NorSea Group Denmark A/S

Annual report 2017

Approved at the Company's annual general meeting

on 01 / 03 2018

Chairman

CVR no. 49 67 77 15

Contents

Company information

Company	NorSea Group Denmark A/S Kanalen 1 DK-6700 Esbjerg
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	Website: www.norseagroup.dk E-mail: dk@norseagroup.com
	CVR no.: 49 67 77 15 Registered office: Esbjerg
Board of Directors	John Stangeland (Chairman) Peter Smidt Foss Gert Richard Møller Lars Haug
Executive Board / CEO	Jesper Høj-Hansen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Havnegade 33 DK-6700 Esbjerg

Financial highlights

	2017 DKK mill.	2016 DKK mill.	2015 DKK mill.	2014 DKK mill.	2013 DKK mill.
Income statement:					
Revenue	200,6	353,3	358,8	400,7	393,6
Profit before financial income and expenses	-18,9	12,4	20,5	49,5	33,5
Financial income and expenses, net	-1,8	-0,7	-0,2	0,6	0,1
Ordinary profit after tax	-34,4	0,0	12,4	53,0	24,8
Profit for the year	-34,4	0,0	12,4	53,0	24,8
Balance sheet:					
Total assets	220,0	267,2	320,9	258,7	271,9
Investment in property, plant and equipment	16,9	11,9	25,6	37,7	10,5
Equity	89,4	123,2	135,4	137,9	219,9
Employees:					
Average number of employees	207	313	321	342	355
Key figures:					
EBIT-margin	-9,4%	3,5%	5,7%	12,5%	8,5%
EBT-margin	-17,1	0,7%	4,8%	16,3%	8,6%
Return on invested capital (ROIC)	-10,1	5,0%	9,0%	60,9%	20,6%
Assets/Equity	2,4	2,2	2,4	1,9	1,2
Return on equity (ROE)	32,4	0,1%	9,0%	20,9%	12,0%

The financial ratios have been calculated as follows:

EBIT-margin $$\frac{\text{Profit before financial income and expenses/profit for year x 100}}{\text{Revenue}}$$

EBT-margin $$\frac{\text{Profit before tax for the year/profit for the year x 100}}{\text{Revenue}}$$

Return on invested capital (ROIC) $$\frac{\text{Profit before financial income and expenses/profit for year x 100}}{\text{Average invested capital}}$$

Assets/Equity $$\frac{\text{Total assets}}{\text{Equity}}$$

Return on equity (ROE) $$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{}$$

Management's review

Operating activities

The principal activities in NorSea Group Denmark A/S are to act as a supply base for the offshore oil and gas industry and offshore wind, ship-agency, transportation and logistics, custom clearance, offshore catering and production/maintenance-services, steel construction production, surface treatment, repair and maintenance of offshore structures including gangways and CCU's, sale and service of equipment as well as lease of equipment, offices and inventories.
Until Autumn 2017 NSG Wind was a daughter company of NorSea Group Denmark, shares have been transferred to NorSea Group corporate level.

Development in activities and financial matters

The reported revenue of DKK 201 million against DKK 353 million last year. Profit after tax amounted to DKK -34.4 million against DKK 0.1 million the year before. The profit was affected by the general decline in the Oil & Gas market and pressure on sales prices consequently. A large part of our negative profit is coming from a lack of penetration in the offshore wind industry through investments in our daughter company NSG Wind.
When preparing our budgets for 2017 we expected a continuation and increase in our Offshore Construction Group with our main customer, instead we experienced a mayor decline in this business unit.
In general the year was characterised by an activity level below last year which is highly influenced by changing market conditions in the offshore energy industry, we see large shifts in the ownership structure of the oil and gas operators in Denmark along with increasing price pressure of services due to a low oil price.

Investments

In 2017 our investments mainly comprised Infrastructure investments in exchange of Trucks, automization of processes by installation of IT software and moving and refurbishment of our Bulk storage facilities.
The planned investment level for the fiscal year 2018 is considered significantly higher with main weight on refurbishment of the HQ building into an Offshore Energy innovation and collaboration centre and continuation of automization of our processes with digital infrastructure.

Safety and environmental issues

In line with previous years, activities for the year were carried out highly focusing on safety. We have in 2017 celebrated >2.000 days without LTI on our supply base in Esbjerg and >5 years LTI free in our Offshore operations.
These great results for a safe workplace is carried through by our engaged employees and in execution of "Project Safe NorSea Group".

We have adopted and participates in the NorSea Group's mutual efforts of documenting and complying with good corporate social responsibility. The report is available at http://www.norseagroup.dk/wp-content/uploads/2017/12/NSG-DK-SUSTAINABILITY-17-18-web.pdf

Particular risks

General risks

Activities in connection with the offshore oil and gas industry are sensitive towards changes in the oil companies' activity levels.

Financial risks

Currency risks

Activities abroad imply that profit/loss, cash flows and equity are affected by the foreign exchange and interest rate development relating to a number of currencies.

Credit risks

These risks primarily relate to customers and credit institutions. We hedge anticipated interest risks on mortgage loans with SWAP-agreements. Customers are credit rated on a regular basis and mortgage liabilities are based on a floating rate of interest.

Corporate social responsibility

NorSea Group Denmark has adopted and participates in the NorSea Group's mutual efforts of documenting and complying with good corporate social responsibility. Latest report is available at http://www.norseagroup.dk/wp-content/uploads/2017/12/NSG-DK-SUSTAINABILITY-17-18-web.pdf

Referring to the above, NorSea Group Denmark has guidelines related to CSR, but no formal policy for human rights, climate and environmental impact and we have chosen not to prepare a separate statement.

Targets and procedures for female representation in executive positions

NorSea Group Denmark aims at promoting diversity and gender equality which means that no employees may be discriminated due to gender or other circumstances. A gender balance is in the interest of us, as we believe that both genders represent the diversity and values that we stand for.

There are currently four men and no women on the board. The Board of Directors has set a target of 20 % female board members to be reached within year 2021. The target is not yet achieved. There hasn't been candidates with the right qualifications.

A policy for other executive positions has been prepared and based on the number of employees, the target for underrepresented gender amounts to approx. 20%. The target is not yet achieved. There hasn't been candidates with the right qualifications.

The company strives to create a good and versatile workplace that promotes women's and men's career opportunities including competency development. For appointments to management positions at least one female should be among the final candidates, if at all possible.

Events after the balance sheet date

Management is of the opinion that from the balance sheet date until today, no events have occurred which could alter the assessment of the annual report substantially.

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of NorSea Group Denmark A/S for the financial year 1 January - 31 December 2017.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017.

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

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

Esbjerg, 1 March 2018

CEO

Jesper Høj-Hansen

Board of Directors

John Stangeland Chairman	Peter Smidt Foss	Gert Richard Møller
Lars Haug		

Independent auditor's report

To the shareholders of NorSea Group Denmark A/S

Opinion

We have audited the financial statements of NorSea Group Denmark A/S for the financial year 1 January – 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Esbjerg, 1 March 2018
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Søren Jensen
State Authorised
Public Accountant
mne32733

Income statement 1 January – 31 December

DKK'000	Note	2017	2016
Revenue	2	**200.629**	**353.289**
Other operating income	6	50	317
Costs of raw materials and supplies		-13.475	-43.491
Other external costs	3	-65.684	-91.434
Gross profit		**121.520**	**218.681**
Staff costs	4	-126.610	-191.457
Depreciation and amortisation	5	-15.186	-14.823
Profit before financial income and expenses		**-20.276**	**12.401**
Shares of profit in subsidiaries after tax		-12.365	-9.320
Financial income	7	518	285
Financial expenses	8	-2.307	-999
Profit before tax		**-34.430**	**2.367**
Tax on profit for the year	9	33	-2.221
Profit for the year		**-34.397**	**146**

Balance sheet at 31 December

DKK'000	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets	10		
Goodwill		0	649
		0	649
Property, plant and equipment	11		
Land and buildings		74.980	74.355
Plant and machinery		21.405	23.983
Other fixtures and equipment		3.366	2.230
Property, plant and equipment under construction		2.052	983
		101.803	101.551
Fiancial assets			
Investments in subsidiaries	12	0	27.821
		0	27.821
Total non-current assets		**101.803**	**130.021**
Current assets			
Inventories			
Raw materials		1.379	1.294
Finished goods		1.607	1.243
		2.986	2.537
Receivables			
Trade receivables		35.331	64.722
Work in progress	13	1.850	3.200
Receivables from group companies		70.376	61.961
Deferred tax asset	14	1.913	1.758
Corporation tax		2.202	0
Other receivables		1.165	1.323
Prepayments		1.554	1.475
		114.391	134.439
Securities and investments		10	10
Cash at bank in hand		48	229
Total current assets		**117.435**	**137.215**
TOTAL ASSETS		**219.238**	**267.236**

Balance sheet at 31 December

DKK'000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Share capital		15.000	15.000
Retained earnings		74.391	108.214
Total equity		**89.391**	**123.214**
Non-current liabilities other than provisions	15		
Mortgage credit institutions		71.159	75.380
Finance lease obligations		6.092	4.656
		77.251	**80.036**
Current liabilities			
Current portion of non-current liabilities other than provisions	15	6.395	5.679
Trade payables		17.798	25.771
Payables to group companies		135	1.005
Corporation tax		660	645
Other payables		23.427	27.186
Accruals		4.181	3.700
Total current liabilities		**52.596**	**63.986**
Total liabilities other than provisions		**129.847**	**144.022**
TOTAL EQUITY AND LIABILITIES		**219.238**	**267.236**

Accounting polices	1
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Related parties	17

Cash flow statement

DKK'000	2017	2016
Profit before tax	-34.397	2.367
Amortisation and depreciation	15.186	14.864
Deferred tax adjustments	-154	-434
Corporation tax paid	-2.187	-988
Profit from sale of non-currents assets	-50	-317
Adjustments on financial instruments and other adjustments	574	-2.373
Cash generated from operations before changes in working capital	**-21.028**	**13.119**
Changes in inventories	-449	2.437
Changes in receivables	22.405	-2.008
Changes in trade payables and other payables	-12.122	417
Cashflow from operating activities	**-11.194**	**13.965**
Investments in shares	12.364	9.320
Investments in property, plant and equipment	-16.946	-11.958
Disposal of tangible assets	2.207	1.310
Securities and investments	0	-2
Sale of investments in subsidiary companies	15.457	0
Cashflow from investing activities	**13.082**	**-1.330**
Proceeds from mortgage loans	-4.209	-4.357
Proceeds from other long-loans	2.140	1.251
Repayment of long-term debts	0	0
Minority interests	0	0
Dividend paid	0	-10.000
Cashflow from financing activities	**-2.069**	**-13.106**
Cashflow from operating, investing, and financing activities	**-181**	**-471**
Cash and cash equivalents at beginning of year	229	700
Cash and cash equivalents at year-end	**48**	**229**
Breakdown of cash and cash equivalents		
Cash	48	229
Cash and cash equivalents at year-end	**48**	**229**

Equity statement

	Share capital	Retained earnings	Proposed dividends	Total
Equity				
Equity at 1 January 2017	15.000	108.214	0	123.214
Value adjustment financial instruments	0	574	0	574
Results for the year – note 18	0	-34.397	0	-34.397
Equity at 31 December 2017	**15.000**	**74.391**	**0**	**89.391**

The share capital consists of two shares with nominal values of DKK 3,000 thousand and of two shares with nominal values of DKK 4,500 thousand, respectively. No changes in share capital during the last 5 years.

Notes

1 Accounting policies

The financial statements of NorSea Group Denmark A/S for 2017 have been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The financial statements have been prepared in accordance with the same accounting policies as last year.

Recognition and measurement

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

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and the value of such liabilities can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Moreover, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts that were previously recognised in the income statement.

Foreign currency translation

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

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

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost 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 recognised asset or liability are recognised 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 assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, additions of assets and share conversions, etc. in which entities controlled by the Company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity are recognised in equity.

Income statement

Revenue

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

Work in progress concerning customised production is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method).

Other external costs

Other external costs comprise costs of sale, distribution, administration as well as purchases of services for resale.

Other operating income

Other operating income comprises items secondary to the activities of the Company, including gains on the disposal of intangible assets and property, plant and equipment.

Profits/losses from investments in subsidiaries

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement after full elimination of intra-group profits/losses.

Financial income and expenses

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

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity. The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Goodwill is measured at cost less accumulated amortisation and impairment losses. Goodwill is amortised on a straight-line basis over 7 years for strategic acquisitions with a long-term earnings profile.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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

Buildings	3 - 20 years
Plant and machinery	3 - 10 years
Fixtures and fittings, tools and equipment	3 - 5 years

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

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

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are treated as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc.

Securities and investments

Securities and investments recognised under non-current assets comprise listed bonds measured at fair value.

Investments in subsidiaries

Investments in subsidiaries are measured at equity value. Where cost exceeds the recoverable amount, investments are written down to this lower value.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where net realisable value is lower than cost, inventories are written down to this lower value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable 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.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

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

Work in progress

Work in progress is measured at the selling price of the work performed less any payments received on account of the customer and expected losses.

The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract. The stage of completion is determined on the basis of an estimate of the work, usually calculated as the ratio between the costs incurred and total estimated costs of the order or hours worked and the total estimated hours worked for that order.

Net assets are determined as the sum of orders where the selling price of the work performed exceeds progress billings. Net liabilities are determined as the sum of orders where progress billings exceed the selling price.

Prepayments from customers are recognised as liabilities.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity – dividends

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

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet 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 recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

Cash flow statement

The cash flow statement, which is presented according to the indirect method, shows cash flows from operating, investing and financing activities for the year and the cash and cash equivalents at the beginning and end of the year.

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

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises, activities and investments as well as the acquisition, development, optimisation and disposal, etc. of intangible assets and property, plant and equipment, including the acquisition of assets held under finance leases.

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

Cash and cash equivalents comprise securities, cash less short-term bank loans.

Notes

DKK'000

	2017	2016
2 - Segment information		
Revenue	199.088	352.567
Change in work in progress	1.541	722
	200.629	**353.289**

Information on the distribution of revenue on segments is omitted in the financial statements. It is our opinion that the information may cause substantial competitive harm to the Company, given only a few competitors.

3 – Fees to auditors appointed at the annual general meeting		
Audit services	180	180
Non-audit services	20	145
	200	**325**

4 - Staff costs		
Wages and salaries	116.137	168.504
Pensions	9.892	22.044
Other social security costs	581	909
	126.610	**191.457**
Average number of employees	**207**	**313**

Remuneration of the company Board of Directors and the Executive Board amounts to DKK 2.580 thousand (2016: 2,727 thousand).

5 – Depreciation and amortisation		
Amortisation of intangible assets	648	288
Depreciation on property, plant and equipment	14.538	14.535
	15.186	**14.823**

6 – Other operating income		
Gain on the sale of property, plant and equipment	**50**	**317**

7 - Financial income		
Interest from group companies	419	175
Interest from banks	22	14
Other interest	2	3
Foreign exchange gains	75	93
	518	**285**

8 - Financial expenses		
Interest to banks	0	1
Interest and amortisation leasing	260	73
Other interest	1.491	888
Foreign exchange losses	556	37
	2.307	**999**

Notes

DKK'000

9 – Tax on profit for the year	**2017**	**2016**
Current tax for the year	0	2.658
Adjustment of deferred tax	-154	-434
Adjustment regarding previous years	121	-3
	-33	**2.221**

10 - Goodwill	**2017**
Cost at 1 January 2017	2.018
Additions	0
Cost at 31 December 2017	2.018
Amortisation at 1 January 2017	1.369
Amortisation	649
Amortisation at 31 December 2017	2.018
Carrying amount 31 December 2017	**0**

11 - Property, plant and equipment	**Land and Buildings**	**Plant and machinery**	**Other fix-tures and equipment**	**PP&E under con-struction**	**Total**
Cost at 1 January 2017	185.284	75.093	6.699	983	268.059
Additions	8.358	5.262	2.257	1.575	17.452
Disposals	-4.827	-12.471	-779	-506	-18.583
Cost at 31 December 2017	188.815	67.884	8.177	2.052	266.928
Depreciation 1 January 2017	110.929	51.110	4.469	0	166.508
Depreciation	7.733	5.766	1.038	0	14.537
Depreciation on assets sold	-4.827	-10.397	-696	0	-15.920
Depreciation 31 December 2017	113.835	46.479	4.811	0	165.125
Carrying amount at 31 December 2017	**74.980**	**21.405**	**3.366**	**2.052**	**101.803**
Property, plant and equipment includes finance leases with a carrying amount totalling	0	8.662	0	0	8.662

The official annual valuation of Danish properties with a carrying amount of DKK 74,980 thousand amounted to DKK 115,107 thousand at 31 December 2017 (31 December 2016: DKK 114,604 thousand).

Notes

DKK'000

12 - Investments in subsidiaries	**2017**
Cost at 1 January 2017	37.138
Additions	0
Disposals	-37.138
Cost at 31 December 2017	0
Value adjustments at 1 January 2017	-9.317
Share of profit for the year	-12.364
Disposals value adjustments	21.681
Value adjustments at 31 December 2017	0
Carrying amount at 31 December 2017	**0**

13 - Work in progress	**2017**	**2016**
Work in progress	2.430	3.882
Prepayments from customers	-580	-682
Carrying amount at 31 December 2017	**1.850**	**3.200**

14 - Deferred tax asset

Deferred tax at 1 January	1.758	1.324
Adjustment of the deferred tax charge for the year	154	434
	1.913	**1.758**

Notes

DKK'000

15 - Mortgage credit institutions and finance lease obligations	**2017**	**2016**
Mortgage credit institutions		
Due for payment 0-<1 year	4.228	4.216
Due for payment 1-5 years	21.274	21.223
Due for payment > 5 years	49.885	54.158
	75.387	79.597
Finance Lease obligations		
Due for payment 0-<1 year	2.167	1.462
Due for payment 1-5 years	6.092	4.656
Due for payment > 5 years	0	0
	8.259	6.118
	83.346	**85.715**

16 - Mortgages and collateral

Collateral security
Land and buildings with a carrying amount of DKK 74,980 thousand at 31 December 2017 have been provided as collateral for mortgages of DKK 75,387 thousand. The Company has provided a company charge of DKK 40,000 thousand to credit institution secured upon trade receivables, plant and machinery and inventories. The company charge is furthermore secured for the parent company accounts with credit institution.

Contingent liabilities
Rent and operating lease obligations amounts to DKK 10,777 thousands of which DKK 3,305 thousand is due in 2018.

Other
The Company hedges anticipated interest risks on mortgage loans with SWAP-agreements. The net position as of 31 December 2017 amounts to DKK -2,338 thousand.

The Company is jointly taxed with other group companies. As group company, the Company has joint and several unlimited liability with other group companies for payment of Danish income taxes. The jointly taxed entities' known net income tax liability is shown in the annual report of the management company. Any subsequent corrections of the joint taxation income may entail that the Company's liability will increase.

17 - Related party disclosures

NorSea Group Denmark A/S' related parties comprise following parties exercising control
NorSea Group AS holds 100% of the share capital in the Company.
The consolidated financial statements of NorSea Group AS are available at the Company's address.

There have not been any related party transactions not carried out on an arm's length basis.

18 – Appropriation of profit/loss

DKK'000	2017	2016
Retained earnings	-34.397	146
	-34.397	**146**