

SubC Partner A/S

Sahara 4, 6700 Esbjerg

CVR no. 28 70 26 12

Annual report 2019

Approved at the Company's annual general meeting on
17 February 2020

Chairman:

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of SubC Partner A/S for the financial year 1 January - 31 December 2019.

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

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

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

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

Esbjerg, 17 February 2020
Executive Board:

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Tonny Klein

Board of Directors:

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Rune Værndal
Chairman

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Peter Sønderlyng

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Joachim Vanggaard

.....
Tonny Klein

Independent auditor's report

To the shareholders of SubC Partner A/S

Opinion

We have audited the financial statements of SubC Partner A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on 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 Statement Act. We did not identify any material misstatement of the Management's review.

Esbjerg, 17 February 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Morten Østergaard Koch
State Authorised Public Accountant
mne35420

Management's review

Company details

Name	SubC Partner A/S
Address, Postal 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
Telefax	+45 70 10 04 69
Board of Directors	Rune Værndal, Chairman Peter Sønderlyng Joachim Vanggaard Tonny Klein
Executive Board	Tonny Klein
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Havnegade 33, 6700 Esbjerg, Denmark

Management's review

Financial highlights

DKK'000	2019	2018	2017	2016	2015
Key figures					
Gross margin	58,766	52,483	27,932	48,483	74,267
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	21,134	15,816	-11,718	-2,453	17,257
Operating profit/loss	15,593	8,820	-23,985	-11,457	10,440
Net financials	-538	-1,018	-1,568	-1,580	-945
Profit for the year	11,792	6,231	-19,961	-10,244	7,628
Balance sheet					
Total assets	33,267	48,991	51,793	61,017	71,855
Investment in property, plant and equipment	-3,049	-4,698	-1,033	-7,899	-14,701
Equity	10,896	7,604	1,370	12,970	30,812
Financial ratios					
Equity ratio	32.8%	15.5%	2.6%	21.3%	42.9%
Return on equity	127.5%	138.9%	-278.4%	-46.8%	23.5%
Personnel					
Average number of employees	54	57	67	86	98

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

Management's review

Business review

SubC Partner A/S (SubC) is engaged in the Oil & Gas and renewables sectors. SubC is a full scope offshore contractor focusing on innovative technological approaches to the challenges of operating offshore installations.

We perform Subsea Inspections and Operations using our fleet of Remote Operated Vehicles (ROVs) and we have developed an innovative, safe and cost effective technology platform for operations and inspections in the hazardous Splash Zone environment – Our robotic Crawlers – which are operated by SubC personnel. As a full scope contractor SubC also manufacture, repair and maintain process modules, structures, process equipment and supply complete turnkey solutions for both the Oil & Gas and the Offshore Wind Industry. SubCs in house competences covers the entire value chain from engineering to installations and commissioning.

Financial review

SubC continues the positive development in 2019 which is primarily driven by succesful focus on implementation of new innovative solutions, succes with own products and onboarding of new international customers. The positive development is expected to continue going forward, which is supported by market activities.

Profit after tax amounted to DKK 11,792 thousand compared to DKK 6,231 thousand last year. EBITDA in 2019 was DKK 21,134 thousand compared with EBITDA DKK 15,816 thousand in 2018.

Development of new concept/products

SubC will improve the product lines and develop a range of new products - Especially the JibFlex and the Robotic Crawler are showing a positive trend and new features for these products will be introduced in 2020. The product lines have shown positive tendency and the pipelin are continuously growing leading to a positive result in 2020.

Future expectations

SubC enters 2020 with a strong organization, a clear strategy and the outlook to an increased activity level, with expectations of a prospers 2020 with a profit for the year at the same level as profit for the year in 2019.

Unchanged strategy

SubC expert unchanged execution of the strategy in 2020. SubC will continue to establish its strong position as a service provider delivering a long value chain from engineering to installation/operation and commissioning - A 360 degree position that continungly is sought for in the market. The focus will be on offshore oil/gas and Wind.

Events after the balance sheet date

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

Special 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 Company are spread across a number of business areas, reducing dependence of individual segments. It is also essential to the Company to be ahead of the technological development within all business areas.

Financial risks

Due to the level of company interest bearing debt, moderate changes in the interest rates will only have minor effect on the company's earnings.

Management's review

The ongoing operations are exposed to currency exchange risks. The Company 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.

Knowledge resources

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

In addition, the Company owns worldwide Intellectual Property Rights.

Impact on the external environment

The Company's vision is to provide the most innovative, flexible, and cost-effective solutions in the offshore industry. With focus on high level of expertise, a strong innovative approach, and focus on highly technical solutions, the Company contribute to a reduced environmental footprint.

The Company is committed to achieving the best Health, Safety & Environment performance in the industry and promote a culture that continuously improves Health, Safety & Environment performance.

To support the company's goals within Health, Safety, Environment and Quality, the company is working according to a DS/EN ISO 9001:2015 certified Management system and a DS/EN ISO 14001:2015 & DS/EN ISO 45001:2018 certified Environment and Occupational Health & Safety system.

The Company has set out ambitious objectives in relation to Health, Safety and Environment.

Amongst these are:

- ZERO long-term sick (Work Related)
- ZERO Lost Time Injury – LTI
- ZERO impact to the environment

Research and development activities

The Company has no research activities.

The development activities include new welding procedures and technical solutions within splashzone and subsea activities.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
	Gross profit	58,766	52,483
2	Staff costs	-37,632	-36,667
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-5,420	-6,237
	Profit before net financials	15,714	9,579
	Income from investments in group entities	-70	-450
	Financial income	0	71
	Financial expenses	-538	-1,089
	Profit before tax	15,106	8,111
3	Tax for the year	-3,314	-1,880
	Profit for the year	11,792	6,231

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Fixed assets		
4	Intangible assets		
	Completed development projects	2,700	3,949
	Acquired intangible assets	216	387
	Development projects in progress	724	0
		<u>3,640</u>	<u>4,336</u>
5	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	8,502	9,410
	Leasehold improvements	403	414
		<u>8,905</u>	<u>9,824</u>
6	Investments		
	Investments in group entities, net asset value	118	189
	Other receivables	285	290
		<u>403</u>	<u>479</u>
	Total fixed assets	<u>12,948</u>	<u>14,639</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	6,367	5,983
		<u>6,367</u>	<u>5,983</u>
	Receivables		
	Trade receivables	9,752	20,868
7	Work in progress for third parties	1,857	2,795
	Receivables from group entities	6	0
10	Deferred tax assets	1,438	4,183
	Other receivables	274	35
8	Prepayments	625	488
		<u>13,952</u>	<u>28,369</u>
	Total non-fixed assets	<u>20,319</u>	<u>34,352</u>
	TOTAL ASSETS	<u><u>33,267</u></u>	<u><u>48,991</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	500	500
	Net revaluation reserve according to the equity method	0	3
	Reserve for development costs	2,458	2,658
	Retained earnings	7,938	4,443
	Total equity	10,896	7,604
	Liabilities other than provisions		
11	Non-current liabilities other than provisions		
	Other payables	639	0
		639	0
	Current liabilities other than provisions		
12	Bank debt	9,422	23,052
7	Work in progress for third parties	3,329	7,522
	Trade payables	3,522	3,985
	Payables to group entities	357	130
	Income taxes payable	569	0
	Other payables	4,533	6,698
		21,732	41,387
	Total liabilities other than provisions	22,371	41,387
	TOTAL EQUITY AND LIABILITIES	33,267	48,991

- 1 Accounting policies
13 Contractual obligations and contingencies, etc.
14 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Net revaluation reserve according to the equity method	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2019	500	3	2,658	4,443	7,604
15	Transfer, see "Appropriation of profit"	0	-3	-200	11,995	11,792
	Extraordinary dividend distributed	0	0	0	-8,500	-8,500
	Equity at 31 December 2019	500	0	2,458	7,938	10,896

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2019	2018
	Profit for the year	11,792	6,231
16	Adjustments	9,222	8,815
	Cash generated from operations (operating activities)	21,014	15,046
17	Changes in working capital	5,334	-3,517
	Cash generated from operations (operating activities)	26,348	11,529
	Interest received, etc.	0	72
	Interest paid, etc.	-538	-1,089
	Income tax received	0	681
	Cash flows from operating activities	25,810	11,193
	Additions of intangible assets	-772	-181
	Additions of property, plant and equipment	-3,049	-4,698
	Disposals of property, plant and equipment	136	6,985
	Changes in deposits	5	275
	Cash flows to investing activities	-3,680	2,381
	Dividends paid	-8,500	0
	Repayments, long-term liabilities	0	-4,281
	Cash flow overdraft	-13,630	-9,293
	Cash flows from financing activities	-22,130	-13,574
	Net cash flow	0	0

Because of a clarifying interpretation, The Company has reclassified short-term bank facilities in the Cash Flow Statement. Previously bank facilities were presented as cash. Henceforward short-term bank facilities will be presented as a part of the financing activities. The comparative figures for 2018 have been adjusted accordingly. The Company's short-term bank facilities per 31 December 2019 amounts to 9,422 tDKK (2018: 23,052 tDKK).

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

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

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

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

Because of a clarifying interpretation, The Company has reclassified short-term bank facilities in the Cash Flow Statement. Previously bank facilities were presented as cash. Henceforward short-term bank facilities will be presented as a part of the financing activities. The comparative figures for 2018 have been adjusted accordingly. The Company's short-term bank facilities per 31 December 2019 amounts to 9,422 tDKK (2018: 23,052 tDKK).

Basis of 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.

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.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

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

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

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

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

Gross profit

The items revenue, change in inventories, cost of goods sold, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

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

Other external expenses

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

Staff costs

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

Amortisation/ depreciation

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

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

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

Completed development projects	5-7 years
Intangible assets acquired	5-7 years
Other fixtures and fittings, tools and equipment	2-10 years
Leasehold improvements	5 years

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Profit/loss from investments in subsidiaries

The item includes the Company's proportionate share of the profit/loss for the year in subsidiaries.

Financial income and expenses

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

Tax

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

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

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Balance sheet

Intangible assets

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

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

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

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is 5-7 years.

Property, plant and equipment

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

Investments

Deposits are recognised at cost.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Investments in subsidiaries

On initial recognition, investments in subsidiaries measured at cost and subsequently at the proportionate share of the entities' net asset values calculated in accordance with the parent company's accounting policies minus or plus any residual value of positive or negative goodwill calculated in accordance with the purchase method of accounting. Net revaluations of investments in subsidiaries and associates are transferred to the net revaluation reserve according to the equity method where the carrying amount exceeds the acquisition cost.

Dividend received is deduced from the carrying amount.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

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

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

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 net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

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

Work in progress for third parties

Contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the lower of expenses incurred and the net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

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

Prepayments

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

Equity

Reserve for net revaluation according to the equity method

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

Reserve for development costs

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

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Corporation tax and deferred tax

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

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

Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

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

Other liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Liabilities that fall due later than a year from balance sheet date are classified as non-current liabilities.

Cash flow statement

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

The cash flow statement shows the Company'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 Company'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.

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

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

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

Cash and cash equivalents comprise cash in hand.

Financial ratios

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

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

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2019	2018
2 Staff costs		
Wages/ salaries	34,722	33,861
Pensions	2,462	2,432
Other social security costs	448	374
	<u>37,632</u>	<u>36,667</u>
Average number of full-time employees	<u>54</u>	<u>57</u>

Total remuneration to the Executive Board and the Board of Directors amount to DKK 1,831 thousand (2018: DKK 1,023 thousand.)

Remuneration of the management is partly based on the entities financial performance.

3 Tax for the year		
Estimated tax charge for the year	569	0
Deferred tax adjustments in the year	2,745	1,880
	<u>3,314</u>	<u>1,880</u>

4 Intangible assets

DKK'000	Completed development projects	Acquired intangible assets	Development projects in progress	Total
Cost at 1 January 2019	10,755	1,333	0	12,088
Additions in the year	8	40	724	772
Disposals in the year	-4	0	0	-4
Cost at 31 December 2019	<u>10,759</u>	<u>1,373</u>	<u>724</u>	<u>12,856</u>
Impairment losses and amortisation at 1 January 2019	6,806	946	0	7,752
Amortisation in the year	1,257	211	0	1,468
Reversal of amortisation/ depreciation and impairment of disposals	-4	0	0	-4
Impairment losses and amortisation at 31 December 2019	<u>8,059</u>	<u>1,157</u>	<u>0</u>	<u>9,216</u>
Carrying amount at 31 December 2019	<u>2,700</u>	<u>216</u>	<u>724</u>	<u>3,640</u>

Financial statements 1 January - 31 December

Notes to the financial statements

5 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2019	29,514	2,351	31,865
Additions in the year	2,840	209	3,049
Disposals in the year	-3,537	-71	-3,608
Cost at 31 December 2019	28,817	2,489	31,306
Impairment losses and depreciation at 1 January 2019	20,104	1,937	22,041
Depreciation in the year	3,731	220	3,951
Depreciation and impairment of disposals in the year	-3,520	-71	-3,591
Impairment losses and depreciation at 31 December 2019	20,315	2,086	22,401
Carrying amount at 31 December 2019	8,502	403	8,905

6 Investments

DKK'000	Investments in group entities, net asset value	Other receivables	Total
Cost at 1 January 2019	186	290	476
Disposals in the year	0	-5	-5
Cost at 31 December 2019	186	285	471
Value adjustments at 1 January 2019	3	0	3
Share of the profit/loss for the year	-70	0	-70
Other adjustments, investments	-1	0	-1
Value adjustments at 31 December 2019	-68	0	-68
Carrying amount at 31 December 2019	118	285	403

Name	Domicile	Interest
Subsidiaries		
SubC Partner Deutschland GmbH	Germany	100.00%

DKK'000	2019	2018
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7 Work in progress for third parties

Selling price of work performed	16,960	27,586
Progress billings	-18,432	-32,313
	-1,472	-4,727

recognised as follows:

Work in progress for third parties(assets)	1,857	2,795
Work in progress for third parties(liabilities)	-3,329	-7,522
	-1,472	-4,727

Financial statements 1 January - 31 December

Notes to the financial statements

8 Prepayments

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

9 Share capital

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

The Company's share capital has remained DKK 500 thousand for the 5 past years.

DKK'000	2019	2018
10 Deferred tax		
Deferred tax at 1 January	-4,183	-6,063
Deferred tax on profit for the year	2,745	1,880
Deferred tax at 31 December	-1,438	-4,183

11 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other payables	639	0	639	0
	639	0	639	0

12 Mortgage debt and debt to other credit institutions

The Company has provided a company charge of DKK 39,000 thousand as collateral for bank loans, etc. of DKK 9,422 thousand. The Company charge comprises unsecured claims, inventories, property, plant and equipment and intangible assets with a carrying amount of DKK 28,664 thousand at 31 December 2019.

13 Contractual obligations and contingencies, etc.

Contingent liabilities

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.

Other financial obligations

The Company has entered into leases with a combined lease payment of DKK 2,230 thousand. The remaining term of the leases is 1-26 months.

Financial statements 1 January - 31 December

Notes to the financial statements

14 Related parties

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

Parties exercising control

Related party	Domicile	Basis for control
Parent company Offshore Capital Partners ApS	Sahara 4, 6700 Esbjerg	Shareholding
Ultimate parent company TKRV Holding ApS	Sahara 4, 6700 Esbjerg	Shareholding

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
TKRV Holding ApS	Sahara 4, 6700 Esbjerg	The Danish Business Authority

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

DKK'000	2019	2018
15 Appropriation of profit		
Recommended appropriation of profit		
Extraordinary dividend distributed in the year	8,500	0
Net revaluation reserve according to the equity method	-3	-446
Reserve for development costs	-200	31
Retained earnings	3,495	6,646
	<u>11,792</u>	<u>6,231</u>
16 Adjustments		
Amortisation/depreciation and impairment losses	5,420	6,226
Gain/loss on the sale of non-current assets	-120	-758
Income from investments in group entities	70	450
Financial income	0	-72
Financial expenses	538	1,089
Tax for the year	3,314	1,880
	<u>9,222</u>	<u>8,815</u>
17 Changes in working capital		
Change in inventories	-384	1,364
Change in receivables and work in progress for third parties	7,479	-3,120
Change in trade and other payables	-2,400	-1,761
Change in long-term other payables	639	0
	<u>5,334</u>	<u>-3,517</u>

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Tonny Klein

Executive Board

På vegne af: SubC Partner A/S

Serienummer: PID:9208-2002-2-100250216369

IP: 185.37.xxx.xxx

2020-02-19 08:35:36Z

NEM ID 

Tonny Klein

Board of Directors

På vegne af: SubC Partner A/S

Serienummer: PID:9208-2002-2-100250216369

IP: 185.37.xxx.xxx

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NEM ID 

Joachim Snebang Vanggaard Jensen

Board of Directors

På vegne af: SubC Partner A/S

Serienummer: PID:9208-2002-2-223127631967

IP: 83.89.xxx.xxx

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NEM ID 

Rune Værndal

Chairman, Bord of Directors

På vegne af: SubC Partner A/S

Serienummer: PID:9208-2002-2-387396548149

IP: 185.37.xxx.xxx

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NEM ID 

Peter Sønderlyng

Board of Directors

På vegne af: SubC Partner A/S

Serienummer: PID:9208-2002-2-330753212132

IP: 62.66.xxx.xxx

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NEM ID 

Morten Oestergaard Koch

State Authorised Public Accountant

På vegne af: Ernst & Young P/S

Serienummer: CVR:30700228-RID:32977604

IP: 87.104.xxx.xxx

2020-02-19 13:34:30Z

NEM ID 

Mathilda Dam Jacobsen

Chairman

På vegne af: SubC Partner A/S

Serienummer: CVR:28702612-RID:68958639

IP: 185.37.xxx.xxx

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