for white-collar workers was 7% (2019: 8%), which is highly satisfactory and within our target of a level below 10%.

During the outbreak of COVID-19, sickness absence rose to 3.3% (2019: 2.7%) because more employees at some locations had to consider their own health and care for their family members. In 2021, we expect to reduce sickness absence to a maximum level of 2.5%.

In 2020, we started to implement a new approach to conducting and assessing appraisal interviews, and in 2021 we will launch the new tool globally to ensure that all employees experience the same type of appraisal interview regardless of location and job function.

More women in management
There is a great potential in ensuring diversity in the management team and among the employees, and we aim to increase the number of female managers at Semco Maritime from 25% in 2020 to at least 35% in 2021.





*Total Recordable Incidents

Reporting to Global Compact

Semco Maritime is a signatory to the UN Global Compact and works actively to promote a number of the UN sustainable development goals. Read more about our corporate social responsibility and efforts to promote diversity in our Communication On Progress report for Global Compact here: https://campaigns.semcomaritime.com/hubfs/COP%202020.pdf

OIL & GAS

Hanøytangen

In the first half of 2020, Semco Maritime's employees modified and carried out service of the two rigs Deepsea Stavanger and West Bollsta designed for demanding tasks in challenging waters for Odfjell Drilling and Seadrill Limited, respectively. The projects were carried out at the Group's own yard facilities at Hanøytangen in Norway, which have in recent years been upgraded to handle the high-precision process of servicing and modifying some of the world's largest rigs. Despite the effects of COVID-19, the projects were carried out on time by Semco Maritime's experienced employees and several close business partners. The picture shows Deepsea Stavanger heading into dry dock to be painted.

Management

Management and ownership

Management structure
Semco Maritime's management is composed of a Board of Directors and an Executive Board, which are independent of each other.

The shareholders of the company elect the members of the Board of Directors, which makes overall decisions about the Group's strategic development, monitors risks and supervises the Executive Board. The Board of Directors consists of six members, of which four are elected by the shareholders and two by the employees. In July 2020, Andreas Nauen stepped down as a shareholder-elected board member, and at the annual general meeting held on 20 April 2021, Gunnar Groebler was elected by the shareholders as a new board member.

The Board of Directors is focused on ensuring that the shareholder-elected board members have competencies in and experience from one or more of Semco Maritime's business areas and are capable of contributing to the commercial development of the business.

The Board of Directors undertakes its work in compliance with rules of procedure that have been prepared in compliance with the provisions set out in the Danish Companies Act. The members of the Executive Board may speak, but cannot vote at board meetings, and they do not attend meetings when matters reserved for the Board of Directors are considered. The Board of Directors held four ordinary and four extraordinary meetings in 2020. Six board meetings were held wholly or partially as video or telephone meetings due to the special circumstances caused by COVID-19.

The Executive Board is appointed by the Board of Directors and is responsible for the day-to-day management and development of Semco Maritime as well as the operations and performance of the company. The Executive Board is charged with executing the strategy in accordance with the general resolutions adopted by the Board of Directors.

Ownership
The principal shareholder of the company is Semco Maritime Holding A/S, which is included in the consolidated financial statements of C.W. Obel A/S and Det Obelske Familiefond, the beneficial owners of Semco Maritime since 1996. C.W. Obel A/S's solid financial position, in-depth insight into the industry and long-term ownership have laid the foundation for a stable development of the Group both during times of attractive and less favourable market conditions.

Executive Board

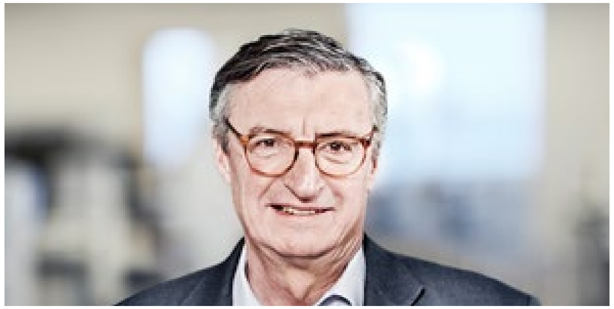
Steen Brødbæk, CEO since 2009
Extensive international management experience of engineering, technology and manufacturing businesses, not to mention strong strategic skills. Previous employment as CEO of Arvid Nilsson A/S and Invensys APV A/S as well as managerial positions with ABB A/S. Chairman of the board of directors of Carl Ras A/S and member of the boards of directors of Arkil Holding A/S and DI Energi. Qualified electrical power engineer.

Jørgen Devantier Gade, CFO since 2013
Experienced manager of finance organisations with particularly strong skills in finance, treasury, procurement and IT. Previous employment as CFO of Qubiqa A/S, CFO of LM Wind Power and CFO of ABB A/S. MSc (Econ. and Business Adm.).

Jørgen Devantier Gade (left) and Steen Brødbæk (right)

Management and ownership

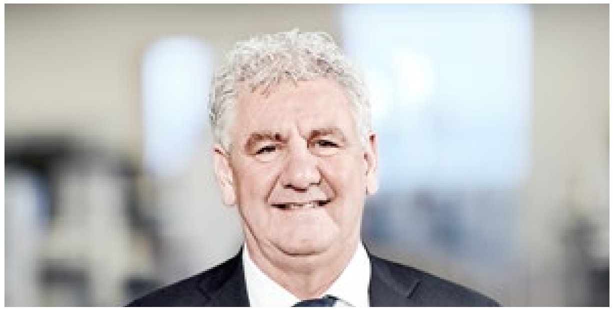
Board of Directors



Anders Christen Obel
Chairman since 2004. CEO of C.W. Obel A/S with special competencies in general management of industrial corporations and financing.

Gunnar Groebler
Member since 2021. Senior Vice President in the business area Wind in Vattenfall. From 1 July 2021 CEO of steel and technology company Salzgitter AG. Special competencies in management of international project businesses with a focus on sustainable energy and technology.

Keith Taylor
Member since 2012. Consultant with a background as e.g. Chief Operating Officer for the Technip Group's activities in the APAC region and with special competencies in operations management of engineering and project companies in the oil & gas industry.



Jørgen Peter Rasmussen
Member since 2017. Industrial adviser with a background as CEO of i.a. Schlumberger and with special competencies in the fields of strategy, business development and management in the international oil & gas industry.

Harald Fjordby Knudsen
Elected employee representative since 2019. Employed since 1988 at Semco Maritime as a metalworker/welder.

Allan Sonnich Thomsen
Elected employee representative since 2014. Employed since 1996 at Semco Maritime as Senior Instrumentation Engineer.

Risks

Being an international engineering and contracting business with project activities in the global energy sector, Semco Maritime is exposed to a number of significant risks. Management continually monitors these risks to maintain the right balance between risk and earnings and development potential.

Anchored in the management team
Risk management is anchored in the day-to-day management, which is handled by the Executive Board within the general framework and guidelines defined by Semco Maritime's Board of Directors. The responsibilities of the Executive Board comprise the ongoing identification and management of risk and any necessary adjustment and development of the company's processes and activities to mitigate such risks.

In connection with the conclusion of contracts with customers and collaboration partners, Semco Maritime engages its legal department, which is also in charge of the company's insurance programme. Material contracts are subject to a review by the Executive Board and approval according to standardised procedures. Large individual contracts may be approved by the Executive Board together with the Chairman of the Board of Directors, while specific maximum amounts have been defined for contracts that are subject to the approval of the entire Board of Directors.

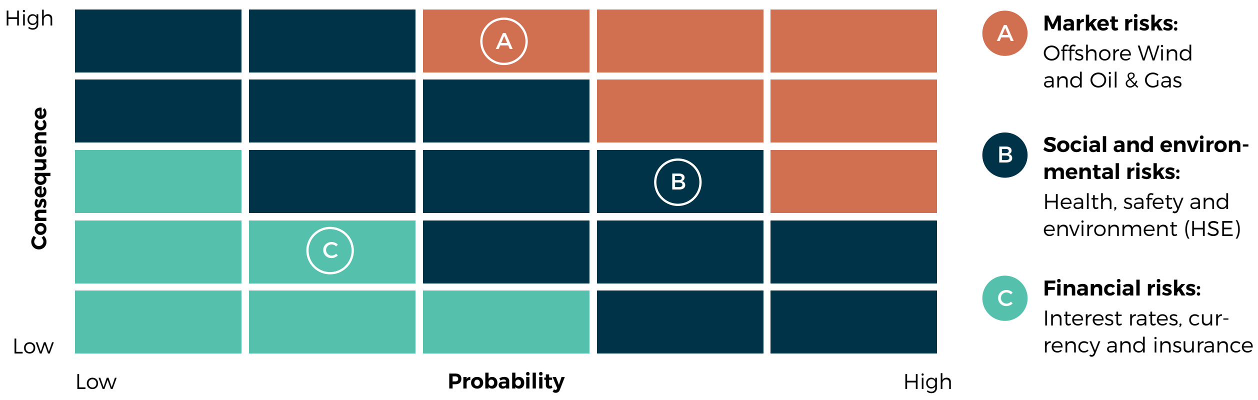
Semco Maritime's business entities regularly monitor developments in health, safety and environment (HSE), which is a key risk area with an important impact on the company's ability to attract and retain customers and employees. The operational responsibility for monitoring, follow-up and reporting HSE matters to the Executive Board lies with the managers of the individual business entities in cooperation with a dedicated corporate function which maintains statistics in the field and ensures knowledge-sharing and consistent follow-up procedures.

The Executive Board reports to the Board in connection with an annual strategic review of Semco Maritime's overall risk profile and risk management, reviewing the conclusions of an external insurance broker's annual review of the company's insurance programme.

Materiality assessment
In addition to the repercussions of the global outbreak of COVID-19, management assesses that the most significant risks in the upcoming period relate to market developments in Offshore Wind and Oil & Gas, HSE matters and developments in the financial markets. These risks are shown in the figure below based on management's assessment of the probability that each individual risk materialising and on the potential consequence it could have on Semco Maritime's business. The risks and mitigating measures are described in the following pages.

In addition to the risks listed, Semco Maritime has identified other risks, which comprise, among other things, changes in the balance between oil & gas projects in renewable energy, the company's ability to attract and retain skilled employees and IT security and disruption.

Risks



Risks

A Market risks

RISK

Offshore Wind

Subsidy schemes remain a key element in the funding of offshore wind farm projects even though the need is gradually declining and set to be eliminated within a period of 5-10 years. In recent years, several offshore wind farm projects have been won without subsidy schemes, and the increasing maturity of the market makes it increasingly competitive.

Oil & Gas

The Group's activities and results are influenced by the investment activity in the oil and gas industry, which depends significantly on trends in oil and gas prices as well as in the US dollar rate.

MONITORING AND HANDLING

Offshore Wind

Semco Maritime monitors offshore wind farm auctions all over the world and engages closely with customers to ensure an overview of industry developments and outlook. We continue to optimise costs and continuously look for innovative solutions that can supplement Semco Maritime's market-leading service and product offerings to the industry.

Oil & Gas

The exposure to fluctuations in oil and gas prices is countered by cost efficiency improvement of existing products and development of new solutions that reduce customer cost bases. Moreover, Semco Maritime has diversified the Group's activities across Oil & Gas and Renewables over a period of time. Fluctuations in the US dollar rate are countered, for instance, by the use of forward exchange contracts as described below and by increased focus on purchases denominated in US dollars.

B Social and environmental risks

RISK

Health and safety at work

Semco Maritime's activities involve risks of work-related incidents that may result in personal injury and disrupt the operation of customer assets, and this may result in claims for damages or demands that the Group must take preventive and restorative measures.

As a supplier to the oil and gas and the Offshore Wind industries, Semco Maritime's ability to maintain satisfactory health and safety at work and the required safety certificates is key to the continued success of the Group.

Environment

The Group's activities – particularly in the offshore industry – are governed by the legislation and rules applicable to the handling of environmentally harmful substances and preventive measures to avoid discharge into the sea and the ground when assignments are undertaken by the Group. Unintended discharge may harm the environment, equipment and humans, and such discharge may impose liability on Semco Maritime.

MONITORING AND HANDLING

Health and safety at work

Group entities report observations and the number and type of accidents on a monthly basis. Semco Maritime has also appointed a special team to analyse the background to incidents occurred and introduce measures to reduce the risk of repetition.

Semco Maritime works actively to promote the safety culture of the Group and demands that the conduct of the employees is based on the safety policy »Safety is part of our DNA«. The Group strives to rank among the absolutely safest workplaces in the industry, and the level of safety is improved on an ongoing basis through global campaigns, training and education of managers and employees as well as safety talks, etc.

Environment

Environmental risks are managed in cooperation with the Group's customers in individual projects and on the basis of clear policies and procedures that are laid down and revised at Group level.

Risks

C Financial risks

RISK

Interest rates

The funding of the Group is exposed to changes in interest rates, which may affect customer investment decisions and the Group's financial expenses.

Foreign currency

Semco Maritime's operations are exposed to currency risks. The Group issues invoices in DKK, EUR, GBP, NOK, SGD and USD, whereas a significant share of goods purchased are denominated in DKK, EUR, GBP, NOK and USD. In addition to these transaction risks, Semco Maritime is exposed to translation risks arising when the income statements and balance sheets of foreign subsidiaries are translated into the Group's operating currency (DKK).

Insurance

There may be cases where the insurance taken out by the Group does not cover losses or provides only partial cover, and there may be long periods of uncertainty as regards the cover of losses.

MONITORING AND HANDLING

Interest rates

Semco Maritime's treasury function monitors the level of interest rates on an ongoing basis and secures a balanced mix of prepayments, liabilities and capital structure. In addition, Semco Maritime's focus on efficiency and ongoing cost reduction helps set off increases in the financing expenses of customer projects.

Foreign currency

The Group treasury function enters into forward exchange contracts for the purpose of hedging Semco Maritime's greatest transaction risks at Group level and in individual large-scale projects, and such risks are hedged on an ongoing basis as part of the day-to-day operations when purchases of goods and invoicing are denominated in the same currency to a wide extent. Translation risks are not hedged as translation into the Group's operating currency does not have any material effect on liquidity. Semco Maritime does not make speculative transactions.

Insurance

Semco Maritime has established an extensive insurance programme reflecting the Group's activities. The overall insurance programme is reviewed once a year and comprises, for instance, a contractors all-risk policy, property insurance, third-party liability insurance and other statutory and contractual insurance policies.

Financial statements

MANPOWER

Extended agreement with Total

Semco Maritime continued its strong collaboration with Total in Denmark in 2020 after having signed an agreement for a two-year extension of an existing contract for rental of manpower towards the end of 2019. The extension of the collaborative agreement with Total emphasises Semco Maritime's leading position in the market for rental of experienced and skilled employees to the oil and gas industry in Denmark. At the same time, Total extended existing agreements with Semco Maritime on a number of service assignments, including the servicing of subsurface safety valves.

Income statement

		Group		Parent Company	
DKK'000	**Note**	**2020**	**2019**	**2020**	**2019**
Revenue	1	1,878,825	1,904,786	997,643	1,085,147
Cost of sales		(726,509)	(745,802)	(351,691)	(417,421)
Gross profit		**1,152,316**	**1,158,984**	**645,952**	**667,726**
Other operating income/expenses	2	15,840	1,722	8,542	1,459
Staff costs	3	(1,004,707)	(998,226)	(587,459)	(610,243)
Other external costs	4	(118,333)	(119,316)	(88,146)	(79,414)
Profit/loss before depreciation		**45,116**	**43,164**	**(21,111)**	**(20,472)**
Depreciation and impairment of non-current assets	8,9	(17,430)	(21,088)	(12,493)	(13,003)
Operating profit/loss		**27,686**	**22,076**	**(33,604)**	**(33,475)**
Profit/(loss) from investments in group enterprises	10	-	-	51,088	48,887
Financial income	5	393	770	822	943
Financial expenses	5	(10,431)	(6,732)	(9,540)	(6,413)
Profit/loss before tax		**17,648**	**16,114**	**8,766**	**9,942**
Tax on profit/loss for the year	6	-	1,855	8,882	8,027
PROFIT/LOSS FOR THE YEAR		**17,648**	**17,969**	**17,648**	**17,969**

Balance sheet

ASSETS

DKK'000	Note	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Non-current assets					
Goodwill		48,049	53,825	25,442	27,805
Patents and licenses		9,158	8,207	8,783	7,803
Development projects		10,671	13,749	10,671	13,749
Intangible assets	**8**	**67,878**	**75,781**	**44,896**	**49,357**
Land and buildings		15,423	17,633	15,423	17,633
Leasehold improvements		17,309	13,667	8,515	8,424
Plant and machinery		7,255	6,484	2,028	2,999
Other fixtures and fittings, tools and equipment		10,533	5,521	10,436	4,870
Assets under construction		657	10,541	-	-
Property, plant and equipment	**9**	**51,177**	**53,846**	**36,402**	**33,926**
Investments in group enterprises	10	-	-	233,116	191,008
Other financial assets	11	762,238	8,369	762,238	8,369
Receivables from group enterprises		-	-	4,302	12,696
Financial assets		**762,238**	**8,369**	**999,656**	**212,073**
Total non-current assets		**881,293**	**137,996**	**1,080,954**	**295,356**
Current assets					
Inventories	12	12,539	13,127	9,733	9,317
Properties for resale	12	-	3,359	-	-
Inventories etc.		**12,539**	**16,486**	**9,733**	**9,317**
Trade receivables		267,824	324,836	144,906	146,442
Contract work in progress	13	162,243	231,644	51,920	162,515
Receivables from group enterprises		52,989	-	27,842	30,541
Deferred tax assets	6	4,646	7,926	4,255	7,678
Tax receivables	6	13,289	11,980	13,289	11,980
Other receivables		6,401	10,982	4,524	9,457
Prepayments	14	15,315	7,026	7,468	4,776
Receivables		**522,707**	**594,394**	**254,204**	**373,389**
Cash	21	55,209	18,757	35,147	186
Total current assets		**590,455**	**629,637**	**299,084**	**382,892**
TOTAL ASSETS		**1,471,748**	**767,633**	**1,380,038**	**678,248**

LIABILITIES AND EQUITY

DKK'000	Note	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Equity					
Share capital		28,753	28,753	28,753	28,753
Reserve for development costs		233	2,634	233	2,634
Hedging reserve		1,217	-	1,217	-
Retained earnings		130,898	123,339	130,898	123,339
Total equity		**161,101**	**154,726**	**161,101**	**154,726**
Deferred tax	6	-	-	-	-
Warranty commitments	15	24,217	29,411	19,485	25,115
Other provisions	15	1,146	1,633	-	-
Total provisions		**25,363**	**31,044**	**19,485**	**25,115**
Mortgage credit institutions		1,946	2,588	1,946	2,588
Deferred income		2,969	6,032	-	-
Other non-current liabilities		57,338	20,599	57,338	20,599
Total non-current liabilities	**16**	**62,253**	**29,219**	**59,284**	**23,187**
Short-term portion of non-current liabilities		651	662	651	662
Prepayments from customers	13	934,237	93,480	898,992	56,136
Trade payables		90,323	127,795	49,420	82,943
Amounts owed to group enterprises		-	162,042	97,913	270,127
Tax payables	6	6,805	5,689	-	-
Other payables		189,939	161,902	92,116	64,278
Deferred income	17	1,076	1,074	1,076	1,074
Total current liabilities		**1,223,031**	**552,644**	**1,140,168**	**475,220**
TOTAL EQUITY AND LIABILITIES		**1,471,748**	**767,633**	**1,380,038**	**678,248**

Special items	7
Charges	18
Contingent items and other liabilities	19
Related parties	20

Statement of changes in equity

Group and Parent Company

DKK'000	Note	Share capital	Reserve for development costs	Reserve for hedging transactions	Retained earnings	2020	2019
Equity at 1 January 2020		**28,753**	**2,634**	**-**	**123,339**	**154,726**	**131,550**
Exchange rate adjustment of subsidiaries		-	-	-	(11,066)	**(11,066)**	3,690
Changes in derivative financial instruments		-	-	1,560	-	**1,560**	1,383
Exchange rate adjustment of loans to finance investments in subsidiaries		-	-	-	(1,826)	**(1,826)**	562
Retained earnings	22	-	(2,401)	-	20,049	**17,648**	17,969
Tax for the year on equity entries		-	-	(343)	402	**59**	(428)
Equity at 31 December 2020		**28,753**	**233**	**1,217**	**130,898**	**161,101**	**154,726**

Latest five years' changes in share capital may be specified as follows:

DKK'000	2020	2019	2018	2017	2016
Balance at 1 January	**28,753**	**28,753**	**28,753**	**28,753**	**15,500**
Cash capital increase	-	-	-	-	13,253
Balance at 31 December	**28.753**	**28.753**	**28.753**	**28,753**	**28,753**

The share capital consists of:
28,752,500 shares of DKK 1.

The share capital is distributed as follows:
28,588,000 A shares and 164,500 B shares

Consolidated cash flow statement

DKK'000	Note	2020	2019
Cash flows from operating activities			
Profit/loss before amortisation and depreciation		45,116	43,164
Other operating income/expenses		(65)	(252)
Net financials		(10,038)	(5,962)
Changes in provisions		(5,681)	(4,321)
Taxes paid		3,517	(28,885)
Total before change in operating capital		**32,849**	**3,744**
Change in inventories		3,947	(100)
Change in current receivables and contract work in progress		122,705	(154,501)
Change in prepayments and other current liabilities		111,358	78,442
Change in working capital		**238,010**	**(76,159)**
Total cash flows from operations		**270,859**	**(72,415)**
Cash flows from investing activities			
Investment in intangible assets		(2,089)	(8,265)
Investment in property, plant and equipment		(8,374)	(15,170)
Investment in financial assets		(168)	(164)
Sale of property, plant and equipment		408	252
Total cash flow from investing activities		**(10,223)**	**(23,347)**
Cash flows from financing activities		**260,636**	**(95,762)**
Cash flows from financing activities			
Repayment of long-term loans		(653)	(653)
Change in cash pool arrangement		(215,031)	91,845
Total cash flow from financing activities		**(215,684)**	**91,192**
Total cash flows		**44,952**	**(4,570)**
Cash and cash equivalents at the beginning of the year		18,757	17,964
Market value adjustment of opening cash and cash equivalents		(8,500)	5,363
CASH AND CASH EQUIVALENTS AT END OF YEAR	**21**	**55,209**	**18,757**

Notes

	Group		Parent Company	
DKK'000	2020	2019	2020	2019
1. Revenue				
Sales value of completed contracts	1,696,119	2,430,717	847,484	1,260,589
Sales value of work in progress, 31 December	1,246,148	1,063,442	797,584	647,425
Sales value of work in progress, 1 January	(1,063,442)	(1,589,373)	(647,425)	(822,867)
Revenue regarding contracts	**1.878.825**	**1.904.786**	**997.643**	**1,085,147**
Segment information				
Geographical markets for continuing operations				
Denmark	469,156	1,079,047	366,735	842,959
International	1,409,669	825,739	630,908	242,188
Total revenue	**1,878,825**	**1,904,786**	**997,643**	**1,085,147**
Business areas				
Renewables	394,554	366,378		
Oil & Gas	1,484,271	1,538,408		
Total revenue	**1,878,825**	**1,904,786**		
2. Other operating income/expenses				
Rental income	8,620	1,470	8,477	1,270
Gain on sale of construction activities	65	252	65	189
Loss on sale of property for resale	(472)	-	-	-
COVID-19 compensation schemes	7,627	-	-	-
	15,840	**1,722**	**8,542**	**1,459**

Accounting policies

Revenue

Construction contracts, in which projects are to a large degree individually designed, are included in revenue in proportion to the work completed, so that revenue is matched with the sales value of the work carried out during the year (the percentage of completion method). When the profit or loss from a construction contract cannot be reliably estimated, revenue is recognised only for costs incurred to the extent that it is likely such costs will be recovered.

In relation to the completion of construction contracts, from time to time the Group undertakes to make procurements on behalf of third parties. In situations where the Group does not assume significant rewards and risks relating to the goods, revenue is presented as net figures and measured at fair value of the agreed consideration for the service in question. Revenue is recognised as such when rewards and risks pass from the supplier to the third party, which is the time when the Group has earned the right to the consideration.

Other income from the sale of goods and services is recognised in the income statement when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

Segment information

Information is provided about geographical and business markets. The segment information follows the Group's accounting policies, risks and in-house financial management.

Accounting policies

Other operating income/expenses

Other operating income/ cost comprises items secondary to the activities of the enterprises, including gains on disposal of intangible assets and property, plant and equipment.

Notes

	Group		Parent Company	
DKK'000	**2020**	**2019**	**2020**	**2019**
3. Staff costs				
Wages	(936,261)	(934,220)	(528,459)	(549,320)
Pensions	(60,978)	(53,152)	(50,631)	(51,101)
Other social security costs	(7,468)	(10,854)	(8,369)	(9,822)
	(1,004,707)	**(998,226)**	**(587,459)**	**(610,243)**
Total Group remuneration to:				
Parent Company's Board of Directors	(625)	(646)	(625)	(646)
Parent Company's Executive Board	(6,179)	(6,655)	(6,179)	(6,655)
Average number of full-time employees	1,429	1,317	821	855

Share subscription rights

In 2018, the Company's Executive Board and Senior Vice Presidents were granted rights to subscribe for a total of 1,150,100 shares of DKK 1 nominal value in spring 2021. The subscription price will be the fair value at the date of grant.

No costs or liabilities were recognised at 31 December 2020 concerning share subscription rights.

	Group		Parent Company	
4. Fees to auditors appointed by the general meeting				
Fee for statutory audit	(865)	(845)	(505)	(495)
Tax consultancy	(892)	(929)	(812)	(818)
Other services	(741)	(765)	(539)	(660)
	(2,498)	**(2,539)**	**(1,856)**	**(1,973)**

Accounting policies

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the company's employees. Refunds received from public authorities are deducted from staff costs.

Accounting policies

Other external costs

Other external costs comprise costs for distribution, sale, advertising, administration, premises, bad debt losses, operating leases, etc.

Notes

DKK'000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
5. Financial income and expenses				
Other financial income	393	770	9	180
Interest income concerning group enterprises	-	-	813	763
	393	**770**	**822**	**943**
Other financial expenses	(10,431)	(6,732)	(8,936)	(6,092)
Interest expenses concerning group enterprises	-	-	(604)	(321)
	(10,431)	**(6,732)**	**(9,540)**	**(6,413)**
6. Tax				
Tax for the year				
Current tax	5,227	6,729	13,231	12,351
Deferred tax	(4,194)	(4,132)	(4,375)	(4,309)
Prior-year adjustments	(1,033)	(742)	26	(15)
	-	**1,855**	**8,882**	**8,027**

Accounting policies

Financial income and expenses

Financial income and expenses include interest, capital gains and losses on securities, payables and transactions in foreign currencies, amortisation of financial assets and liabilities, and surcharges and allowances under the tax prepayment scheme, etc.

Accounting policies

Tax on profit for the year

Semco Maritime A/S is jointly taxed with C.W. Obel A/S and a number of Danish subsidiaries. The current income tax liability is allocated among the jointly taxed Danish companies in proportion to their taxable income (full distribution with refunds for tax losses). The jointly taxed companies are taxed under the Danish tax prepayment scheme,

Tax for the year, comprising current corporate tax for the year, joint taxation contributions for the year and changes in deferred tax for the year, including such changes as follow from changes in the tax rate, is recognised in the income statement for such part of it as can be attributed to the profit/(loss) for the year, and directly in equity for such part of it as is attributable to amounts recognised directly in equity.

Current tax payable and receivable is recognised in the balance sheet 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.

Notes

	Group		Parent Company	
DKK'000	2020	2019	2020	2019
6. Tax – continued				
Deferred tax assets				
Deferred tax, 1 January	(7,926)	10,416	(7,678)	10,499
Prior-year adjustments	(972)	(22,486)	(952)	(22,486)
Adjustment of deferred tax, profit items	4194	4,.132	4,375	4,309
Exchange rate adjustments of deferred tax	58	12	-	-
Deferred tax assets 31 December	**(4,646)**	**(7,926)**	**(4,255)**	**(7,678)**

Deferred tax assets in all materiality relate to intangible assets and property, plant and equipment and guarantee commitments, etc. Deferred tax assets are expected to be utilised within the next three to five years.

	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Tax payable				
Tax payable, 1 January	(6,291)	5,579	(11,980)	-
Prior-year adjustments	2,005	23,228	926	22,501
Current tax for the year	(5,227)	(6,729)	(13,231)	(12,351)
Tax on equity entries	(58)	428	(58)	428
Exchange rate adjustment of tax payable	(430)	88	-	-
Tax paid during the year	3,517	(28,885)	11,054	(22,558)
Tax payable, 31 December	**(6,484)**	**(6,291)**	**(13,289)**	**(11,980)**
Tax payable is recognised in the balance sheet as follows				
Income tax receivable	(13,289)	(11,980)	(13,289)	(11,980)
Income tax payable	6,805	5,689	-	-
	(6,484)	**(6,291)**	**(13,289)**	**(11,980)**

§ Accounting policies

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet 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.

Joint taxation contributions payable and receivable are recognised in the balance sheet as »Income tax receivable« or »Income tax payable«, respectively.

Deferred tax is measured in accordance with the balance sheet liability method on all temporary differences between the carrying amount and tax base of assets and liabilities. However, deferred tax on temporary differences relating to goodwill which is not deductible for tax purposes and office buildings and other items is not recognised where temporary differences – other than business acquisitions – arise at the date of acquisition without affecting either the profit/(loss) for the year or the taxable income. In cases where the tax base may be computed according to several sets of tax regulations, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability planned by Management.

Deferred tax assets are recognised at the expected value of their utilisation, either as a set-off against tax on future earnings or as a set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, are applicable in the relevant countries at the time the deferred tax is expected to crystallise as current tax.

Notes

	Group		Parent Company	
DKK'000	**2020**	**2019**	**2020**	**2019**
7. Special items				

Special items comprise significant income and expenses of an exceptional nature relative to the Group's earnings-generating operating activities such as the costs of extensive structuring of processes and basic structural adjustments that over time have a material effect.

Special items also include other significant amounts of a one-off nature which Management considers not to be a part of the Group's primary operations.

As described in the Management's review, the profit for the year is affected by a number of factors which Management considers not to be a part of the primary operations.

The year's special items are specified below, including in which line items in the income statement they are recognised.

	Group		Parent Company	
DKK'000	**2020**	**2019**	**2020**	**2019**
Income				
COVID-19 compensation schemes	7,627	-	-	-
Costs				
Restructuring costs, etc.	(4,659)	(10,780)	(4,594)	(4,943)
Costs associated with the outbreak of COVID-19	(21,668)	-	(12,430)	-
Change in calculation method for employee obligations, etc.	(6,847)	-	(6,847)	-
Result of special items	**(25,547)**	**(10,780)**	**(23,871)**	**(4,943)**
Special items are recognised in the following line items:				
Other operating income	7,627	-	-	-
Staff costs	(31,691)	(5,874)	(22,453)	(3,399)
Other external expenses	(1,483)	(3,429)	(1,418)	(900)
Depreciation and impairment of non-current assets	-	(1,477)	-	(644)
Result of special items	**(25,547)**	**(10,780)**	**(23,871)**	**(4,943)**

The statement of special items is subject to uncertainty and estimates concerning costs derived from and the consequences of the COVID-19 pandemic.

The statement of costs and consequences derived from the COVID-19 pandemic include direct costs for standby time, down manning, demobilisation, safety precautions and lower utilisation of the Group's resources on projects affected by travel restrictions and other restrictions.

Notes

	Group			
DKK'000	Goodwill	Patents and licenses	Development projects	Total
8. Intangible fixed assets				
Cost at 1 January 2020	144,485	8,244	19,435	**172,164**
Exchange rate adjustment	(2,383)	(29)	-	**(2,412)**
Disposals during the year	-	-	(342)	**(342)**
Additions during the year	-	2,089	-	**2,089**
Cost at 31 December 2020	**142,102**	**10,304**	**19,093**	**171,499**
Amortisation at 1 January 2020	(90,660)	(37)	(5,686)	**(96,383)**
Exchange rate adjustment	530	-	-	**530**
Amortisation for the year	(3,923)	(1,109)	(2,736)	**(7,768)**
Amortisation 31 December 2020	**(94,053)**	**(1,146)**	**(8,422)**	**(103,621)**
Carrying amount at 31 December 2020	**48,049**	**9,158**	**10,671**	**67,878**
Carrying amount at 31 December 2019	**53,825**	**8,207**	**13,749**	**75,781**

Goodwill
The Company's investments in subsidiaries are considered to be of strategic importance to the Group. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 20 years, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles. The amortisation period is also determined on the basis of underlying lease agreements.

Development projects
Completed development projects primarily comprise the development and launch of new products and systems in the business area »Products & Technology«. Costs primarily covers internal costs related to salaries, which are recorded using the Company's in-house project module, and costs from third-party suppliers and consultants in connection with developing, testing and launching products and systems. The business area »Products & Technology« markets the new products and systems, which are expected to substantially improve the Company's competitiveness, leading to a higher level of activity and earnings going forward. Management has not found any evidence of impairment relative to the carrying amount.

Accounting policies

Goodwill

Goodwill is amortised over its estimated economic life determined on the basis of Management's experience with the individual business areas. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 20 years, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles.

Impairment of intangible assets

The carrying amount of intangible assets is analysed annually for evidence of impairment in addition to what is reflected by normal amortisation and depreciation charges.

If there is evidence of impairment, each asset or group of assets is tested for impairment. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is written down to its recoverable amount.

The recoverable amount is the higher of the net selling price and the value in use of an asset. The value in use is determined as the present value of the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Notes

DKK'000	Goodwill	Patents and licenses	Development projects	Total
		Parent Company		
8. Intangible fixed assets – continued				
Cost at 1 January 2020	110,624	7,840	19,435	**137,899**
Disposals during the year	-	-	(342)	**(342)**
Additions during the year	-	2,089	-	**2,089**
Cost at 31 December 2020	**110,624**	**9,929**	**19,093**	**139,646**
Amortisation at 1 January 2020				
Disposals during the year	(82,819)	(37)	(5,686)	**(88,542)**
Amortisation for the year	(2,363)	(1,109)	(2,736)	**(6,208)**
Amortisation 31 December 2020	**(85,182)**	**(1,146)**	**(8,422)**	**(94,750)**
Carrying amount at 31 December 2020	**25,442**	**8,783**	**10,671**	**44,896**
Carrying amount at 31 December 2019	**27,805**	**7,803**	**13,749**	**49,357**

Goodwill
The Company's investments in subsidiaries are considered to be of strategic importance to the Group. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 20 years, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles. The amortisation period is also determined on the basis of underlying lease agreements.

Development projects
Completed development projects primarily comprise the development and launch of new products and systems in the business area »Products & Technology«. Costs primarily covers internal costs related to salaries, which are recorded using the Company's in-house project module, and costs from third-party suppliers and consultants in connection with developing, testing and launching products and systems. The business area »Products & Technology« markets the new products and systems, which are expected to substantially improve the Company's competitiveness, leading to a higher level of activity and earnings going forward. Management has not found any evidence of impairment relative to the carrying amount.

§ Accounting policies

Patents and licences

Patents are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, whereas licenses are amortised over the licence period, although not exceeding 5 years.

Gains and losses on the sale of patents and licenses are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Profits or losses are recognised in the income statement under other operating income and expenses, respectively.

Development projects

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

Development projects which are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or business opportunity can be demonstrated and where the intention is to manufacture, market or utilise the project, are recognised as intangible assets if the cost can be reliably measured and there is sufficient certainty that future earnings can cover production and selling costs, administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment. After completion of the development work, development costs are amortised on a straight-line basis over the estimated economic life. The usual amortisation period is three to five years.

Notes

DKK'000	Land and buildings	Leasehold improve-ment	Plant and machinery	Fixtures and fittings, tools and equipment	Assets under construc-tion	Total
			Group			
9. Property, plant and equipment						
Cost at 1 January 2020	82,074	22,479	69,072	41,707	10,541	**225,873**
Exchange rate adjustment	-	(646)	(1,905)	(2,035)	-	**(4,586)**
Additions during the year	-	6,105	3,535	8,618	657	**18,915**
Disposals during the year	-	(519)	(1,596)	(404)	(10,541)	**(13,060)**
Cost at 31 December 2020	**82,074**	**27,419**	**69,106**	**47,886**	**657**	**227,142**
Depreciation at 1 January 2020	(64,441)	(8,812)	(62,588)	(36,186)	-	**(172,027)**
Reclassification	-	-	-	(709)	-	**(709)**
Exchange rate adjustment	-	259	1,650	2,005	-	**3,914**
Disposals during the year	-	519	1,596	404	-	**2,519**
Depreciation for the year	(2,210)	(2,076)	(2,509)	(2,867)	-	**(9,662)**
Depreciation 31 December 2020	**(66,651)**	**(10,110)**	**(61,851)**	**(37,353)**	**-**	**(175,965)**
Carrying amount 31 December 2020	**15,423**	**17,309**	**7,255**	**10,533**	**657**	**51,177**
Carrying amount 31 December 2019	**17,633**	**13,667**	**6,484**	**5,521**	**10,541**	**53,846**

§ Accounting policies

Property, plant and equipment

Land and buildings, leasehold improvements, plant and machinery and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. For assets produced in-house, cost comprises direct and indirect costs of materials, components, third-party suppliers and labour.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Assets are depreciated on a straight line basis over their estimated useful lives based on the following assessment of the expected lives of the assets:

Buildings	max. 50 years
Fixtures in buildings	10-25 years
Leasehold improvements	max. 10 years
Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	3-5 years
Cars	5-7 years
Rental material	10 years

Profits or losses are recognised in the income statement under other operating income and expenses, respectively.

Notes

	Parent Company				
DKK'000	**Land and buildings**	**Leasehold improve-ments**	**Plant and machinery**	**Fixtures and fittings, tools and equipment**	**Total**
9. Property plant and equipment – continued					
Cost at 1 January 2020	82,074	12,553	41,814	25,087	**161,528**
Additions during the year	-	883	59	8,528	**9,470**
Disposals during the year	-	-	(472)	-	**(472)**
Cost at 31 December 2020	**82,074**	**13,436**	**41,401**	**33,615**	**170,526**
Depreciation at 1 January 2020	(64,441)	(4,129)	(38,815)	(20,217)	**(127,602)**
Reclassification	-	-	-	(709)	**(709)**
Disposals during the year	-	-	472	-	**472**
Depreciation for the year	(2,210)	(792)	(1,030)	(2,253)	**(6,285)**
Depreciation at 31 December 2020	**(66,651)**	**(4,921)**	**(39,373)**	**(23,179)**	**(134,124)**
Carrying amount at 31 December 2020	**15,423**	**8,515**	**2,028**	**10,436**	**36,402**
Carrying amount at 31 December 2019	**17,633**	**8,424**	**2,999**	**4,870**	**33,926**

Accounting policies

Impairment of property plant and equipment

The carrying amount of property, plant and equipment is analysed annually for evidence of impairment in addition to what is reflected by normal depreciation charges.

If there is evidence of impairment, each asset or group of assets is tested for impairment. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is written down to its recoverable amount.

The recoverable amount is the higher of the net selling price and the value in use of an asset. The value in use is determined as the present value of the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Notes

	Parent Company	
DKK'000	**2020**	**2019**
10. Investments in group entities		
Cost 1 at January 2020	302,690	301,554
Additions during the year	-	1,136
Disposals during the year	-	-
Cost at 31 December 2020	**302,690**	**302,690**
Value adjustment	(140,041)	(192,617)
Disposals during the year	-	-
Exchange rate adjustment	(11,066)	3,689
Profit/loss for the year	51,088	48,887
Value adjustment at 31 December 2020	**(100,019)**	**(140,041)**
Write-down of receivables to cover negative net asset value	**30,445**	**28,359**
Carrying amount at 31 December 2020	**233,116**	**191,008**

An overview of investments in subsidiaries is shown on page 46.

Accounting policies

Impairment of financial assets

The carrying amount of investments in group enterprises is analysed annually for evidence of impairment over and above what is reflected by normal amortisation and depreciation charges. If there is evidence of impairment, each asset or group of assets is tested for impairment. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is written down to its recoverable amount. The recoverable amount is the higher of the net selling price and the value in use of an asset. The value in use is determined as the present value of the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Accounting policies

Profit/(loss) from investments in group enterprises

Under the equity method, a proportionate share of the profit/loss after tax in the underlying subsidiaries are recognised in the income statement.

The proportionate share of the profit or loss of subsidiaries after tax is recognised in the parent company income statement after full elimination of intra-group gains/losses.

Investments in group entities

Investments in subsidiaries are measured in the parent company's financial statements according to the equity method. The parent company has opted to consider the equity method a method of consolidation.

On initial recognition, investments in subsidiaries are measured at cost. Cost is allocated in accordance with the purchase method of accounting. See accounting policies regarding consolidated financial statements.

Cost is adjusted to reflect shares of profits after tax calculated in accordance with the Group's accounting policies with the deduction or addition of unrealised intra-group gains or losses.

Any value added and goodwill relative to the net asset value of the underlying business will be amortised in accordance with the Group's accounting policies. Dividends received are deducted from the carrying amount.

Investments in subsidiaries measured at net asset value are subject to an impairment test requirement in case of indications of impairment.

Notes

DKK'000	Group 2020 Deposit in escrow account	Deposits	Total	2019 Deposit in escrow account	Deposits	Total
11. Other financial assets						
Cost at 1 January 2020	-	8,369	**8,369**	-	8,205	**8,205**
Additions	753,701	168	**753,869**	-	164	**164**
Cost at 31 December 2020	**753,701**	**8,537**	**762,238**	**-**	**8,369**	**8,369**

DKK'000	Parent Company 2020 Deposit in escrow account	Deposits	Total	2019 Deposit in escrow account	Deposits	Total
11. Other financial assets						
Cost at 1 January 2020	-	8,369	**8,369**	-	8,205	**8,205**
Additions	753,701	168	**753,869**	-	164	**164**
Cost at 31 December 2020	**753,701**	**8,537**	**762,238**	**-**	**8,369**	**8,369**

Deposits concern the head office in Esbjerg, Denmark. Deposits in a bank escrow account concern prepayment on work in progress, which will be released in line with the completion of the project.

DKK'000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
12. Inventories				
Finished goods	12,539	13,127	9,733	9,317
Buildings held for sale	-	3,359	-	-
	12,539	**16,486**	**9,733**	**9,317**

Accounting policies

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The net realisable 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 the expected selling price.

Notes

	Group		Parent Company	
DKK'000	**2020**	**2019**	**2020**	**2019**
13. Contract work in progress				
Sales value at 31 December	1,246,148	1,063,442	797,584	647,425
Progress billings to customers	(2,018,142)	(925,278)	(1,644,656)	(541,046)
	(771,994)	**138,164**	**(847,072)**	**106,379**
Recognised in the balance sheet				
Contract work in progress	162,243	231,644	51,920	162,515
Prepayments	(934,237)	(93,480)	(898,992)	(56,136)
	(771,994)	**138,164**	**(845,072)**	**106,379**

Accounting policies

Construction contracts

Construction contracts are measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and the total expected income from the individual contracts.

When the selling price of a construction contract cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Individual construction contracts are recognised in the balance sheet under either receivables or payables. Net assets are determined as the sum of construction contracts where the selling price of the work performed exceeds progress billings. Net liabilities are determined as the sum of construction contracts where progress billings exceed the selling price.

Selling costs and costs incurred in securing contracts are recognised in the income statement as and when incurred.

14. Prepayments

Prepayments include prepaid costs regarding rent, IT licenses, rentals, etc.

Accounting policies

Prepayments

Prepayments comprise costs incurred relating to subsequent financial years.

Notes

DKK'000	Warranty commitments Group	Warranty commitments Parent Company
15. Warranty commitments		
Carrying amount at 1 January 2020	29,411	25,115
Additions during the year	24,217	19,485
Expenditure for the year	(29,411)	(25,115)
Carrying amount at 31 December 2020	**24,217**	**19,485**
Expected maturity:		
Within 1 year	24,217	19,485
After 1 year	-	-
	24,217	**19,485**

DKK'000	Group Other provisions
15. Other provisions	
Carrying amount at 1 January 2020	1,633
Additions during the year	1,146
Expenditure for the year	(1,633)
Carrying amount at 31 December 2020	**1,146**
Expected maturity:	
Within 1 year	1,146
After 1 year	-
	1,146

Other provisions include retirement benefit obligations

Accounting policies

Provisions

Provisions comprise expected expenses relating to guarantee commitments, restructuring, etc. Provisions are recognised when the Group has a legal or constructive obligation that arises from past events and it is probable that an outflow of financial resources will be required to settle the obligation.

Provisions are measured at net realisable value or fair value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Guarantee commitments comprise obligations to perform repair work within a warranty period of 1-5 years. Provisions are measured at net realisable value and recognised on the basis of experience from warranty work. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at the average bond yield.

Notes

	Group			
DKK'000	**Total payables**	**Instalments next year**	**Non-current liabilities**	**Outstanding debt after five years**
16. Non-current liabilities				
Mortgage credit institutions	2,597	651	1,946	-
Deferred income	2,969	-	2,969	-
Other non-current liabilities	57,338	-	57,338	-
	62,904	**651**	**62,253**	**-**

Deferred income recognised under non-current liabilities relates to payments received concerning income in subsequent financial years. Other non-current liabilities include payable frozen holiday funds.

	Parent Company			
DKK'000	**Total payables**	**Instalments next year**	**Non-current liabilities**	**Outstanding debt after five years**
Mortgage credit institutions	2,597	651	1,946	-
Other non-current liabilities	57,338	-	57,338	-
	59,935	**651**	**59,284**	**-**

Other non-current liabilities include payable frozen holiday funds.

17. Prepayments

Deferred income recognised under current liabilities relates to pre-invoiced rental income etc.

	Group		Parent Company	
DKK'000	**2020**	**2019**	**2020**	**2019**
18. Charges				
Consisting of:				
As security for mortgage loans	2,597	3,250	2,597	3,250
Properties have been mortgaged at a carrying amount of:	15,423	17,633	15,423	17,633

Accounting policies

Liabilities

Financial liabilities are recognised at the time a loan is raised in the amount of the proceeds less any transaction costs incurred. In subsequent periods, the financial liabilities are measured at amortised cost, equivalent to the capitalised value when the effective rate of interest is used, so that the difference between the proceeds and the nominal value is recognised in the income statement over the loan period.

Other payables are measured at net realisable value.

Accounting policies

Deferred income

Deferred income comprises payments received relating to income in subsequent financial years.

Notes

	Group		Parent Company	
DKK'000	2020	2019	2020	2019
19. Contingent and other liabilities and receivables				
The Group companies have undertaken contractual obligations customary to the line of business. These obligations have been covered by guarantees from banks and credit insurance companies in the amount of:	312,997	204,395	312,997	204,395
Performance guarantees usually cover a period of 1 to 5 years.				
Guarantees for the commitments of subsidiaries towards customers for contracts with a total value of:	-	-	1,499,178	117,431
The Group sometimes participate in joint arrangements, including joint ventures and joint operations. At 31 December 2020, the Group participates in joint operations. The participants in the joint operation have joint and several liability for the total contract sum of the contract in question.				
The participants have also provided a limited guarantee with primary liability in the amount of DKK 1,338 million for performance of the overall contract.				
Lease obligations (operating leases)				
< 1 year	36,745	44,216	22,923	21,890
1 - 5 years	129,610	140,382	81,854	80,715
> 5 years	97,646	117,236	97,646	112,722
	264,001	**301,834**	**202,423**	**215,327**
In connection with a head office lease contract, the parent company has entered into a subletting agreement with a third party.				
Subletting receivables amount to:				
< 1 year	4,184	3,394	4,184	3,394
1 - 5 years	6,425	10,298	6,425	10,298
	10,609	**13,692**	**10,609**	**13,692**

Accounting policies

Leases

On initial recognition, lease contracts for non-current assets under which the company has all material risks and rewards of ownership (finance leases) are measured in the balance sheet at the lower of the fair value and the present value of future lease payments. For the calculation of the net present value, the interest rate stated in the leases is used as the discount rate. Assets held under finance leases are subsequently depreciated as the company's other non-current assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest component of the lease payment is recognised in the income statement over the lease term.

All other leases are operating leases. Payments under operating leases are recognised in the income statement over the terms of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingent liabilities, etc.

Accounting policies

Joint arrangements

Joint arrangements are activities or entities jointly controlled by the Group and one or more other parties through cooperation agreements. Joint control implies that decisions on relevant activities require unanimous consent among the parties jointly controlling the arrangement.

Joint arrangements are classified as either joint operations or joint ventures. Joint operations are activities where the participants have direct rights over assets and are subject to direct liability, whereas joint ventures are activities where the participants solely have rights over the net assets.

The Group's activities in joint operations are recognised in the consolidated financial statements on a line-by-line basis.

Notes

DKK'000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
19. Contingent and other liabilities – continued				
The Company is jointly taxed with C.W. Obel A/S and other Danish Group companies. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.				
The company has entered into a cash pool arrangement with C.W. Obel A/S and subsidiaries in Norway, Germany and the UK.				
As security for debt to credit institutions in C.W. Obel A/S, the Company has provided a limited guarantee with primary liability in the amount of DKK 425 million.				
The company has issued letters of support towards a few of the subsidiaries.				
Due to its business character, the Group is naturally involved in various disputes and pending lawsuits. In Management's opinion the outcome of these disputes and lawsuits is not expected to have a material negative effect on the financial position.				
Financial instruments				
In order to secure debtors and creditors in foreign currencies, and future transactions for signed sale agreements, forward contracts have been entered into as per 31 December 2020 in USD, NOK, GBP and EUR. The counter value is:	**90,316**	**25,081**	**90,316**	**25,081**
The future transactions are expected to be effected in 2021.				

Accounting policies

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised under other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised as other receivables or payables and in equity. If the future transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability respectively. If the expected future transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged transaction affects the income statement.

For derivatives that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as they occur.

Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are recognised directly in equity.

Notes

DKK'000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
20. Related parties				
21. Cash and cash equivalents, end of year				
Cash	55,209	18,757		
Total	**55,209**	**18,757**		
22. Appropriation of profit/loss				
Proposed profit appropriation				
Transferred to reserves under equity			(2,401)	(2,118)
Retained earnings			20,049	20,087
			17,648	**17,969**

20. Related parties

The Company's related parties are the major shareholder Semco Maritime Holding A/S, Copenhagen, and the Company's Executive Board and Board of Directors.

Semco Maritime A/S is consolidated in the consolidated financial statements of C.W. Obel A/S (smallest group) and Det Obelske Familiefond (largest group).

Pursuant to section 98C of the Danish Financial Statements Act, the Company has opted to disclose transactions not carried out on an arm's length basis, of which there were none in the reporting year.

All transactions have been carried out on an arm's length basis.

21. Cash and cash equivalents, end of year

Cash includes deposits in escrow account in the amount of tDKK 35,165. Deposits in an escrow account concern prepayment on work in progress, which will be released in line with the completion of the project.

§ Accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

Accounting policies

The annual report for Semco Maritime has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The accounting policies applied in the preparation of the financial statements are consistent with those of last year.

The sections on accounting policies next to the notes form an integral part of the overall accounting policies.

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

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

Foreign subsidiaries are considered independent entities. Income statements are translated at average exchange rates for the month, while balance sheet items are translated at the year-end rates. Foreign exchange adjustments arising on translation of foreign subsidiaries' opening equity at the exchange rates at the balance sheet date and on translation of income statement items from average exchange rates to the exchange rates at the balance sheet date are taken directly to equity.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

On recognition of foreign subsidiaries monetary items are translated at the exchange rates at the balance sheet date.

Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset.

Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Derivative financial instruments – see note 19

Consolidated financial statements
The financial statements consolidate the parent company, Semco Maritime A/S, and subsidiaries in which Semco Maritime A/S directly or indirectly holds more than 50% of the voting rights or in other ways exercises a controlling interest.

On consolidation, intra-group income and expenses, equity investments, balances and dividends as well as realised and unrealised gains and losses on transactions between the consolidated entities are eliminated.

Investments in subsidiaries are eliminated at the proportionate share of the subsidiaries' fair value of net assets and liabilities at the date of acquisition. Jointly managed joint ventures are consolidated pro rata.

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition. Enterprises divested or wound up are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated to reflect acquisitions, divestments or companies wound up.

Acquisitions are accounted for using the purchase method, according to which the identifiable assets and liabilities of companies acquired are measured at fair value at the time of acquisition. A provision is recognised for costs relating to scheduled and announced restructuring in the acquired company in connection with the acquisition. The tax effect of revaluations is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based

Accounting policies

on an individual assessment of the economic life of the asset. Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition when the general revenue recognition criteria are met.

Positive and negative goodwill from acquired businesses may be adjusted until the end of the year after the acquisition.

Joint arrangements – see note 19

Income statement

Revenue – see note 1

Segment information – see note 1

Cost of sales
Cost of sales include costs such as direct and indirect costs for raw materials and consumables, wages and salaries incurred in generating the revenue for the year. Also, provision for losses on construction contracts is recognised.

Other operating income/expenses – see note 2

Staff costs – see note 3

Other external costs – see note 4

Profit/(loss) from investments in group enterprises – see note 10

Financial income and expenses – see note 5

Tax on profit/loss for the year – see note 6

Balance sheet

Intangible assets

Goodwill – see note 8

Patents and licences – see note 8

Development projects – see note 8

Property plant and equipment – see note 9

Lease agreements – see note 19

Investments in group enterprises – see note 10

Impairment of non-current assets – see notes 8, 9 and 10

Inventories – see note 12

Receivables
Receivables are measured at amortised cost. If there is objective evidence that a receivable or a portfolio of receivables is impaired, an impairment loss is recognised. If there is objective evidence that an individual receivable may be impaired, an impairment loss is recognised on an individual level.

In the event there is no objective evidence of individual impairment, receivables are tested for objective indications of impairment on a portfolio level. Portfolios are primarily based on debtors' registered office and credit ratings in accordance with the Company's and the Group's credit risk management policy. The objective indicators used for portfolios are fixed based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of receivables and the present value of expected future cash flows, including the realisable value of any collateral provided. The discount rate used is the effective interest rate for the individual receivables or portfolios.

Contract work in progress at cost – see note 13

Prepayments and accrued income – see note 14

Equity

Dividends
Proposed dividend is recognised as a liability at the time of adoption by the shareholders at the annual general meeting (the declaration date). Dividend expected to be paid in respect of the financial year is stated as a separate line item under equity.

Reserve for development costs
The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will

Accounting policies

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.

Hedging reserve
The hedging reserve contains the accumulated net change in the fair value of hedging transactions that qualify as hedges of future cash flows and for which the hedged transaction has yet to be realised. The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedge is no longer effective. As the reserve does not represent a legally binding amount, it may be negative.

Tax and deferred tax – see note 6

Provisions – see note 15

Liabilities – see note 16

Cash flow statement

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

Cash flows from operating activities
Cash flows from operating activities are calculated as the Group's share of profit or loss, adjusted for non-cash operating items, changes in working capital and income tax paid.

Cash flows from investing activities
Cash flows from investing activities comprise payments made in connection with the acquisition and disposal of companies and activities and of intangible assets, property, plant and equipment and investments.

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

Cash and cash equivalents – see note 21

Financial ratios

The financial ratios listed in »Financial highlights« have been calculated as follows:

Profit margin
$$\frac{\text{Operating profit x 100}}{\text{Revenue}}$$

Equity ratio
$$\frac{\text{Equity at year-end x 100}}{\text{Total equity and liabilities, year-end}}$$

Return on equity
$$\frac{\text{Profit on ordinary activities after tax x 100}}{\text{Average equity}}$$

Group overview

Semco Maritime A/S, Esbjerg, Denmark

- Semco Maritime Inc., Houston, USA
- Semco Maritime Renewables LLC, Boston, USA
- Bladt Semco Renewables LLC, Boston, USA (50%) (joint operation)
- Protobase Ltd, Norwich, UK (dormant company)
- Semco Maritime AS, Stavanger, Norway
  - Semco Maritime Drift AS, Stavanger, Norway
- Seguco S.A., Guatemala City, Guatemala
- Semco Maritime El Salvador S.A., San Salvador, El Salvador
- Semco Maritime Pte Ltd., Singapore
- Semco Maritime Vietnam JSC, Vung Tau City, Vietnam
- Semco Institute A/S, Esbjerg, Denmark
- Semco Maritime Energy Infrastructure Tanzania Ltd., Tanzania
- Semco Maritime UK Ltd., Aberdeen, UK
  - Semco Maritime Namibia Ltd., Namibia
- Semco Maritime Panama S.A., Panama
- Semco Maritime GmbH, Germany
- Compania de Servicios y Combustion Industrial S.A. (C2SI), Guatemala
- Semco Maritime LLC, Taipei, Taiwan ROC
- The Alliance JV, Rambøll-Semco, Joint Venture in Danmark

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today considered and approved the annual report of Semco Maritime A/S for the period 1 January to 31 December 2020.

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

In our opinion, the consolidated financial statements and the financial statements of the parent company give a true and fair view of the Group's and the company's assets and liabilities and financial position at 31 December 2020 and of the results of the Group's and the company's operations and the Group's cash flows for the financial year 1 January to 31 December 2020.

Furthermore, in our opinion, the Management's review includes a fair review of developments in the operations and financial position of the Group and the parent company, the financial results for the year and the Group's and the parent company's financial position.

We recommend the annual report for adoption at the annual general meeting.

Esbjerg, 20 April 2021

Executive Board:

Steen Brødbæk, CEO

Jørgen Devantier Gade, CFO

Board of Directors:

Anders Obel, Chairman

Jørgen Peter Rasmussen

Keith Taylor

Allan Thomsen
(employee representative

Harald Fjordby Knudsen
(employee representative)

Independent auditor's report

To the shareholders of Semco Maritime A/S

Opinion
We have audited the consolidated financial statements and the parent company financial statements of Semco Maritime A/S for the financial year 1 January – 31 December 2020, 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 2020 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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« (hereinafter 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 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 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 additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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

Independent auditor's report

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.

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.

Esbjerg, 20 April 2021

EY Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

Ole Hedemann,
State Authorised Public Accountant
mne14949

Michael Vakker Maass,
State Authorised Public Accountant
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Safety is part of our DNA

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