Sub C

SubC Partner A/S

Sahara 4, 6700 Esbjerg

CVR no. 28 70 26 12

Annual report 2016

Approved at the Company's annual general meeting on 30 May 2017

Chairman:

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Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of SubC Partner A/S for the financial year 1 January - 31 December 2016.

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

It is our opinion, that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2016 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2016.

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

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

Esbjerg, 30 May 2017
Executive Board:

Lars Wigant	Tonny Klein

Board of Directors:

Jan Hove Sørensen Chairman	Jan Stefan Tantholdt Nielsen	Kasper Skovgaard Kristensen

Independent auditors' report

To the shareholders of SubC Partner A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of SubC Partner A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the group and the parent company, as well as consolidated statement of cash flows. 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 2016 and of the results of the Group's and parent company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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" section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 these consolidated financial statements and parent company financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

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

Esbjerg, 30 May 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Per Gunslev State Authorised Public Accountant	Morten Østergaard Koch State Authorised Public Accountant

Management's review

Company details

Name	SubC Partner A/S
Address, zip code, city	Sahara 4, 6700, Esbjerg
CVR no.	28 70 26 12
Established	15 April 2005
Registered office	Esbjerg
Financial year	1 January - 31 December
Website	www.subcpartner.com
E-mail	mail@subcpartner.com
Telephone	+45 70 23 21 22
Fax	+45 70 10 04 69
Board of Directors	Jan Hove Sørensen, Chairman Jan Stefan Tantholdt Nielsen Kasper Skovgaard Kristensen
Executive Board	Lars Wigant Tonny Klein
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Havnegade 33, 6700 Esbjerg

Management's review

Financial highlights for the Group

DKK'000	2016	2015	2014	2013	2012
Key figures					
Gross profit	49,514	76,556	80,105	66,435	66,400
EBITDA	-2,607	17,148	21,189	15,192	27,756
Ordinary operating profit	-11,456	10,440	15,817	9,576	23,538
Financial income and expenses	-1,582	-945	-1,090	-2,803	-2,892
Profit/loss for the year	**-10,244**	**7,628**	**11,208**	**5,018**	**14,439**
Total assets	60,584	71,435	71,141	72,592	91,668
Capex in property, plant and equipment	7,899	14,701	7,800	9,800	6,136
Equity	**12,970**	**30,812**	**34,172**	**22,935**	**18,025**
Subordinate loan capital	7,876	-	-	-	-
Cash flows from operating activities	3,650	16,016	28,978	11,594	-10,058
Cash flows from investing activities	-9,542	-16,998	-7,404	-10,310	-5,952
Cash flows from financing activities	5,232	-11,566	-942	-13,849	24,815
Total cash flows	-660	**-12,548**	**20,632**	**-12,565**	8,805
Financial ratios					
Solvency ratio	21.5 %	43.1 %	48.0 %	31.6 %	19.7 %
Solvency ratio incl. subordinate loan	34.4 %	43.1 %	48.0 %	31.6 %	19.7 %
Return on equity	-46.8 %	23.5 %	39.3 %	24.5 %	347.1 %
Average number of full-time employees	87	100	104	82	56

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

Management's review

Operating review

Principal activities of the Group

SubC Partner Group is engaged in subsea and topside inspection, repair and maintenance of offshore wind and oil/gas installations and vessels as well as manufacturing and repair of modules, structures and process equipment for the oil/gas industry. SubC Partner covers the entire value chain from engineering to operations/installations.

Development in activities and financial position

Profit after tax amounted to DKK -10,244 thousand compared to DKK 7,628 thousand last year. The activity and the profit for the year was lower than expected level, and management considers the profit for the year to be non-satisfactory.

The operating cash flow for 2016 amounted to DKK 3,650 thousand, which management considers being non-satisfactory.

The root cause is very low activities within oil/gas industry.

Outlook

The market activity in the offshore oil/gas industry in Denmark is expected to pick up in 2017 due to the "North Sea Agreement". The market for the offshore wind industry is expected to be on level with 2016. SubC Partner operates on both market segments and the development in both markets are therefore important for the results in 2017. Based on the unsatisfactory development in 2016, the group has taken various measures in order to adapt to the current situation in both markets. Since the market, activity is currently low however higher than 2016 the group expects to grow revenue and secure positive earnings in 2017.

Events after the balance sheet date

No events have occurred subsequent to the balance sheet date, which would have significant impact on the financial position of the Company.

Particular risks

General risks

The offshore Wind- and the Oil and Gas- industries are characterized by a cyclical level of activity. Furthermore, the activity level is highly influenced by political discussions and legislation. The activities in the Group are spread across a number of business areas, reducing dependence of individual segments. It is also essential to the Group to be ahead of the technological development within all business areas.

Financial risks

Due to the level of Group interest bearing debt, moderate changes in the interest rates will only have minor effect on the Group's earnings. Interest rate positions are made.

The ongoing operations are exposed to currency exchange risks. The Group invoices in DKK, EUR, GBP and NOK, whereas a large share of purchasing is in DKK, EUR and GBP. Currency risks are mainly hedged by purchasing and invoicing in the same currency. Significant contracts in GBP or NOK will be hedged by currency forward contracts.

Management's review

Operating review

Intellectual capital

The level of knowledge achieved by the Group is based on competence development, supplementary education, retention of staff and an inspiring, developing and challenging working environment, as well as ongoing employment of people with complementary expertise.

The Group continuously develops the level of knowledge so that it becomes a positive part of the group image and amplifies the market opportunities for the Group.

In addition, the Group owns worldwide Intellectual Property Rights.

Influence on external environment

For the benefit of the environment as well as from a financial point of view, the Group will try to reduce its environmental impact.

The Group maintains an efficient waste separation system, which ensures that the maximum amount of waste is recycled.

Research and development activities

The group has no research activities.

The development activities are made in the parent company and include new welding procedures and technical solutions within subsea activities.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Income statement

		Consolidated		Parent company	
Note	DKK'000	2016	2015	2016	2015
	Gross profit	49,514	76,556	48,315	74,103
2	Staff costs	-52,121	-59,408	-50,936	-57,070
5/6	Depreciation on property, plant and equipment, amortisation of intangible assets and impairment losses	-9,017	-6,872	-9.004	-6,858
	Other operating income	168	164	168	164
	Ordinary operating profit	-11,456	10,440	-11,457	10,339
	Income from investments in subsidiaries	0	0	17	78
	Financial income	28	30	26	30
3	Financial expenses	-1,610	-975	-1,606	-975
	Profit before tax	-13,038	9,495	-13,020	9,472
4	Tax on profit for the year	2,794	-1,867	2,776	-1,844
	Profit/loss for the year	-10,244	7,628	-10,244	7,628

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
	ASSETS				
	Non-current assets				
5	**Intangible assets**				
	Completed development projects	4,417	3,367	4,417	3,367
	Intangible assets acquired	571	738	571	738
		4,988	4,105	4,988	4,105
6	**Property, plant and equipment**				
	Leasehold improvements	1,428	2,558	1,428	2,558
	Fixtures and fittings, tools and equipment	24,510	23,544	24,507	23,528
		25,938	26,102	25,935	26,086
	Investments				
7	Investments in subsidiaries	0	0	710	791
	Deposits	572	597	570	570
		572	597	1,280	1,361
	Total non-current assets	31,498	30,804	32,203	31,552
	Current assets				
	Inventories				
	Raw materials and consumables	8,363	7,988	8,363	7,988
		8,363	7,988	8,363	7,988
	Receivables				
	Trade receivables	10,707	20,882	10,707	20,843
8	Contract work in progress	5,442	5,586	5,442	5,586
	Deferred tax assets	518	0	494	0
	Income taxes receivable	891	0	891	0
	Other receivables	732	1,603	514	1,436
9	Prepayments	1,362	1,690	1,356	1,674
		19,652	29,761	19,404	29,539
	Cash at bank and in hand	1,071	2,882	1,046	2,776
	Total current assets	29,086	40,631	28,813	40,303
	TOTAL ASSETS	60,584	71,435	61,016	71,855

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
	EQUITY AND LIABILITIES				
	Equity				
10	Share capital	500	500	500	500
	Reserve for net revaluation acc. to the equity method	0	0	480	561
	Reserve for development costs	1,549	0	1,549	0
	Retained earnings	10,921	22,812	10,441	22,251
	Proposed dividends	0	7,500	0	7,500
	Total equity	12,970	30,812	12,970	30,812
	Provisions				
11	Deferred tax	0	2,281	0	2,282
	Total provisions	0	2,281	0	2,282
	Liabilities other than provisions				
12	**Non-current liabilities other than provisions**				
	Lease liabilities	4,282	309	4,282	309
	Subordinate loan capital	7,876	0	7,876	0
		12,158	309	12,158	309
	Current liabilities other than provisions				
	Current portion of non-current liabilities other than provisions	1,487	228	1,487	228
	Bank loans and overdrafts	23,397	24,548	23,397	24,548
8	Contract work in progress	74	126	74	126
	Trade payables	3,824	6,136	3,824	6,136
	Payables to group entities	49	0	532	465
	Income taxes payable	4	925	0	913
	Other payables	6,621	6,070	6,574	6,036
		35,456	38,033	35,888	38,452
	Total liabilities other than provisions	47,614	38,342	48,046	38,761
	TOTAL EQUITY AND LIABILITIES	60,584	71,435	61,016	71,855

1 Accounting policies
13 Mortgages and collateral
14 Contractual obligations and contingencies, etc.
15 Related party disclosures
16 Subscription right warrants
17 Appropriation of profit

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Statement of changes in equity

	Consolidated				
DKK'000	Share capital	Retained earnings	Reserve for development costs	Proposed dividends	Total
Equity at 1 January 2016	500	22,812	0	7,500	30,812
Distributed dividends	0	0	0	-7,500	-7,500
Foreign exchange adjustment	0	-98	0	0	-98
Profit for the year, see profit appropriation	0	-11,793	1,549	0	-10,244
Equity at 31 December 2016	500	10,921	1,549	0	12,970

	Parent company					
DKK'000	Share capital	Net revaluation acc. to the equity method	Reserve for development costs	Retained earnings	Proposed dividends	Total
Equity at 1 January 2016	500	561	0	22,251	7,500	30,812
Distributed dividends	0	0	0	0	-7,500	-7,500
Foreign exchange adjustment	0	-98	0	0		-98
Profit for the year, see profit appropriation (note 17)	0	17	1,549	-11,810	0	-10,244
Equity at 31 December 2016	500	480	1,549	10,441	0	12,970

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Cash flow statement

	Consolidated	
DKK'000	2016	2015
Profit for the year	-10,244	7,628
Financial income and expenses	1,582	945
Tax on profit for the year	-2,794	1,867
Profit before financial income and expenses	-11,456	10,440
Exchange rate adjustment	-98	12
Depreciation and amortisation	9,017	6,872
Gains/losses on the disposal of plant and equipment	-168	-164
Changes in inventories	-376	389
Changes in receivables	11,467	9,179
Changes in trade payables	-1,713	-5,048
Cash generated from operations (operating activities)	6,673	21,680
Interest received	28	30
Interest paid	-1,234	-975
Corporation tax paid	-1,817	-4,719
Cash flows from operating activities	**3,650**	**16,016**
Acquisition of intangible assets	-1,987	-2,875
Acquisition of property, plant and equipment	-7,899	-14,701
Disposal of property, plant and equipment	318	553
Changes in deposits	26	25
Cash flows from investing activities	**-9,542**	**-16,998**
Repayment of long-term debt	-665	-566
Paid dividends	-7,500	-11,000
Lease liabilities	5,897	0
Subordinate loan capital	7,500	0
Cash flows from financing activities	**5,232**	**-11,566**
Net cash flows from operating, investing and financing activities	**-660**	**-12,548**
Cash and cash equivalents at 1 January	-21,666	-9,118
Cash and cash equivalents at 31 December	**-22,326**	**-21,666**

Cash and cash equivalents, cash flow statement

Cash and cash equivalents according to the balance sheet	1,071	2,882
Short-term debt to banks	-23,397	-24,548
	-22,326	**-21,666**

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 **Accounting policies**

The annual report of SubC Partner A/S for 2016 has been prepared in accordance with the provisions applying to reporting class C mid-sized enterprises under the Danish Financial Statements Act.

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

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

Re 1: In future, residual values of property, plant and equipment are subject to annual reassessment.

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

None of the above changes impacts on the income statement or the balance sheet for 2016 or the comparative figures.

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

Reporting currency

The financial statements are presented in Danish kroner.

Consolidated financial statements

The consolidated financial statements comprise the parent company, SubC Partner A/S, and subsidiaries in which SubC Partner A/S directly or indirectly holds more than 50 % of the voting rights or which it, in some other way, controls.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of such assets can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and the value of such liabilities can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Moreover, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts that were previously recognised in the income statement.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the transaction date. Exchange rate differences arising between the exchange rates at the transaction date and the exchange rate at the date of payment are recognised as a financial item in the income statement.

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

Revenue

Revenue is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place by the end of the year and that the income can be reliably measured and is expected to be received. Revenue is recognised ex. VAT and taxes charged on behalf of third parties.

Work in progress concerning customised production is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method).

In compliance with section 32 of the Danish Financial Statements Act, the Company has decided not to specify its revenue. Gross profit contains revenue, cost of goods sold and other external expenses.

Other external costs

Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, lease payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, included compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Other operating income

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

Other operating costs

Other operating costs comprise items secondary to the activities of the enterprises, including losses on disposal of intangible assets and property, plant and equipment.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Financial income and expenses

Financial income and expenses comprise interest income and expense, capital gains and losses on securities, payables and transactions denominated in foreign currencies and amortisation of financial assets and liabilities.

Profit/loss from investments in subsidiaries

The Company's proportional share of profit after tax of the subsidiaries is recognised in the income statement.

Tax on profit/loss for the year

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The Company is jointly taxed with its higher-ranking parent company.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits (full absorption).

Balance sheet

Intangible assets

Intangible assets comprise development projects and other acquired rights. Intangible assets are measured at cost less accumulated amortisation and impairment losses.

The estimated useful life of intangible assets is as follows:

Completed development projects	5-7 years
Intangible assets acquired	5-7 years

Development projects are recognised as assets provided that they are clearly defined and identifiable and that the below recognition criteria are observed:

- the technical feasibility of completing the project is evidenced,
- it is the intention to produce, market or to use the product or the process,
- the availability of adequate technical and financial resources and ability to complete the development project and to use or sell it,
- it is probable that the project will result in future economic benefits and that a potential future market or possibilities of using the project internally in the Company are evidenced, and
- the cost can be reliably measured.

Development costs that do not qualify for capitalisation, are recognised as cost in the income statement as incurred.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Leasehold improvements	5 years
Fixtures and fittings, tools and equipment	2-10 years

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

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

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc.

Investments in subsidiaries

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries are measured at the proportionate share of the equity value of the enterprises calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group gains and losses and plus or minus the residual value of positive or negative goodwill determined in accordance with the purchase method.

Net revaluation of investments in subsidiaries is recognised in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds cost.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Deposits

Deposits are recognised at cost.

Inventories

Inventories are measured at average cost, according to the FIFO-method. Where the net realisable value is lower than cost, inventories are written down to the net realisable value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs necessary to make the sale and is determined in consideration of marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost. Write-down to net realisable value is made for expected losses.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Contract work in progress

Work in progress (customised orders) is measured at the selling price of the work performed; less any payments received on account of the customer and expected losses.

The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract. The stage of completion is determined on the basis of an estimate of the work, usually calculated as the ratio between the costs incurred and total estimated costs of the order or hours worked and the total estimated hours worked for that order.

When the selling price of an individual order cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Individual contracts are recognised in the balance sheet under either receivables or payables depending on the net value of the selling price less progress billings and prepayments.

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

Prepayments, assets

Prepayments comprise costs incurred in relation to subsequent financial years.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method. The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Reserve for development costs

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

Proposed dividends

Dividends proposed for the financial year are presented as a separate item under equity.

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.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax value, deferred tax is measured based on Management's planned use of the asset or the settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised under assets at the expected value of their utilisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Subordinate loan capital

Liabilities where the creditors have stated they are willing to subordinate their claim to rank after all the entity's other creditors are presented as subordinate loan capital. Subordinate loan capital is recognised using the same method as applies to liabilities.

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 flow related to acquisitions and disposals of businesses are presented separately in cash flows from investing activities. Cash flows from acquisitions of businesses are recognised up until the date of acquisition, and disposals of businesses are recognised up until the date of disposal.

In accordance with section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared for the parent company as the Company's cash flow statement is included in the consolidated cash flow statement.

Cash flows from operating activities

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

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of acquisitions and disposals of non-current assets.

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

Cash and cash equivalents comprise cash in hand and bank overdrafts.

Financial ratios

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

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Solvency ratio $\dfrac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$

Solvency ratio incl. subordinate loan capital $\dfrac{\text{Equity and subordinate loan capital at year end x 100}}{\text{Total equity and liabilities at year end}}$

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

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
2	**Staff costs and incentive programmes**				
	Wages and salaries	47,706	53,940	46,713	52,000
	Pensions	3,583	4,370	3,527	4,268
	Other social security costs	456	688	391	404
	Other staff costs	376	410	305	398
		52,121	59,408	50,936	57,070
	Average number of full-time employees	87	100	86	98

Consolidated and parent company

Remuneration of the Executive Board and the Board of Directors amounts to DKK 1,455 thousand (2015: DKK 1,552 thousand). During 2016 there was only one person in the company's Executive Board.

Remuneration of the management group is partial by results.

		Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
3	**Financial expenses**				
	Interest expenses to group enterprises	376	0	376	0
	Other financial expenses	1,234	975	1,230	975
		1,610	975	1,606	975
4	**Tax on profit for the year**				
	Adjustment of deferred tax	-2,799	-1,781	-2,776	-1,805
	Adjustments to previous year	1	574	0	574
	Current tax for the year	4	3,074	0	3,075
		-2,794	1,867	-2,776	1,844

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

5 Intangible assets

DKK'000	Consolidated		
	Completed Develop-ment projects	Intangible assets acquired	Total
Cost at 1 January 2016	7,431	1,139	8,570
Additions during the year	1,987	0	1,987
Disposals during the year	0	0	0
Cost at 31 December 2016	9,418	1,139	10,557
Amortisation at 1 January 2016	4,064	401	4,465
Amortisation	937	167	1,104
Amortisation at 31 December 2016	5,001	568	5,569
Carrying amount at 31 December 2016	4,417	571	4,988

DKK'000	Parent Company		
	Completed develop-ment projects	Intangible assets acquired	Total
Cost at 1 January 2016	7,431	1,139	8,570
Additions during the year	1,987	0	1,987
Disposals during the year	0	0	0
Cost at 31 December 2016	9,418	1,139	10,557
Amortisation at 1 January 2016	4,064	401	4,465
Amortisation	937	167	1,104
Amortisation at 31 December 2016	5,001	568	5,569
Carrying amount at 31 December 2016	4,417	571	4,988

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

	Consolidated		
DKK'000	Fixtures and fittings, other plant and equip.	Leasehold improve-ments	Total
Cost at 1 January 2016	46,330	6,217	52,547
Additions	7,897	2	7,899
Disposals	-6,655	-490	-7,145
Cost at 31 December 2016	47,572	5,729	53,301
Depreciation at 1 January 2016	22,523	3,659	26,182
Depreciation	7,194	719	7,913
Depreciation on disposals	-6,655	-77	-6,732
Depreciation at 31 December 2016	23,062	4,301	27,363
Carrying amount at 31 December 2016	24,510	1,428	25,938
Thereof carrying amount of assets held under finance leases	5,053	0	5,053

	Parent Company		
DKK'000	Fixtures and fittings, other plant and equip.	Leasehold improve-ments	Total
Cost at 1 January 2016	46,273	6,217	52,490
Additions	7,897	2	7,899
Disposals	-6,655	-490	-7,145
Cost at 31 December 2016	47,515	5,729	53,244
Depreciation at 1 January 2016	22,482	3,659	26,141
Depreciation	7,181	719	7,900
Depreciation on disposals	-6,655	-77	-6,732
Depreciation at 31 December 2016	23,008	4,301	27,309
Carrying amount at 31 December 2016	24,507	1,428	25,935
Thereof carrying amount of assets held under finance leases	5,053	0	5,053

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	Parent company 2016	Parent company 2015
7 Investments in subsidiaries		
Cost at 1 January	230	230
Additions	0	0
Cost at 31 December	230	230
Value adjustments at 1 January	561	471
Foreign currency translation adjustments	-98	12
Profit for the year	17	78
Opening adjustments	0	0
Value adjustments at 31 December	480	561
Carrying amount at 31 December	710	791

Name and registered office	Voting rights and ownership
SubC Partner UK Ltd, England	100 %
SubC Deutschland GmbH, Germany	100 %
SubC Partner Norge AS, Norway	100 %

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
8 Contract work in progress				
Selling price of work performed	32.642	37,212	32.642	37,212
Progress billings	-27.274	-31,752	-27.274	-31,752
	5.368	5,460	5.368	5,460
recognised as follows:				
Contract work in progress (assets)	5.442	5,586	5.442	5,586
Contract work in progress (liabilities)	-74	-126	-74	-126
	5.368	5,460	5.368	5,460

9 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including insurance polices, rent, staff healthcare and subscriptions.

10 Share capital

The share capital comprises 500,000 shares of DKK 1 each. All shares rank equally.

The recent 5-year changes of the share capital specified as follows:

	Consolidated				
DKK'000	2016	2015	2014	2013	2012
Share capital 1 January	500	500	500	255	125
Capital increase	0	0	0	245	130
Share capital 31 December 2016	500	500	500	500	255

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
11 Deferred tax				
Deferred tax at 1 January	2,281	4,062	2,282	4,087
Deferred tax on profit for the year	-2,799	-1,781	-2,776	-1,805
Deferred tax at 31 December	-518	2,281	-494	2,282

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

12 Non-current liabilities

DKK'000	Falling due between 1 and 5 years	Falling due after more than 5 years	Total non-current liabilities at 31 December 2016	Current portion of non-current liabilities other than provisions
Consolidated				
Lease obligations	5,769	0	5,769	1,487
Subordinate loan capital	7,876	0	7,876	0
	13,645	0	13,645	1,487
Parent company				
Lease obligations	5,769	0	5,769	1,487
Subordinate loan capital	7,876	0	7,876	0
	13,645	0	13,645	1,487

There is no specific repayment plan for the subordinate loan capital, but it has been agreed that it will be paid out when SubC Partner A/S' solvency ratio allows for this.

13 Mortgages and collateral

Consolidated and Parent Company

The Company has provided a company charge of DKK 39,000 thousand as collateral for bank loans, etc. of DKK 23,397 thousand. The company charge comprises unsecured claims, inventories, property, plant and equipment and intangible assets with a carrying amount of DKK 50,311 thousand at 31 December 2016.

Fixtures and fittings, other plant and equipment with a carrying amount of DKK 5,053 thousand at 31 December 2016, see note 6, have been financed by finance leases, representing DKK 5,769 thousand at 31 December 2016.

Bank deposits of DKK 1,050 thousand has been pledged as security for maximum performance bond guarantees of DKKK 30,000 thousand of which DKK 2,382 thousand are used as of 31 December 2016.

14 Contractual obligations and contingencies, etc.

Consolidated and Parent Company

The parent company is jointly taxed with the ultimate parent company. 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.

Consolidated

The group has entered into leases with a combined lease payment of DKK 6,171 thousand. The remaining term of the leases is 3-48 months.

Parent Company

The Company has entered into leases with a combined lease payment of DKK 6,237 thousand. The remaining term of the leases is 3-48 months.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

15 **Related party disclosures**

Parent company

SubC Partner A/S' related parties comprise the following:

Related parties exercising control

Related parties	Address/registered office	Basis for exercising control
Parent company SubCPartner Holding ApS	Kogade 1A, 6700 Esbjerg	Shareholding
Ultimate parent company LDETRE Holding 14 ApS	Gammeltorv 18, 1457 København K	Shareholding

Information on consolidated financial statements

Parent company	Address/registered office	Consolidated financial statements are obtainable from
LDETRE Holding 14 ApS	Gammeltorv 18, 1457 København K	The Danish Business Authority

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5 % of the votes or minimum 5 % of the share capital:

SubCPartner Holding ApS
LDETRE Holding 14 ApS

16 **Subscription right warrants**
The Company has issued warrants, which enables the owner right to subscribe shares amounting to nom. DKK 39 thousand in the company until 13 June 2019. The subscription price will be set at fair value at the time of date of issue.

DKK'000	Parent company 2016	Parent company 2015
17 **Appropriation of profit**		
Recommended appropriation of profit		
Proposed dividends recognised as equity	0	7,500
Reserve for development costs	1,549	0
Retained earnings	-11,810	50
Reserve for net revaluation according to the equity method	17	78
	-10,244	7,628