
Northern Offshore Services A/S

Amager Strandvej 390, st., DK-2770 Kastrup

Annual Report for 1 July 2020 - 30 June 2021

CVR No 32 78 10 20

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
10/11 2021

Peter Ringsted
Chairman of the General
Meeting

Contents

| | <u>Page</u> |
|----------------------------------------------------|-------------|
| Management's Statement and Auditor's Report | |
| Management's Statement | 1 |
| Independent Auditor's Report | 2 |
| Management's Review | |
| Company Information | 5 |
| Financial Highlights | 6 |
| Management's Review | 7 |
| Financial Statements | |
| Income Statement 1 July - 30 June | 8 |
| Balance Sheet 30 June | 9 |
| Statement of Changes in Equity | 11 |
| Cash Flow Statement 1 July - 30 June | 12 |
| Notes to the Financial Statements | 13 |

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Northern Offshore Services A/S for the financial year 1 July 2020 - 30 June 2021.

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 at 30 June 2021 of the Company and of the results of the Company operations and cash flows for 2020/21.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 10 November 2021

Executive Board

Olof Harald Hansson

Board of Directors

David Kristensson
Chairman

Michael Kristensson

Peter Ringsted

Independent Auditor's Report

To the Shareholder of Northern Offshore Services A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2021 and of the results of the Company's operations and cash flows for the financial year 1 July 2020 - 30 June 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Northern Offshore Services A/S for the financial year 1 July 2020 - 30 June 2021, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

Independent Auditor's Report

- 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 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.

Hellerup, 10 November 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Flemming Eghoff

State Authorised Public Accountant

mne30221

Company Information

The Company

Northern Offshore Services A/S
Amager Strandvej 390, st.
DK-2770 Kastrup

CVR No: 32 78 10 20
Financial period: 1 July - 30 June
Incorporated: 23 February 2010
Financial year: 11st financial year
Municipality of reg. office: Tårnby

Board of Directors

David Kristensson, Chairman
Michael Kristensson
Peter Ringsted

Executive Board

Olof Harald Hansson

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

| | 2020/21 TDKK | 2019/20 TDKK | 2018/19 TDKK | 2017/18 TDKK | 2016/17 TDKK |
|-------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Key figures | | | | | |
| Profit/loss | | | | | |
| Gross profit/loss | 130.957 | 95.118 | 90.940 | 60.235 | 49.665 |
| Profit/loss before financial income and expenses | 35.443 | 22.211 | 18.204 | -1.248 | 2.971 |
| Net financials | -12.992 | -3.487 | -154 | -1.230 | -476 |
| Net profit/loss for the year | 22.771 | 18.922 | 18.409 | -2.423 | 2.488 |
| Balance sheet | | | | | |
| Balance sheet total | 403.770 | 307.461 | 143.148 | 155.743 | 115.913 |
| Equity | 57.755 | 52.984 | 51.062 | 32.653 | 36.326 |
| Cash flows | | | | | |
| Cash flows from: | | | | | |
| - operating activities | 45.460 | 46.765 | 0 | 0 | 0 |
| - investing activities | -106.651 | -193.523 | 0 | 0 | 0 |
| including investment in property, plant and equipment | -105.572 | -187.673 | 0 | 0 | 0 |
| - financing activities | 59.260 | 148.287 | 0 | 0 | 0 |
| Change in cash and cash equivalents for the year | -1.932 | 1.529 | 0 | 0 | 0 |
| Number of employees | 161 | 146 | 142 | 115 | 102 |
| Ratios | | | | | |
| Return on assets | 8,8% | 7,2% | 12,7% | -0,8% | 2,6% |
| Solvency ratio | 14,3% | 17,2% | 35,7% | 21,0% | 31,3% |
| Return on equity | 41,1% | 36,4% | 44,0% | -7,0% | 5,5% |

The Cashflow for the comparative years 2016/17 - 2018/19 is not disclosed in the financial highlights report, as the company with reference to section 86(4) of the Danish Financial Statements Act did not prepare a cash flow statement, as it was included in the cash flow statement for the consolidated financial statements of Northern Offshore Group AB.

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies

Management's Review

Key activities

Northern Offshore Services A/S is a leading European operator of small, flexible and environmentally friendly vessels.

The company was established in Denmark in 2010 and has since grown significantly.

Today we operate around 40 vessels, primarily working with the rapidly growing offshore wind industry. The Company's vessels and personnel work all over Europe, where this industry is established.

Our clients include large established industry groups and energy companies. In addition to these large companies, the Company's vessels are contracted to a great number of different players in the offshore wind industry.

Most of the vessels used are of our own design and built at special yards in England, the Netherlands and Norway. The Company is at the forefront with its development of new types of vessels and new processes.

Development in the year

The income statement of the Company for 2020/21 shows a profit of DKK 22,771,391, and at 30 June 2021 the balance sheet of the Company shows equity of DKK 57,755,059.

Important events

In the past financial year the following events regarding the fleet has happened.

In July 2020: M/V Master and M/V Mariner was chartered in.

In October 2020: M/V Producer was chartered in.

In December 2020: M/V Rescuer, M/V Dispatcher and M/V Carrier was acquired.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 30 June 2021 of the Company and the results of the activities and cash flows of the Company for the financial year for 2020/21 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 July - 30 June

| | Note | 2020/21 DKK | 2019/20 DKK |
|---------------------------------------------------------|------|--------------------|-------------------|
| Gross profit/loss | | 130.956.704 | 95.118.479 |
| Staff expenses | 1 | -76.476.302 | -65.141.420 |
| Depreciation property, plant and equipment | | -19.037.229 | -7.766.521 |
| Profit/loss before financial income and expenses | | 35.443.173 | 22.210.538 |
| Income from investments in associates | | 284.307 | 434.106 |
| Financial income | 2 | 824.954 | 2.575.207 |
| Financial expenses | 3 | -14.101.040 | -6.496.317 |
| Profit/loss before tax | | 22.451.394 | 18.723.534 |
| Tax on profit/loss for the year | 4 | 319.997 | 198.189 |
| Net profit/loss for the year | | 22.771.391 | 18.921.723 |

Balance Sheet 30 June

Assets

| | Note | 2021 DKK | 2020 DKK |
|---------------------------------------------------|------|--------------------|--------------------|
| Acquired licenses | | 1.393.198 | 0 |
| Intangible assets | 5 | 1.393.198 | 0 |
| Other fixtures and fittings, tools and equipment | | 33.899 | 8.330 |
| Vessels | | 301.775.915 | 224.209.144 |
| Leasehold improvements | | 299.383 | 0 |
| Prepayments for property, plant and equipment | | 17.728.854 | 9.062.106 |
| Property, plant and equipment | 6 | 319.838.051 | 233.279.580 |
| Investments in associates | 7 | 2.800.552 | 2.725.981 |
| Deposits | 8 | 13.080.096 | 13.080.096 |
| Fixed asset investments | | 15.880.648 | 15.806.077 |
| Fixed assets | | 337.111.897 | 249.085.657 |
| Inventories | | 8.103.427 | 8.302.497 |
| Trade receivables | | 34.483.114 | 29.588.405 |
| Receivables from group enterprises | | 0 | 3.051.310 |
| Other receivables | 9 | 19.047.178 | 10.486.219 |
| Corporation tax receivable from group enterprises | | 922.029 | 602.032 |
| Prepayments | 10 | 3.567.756 | 3.878.812 |
| Receivables | | 58.020.077 | 47.606.778 |
| Cash at bank and in hand | | 534.182 | 2.466.224 |
| Currents assets | | 66.657.686 | 58.375.499 |
| Assets | | 403.769.583 | 307.461.156 |

Balance Sheet 30 June

Liabilities and equity

| | Note | 2021 DKK | 2020 DKK |
|----------------------------------------------------------------|------|---------------------------|---------------------------|
| Share capital | | 500.000 | 500.000 |
| Reserve for net revaluation under the equity method | | 703.189 | 628.618 |
| Retained earnings | | 54.051.870 | 33.855.050 |
| Proposed dividend for the year | | 2.500.000 | 18.000.000 |
| Equity | | <u>57.755.059</u> | <u>52.983.668</u> |
| Credit institutions | | 155.032.743 | 127.304.245 |
| Lease obligations | | 29.785.729 | 27.824.537 |
| Payables to group enterprises - Long term | | 32.314.923 | 0 |
| Other payables | | 3.251.250 | 0 |
| Long-term debt | 12 | <u>220.384.645</u> | <u>155.128.782</u> |
| Credit institutions | 12 | 22.255.128 | 26.975.944 |
| Lease obligations | 12 | 35.380.838 | 5.528.574 |
| Trade payables | | 9.193.408 | 6.472.928 |
| Payables to group enterprises - Short term | 12 | 21.917.703 | 31.791.675 |
| Payables to associates | | 488.449 | 490.623 |
| Other payables | 12 | 36.394.353 | 28.088.962 |
| Short-term debt | | <u>125.629.879</u> | <u>99.348.706</u> |
| Debt | | <u>346.014.524</u> | <u>254.477.488</u> |
| Liabilities and equity | | <u>403.769.583</u> | <u>307.461.156</u> |
| Distribution of profit | 11 | | |
| Contingent assets, liabilities and other financial obligations | 13 | | |
| Related parties | 14 | | |
| Accounting Policies | 15 | | |

Statement of Changes in Equity

| | Share capital | Reserve for net revaluation under the equity method | Retained earnings | Proposed dividend for the year | Total |
|------------------------------|----------------|--------------------------------------------------------------|----------------------|--------------------------------------|-------------------|
| | DKK | DKK | DKK | DKK | DKK |
| Equity at 1 July | 500.000 | 628.618 | 33.855.050 | 18.000.000 | 52.983.668 |
| Ordinary dividend paid | 0 | 0 | 0 | -18.000.000 | -18.000.000 |
| Dividend from associates | 0 | -209.736 | 209.736 | 0 | 0 |
| Net profit/loss for the year | 0 | 284.307 | 19.987.084 | 2.500.000 | 22.771.391 |
| Equity at 30 June | 500.000 | 703.189 | 54.051.870 | 2.500.000 | 57.755.059 |

Cash Flow Statement 1 July - 30 June

| | Note | 2020/21 DKK | 2019/20 DKK |
|----------------------------------------------------------------------------------|------|---------------------|---------------------|
| Net profit/loss for the year | | 22.771.391 | 18.921.723 |
| Adjustments | | 30.358.286 | 11.997.806 |
| Change in working capital | | 4.382.888 | 21.249.345 |
| Cash flows from operating activities before financial income and expenses | | 57.512.565 | 52.168.874 |
| Financial income | | 824.954 | 846.076 |
| Financial expenses | | -12.878.011 | -6.250.287 |
| Cash flows from operating activities | | 45.459.508 | 46.764.663 |
| Purchase of intangible assets | | -1.416.812 | 0 |
| Purchase of property, plant and equipment | | -105.572.086 | -187.673.098 |
| Fixed asset investments made etc | | 0 | -6.730.940 |
| Sale of property, plant and equipment | | 127.696 | 540.662 |
| Dividends received from associates | | 209.736 | 340.059 |
| Cash flows from investing activities | | -106.651.466 | -193.523.317 |
| Repayment of loans from credit institutions | | -26.315.539 | -3.400.224 |
| Reduction of lease obligations | | -6.936.944 | -2.291.449 |
| Repayment of payables to associates | | -2.174 | -1.676.702 |
| Raising of loans from credit institutions | | 49.323.222 | 125.496.360 |
| Lease obligations incurred | | 38.750.400 | 35.644.560 |
| Raising of loans from group enterprises | | 22.440.951 | 11.514.909 |
| Dividend paid | | -18.000.000 | -17.000.000 |
| Cash flows from financing activities | | 59.259.916 | 148.287.454 |
| Change in cash and cash equivalents | | -1.932.042 | 1.528.800 |
| Cash and cash equivalents at 1 July | | 2.466.224 | 937.424 |
| Cash and cash equivalents at 30 June | | 534.182 | 2.466.224 |
| Cash and cash equivalents are specified as follows: | | | |
| Cash at bank and in hand | | 534.182 | 2.466.224 |
| Cash and cash equivalents at 30 June | | 534.182 | 2.466.224 |

Notes to the Financial Statements

| | <u>2020/21</u> | <u>2019/20</u> |
|----------------------------------------------------------------------|--------------------------|--------------------------|
| | DKK | DKK |
| 1 Staff expenses | | |
| Wages and salaries | 60.316.829 | 48.099.435 |
| Pensions | 4.890.790 | 3.912.596 |
| Other social security expenses | -890.618 | 2.608.221 |
| Other staff expenses | <u>12.159.301</u> | <u>10.521.168</u> |
| | <u>76.476.302</u> | <u>65.141.420</u> |
| | | |
| Including remuneration to the Executive Board and Board of Directors | <u>1.095.588</u> | <u>1.095.588</u> |
| | | |
| Average number of employees | <u>161</u> | <u>146</u> |
| | | |
| 2 Financial income | | |
| Interest received from group enterprises | 87.625 | 193 |
| Other financial income | <u>737.329</u> | <u>2.575.014</u> |
| | <u>824.954</u> | <u>2.575.207</u> |
| | | |
| 3 Financial expenses | | |
| Interest paid to group enterprises | 1.235.901 | 732.731 |
| Other financial expenses | <u>12.865.139</u> | <u>5.763.586</u> |
| | <u>14.101.040</u> | <u>6.496.317</u> |
| | | |
| 4 Tax on profit/loss for the year | | |
| Current tax for the year | <u>-319.997</u> | <u>-198.189</u> |
| | <u>-319.997</u> | <u>-198.189</u> |

Notes to the Financial Statements

5 Intangible assets

| | Acquired licenses DKK |
|-----------------------------------------------|-----------------------------|
| Additions for the year | 1.416.812 |
| Cost at 30 June | 1.416.812 |
| Amortisation for the year | 23.614 |
| Impairment losses and amortisation at 30 June | 23.614 |
| Carrying amount at 30 June | 1.393.198 |

6 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment DKK | Vessels DKK | Leasehold improvements DKK | Prepayments for property, plant and equipment DKK |
|-------------------------------------------------------|------------------------------------------------------------------|--------------------|----------------------------------|---------------------------------------------------------------|
| Cost at 1 July | 266.941 | 245.386.574 | 0 | 9.062.106 |
| Additions for the year | 33.900 | 94.559.846 | 304.457 | 10.673.883 |
| Transfers for the year | 0 | 2.007.135 | 0 | -2.007.135 |
| Cost at 30 June | 300.841 | 341.953.555 | 304.457 | 17.728.854 |
| Impairment losses and depreciation at 1 July | 258.611 | 21.177.430 | 0 | 0 |
| Depreciation for the year | 8.331 | 19.000.210 | 5.074 | 0 |
| Impairment losses and depreciation at 30 June | 266.942 | 40.177.640 | 5.074 | 0 |
| Carrying amount at 30 June | 33.899 | 301.775.915 | 299.383 | 17.728.854 |
| Depreciated over | 3 years | 17-20 years | 5 years | |
| Including assets under finance leases amounting to | 0 | 80.474.696 | 0 | 9.269.999 |

Notes to the Financial Statements

| | 2021 <u>DKK</u> | 2020 <u>DKK</u> |
|------------------------------------|-------------------------|-------------------------|
| 7 Investments in associates | | |
| Cost at 1 July | 2.097.363 | 4.703.810 |
| Disposals for the year | <u>0</u> | <u>-2.606.447</u> |
| Cost at 30 June | <u>2.097.363</u> | <u>2.097.363</u> |
| Value adjustments at 1 July | 628.618 | 696.781 |
| Disposals for the year | 0 | -162.210 |
| Net profit/loss for the year | 284.307 | 434.106 |
| Dividends received | <u>-209.736</u> | <u>-340.059</u> |
| Value adjustments at 30 June | <u>703.189</u> | <u>628.618</u> |
| Carrying amount at 30 June | <u>2.800.552</u> | <u>2.725.981</u> |

Investments in associates are specified as follows:

| Name | Place of registered office | Share capital | Votes and ownership |
|-----------------------|----------------------------|---------------|---------------------|
| Partrederiet Achiever | | | 50% |

8 Other fixed asset investments

| | <u>Deposits</u> <u>DKK</u> |
|-----------------------------------|-------------------------------|
| Cost at 1 July | <u>13.080.096</u> |
| Cost at 30 June | <u>13.080.096</u> |
| Carrying amount at 30 June | <u>13.080.096</u> |

9 Other receivables

Off the recognized other receivables DKK 5.164.720 is due after 1 year.

10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, time charter etc.

Notes to the Financial Statements

| | 2020/21 | 2019/20 |
|-----------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| | DKK | DKK |
| 11 Distribution of profit | | |
| Proposed dividend for the year | 2.500.000 | 18.000.000 |
| Reserve for net revaluation under the equity method | 284.307 | 271.896 |
| Retained earnings | 19.987.084 | 649.827 |
| | 22.771.391 | 18.921.723 |
| 12 Long-term debt | | |
| Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt. | | |
| The debt falls due for payment as specified below: | | |
| Credit institutions | | |
| After 5 years | 66.829.436 | 61.835.922 |
| Between 1 and 5 years | 88.203.307 | 65.468.323 |
| Long-term part | 155.032.743 | 127.304.245 |
| Within 1 year | 22.255.128 | 26.975.944 |
| | 177.287.871 | 154.280.189 |
| Lease obligations | | |
| Between 1 and 5 years | 29.785.729 | 27.824.537 |
| Long-term part | 29.785.729 | 27.824.537 |
| Within 1 year | 35.380.838 | 5.528.574 |
| | 65.166.567 | 33.353.111 |
| Payables to group enterprises - Long term | | |
| After 5 years | 32.314.923 | 0 |
| Long-term part | 32.314.923 | 0 |
| Other short-term debt to group enterprises | 21.917.703 | 31.791.675 |
| | 54.232.626 | 31.791.675 |
| Other payables | | |
| Between 1 and 5 years | 3.251.250 | 0 |
| Long-term part | 3.251.250 | 0 |
| Other short-term payables | 36.394.353 | 28.088.962 |
| | 39.645.603 | 28.088.962 |

Notes to the Financial Statements

13 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

The company's contractual obligations relating to chartering and bareboating of vessels totals DKK 134,409k (2019/20: DKK120,010k) where as DKK 49,074k (2019/20: DKK 48,912k) of the total obligation falls due after five years.

The company's contractual obligations relating to other agreements such as tenancy agreements, leasing of cares etc. totals DKK 1,070k (2019/20: DKK 729k). The total amount is due between 1 – 5 years.

Contigent liabilities

The company has a factoring agreement with Nordea. As of 30 June 2021 the company has a contingent liability of DKK 145k, relating to unpaid invoices.

Security

The Company has issued an owner's mortgage totalling DKK 237,075k creating a charge on vessels the carrying amount of which amounts to DKK 207,370k at 30 June 2021. The owner's mortgage is deposited as security for debt to credit institutions.

The Company has guaranteed bank loans totalling DKK 1,049k in associates.

A company charge of all assets have been pledged as security for a credit instruction covering up to DKK 20,000 k. In addition trade receivables totaling DKK 34,483k have been pledged as security for credit institutions.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to DKK 0. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

14 Related parties

| | <u>Basis</u> |
|-----------------------------|----------------|
| Controlling interest | |
| Northern Offshore Group AB | Parent company |

Transactions

Northern Offshore Services A/S had in the financial year transactions with other companies affiliated to Northern Offshore Group AB. The company's management has confirmed that trades and other transactions with affiliated companies are made on market conditions.

Consolidated Financial Statements

The Company is included in the consolidated Financial Statements of the parent company

| <u>Name</u> | <u>Place of registered office</u> |
|---------------------------|-----------------------------------|
| Northern Offshore Grup AB | Sweden |

The Consolidated Financial Statements of Northern Offshore Group AB can be obtained on following address:

Northern Offshore Group AB
Saltholmsgatan 44
426 76 Västra Frölunda
Sweden

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of Northern Offshore Services A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020/21 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

Notes to the Financial Statements

15 Accounting Policies (continued)

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

15 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Vessel operating costs

Vessel operating costs comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, vessel operating costs and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and vessels, property, plant and equipment.

Income from investments in associates

The item "Income from investments in associates" in the income statement includes the proportionate share of the profit for the year.

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

The Company is taxed according to the Danish Tonnage Taxation law.

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

| | |
|-----------------------------------------------------|-------------|
| Leasehold improvements | 5 years |
| Other fixtures and fittings, tools and equipment | 3 years |
| Vessels | 17-20 years |

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Notes to the Financial Statements

15 Accounting Policies (continued)

Investments in associates

Investments in associates are recognised and measured under the equity method.

The item "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the associates.

Associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Notes to the Financial Statements

15 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

| | |
|------------------|--------------------------------------------------------------------------------|
| Return on assets | $\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$ |
| Solvency ratio | $\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$ |
| Return on equity | $\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$ |