Bladt Holding A/S

Nørredybet 1

9220 Aalborg Øst

Annual report 2017

(6th financial year)

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Chairman of the Annual General Meeting

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Management Review

The Bladt Group

Bladt Holding A/S is the parent company of Bladt Industries Holding A/S and thereby of Bladt Industries A/S and its subsidiaries. Jointly, these companies comprise the Bladt Group with Bladt Industries A/S as the Group's operating company.

The Bladt Group creates steel solutions for our clients within three main business areas: wind and renewable energy, the oil and gas industry and the infrastructure market.

Wind and renewable energy has, through more than a decade, been the largest part of the business areas and today we have more experience in the offshore wind energy sector than any other steel contractor. In total, the reference list of the Group now counts 16 substations with four more in the pipeline and more than 1,600 foundations.

The oil and gas industry is where our offshore adventure took off more than 40 years ago. Our expertise and know-how covers steel structures such as modules, topsides, jackets as well as suction anchors and we have deep industry knowledge from our track record.

The infrastructure market is where the story of Bladt Group started more than 50 years ago. Our infrastructure division delivers various steel related projects each with their special challenges – from bridges, steel tanks and buildings to harbor and marine facilities. During 2017, the range of projects undertaken have continued to widen beyond pure steel solutions into taking on selected turnkey contracts also including concrete, excavation works, and various ancillary structures.

Our employees are key to ensure successful project execution. The qualifications and dedication of our employees is the backbone of the continued development of the Bladt Group and the range of projects we execute.

Safety always comes first at the Bladt Group. We believe that the health, safety and welfare of our employees and our cooperation partners is embedded in everything we do and we continue to strengthen our safety first resolve.

Our facilities all with direct access to the seaways and with the infrastructure in place to handle large-scale constructions are a large part of our ability to play a leading role in the offshore business.

Quality is paramount for the Bladt Group and for our customers. It is part of the "Bladt DNA" to deliver high-quality steel constructions to our clients.

Our customers are the source of our success. We aim to be trusted partners with our customers and to continue to meet and exceed their demands.

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Financial Highlights for the Group

DKKm	2017	2016	2015	2014	2013
Key figures					
Revenue	3,086.3	3,484.0	2,949.5	3,201.3	2,967.6
Gross profit	-0.5	127.5	104.6	-13.1	171.5
Earnings before interest, tax, depreciation and amortization (EBITDA)	31.3	158.9	142.0	28.0	276.3
EBITDA excl. one-off items 2)	121.8	168.9	157.0	34.1	279.5
Earnings before interest, tax and amortization, (EBITA)	-0.9	124.6	106.0	-5.0	247.3
Profit/loss from financial income and expense	8.4	-49.7	-49.7	-33.4	-50.2
Profit/loss for the year	-17.8	27.5	12.2	-59.6	90.0
Non-current assets	350.3	429.9	494.0	518.3	540.9
Current assets	950.3	1,384.3	1,098.5	1,299.4	890.1
Total assets	1,300.6	1,814.2	1,592.5	1,817.7	1,431.0
Equity	423.6	436.7	416.8	409.8	470.1
Non-current liabilities	294.9	342.3	336.0	369.0	408.6
Current liabilities	582.1	1,035.2	839.7	1,038.9	552.3
Net interest bearing debt/Net cash	-81.7	-37.6	-57.2	139.5	165.3
Investment in property, plant and equipment	-3.2	17.0	24.0	44.3	42.7
Cash flows from operating activities	-89.8	70.6	-92.4	52.1	70.7
Cash flows from investing activities	45.5	-17.1	-64.2	-47.2	-42.5
Cash flows from financing activities	-0.2	-33.5	-40.1	-30.5	-27.8
Total cash flows	-44.5	20.0	-196.7	-25.6	0.4
Financial ratios 1)					
Operating margin (%)	-0.0	3.6	2.3	-1.3	4.9
Solvency ratio (%)	32.6	24.1	26.0	22.4	32.7
Return on equity (%)	-0.4	29.2	3.0	-13.6	21.3
ROIC (%)	-6.7	15.5	14.0	-10.0	37.4
ROIC excl. one-off items (%) 2)	9.3	17.7	17.1	-8.5	38.2
Average number of employees	566	648	606	678	641

1) The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For financial ratio definitions, please see page 68.

2) Reconciliation of one-off items effecting EBITDA to internal reporting.

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Delivering in turbulent times

2017 was a turbulent year for the offshore wind industry. New entrants have in recent years been entering the supply chain for e.g. foundations and substations and during 2017 several players struggled with the delivery of foundations and substations to large offshore wind farms. In these turbulent times, the Bladt Group was pleased to deliver on our strategic intent of being “the safe choice de-risking for our customers” and to ensure “cost efficient on-time and on-quality delivery for our customers” – also in 2017.

The Bladt Group worked on foundations for wind turbines for four offshore wind farms totaling 301 foundations across these wind farms. Also, the Group worked on four substations for offshore wind farms in 2017. The strong project portfolio within offshore wind was complemented by infrastructure projects across a number of areas. The Bladt Group delivered on these orders and the continued track record of the Group led to additional contracts being awarded. These contracts were moved by customers from other suppliers in the market and placed with the Group instead to ensure the delivery of the contracts.

In 2017, the Bladt Group recorded revenues of DKK 3,086 million a decrease compared to record level recorded in 2016 (DKK 3,484 million). Profit for the year after tax was DKK -18 million in 2017 (2016: DKK 28 million) and impacted by a lower activity level, by the settlement of a dispute related to a project from 2013/2014 and by the divestiture of the Group’s ownership share in Offshore Structures (Britain) Limited.

The safe choice

The activity level in 2017 was impacted by some orders for execution in 2017 having been awarded to new entrants in the market pursuing an aggressive pricing strategy for market entry. Some of these new entrants struggled with delivery and performance of these orders. This has led to some orders being moved away from these players to more established tier one suppliers in the market – including to the Bladt Group. Also, it is likely to lead to some of these new entrants exiting the market again having learned that the successful delivery is no trivial matter in foundations and substations for offshore wind.

The strategic intent of the Group is to be the market leader in offshore wind balance of plant and other selected complex structures, to be the safe choice de-risking for our customers and to have a supply chain ensuring highly cost efficient on-time and on-quality delivery for our customers. 2017 has cemented the Group’s position as the safe choice in the offshore wind market and has reminded the industry that successful performance in the offshore wind supply chain is a challenging task.

The project portfolio executed by the Bladt Group in 2017 included the finalization of offshore wind turbine transition piece foundations for the Walney Extension and the Arkona offshore wind farms as well as the initiation of fabrication of transition pieces for the Hornsea One – the world’s largest offshore wind farm to date.

Further, the project portfolio of the Bladt Group in 2017 included jacket foundations for offshore wind turbines. The Group continued the production of 30 jacket foundations for the Beatrice offshore wind farm thereby building on the previous production and delivery of a total of 82 jacket foundations for two offshore wind farms. During 2017 the Group celebrated the production of its 100th jacket foundation for offshore wind turbines – a first in the world.

Going forward, the Group is detailing and implementing a new jacket strategy combining cost efficient supply chain and production with a setup that is flexible in terms of geography and thus lends itself to capex efficient establishment of near-windfarm production facilities as needed.

The Bladt Group continued the production of three substations for the Hornsea One offshore wind farm in 2017. This was complemented by the initiation of production of the additional reactor substation for the Hornsea One offshore wind farm towards the end of 2017 – bringing the total number of substation platforms under production to four.

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The infrastructure business area saw continued growth. Among many other projects, the activities included a landmark bridge crossing freeway lanes and railroad tracks for the Køge Nord Station, Denmark's largest indoor bridge in Copenhagen Airport linking the security area directly with the metro station, an architecturally innovative addition to the Kistefos museum in Norway, a steel bridge for the park at the castle "Sofiero Slot" in Sweden, various harbor infrastructure projects in Denmark and Norway and a number of pipe and tank restoration projects. The growth is based both on market growth and market share gains through a strengthened organization and go-to-market approach of the Group.

In 2017, the Bladt Group continued the strengthening of its systems and processes. This included continued implementation of "Bladt One", the new corporate wide QHSE management system. Further it included full implementation of systems and procedures related to managing and handling non-conformities, work on broadening the supplier base of Bladt Industries globally and further enhancing the system of internal controls over financial reporting. The Group also updated its organizational structure in 2017 to ensure more scalability and flexibility in utilization of capacity while empowering both people and project management.

Globalizing offshore wind

Until now, offshore wind has predominantly been a Northern European business. However, a pipeline of projects and business opportunities is now beginning to emerge outside Europe – primarily in the US and in the Asia Pacific region. While Europe is expected to continue to be the largest offshore wind region for the foreseeable future, growth in other regions is expected.

The Bladt Group is playing an active role in realizing the offshore wind potential of these new markets. In Taiwan, Bladt Industries in 2017 entered into MoUs with two significant local companies regarding future cooperation related to the delivery of offshore wind turbine foundations and substations respectively. Together with local partners, Bladt Industries will now develop the cooperation and supply chain to ensure the successful delivery of future offshore wind projects in Taiwan. The Taiwanese government and a number of experienced international offshore wind developers have ambitious offshore wind targets with 5.5 GW of installed capacity targeted for 2025.

Further, in the US, the Group is exploring potential alliances and partnership models for the meeting the demands of the future offshore wind market with several states having ambitious offshore wind targets – especially on the east coast of the US.

In Europe, the Group disposed of its ownership share in the joint venture Offshore Structures (Britain) Limited (OSB). After three years of joint ownership, Bladt Industries and German EEW Special Pipe Constructions GmbH in mutual understanding decided to change the ownership of OSB, as part of an overall settlement of several outstanding commercial issues including issues related to past projects. This overall agreement entailed EEW SPC acquiring all of the Group's shares in OSB. It remains the strategic intent of the Group to continue to be the global market leader in offshore wind foundations including monopile structures, in particular transition pieces, as well as jacket structures. In the UK and also broadly on a global scale, the Bladt Group will utilize its offshore wind experience to secure local content in a cost-efficient manner by way of local partnerships.

Market developments

The European offshore wind market displayed some growth in 2017 compared to 2016 especially in terms of gigawatts installed and under installation. Regarding foundations and substations under fabrication – which are driven by gigawatts to be installed in the coming years – the market was roughly flat in 2017. Longer term the offshore wind market is expected to display solid growth both in Europe and in emerging overseas markets in Asia and in North America. This development is facilitated by the low energy prices for offshore wind achieved at recent auctions both in 2016 and 2017. Meanwhile, 2018 is expected to be a challenging year for the entire offshore wind supply chain as postponements of projects into late 2018 and early 2019 means that the activity is expected to be lower for parts of the year. Conversely 2019 is expected to be a year with higher activity due to such postponements.

As expected, the North Sea offshore oil and gas market activity continued at a low level in 2017 due to oil prices remaining relatively low. Going forward some growth is expected due to upgrades of existing oil and gas fields in the North Sea.

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With continued solid and growing economic activity in the Nordic countries, the growth in the market for steel related infrastructure projects in the Nordic region seen in recent years is expected to continue in 2018 laying a solid foundation for the continued growth of the Bladt Group's infrastructure business.

Financial Review

In 2017, the Bladt Group recorded revenues of DKK 3,086 million (2016: 3,484 million) which is a decrease of 11% nominally and organically compared to the record level from 2016 while being 5% above 2015. The activity level has in general remained high within offshore wind and the infrastructure business while being negatively impacted by the oil & gas market.

Gross profit amounted to DKK 36 million (2016: DKK 164 million) before amortizations and DKK -0.5 million (2016: DKK 127 million) after amortizations. Gross profit was positively impacted by the strong execution of the majority of the Group's projects, the solid activity level within offshore wind and the growing activity level in the infrastructure business. On the other hand, gross profit in 2017 was adversely affected by the activity level within the oil & gas market and by the one-off effect of the amicable settlement of a project from 2014 (regarding effects of one-off items also refer to text below). This settlement was made as part of a wider agreement with a stand-alone negative impact on gross profit, a stand-alone positive on profit from joint ventures and on taxes. Overall the settlement was considered satisfactory. Another project from 2014 continues to involve disagreement regarding the settlement of variation orders and claims between the Group and the customers on this specific project. Here the Group has commenced arbitrational proceedings. The Bladt Group and its legal advisers are confident in its position and the merits of the case and continue to be so as the case progresses in arbitration. As with all such disagreements there is uncertainty as to the financial outcome of the dispute which can have a significant positive or negative effect.

Capacity costs have decreased in 2017 in response to the lower activity level compared to 2016. Result from joint ventures improved significantly with the divestiture of the ownership share in the UK joint venture Offshore Structures (Britain) Limited. EBITDA amounted to DKK 31 million in 2017 (2016: DKK 159 million). Excluding the effects of one-off items as also referred to above, EBITDA amounted to DKK 122 million in 2017 (2016: DKK 169 million).

Overall profit before tax decreased to DKK -30 million (2016: DKK 38 million). Profit for the year after tax amounted to DKK -18 million (2016: DKK 28 million) which is slightly below the expectations for the year and not fully satisfactory, however, impacted by one-off effects.

At the end of 2017, total assets amounted to DKK 1,300 million (2016: DKK 1,814 million) and total equity amounted to DKK 424 million (2016: DKK 437 million). The Board of Directors recommends to the annual general meeting that no dividends be declared in respect of the 2017 financial year.

The Bladt Group realized a cash flow from operations of DKK -90 million (2016: DKK 71 million). The cash flow is positively impacted by the sound execution of the majority the Group's project portfolio and negatively impacted by changes in working capital. Such working capital fluctuations at different points in time are common for large scale contracts. The cash flow was positively impacted by the repayment of intercompany loans related to the financing of the start-up and operations of the joint venture Offshore Structures (Britain) Limited which was divested during the year. This divestiture also impacted cash flows from investment activities positively. Net cash flows after financing activities amounted to DKK -45 million (2016: DKK 20 million).

No events of significant importance to the financial statements and annual report for 2017 have occurred after the end of the financial year.

Outlook 2018

The offshore wind market will be challenging for the entire industry in 2018 with a lower expected activity level due to postponements of wind farms. Thus, the revenues of the Group are expected to be at a lower level in 2018 compared to 2017 while earnings before tax are expected to be at a similar level in 2018 compared to 2017. The outlook is based on an order book for 2018 which secures a solid part of the 2018 outlook. This order book includes wind turbine foundations for the Beatrice and Hornsea One offshore wind farms, three offshore substations and one reactor substation for the Hornsea One offshore wind farm, the metro bridge at Copenhagen Airport, Kistefos museum, various harbor infrastructure projects as well as numerous other infrastructure projects. It is supplemented by

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the further contracting of new orders in early 2018.

Corporate Governance

Governance, Board of Directors and Management

In 2012, Bladt Holding A/S acquired all shares in Bladt Industries Holding A/S and thereby in Bladt Industries A/S. Nordic Capital Fund VII is the ultimate majority shareholder in Bladt Holding A/S, and a number of executives and board members also hold shares and warrants in Bladt Holding A/S.

By virtue of its ownership, the Group is subject to the "Guidelines for responsible ownership and corporate governance" laid out by the Danish Venture Capital and Private Equity Association (DVCA). It is Bladt Holding's intention to comply with the guidelines including substantiating any deviation. Further information regarding the guidelines is available at DVCA's website www.dvca.dk.

Moreover, Bladt Holding is also subject to other requirements including the Danish Public Companies Act, the Danish Financial Statements Act, the articles of association of the company and the rules of procedures for the Board of Directors of the company. The Board of Directors and the Executive Board apply these requirements and procedures according to good practices in comparable companies.

The Board of Directors consists of three members. One member is a representative of the ultimate majority shareholder (Lars Terney of NC Advisory A/S) and two are elected at the annual general meeting and are independent of the ultimate majority shareholder (Jens Due Olsen and Jørgen Huno Rasmussen).

The Board of Directors has adopted rules of procedures for the Board of Directors and additionally employs the following sub-committees:

- Executive (Chairman's) Committee
- Audit Committee
- Remuneration Committee

Four to seven ordinary board meetings are held per year. Among other things, the Board of Directors determines the strategy of the company, decides the composition of the Executive Board, monitors Executive Board compliance with the strategy and the procedures of the Group, and is an active sparring partner to the management of the Group. The management of the Group prepares a monthly report to the Board of Directors, detailing the Group's financial and operational performance as well as capital resources.

The Audit Committee operates according to its charter approved by the Board of Directors and refers to the Board of Directors. The tasks of the Audit Committee as specified in its charter include, among other things, monitoring the financial reporting process and the Group's presentation of financial statements, the adequacy and application of accounting policies and of significant accounting estimates, the Group's systems of internal controls and risk management practices, the external statutory audit of the Group's annual financial statements, the independence of the external auditor, and making recommendations to the Board of Directors concerning the appointment of external auditor. Four Audit Committee meetings are held per year. The Audit Committee has organized its tasks in an annual plan.

Board of Directors and Diversity

Report on the gender composition in management, cf. section 99 B of the Danish Financial Statements Act: It is the objective of the Bladt Group to promote diversity, including obtaining a reasonable representation of the under-represented gender in the Board of Directors, in order to strengthen the breadth of the company's perspectives and competences and to further improve decision processes. It is also the objective of the Board of Directors to ensure that its members supplement each other in the best possible way with regard to e.g. competences, age, background, gender, and nationality as relevant to the needs of the company. The recommendation of candidates for the Board of Directors will thus always be based on an assessment of the competences and experience of the individual candidate, how they match the needs of the company and of the contribution to the overall efficiency and skill set of the Board of Directors.

Corporate Governance

At present, all members of the Board of Directors and the Executive Board are male both in Bladt Holding A/S and in the subsidiaries Bladt Industries Holding A/S and Bladt Industries A/S. In Group Management 10% of the members are female, while 90% are male. During 2017, the female representation within Group Management increased from 0% to 10% which compares to approximately 5% in the general employee base.

The objectives for the period from 2017 are:

- To ensure a representation of women in the Board of Directors corresponding to 20-25% of the board members elected at the Annual General Meeting (one board member) within a three year period.
- To ensure that the employees view the company as having a modus operandi and culture in which individual employees have equal career opportunities regardless of gender, nationality, race, religious beliefs etc.

In 2017 the objective for the period from 2017-2020 was not yet met both for Bladt Holding A/S and for its subsidiaries as there were no additions to or replacements of board members.

Capital Structure

Bladt Holding has one share class. Group management, the Audit Committee and the full Board of Directors regularly evaluate the sufficiency of the company's capital structure and whether the capital structure is aligned with the interests of the company and its stakeholders. The overall objective is to ensure a capital structure that facilitates profitable long term growth and value creation.

Internal Controls and Presentation of Accounts and Annual Financial Statements

The Group's internal controls and risk management regarding presentation of the accounts and the annual financial statements are organized with a view to substantially reduce the risk of significant errors, omissions and/or imperfections in the presentation of the accounts. To ensure this, management establishes relevant policies, procedures and control mechanisms. The Board of Directors – both directly and via the Audit Committee – and management evaluate significant risks and internal controls in regard to the Group's presentation of accounts on an ongoing basis.

On behalf of the Board of Directors, the Audit Committee monitors the presentation of accounts and annual financial statements as well as the sufficiency and efficiency of the internal controls, including financial reporting standards, accounting principles, and significant accounting estimates and judgments on an ongoing basis. These and other issues are being reported to the Board of Directors by the Audit Committee prior to the approval of the annual financial statements and throughout the year when relevant.

In 2017, the Group has continued updating and formalizing its systems of internal control related to operations, accounting and financial reporting. This effort is already well progressed within a number of areas and is part of the continuous effort to reduce the risk of errors, omissions and/or imperfections in the company's accounts. The Audit Committee monitors this process.

In addition to the audited annual financial statements, group management prepares an unaudited monthly report to the Board of Directors detailing the company's performance including the financial position and development, performance against budget, capital resources, order backlog as well the health, safety and quality performance. These reports are reviewed at Board meetings, Audit Committee meetings and Executive (Chairman's) Committee meetings.

Organisation and Society

Corporate Social Responsibility and Human Resources

The Bladt Group believes that conducting business with the highest standards of integrity is essential in ensuring its continued development and sustainable growth. As a consequence, the Group strives to adhere to the principles of United Nations' Global Compact in the areas of human rights, labor, environment and anti-corruption.

The Bladt Group's code of conduct covers its guidelines regarding human rights, labour relations, environment, and anti-corruption. Specifically, the code of conduct lays out the determination and policies for acting with integrity, in an honest and law-abiding way, to respect fundamental human rights and labour rights, to preserve the environment, not to give or receive any gifts or other benefits which may be perceived as influencing the impartiality of business behavior, not to use confidential information for personal benefit and only use subcontractors that share these ethical values.

Regarding human rights, the code of conduct specifies the Group's support and respect for internationally proclaimed human rights and the aim to ensure that Bladt Industries is not complicit in any human rights abuses. The work environment and labour relations shall give all equal opportunities, it shall be characterized by treating all with dignity and respect, not to include underpaid or forced labour and it shall be safe and healthy and free from discrimination and harassment. For environmental matters, please refer to the subsequent section on Quality, Health, Safety, and Environment.

Also, the code of conduct deals with the Group's compliance with applicable competition and anti-trust laws, compliance with applicable trade sanctions and with the compliance with accounting and tax regulations and standards.

The Group's main risk related to CSR is in ensuring that the guidelines of the Code of Conduct are complied with among an international and diverse supplier base. Therefore, the code of conduct is appended to all main contracts with suppliers where the adherence of the suppliers to the code of conduct is contractually guaranteed and suppliers are aware of the contractual consequences of non-compliance with the code of conduct. Additionally, the Bladt Group has been updating its general purchase conditions, for purchases outside a specific supplier contract in 2017 and the updated general purchase conditions also include requirements for compliance with the code of conduct and will be implemented in 2018. Internally, the code of conduct is available at the Group's intranet.

As a result of the Group's focus on CSR in 2017, decisive action was taken at a supplier in relation to ensure compliance with the code of conduct within the area of labour relations. The supplier promptly and constructively took the required actions to ensure compliance.

A significant part of the Bladt Group's activity is within offshore wind energy and it is the Group's strategic intent to continuously work towards providing this clean energy source at cost and quality levels making the further expansion of offshore wind attractive and feasible globally.

Attracting, developing and retaining a competent workforce is paramount for the Group. Thus, management focuses on the recruitment and retention of the best talents and continuous development of qualifications.

To this end, the Group employs an annual performance and development review program supported by online tools. More than 90% of eligible employees participated in the annual performance and development review program providing a strong basis for the dialogue on the requirements for professional development. Moreover, the updated organizational structure of the Bladt Group in 2017 is among other things aimed at further improving both project and people management.

The training and education of apprentices continues to be of significant importance to the Group. At the end of 2017, 19 apprentices were under training, primarily within welding. Of these, 4 were adult apprentices. This is an investment ensuring both a qualified employee base for the Group's further growth as well as a contribution to the important task of educating skilled professionals for the local communities.

At the end of 2017, the Bladt Group employed 474 employees in Denmark which is lower than at the end of 2016. When including the number of hired-in (agency) workers, the total number of employees (Bladt Group employees and agency workers) is higher at the end of 2017 than at the end of 2016 reflecting a difference in the business mix at these different points in time.

Organisation and Society

Internationally, the number of employees is significantly lower at the end of 2017 compared to 2016 due to the divestment of the joint venture activity in the UK. International employees are comprised of the subsidiaries in Poland and Germany.

	Denmark	International	Total
Employees, year-end 2016	617	209	826
Employees, year-end 2017	474	10	484

Quality, Health, Safety and Environment (QHSE)

At the Bladt Group, the quality of the products delivered to clients, the health and safety of employees and subcontractors as well as the environmental soundness of surroundings are of outmost importance. Therefore, the Group operates comprehensive quality management, occupational health and safety management as well as environmental management systems. The quality management system is certified according to DS/EN ISO 9001:2015 and according to ISO 3834-2:2005 and EN 1090-2_2008 for welding. The occupational health and safety management system is certified according to DS/OHSAS 18001:2008. The environmental management system complies with ISO 14001.

The quality management system determines the basis and general principles of the quality system to ensure that the Group's end products obtain the planned quality. It is the Bladt Group's objective to meet or exceed our clients' expectations regarding the quality of the products delivered to them. In addition to our own internal audits as well as audits of our quality management system by the relevant external certifying bodies, our quality management system and quality control programs are also frequently reviewed and audited by a number of customers and this was also the case in 2017.

In 2017, a significant focus area was securing the recertification of the quality management system according to the new standard ISO 9001:2015. The recertification and fulfilment of the new standards were successfully achieved in November 2017. Further, the new and improved system for handling and managing non-conformities was fully implemented in 2017 including the necessary IT system leading to a more efficient NCR (non-conformities reporting) process both internally and towards customers and suppliers. Also, the corporate wide QHSE management system of the Group has been overhauled in 2016-17 and the upgraded system is now live and named "Bladt One" – the integrated Bladt Group management system.

Quality control and material traceability are integrated parts of the production and project management at the Group. Depending on the nature and demands of each individual project, quality control programs can consist of a number of different control actions – including for instance measurement of size dimensions within narrow tolerances, inspection of batch certificates and raw material properties as well as non-destructive testing of welds in a variety of different ways.

The purposes of the occupational health and safety management system of the Group are to minimize, and where possible eliminate, risk to employees and others who may be exposed to OH&S risks associated with the company's activities as well as to maintain and continuously improve the OH&S management system and practices.

During 2017 a focus area was successfully securing a new three year recertification of the health and safety management system according to DS/OHSAS 18001:2008. A further focus area in 2017 has been the finalization of RAMS (risk assessment method statements) for all key production processes containing systematic health and safety risk assessments with identification of risk avoiding and risk mitigating actions. Also during 2017, safety glasses were added to the list of mandatory PPE (personal protection equipment) in the Group's production areas also outside actual welding processes.

Organisation and Society

The Lost Time Injury Frequency (LTIF) – a key indicator for the Group's health and safety performance – improved during 2017 from 2.1 in 2016 to 1.3 in 2017. The level achieved is within the Bladt Group's minimum target level and thus satisfactory, however the overall goal is always to strive for a LTIF performance of 0.

The Bladt Group's environmental management system is based on and operated according to the principles of ISO 14001, however, it is not certified by a certifying body. Within the guidelines of the environmental management system, the Group continually strives towards minimum environmental and climate impact of the company's activities in consideration of the financial and technological conditions, including for example to reduce the consumption of materials, energy, water, and waste.

A focus area for the reduction of the Group's environmental and climate footprint in 2017 has been optimization of energy consumption. The starting point for this ongoing energy optimization was the statutory EU energy audit which the Group conducted in 2016 and which indicated a number of options for energy saving measures. Building on this, the Group in 2017 began to carry out energy optimization in the areas with the largest optimization potential and implementation feasibility. Initially, the Bladt Group has selected three areas of activity that could considerably reduce energy consumption – optimization of lighting, optimization of ventilation and the monitoring of energy use. Within these areas the energy optimization project is now being rolled out across the company.

The test projects carried out so far, including switching from traditional fittings to LED and new exchangers in the ventilation systems, have provided concrete annual savings of more than 200,000 kWh and payback times of less than two years. Regarding lighting alone this could company-wide correspond to potential annual savings of 50 to 70 % or up to DKK 1.9 million annually. Equally important is that switching to LED lighting and using more efficient ventilation fans will contribute to a more pleasant working environment for the employees of the Group.

Risk Management

At the Bladt Group, risk management is an essential and integrated element of the execution of the project portfolio, of the realization of the objectives of the Group, and of the further development of the Group's business system and processes. The following section includes a non-exhaustive description of risks related to the Bladt Group's activities and the management of these risks.

Commercial Risks

The main commercial risks are related to (a) the execution of current projects, (b) ensuring a pipeline of future projects, and (c) adapting the capabilities and scale of operations to the changing demands in the marketplace.

To execute projects, the Bladt Group relies both on the competences of employees as well as selected suppliers. The Group employs a highly skilled work force across a large range of disciplines such as project management, welding, production and material management, site logistics, planning, quality assurance and control, HSE, contract management, tender management, controlling, finance and administration. This qualified work force is the cornerstone of successful project execution. The Group's project managers master a variety of proven project management tools that are continuously developed and adapted to the specific project at hand. Project Managers are supported throughout the execution of projects by specialists within legal, contract and financial management, quality, health and safety, planning etc. Physical production of very large structures may be impacted by adverse weather conditions. To mitigate such impact, The Group calculates with standard periods of adverse weather when planning projects as well as ensuring flexibility in production facilities to quickly adapt to the impact of weather changes and other non-controllable factors.

A strong cooperation with selected suppliers that the Group works closely with on the individual projects further ensures a successful project execution. Such cooperation improves competitiveness, enhances capacity and mitigates risks by having projects completed at independent sites thereby reducing reliance on any single site. Significant suppliers are evaluated and monitored closely before and during the project so that potential issues – e.g. within quality, capacity, capability, HSE or CSR – are dealt with prior to the project and any issues that may arise during the project are mitigated in a timely manner. Furthermore, major suppliers are incentivized to avoid inadequate performance on their part via targeted contractual milestones, bonuses, penalties and warranties. To this end, The Group's project and contract managers work with standard sub-supplier contracts. Such standard supplier contracts are continuously updated by the Group's legal team in cooperation with project management.

Prior to contracting a potential project, the contract and calculations are reviewed in accordance with defined procedures for tendering. During the project execution phase, projects are reviewed frequently by project management, division management and top management using standard project reporting templates. Such reviews focus on financial performance, project progress, execution issues as well as actual and potential risks. These reviews are an integrated part of project execution and risk management.

Securing a pipeline of potential new projects, winning new projects and adapting capacity and capabilities to the future needs of the marketplace are of paramount importance to the longer term profitable growth of the Bladt Group. Therefore, management regularly tracks and reviews developments in the potential project pipeline within the various target segments and based on this adapts the in-house and sourced capacities and capabilities to the project pipeline. The level of demand is primarily dependent on the developments in the Northern European market for offshore wind and secondarily in the global offshore wind and Northern European offshore oil and gas markets as well as the Scandinavian markets for infrastructure projects with a certain steel content and complexity.

Execution of major projects and developments in the business pipeline are also regularly reviewed at all board meetings.

Risk Management

In order to further ensure the continued competitiveness and strong market position, the Group closely monitors ongoing and potential developments in relevant technologies regarding end products – for instance in innovative offshore wind foundation and substation designs – as well as regarding fabrication, assembly and transportation processes. As examples, the Bladt Group in 2017 continued to participate in the development and testing of various new automated robot welding techniques for large offshore steel structures and have developed an innovative supply chain concept for jacket foundations for offshore wind turbines.

Financial Risks

The Bladt Group's financial risks are described in note 28 to the consolidated financial statements.

Insurance Risks

The Group takes out statutory insurances as well as the insurances which are deemed to be relevant in order to mitigate or eliminate unwanted risks. At regular intervals, the Group conducts a review of the insurances in cooperation with an external insurance specialist. Additionally, the Group may take out project specific insurance depending on the requirements of the individual projects.

Board of Directors

Jens Due Olsen, Chairman

- Chairman Audit Committee and Chairman Executive Committee of Bladt Industries A/S
- Professional board member in a number of companies. Previously CFO and Deputy CEO GN Store Nord A/S, CFO FLSmidth & Co. A/S, CFO Aston Group and various roles in AP Møller-Maersk A/S
- Chairman of the Board of NKT A/S, Nilfisk Holding A/S, KMD A/S, Auris II Luxembourg S.A., Børnebasketfonden
- Member of the Board of Royal Unibrew A/S, Cryptomathic A/S, Gyldendal A/S
- Member of the Investment Committee of LD Equity 2 K/S

Lars Terney, Deputy Chairman

- Chairman Remuneration Committee and Member Executive Committee of Bladt Industries A/S
- Partner, NC Advisory A/S, adviser to Nordic Capital Funds
- Member of the Board of NC Advisory A/S, Unifeeder A/S

Jørgen Huno Rasmussen, Member

- Member Remuneration Committee of Bladt Industries A/S
- Professional board member in a number of companies. Previously CEO FLSmidth & Co. A/S, Veidekke ASA and Hoffmann A/S
- Chairman of the Board of Lundbeckfonden, Lundbeckfond Invest A/S, TryghedsGruppen smba, Tryg A/S, Tryg Forsikring A/S
- Deputy Chairman of the Board of Rambøll Gruppen A/S, Terma A/S, Thrige-Titan A/S, Haldor Topsøe A/S
- Member of the Board of Otto Mønsted Aktieselskab, Thomas B. Thriges Fond

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Statement by the Executive Board and Board of Directors

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Bladt Holding A/S for the financial year 1 January – 31 December 2017.

The Annual Report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Group and the Company and of the results of the Group and Company operations and cash flows for 2017.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Company, of the results for the year and of the financial position of the Group and the Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Company.

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

Aalborg, 10 April 2018

Board of Directors:

Jens Due Olsen Chairman	Lars Terney Deputy Chairman	Jørgen Huno Rasmussen

Executive Board:

Lars Terney

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Independent Auditors' Report

To the Shareholders of Bladt Holding Group

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Bladt Holding Group for the financial year 1 January - 31 December 2017, which comprise income statement and statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes, including accounting policies, for both the Group and the Parent Company ("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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 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 in Management's Review.

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Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 judgment and maintain professional skepticism 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 Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

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- 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.

- 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.

Aalborg, 10 April 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328

Thyge Belter
State Authorised Public Accountant
mne30222

Statements

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated Income Statement

		2017			2016		
DKK'000	Note	Business performance	Adjust-ments	IFRS	Business performance	Adjust-ments	IFRS
Revenue		3,086,342	0	3,086,342	3,484,021	0	3,484,021
Production costs	3,4	-3,049,855	-37,000	-3,086,855	-3,319,545	-37,000	-3,356,545
Gross profit		36,487	-37,000	-513	164,476	-37,000	127,476
Distribution costs	3	-11,045	0	-11,045	-11,227	0	-11,227
Administrative expenses	3,4,5	-26,374	0	-26,374	-28,698	0	-28,698
Operating profit		-932	-37,000	-37,932	124,551	-37,000	87,551
Profit/loss in joint venture	13	34,727	0	34,727	-8,430	0	-8,430
Financial income	6	1,508	0	1,508	1,180	0	1,180
Financial expenses	7	-20,850	-7,025	-27,875	-20,333	-22,100	-42,433
Profit/loss before tax		14,453	-44,025	-29,572	96,968	-59,100	37,868
Tax on profit for the year	8	2,115	9,685	11,800	-23,370	13,002	-10,368
Profit/loss for the year		16,568	-34,340	-17,772	73,598	-46,098	27,500

	2017	2016
Profit appropriation/ distribution of loss :		
Shareholders of Bladt Holding A/S	-17,895	27,302
Non-controlling interests	123	198
	-17,772	27,500

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Consolidated Statement of Comprehensive Income

	Note	2017	2016
Profit/loss for the year		-17,772	27,500
Items that will be reclassified to the income statement when specific conditions are met			
Hedging for future cash flows	9	5,500	-7,100
Tax on hedging instruments	9	-1,210	1,562
Foreign exchange adjustments on translation of foreign entitles		543	-1,513
Other comprehensive income after tax		4,833	-7,051
Total comprehensive income for the year		-12,939	20,449

Profit appropriation/ distribution of loss :		
Shareholders of Bladt Holding A/S	-13,062	20,360
Non-controlling interests	123	89
	-12,939	20,449

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Consolidated Statement of Financial Position

DKK'000	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets	10,11		
Goodwill		195,200	195,200
Trademarks		16,100	16,100
Other intangible assets		27,152	64,152
Other intangible assets (software)		1,495	2,633
		239,947	278,085
Property, plant and equipment	12		
Land and buildings		1,011	1,108
Plant and machinery		105,247	132,319
Fixtures and fittings, other plant and equipment		2,606	3,755
Property, plant and equipment under construction		452	0
		109,316	137,182
Other non-current assets			
Investments in joint ventures	13	0	14,657
Investments in associated companies		1,000	0
		1,000	14,657
Total non-current assets		350,263	429,924
Current assets			
Inventories	15	4,111	4,723
Construction contracts	16	114.907	109,811
Receivables	17	803.939	1,231,903
Prepaid expenses	18	23,310	28,297
Cash at bank and in hand		4,049	9,530
Total current assets		950,316	1,384,264
TOTAL ASSETS		1,300,579	1,814,188

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DKK'000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity	19		
Share capital		38,992	38,992
Other reserves		345,005	345,005
Retained earnings		38,518	51,578
Equity attributable to shareholders of Bladt Holding A/S		422,515	435,575
Non-controlling interests		1,040	1,111
Total equity		423,555	436,686
Liabilities			
Non-current liabilities			
Deferred tax	20	23,772	42,505
Provisions	21	1,000	1,000
Earn out in connection with the acquisition of enterprises		170,625	163,600
Credit institutions		99,515	135,224
Total non-current liabilities		294,912	342,329
Current liabilities			
Credit institutions		37,318	0
Bank debt		85,786	47,159
Construction contracts	16	21,745	225,582
Trade payables		295,290	620,722
Tax	24	247	23,631
Other payables		141.726	118,079
Total current liabilities		582,112	1,035,173
Total liabilities		877,024	1,377,502
TOTAL EQUITY AND LIABILITIES		1,300,579	1,814,188

Consolidated financial statements for 2017
Notes
Consolidated Cash Flow Statement

DKK'000	Note	2017	2016
Profit/loss for the year before tax		-29,572	37,868
Adjustment for non-cash operating items etc.:			
Depreciation, amortization and impairment losses	4	69,278	71,338
Profit/loss in joint ventures		34,727	8,430
Financial income	6	-1,508	-1,180
Financial expenses	7	27,875	42,433
Cash generated from operations (operating activities) before changes in working capital		31,346	158,889
Changes in working capital	26	-71,656	-46,152
Cash generated from operations (operating activities)		-40,310	112,737
Interest received	6	1,508	1,180
Interest paid	7	-19,242	-18,267
Corporation tax received/paid	24	-31,734	-25,055
Cash flows from operating activities		-89,778	70,595
Acquisition of property, plant, equipment and software	11,12	-4,790	-17,416
Acquisition of subsidiaries (shares)		0	-66
Acquisition of associated companies (shares)		-1,000	
Divestment of joint venture company (share)		49,655	0
Disposal of property, plant and equipment		1,593	402
Cash flows from investing activities		45,458	-17,080
External financing:			
Repayment of bank loans and overdrafts		0	-33,000
Repayment of earn out		0	0
Shareholders:			
Dividend paid to non-controlling interests		-192	-543
Cash flows from financing activities		-192	-33,543
Cash flows for the year		-44,512	19,972
Cash and cash equivalents at the beginning of the year		-37,629	-57,172
Foreign exchange adjustment of cash and cash equivalents		404	-429
Cash and cash equivalents at the end of the year		-81,737	-37,629
Cash at bank and in hand		4,049	9,530
Bank debt		-85,786	-47,159
Cash and cash equivalents at the end of the year		-81,737	-37,629

Ample liquidity reserves please refer to note 28 pages 49-50.

Consolidated financial statements for 2017
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Consolidated Statement of Change in Equity

	Share capital	Share Premium	Reserve own shares	Other reserve	Retained earnings	Total	Non-con-trolling interests	Total equity
Total comprehensive income for 2017								
Equity 1 January 2017	38,992	350,405	-5,400	-7,075	58,653	435,575	1,111	436,686
Profit/loss for the year	0	0	0	0	-17,895	-17,895	123	-17,772
Other comprehensive income								
Other comprehensive income	0	0	0	4,833	0	4,833	0	4,833
Total other comprehensive income	0	0	0	4,833	0	4,833	0	4,833
Total comprehensive income for the period	0	0	0	4,833	-17,895	-13,062	123	-12,939
Transactions with owners:								
Transaction with non-controlling interest	0	0	0	0	0	0	0	0
Dividend	0	0	0	0	0	0	-192	-192
Equity at 31 December 2017	38,992	350,405	-5,400	-2,242	40,758	422,513	1,042	423,555

Consolidated financial statements for 2017
Notes

Consolidated Statement of Change in Equity (continued)

	Share capital	Share Premium	Reserve own shares	Other reserve	Retained earnings	Total	Non-con-trolling interest	Total equity
Total comprehensive income for 2016								
Equity 1 January 2016	38,992	350,405	-5,400	-24	29,317	413,290	3,490	416,780
Profit/loss for the year	0	0	0	0	27,302	27,302	198	27,500
Other comprehensive income								
Other comprehensive income	0	0	0	-7,051	0	-7,051	0	-7,051
Total other comprehensive income	0	0	0	-7,051	0	-7,051	0	-7,051
Total comprehensive income for the period	0	0	0	-7,051	27,302	20,251	198	20,449
Transactions with owners:								
Transaction with non-controlling interest	0	0	0	0	2,034	2,034	-2,034	0
Dividend	0	0	0	0	0	0	-543	-543
Equity at 31 December 2016	38,992	350,405	-5,400	-7,075	58,653	435,575	1,111	436,686

Consolidated financial statements for 2017
Notes
Summary of Notes to the Consolidated Financial Statements

Note		*Note*	
1	Accounting policies	17	Receivables
2	Accounting estimates and judgements	18	Prepaid costs
3	Staff costs	19	Equity
4	Amortization of intangible assets and depreciation of property, plant and equipment	20	Deferred tax
5	Fees to auditors appointed at the annual General Meeting	21	Provisions
6	Financial income	22	Earn out in connection with the acquisition of enterprises
7	Financial expenses	23	Payables to credit institutions
8	Tax on profit for the year	24	Corporation tax
9	Other reserves	25	Contingent liabilities and collateral Guarantees
10	Intangible assets	26	Changes in working capital
11	Impairment test	27	Net Debt reconciliation
12	Property, plant and equipment	28	Financial risks and financial instruments
13	Investments in joint ventures	29	Operating leases
14	Investments associated Companies	30	Related party disclosures
15	Inventories	31	Events after the balance sheet date
16	Construction contracts	32	New financial reporting regulation

Consolidated financial statements for 2017
Notes

1 Accounting policies

Bladt Holding A/S is a limited liability company domiciled in Denmark. The financial statements section of the annual report is for the period 1 January – 31 December 2017.

The consolidated financial statements and the Parent Company financial statements of Bladt Holding A/S for 2017 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act applicable to reporting class C, large enterprises.

The income statement in the consolidated financial statements has two additional columns. "Business performance" shows consolidated operating results cleared for accounting items directly attributable to the business combination treated in accordance with the purchase method.

The column "Adjustments" comprises amortization of intangible assets identified in connection with the business combination DKK 37.0 million, (2016 DKK 37.0 million), and cost regarding earn-out of DKK 7.1 million (2016 DKK 22.1 million).

On 10st April 2018, the Executive Board and the Board of Directors discussed and approved the annual report of Bladt Holding A/S for 2017. The annual report will be presented to the shareholders of Bladt Holding A/S for approval at the annual general meeting on 31st May 2018.

Basis of preparation

The consolidated financial statements and the Parent Company financial statements have been presented in Danish kroner, rounded to the nearest thousand.

The consolidated financial statements and the Parent Company financial statements are prepared in accordance with the historical cost basis.

The accounting policies set out below have been used consistently in respect of the financial year.

Description of accounting policies

Consolidated financial statements

The consolidated financial statements comprise the Parent Company Bladt Holding A/S and subsidiaries in which Bladt Holding A/S has a controlling interest.

The Group has a controlling influence in a company if it has power over the company, is exposed to or has the right to a variable return on its involvement in the company and has the possibility to influence this return using its power over thecompany.

Companies in which the Group exercises a significant, but not controlling influence on the operational and financial decisions are classified as associates. A significant influence exists when the Group directly or indirectly owns or disposes of more than 20%, but less than 50%, of the voting rights. Joint arrangements are activities or companies in which the Group through collaboration agreements with one or more parties has a joint controlling influence. Joint controlling influence means that decisions about the relevant activities require unanimity among the parties who have the joint controlling influence.

Joint arrangements are classified as joint ventures or joint operations. Joint operations are defined as activities where the participants enjoy direct rights to assets and are directly liable for liabilities, whereas joint ventures are defined as activities where the participants have rights to the net assets only.

A group chart is included on page 69.

Consolidated financial statements for 2017
Notes

1 Accounting policies (continued)

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements prepared in accordance with the Group accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realized and unrealized gains on intra-group transactions are eliminated. Unrealized gains on transactions with associates are eliminated in proportion to the Group's ownership share of the enterprise. Unrealized losses are eliminated in the same way as unrealized gains to the extent that impairment has not taken place.

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

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets including goodwill at the date of disposal less cost of disposal.

Business combinations

Enterprises acquired or formed during the year are recognized in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognized in the consolidated financial statements up to the date of disposal. The comparative figures are not restated for acquisitions. Discontinued operations and assets held for sale are presented separately, see below.

For acquisitions of new businesses over which Bladt Holding A/S obtains control, the purchase method is used. The acquired businesses' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognized if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognized.

The date of acquisition is the date when Bladt Holding A/S effectively obtains control of the acquired business.

Any excess of the consideration transferred, the value of non-controlling equity interests in the acquired enterprise and the fair value of any previously held equity interests over the fair value of the identifiable assets, liabilities and contingent liabilities acquired (goodwill) is recognized as goodwill under intangible assets. Goodwill is not amortized but is tested annually for indications of impairment. The first impairment test is performed within the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test.

The consideration transferred by a business consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed conditions, this part of the consideration is recognized at fair value at the date of acquisition. Costs attributable to business combinations are recognized directly in profit or loss when incurred.

If uncertainties regarding identification or measurement of acquired assets, liabilities or contingent liabilities or determination of the consideration exist at the date of acquisition, initial recognition will take place on the basis of provisional values. If, subsequently, it becomes apparent that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement is adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures are restated. Subsequently, goodwill is not adjusted. Changes to estimates of contingent considerations are recognized in profit or loss for the year.

1 Accounting policies (continued)

Minority interests

On initial recognition, minority interests are measured at either fair value or their proportional share of the fair value of identifiable assets, obligations and contingencies in the acquired company. In the first case, goodwill is thus included concerning minority interests' share of ownership of the acquired company, while in the latter case goodwill concerning minority interests are not included. Measurement of minority interests are measured transaction by transaction and entered in the notes in connection with description of acquired companies.

Foreign currency translation

For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. Transactions denominated in other currencies than the functional currency are foreign currency transactions.

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the transaction date and at the date of payment are recognized in profit or loss as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at end of the reporting period. The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or was recognized in the latest annual report is recognized in profit or loss as financial income or financial expenses.

In the consolidated financial statements, the income statements of entities with another functional currency than DKK are translated at the exchange rates at the transaction date and the statement of financial position items are translated at the exchange rates at the balance sheet date. An average exchange rate for each month is used as the transaction date exchange rate to the extent that this does not significantly distort the presentation of the underlying transactions. Foreign exchange differences arising on translation of the opening balance of equity of such foreign operations at the exchange rates at the end of the reporting period and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the end of the reporting period are recognized in other comprehensive income under a separate translation reserve under equity.

On recognition in the consolidated financial statements of joint ventures with another functional currency than DKK, the share of profit/loss for the year is translated at average exchange rates and the share of equity, including goodwill, is translated at the exchange rates at the end of the reporting period. Foreign exchange differences arising on the translation of the share of the opening balance of equity of foreign associates at the exchange rates at the end of the reporting period, and on translation of the share of profit/loss for the year from average exchange rates to the exchange rates at the end of the reporting period, are recognized directly in a separate translation reserve in exchange rate adjustments.

Derivative financial instruments

Derivative financial instruments are initially recognized in the statement of financial position at fair value and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognized asset or liability are recognized in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future cash flows are recognized in other comprehensive income and classified as a separate reserve within in equity.

1 Accounting policies (continued)

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognized in the income statement.

Income statement

Revenue

Construction contracts for delivery of constructions etc. involving a high degree of customization are recognized as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the fair value of work performed during the year (the percentage of completion method).

Revenue is recognized when the total income and expenses on the construction contract and the stage of completion at the balance sheet date can be measured reliably and it is probable that future economic benefits, including payments, will flow to the company.

When the income from a construction contract cannot be determined reliably, revenue is recognized only corresponding to the costs incurred to the extent that it is probable that they will be recovered.

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

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases, and depreciation and impairment losses regarding production plant. Provision for bad debt from enterprise contracts is included.

Distribution costs

Also, distribution costs relating to sales staff, advertising, exhibitions and depreciation and impairment losses are recognized as distribution costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation and impairment losses.

Share of profit/loss of joint ventures after tax

The proportionate share of the results after tax of the individual joint ventures is recognized in the consolidated income statement after full elimination of the proportionate share of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortization of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Borrowing costs relating to general borrowing or loans directly relating to acquisition, construction or development of qualifying assets are allocated to the cost of such assets.

1 Accounting policies (continued)

Tax on profit for the year

Bladt Holding A/S is jointly taxed with all Danish subsidiaries. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme.

This year's taxes, which comprise the current tax for the year and alterations in deferred tax, are included in the annual profit, in other comprehensive income or directly under equity capital.

Statement of financial position

Intangible assets

Goodwill

Goodwill is initially recognized in the statement of financial position at cost as described under "Business combinations". Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the date of acquisition. Identification of cash-generating units is based on the management structure and internal financial control.

Other intangible assets

Other intangible assets, including intangible assets acquired in business combinations, are measured at cost less accumulated amortization and impairment losses. Other intangible assets are amortized on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Customer agreements/relations:

- If no fixed-term agreement with the customer exists, customer agreements/relations are amortized over 6 years.
- Order backlog, 0-2 years.

However, trademarks with indefinite useful lives are not amortized, but are tested for impairment annually.

Other Intangible assets (software)

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs, that are capitalized as part of the software product include the software development employee costs.

1 Accounting policies (continued)

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed three years.

Property, plant and equipment

Plant and machinery and fixtures and fittings, other 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. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers, and wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset. Further, the cost includes the present value of the initial estimate of the cost to dismantling and removing the asset and restoring the site on which the asset is located.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognized in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are derecognized in the statement of financial position and recognized as an expense in profit or loss. All costs incurred for ordinary repairs and maintenance are recognized in profit or loss as incurred.

Where individual components of an item of property, plant and equipment have different useful lives, they are depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components. The expected useful lives are as follows:

Land and building	10-15 years
Plant and machinery	3-20 years
Fixtures and fittings, tools and equipment	3-5 years

Depreciation is calculated on the basis of the residual value and impairment losses, if any. The residual value is determined at the date of acquisition and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the residual value, the effect on the depreciation is recognized prospectively as a change in accounting estimates.

Depreciation is recognized in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognized in the income statement as depreciation.

1 Accounting policies (continued)

Investments in joint ventures

Investments in joint ventures are recognized according to the equity method. Investments in joint ventures are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealized intra-group profits and losses and plus additional value on acquisition, including goodwill. Investments in joint ventures are tested for impairment when impairment indicators are identified.

Joint ventures with a negative net asset value are measured at DKK 0. If the Group has a legal or actual liability to cover the shortfall in the associate or joint venture, this is included under liabilities.

Investments in associated companies

Investments in associated companies are measured at cost in the financial statements.

Impairment of non-current assets

Goodwill and trademarks with indefinite useful lives

Goodwill and trademarks with indefinite useful lives are tested for impairment annually.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit (CGU) to which goodwill is allocated. The assets of the CGU are written down to the recoverable amount over the income statement if the carrying amount is higher. The recoverable amount of a CGU is generally determined as the present value of the expected future net cash flows from the entity or activity (cash-generating unit) to which goodwill is allocated.

Other non-current assets

The carrying amount of other non-current assets is subject to an annual impairment test. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

Recognition of impairment losses in the income statement

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit respectively, exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognized in the income statement as production costs, distribution costs and administrative expenses, respectively. However, impairment losses on goodwill are recognized in a separate line item in the income statement.

Impairment of goodwill is not reversed. Impairment of other assets is reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

Inventories

Inventories are measured at the lower of cost in accordance with the FIFO method and the net realizable value. Finished goods and commodities, goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

1 Accounting policies (continued)

The net realizable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Construction contracts

Construction contracts are measured at the selling price of the work performed less progress billings and anticipated losses. Construction contracts entail a significant degree of design customization of produced goods. Moreover, before the work is commenced, a binding agreement must have been entered into to the effect that penalties covering at least costs incurred will be enforced if the contract is subsequently terminated.

The selling price is measured by reference to the percentage of completion at the end of the reporting period and total expected income from the contract. The percentage of completion is determined on the basis of an assessment of the work performed, which is usually measured as the proportion of specific cost drivers incurred for work performed to date relative to the total estimated contract costs.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is recognized as an expense and a provision immediately.

When income and expenses on a construction contract cannot be determined reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

Where the selling price of work performed exceeds progress billings on construction contracts and anticipated losses, the excess is recognized under receivables. If progress billings and anticipated losses exceed the selling price of a construction contract, the deficit is recognized under liabilities.

Prepayments from customers are recognized under liabilities.

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

Receivables

Receivables are measured at amortized cost. Write-down is made for bad debt losses when there is an objective indication of an impairment loss. In such cases, write-down is made individually for each specific receivable. Write-down is made at an individual level.

Write-downs are calculated as the difference between the carrying amount and the present value of the expected cash flows, including the realizable value of any received collateral.

Prepaid expenses

Prepaid expenses are measured at cost.

Equity

Dividends

Proposed dividends are recognized as a liability at the date when they are adopted at the annual general meeting (declaration date). Proposed dividend payment for the year is disclosed as a separate item under equity.

Translation reserve

The translation reserve comprises foreign exchange differences arising on translation of financial statements of foreign operations that have a functional currency different from DKK.

1 Accounting policies (continued)

Corporation tax and deferred tax

Current tax payable and receivable is recognized in the statement of financial position 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. However, deferred tax is not recognized on temporary differences regarding items where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognized under other non-current assets at the expected value of their utilization, 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 and jurisdiction.

Deferred tax assets are subject to annual impairment tests and are recognized only to the extent that it is probable that the assets will be utilized.

Deferred tax assets and liabilities are offset if the enterprise has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realize the assets and settle the liabilities simultaneously.

Deferred tax is recognized related to elimination of unrealized intra-group profits and losses on consolidation.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the end of the reporting period when the deferred tax is expected to crystallize as current tax. The change in deferred tax as a result of changes in tax rates is recognized in the comprehensive income for the year.

Provisions

Provisions are recognized when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that there will be an outflow of resources embodying economic benefits to settle the obligation.

The amount recognized as a provision is Management's best estimate of the expenses required to settle the obligation.

Earn out

The earn-out liability is measured at fair value. The liability is determined by discounting the expected payments taking into account the probability of the balance of the purchase price to be paid. The pre-tax discount rate used reflects the general level of interest rates and the specific risks related to the earn out. The differences for the financial year in the discount element are recognized in financial expenses.

Other financial liabilities

Amounts owed to mortgage credit institutions, etc., are recognized at the date of borrowing at fair value less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement under financial expenses over the term of the loan.

Other financial liabilities are measured at amortized cost.

1 Accounting policies (continued)

Cash flow statement

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

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquired businesses are recognized in the cash flow statement from the date of acquisition. Cash flows from disposals of businesses are recognized up until the date of disposal.

Cash flows from operating activities are calculated according to the indirect method as the profit/loss after tax adjusted for non-cash operating items, changes in working capital, interest, payments, dividends and income taxes paid.

Cash flows for investing activities comprise payments in connection with acquisitions and disposals of intangible assets, property, plant and equipment and other non-current assets.

Cash flows from financing activities comprise changes in the 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 comprise cash and short-term marketable securities with a term of three months or less at the date of acquisition which are subject to an insignificant risk of changes in value.

Cash flows in other currencies than the functional currency are translated using average exchange rates unless these deviate significantly from the rate at the transaction date.

Financial ratio

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".

Financial ratio definitions are described in note 19 to the Parent Company financial statements.

2 Accounting estimates and judgements

Estimation uncertainty

Determination of the carrying amount of certain assets and liabilities requires judgements, estimates and assumptions concerning future events.

The estimates and assumptions are based on historical experience and other factors which management assesses to be reliable in the circumstances, but which by their nature are associated with uncertainty and unpredictability, as unexpected events or circumstances may occur.

Moreover, the Group is subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates. Specific risks for the Bladt Holding Group are discussed in the Management commentary, page 12-13.

Estimates of particular importance to the financial reporting relate primarily to constructions contracts including recognition and measurement of contract variations. See description below.

Impairment test, goodwill

In connection with the annual impairment test of goodwill or when there is an indication of impairment, it is assessed whether the parts of the enterprise (cash-generating units) to which goodwill can be allocated will be able to generate adequate positive net cash flows in future to support the value of goodwill and other net assets.

In connection with the preparation of the impairment testing, estimates are to be made of expected future cash flows many years ahead which, of course, involves some uncertainty. The discount rate applied reflects this uncertainty.

The impairment testing is described in note 10 to the consolidated financial statements.

Construction contracts

An important precondition for applying the percentage of completion method when recognizing revenue is, that income and expenses from the individual construction contracts can be measured reliably. Expected income and expenses on the construction contracts may, however, change during the project period. Similarly, changes may be made during the construction phase in the contractual basis, and assumptions etc. may not be fulfilled.

The selling price of construction contracts is measured by reference to the stage of completion at the balance sheet date and total expected income from the individual contract. The stage of completion is determined on the basis of an assessment of the work performed and will normally be subject to accounting estimates made by management.

Variation orders related to instructions from customers on changes in scope, specifications, designs or duration of the contract are included in revenue, when it is probable, that the customer will pay and revenue can be reliably measured. Assumptions made by management in this area involve estimation uncertainty.

Significant amounts of variation orders are recognized in the annual accounts as of 31 December 2017 in accordance with applied accounting policies. Receivables concerning disputed variations constitute a substantial part of receivables due cf. note 28. Although key assumptions are supported by assessments of external expert advisers, it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year which are different from the assumptions made, could require a positive or negative material adjustment to the carrying amount of the asset affected.

The business procedures, etc. of Bladt Holding A/S combined with the knowledge and experience of the project managers contribute to reliable accounting treatment of construction contracts in accordance with the accounting policies.

DKK'000		**2017**	**2016**
3	**Staff costs**		
	Wages and salaries	278,281	312,686
	Defined contribution plans	21,692	24,344
	Other social security costs	5,981	7,502
	Total staff costs	305,954	344,532
	Total average number of employees	566	648
	Staff costs are recognized as follows in the income statement:		
	Production costs	279,552	316,928
	Distribution costs	7,280	7,834
	Administrative expenses	19,122	19,770
		305,954	344,532
	Of this figure, consideration for:		
	Remuneration, Board of Directors and Executive Board	656	735
		656	735

Management remuneration has been stated with regard to the Danish Financial Statements Act § 98b, 3.

The Executive Board and other executive employees are included in bonus plans based on the performance for the year.

Warrants

1. In 2012, Bladt Holding A/S introduced a warrant program for executive employees and some of the board members of the Group. The warrant program comprised 4,182,122 warrants as of 31 December 2017 (2016: 4,182,122 warrants). Each warrant entitles the warrant holder to subscribe for a share of a nominal value of DKK 1 in Bladt Holding A/S upon the payment of DKK 10 with the addition of 16% p.a. accumulating per year after 23 May 2012.

   Non-subscribed warrants correspond to 10.7% (2016: 10,7%) of the share capital provided that all warrants are exercised. Estimated fair value per warrant amounted to DKK 1 at the date of granting, corresponding to the payment from the warrant holders. Therefore, there was no bonus element at the date of granting.

   The warrants will vest and can be exercised in case of a change of control, and they will expire on 31 December 2024 at the latest.

2. In 2015, Bladt Holding A/S introduced a warrant program for executive employees and some of the board members of the Group. The warrant program comprised 2,049,690 warrants as of 31 December 2017. Each warrant entitles the warrant holder to subscribe for a share of a nominal value of DKK 1 in Bladt Holding A/S upon the payment of DKK 5,46 with the addition of 16% p.a. accumulating per year after 18 September 2015 / 3 December 2015.

   Non-subscribed warrants correspond to 6.4% of the share capital provided that all warrants are exercised. Estimated fair value per warrant amounted to DKK 1 at the date of granting, corresponding to the payment from the warrant holders. Therefore, there was no bonus element at the date of granting.

   The warrants will vest and can be exercised in case of a change of control, and they will expire on 10 March 2021 at the latest.

   In 2016 and 2017 no expense was recognized regarding share based payments.

DKK'000	2017	2016
4 Amortization of intangible assets and depreciation of property, plant and equipment		
Amortization of intangible assets, see note 9	37,000	37,000
Depreciation of intangible assets, see note 9	1,874	1,635
Depreciation of property, plant and equipment, see note 11	31,469	32,907
Profit from sale of property, plant and equipment	-1,065	-204
	69,278	71,338
Depreciation is recognized as follows in the income statement:		
Production costs	68,743	72,764
Administrative expenses	535	574
	69,278	71,338

5 Fees to auditors appointed at the annual general meeting

Total fee for PWC is specified as follows:

	2017	2016
Statutory audit	492	444
Tax and VAT assistance	130	186
Other assistance	302	361
	924	991

	2017	2016
6 Financial income		
Interest group companies	923	1,124
Interest tax etc.	108	0
Fair value adjustment of contingent Consideration	477	0
Interest, cash and cash equivalents, etc.	0	56
	1,508	1,180
Interest on financial assets measured at amortized costs	1,508	1,180

DKK'000	2017	2016

7 Financial expenses

	2017	2016
Interest, banks, etc.	16,571	15,708
Interest element, discounted liabilities	7,502	5,815
Fair value adjustment of contingent consideration	0	16,285
Interest tax etc.	34	399
Amortized borrowing costs	3,768	4,226
	27,875	42,433
Interest on financial liabilities measured at amortized costs	16,605	16,107

8 Tax on profit for the year

Tax on profit for the year is specified as follows:

	2017	2016
Current tax	-2,531	26,921
Deferred tax	-9,269	-16,553
	-11,800	10,368

Tax on profit for the year relates to:

	2017	2016
22,0% tax on profit for the year before tax	-6,506	8,331
The tax effect of:		
Non-taxable income	-9,767	0
Non-deductible costs	2,810	2,037
Impact of change in the Danish tax rate	0	-242
Change to tax prior years	1,663	242
	-11,800	10,368
Effective tax rate	39,9%	27,4%

9 Other reserves

	2017	2016
Cash flow hedges 1 January	-5,538	0
Reevaluation – gross	5,500	-7,100
Deferred tax	-1,210	1,562
Cash flow hedges at 31 December	-1,248	-5,538

Cash flow hedges
The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognized in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or losss

10 Intangible assets

2017

DKK'000	Goodwill	Trademarks	Other intangible assets	Other intangible assets (software)	Total
Cost at 1 January 2017	195,200	16,100	368,152	5,641	585,093
Additions	0	0	0	736	736
Cost at 31 December 2017	195,200	16,100	368,152	6,377	585,829
Depreciation and impairment losses at 1 January 2017	0	0	304,000	3,008	307,008
Depreciation	0	0	37,000	1,874	38,874
Depreciation and impairment at 31 December 2017	0	0	341,000	4,882	345,882
Carrying amount at 31 December 2017	195,200	16,100	27,152	1,495	239,947

Other intangible assets comprise customer relations and backlog taken over upon acquisitions.

The useful lives of trademarks are deemed to be indefinite as Management assesses that the value of these trademarks can be maintained indefinitely as these trademarks are well-established trademarks in the markets in question, and as they are expected to be profit-generating for a long period.

2016

DKK'000	Goodwill	Trademarks	Other intangible assets	Other intangible assets (software)	Total
Cost at 1 January 2016	195,200	16,100	368,152	4,050	583,502
Additions	0	0	0	1,591	1,591
Cost at 31 December 2016	195,200	16,100	368,152	5,641	585,093
Depreciation and impairment losses at 1 January 2016	0	0	267,000	1,373	268,373
Depreciation	0	0	37,000	1,635	38,635
Depreciation and impairment at 31 December 2016	0	0	304,000	3,008	307,008
Carrying amount at 31 December 2016	195,200	16,100	64,152	2,633	278,085

11 Impairment test

Goodwill and trademarks

31 December 2017, Management made an impairment test of the carrying amount of goodwill and trademarks with indefinite lives. The management considers the Bladt Group as one CGU. The recoverable amount exceeds the carrying amount. The recoverable amount is based on the value in use determined using expected net cash flows based on budgets and forecast for the years 2018-2024, a discount rate before tax of 17% and a growth rate in the terminal period of 1%, which is unchanged from last year. The cash flows are estimated based on the assumed market activity. The most significant assumption to form the basis of the prepared budgets is some market growth subsequently mainly based on the forecasted European investment activity in offshore wind and offshore oil and gas, on the assumed project win rates per segment which are expected largely unchanged compared to current levels based on the expected developments in competitive intensity and the Bladt Group's cost and market position, and on the expected development in project profitability where prices and costs are expected to decline according to market forecasts. Management assumes that in the event of reasonably probable changes in the primary assumptions forming the basis of the calculation of the recoverable amount, it will still exceed the carrying amount of the CGU.

Other intangible assets

Management did not identify any need for impairment testing of other intangible assets.

12 Property, plant and equipment

2017 DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equip-ment	Assets under con-struction	Total
Cost at 1 January 2017	1,892	264,285	5,682	0	271,859
Additions	0	2,876	726	452	4,054
Foreign exchange adjustment	92	0	21	0	113
Disposals	0	-31,756	-7,216	0	-38,972
Cost at 31 December 2017	1,984	235,405	-787	452	237,054
Depreciation and impairment losses at 1 January 2017	784	131,966	1,927	0	134,677
Depreciation	157	29,944	1,368	0	31,469
Foreign exchange adjustment	31	0	5	0	36
Disposals	0	-31,755	-6,689	0	-38,444
Depreciation and impairment at 31 December 2017	972	130,155	-3,389	0	127,738
Carrying amount at 31 December 2017	1,012	105,250	2,602	452	109,316

12 Property, plant and equipment (continued)

2016 DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equip-ment	Total
Cost at 1 January 2016	1,975	252,077	5,273	259,325
Additions	0	14,383	1,442	15,825
Foreign exchange adjustment	-83	-1	-10	-94
Disposals	0	-2,174	-1,023	-3,197
Cost at 31 December 2016	1,892	264,285	5,682	271,859
Depreciation and impairment losses at 1 January 2016	660	102,696	1,445	104,801
Depreciation	152	31,369	1,386	32,907
Foreign exchange adjustment	-28	0	-4	-32
Disposals	0	-2,099	-900	-2,999
Depreciation and impairment at 31 December 2016	784	131,966	1,927	134,677
Carrying amount at 31 December 2016	1,108	132,319	3,755	137,182

13 Investments in joint ventures

The Group participates in Bladt//EEW Offshore Wind Foundation Group I/S and Bladt//EEW Offshore Wind Foundation Group Gwynt y Môr I/S, Bladt EEW Offshore Wind Foundation Group Baltic 2 GbR, Bladt/EEW Offshore foundation Group Baltic 2 I/S, Bladt/EEW Offshore Wind Foundation Group Veja Mate GbR.

All of the above enterprises are considered joint ventures as none of the parties exercise control over them. All material decisions of the enterprises require consensus. The contractual circumstances of the enterprises imply that the parties to the arrangements only have rights to the net assets and, consequently, they are to be treated as joint ventures.

Reference is made to the group chart on page 69 for a view of ownership shares and registered offices. All joint ventures are individually considered immaterial. The financial information for these joint ventures that are accounted for using the equity method has been summarized below.

Profit/loss in joint ventures in 2017, DKK 34,727 thousand, consists of share of joint venture profit for the year of DKK -9,340 thousand and of gain from divestment of ownership share of Offshore Structures (Britain) Ltd. of DKK 44,067 thousand.

13 Investments in joint ventures (continued)

DKK'000	2017	2016
Cost at 1 January	40,212	40,212
Additions	0	0
Disposals	-40,212	0
Costs at 31 December	0	40,212
Adjustments 1 January	-25,555	-15,900
Profit and loss for the year	-9,340	-8,430
Disposals	34,895	0
Exchange rate adjustment	0	-1,225
Adjustments 31 December	0	-25,555
Carrying amount at 31 December	0	14,657

14 Investments associated Companies

DKK'000	2017	2016
Cost at 1 January	0	0
Additions	1,000	0
Costs at 31 December	1,000	0

DKK'000	2017	2016
15 Inventories		
Raw materials and consumables	3,919	4,511
Finished goods and goods for resale	192	212
	4,111	4,723

16 Construction contracts

Selling price of construction contracts	3,763,621	1,439,430
Total progress billing	-3,670,459	-1,555,201
Net value of construction contracts	93,162	-115,771
Specified as follows:		
Construction contracts (asset)	114,907	109,811
Prepayments received from customers (liability)	-21,745	-225,582
	93,162	-115,771

17 Receivables

Trade receivables	800,929	1,161,776
Receivables from joint ventures	0	59,030
Other receivables	3,010	11,097
	803,939	1,231,903

18 Prepaid costs

Rent	18,526	21,172
Other adjustments	4,784	7,125
	23,310	28,297

19 Equity

Capital management

The Group regularly assesses the need for adjusting its capital structure to hold the required higher return on equity up against the higher degree of uncertainty surrounding external financing.

The Group focuses on having a high equity ratio and ample cash resources to ensure as much scope for financial action as possible.

Share capital

The share capital amounts to DKK 38,992 thousand (2016: DKK 38,992 thousand) broken down on shares with a face value of DKK 1 each or multiples thereof. There are no restrictions on voting rights.

DKK'000	2017	2016
Dividend per share	**0**	**0**

Reserve own shares

Holding as of January 1st	249	249
Acquired in the year	0	0
Sold in the year	0	0
Holding as of December 31st	**249**	**249**

The shares are acquired in 2015 from former members of Group Management. The total cost in 2017 for own shares amounts to DKK 0 thousand (2016: 0 thousand). The total selling price relating to treasury shares amounted to DKK 0 thousand in 2017 (2016: 0 thousand). The Group´s holding of own shares represent 0.64% (2016: 0.64%) of the Group´s share capital. The value of own shares held amounts to DKK 5,400 thousand (2016: 5,400 thousand).

Other reserves

Other reserves adjustments comprises the parent company shareholders’ share of exchange differences occurring from translation of financial statements stated in a functional currency other than DKK, foreign exchange adjustments regarding assets and liabilities which form part of the Group’s net investments in such entities and foreign exchange adjustments regarding hedging transactions which hedge the Group’s net investments in such entities.

The reserve is dissolved through divestment of foreign entities or if the conditions for effective hedging have ceased to exist.

In 2016 the group entered into contracts of hedging of currency exposure on fair value and future cash flows. These transactions are considered as effective hedge and are recognized as other reserves.

Reserve for foreign exchanges adjustments

Reserve for foreign exchange adjustments comprises the parent company shareholders´ share of exchange differences occurring from translation of financial statements stated in a functional currency other than DKK, foreign exchange adjustments regarding assets and liabilities which form part of the Group’s net investments in such entitles and foreign exchange adjustments regarding hedging transactions which hedge the Group’ s net investments in such entities.
The reserve is dissolved through divestment of foreign entities or if the conditions for effective hedging have ceased to exist.

DKK'000	2017	2016
20 Deferred tax		
Deferred tax at 1 January	42,505	58,305
Adjustment to prior year	-10.675	-5,686
Other comprehensive income	1,210	-1,831
Deferred tax for the year recognized in profit/loss for the year	-9.268	-8,283
Deferred tax at 31 December	23,772	42,505
Deferred tax is recognized in the balance sheet as follows:		
Deferred tax (liability)	23,772	42,505
Deferred tax at 31 December, net	23,772	42,505
Deferred tax relates to:		
Intangible assets	10,060	18,200
Property, plant and equipment	9,081	10,984
Construction contracts	47,201	16,137
Liabilities	-12,156	-985
Tax loss	-30,062	0
Other comprehensive income	-352	-1,831
	23,772	42,505

There are unrecognized tax loss carry forwards of DKK 542 thousand at 31 December 2017 (DKK 723 thousand at 31 December 2016) relating to accelerated tax depreciation of certain operating equipment. Of the deferred tax DKK 47,201 thousand (2016: DKK 16,137 thousand) are expected to be current tax within 1 year.

21 Provisions

	2017	2016
Warranties	1,000	1,000

Warranties are determined based on past experience with warranty work. The costs are expected to be incurred in 2018-2019.

22 Earn out in connection with the acquisition of enterprises

	2017	2016
Contingent consideration	170,625	163,600

The contingent consideration relates to the acquisition of Bladt Industries Holding A/S.
The consideration is expected to be paid out in 2018. The fair value was computed at DKK 87,000 thousand at the date of acquisition in May 2012.

In 2015 Bladt Holding has bought 2.5% of the earn-out for DKK 1,700 thousand.

Refer to note 28 for disclosure of the assumptions applied to determine fair value of the liability as of the balance sheet date.

DKK'000	2017	2016
23 Payables to credit institutions		
Loans from banks	136,833	135,224
Carrying amount	136,833	135,224
Payables to credit institutions are recognized in the balance sheet as follows:		
Non-current liabilities	99,515	135,224
Current liabilities	37,318	0
Carrying amount	136,833	135,224
Nominal value	137,500	137,500

2017	Number of loans	Nominal interest	Average effective rate of interest	Cur-rency	Carrying amount
Loans from banks					
At variable interest rates	2	4.25 %	4,55 %	DKK	136,833
Total loans from banks					136,833

2016					
Loans from banks					
At variable interest rates	2	4,40 %	4,40 %	DKK	135,224
Total loans from banks					135,224

	2017	2016
24 Corporation tax		
Corporation tax payable at 1 January	23,631	24,349
Adjustment to prior year	10,628	-2,584
Current tax for the year	-2,515	26,921
Corporation tax paid during the year	-31,497	-25,055
Corporation tax payable at 31 December	247	23,631

DKK'000	2017	2016

25 Contingent liabilities and collateral Guarentees

	2017	2016
Guarantees relating to performance, payment, advance payment and suppliers	1,145.417	1,476,033
Deposit guarantee	24,967	24,967

The Group participates in Bladt/EEW Offshore Wind Foundation Group I/S by 50%, Bladt/EEW Offshore Wind Foundation Group I/S by 50%, Bladt/EEW Offshore Wind Foundation Group Gwynt y Môr I/S by 50%, Bladt/EEW Offshore Wind Foundation Group Baltic 2 GbR by 50% and Bladt/EEW Offshore Wind Foundation Group Baltic 2 I/S by 50%, Bladt/EEW Offshore Wind Foundations Group Veja Mate GbR by 50%, Bladt Industries Offshore Wind Germany GmbH by 100% and Bladt Industries Polska Sp. z o.o. by 90%.

Collateral

The Group had provided no collateral at 31 December 2016 or 31 December 2015.

26 Changes in working capital

	Note	2017	2016
Net change in construction contracts	16	-208,933	-26,392
Change in inventories	15	612	562
Change in receivables	17	427,964	-218,939
Prepaid expenses/deferred income, net	18	4,987	7,103
Change in trade payables and other payables		-296,286	191,514
		-71,656	-46,152

27 Net Debt reconciliation

		2017	2016
Cash and cash equivalents		4,049	9,530
Borrowings – repayable within one year		0	0
Borrowings – repayable after one year (including overdraft)		85,786	47,159
		89,835	56,689

28 Financial risks and financial instruments

Risk management policy of the Group

Due to its operating, investment and financing activities, Bladt Holding A/S is only subject to limited exposure to financial risks, including market risks (currency risks, interest risks and raw material risks), credit risks and liquidity risks.

The Group's financial risk management is centralized. Management monitors the Group's risk concentration on a monthly basis within areas such as customers, geographical areas, currencies, etc.

It is the Group's policy not to engage in active speculation in financial risks. Thus, the Group's financial management is aimed at managing and reducing the financial risks directly attributable to the Group's operations, investments and financing.

28 Financial risks and financial instruments (continued)

In 2016 the Group entered into contracts of hedging the currency exposure on fair value and future cash flows.

Market risks

Currency risks

The Group's sale abroad is primarily made in the currency of the customer, which is mainly EUR. The Group's suppliers are paid in EUR and DKK, primarily, which means that fluctuations in other currencies will generally not affect the profit of the Group. The Group use natural hedges for its currency exposure considering projected future cash flows and projected future exchange rate movements. Currency transactions are not made for speculation purposes.

The hypothetical effect on profit for the year and the Group's equity based on reasonably probable changes in foreign exchange rates:

2017

	Nominal position				Sensitivity		
DKK'000	Cash and receivables	Financial liabilities (non-derivative)	Derivative financial instruments hedging fair value	Total	Probable changes in foreign exchange rates	The hypo-thetical effect on profit for the year	The hypo-thetical effect on equity
EUR/DKK	461,592	142,290	0	319,302	0	0	0
GBP/DKK	20,996	10,264	0	10,732	20%	1,674	1,674
PLN/DKK	4,334	13,019	0	-8,685	10%	-677	-677
NOK/DKK	2,932	0	0	2,932	10%	229	229
SEK/DKK	336	248	0	88	10%	7	7
	490,190	165,821	0	324,369			

2016

	Nominal position				Sensitivity		
DKK'000	Cash and receivables	Financial liabilities (non-derivative)	Derivative financial instruments hedging fair value	Total	Probable changes in foreign exchange rates	The hypo-thetical effect on profit for the year	The hypo-thetical effect on equity
EUR/DKK	709,319	415,761	-	293,558	0%	0	0
GBP/DKK	64,357	605	52,533	11,219	20%	2,244	2,244
PLN/DKK	46,809	40,030	-	6,779	10%	678	678
NOK/DKK	187	100	-	87	10%	9	9
SEK/DKK	-	12	-	-12	10%	-1	-1
	820,672	456,508	52,533	311,630			

28 Financial risks and financial instruments (continued)

Sensitivity analysis assumptions

- The sensitivity stated is calculated based on the assumption of unchanged sales, price level and interest rate level.
- The sensitivity related to financial instruments is calculated based on the financial instruments recognized at 31 December.
- The calculated, expected fluctuations are based on the average annual volatility of the underlying risks.

A corresponding negative movement in exchange rates will have a corresponding opposing effect on the profit/loss for the year and equity.

Interest rate risks

In consequence of the Group's investing and financing activities, the Group is exposed to changes in the level of interest in both Denmark and abroad. The primary interest exposure relates to changes in CIBOR.

Reasonable possible changes in the level of interest are not expected to significantly affect profit/loss for the year and equity.

Financing activities

It is group policy to hedge interest rate risks on consolidated loans when interest payments can be hedged at a satisfactory level.

Investing activities

The Group's cash funds are placed as demand deposits.

Sensitivity analysis

A reasonably possible lower level of interest of 1%-point compared with the level of interest at the end of the reporting period will, all things being equal, have a hypothetical positive effect on profit/loss for the year and equity at year end of DKK 1,705 thousand (2016 DKK 1,348 thousand).

A reasonable, probable higher interest rate level compared to the interest rate level at the balance sheet date will have a corresponding, opposing effect on the profit/loss and equity.

Sensitivity analysis assumptions

- The sensitivity stated is calculated based on the financial assets and liabilities recognized at 31 December. Repayments, borrowings, etc. for the year have not been taken into consideration.
- The sensitivity is based on changes of 1% in CIBOR.
- The changes applied are considered fairly probable based on the present market situation and expectations of market development in the interest rate level.

The changes applied are considered fairly probable based on the present market situation and expectations.

28 Financial risks and financial instruments (continued)

Risks relating to raw materials

The Group uses raw materials in the form of steel when producing the Group's products.

In relation to significant purchases, the price risk is hedged by making binding agreements on purchases when entering into sales contracts.

Liquidity risks

The Group strives to obtain the highest degree of flexibility for the purpose of lending. The Group's cash reserves consists of cash and cash equivalents of DKK 44 million and committed credit facilities of DKK 310 million of which DKK 111 million is drawn (DKK 86 million drawdown as bank debt and DKK 25 million drawdown as guarantees for real estate rental deposits). Cash reserves thus total DKK 203 million at 31 December 2017 (DKK 247 million at 31 December 2016).

With the credit facilities and available liquidity, in the Management’s opinion, the liquidity is adequate according to the budget.

The loan agreements with credit institutions include certain covenants which were all observed or waived in 2017 and are expected to be observed in 2018 as well.

The Group's liabilities fall due as follows:

DKK'000 **2017**	Carrying amount	Con-tractual cash flows	Within 1 year	1-3 years	3-5 years	After 5 years
Non-derivative financial instruments						
Due earn out	170,625	170,625	0	170,625	0	0
Credit institutions and banks	99,515	137,500	37,500	100,000	0	0
Bank debt	85,786	85,786	85,786	0	0	0
Trade payables	295,290	295,290	295,290	0	0	0
Tax	247	247	247	0	0	0
31 December 2017	651,463	689,448	418,823	270,625	0	0

DKK'000 **2016**	Carrying amount	Con-tractual cash flows	Within 1 year	1-3 years	3-5 years	After 5 years
Non-derivative financial instruments						
Due earn out	163,600	170,625	0	170,625	0	0
Credit institutions and banks	135,224	137,500	0	137,500	0	0
Bank debt	47,159	47,159	47,159	0	0	0
Trade payables	620,722	620,722	620,722	0	0	0
Tax	23,631	23,631	23,631	0	0	0
31 December 2016	990,336	999,637	691,512	308,125	0	0

The maturity analysis is based on all undiscounted cash flows, including estimated interest payments. Interest payments are estimated based on current market conditions.

Liabilities under operating leases are not disclosed, but are stated in note 29.

28 Financial risks and financial instruments (continued)

Based on the Group's expectations for its future operations and the Group's current cash resources and trade receivables exceeding the short term contractual cash outflow, no significant liquidity risks have been identified.

Credit risks

Efforts are made to minimize risks related to giving credit by effective credit management and by establishing alternative collateral in the event of large receivables.

Bank deposits

Credit risks on bank deposits arise when it is uncertain whether the counterparty will be able to meet its obligations when due. The group policy for credit risk management means that the Group's financial cooperation partners' credit ratings are monitored continuously. The Group only places bank deposits with large reputable banks.

Trade receivables

The Group's policy for undertaking credit risks means that all major customers are credit rated before contracts are entered and then on a regular basis. If satisfactory certainty is not achieved at the credit rating of the customer, separate collateral is required for the sale.

The Group regularly receives milestone payments as the construction contracts are carried out, which reduces the credit risk. The Group does not have any significant risks relating to individual customers or cooperation partners and historically the Group has not experienced any significant losses on trade receivables.

DKK'000	2017	2016
The maturity of trade receivables is specified as follows:		
Receivables not due	423,123	767,897
Maturity period:		
Up to 30 days	22,080	2,620
Between 30 and 90 days	739	1,251
More than 90 days	354,987	390,008
	800,929	1,161,776

None of the trade receivables were impaired at 31 December 2017 and at 31 December 2016. Losses have not been realized in 2017 or 2016 on trade receivables, nor have they been written down. Please also see note 2.

28 Financial risks and financial instruments (continued)

Financial instrument categories

DKK'000	2017 Carrying amount	2017 Fair value	2016 Carrying amount	2016 Fair value
Trade receivables	800.929	800.929	1,161,776	1,161,776
Other receivables	3,010	3,010	11,097	11,097
Amounts owed by group companies	0	0	59,030	59,030
Loans and receivables	**803.939**	**803.939**	**1,231,903**	**1,231,903**
Derivative financial instruments used for hedging	0	0	0	0
Financial assets used as hedging instruments	**0**	**0**	**0**	**0**
Earn out in connection with the acquisition of enterprises	170,625	170,625	163,600	163,600
Financial liabilities at fair value through profit or loss	**170,625**	**170,625**	**163,600**	**163,600**
Credit institutions	99.515	99.515	135,224	135,224
Bank debt	85,786	85,786	47,159	47,159
Trade payables	295.290	295.290	620,722	620,722
Other payables	141,726	141,726	118,079	118,079
Tax	247	247	23,631	23,631
Financial liabilities measured at amortized cost	**622.564**	**622.564**	**944,815**	**944,815**
Derivative financial instruments used for hedging	1,600	1,600	7.100	7,100
Financial liabilities used as hedging instruments	**1.600**	**1.600**	**7.100**	**7.100**

Fair value of the financial instruments has generally been determined on the basis of discounted cash flow models taking into account the time value of money and credit risk.

Receivables and payables with short credit periods are assessed to have a fair value equivalent to the carrying amount.

The fair value of the contingent consideration arrangement (earn out) was estimated by applying the income approach.

The fair value estimates are based on a discount rate of 4.7% and assumed probability adjusted outcome of the earn out arrangement. This is a level 3 fair value measurement.

The change in fair value on the earn out is included in Financial Expenses (note 7). DKK -477 thousands (2016: DKK 16,285 thousands) is related to fair value adjustments.

The inputs used for other fair value measurements including derivative financial instruments are primarily level 2 inputs.

28 Financial risks and financial instruments (continued)

Input used is classified in accordance with the following hierarchy:

Level 1: quoted prices in active markets for identical liabilities.

Level 2: inputs other than quoted prices that are observable, either directly or indirectly

Level 3: Inputs that are not based on observable market data.

Derivative Financial Instruments

The Group has established forward exchange contracts to hedge future cash flows on construction contracts in GBP totalling DKK 102,373 thousand compared to DKK 139,038 thousand in 2016. At the balance sheet date, these financial instruments have a negative fair value of DKK 1,6 thousand against a negative fair value of DKK 7,1 thousand at 31 December 2016 recognised in other comprehensive income. The hedge cash flows are expected to be realised within 2018.

Furthermore, the Group has established currency hedging in GBP and with a view to secure future cash flows from financing activities at a total amount of DKK 0 thousand against DKK 52,533 thousand in 2016. On the balance sheet date, these financial instruments have a fair value of DKK 0 thousand against DKK 3,0 thousand in 2016.

29 Operating leases

The Group leases properties and operating equipment through operating leases. None of the leases include conditional rent.

Interminable operating leases relate primarily to rent obligations and fall due as follows:

DKK'000	2017	2016
0-1 years	13,932	13,794
1-5 years	53,689	53,835
> 5 years	26,688	40,031
	94,309	107,660

For 2017, DKK 13,932 thousand (2016 DKK 13,714 thousand) was recognized in the consolidated income statement regarding operating leases.

30 Related party disclosures

Bladt Holding A/S has registered the following shareholders holding 5% or more of the share capital:

- Nordic Capital VII Ltd, 26 Esplanade, St. Helier, Jersey

Nordic Capital VII Ltd. exercises control.

There have been no transactions with Nordic Capital VII Ltd.

Senior executives

Key Management include the Group's Board of Directors and Executive Board. Companies over which such persons exercise control or joint control are also considered related parties.

Key Management's remuneration is disclosed in note 3. There have been no other transactions.

30 Related party disclosures (continued)

Joint ventures

Moreover, related parties include joint ventures, see note 13.

Transactions with joint ventures have been as follows:

DKK'000	2017	2016
Sales of services	-569	628,104
Purchase of services	158.030	134,605
Receivables	0	59.030

31 Events after the balance sheet date

In early 2018 a change at the position of CEO occurred at Bladt Industries A/S leading to one-off costs in 2018 related to this change. Other than this no significant event

has occurred after 31 December 2017

32 New financial reporting regulation

New standards, amendments and interpretations adopted by the Bladt Group

The following standards have been applied by the Bladt Group for the financial year 2017:

Amendments to IAS 7: Disclosure initiative. Comprises disclosure requirements regarding changes in financial liabilities.

Amendments to IAS 12: Additional guidance regarding recognition of deferred tax assets

Part of annual improvements 2014-2016 comprising minor changes to IFRS 1 and IFRS 12.

IFRIC 22 Foreign currency transactions and advance consideration

Amendments to IAS 40: Transfer of investment property

The Bladt Group has assessed that the new standards and amendments to standards and interpretations effective for annual periods beginning after 1 January 2017, are neither not relevant or have no significant effect on the consolidated financial statements of the Bladt Group other than disclosure.

32 New financial reporting regulation (continued)

New standards, amendments and interpretations not yet effective

A number of new standards and amendments to standards and interpretations that would be relevant for the Bladt Group has been adopted by IASB and endorsed by EU. These standards are not yet effective and will be applied when they become effective for the Bladt Group.

None of these is expected to have a significant effect on the consolidated financial statements of the Bladt Group.

- IFRS 9: Financial Instruments. The standard replaces IAS 39, Financial instrument, recognition and measurement. It has three classification categories for debt instruments: amortized cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). Classification under IFRS 9 for debt instruments is driven by the entity's business model for man-aging the financial assets and whether the contractual cash flows represent solely payments of principal and interest ('SPPI'). Equity investments which do not form part of the trading portfolio can be irrevocable designated at fair value through other comprehensive income. Further, a new impairment model for debt instruments not measured at fair value through profit or loss, based on expected losses. A new hedge accounting model is introduced under which the qualifying criteria are adjusted so as to better align with risk management practices.

  The Group does not expect any significant impact on its accounting policies from adoption of IFRS 9.

- IFRS 15: Revenue from Contracts with Customers – Including amendments to IFRS 15: Effective date of IFRS 15. The IASB has issued a new standard for the recognition of revenue. This will re-place IAS 18 which covers contracts for goods and services and IAS 11which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The principle is applied to each individual performance obligations identified in the contract. The assessment as to whether the standard will be of importance to the presentation of future financial statements has not yet been finalized.

- IFRS 16: Leases. The amended standard changes the rules of the accounting treatment of operating leases by the lessee. In future, operating leases are therefore to be recognized in the balance sheet with an asset and a corresponding lease commitment. The standard has not yet been adopted by the EU and will become effective for financial years beginning on or after 1 January 2019. The standard will affect the balance sheet, financial ratios, etc. to a limited extent.

- IFRIC 23 Uncertainty over income tax treatments. The interpretation establishes guidance in respect of the accounting treatment of uncertainties over tax positions within the scope of IAS 12. The group does not expect any significant impact

Financial Statements for 2017

Income Statement

DKK'000	Note	2017	2016
Dividend from subsidiaries		10,000	45,000
Administrative expenses		-330	-1,216
Operating profit		9,670	43,784
Financial income	4	861	629
Financial expenses	5	-22,100	-39,085
Profit/loss before tax		-11,569	5,328
Tax on profit for the year	6	2,749	8,640
Profit/loss for the year		-8,820	13,968

Statement of Comprehensive Income

DKK'000	Note	2017	2016
Profit/loss for the year		-8,820	13,968
Total comprehensive income		-8,820	13,968

Financial statements for 2017

Statement of Financial Position

DKK'000	Note	2017	2016
ASSETS			
Non-current assets			
Investments in subsidiaries	7	707,000	707,000
Total non-current assets		707,000	707,000
Current assets			
Amounts owed by group enterprises		15,181	13,548
Prepaid costs		4,235	6,395
Corporation tax	8	0	10,355
Tax asset	9	12,156	985
Cash at bank and in hand		479	3
Total current assets		32,051	31,286
TOTAL ASSETS		739,051	738,286
EQUITY AND LIABILITIES			
Equity	10		
Share capital		38,992	38,992
Other reserves		345,005	345,005
Retained earnings		45,072	53,892
Total equity		429,069	437,889
Liabilities			
Non-current liabilities			
Earn out in connection with the acquisition of enterprises	11	170,625	163,600
Credit institutions	12	99,515	135,224
Total non-current liabilities		270,140	298,824
Current liabilities			
Credit institutions		37,318	0
Corporate tax payables	8	1,304	0
Other payables		1,220	1,573
Total current liabilities		39,842	1,573
Total liabilities		309,982	300,397
TOTAL EQUITY AND LIABILITIES		739,051	738,286

Financial statements for 2017

Cash Flow Statement

DKK'000	Note	2017	2016
Profit/loss for the year before tax		-11,569	5,328
Adjustment for non-cash operating items etc.:			
Financial income	4	-861	-629
Financial expenses	5	22,100	39,085
Cash generated from operations (operating activities) before changes in working capital		9,670	43,784
Changes in working capital		174	-2,231
Cash generated from operations (operating activities)		9,844	41,553
Interest received	4	864	629
Interest paid	5	-13,467	-14,919
Corporation tax received/paid		3,238	5,739
Cash flows from operating activities		476	33,002
External financing:			
Repayment of bank loans and overdrafts		0	-33,000
Repayment of earn out		0	0
Shareholders :			
Buying of shares and warrants		0	0
Selling of shares and warrants		0	0
Net Cash flows from financing activities		0	-33,000
Cash flows for the year		476	2
Cash and cash equivalents at the beginning of the year		3	1
Cash and cash equivalents at the end of the year		479	3

Financial statements for 2017

Statement of Changes in Equity

DKK'000	Share capital	Share premium	Reserve own shares	Retained earnings	Total
Equity at 1 January 2017	38,992	350,405	-5,400	53,892	437,889
Total comprehensive income for 2017					
Profit/loss for the year	0	0	0	-8,820	-8,820
Total comprehensive income for the period	0	0	0	-8,820	-8,820
Equity at 31 December 2017	38,992	350,405	-5,400	45,072	429,069

DKK'000	Share capital	Share premium	Reserve own shares	Retained earnings	Total
Equity at 1 January 2016	38,992	350,405	-5,400	39,924	423,921
Total comprehensive income for 2016					
Profit/loss for the year	0	0	0	13,968	13,968
Total comprehensive income for the period	0	0	0	13,968	13,968
Equity at 31 December 2016	38,992	350,405	-5,400	53,892	437,889

*   Further information is disclosed in note 10.

Financial statements for 2017

Summary of Notes to the Parent Company Financial Statements

Note	
1	Accounting policies
2	Accounting estimates and judgements
3	Staff costs
4	Financial income
5	Financial expenses
6	Taxation
7	Investments in subsidiaries
8	Corporation tax
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10	Equity
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15	Operating leases
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17	Events after the balance sheet date
18	New financial reporting regulation
19	Financial ratios

Financial statements for 2017

Notes

1 Accounting policies

The separate Parent Company financial statements are included in the annual report as, under the Danish Financial Statements Act, separate Parent Company financial statements must be prepared.

The Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act applicable to reporting class C, large enterprises.

Description of accounting policies

According to the described accounting policies applied for the consolidated financial statements (see note 1 to the consolidated financial statements), the Parent Company's accounting policies deviate in the following areas:

Revenue

Dividends received from investments in subsidiaries are recognized in the Parent Company income statement in the financial year when the dividends are declared. If dividends exceed the comprehensive income of the subsidiary, an impairment test is conducted.

Investments in subsidiaries

Investments in subsidiaries are measured at cost in the Parent Company financial statements. If there is an indication of impairment, an impairment test is made as described in the accounting policies of the consolidated financial statements. If the carrying amount exceeds the recoverable amount, a write-down is made to this lower value.

At the distribution of other reserves than retained earnings in subsidiaries, the distribution will reduce the cost of investments when the distribution is characterized as repayment of the Parent Company's investment.

2 Accounting estimates and judgements

In Bladt Holding A/S' financial statements, investments in subsidiaries are measured at cost. In case of indication of impairment, an impairment test is made. If the recoverable amount is lower than cost, investments are written down to this lower value. Due to the nature of the operations of the investments, estimates have to be made of expected cash flows many years into the future, which will be subject to some degree of uncertainty. The investments in subsidiaries are described in more detail in Note 7 investments in subsidiaries.

3 Staff costs

The Parent Company had no employees in 2017 or 2016.

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Notes

	DKK'000	2017	2016
4	**Financial Income**		
	Interest group enterprises	276	573
	Interest tax etc.	108	0
	Fair Value adjustment of contingent considerations	477	0
	Other financial income	0	56
		861	629
	Interest on financial liabilities measured and amortized costs	861	629
5	**Financial expenses**		
	Interest, banks, etc.	10,799	12,360
	Interest element, discounted liabilities	7,502	5,815
	Fair value adjustment of contingent consideration	0	16,285
	Interest tax etc.	31	399
	Amortized borrowing costs	3,768	4,226
	Other financial costs	0	0
		22,100	39,085
	Interest on financial liabilities measured and amortized costs	10,799	12,360
6	**Taxation**		
	Tax for the year is specified as follows:		
	Tax on profit for the year	-2,748	8,640
	Tax on profit for the year is specified as follows:		
	Current tax	-2,522	8,510
	Deferred tax	-226	130
		-2,748	8,640
	Tax on profit for the year relates to:		
	22,0% tax on profit for the year before tax	-2,545	-1,172
	The tax effect of:		
	Change to tax last year	1,979	0
	Non-deductible costs	17	-88
	Non-taxable income	-2,200	9,900
		-2,749	8,640
	Effective tax rate	24%	-162,2%

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DKK'000	2017	2016
7 Investments in subsidiaries		
Cost at 1 January	707,000	707,000
Acquisition of subsidiary	0	0
Carrying amount at 31 December	707,000	707,000

Name	Registered office	Ownership Share 2016	Ownership share 2015
Bladt Industries Holding A/S	Aalborg, Denmark	100%	100%

Cost of subsidiary acquired comprises cash payment of DKK 620,000 thousand and contingent consideration of DKK 87,000 thousand.

	2017	2016
8 Corporation tax		
Corporation tax payable at 1 January	10,355	7,585
Current tax for the year	2,522	8,510
Corporation tax received/paid during the year	-3,237	-5,740
Tax related to last year	-10,944	0
Corporation tax payable at 31 December	-1,304	10,355

	2017	2016
9 Tax asset		
Tax asset at 1 January	-985	-855
Tax asset for the year recognized in profit/loss for the year	-225	-130
Tax related to last year	-10,946	0
Deferred tax at 31 December	-12,156	-985

10 Equity

The composition of the share capital is disclosed in note 19 to the consolidated financial statements.

Capital management

Capital management in the Bladt Holding Group is made for the entire Group. We refer to note 19 to the consolidated financial statements.

Financial statements for 2017

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11 Earn out in connection with the acquisition of enterprises

The liability of DKK 170,625 thousand (2016 DKK 163,600 thousand) comprises contingent consideration and relates to the acquisition of Bladt Industries Holding A/S,

12 Payables to credit institutions

We refer to note 23 to the consolidated financial statements.

13 Contingent liabilities and collateral

Contingent liabilities

The Parent Company has no contingent liabilities at 31 December 2017 or 31 December 2016.

Collateral

Shares in Bladt Industries Holding A/S with a carrying amount of DKK 707.0 million have been provided as collateral for amounts owed to credit institutions totaling DKK 137.5 million at 31 December 2017 (DKK 137.5 million at 31 December 2016).

14 Financial risks and financial instruments

The Parent Company is not exposed to any market risks other than those disclosed in note 28 to the consolidated financial statements, to which we refer. Liquidity risks and credit risks for the Parent Company are also described in note 28 to the consolidated financial statements.

The Parent Company had no derivative financial instruments at 31 December 2017 or 31 December 2016.

15 Operating leases

The Parent Company had no operating leases at 31 December 2017 or 31 December 2016.

16 Related party disclosures

In addition to the disclosures in note 30 to the consolidated financial statements, the Parent Company's related parties comprise subsidiaries. See note 7 to the Parent Company's annual report.

The Danish companies in the Group are jointly taxed, and in 2017 an amount of DKK 34,308 thousand was transferred as joint taxation contributions between the companies.

Apart from this, no other transactions have been carried out with the Board of Directors, the Executive Board, important shareholders or other related parties during the year.

17 Events after the balance sheet date

We refer to note 31 to the consolidated financial statements. Apart from this, no events have occurred after the balance sheet date.

Financial statements for 2017

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18 New financial reporting regulation

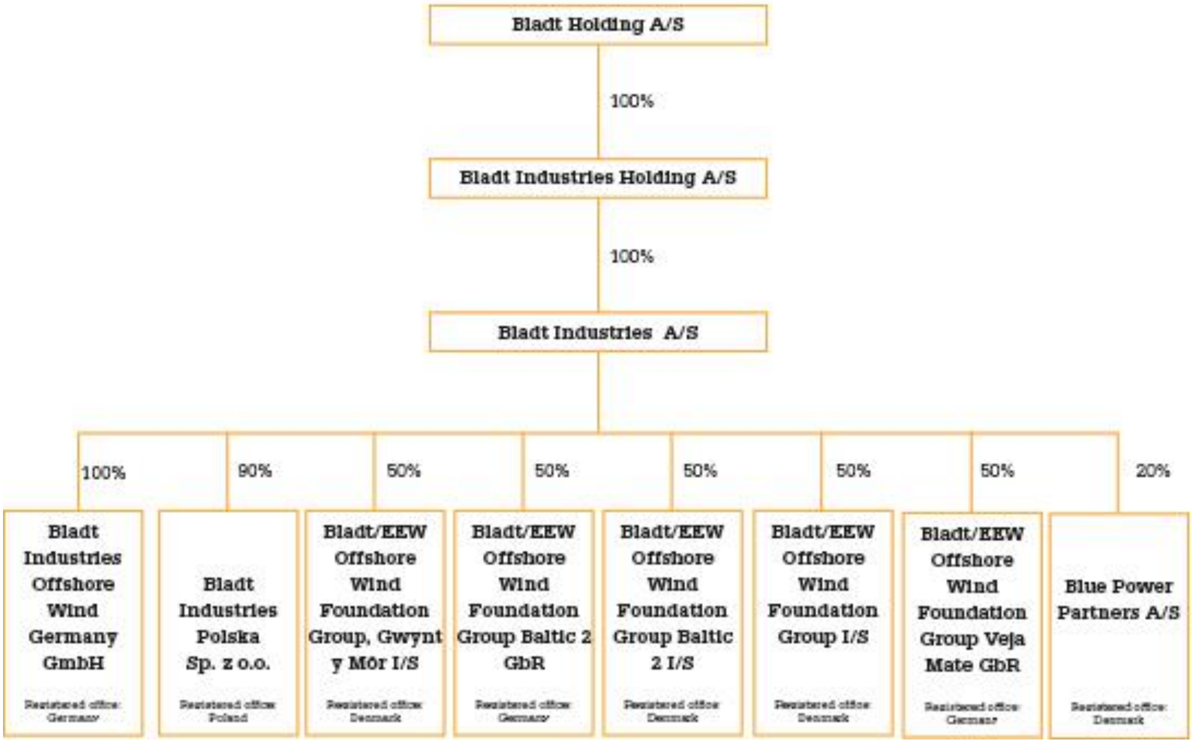
We refer to note 32 to the consolidated financial statements. None of the standards or interpretations mentioned are expected to affect the Parent Company financial statements.

19 Financial ratios

The financial ratios stated in the annual report have been calculated as follows:

Operating margin	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests, at year end x 100}}{\text{Total assets, at year end}}$
Return on equity	$\frac{\text{Profit/loss* x 100}}{\text{Average equity ex. non-controlling interests}}$
ROIC	$\frac{\text{EBITA}}{\text{Average invested capital}}$

Group Chart and Addresses



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Registration No.: 34 07 34 30
Established: 30 November 2011
Registered office: Aalborg

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