Bladt Holding A/S

Nørredybet 1

9220 Aalborg Øst

Annual report 2016

(5^{th} financial year)

CVR No. 34 07 34 30

Adopted at the Annual General Meeting 31 March 2017

Chairman of the Annual Geneal Meeting

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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 create 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 is the business area, which also in 2016 has seen the highest activity level. We have operated within this area since 2002 and the number of executed projects has grown continuously – 2016 has been no exception. We continue to be market leaders within project management and production of foundations and substations for offshore wind farms. In total, our reference list now counts 16 substations with three more in pipeline and more than 1,500 foundations.

The oil and gas industry is where our offshore adventure began more than 40 years ago. Our expertise and know-how covers complex steel structures such as modules, topsides, jackets and suctions anchors.

The infrastructure market is the business area where the story of the Bladt Group as a steel contractor 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 2016, we have continued to develop from pure steel contracts into taking on selected turnkey contracts, which also include concrete, excavation works etc.

Our employees are important to us. The qualifications and dedication of our employees are the backbone of the continued development of the Bladt Group. In 2016, the Group continued and accelerated the strengthening of our organization even further.

Safety always comes first at the Bladt Group. We believe that the health, safety and welfare of our employees are the foundation for our success. During 2016 we have further intensified our activities in this area.

Our facilities are an important large part of our ability to play a leading role in the offshore business. Our two production facilities in Denmark and the newest production facility in the UK all have direct access to seaways.

Quality is at the heart of everything we do. It is part of the "Bladt DNA" to deliver high-quality steel constructions to our clients.

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

Management Review

Financial Highlights for the Group

DKKm	2016	2015	2014	2013	2011/12[1]
Key figures					
Revenue	3,484.0	2,949.5	3,201.3	2,967.6	1,463.3
Gross profit	127.5	104.6	-13.1	171.5	41.5
Earnings before interest, tax, depreciation and amortization (EBITDA)	158.9	142.0	28.0	276.3	120.4
EBITDA excl. one-off items[3]	168.9	157.0	34.1	279.5	143.3
Earnings before interest, tax and amortization, (EBITA)	124.6	106.0	-5.0	247.3	105.8
Profit/loss from financial income and expense	-49.7	-49.7	-33.4	-50.2	-0.5
Profit/loss for the year	27.5	12.2	-59.6	90.0	-16.0
Non-current assets	429.9	494.0	518.3	540.9	628.3
Current assets	1,384.3	1,098.5	1,299.4	890.1	541.0
Total assets	1,814.2	1,592.5	1,817.7	1,431.0	1,169.3
Equity	436.7	416.8	409.8	470.1	380.6
Non-current liabilities	342.3	336.0	369.0	408.6	447.8
Current liabilities	1,035.2	839.7	1,038.9	552.3	340.9
Net interest bearing debt/Net cash	-37.6	-57.2	139.5	165.3	164.9
Investment in property, plant and equipment	17.0	24.0	44.3	42.7	30.9
Cash flows from operating activities	70.6	-92.4	52.1	70.7	93.3
Cash flows from investing activities	-17.1	-64.2	-47.2	-42.5	-568.6
Cash flows from financing activities	-33.5	-40.1	-30.5	-27.8	640.1
Total cash flows	20.0	-196.7	-25.6	0.4	164.8
Financial ratios[2]					
Operating margin (%)	3.6	2.3	-1.3	4.9	0.9
Solvency ratio (%)	24.1	26.0	22.4	32.7	32.7
Return on equity (%)	29.2	3.0	-13.6	21.3	-
Average number of employees	648	606	678	641	530

1) Bladt Holding A/S was established on 30 November 2011. Bladt Holding A/S took over Bladt Industries Holding A/S at the end of May 2012, and the enterprise is included in the consolidated financial statements as of this date (7 months).

2) 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 64.

3) Reconciliation of one-off items to internal reporting.

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Making offshore wind truly sustainable

In 2016, the Bladt Group improved its financial performance further. Building on a strong project portfolio in offshore wind and the infrastructure market, the Bladt Group successfully delivered offshore wind foundations and substations as well as bridges, complex building steel, storage tank solutions – and much more. This led to an increase in revenues to DKK 3,484 million (2015: DKK 2,949 million) – the highest level ever recorded. Earnings before interest, amortization and tax also increased to DKK 125 million up from DKK 106 million in 2015, in line with expectations and satisfactory for the year.

The Bladt Group worked on foundations for wind turbines for six offshore wind farms in 2016 totaling 317 foundations across these wind farms. Also, the Group completed or partially produced six substations for four offshore wind farms. The strong project portfolio within offshore wind was complemented by numerous infrastructure projects across a number of areas.

Offshore wind has always been a truly sustainable energy source in environmental terms. In 2016, the offshore wind industry continued and accelerated the development towards making offshore wind financially fully sustainable and ultimately subsidy free. The energy prices achieved in offshore wind auctions in 2016 are testament to this development. To help facilitate this development, a cornerstone of the Bladt Group's strategy is to ensure cost competitive, on time and on quality delivery of key components to offshore wind farms such as foundations and substations.

The Bladt Group in 2016

The significant project portfolio executed by the Bladt Group in 2016 included the finalization of offshore wind turbine transition piece foundations for the Veja Mate and the Burbo Bank Extension offshore wind farms as well as the initiation of transition pieces for the Walney Extension and the Arkona offshore wind farms. These projects include a total of 246 transition pieces for monopile foundations solidifying the Group's market leading position within transition pieces. Production of these took place both at the Group's site in Aalborg, Denmark, and at Offshore Structures (Britain) Limited, the UK production site owned in a joint venture between German EEW Special Pipe Constructions (EEW SPC) and Bladt Industries.

Further, the project portfolio in 2016 included jacket foundations for offshore wind turbines produced at the Group's facilities at Lindoe Industrial Park. The Bladt Group delivered 41 jacket foundations for the Wikinger offshore wind farm and initiated production of the 30 jacket foundations for the Beatrice offshore wind farm in the UK. The jacket foundations for the Beatrice project, is Bladt Industries third back-to-back order for serial produced jacket foundations for offshore wind turbines – a first in the industry.

The activity level with substations for offshore wind farms was also significant in 2016. The Group produced and installed substations for the Sandbank, the Nordsee One and the Bligh Bank offshore wind farms and initiated fabrication of three substations for the large Hornsea One offshore wind farm. With these significant projects, Bladt Industries underlined its market leading position within substations for offshore wind.

The infrastructure business area also had increasing activity including, among many other projects, complex building steel for Esbjerg Shopping Center and for the Maersk Building at the Panum Institute, a landmark bridge crossing freeway lanes and railroad tracks for the Køge Nord Station and significant storage tank restoration projects.

The Bladt Group continued the strengthening of its organization within systems and processes related to project management, quality assurance, HSE, planning, legal and financial risk management and HR in 2016. Examples include new systems and procedures for managing and handling non-conformities, supplier management, HR management as well as updated project and contract management tools, extensive training in the 5S methodology and updated HSE manuals for employees and subcontractors. Simultaneously, the Group intensified its drive for cost reductions for the offshore wind industry including continuing work on production automation and robotization of welding, as well as broadening the supplier base including low cost country suppliers where feasible. The Bladt Group aims to drive further the maturity of the offshore wind industry and to make offshore wind truly sustainable.

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Market Developments

The European offshore wind market displayed some growth in 2016 compared to 2015 especially in terms of gigawatts installed and under installation. Going forward, the offshore wind market is expected to remain at a high activity level and further growth may be possible if the low energy prices for offshore wind achieved at recent auctions translate into larger volumes of offshore wind capacity being consented for grid connection in the future. Competitive intensity is increasing in the European offshore wind market both in the auctions for energy prices for offshore wind farms and in the supply chain. Beyond the European market, the nascent US offshore wind market may provide growth opportunities especially after 2020.

As expected, the North Sea offshore oil and gas market activity was at a similar low level in 2016 as in 2015 as prices remained at a relatively low level. This is also expected to be the case in 2017 therefore activity related to new offshore oil and gas fields is expected to remain low, while upgrade and maintenance of existing fields will be affected to a lesser degree. Longer term, an uptick in the oil price or renewed oil and gas field taxation regulations may lead to some growth in the North Sea offshore oil and gas market.

With continued solid economic activity in the Nordic countries, the steady growth in the market for steel related infrastructure projects in the Nordic region seen in 2016 is expected to continue in 2017.

Strategic Agenda

The Bladt Group launched its updated strategy in 2016 focusing on further developing its profitable market leader position in offshore wind foundations and substations supported by niche positions in infrastructure and offshore oil and gas. 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.

To this end, the Bladt Group is developing its position in the value chain for offshore wind foundations with a focus on both monopile-transition piece and jacket type foundations and is also exploring the emerging offshore wind opportunities within foundations and substations in the US and in the Asia Pacific region.

Underpinning the strategic intent is a relentless and accelerated focus on decreasing the cost of offshore wind energy, ultimately making offshore wind subsidy-free and thereby securing profitable growth for Bladt Industries. This includes, for example, automation and robotization of weldings and increased low cost country sourcing coupled with innovative supply chain and logistic setups. Further, the Bladt Group are working with the industry to develop offshore wind design solutions that are more feasible and cost efficient from a fabrication point of view.

Also, the Bladt Group is embracing the market leader position and in 2016 arranged a cross-industry conference on reducing the costs of offshore wind turbine jacket foundations with broad participation by more than 100 industry specialists. The work started at the conference continues in several cross-industry work streams.

Further underpinning the strategic intent is increased partnering with customers and a commercially proactive approach as well as the continued strengthening of for instance planning, quality assurance, HSE and project management.

Financial Review

In 2016, the revenues of the Bladt Group increased by 18% nominally and organically to a record DKK 3,484 million (2015: DKK 2,949 million). Revenues are impacted by high and increasing activity level with offshore wind turbine foundations and offshore wind substations as well as within the infrastructure area l and the continued low activity level within offshore oil and gas.

Gross profits amounted to DKK 127 million (2015: DKK 105 million). The increasing activity level and the sound execution of the Group's project portfolio drives the development of gross profit in 2016. Gross profits were not – as was also not the case in 2015 – affected by significantly lower than expected earnings on a few specific projects as experienced in 2014 due to events outside Bladt

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Industries' control. Certain projects from 2014 continue to involve disagreements regarding the settlement of variation orders and claims between the Group and customers on these specific projects. On the largest of these projects, the Group have now commenced arbitrational proceedings and the Group and its legal advisors are confident of its position and the merits of the case. As with all such disagreements, there is uncertainty as to the financial outcome of these disputes which can have a significant positive or negative financial effect.

Capacity costs for project management, planning, production facilities, QHSE systems and for legal and contract management have increased with the growing activity level and in order to meet the requirements of maturing the offshore wind industry and of our customers. Operating profits (EBITA) increased to DKK to 125 million (2015: DKK 106 million) and are positively impacted by the activity level and sound project execution and negatively by increasing capacity costs. After regulations related to amortizations of intangible assets, earnings before interest and taxes (EBIT), came to DKK 88 million (2015: DKK 69 million). Profit for 2015 amounted to DKK 28 million after tax (2015: DKK 12 million) and was also impacted by the result from the UK joint venture which improved in 2016, the first full year of operation after the start-up in 2015, but were still impacted by the relative immaturity of the site operations where efficiency and performance continue to improve.

At the end of 2016, total assets amounted to DKK 1,814 million (2015: DKK 1,592 million) and total equity amounted to DKK 437 million (2015: DKK 417 million). The Board of Directors recommends to the annual general meeting that no dividends be declared in respect of the 2016 financial year.

In 2016, the Bladt Group realized a cash flow from operations of DKK 71 million (2015: DKK -92 million). The cash flow is positively impacted by the sound execution of the Group's project portfolio and negatively impacted by changes in working capital as working capital fluctuations are common for large scale contracts. The cash flow was also negatively impacted by DKK 14 million (2015: DKK 85 million) in continued investments into the setup and optimization of the UK production joint venture Offshore Structures (Britain) Limited. Net cash flows after financing activities amounted to DKK 20 million (2015: DKK -197 million).

No events of significant importance to the financial statements and annual report for 2016 have occurred after the end of the financial year.

Outlook 2017

Given the expected market developments and competitive intensity, the gross profit and earnings of Bladt Industries are expected to be at a similar or slightly lower level in 2017 compared to 2016. The outlook is based solidly on an order book for 2017 that secures the vast majority of the 2017 outlook. This order book includes wind turbine foundations for the Walney Extension, Arkona, Beatrice and Hornsea One offshore wind farms, three offshore substations for the Hornsea One offshore wind farm, the bridge for Køge Nord Station as well as numerous other infrastructure projects.

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 and to accordingly explain any non-conformity. 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 four members. Two members are representatives of the ultimate majority shareholder (Lars Terney and Kim Gulstad 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

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 Group. 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 Group and of the contribution to the overall efficiency and skill set of the Board of Directors.

At present, all members of the Board of Directors, the Executive Board and Group Management are male. The objectives for the period from 2017 are:

Corporate Governance

- 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.
- 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.

During 2016, the Group has continued the development from 2014 and 2015 by further increasing the number of women in middle management positions reporting to Group Management, creating a larger potential pipeline for the filling of management positions. In total woman constitute approx. 14% of such middle management positions compared to approx. 5% in the general employee base.

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 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.

The Group is in the process of further formalizing its systems of internal controls related to operations, accounting and financial reporting. This is done as 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 Group'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.

Organization and Society

Corporate Social Responsibility and Human Resources

Conducting our business with the highest standards of integrity is essential for the Bladt Group 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 specifies the determination and policies for acting with integrity, in an honest and law-abiding way, to respect fundamental human rights, 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 the Group is not complicit in any human rights abuses. The work environment shall be characterized by treating all with dignity and respect and it shall be safe and healthy and free from discrimination and harassment. Also, the code of conduct deals with the compliance with applicable trade sanctions and with the compliance with accounting and tax regulations and standards.

The code of conduct was updated in 2015 and from 2016 is appended to all main contracts with suppliers where the adherence of the suppliers to the code of conduct is contractually guaranteed. The code of conduct is internally available at the Group's intranet.

As a result of the effort to disseminate the Group´s code of conduct in 2016 all key suppliers where a Bladt Group standard contract was deemed relevant in 2016 are now contractually aware of the requirements of Bladt Industries regarding human rights, non-bribery, labour, and environment and aware of the consequences of violating these requirements.

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.

Attracting, developing and retaining a competent workforce is paramount for the Bladt Group. To this end, an updated annual performance and development review program supported by online tools was launched in 2016. During 2016, a satisfactory 95% of eligible employees participated in the updated annual performance and development review program thereby providing a strong basis for the mutual dialogue between company and employee on the requirements for professional development. Also, an improved training management system was implemented in 2016. The training and education of apprentices continues to be of significant importance to the Bladt Group. At the end of 2016, 34 apprentices were under training, primarily within welding. Of these, 13 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.

On average, the number of employees with the Bladt Group in Denmark was higher in 2016 than in 2015. At the end of 2016, the Group employed 617 employees in Denmark which is slightly lower than at the end of 2015 reflecting normal fluctuations in production activity at a specific point in time.

Internationally, at the subsidiaries in Germany and Poland and the associated company (production facility joint venture) in the UK, the number of employees increased in 2016 due to increased activity level at the UK production facility at the end of 2016 compared to the end of 2015.

	Denmark	International	Total
Employees, year end 2015	670	131	801
Employees, year end 2015	617	209	826

Risk Management

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 9001:2008 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 Bladt Group's end products obtain the planned quality by means of a rational and controlled effort. 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 2016.

During 2016, the Bladt Group has further developed its quality management procedures in a number of areas. For instance, new systems and procedures for handling non-conformities, for supplier management, for HR management were implemented. Also, the upgraded Project Execution Plan (PEP) for large offshore wind foundation projects was fully implemented in 2016 including upgraded Project Quality Plans (PQP), Inspection and Test Plans and Quality Activity Maps. In addition, the corporate wide QHSE management system of the Group is in the process of being overhauled in 2016-17 and the final upgraded system will be 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 (OH&S) management system of the Bladt 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. Systematic health and safety risk assessments are carried out and acted upon for significant work processes and work processes with elevated risk elements.

During 2016, the Group has strengthened the focus on health and safety further. For instance, a large number of employees have been trained in the 5S methodology, the emergency response plan has been upgraded, focus has been put on reducing absence due to illness with individual dialogue and individual plans, and "smiley" evaluation tools have been implemented for communication of HSE performance in specific production workshops and construction sites.

The 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 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.

To continue reduction of its environmental and climate footprint in 2016, the Bladt Group together with external specialists conducted a comprehensive analysis of energy consumption in all its activities leading to a number of energy saving activities. The result of this comprehensive analysis conducted in 2016 has been to identify 11 specific energy saving measures with a total potential (calculated) savings impact corresponding to approximately 6% of total energy usage at the Group. These energy saving measures will be analyzed further in 2017 regarding the feasibility for implementation. Also, the waste handling plan was upgraded and updated in 2016 leading to more correct and efficient handling of the various waste streams.

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 of the Group 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, transportation, production and material management, 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 continuously in project execution 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.

A strong cooperation with selected suppliers which 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 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 and penalties. To this end, the Group's project and contract managers work with standard sub-supplier contracts. Such standard supplier contracts were updated and upgraded further in 2016 by the legal team of the Group.

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. During 2016, the Group continued the strengthening of the organizational competence base within legal contract management and project financial controlling in order to identify, avoid and mitigate unwanted contractual and financial risks.

Securing a pipeline of potential new projects, winning new projects and adapting capacity and capabilities to the future needs of the marketplace are of pa ramount 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.

Also, in order to 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 2016 participated in the development and testing of various new automated robot welding techniques for large offshore steel structures and arranged a large cross-industry conference on reducing the costs of jacket type offshore wind turbine foundations.

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

Risk Management

Financial Risks

The Bladt Group's financial risks are described in note 25 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 Holding A/S, Auris II Luxembourg S.A., Børnebasketfonden
- Member of the Board of Royal Unibrew A/S, PFA A/S, Cryptomathic A/S, Gyldendal A/S, Heptagon Advanced Micro Optics Inc.
- 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, Sport Nordic (Sport-Master), 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
- 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

Kim Gulstad, Member

- Member Audit Committee of Bladt Industries A/S
- Member of the board of Master Marine AS

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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 2016.

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 2016 of the Group and the Company and of the results of the Group and Company operations and cash flows for 2016.

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, 31 March 2017

Board of Directors:

Jens Due Olsen Chairman	Lars Terney Deputy Chairman	Jørgen Huno Rasmussen
Kim Gulstad		

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 2016 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 2016 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 2016, 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, 31 March 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Claus Lindholm Jacobsen
State Authorised Public Accountant

Thyge Belter
State Authorised Public Accountant

Statements

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated Income Statement

		2016			2015		
DKK'000	Note	Business performance	Adjust-ments	IFRS	Business performance	Adjust-ments	IFRS
Revenue		3,484,021	0	3,484,021	2,949,460	0	2,949,460
Production costs	3,4	-3,319,545	-37,000	-3,356,545	-2,807,821	-37,000	-2,844,821
Gross profit		164,476	-37,000	127,476	141,639	-37,000	104,639
Distribution costs	3	-11,227	0	-11,227	-8,793	0	-8,793
Administrative expenses	3,4,5	-28,698	0	-28,698	-26,808	0	-26,808
Operating profit		124,551	-37,000	87,551	106,038	-37,000	69,038
Profit/loss in joint venture	12	-8,430	0	-8,430	-15,900	0	-15,900
Financial income	6	1,180	0	1,180	289	0	289
Financial expenses	7	-20,333	-22,100	-42,433	-17,175	-17,400	-34,575
Profit/loss before tax		96,968	-59,100	37,868	73,252	-54,400	18,852
Tax on profit for the year	8	-23,370	13,002	-10,368	-19,403	12,784	-6,619
Profit/loss for the year		73,598	-46,098	27,500	53,849	-41,616	12,233

	2016	2015
Profit appropriation/ distribution of loss :		
Shareholders of Bladt Holding A/S	27,302	11,439
Non-controlling interests	198	794
	27,500	12,233

Statements

Consolidated Statement of Comprehensive Income

	2016	2015
Profit/loss for the year	27,500	12,233
Items that will be reclassified to the income statement when specific conditions are met		
Hedging for future cash flows	-7,100	0
Tax on hedging instruments	1,562	0
Foreign exchange adjustments on translation of foreign entities	-1,513	181
Other comprehensive income after tax	-7,051	181
Total comprehensive income for the year	20,449	12,414
Profit appropriation/ distribution of loss :		
Shareholders of Bladt Holding A/S	20,360	11,563
Non-controlling interests	89	851
	20,449	12,414

Statements

Consolidated Statement of Financial Position

DKK'000	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets	9,10		
Goodwill		195,200	195,200
Trademarks		16,100	16,100
Other intangible assets		64,152	101,152
Other intangible assets (software)		2,633	2,677
		278,085	315,129
Property, plant and equipment	11		
Land and buildings		1,108	1,315
Plant and machinery		132,319	149,381
Fixtures and fittings, other plant and equipment		3,755	3,828
		137,182	154,524
Other non-current assets			
Investments in joint ventures	12	14,657	24,312
		14,657	24,312
Total non-current assets		429,924	493,965
Current assets			
Inventories	13	4,723	5,285
Construction contracts	14	109,811	35,816
Receivables	15	1,231,903	1,012,964
Prepaid expenses	16	28,297	35,400
Cash at bank and in hand		9,530	9,048
Total current assets		1,384,264	1,098,513
TOTAL ASSETS		1,814,188	1,592,478

Statements

DKK'000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity	17		
Share capital		38,992	38,992
Other reserves		345,005	344,981
Retained earnings		51,578	29,317
Equity attributable to shareholders of Bladt Holding A/S		435,575	413,290
Non-controlling interests		1,111	3,490
Total equity		436,686	416,780
Liabilities			
Non-current liabilities			
Deferred tax	18	42,505	58,305
Provisions	19	1,000	1,000
Earn out in connection with the acquisition of enterprises		163,600	141,500
Credit institutions		135,224	135,224
Total non-current liabilities		342,329	336,029
Current liabilities			
Credit institutions		0	30,935
Bank debt		47,159	66,220
Construction contracts	15	225,582	177,979
Trade payables		620,722	428,690
Tax	22	23,631	24,349
Other payables		118,079	111,496
Total current liabilities		1,035,173	839,669
Total liabilities		1,377,502	1,175,698
TOTAL EQUITY AND LIABILITIES		1,814,188	1,592,478

Consolidated financial statements for 2016
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Consolidated Cash Flow Statement

DKK'000	Note	2016	2015
Profit/loss for the year before tax		37,868	18,852
Adjustment for non-cash operating items etc.:			
Depreciation, amortization and impairment losses	4	71,338	73,001
Profit/loss in joint ventures	12	8,430	15,900
Financial income	6	-1,180	-289
Financial expenses	7	42,433	34,575
Cash generated from operations (operating activities) before changes in working capital		158,889	142,039
Changes in working capital	24	-46,152	-227,675
Cash generated from operations (operating activities)		112,737	-85,636
Interest received	6	1,180	289
Interest paid	7	-18,267	-13,450
Corporation tax received/paid	22	-25,055	6,443
Cash flows from operating activities		70,595	-92,354
Acquisition of property, plant, equipment and software	9,11	-17,416	-24,635
Acquisition of subsidiaries (shares)		-66	0
Acquisition at joint venture (shares)	12	0	-40,212
Disposal of property, plant and equipment		402	636
Cash flows from investing activities		-17,080	-64,211
External financing:			
Repayment of bank loans and overdrafts		-33,000	-33,000
Repayment of earn out		0	-1,700
Shareholders:			
Buying of shares		0	-7,200
Selling of shares		0	1,800
Dividend paid to non-controlling interests		-543	0
Cash flows from financing activities		-33,543	-40,100
Cash flows for the year		19,972	-196,665
Cash and cash equivalents at the beginning of the year		-57,172	139,465
Foreign exchange adjustment of cash and cash equivalents		-429	28
Cash and cash equivalents at the end of the year		-37,629	-57,172
Cash at bank and in hand		9,530	9,048
Bank debt		-47,159	-66,220
Cash and cash equivalents at the end of the year		-37,629	-57,172

Ample liquidity reserves please refer to note 25 pages 48-49.

Consolidated financial statements for 2016
Notes

Consolidated Statement of Change in Equity

DKK'000	Share capital	Share premium	Reserve own shares	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Shareholders of Bladt Holding A/S							
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	-7,051	58,653	435,575	1,111	436,686
Total comprehensive income for 2015								
Equity 1 January 2015	38,992	350,405	0	-205	17,878	407,070	2,696	409,766
Profit/loss for the year	0	0	0	0	11,439	11,439	794	12,233
Other comprehensive income								
Foreign exchange adjustment on translation of foreign entities	0	0	0	181	0	181	0	181
Total other comprehensive income	0	0	0	181	0	181	0	181
Total comprehensive income for the period	0	0	0	181	11,439	11,620	794	12,414
Transactions with owners:								
Issued shares	0	0	1,800	0	0	1,800	0	1,800
Dividend	0	0	-7,200	0	0	-7,200	0	-7,200
Equity at 31 December 2015	38,992	350,405	-5,400	-24	29,317	413,290	3,490	416,780

Consolidated financial statements for 2016
Notes
Summary of Notes to the Consolidated Financial Statements

Consolidated financial statements for 2016
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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 2016.

The consolidated financial statements and the Parent Company financial statements of Bladt Holding A/S for 2016 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, (2015 DKK 37.0 million), and cost regarding earn-out of DKK 22.1 million (2015 DKK 17.4 million).

On 31st March 2017, the Executive Board and the Board of Directors discussed and approved the annual report of Bladt Holding A/S for 2016. The annual report will be presented to the shareholders of Bladt Holding A/S for approval at the annual general meeting on 31st March 2017.

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 65.

Consolidated financial statements for 2016
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

At the first inclusion, 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, subsuppliers, 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.

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

Earn out is discounted 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.

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 11-12.

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 2016 in accordance with applied accounting policies. Receivables concerning disputed variations constitute a substantial part of receivables due cf. note 25. 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	2016	2015
3 Staff costs		
Wages and salaries	312,686	294,859
Defined contribution plans	24,344	22,498
Other social security costs	7,502	6,473
Total staff costs	344,532	323,830
Total average number of employees	648	606
Staff costs are recognized as follows in the income statement:		
Production costs	316,928	292,340
Distribution costs	7,834	5,448
Administrative expenses	19,770	26,042
	344,532	323,830
Of this figure, consideration for:		
Remuneration, Board of Directors and Executive Board	735	752
	735	752

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 2016 (2015: 5,610,712 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% (2015: 12.6%) 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 2016. 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 2015 and 2016 no expense was recognized regarding share based payments.

DKK'000		2016	2015
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	1,635	1,234
	Depreciation of property, plant and equipment, see note 11	32,907	35,084
	Profit from sale of property, plant and equipment	-204	-317
		71,338	73,001
	Depreciation is recognized as follows in the income statement:		
	Production costs	70,764	72,635
	Administrative expenses	574	366
		71,338	73,001
5	**Fees to auditors appointed at the annual general meeting**		
	Total fee for PWC is specified as follows:		
	Statutory audit	444	377
	Tax and VAT assistance	186	94
	Other assistance	361	485
		991	956
6	**Financial income**		
	Interest group companies	1,124	225
	Interest, cash and cash equivalents, etc.	56	0
		1,180	225
	Interest on financial assets measured at amortized costs	1,180	225

DKK'000		2016	2015
7	**Financial expenses**		
	Interest, banks, etc.	15,708	12,939
	Interest element, discounted liabilities	5,815	4,850
	Fair value adjustment of contingent consideration	16,285	12,550
	Interest tax etc.	399	0
	Amortized borrowing costs	4,226	3,725
	Other financial costs	0	511
		42,433	34,575
	Interest on financial liabilities measured at amortized costs	16,107	13,450
8	**Tax on profit for the year**		
	Tax on profit for the year is specified as follows:		
	Current tax	26,921	25,159
	Deferred tax	-16,553	-18,540
		10,368	6,619
	Tax on profit for the year relates to:		
	22,0% / 23.5% tax on profit for the year before tax	8,331	4,430
	Adjustment of calculated tax in foreign group enterprises relative to 22,0% / 23.5%	0	-125
	The tax effect of:		
	Non-taxable income	0	-15
	Non-deductible costs	2,037	4,129
	Impact of change in the Danish tax rate	-242	-1,960
	Change to tax last year	242	160
		10,368	6,619
	Effective tax rate	27,4%	35,1%

9 Intangible assets

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

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.

2015

DKK'000	Goodwill	Trademarks	Other intangible assets	Other intangible assets (software)	Total
Cost at 1 January 2015	195,200	16,100	368,152	3,353	582,805
Additions	0	0	0	697	697
Cost at 31 December 2015	195,200	16,100	368,152	4,050	583,502
Amortization, depreciation and impairment losses at 1 January 2015	0	0	230,000	139	230,139
Amortization and depreciation	0	0	37,000	1,234	38,234
Depreciation and impairment at 31 December 2015	0	0	267,000	1,373	268,373
Carrying amount at 31 December 2015	195,200	16,100	101,152	2,677	315,129

10 Impairment test

Goodwill and trademarks

31 December 2016, 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 2017-2023, 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.

11 Property, plant and equipment

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

11 Property, plant and equipment (continued)

2015 DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equip-ment	Assets under construc-tion	Total
Cost at 1 January 2015	1,938	232,747	4,787	191	239,663
Additions	0	21,415	2,523	0	23,938
Foreign exchange adjustment	37	0	0	0	37
Transferred	0	191	0	-191	0
Disposals	0	-2,276	-2,037	0	-4,313
Cost at 31 December 2015	1,975	252,077	5,273	0	259,325
Amortations, depreciation and impairment losses at 1 January 2015	493	71,681	1,844	0	74,018
Depreciations	157	33,245	1,365	0	34,767
Foreign exchange adjustment	10	0	0	0	10
Disposals	0	-2,230	-1,764	0	-3,994
Depreciation and impairment at 31 December 2015	660	102,696	1,445	0	104,801
Carrying amount at 31 December 2015	1,315	149,381	3,828	0	154,524

12 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, Offshore Structures (Britain), ltd., Bladt/EEW Offshore Wind Foundation Group Veja Mate GbR, Bladt Industries Offshore Wind Germany GmbH and Bladt Industries polska Sp. z o.o.

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 65 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.

DKK'000	2016	2015
Cost at 1 January	40,212	0
Additions	0	40,212
Costs at 31 December	40,212	40,212
Adjustments 1 January	-15,900	0
Profit and loss for the year	-8,430	-15,900
Exchange rate adjustment	-1,225	0
Adjustments 31 December	-25,555	-15,900

	Carrying amount at 31 December	14,657	24,312

	DKK'000	2016	2015
13	**Inventories**		
	Raw materials and consumables	4,511	5,082
	Finished goods and goods for resale	212	203
		4,723	5,285
14	**Construction contracts**		
	Selling price of construction contracts	1,439,430	1,783,152
	Total progress billing	-1,555,201	-1,925,315
	Net value of construction contracts	-115,771	-142,163
	Specified as follows:		
	Construction contracts (asset)	109,811	35,816
	Prepayments received from customers (liability)	-225,582	-177,979
		-115,771	-142,163
15	**Receivables**		
	Trade receivables	1,161,776	930,445
	Receivables from joint ventures	59,030	45,485
	Other receivables	11,097	37,034
		1,231,903	1,012,964
16	**Prepaid costs**		
	Rent	21,172	23,819
	Other adjustments	7,125	11,581
		28,297	35,400

17 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 (2015: 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.

Reserve own shares

DKK'000	2016	2015
Holding as of January 1st	249	0
Acquired in the year	0	414
Sold in the year	0	-165
Holding as of December 31st	**249**	**249**

The shares are acquired in 2015 from former members of Group Management. The total cost in 2016 for own shares amounts to DKK 0 thousand (2015: 7,200 thousand). The total selling price relating to treasury shares amounted to DKK 0 thousand in 2016 (2015: 1,800 thousand). The Group´s holding of own shares represent 0.64% (2015: 0.64%) of the Group´s share capital. The value of own shares held amounts to DKK 5,400 thousand (2015: 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 has 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.

DKK'000	2016	2015
18 Deferred tax		
Deferred tax at 1 January	58,305	76,845
Adjustment to prior year	-5,686	-18,540
Adjustment regarding equity transactions	-1,831	0
Deferred tax for the year recognized in profit/loss for the year	-8,283	0
Deferred tax at 31 December	42,505	58,305

Deferred tax is recognized in the balance sheet as follows:

Deferred tax (liability)	42,505	58,305
Deferred tax at 31 December, net	42,505	58,305

Deferred tax relates to:

Intangible assets	18,200	26,340
Property, plant and equipment	10,984	11,645
Construction contracts	16,137	21,175
Liabilities	-985	-855
Adjustment regarding equity transactions	-1,831	0
	42,505	58,305

There are unrecognized tax loss carry forwards of DKK 723 thousand at 31 December 2016 (DKK 965 thousand at 31 December 2015) relating to accelerated tax depreciation of certain operating equipment. Of the deferred tax DKK 16,137 thousand (2015: DKK 21,175 thousand) are expected to be current tax within 1 year.

19 Provisions

Warranties	1,000	1,000

Warranties are determined based on past experience with warranty work. The costs are expected to be incurred in 2017-2018.

20 Earn out in connection with the acquisition of enterprises

Contingent consideration	163,600	141,500

The contingent consideration relates to the acquisition of Bladt Industries Holding A/S.
The consideration is expected to be paid out in 2017. 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 25 for disclosure of the assumptions applied to determine fair value of the liability as of the balance sheet date.

DKK'000	2016	2015
21 Payables to credit institutions		
Loans from banks	135,224	166,159
Carrying amount	135,224	166,159
Payables to credit institutions are recognized in the balance sheet as follows:		
Non-current liabilities	135,224	135,224
Current liabilities	0	30,935
Carrying amount	135,224	166,159
Nominal value	137,500	170,500

2016	Number of loans	Nominal interest	Average effective rate of interest	Cur-rency	Carrying amount
Loans from banks					
At variable interest rates	2	4.40 %	4,40 %	DKK	135,224
Total loans from banks					135,224

2015					
Loans from banks					
At variable interest rates	2	4,25 %	4,24 %	DKK	166,159
Total loans from banks					166,159

	2016	2015
22 Corporation tax		
Corporation tax payable at 1 January	24,349	-7,253
Adjustment to prior year	-2,584	0
Current tax for the year	26,921	25,159
Corporation tax paid during the year	-25,055	6,443
Corporation tax payable at 31 December	23,631	24,349

DKK'000	2016	2015
23 Contingent liabilities and collateral Guarentees		
Guarantees relating to performance, payment, advance payment and suppliers	1,476,033	1,288,365
Deposit guarantee	24,967	24,967

The Group participates in Bladt/EEW Offshore Wind Foundation Group I/S by 50 % and is liable in this connection for performance guarantees amounting to DKK 0 thousand (2015: DKK 36,746 thousand) (2015: 50% of DKK 73,492 thousand)).

The Group also participates in 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%, Offshore Structures (Britain) Ltd. by 40%, 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.

	Note	2016	2015
24 Changes in working capital			
Net change in construction contracts	14	-26,392	111,053
Change in inventories	13	562	-930
Change in receivables	15	-218,939	-21,634
Prepaid expenses/deferred income, net	16	7,103	-6,923
Change in trade payables and other payables		191,514	-309,241
		-46,152	-227,675

25 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.

In 2016 the Group has entered into contracts of hedging the currency exposure on fair value and future cash flows. The Group did not make use of derivative financial instruments as part of its risk management in 2015.

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:

2016

DKK'000	Nominal position				Sensitivity		
	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			

2015

DKK'000	Nominal position				Sensitivity		
	Cash and receivables	Financial liabilities (non-derivative)	Derivative financial instruments hedging future cash flows	Total	Probable changes in foreign exchange rates	The hypo-thetical effect on profit for the year	The hypo-thetical effect on equity
EUR/DKK	745,398	278,954	0	466,444	0%	0	0
GBP/DKK	54,455	0	0	54,455	10%	4,166	4,166
PLN/DKK	10,583	7,781	0	2,802	10%	280	280
USD/DKK	410	0	0	410	15%	62	62
NOK/DKK	107	2	0	105	15%	16	16
	810,953	286,737	0	524,216			

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.

25 Financial risks and financial instruments (continued)

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 1,422 thousand (2015 DKK 1,653 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.

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 10 million and committed credit facilities of DKK 310 million of which DKK 73 million is drawn (DKK 47 million drawdown as bank debt and DKK 25 million drawdown as guarantees for real estate rental deposits). Cash reserves thus total DKK 247 million at 31 December 2016 (DKK 228 million at 31 December 2015).

25 Financial risks and financial instruments (continued)

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 2016 and are expected to be observed in 2017 as well.

The Group's liabilities fall due as follows:

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

2015						
Non-derivative financial instruments						
Due earn out	141,500	170,625	0	170,625	0	0
Credit institutions and banks	166,159	170,500	33,000	0	137,500	0
Bank debt	66,220	66,220	66,220	0	0	0
Trade payables	428,690	428,690	428,690	0	0	0
Tax	24,349	24,349	24,349	0	0	0
31 December 2015	826,918	860,384	552,259	170,625	137,500	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 26.

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.

25 Financial risks and financial instruments (continued)

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	2016	2015
The maturity of trade receivables is specified as follows:		
Receivables not due	767,897	283,474
Maturity period:		
Up to 30 days	2,620	228,540
Between 30 and 90 days	1,251	3,911
More than 90 days	390,008	414,236
	1,161,776	930,161

None of the trade receivables were impaired at 31 December 2016 and at 31 December 2015. Losses have not been realized in 2016 or 2015 on trade receivables, nor have they been written down. Please also see note 2.

Financial instrument categories

	2016		2015	
DKK'000	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	1,161,776	1,161,776	930,161	930,161
Other receivables	11,097	11,097	37,034	37,034
Amounts owed by group companies	59,030	59,030	45,485	45,485
Loans and receivables	**1,231,903**	**1,231,903**	**1,012,680**	**1,012,680**
Earn out in connection with the acquisition of enterprises	163,600	163,600	141,500	141,500
Financial liabilities at fair value through profit or loss	**163,600**	**163,600**	**141,500**	**141,500**
Credit institutions	135,224	135,224	166,159	166,159
Bank debt	47,159	47,159	66,220	66,220
Trade payables	620,722	620,722	428,690	428,690
Other payables	118,079	118,079	111,496	111,496
Tax	23,631	23,631	24,349	24,349
Financial liabilities measured at amortized cost	**944,815**	**944,815**	**796,914**	**796,914**

25 Financial risks and financial instruments (continued)

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 16,285 thousands (2015: DKK 12,550 thousands) is related to fair value adjustments.

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

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.

26 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	2016	2015
0-1 years	13,794	13,343
1-5 years	53,835	53,375
> 5 years	40,031	53,375
	107,660	120,093

For 2016, DKK 13,794 thousand (2015 DKK 13,343 thousand) was recognized in the consolidated income statement regarding operating leases.

27 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, Executive Board and senior executives and their close family members. 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.

27 Related party disclosures (continued)

Joint ventures

Moreover, related parties include joint ventures, see note 12.

Transactions with joint ventures have been as follows:

DKK'000	2016	2015
Sales of services	628,104	169,612
Purchase of services	134,605	0

28 Events after the balance sheet date

No significant events have occurred after 31 December 2016.

29 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 2016:

Amendments to IAS 1: Disclosure initiative. The key changes are materiality, disaggregation and subtotals, notes and disclosure of accounting policies etc..

Annual Improvements to IFRSs (2012-2014): These annual improvements include a number of minor changes to IFRS 5, IFRS 7, IAS 19 and IAS 34.

Amendments to IAS 27: Equity Method in Separate Financial Statements

Amendments to IAS 16/IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The Bladt Group has assessed that the new standards and amendments to standards and interpretations effective for annual periods beginning after 1 January 2016, are neither relevant or have no significant effect on the consolidated financial statements of the Bladt Group.

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 11 which 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 finalised.

IASB has issued the following amendments or interpretations that are relevant to the Bladt Group, but not yet endorsed by EU:

- 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.

- Amendments to IFRS 10/IAS 28: Sale or contribution of Assets between an Investor and its Associate or Joint Venture

These standards and interpretations will be applied, when they become effective. None of these are expected to have a significant effect on the consolidated financial statements of the Bladt Group.

Financial Statements for 2016

Income Statement

DKK'000	Note	2016	2015
Dividend from subsidiaries		45,000	50,000
Administrative expenses		-1,216	-720
Operating profit		43,784	49,280
Financial income	4	629	484
Financial expenses	5	-39,085	-32,998
Profit/loss before tax		5,328	16,766
Tax on profit for the year	6	8,640	7,665
Profit/loss for the year		13,968	24,431

Statement of Comprehensive Income

DKK'000	Note	2016	2015
Profit/loss for the year		13,968	24,431
Total comprehensive income		13,968	24,431

Financial statements for 2016

Statement of Financial Position

DKK'000	Note	2016	2015
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		13,548	8,715
Prepaid costs		6,395	8,555
Corporation tax	8	10,355	7,585
Tax asset	9	985	855
Cash at bank and in hand		3	1
Total current assets		31,286	25,711
TOTAL ASSETS		738,286	732,711
EQUITY AND LIABILITIES			
Equity	10		
Share capital		38,992	38,992
Other reserves		345,005	345,005
Retained earnings		53,892	39,924
Total equity		437,889	423,921
Liabilities			
Non-current liabilities			
Earn out in connection with the acquisition of enterprises	11	163,600	141,500
Credit institutions	12	135,224	135,224
Total non-current liabilities		298,824	276,724
Current liabilities			
Credit institutions		0	30,935
Other payables		1,573	1,131
Total current liabilities		1,573	32,066
Total liabilities		300,397	308,790
TOTAL EQUITY AND LIABILITIES		738,286	732,711

Financial statements for 2016

Cash Flow Statement

DKK'000	Note	2016	2015
Profit/loss for the year before tax		5,328	16,766
Adjustment for non-cash operating items etc.:			
Financial income	4	-629	-484
Financial expenses	5	39,085	32,998
Cash generated from operations (operating activities) before changes in working capital		43,784	49,280
Changes in working capital		-2,231	-18
Cash generated from operations (operating activities)		41,553	49.262
Interest received	4	629	484
Interest paid	5	-14,919	-12.953
Corporation tax received/paid		5,739	3,242
Cash flows from operating activities		33,002	40,035
External financing:			
Repayment of bank loans and overdrafts		-33,000	-33,000
Repayment of earn out		0	-1,700
Shareholders :			
Buying of shares and warrants		0	-7,200
Selling of shares and warrants		0	1,800
Net Cash flows from financing activities		-33,000	-40,100
Cash flows for the year		2	-65
Cash and cash equivalents at the beginning of the year		1	66
Cash and cash equivalents at the end of the year		3	1

Financial statements for 2016

Statement of Changes in Equity

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

DKK'000	Share capital	Share premium	Reserve own shares	Retained earnings	Total
Equity at 1 January 2015	38,992	350,405	0	15,493	404,890
Total comprehensive income for 2015					
Profit for the year	0	0	0	24,431	24,431
Total comprehensive income for the period	0	0	0	24,431	24,431
Transactions with owners Share and warrants issued	0	0	1,800	0	1,800
Transactions with owners Shares and warrants bought	0	0	-7,200	0	-7,200
	0	0	-5,400	0	-5,400
Equity at 31 December 2015	38,992	350,405	-5,400	39,924	423,921

* Further information is disclosed in note 10.

Financial statements for 2016

Summary of Notes to the Parent Company Financial Statements

Note

Financial statements for 2016

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 2016 or 2015.

Financial statements for 2016

Notes

	DKK'000	2016	2015
4	**Financial income**		
	Interest group enterprises	573	420
	Interest tax etc.	0	64
	Other financial income	56	0
		629	484
	Interest on financial liabilities measured and amortized costs	629	484
5	**Financial expenses**		
	Interest, banks, etc.	12,360	11,362
	Interest element, discounted liabilities	5,815	4,850
	Fair value adjustment of contingent consideration	16,285	12,550
	Interest tax etc.	399	0
	Amortized borrowing costs	4,226	3,725
	Other financial costs	0	511
		39,085	32,998
	Interest on financial liabilities measured and amortized costs	12,360	11,873
6	**Taxation**		
	Tax for the year is specified as follows:		
	Tax on profit for the year	8,640	7,665
	Tax on profit for the year is specified as follows:		
	Current tax	8,510	7,425
	Deferred tax	130	240
		8,640	7,665
	Tax on profit for the year relates to:		
	22,0% / 23,5% tax on profit for the year before tax	-1,172	-3,940
	The tax effect of:		
	Change to tax last year	0	-160
	Non-deductible costs	-88	0
	Non-taxable income	9,900	11,765
		8,640	7,665
	Effective tax rate	-162,2%	-45,7%

Financial statements for 2016

Notes

DKK'000		2016	2015
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.

		2016	2015
8	**Corporation tax**		
	Corporation tax payable at 1 January	7,585	0
	Current tax for the year	8,510	7,425
	Corporation tax received/paid during the year	-5,740	0
	Tax related to last year	0	160
	Corporation tax receivable at 31 December	10,355	7,585

		2016	2015
9	**Tax asset**		
	Tax asset at 1 January	-855	-615
	Tax asset for the year recognized in profit/loss for the year	-130	-240
	Tax asset at 31 December	-985	-855

10 **Equity**

The composition of the share capital is disclosed in note 17 to the consolidated financial statements.

Capital management

Capital management in the Bladt Holding Group is made for the entire Group. We refer to note 17 to the consolidated financial statements.

Financial statements for 2016

Notes

11 Earn out in connection with the acquisition of enterprises

The liability of DKK 163,600 thousand (2015 DKK 141,500 thousand) comprises contingent consideration and relates to the acquisition of Bladt Industries Holding A/S,

12 Payables to credit institutions

We refer to note 21 to the consolidated financial statements.

13 Contingent liabilities and collateral

Contingent liabilities

The Parent Company has no contingent liabilities at 31 December 2016 or 31 December 2015.

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 2015 (DKK 170.5 million at 31 December 2015).

14 Financial risks and financial instruments

The Parent Company is not exposed to any market risks other than those disclosed in note 25 to the consolidated financial statements, to which we refer. Liquidity risks and credit risks for the Parent Company are also described in note 25 to the consolidated financial statements.

The Parent Company had no derivative financial instruments at 31 December 2016 or 31 December 2015.

15 Operating leases

The Parent Company had no operating leases at 31 December 2016 or 31 December 2015.

16 Related party disclosures

In addition to the disclosures in note 27 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 2016 an amount of DKK 7,588 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 28 to the consolidated financial statements. Apart from this, no events have occurred after the balance sheet date.

Financial statements for 2016

Notes

18 New financial reporting regulation

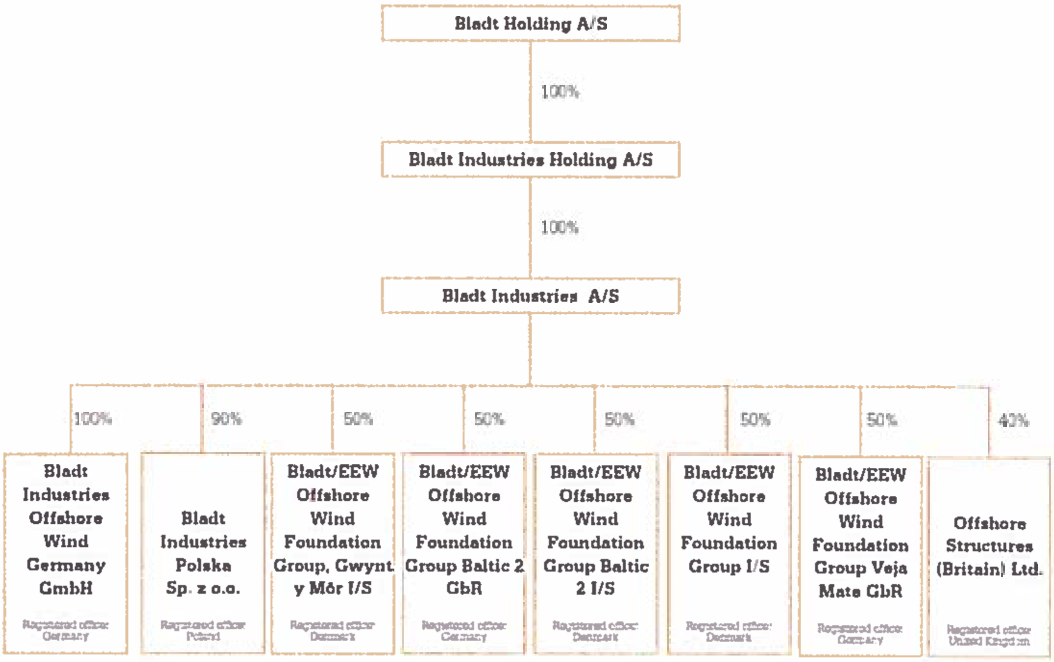
We refer to note 29 to the consolidated financial statements. None of the standards or interpretations mentioned are expected to affect the Parent Company financial statements.

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	$\frac{\text{Profit/loss* x 100}}{\text{Average equity ex. non-controlling interests}}$

Group Chart and Addresses



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Registered office: Aalborg

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