Bladt Holding A/S

Nørredybet 1

9220 Aalborg Øst

Annual report 2019

(8th financial year)

CVR No. 34 07 34 30

Adopted at the Annual General Meeting 7 August 2020

Morten Steensen Jacobsen
Chairman of the Annual General 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 Groups operating company.

Bladt Group, we are as steel contractor focused on complex steel structures. Our main businesses are offshore wind and infrastructure projects. We have a proven record of accomplishment within monopiles, transition pieces, substations and other special foundation types as well as complicated steel structures within infrastructure projects.

The offshore wind is the largest business area delivering renewable energy. We fabricate offshore substations and offshore foundations for clients around the world. In total, our reference list now counts 22 substations and more than 2,000 foundations.

The infrastructure market is where the story of Bladt Group began more than 50 years ago. Our infrastructure division delivers various steel related projects – from bridges, steel tanks and buildings to harbour and marine facilities. The key market for our infrastructure business is projects with a significant share of steel structures with complexity where we can utilize the knowledge of our team.

Our offshore adventure took off within offshore Oil and Gas more than 40 years ago. Our expertise and knowhow covers steel structures such as modules, topsides, jackets and suction anchors.

The employees of Bladt Group are key to ensuring successful project execution. The experience, qualifications and dedication of our employees are the backbone of the continued development of Bladt Group and the range of projects that we execute.

Safety first, always comes first at Bladt Group. We believe that the health, safety and welfare of our employees and our partners must be an integral part of everything that we do and we continuously strive to create a 0-accident culture.

All of our facilities have direct access to the sea and with the infrastructure in place to handle largescale structures, which enables us to play a leading role in the offshore business.

Quality is paramount for Bladt Group and for our customers. It is part of the “Bladt DNA” to deliver highquality steel structures to our clients. Customers are the source of our success. We focus on developing strong relations with our customers as trusted partners by meeting and exceed their requirements and expectations.

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Financial Highlights for the Group

DKKm	2019	2018	2017	2016	2015
Key figures					
Revenue	2,167.9	1,455.3	3,086.3	3,484.0	2,949.5
Gross profit	2.7	64.0	-0.5	127.5	104.6
Earnings before interest, tax, depreciation and amortization (EBITDA)	-1.9	87.6	57.1	184.7	167.5
EBITDA excl. one-off items[2)]	148.7	147.4	146.9	194.7	181.9
Earnings before interest, tax, (EBIT)	-48.5	14.6	-31.4	94.1	75.6
Profit/loss from financial income and expense	-17.0	-21.2	2.1	-56.9	-58.3
Profit/loss for the year	-53.9	-3.8	-17.5	26.7	10.9
Non-current assets	417.0	378.4	437.6	535.9	618.7
Current assets	1,020.6	784.4	931.8	1,363.1	1,074.7
Total assets	1,437.6	1,162.8	1,369.4	1,899.0	1,693.4
Equity	359.6	406.0	410.1	423.0	403.8
Non-current liabilities	352.3	345.6	363.6	424.5	434.5
Current liabilities	725.8	411.1	595.7	1,051.5	855.1
Net interest bearing debt/Net cash	-73.9	119.9	-81.7	-37.6	-57.2
Investment in property, plant and equipment[1)]	-82.4	13.8	3.7	17.5	27.0
Cash flows from operating activities (CFFO)	-136.6	266.8	-72.9	86.5	-77.6
Cash flows from investing activities (CFFI)	-87.0	-13.8	45.0	-17.6	-67.2
Cash flows from financing activities	29.5	-51.6	-16.5	-49.0	-51.9
Total cash flows	-194.1	201.4	-44.5	68.9	-144.8
Financial ratios[2)]					
Operating margin (%)	-2.2	1.0	-0.0	2.7	2.6
Solvency ratio (%)	25.2	34.9	29.9	22.3	23.8
Return on equity (%)	-12.6	3.6	-7.5	22.8	18.8
ROIC (%)	-11.1	3.8	-6.6	20.4	21.0
ROIC excl. one-off items (%)[3)]	2.6	19.1	12.3	22.6	25.0
Average number of employees	436	370	566	648	606

1) Leasing included

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 71.

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

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Market going global

Bladt Group continued to play an important role in servicing markets outside Europe. In 2019, two substation contracts were signed for the US market. The substations are to be fabricated in Denmark and shipped to the US. This is a true proof of our competitiveness in a growing industry. We are pleased that our long-term working relationship with Semco Maritime again in 2019 was meeting market and customer demands.

In Taiwan our joint venture, Century Bladt Foundation Co., Ltd., with our Taiwanese partner, has started execution of orders and establishing production facilities for our first jacket contract, Changfang and Xidao project. The joint venture will allow Bladt Group to take part in the Taiwanese offshore wind market, and to create the base for a close collaboration with an Asian supply chain within components to the offshore wind industry.

Furthermore, Bladt Group has also established an Asian supply chain to supply components to Century Bladt Foundation Co., Ltd.

At Bladt Group, we are always open to pursue the opportunities when a new global offshore wind market arises.

We believe that the globalization of offshore wind market provides attractive commercial opportunities for Bladt Group. In Denmark, we entered the XL monopile market by investing in a new production facility to produce XL monopiles and delivered the first order of XL monopiles in 2019.

Productions in 2019
The activity level increased in 2019 increasing revenue from DKK 1,455 million in 2018 to DKK 2,167 million in 2019. In 2019 Bladt Group worked on 156 foundations for four windfarms, one substation, and mutual infrastructure projects. In total approx. 77,500 tons.

For the Northwester 2 project we fabricated both the transition pieces and the XL-monopiles and one substation. For the Borssele project and Danish Kriegers Flak project we produced in total 131 transition pieces.
At our site at Lindø in Denmark we assisted in fabricating two mono buckets for the Deutsche Bucht Offshore project.

The infrastructure division delivered a variety of projects including the Køge Nord project for Banedanmark and the Kistefos Museum in Norway. Both projects with a unique design and with a significant complexity

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In 2019, Bladt Group recorded revenues of DKK 2,168 million (2018: DKK 1,455 million) which is an increase of 49% nominally and organically. As stated above, the increased revenue relates to the increase in the activity level in 2019. The turnover was significantly negatively impacted by the postponement of the Offshore Wind Farm Project Vesterhav Nord and Syd. A project which Bladt had planned for to add to the turnover and the contribution during 2019.

Gross profit amounted to DKK 3 million (2018: DKK 64 million), representing a decrease of 95% despite the higher revenue level. Gross profit were significantly affected by a single project previously completed where certain expected revenue and compensation for costs incurred could not yet be recognised in accordance with the accounting standards. Excluding this one-off item, gross profit amounts to DKK 88 million, thus expressing earnings in the underlying activity and business in 2019. During 2019 we have furthermore increased our workforce (hourly paid and fixed staff) and expanded our production facilities. Obtaining full utilization of the new equipment has not been possible due to postponement of orders, and that combined with ramping up our workforce to accommodate the future workload, have had a negative impact on the earnings.

A project delivered in 2014 continues to involve disagreement regarding the settlement of variation orders and claims between Bladt Group and the customer at this specific project. Bladt Group has commenced arbitrational proceedings which continue to be ongoing. Bladt Group and its legal advisers are confident in its position and the merits of the case. As with all such disagreements, there are uncertainty as to the financial outcome of the dispute which can have a significant positive or negative effect.

Tax on profits for the year, consisting negative current tax of DKK 14 million and changes in deferred tax of DKK 26 million, amounted to DKK 12 million (2018: tax of DKK 3 million) corresponding to a tax rate of 17.8% (2018: 43.1%).

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Profit for the year after tax amounted to DKK -54 million (2018: DKK -4 million) which is under the expectations for the year 2019. The deviation from the expectation is mainly due to the aforementioned material one-off item and the postponement of the Offshore Wind Farm Project Vesterhav Nord and Syd.

At the end of 2019, total assets amounted DKK 1,438 million (2018: DKK 1,163 million) and total equity amounted to DKK 360 million (2018: DKK 406 million). During the year only group internal dividends were paid, no dividends were distributed to shareholders outside the Bladt Group. The Board of Directors recommends to the annual general meeting that no dividends be declared in respect of the 2019 financial year. In 2019, Bladt Group realized a negative cash flow from operations of DKK -137 million (2018: positive DKK 266 million). The free cash flow are impacted by increased project activity in the year and CAPEX investment. Such working capital fluctuations at different points in time are common for large-scale contracts where final settlement negotiations are a common way of closing contracts and releasing final payments. Net cash flow from investment activities amounted to DKK -87 million including the commencement of investments into expanding the XL monopole production capacity (2018: DKK -13 million). Total cash flows from operations and investments amounted to DKK -194 million (2018: DKK 201 million). A number impacted by not finalized contractual negotiations. In the beginning of 2020 payments have been received (approx. DKK 40 million) and no further delays in payments have been observed.

No events of significant importance to the financial statements and annual report for 2019 have occurred after the end of the financial year. Concerning events after the balance sheet date, we refer to note 32.

Capital injection
To support Bladt Group growth ambition the share capital is to be increased by DKK 150 million in May 2020, via a capital injection.

Improvement
Bladt has during 2019 performed an improvement project to improve efficiencies across the operational areas. The impact on the financials during 2019 have had a positive impact on our contribution of approx. DKK 7 million and we expect to increase that number further in 2020 in combination with a possibility to increase overall output with a double digit number. The new set-up is reported in Bladt Performance Review's monthly.

Procurement
Bladt Group has established a procurement department as a profit center for Bladt Group. The new department will together with the project organization ensure cost competitive quality goods and services delivered on time. Together with our trusted partners in the supply chain we expect significant benefits of this establishment.

Market developments
The markets of Bladt Group are the global markets for offshore wind, and the steel related infrastructure markets in Nordic countries (e. g. bridges, tanks, harbour and marine installations etc.). As expected, the European offshore wind markets for foundations and substations under fabrication – which are driven by gigawatts to be installed in the coming years – were increased in 2019 compared to 2018. 2020 is expected to be a year of further increased activities. Looking forward, the offshore wind market both in terms of gigawatts and in terms of tonnage of foundations are expected to show double-digit annual growth rates in the years to follow.

Offshore wind – from Northern Europe to global growth
Offshore wind is expected to enter a phase of significant growth. For the first time in the history of offshore wind, we see a transition from a European market to a global market and with increased growth rates. With the expected growth from Wood Mackenzie, the demand of offshore wind structures is expected to double every 4-5 years, and 60% of the global growth is to take place in Europe. Overall, both the established European markets as well as emerging overseas markets is expected to contribute to the significant growth of offshore wind in terms of gigawatt installed. See the graph below, which shows the global market excluding China. China is not included because Bladt Group does not target that market.

The expected +20% annual average market growth rates in the coming years for offshore wind are driven by the competitiveness of energy from clean offshore wind. The latest auctions on offshore wind have proven the industry long term competitive compared to other energy sources. Overall, these factors combined will make offshore wind an attractive energy source with a bright future.

Another driver of the expected offshore wind market growth is the expansion of offshore wind internationally. Traditionally, offshore wind has been solely a Northern Europe business (North Sea, Irish Sea, Baltic Sea). In recent years, this has been supplemented/expanded with the emerging Chinese

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offshore wind market. Below graph, shows the growth outside Northern Europe. By 2019, 99% of installed gigawatt is in Northern Europe. By 2028 it is expected that 55% is installed in Northern Europe, 17% in North America, 15% in East Asia and 7% in Southern Europe.

In the coming years further countries will join the ranks of offshore wind producing countries. In 2019 seven countries has approx. 99% of the installed capacity. By 2028 it is expected that new markets (13 countries except China) will account for 39% of the buildout from 2019 to 2028.

By 2028 the Taiwanese market will grow and add 9 gigawatt of offshore wind capacity. In addition, the US offshore wind market is expected to take off initially on the East Coast. The US is expected to add 19 gigawatt by 2028. During the coming decade, markets such as France, Ireland, Poland, Japan, Australia, Vietnam and South Korea are also expected to build commercial scale offshore wind farms.

In terms of accumulated tonnage of foundations, this is projected to display a similar growth rate driven by heavier foundations, despite a lower number of foundations per gigawatt The lower number of foundations per gigawatt is due to larger wind turbines in deep waters.

The monopile foundation types including transition pieces are expected to continue to be a cost efficient foundation solution for offshore wind turbines. Where, monopoles are expected to continue to grow in size to meet the increased turbine size and the deeper waters. Already now the market and some customers are pursuing opportunities to further developing of monopiles to include transition pieces equipment. However, jacket foundations are still projected to continue to play an important role where soil conditions or geographic locations requires more sophisticated solutions. In the UK with larger turbines and deeper waters and in Taiwan with seabed conditions and the risk of natural disasters jacket foundations are for many future projects the obvious choice. Floating foundations are also expected to have a very high steel content.

Bladt Group is focused to capitalize on this expected market growth. This position builds on our very strong track record within delivery of offshore wind foundations and substations to date. It is complemented by the international cooperation with strong local players in emerging markets.

In Taiwan, our joint venture and the preparatory investigations and due diligence work performed for entry into the US market. Further, the reentry into monopile production with the establishment of XL monopole fabrication facilities, underpin this position. To strengthen the focus area even further Bladt Group has with the establishment of a procurement department secured a structured and volume based relationship with our dedicated partners within our supply chain. We strive to further develop long-term relationships with the benefit to all parties and maintaining our global competitiveness.

Outlook 2020

In 2019 the industry improved compared to 2018. Bladt Group has experienced a higher activity level. This trend supports the outlook for 2020. The increased activities within the global offshore wind market has an improving impact on the outlook for 2020,and further as Bladt Group has been rewarded orders in Taiwan and US. Thus, the revenues, the gross profit and the earnings before tax of Bladt Group are all expected to be at a higher level in 2020 compared to 2019.

The outlook is based on a solid order book for 2020, which secures a large part of the 2020 outlook. 79% of estimated contribution is covered by current order book and projects where Bladt Group is appointed preferred supplier. This order book includes wind turbine foundations for the Borssele 1+2, the Kriegers Flak and the Hornsea Two offshore wind farms, offshore substations for the Vineyard and the Mayflower offshore wind farms, and within infrastructure projects the new bridge at Lepsøy and oil Terminal in Frederikshavn and a various other harbor and other infrastructure projects. In addition to these firm orders, Bladt Group has already been appointed as preferred supplier for a number of additional projects for execution in 2020 and beyond.

Bladt Group has so far only seen limited negative effect of the COVID-19 outbreak. See also events after the balance sheet date in note 32.

Many of Bladt Groups customers have indicated that they will continue projects and orders in progress, but there is still a risk that revenue and earnings will decline in consequence of COVID-19. Management is monitoring the development closely. However, it is too early to give an opinion on the COVID-19 impact on revenue and earnings in 2020. Management does, however, expect a limited negative impact on Bladt Groups outlook.

Corporate Governance

Governance, Board of Directors and Management

In 2012, Bladt Holding A/S acquired all shares in Bladt Group Holding A/S and thereby in Bladt Group 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 the intention of Bladt Group to comply with the guidelines including substantiating any deviation. Further information regarding the guidelines is available at DVCA's website www.dvca.dk.

The organization of the tasks of the Board of Directors and the Executive Board is, among other things, based on 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. Additionally, Bladt Group intends to comply with DVCA's "Guidelines for responsible ownership and corporate governance" as described above.

The Board of Directors consists of five members. One member is a representative of the ultimate majority shareholder (Lars Terney of NC Advisory A/S), two are elected at the annual general meeting and are independent of the ultimate majority shareholder (Bjarne Moltke Hansen and Jørgen Huno Rasmussen), and two are elected by the employees of Bladt Group according to the Danish Public Companies Act.

The Board of Directors represents international business experience in the areas of industry, business development, large-scale contracting, offshore wind, M&A transactions, finance management and general management and are deemed to possess the necessary competences and seniority.

Rules of procedures have been adopted by the Board of Directors governing the board conduct. Additionally, the Board of Directors employs the following subcommittees: Executive (Chairman's) Committee, Audit Committee and Remuneration Committee. The following board members are represented in the individual committees:

- Executive (Chairman's) Committee: Bjarne Moltke Hansen (Chairman), Lars Terney
- Audit Committee: Bjarne Moltke Hansen (Chairman)
- Remuneration Committee: Lars Terney (Chairman), Jørgen Huno Rasmussen

Four 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 company, and is an active sparring partner to the management of the company. Additionally, six ordinary Executive (Chairman's) Committee meetings are held per year with the Executive Board to further follow-up on the direction and operations of the company between board meetings. The Executive Board and management of the company prepare a monthly report to the Board of Directors detailing the company's operational and financial 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:

- To monitor the financial reporting process and the company's presentation of financial statements
- To monitor the adequacy and application of accounting policies and of significant accounting estimates
- To monitor whether the company's systems of internal controls and risk management practices function efficiently
- To monitor the external statutory audit of the company's annual financial statements
- To monitor the independence of the external auditor
- To make recommendations to the Board of Directors concerning the appointment of external auditors

Four Audit Committee meetings are held per year.

The Audit Committee has organized and formalized its tasks in its annual plan approved by the Board of Directors.

Board of Directors and Diversity
Report on the gender composition in management, cf. section 99b of the Danish Financial Statements Act:

It is the objective of Bladt Group to promote diversity, including obtaining a reasonable representation of the underrepresented gender in the Board of Directors, in order to strengthen the breadth of the Bladt Group 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 Bladt 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 Bladt 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 and the Executive Board are male. In group Management 10% of the members are female, while 90% are male. During 2019, the female representation within Group Management increased by 0 %.

Generally, diversity is seen as a strength to Bladt Group, which can contribute positively to Bladt Group development, robustness and fulfillment of established strategies and plans. Diversity in age, gender, experience and skills is given high priority.

The Board of Directors wants an open and open-minded culture, where the individual employee can utilize his or her competences in the best possible way regardless of gender. Bladt Group employees, regardless of gender, must find that they have the same opportunities for career and management positions. Bladt Group appoints managers under the premise that the best suited is always employed/appointed regardless of gender.

Bladt Group policy on the underrepresented gender, focuses on how Bladt Group ensures a balanced composition of men and women in management positions. A balanced composition requires a focus on "Women in management".

Bladt Group offers all employees the opportunity to develop professional and personal competencies through participation in internal and external opportunities for courses and education. It is Bladt Group goal that women and men generally participate equally in these offers.

Bladt Group wants to inspire all employees to become part of Bladt Group management. Managers at all levels must be aware of employees with personal and professional competencies that could form the basis for development to a position at management level.

When reviewing the results from Bladt Group people development interviews and follow-up interviews, the manager must form an impression of the employee's potential managerial potential. Any employee's wishes and aspirations for managerial careers must be part of any development interview with the individual employee.

In order to attract more women to apply for jobs at Bladt Group, Bladt Group has amongst other initiatives, had women to front Bladt Group at different sales fairs.

The 2019 objective was:
• To ensure a representation of women in the Board of Directors corresponding to 20-25% of the board members elected at the Annual General Meeting (one board member) within a three-year period.
• To ensure that the employees view the company as having a modus operandi and culture in which individual employees have equal career opportunities regardless of gender, nationality, race religious beliefs etc.

In 2019 the objective for the period 2017- 2020 was not yet met, as there were no additions to or replacements of board members.

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

Internal Controls and Presentation of Accounts and Annual Financial Statements

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

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

In 2019, the company has continued updating and formalizing its systems of internal control related to operations, accounting and financial reporting. This effort is already well progressed within a number of areas and is part of the continuous effort to reduce the risk of errors, omissions and/or imperfections in the company's accounts. The Audit Committee monitors this process.

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

Organisation and Society

Corporate Social Responsibility and Human Resources

Corporate responsibility is a key enabler for Bladt Group as a business, supporting sustainable long-term performance by managing non-financial risks that can impact our reputation and market position. Bladt Group consider it fundamental to maintain a culture focused on embedding responsible business behaviors. Therefore, all employees are expected to act in accordance with the requirements of the company's CSR policies at all times.

We work to build a culture where our people are empowered to make the right decisions and know where to go to seek help or guidance. Our CSR policies sets out clear expectations on ethical conduct and Bladt Group offer training and support to help people understand the right thing to do.

CSR policies consist of statements on the following areas: human rights, social conditions, environmental and climate issues as well as Bladt Groups zero tolerance policy on corruption and how this is established in our business strategy and business activities.

In 2019 Bladt Group launched CSR policy training as part of the induction program for all new employees and therefore they receive training in the main areas of the CSR policies.

Bladt Groups activities with e.g. construction, production, surface treatment and assembly of steel structures means that it is natural for Bladt Groups to focus on social responsibility. Including, among other things, safety and health for employees and stakeholders. More on the business model of Bladt Group is available in section "Built to Last", where Bladt Groups three business areas is described in more detail. At Bladt Group, the social responsibility is utilized in policies, programs and activities which aim to ensure that Bladt Group takes its share of social responsibility. Bladt Group is constantly working to improve its efforts. This is done risk-based and in line with approved CSR principles.

During 2019, Bladt Group has upgraded the CSR regime at Bladt Group from having a Code of Conduct, quality policy, safety policy and environmental policy to having a more detailed CSR program, which will be two sided with focus on Bladt Groups internal CSR setup as well as Bladt Groups Responsible Partner Program, which focus on Bladt Groups suppliers. The work has included creating a CSR Committee, which is approved by the Board. The Board delegates the detailed oversight of corporate responsibility matters to the CSR Committee, which is chaired by the CEO. The CSR Committee meets as a minimum twice a year and agrees the Bladt Groups responsible business priorities relating to our employees, trust and integrity, health and safety, and resource efficiency. The work is currently ongoing and includes, among other things, new and more detailed policies which aim to further clarify the internal and external demands towards staff and e.g. suppliers, a more formalised Compliance Program, 2019-KPIs and more systematic management reporting on CSR compliance.

Within the areas of quality, work environment, safety and environment Bladt Group has certifications and meets the requirements of management system standards for - ISO 9001:2015, OHSAS 18001:2008, ISO 38342:2005, En1090-2:2008, En1090-1:2009. The fact that Bladt Group has these certifications means that Bladt Group continually has focus on evaluating its activities, as this is an implied demand to maintain the certifications. Bladt Group has policies and processes consistent with what is prescribed under the certifications. The certificates are available on the Bladt Industries website, where further information is also available.

In addition, Bladt Group has implemented a new Code of Conduct, which is imposed on suppliers. The Bladt Group Code of Conducts stipulates i.e. that Bladt Group respects and supports human rights, labour rights, respect for the environment, anti-corruption, social responsibility, responsibility for the local environment, trade sanctions, personal data protection, responsible accounting methods and respect for tax legislation.

Within the areas of quality, health & safety, environment and CSR, Bladt Group has, in 2019 performed on-site audits of suppliers. Compliance of the Bladt Groups Code of Conduct is also included in these audits.

Furthermore, Bladt Group has carried out employee training for new employees regarding the content of Bladt Groups Code of Conduct and the management of Bladt Group has received training in rules and principles of social responsibility from external consultants.
In 2019, Bladt Group has reduced its climate impact by replacing the light fixtures. By 2020, Bladt will purchase all electricity for its production by wind turbine-generated electricity.The power is purchased via RECS certified wind turbine power. Bladt Group is considering further initiatives.

Organisation and Society

Suppliers

Bladt has identified an area which entails a particular risk that stakeholders' rights will be negatively affected by the activities of Bladt Group. The risk concerns suppliers failing to comply with Bladt Groups requirements in the Code of Conduct, particularly in relation to labor rights. The assessment hereof has been tightened as Bladt Group has increased its international cooperation.

Due to this risk Bladt Group has initiated a more comprehensive approach to its CSR work to ensure ongoing updates aiming to meet market requirements.

The upgraded corporate responsibility programme will focus on:
• developing an inclusive, diverse workplace to drive innovation and performance, and
• supporting our employees in making the right decisions via speak up channels;
• continuously improving employee wellbeing and standards of safety for
• employees and those we work with;
and
• continuously improving our suppliers compliance with our Responsible Partner Programme

The work is planned risk-based around two main initiatives:

(1) A Responsible Partner Programme where the aim is to intensify activities toward suppliers regarding certain requirements coming from Bladt Group's Code of Conduct. Bladt Group has in the process drawn upon expertise from large customers aiming to meet their demands but also to prepare for further similar situations. Updated and new policies will be introduced accordingly.

(2) Introducing, formalising and implementing stronger and clearer internal compliance procedures and processes in relation to a number of CSR-related topics aiming to structure and increase the overall compliance level to a more ambitious standard. An example is improving existing procedures (e.g. Code of Conduct and Staff Handbook) with a number of more elaborate and specific policies and procedures. In that connection, a more formal and professional set-up for ensuring compliance is planned.

Bladt Group work with suppliers and their supply chains to provide fully compliant, cost-effective equipment, goods, services and solutions. The Majority of our supplier relationships are often long term, so we aim to work with suppliers who share Bladt Group's values and who embrace standards of ethical behavior consistent with our own.

Bladt Group's policy is to identify and select suppliers, who meet our standards, and support them by managing risks throughout the lifecycle of any commercial arrangement. Bladt Group continue to engage with our suppliers for ongoing assurance at all stages of a project. If areas of non-compliance are identified, the supplier and Bladt Group will collaborate and agree on an action plan of appropriate improvement measures. These shall mitigate and remedy the adverse impacts caused by the breaches or non-compliance and enable the supplier to identify and prevent similar occurrences in the future. Bladt Group requires our suppliers to engage actively and without reservation in these activities.

Bladt Group's Code of Conduct support our commitment to human rights. This results, for example, in due diligence being carried out during the supplier evaluation stage against non-financial risks, including human rights, working hours, harassment and unlawful discrimination, speak-up procedure, slavery, human trafficking and child labour. Bladt Groups Code of Conduct also include a strict zero tolerance policy on corruption.

Health and Safety

Bladt Group has collective focus on employee wellbeing as well as the health and safety of employees and those who work on, or visit, our sites. Bladt Group safety culture and our employees demand high standards for all aspects of health and safety.

This is supported both by Bladt Group Health and Safety Policy and the principles contained within our Code of Conduct for employees.

Bladt Group recognise that good mental and physical health contributes to better decision making, greater productivity and higher levels of employee satisfaction.

Organisation and Society

Bladt Group's business is highly complex and our employees are exposed to many risks. These range from slips, trips and falls in an office environment, confined space working and machinery hazards within manufacturing.

Many of our employees operate heavy equipment, work at height or do physically demanding work in high-risk environments.

In order to ensure consistency, all employees are required to comply with our Health and Safety Policy, which outlines and prescribes the responsibilities and arrangements in place for ensuring safety. It is the responsibility of Bladt Group as well as the management and line managers to ensure that employees comply with the policy.

Bladt Group aim to mitigate or manage safety risks by finding new ways to enhance safety standards, increase awareness and continually drive a strong safety culture e.g. all staff is required to make reverse parking to focus their mindset on safety from the minute they enter Bladt Group's site. Bladt Group aim to reduce exposure levels to hazardous substances and to seek alternatives, where possible. We provide our employees with health surveillance to understand and reduce the impact of workplace health risks.

We use the Total Recordable Incident Rate/Frequency as a key performance indicator to measure workplace injuries. In 2019, there was no reduction in the Recordable Incident Rate, no lost time injuries and no fatalities as Bladt Group's continued to focus on reducing risk and embedding safety culture to drive improvement.

In 2019, a significant focus area was to reduce LTIF.

The Lost Time Injury Frequency (LTIF) – a key indicator for Bladt Group's health and safety performance – improved during 2019. The overall goal is always to strive for a LTIF performance of 0 – this goal was achieved in 2019.

Environment

Bladt Group aim to comply with all applicable environmental regulations and laws, which govern Bladt Group activities. In order to show consideration for the next generation, Bladt Group support initiatives towards a cleaner and more environmentally friendly production process in order to secure a minimization of negative consequences for the environment and Bladt Group, as a company, are committed to limiting our impact on the environment. Bladt Group will continuously work on climate and environmental management to limit our impact on the environment, for example, by way of reducing raw material and energy consumption, reducing and recycling waste and investing in environmental.

Human Resources

Bladt Group conducts People Development Dialogues and Employee Satisfaction surveys on an annual basis supported by online tools. More than 84% of the salaried employees and 41 % of the blue collars participated in the Employee Satisfaction survey in Q4 2019 providing a strong basis for the dialogue on the requirements for professional development. Moreover, the updated organizational structure of Bladt Group in 2019 is among other things aimed at further improving both project and people management.
The training and education of apprentices continues to be of significant importance to Bladt Group. At the end of 2019, 10 apprentices were under training, all within welding. This is an investment ensuring both a qualified employee base for Bladt Group's further growth as well as a contribution to the important task of educating skilled professionals for the local communities.

At the end of 2019, Bladt Group employed 495 employees in Denmark which is 220 more than at the end of 2018. The number of employees is significantly higher at the end of 2019 compared to 2018 due to an increased order intake. International employees are comprised of the subsidiaries in Poland and Taiwan. The ratio of absence due to illness showed a significant improvement in 2019 compared to 2018. In 2019, the focus on follow-up and dialogue in case of absence has continued in order to keep the ratio within the blue collar work force at a low level. The ratio of absence due to illness is above Bladt Group's target.

Organisation and Society

Anti-corruption

Bladt Group has a zero-tolerance policy on corruption and the principle is applied internally to employees as well as externally to our business partners. It is based on a promise to uphold a deep ethical integrity regardless of which country we operate in and combat any kind of corruption. The vision is deeply imbedded within Bladt Group and has led to a reputation of high integrity which we are proud of and work to maintain.

Bladt Group has a special focus on facilitation payments and bribery as these have been identified as the greatest risk in the industry and in the countries we operate. Our overall CSR risk assessment shows that anti-corruption has a low risk due to the very strict policies and rigorous screening of suppliers both before and during an engagement. The biggest risks regards new employees and their familiarity with the internal policies and suppliers. To mitigate the employee risk Bladt Group keep communication high and new employees are included in a mandatory introductory program where anti-corruption is a topic. In 2019 Bladt Group hired 220 employees in 2019 all of which where included in the program. To mitigate the supplier risk Bladt Group has updated our supplier screening and made the Responsible Partner Program described above.

Risk Management

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

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

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

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

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

In order to further ensure the continued competitiveness and strong market position, Bladt 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, Bladt Group in 2019 continued to participate in the development and testing of various new automated robot welding techniques for large offshore steel structures and have developed an innovative supply chain concept for jacket foundations for offshore wind turbines.

Financial Risks

The Bladt Group's financial risks are described in note 30 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

Bjarne Moltke Hansen, Chairman

- Chairman Audit Committee and Chairman Executive Committee of Bladt Group A/S
- Chairman of the Board of Aalborg Portland Holding, RM Rich. Müller A/S and Pindstrup Mosebrug A/S
- Vice-Chairman of the Board of Per Aarsleff Holding A/S.
- Member of the Board of Danish SGD Investment Fund, Investment Committee and LKAB

Lars Terney, Deputy Chairman

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

Jørgen Huno Rasmussen, Member

- Member Remuneration Committee of Bladt Group 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
- Deputy Chairman of the Board of Rambøll Gruppen A/S, Terma A/S, Thrige-Titan A/S
- Member of the Board of Haldor Topsøe A/S, Otto Mønsted Aktieselskab, Thomas B. Thriges Fond, Thrige Holding A/S

Statements

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 2019.

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 2019 of the Group and the Company and of the results of the Group and Company operations and cash flows for 2019.

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, 29 April 2020

Board of Directors:

Bjarne Moltke Hansen Chairman	Lars Terney Deputy Chairman	Jørgen Huno Rasmussen

Executive Board:

Lars Terney

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 2019 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 2019 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 2019, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant 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 Financial 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.

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.

Statements

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.

- 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, 29 April 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Claus Lindholm Jacobsen State Authorised Public Accountant mne23328	Thyge Belter State Authorised Public Accountant mne30222

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated Income Statement

		2019			2018		
DKK'000	Note	Business performance	Adjust-ments	IFRS	Business performance	Adjust-ments	IFRS
Revenue	3	2,167,940	0	2,167,940	1,455,280	0	1,455,280
Production costs	4,5	-2,165,284	0	-2,165,284	-1,364,144	-27,152	-1,391,296
Gross profit		2,656	0	2,656	91,136	-27,152	63,984
Distribution costs	4	-14,991	0	-14,991	-13,714	0	-13,714
Administrative expenses	4,5,6	-36,166	0	-36,166	-35,663	0	-35,663
Operating profit		-48,501	0	-48,501	41,759	-27,152	14,607
Profit/loss in joint venture	15	-2,022	0	-2,022	0	0	0
Financial income	7	2,255	0	2,255	0	0	0
Financial expenses	8	-17,240	0	-17,240	-21,210	0	-21,210
Profit/loss before tax		-65,508	0	-65,508	20,549	-27,152	-6,603
Tax on profit for the year	9	11,656	0	11,656	-3,130	5,973	2,843
Profit/loss for the year		-53,852	0	-53,852	17,419	-21,179	-3,760

	2019	2018
Profit appropriation/ distribution of loss :		
Shareholders of Bladt Holding A/S	-54,006	-3,786
Non-controlling interests	154	26
	-53,852	-3,760

Statements

Consolidated Statement of Comprehensive Income

DKK'000	Note	2019	2018
Profit/loss for the year		-53,852	-3,760
Items that will be reclassified to the income statement when specific conditions are met			
Hedging for future cash flows	10	0	1,600
Tax on hedging instruments	10	0	-352
Foreign exchange adjustments on translation of foreign entitles		275	-262
Other comprehensive income after tax		275	986
Total comprehensive income for the year		-53,577	-2,774
Profit appropriation/ distribution of loss:			
Shareholders of Bladt Holding A/S		-53,731	-2,800
Non-controlling interests		154	26
		-53,577	-2,774

Consolidated Statement of Financial Position

DKK'000	Note	2019	2018
ASSETS			
Non-current assets			
Intangible assets	11,12		
Goodwill		195,200	195,200
Trademarks		16,100	16,100
Other intangible assets		0	0
Other intangible assets (software)		1,961	1,558
		213,261	212,858
Property, plant and equipment			
Land and buildings	13	679	828
Plant and machinery	13	101,711	79,607
Fixtures and fittings, other plant and equipment	13	1,628	1,804
Property, plant and equipment under construction	13	1,959	10,337
Lease assets	14	92,000	71,959
		197,977	164,535
Other non-current assets			
Investments in joint ventures	15	4,776	0
Investments in associated companies	16	1,000	1,000
		5,776	1,000
Total non-current assets		417,014	378,393
Current assets			
Inventories	17	5,585	3,845
Construction contracts	18	237,996	30,143
Receivables	19	755,333	625,543
Prepaid expenses	20	2,690	3,839
Tax asset	22	12,127	0
Corporation tax	26	351	1,140
Cash at bank and in hand	29	6,533	119,925
Total current assets		1,020,615	784,435
TOTAL ASSETS		1,437,629	1,162,828

DKK'000	Note	2019	2018
EQUITY AND LIABILITIES			
Equity	21		
Share capital		39,521	38,992
Other reserves		347,859	345,005
Retained earnings		-28,922	21,101
Equity attributable to shareholders of Bladt Holding A/S		358,458	405,098
Non-controlling interests		1,095	951
Total equity		359,553	406,049
Liabilities			
Non-current liabilities			
Deferred tax	22	0	11,942
Provisions	23	1,000	1,000
Earn out in connection with the acquisition of enterprises		170,625	170,625
Credit institutions	25	100,000	100,000
Lease liabilities	14	70,533	62,066
Other non-current liabilities		10,145	0
Total non-current liabilities		352,323	345,633
Current liabilities			
Lease liabilities	14	24,356	10,458
Bank debt	29	80,418	0
Construction contracts	18	200,273	141,816
Trade payables		343,753	161,516
Tax	26	0	0
Other payables		76,953	97,356
Total current liabilities		725,753	411,146
Total liabilities		1,078,076	756,779
TOTAL EQUITY AND LIABILITIES		1,437,629	1,162,828

Consolidated financial statements for 2019
Notes
Consolidated Cash Flow Statement

DKK'000	Note	2019	2018
Profit/loss for the year before tax		-65,508	-6,603
Adjustment for non-cash operating items etc.:			
Depreciation, amortization and impairment losses	5	46,552	73,032
Profit/loss in joint ventures		2,022	0
Financial income	7	-2,255	0
Financial expenses	8	17,240	21,210
Cash generated from operations (operating activities) before changes in working capital		-1,949	87,639
Changes in working capital	28	-107,798	206,297
Cash generated from operations (operating activities)		-109,747	293,936
Interest received	7	2,255	0
Interest paid	8	-17,240	-20,543
Corporation tax received/paid	26	-11,849	-6,582
Cash flows from operating activities		-136,581	266,811
Acquisition of property, plant, equipment and software	12,13,14	-83,264	-14,048
Acquisition of joint venture company (share)		-6,637	0
Disposal of property, plant and equipment		2,867	244
Cash flows from investing activities		-87,034	-13,804
External financing:			
Entering of new leases		41,202	0
Repayment of bank loans and overdrafts		0	-36,833
Repayment of lease liabilities		-18,817	-13,540
Shareholders:			
Buying of shares		0	-1,176
Sold shares		7,091	0
Dividend paid to non-controlling interests		0	-85
Cash flows from financing activities		29,476	-51,634
Cash flows for the year		-194,139	201,373
Cash and cash equivalents at the beginning of the year		119,925	-81,737
Foreign exchange adjustment of cash and cash equivalents		329	289
Cash and cash equivalents at the end of the year		-73,885	119,925
Cash at bank and in hand		6,533	119,925
Bank debt		-80,418	0
Cash and cash equivalents at the end of the year		-73,885	119,925

Ample liquidity reserves please refer to note 29 page 54.

Consolidated financial statements for 2019
Notes
Consolidated Statement of Change in Equity

	Share capital	Share Premium	Reserve own shares	Other reserve	Retained earnings	Total	Non-con-trolling interests	Total equity
Total comprehensive income for 2019								
Equity 1 January 2019	38,992	350,405	-5,400	-1,256	22,357	405,098	951	406,049
Profit/loss for the year	0	0	0	0	-54,006	-54,006	154	-53,852
Other comprehensive income								
Other comprehensive income	0	0	0	275	0	275	-10	265
Total other comprehensive income	0	0	0	275	0	275	-10	265
Total comprehensive income for the period	0	0	0	275	-54,006	-53,731	144	-53,587
Transactions with owners:								
Sold shares	529	0	2,854	0	3,708	7,091	0	7,091
Dividend	0	0	0	0	0	0	0	0
Equity at 31 December 2019	39,521	350,405	-2,546	-981	-27,941	358,458	1,095	359,553

Consolidated financial statements for 2019
Notes
Consolidated Statement of Change in Equity (continued)

	Share capital	Share Premium	Reserve own shares	Other reserve	Retained earnings	Total	Non-con-trolling interest	Total equity
Total comprehensive income for 2018								
Equity 1 January 2018	38,992	350,405	-5,400	-2,242	27,319	409,074	1,040	410,114
Profit/loss for the year	0	0	0	0	-3,786	-3,786	26	-3,760
Other comprehensive income								
Other comprehensive income	0	0	0	986	0	986	-30	956
Total other comprehensive income	0	0	0	986	0	986	-30	956
Total comprehensive income for the period	0	0	0	986	-3,786	-2,800	-4	-2,804
Transactions with owners:								
Transaction with non-controlling interest	0	0	0	0	0	0	0	0
Issued shares	0	0	0	0	-1,176	-1,176	0	-1,176
Dividend	0	0	0	0	0	0	-85	-85
Equity at 31 December 2018	38,992	350,405	-5,400	-1,256	22,357	405,098	951	406,049

Consolidated financial statements for 2019
Notes
Summary of Notes to the Consolidated Financial Statements

Consolidated financial statements for 2019
Notes

1 Accounting policies

Bladt Holding A/S is a limited liability company domiciled in Denmark. The financial statements section of the annual report is for the period 1 January – 31 December 2019.

The consolidated financial statements and the Parent Company financial statements of Bladt Holding A/S for 2019 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 27.1 million, (2018 DKK 27.1 million), and cost regarding earn-out of DKK 0.0 million (2018 DKK 0.0 million).

On 29th April 2020, the Executive Board and the Board of Directors discussed and approved the annual report of Bladt Holding A/S for 2019. The annual report will be presented to the shareholders of Bladt Holding A/S for approval at the annual general meeting.

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.

Implementation of new standards

The group has applied new standards and interpretations for 2019. This comprises:

• IFRIC Interpretation 23, Uncertainty over Income Tax Treatments

• Amendments to IFRS 9: Prepayment Features with Negative Compensation

• Annual Improvements 2015-2017 Cycle

• Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

• Amendments to IAS 28: Long-term interests in associates and joint ventures

• None of these interpretations or amendments have ad any signficant impact on the accounting poilicies applied

Apart from the above, the accounting policies are unchanged.

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

Consolidated financial statements for 2019
Notes

1 Accounting policies (continued)

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 the company.

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 72.

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.

1 Accounting policies (continued)

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.

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.

Minority interests

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

Foreign currency translation

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

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

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

1 Accounting policies (continued)

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.

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

Income statement

Revenue

Contracts for delivery of constructions are recognized as revenue by reference to the stage of completion if both of the following criteria are met:

- there is no alternative use for the completed construction should the contract be cancelled
- the customer has an obligation to pay for the sales value of the work completed to date should the contract be cancelled by the customer.

The Group's contracts generally meet these criteria, and accordingly, revenue corresponds to the value of work performed during the year (the percentage of completion method).

Revenue is recognized by reference to the stage of completion 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 the consideration agreed ex. VAT and taxes charged on behalf of third parties and excluding a significant financing component, if any. All discounts granted are deducted from revenue.

1 Accounting policies (continued)

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.

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 based on the level at which goodwill is monitored for financial reporting purposes.

1 Accounting policies (continued)

Trademarks

Trademarks including those acquired in business combinations, are measured at cost lessaccumulated amortization and impairment losses. The Group's trademarks comprises solely of Trademarks with indefinite useful lives. Therefore, they 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.

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

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

Property, plant and equipment

Plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers, and wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset. Further, the cost includes the present value of the initial estimate of the cost to dismantling and removing the asset and restoring the site on which the asset is located.

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

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

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

1 Accounting policies (continued)

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.

Lease Assets

Lease assets are ‘right-of-use assets’ arising from a lease agreement. Lease assets are initially measured at cost consisting of the amount of the initial measurement of the leases liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received and the initial estimate of refurbishment costs and any initial directs costs incurred.
The lease assets are depreciated on a straight-line basis over the lease term. The lease asset can be adjusted due to modifications to the lease agreement or reassessment of lease term.

Payments associated with short-term leases and leases of low-value are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less. Low-value assets comprise assets with a value below DKK 30 thousand.

Investments in joint ventures

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

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

Investments in associated companies

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

1 Accounting policies (continued)

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.

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 sales value of the work performed less progress billings, anticipated losses and for net assets, expected credit losses, cf. the description under “Receivables” below. 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 sales value is measured by reference to the percentage of completion at the end of the reporting period and total expected income from the contract. Measuring progress is determined by the input method 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.

1 Accounting policies (continued)

Variation orders, claims etc. are included in the total consideration if the change has been approved by the customer or it is probable that Bladt Group has an enforceable right to payment for the work.

Variable consideration comprising of variation orders which have not yet been approved, claims not settled, performance bonuses etc. are included in the contract consideration if payment is probable, however, only up to an amount which makes is highly probable that revenue attributable to the respective contracts will not be reversed in a subsequent period.

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 less write down for expected credit losses. Write-down is made on a portfolio level for receivables with no indication for impairment and on an individual level for receivables with indications of impairment. The Group uses the simplified approach and measures all credit losses as the lifetime expected loss.

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.

Receivables for disputed claims on completed projects are measured including interest as of the balance sheet date.

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.

If uncertainty over an income tax treatment exists, Management assesses whether it is probable that a tax position can be sustained, current and deferred tax is determined on this basis.

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

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

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

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

Provisions

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

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

Earn out

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

Lease liabilities

Lease liabilities arise from a lease agreement. Lease liabilities are initially equal to the present value of the lease payments during the lease term that are not yet paid.

At initial recognition each contract are assessed individually to assess the likelihood of exercising a potential extension option in the contract. The option to extend the contract period will be included in the calculation of the lease liability if it is reasonably certain that the option will be exercised.

The net present value is calculated using a discount rate corresponding to the incremental borrowing rate.

The lease liability will be remeasured when changes occur due to modifications to the contract (extension, termination etc.) or indexation.

1 Accounting policies (continued)

Other financial liabilities

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

Other financial liabilities are measured at amortized cost.

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.

Cash and cash equivalents comprise demand deposits. In prior years, cash and cash equivalents comprised bank overdrafts. Based on IFRIC's 2018 agenda rejection notice, Management has assessed that the Group's bank overdrafts cannot form part of cash and cash equivalents in the cash flow statements. The cash flow statement for 2018 has been restated accordingly.

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 4-6.

2 Accounting estimates and judgements (continued)

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 12 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. Progress is determined by the input method 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 qualified.

Significant amounts of variation orders are recognized in the annual accounts as of 31 December 2018 in accordance with applied accounting policies. Receivables concerning disputed variations constitute a substantial part of receivables due cf. note 30. 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.

Going Concern

As described in the Financial Review, the Company’s outlook for the future will be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak.

Many of the Company’s customers have indicated that they will continue projects and orders in progress, but there is still a risk that revenue and earnings will decline in consequence of COVID-19 and thus a corresponding uncertainty about the company's future cash flows. However, based on the current order book, expected future projects, budgets and the latest forecasts, there is no significant uncertainty as to whether the company's financial facilities are sufficient.

	DKK'000	2019	2018
3	**Revenue**		
	Wind	1,756,151	1,232,429
	Other	411,789	222,851
	Total	2,167,940	1,455,280
	At a point time	7,411	6,920
	Over time	2,160,529	1,448,360
	Total	2,167,940	1,455,280
4	**Staff costs**		
	Wages and salaries	258,150	208,991
	Defined contribution plans	18,452	14,350
	Other social security costs	3,458	4,354
	Total staff costs	280,060	227,695
	Total average number of employees	436	370
	Staff costs are recognized as follows in the income statement:		
	Production costs	245,797	187,446
	Distribution costs	7,910	7,382
	Administrative expenses	26,353	32,867
		280,060	227,695
	Of this figure, consideration for:		
	Remuneration, Board of Directors and Executive Board	762	638
		762	638

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 3,610,702 warrants as of 31 December 2019 (2018: 3,610,702 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 9.1% (2018: 10.7%) of the share capital provided that all warrants are exercised. Estimated fair value per warrant amounted to DKK 1 at the date of granting, corresponding to the payment from the warrant holders. Therefore, there was no bonus element at the date of granting.

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

2. In 2015, Bladt Holding A/S introduced a warrant program for executive employees and some of the board members of the Group. The warrant program comprised 2,049,690 warrants as of 31 December 2019. 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 5.2%(2018: 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.

3. In 2019, Bladt Holding A/S introduced a warrant program for executive employees and some of the board members of the Group. The warrant program comprised 2,101,618 warrants as of 31 December 2019. 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 6.39 with the addition of 16% p.a. accumulating per year after 11 June 2019 / 5 July 2019.

   Non-subscribed warrants correspond to 5.3% 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 2023 at the latest.

   In 2018 and 2019 no expense was recognized regarding share based payments.

	DKK'000	2019	2018
5	**Amortization of intangible assets and depreciation of property, plant and equipment**		
	Amortization of intangible assets, see note 11	0	27,152
	Depreciation of intangible assets, see note 11	509	900
	Depreciation of property, plant and equipment, see note 13	27,654	29,203
	Depreciation of lease assets, see note 14	21,221	15,878
	Profit from sale of property, plant and equipment	-2,772	-101
		46,612	73,032
	Depreciation is recognized as follows in the income statement:		
	Production costs	44,067	72,817
	Administrative expenses	2,545	215
		46,612	73,032
6	**Fees to auditors appointed at the annual general meeting**		
	Total fee for PWC is specified as follows:		
	Statutory audit	406	406
	Tax and VAT assistance	737	340
	Other assistance	20,919	324
		22,062	1,070

	DKK'000	2019	2018
7	**Financial income**		
	Interest tax etc.	2,255	0
		2,255	0
	Interest on financial assets measured at amortized costs	2,255	0
8	**Financial expenses**		
	Interest, banks, etc.	8,776	12,036
	Interest on lease	5,989	5,168
	Interest tax etc.	0	879
	Amortized borrowing costs	2,475	3,127
		17,240	21,210
	Interest on financial liabilities measured at amortized costs	14,765	18,083
9	**Tax on profit for the year**		
	Tax on profit for the year is specified as follows:		
	Current tax	12,413	1,300
	Deferred tax	-24,069	-4,143
		-11,656	-2,843
	Tax on profit for the year relates to:		
	22,0% tax on profit for the year before tax	-14,412	-1,453
	The tax effect of:		
	Non-taxable income	-259	-168
	Non-deductible costs	2,903	949
	Change to tax prior years	112	-2,171
		-11,656	-2,843
	Effective tax rate	17.8%	43,1%

DKK'000	2019	2018

10 Other reserves

Cash flow hedges 1 January	0	-1,248
Reevaluation – gross	0	1,600
Deferred tax	0	-352
Cash flow hedges at 31 December	0	0

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

11 Intangible assets

DKK'000	Goodwill	Trademarks	Other intangible assets	Other intangible assets (software)	Total
Cost at 1 January 2019	195,200	16,100	368,152	7,340	586,792
Additions	0	0	0	912	912
Cost at 31 December 2019	195,200	16,100	368,152	8,252	587,704
Depreciation and impairment losses at 1 January 2019	0	0	368,152	5,782	373,934
Depreciation	0	0	0	509	509
Depreciation and impairment at 31 December 2019	0	0	368,152	6,291	374,443
Carrying amount at 31 December 2019	195,200	16,100	0	1,961	213,261

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.

11 Intangible assets (continued)

DKK'000	Goodwill	Trademarks	Other intangible assets	Other intangible assets (software)	Total
Cost at 1 January 2018	195,200	16,100	368,152	6,377	585,829
Additions	0	0	0	963	963
Cost at 31 December 2018	195,200	16,100	368,152	7,340	586,792
Depreciation and impairment losses at 1 January 2018	0	0	341,000	4,882	345,882
Depreciation	0	0	27,152	900	28,052
Depreciation and impairment at 31 December 2018	0	0	368,152	5,782	373,934
Carrying amount at 31 December 2018	195,200	16,100	0	1,558	212,858

12 Impairment test

Goodwill and trademarks

31 December 2019, 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 2020-2024, a discount rate before tax of 17% and a growth rate in the terminal period of 1%, which is unchanged from last year. The cash flows are estimated based on the assumed market activity. The most significant assumption to form the basis of the prepared budgets is some market growth subsequently mainly based on the forecasted European investment activity in offshore wind and offshore oil and gas, on the assumed project win rates per segment which are expected largely unchanged compared to current levels based on the expected developments in competitive intensity and the Bladt Group's cost and market position, and on the expected development in project profitability where prices and costs are expected to decline according to market forecasts. Management assumes that in the event of reasonably probable changes in the primary assumptions forming the basis of the calculation of the recoverable amount, it will still exceed the carrying amount of the CGU.

Other intangible assets

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

13 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equip-ment	Assets under con-struction	Total
Cost at 1 January 2019	1,947	342,573	9,289	10,337	364,146
Additions	0	38,330	861	1,959	41,150
Transferred	0	10,337	0	-10,337	0
Foreign exchange adjustment	22	2	5	0	29
Disposals	0	-12	-636	0	-648
Cost at 31 December 2019	1,969	391,230	9,519	1,959	404,677
Depreciation and impairment losses at 1 January 2019	1,119	263,025	7,426	0	271,570
Depreciation	158	26,504	992	0	27,654
Foreign exchange adjustment	13	2	5	0	20
Disposals	0	-12	-532	0	-544
Depreciation and impairment at 31 December 2019	1,290	289,519	7,891	0	298,700
Carrying amount at 31 December 2019	679	101,711	1,628	1,959	105,977

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equip-ment	Assets under con-struction	Total
Cost at 1 January 2018	2,000	343,244	10,838	452	356,534
Additions	0	1,722	546	10,337	12,605
Transferred	0	452	0	-452	0
Foreign exchange adjustment	-53	-9	-11	0	-73
Disposals	0	-2,836	-2,084	0	-4,920
Cost at 31 December 2018	1,947	342,573	9,289	10,337	364,146
Depreciation and impairment losses at 1 January 2018	989	237,996	8,232	0	247,217
Depreciation	156	27,852	1,195	0	29,203
Foreign exchange adjustment	-26	-8	-8	0	-42
Disposals	0	-2,815	-1,993	0	-4,808
Depreciation and impairment at 31 December 2018	1,119	263,025	7,426	0	271,570
Carrying amount at 31 December 2018	828	79,548	1,863	10,337	92,576

14 Lease assets and liabilities

DKK'000	Rental of premises	Company card	Equipment	Total
Cost at 1 January 2019	218,618	967	0	219,585
Additions	36,027	2,561	2,614	41,202
Disposals	-45,176	-474	0	-45,650
Cost at 31 December 2019	209,469	3,054	2,614	215,137
Depreciation and impairment losses at 1 January 2019	146,926	700	0	147,626
Depreciation	18,689	983	1,489	21,161
Disposals	-45,176	-474	0	-45,650
Depreciation and impairment at 31 December 2019	120,439	1,209	1,489	123,137
Carrying amount at 31 December 2019	89,030	1,845	1,125	92,000

DKK'000	Rental of premises	Company card	Equipment	Total
Cost at 1 January 2018	218,138	1,753	0	219,891
Additions	480	0	0	480
Disposals	0	-786	0	-786
Cost at 31 December 2018	218,618	967	0	219,585
Depreciation and impairment losses at 1 January 2018	131,576	958	0	132,534
Depreciation	15,350	528	0	15,878
Disposals	0	-786	0	-786
Depreciation and impairment at 31 December 2018	146,926	700	0	147,626
Carrying amount at 31 December 2018	71,692	267	0	71,959

14 Lease assets and liabilities (continued)

Lease liabilities expiring within the following periods from the balance date:

DKK'000	2019	2018
0-1 years	29,705	17,533
1-5 years	79,063	69,106
> 5 years	46	17,205
Total lease liabilities, non-discounted	108,814	103,844

Lease liabilities are recognized in the balance sheet as follows:

Non-current liabilities	70,553	62,066
Current liabilities	24,356	10,456
Total lease liabilities, non-discounted	94,909	72,524

Recognized In the profit or loss statement:

DKK'000	2019	2018
Interest expenses related to lease liabilities	5,989	5,168
Expense relating to short term leases, not capitalized	6,547	0
Expense relating to leases of low-value assets, not capitalized	0	0
	12,536	5,168

Measurement of lease liabilities is based on the non-cancelled period and does not include extension options. Rented premises are non-cancellable for Bladt Group as lessee up to 2024 with an option to extend for 15 years. Lease payments in this 15 year period amounts to DKK 213,935 thousand.

15 Investments in joint ventures

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

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 72 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	2019	2018
Cost at 1 January	0	0
Additions	6,350	0
Formation expences	287	0
Disposals	0	0
Costs at 31 December	6,637	0
Adjustments 1 January	0	0
Profit and loss for the year	-2,022	0
Disposals	0	0
Exchange rate adjustment	161	0
Adjustments 31 December	-1,861	0
Carrying amount at 31 December	4,776	0

16 Investments associated Companies

Cost at 1 January	1,000	1,000
Additions	0	0
Costs at 31 December	1,000	1,000

17 Inventories

Raw materials and consumables	5,200	3,640
Finished goods and goods for resale	385	205
	5,585	3,845

DKK'000	2019	2018

18 Construction contracts

Invoicing is based on milestones in each contract.

	2019	2018
Selling price of construction contracts	4,305,181	2,653,094
Total progress billing	-4,267,459	-2,764,767
Net value of construction contracts	37,723	-111,673
Specified as follows:		
Construction contracts (contract asset)	237,996	30,143
Prepayments received from customers (contract liability)	-200,273	-141,816
	37,723	-111,673

Revenue recognized that were included in the construction contract liability balance at the beginning of the period amounts to DKK 141,816 thousand.

Aggregate amount of construction contracts that are partially or fully unsatisfied at 31 December 2019 amounts to DKK 3,048,000 thousands. Management expect that approximately 51% of the amount will be recognized by the end of the financial year 2020. The amount does not include variable consideration which is constrained.

19 Receivables

	2019	2018
Trade receivables	721,537	624,048
Other receivables	33,796	1,495
	755,333	625,543

20 Prepaid costs

	2019	2018
Other adjustments	2,690	3,839
	2,690	3,839

21 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 (2018: DKK 38,992 thousand) broken down on shares with a face value of DKK 1 each or multiples thereof. There are no restrictions on voting rights.

DKK'000	2019	2018
Dividend per share	**0**	**0**

Reserve own shares		
Holding at 1 January	463	249
Acquired in the year	0	214
Sold in the year	-447	0
Holding at 31 December	**16**	**463**

The shares are acquired in 2015 and 2018 from former members of Group Management. The total cost in 2019 for own shares amounts to DKK 1,176 thousand (2018: 1,176 thousand). The total selling price relating to treasury shares amounted to DKK 0 thousand in 2019 (2018: 0 thousand). The Group´s holding of own shares represent 0.04% (2018: 1.19%) of the Group´s share capital. The value of own shares held amounts to DKK 0,165 thousand (2018: 6,576 thousand).

Other reserves

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

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

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

Reserve for foreign exchanges adjustments

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

DKK'000		2019	2018
22	**Deferred tax**		
	Deferred tax at 1 January	11,942	19,980
	Adjustment to prior year	-10,943	-10,220
	Other comprehensive income	0	352
	Deferred tax for the year recognized in profit/loss for the year	-13,126	1,830
	Deferred tax at 31 December	-12,127	11,942
	Deferred tax is recognized in the balance sheet as follows:		
	Tax asset	12,127	0
	Deferred tax (liability)	0	11,942
	Deferred tax at 31 December, net	-12,127	11,942
	Deferred tax relates to:		
	Intangible assets	4,087	4,087
	Property, plant and equipment	2,559	2,290
	Construction contracts	38,743	26,224
	Liabilities	-18,952	-18,420
	Tax loss	-26,635	0
	Other liabilities	-1,929	-2,239
		-12,127	11,942

There are unrecognized tax loss carry forwards of DKK 0 thousand at 31 December 2019 (2018: DKK 0 thousand) relating to accelerated tax depreciation of certain operating equipment. Of the deferred tax DKK 28,743 thousand (2018: DKK 26,224 thousand) are expected to be current tax within 1 year.

		2019	2018
23	**Provisions**		
	Warranties	1,000	1,000

Warranties are determined based on past experience with warranty work. The costs are expected to be incurred in 2019-2020.

		2019	2018
24	**Earn out in connection with the acquisition of enterprises**		
	Contingent consideration	170,625	170,625

The contingent consideration relates to the acquisition of Bladt Industries Holding A/S.

The consideration is expected to be paid out in 2020. 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 30 for disclosure of the assumptions applied to determine fair value of the liability as of the balance sheet date.

DKK'000	2019	2018

25 Payables to credit institutions

	2019	2018
Loans from banks	100,000	100,000
Lease liabilities	94,909	72,524
Carrying amount	194,909	172,524

Payables to credit institutions are recognized in the balance sheet as follows:

	2019	2018
Non-current liabilities	170,553	162,066
Current liabilities	24,356	10,458
Carrying amount	194,909	172,524
Nominal value	100,000	100,000

Movement in financial liabilities during the year

	2019	2018
Carrying amount beginning of year	172,524	222,897
Loans raised	41,202	0
Repayment according to cash flow statement	-18,817	-50,373
Carrying amount end of the year	194,909	172,524

Payables to credit institutions are recognized in the balance sheet as follows:

	2019	2018
Payables to credit institutions	100,000	100,000
Lease liabilities	94,909	94,909

2019	Number of loans	Nominal interest	Average effective rate of interest	Currency	Carrying amount
Loans from banks					
At variable interest rates	1	4,25 %	2,48 %	DKK	100,000
Total loans from banks					100,000

2018					
Loans from banks					
At variable interest rates	1	4.25 %	2,78 %	DKK	100,000
Total loans from banks					100,000

	DKK'000	2019	2018
26	**Corporation tax**		
	Corporation tax payable at 1 January	-1,140	247
	Adjustment to prior year	9,530	3,742
	Current tax for the year	1,728	1,227
	Corporation tax paid during the year	-10,469	-6,356
	Corporation tax payable at 31 December	-351	-1,140
27	**Contingent liabilities and collateral Guarentees**		
	Guarantees relating to performance, payment, advance payment and suppliers	1,311,931	1,186,121
	Deposit guarantee	24,967	24,967

The Group participates in Bladt/EEW Offshore Wind Foundation Group I/S by 50%, Bladt/EEW Offshore Wind Foundation Group I/S by 50%, Bladt/EEW Offshore Wind Foundation Group Gwynt y Môr I/S by 50%, Bladt/EEW Offshore Wind Foundation Group Baltic 2 GbR by 50% and Bladt/EEW Offshore Wind Foundation Group Baltic 2 I/S by 50%, Bladt/EEW Offshore Wind Foundations Group Veja Mate GbR by 50%, Bladt Industries Offshore Wind Germany GmbH by 100%, Bladt Industries Polska Sp. z o.o. by 90%, and Century Bladt Foundation Co., LTD by 33%

Collateral

The Group had provided no collateral at 31 December 2019 or 31 December 2018.

		Note	2019	2018
28	**Changes in working capital**			
	Net change in construction contracts	17	-149,396	204,835
	Change in inventories	16	-1,740	266
	Change in receivables	18	-129,790	178,396
	Prepaid expenses/deferred income, net	19	1,149	945
	Change in trade payables and other payables		171,979	-178,145
			-107,798	206,297
29	**Net Debt reconciliation**			
	Cash and cash equivalents		6,533	119,925
	Borrowings – repayable within one year		0	0
	Borrowings – repayable after one year (including overdraft)		-80,418	0
			-73,885	119,925

29 Net Debt reconciliation (continued)

The Group and parent company have guaranteed the bank debt of group enterprises. Bank debt in affiliated companies at 31 December 2019 amounts to DKK 80 thousand (2018: DKK 0 thousand).

30 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 Groups 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 entered into contracts of hedging the currency exposure on fair value and future cash flows.

Market risks

Currency risks

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

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

	2019						
	Nominal position				Sensitivity		
DKK'000	Cash and receivables	Financial liabilities (non-derivative)	Derivative financial instruments hedging fair value	Total	Probable changes in foreign exchange rates	The hypo-thetical effect on profit for the year	The hypo-thetical effect on equity
EUR/DKK	468,428	162,023	0	306,405	0	0	0
GBP/DKK	34,778	-2,605	0	37,383	20%	5,832	5,832
PLN/DKK	4,153	18,777	0	-14,624	10%	-1,141	-1,141
NOK/DKK	8,145	140	0	8,005	10%	624	624
SEK/DKK	-2,001	1,035	0	-3,036	10%	-237	-237
TWD/DKK	0	139	0	-139	10%	-11	-11
USD/DKK	8,989	2,484	0	6,505	10%	507	507
	522,492	181,993	0	340,499			

30 Financial risks and financial instruments (continued)

	2018						
	Nominal position				Sensitivity		
DKK'000	Cash and receivables	Financial liabilities (non-derivative)	Derivative financial instruments hedging fair value	Total	Probable changes in foreign exchange rates	The hypo-thetical effect on profit for the year	The hypo-thetical effect on equity
EUR/DKK	347,648	108,310	0	239,338	0	0	0
GBP/DKK	55,623	-2,431	0	58,054	20%	9,056	9,056
PLN/DKK	1,531	10,876	0	-9,345	10%	-729	-729
NOK/DKK	2,562	2,003	0	559	10%	44	44
SEK/DKK	4,031	295	0	3,736	10%	291	291
USD/DKK	521	310	0	211	10%	16	16
	411,916	119,363	0	292,553			

Sensitivity analysis assumptions

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

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

Interest rate risks

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

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

Financing activities

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

Investing activities

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

Sensitivity analysis

A reasonably possible lower level of interest of 1%-point compared with the level of interest at the end of the reporting period will, all things being equal, have a hypothetical positive effect on profit/loss for the year and equity at year end of DKK 522 thousand (2018 DKK 410 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

30 Financial risks and financial instruments (continued)

- 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 7 million and committed credit facilities of DKK 265 million of which DKK 105 million is drawn (DKK 80 million drawdown as bank debt and DKK 25 million drawdown as guarantees for real estate rental deposits). Cash reserves thus total DKK 167 million at 31 December 2019 (DKK 360 million at 31 December 2018).

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 2019 and are expected to be observed in 2020 as well.

The Group's liabilities fall due as follows:

DKK'000 **2019**	Carrying amount	Con-tractual cash flows	Within 1 year	1-3 years	3-5 years	After 5 years
Non-derivative financial instruments						
Due earn out	170,625	170,625	0	170,625	0	0
Credit institutions and banks	100,000	100,000	0	100,000	0	0
Leasing liabilities	94,909	108,814	24,356	43,143	27,410	0
Bank debt	80,418	80,418	80,418	0	0	0
Trade payables	343,753	343,753	343,753	0	0	0
31 December 2019	789,705	803,610	448,527	313,768	27,410	0

30 Financial risks and financial instruments (continued)

DKK'000 **2018**	Carrying amount	Con-tractual cash flows	Within 1 year	1-3 years	3-5 years	After 5 years
Non-derivative financial instruments						
Due earn out	170,625	170,625	0	170,625	0	0
Credit institutions and banks	100,000	100,000	0	100,000	0	0
Leasing liabilities	72,524	72,524	10,458	22,662	25,390	14,014
Trade payables	161,516	161,516	161,516	0	0	0
31 December 2018	504,665	504,665	171,974	293,287	25,390	14,014

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

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

Credit risks

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

Bank deposits

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

Trade receivables

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

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

30 Financial risks and financial instruments (continued)

DKK'000	2019	2018
The maturity of trade receivables is specified as follows:		
Receivables not due	310,053	181,494
Maturity period:		
Up to 30 days	81,054	77,359
Between 30 and 90 days	22,858	5,956
More than 90 days	307,572	359,239
	721,537	624,239

None of the trade receivables were impaired at 31 December 2019 and at 31 December 2018. Losses have not been realized in 2019 or 2018 on trade receivables, nor have they been written down. Please also see note 2.

Financial instrument categories

	2019		2018	
DKK'000	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	721,537	721,537	624,048	624,048
Other receivables	33,796	33,796	1,495	1,495
Tax	351	351	1,140	1,140
Cash at bank and in hand	6,533	6,533	119,925	119,925
Financial assets at amortized costs	**762,217**	**762,217**	**746,608**	**746,608**
Earn out in connection with the acquisition of enterprises	170,625	170,625	170,625	170,625
Financial liabilities at fair value through profit or loss	**170,625**	**170,625**	**170,625**	**170,625**
Credit institutions	100,000	100,000	100,000	100,000
Lease liabilities	94,909	94,909	72,524	72,524
Bank debt	80,418	80,418	0	0
Trade payables	343,753	343,753	161,516	161,516
Other payables	76,953	76,953	97,356	97,356
Financial liabilities at amortized cost	**696,033**	**696,033**	**431,396**	**431,396**
Derivative financial instruments used for hedging	0	0	0	0
Derivative financial instruments	**0**	**0**	**0**	**0**

30 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 8). DKK -652 thousands (2018: DKK -641 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.

Derivative Financial Instruments

The Group has established forward exchange contracts to hedge future cash flows on construction contracts in GBP totalling DKK 0 thousand compared to DKK 0 thousand in 2018. At the balance sheet date, these financial instruments have a negative fair value of DKK 0 thousand against a negative fair value of DKK 0 thousand at 31 December 2018 recognised in other comprehensive income.

31 Related party disclosures

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

- Nordic Capital CV1 Ltd, 26 Esplanade, St. Helier, Jersey

Nordic Capital CV1 Ltd. exercises control.

There have been no transactions with Nordic Capital CV1 Ltd.

Senior executives

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

Key Management's remuneration is disclosed in note 4. There have been no other transactions.

31 Related party disclosures (continued)

Joint ventures

Moreover, related parties include joint ventures, see note 15.

Transactions with joint ventures have been as follows:

DKK'000	2019	2018
Sales of services	7,566	0
Purchase of services	0	37,024
Receivables	0	0

32 Events after the balance sheet date

The implications of COVID-19 with many governments across the world deciding to ”close down their countries” will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

Many of Bladt Groups customers have indicated that they will continue projects and orders in progress, but there is still a risk that revenue and earnings will decline in consequence of COVID-19. Management is monitoring the development closely. However, it is too early to give an opinion on the COVID-19 impact on revenue and earnings in 2020. Management does, however, expect a limited negative impact on Bladt Groups outlook.

To support Bladt Group growth ambition the share capital is to be increased by DKK 150 million in May 2020, via a capital injection.

Apart from this, no significant event has occurred after 31 December 2019.

33 New financial reporting regulation

IASB has issued a number of new standards and amendments to existing standards which are not yet effective.

Bladt Group has assessed that the new standards and amendments to standards effective for annual periods beginning after 1 January 2019, are neither not relevant or have no significant effect on the financial statement of the Bladt Group.

Financial Statements for 2019

Income Statement

DKK'000	Note	2019	2018
Dividend from subsidiaries		10,000	50,000
Administrative expenses		-399	-2,003
Operating profit		9,601	47,997
Financial income	4	290	272
Financial expenses	5	-10,365	-13,009
Profit/loss before tax		-474	35,260
Tax on profit for the year	6	592	3,396
Profit/loss for the year		118	38,656

Statement of Comprehensive Income

DKK'000	Note	2019	2018
Profit/loss for the year		118	38,656
Total comprehensive income		118	38,656

Financial statements for 2019

Statement of Financial Position

DKK'000	Note	2019	2018
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		12,840	7,025
Prepaid costs		757	3,232
Corporation tax	8	0	1,501
Tax asset	9	18,952	18,420
Cash at bank and in hand		4,845	8
Total current assets		37,394	30,186
TOTAL ASSETS		744,394	737,186
EQUITY AND LIABILITIES			
Equity	10		
Share capital		39,521	38,992
Other reserves		347,859	345,005
Retained earnings		86,370	82,544
Total equity		473,750	466,541
Liabilities			
Non-current liabilities			
Earn out in connection with the acquisition of enterprises	11	170,625	170,625
Credit institutions	12	100,000	100,000
Total non-current liabilities		270,625	270,625
Current liabilities			
Corporate tax payables	8	0	0
Other payables		19	20
Total current liabilities		19	20
Total liabilities		270,644	270,645
TOTAL EQUITY AND LIABILITIES		744,394	737,186

Financial statements for 2019

Cash Flow Statement

DKK'000	Note	2019	2018
Profit/loss for the year before tax		-474	35,260
Adjustment for non-cash operating items etc.:			
Financial income	4	-290	-272
Financial expenses	5	10,365	13,009
Cash generated from operations (operating activities) before changes in working capital		9,601	47,997
Changes in working capital		-3,341	7,959
Cash generated from operations (operating activities)		6,260	55,956
Interest received	4	290	272
Interest paid	5	-10,365	-12,342
Corporation tax received/paid		1,562	-5,673
Cash flows from operating activities		-2,253	38,213
External financing:			
Repayment of bank loans and overdrafts		0	-37,500
Shareholders :			
Buying of shares and warrants		0	-1,184
Selling of shares and warrants		7,090	0
Net Cash flows from financing activities		7,090	-38,684
Cash flows for the year		4,837	-471
Cash and cash equivalents at the beginning of the year		8	479
Cash and cash equivalents at the end of the year		4,845	8

Financial statements for 2019

Statement of Changes in Equity

DKK'000	Share capital	Share premium	Reserve own shares	Retained earnings	Total
Equity at 1 January 2019	38,992	350,405	-5,400	82,544	466,541
Total comprehensive income for 2019					
Profit/loss for the year	0	0	0	118	118
Total comprehensive income for the period	0	0	0	118	118
Sold shares	529	0	2,854	3,708	7,091
Equity at 31 December 2019	39,521	350,405	-2,546	89,753	473,750

DKK'000	Share capital	Share premium	Reserve own shares	Retained earnings	Total
Equity at 1 January 2018	38,992	350,405	-5,400	45,072	429,069
Total comprehensive income for 2018					
Profit/loss for the year	0	0	0	38,656	38,656
Total comprehensive income for the period	0	0	0	38,656	38,656
Issued shares	0	0	0	-1,184	-1,184
Equity at 31 December 2018	38,992	350,405	-5,400	82,544	466,541

* Further information is disclosed in note 10.

Financial statements for 2019

Summary of Notes to the Parent Company Financial Statements

Financial statements for 2019

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 2019 or 2018.

Financial statements for 2019

Notes

DKK'000	2019	2018
4 Financial Income		
Interest group enterprises	217	272
Interest tax etc.	73	0
	290	272
Interest on financial liabilities measured and amortized costs	290	272
5 Financial expenses		
Interest, banks, etc.	7,890	9,015
Interest tax etc.	0	867
Amortized borrowing costs	2,475	3,127
	10,365	13,009
Interest on financial liabilities measured and amortized costs	7,890	9,015
6 Taxation		
Tax for the year is specified as follows:		
Tax on profit for the year	-592	-3,396
Tax on profit for the year is specified as follows:		
Current tax	-60	-344
Deferred tax	-532	-3,052
	-592	-3,396
Tax on profit for the year relates to:		
22,0% tax on profit for the year before tax	-104	7,757
The tax effect of:		
Change to tax last year	1,728	-344
Non-deductible costs	-16	191
Non-taxable income	-2,200	-11,000
	-592	-3,396
Effective tax rate	125%	-10%

Financial statements for 2019

Notes

DKK'000		2019	2018
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 2019	Ownership share 2018
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.

		2019	2018
8	**Corporation tax**		
	Corporation tax payable at 1 January	1,501	-1,304
	Current tax for the year	60	344
	Corporation tax received/paid during the year	-1,561	5,673
	Tax related to last year	0	-3,212
	Corporation tax payable at 31 December	0	1,501

		2019	2018
9	**Tax asset**		
	Tax asset at 1 January	-18,420	-12,156
	Tax asset for the year recognized in profit/loss for the year	-532	-3,052
	Tax related to last year	0	-3,212
	Deferred tax at 31 December	-18,952	-18,420

10 **Equity**

The composition of the share capital is disclosed in note 20 to the consolidated financial statements.

Capital management

Capital management in the Bladt Holding Group is made for the entire Group. We refer to note 20 to the consolidated financial statements.

Financial statements for 2019

Notes

11 Earn out in connection with the acquisition of enterprises

The liability of DKK 170,625 thousand (2018: DKK 170,625 thousand) comprises contingent consideration and relates to the acquisition of Bladt Industries Holding A/S,

12 Payables to credit institutions

We refer to note 24 to the consolidated financial statements.

13 Contingent liabilities and collateral

Contingent liabilities

The Parent Company has no contingent liabilities at 31 December 2019 or 31 December 2018.

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 100.0 million at 31 December 2019 (2018: DKK 100.0 million).

14 Financial risks and financial instruments

The Parent Company is not exposed to any market risks other than those disclosed in note 30 to the consolidated financial statements, to which we refer. Liquidity risks and credit risks for the Parent Company are also described in note 28 to the consolidated financial statements.

The Parent Company had no derivative financial instruments at 31 December 2019 or 31 December 2018.

15 Operating leases

The Parent Company had no operating leases at 31 December 2019 or 31 December 2018.

16 Charges and security

The Group and parent company have guaranteed the bank debt of group enterprises. Bank debt in affiliated companies at 31 December 2019 amounts to DKK 0.

17 Related party disclosures

In addition to the disclosures in note 32 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 2019 an amount of DKK 0 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.

18 Events after the balance sheet date

We refer to note 32 to the consolidated financial statements. Apart from this, no events have occurred after the balance sheet date.

Financial statements for 2019

Notes

19 New financial reporting regulation

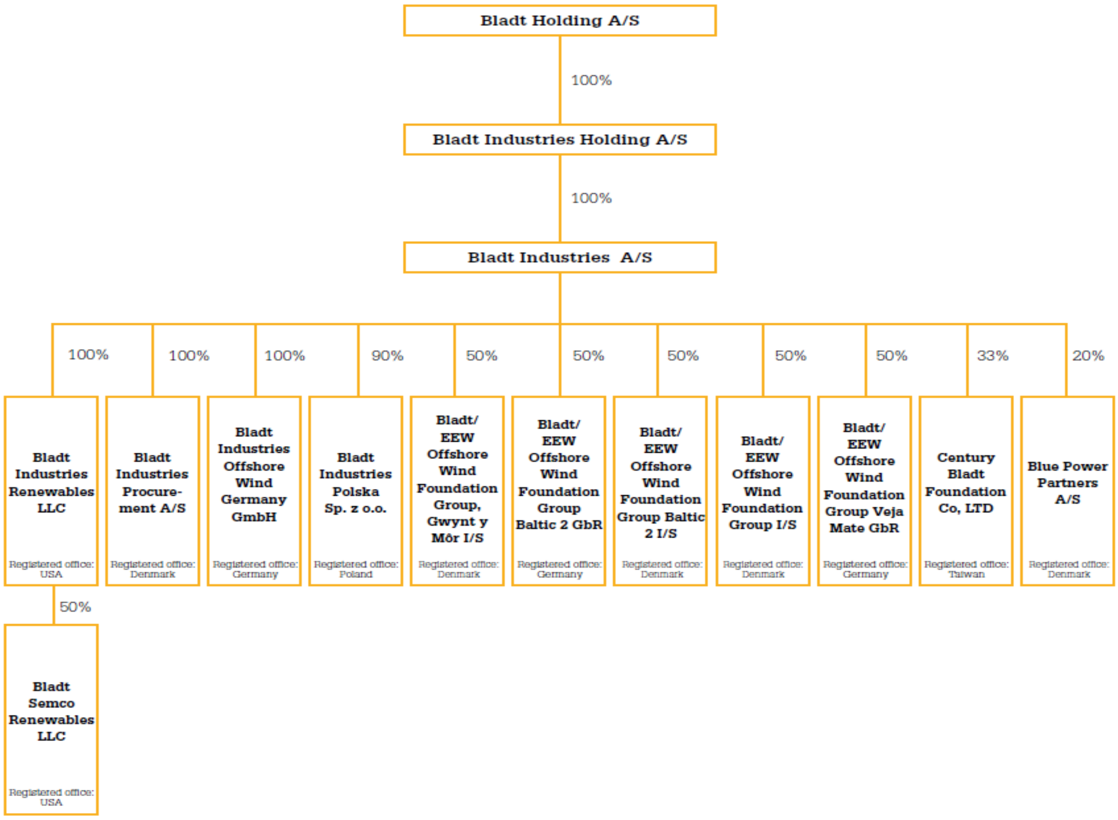
We refer to note 34 to the consolidated financial statements. None of the standards or interpretations mentioned are expected to affect the Parent Company financial statements.

20 Financial ratios

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

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

Group Chart and Addresses



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