NorSea Denmark A/S

Kanalen 1, 6700 Esbjerg

Annual report 2019

Approved at the Company's annual general meeting

on 15 / 5 2020

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Kenneth Hansen

CVR no. 49 67 77 15

Contents

Company information

Company	NorSea Denmark A/S Kanalen 1 DK-6700 Esbjerg
	Telephone: + 45 7911 1900 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	PricewaterhouseCoopers Statsautoriseret revisionspartnerselskab Esbjerg Brygge 28 DK-6700 Esbjerg

Financial highlights

	2019 DKK mill.	2018 DKK mill.	2017 DKK mill.	2016 DKK mill.	2015 DKK mill.
Income statement:					
Profit before financial income and expenses	1,9	2,7	-20,3	12,4	20,5
Financial income and expenses, net	-1,4	-1,6	-1,8	-0,7	-0,2
Profit for the year	0,5	1,5	-34,4	0,0	12,4
Balance sheet:					
Total assets	228,1	217,4	219,2	267,2	320,9
Investment in property, plant and equipment	50,1	30,6	16,9	11,9	25,6
Equity	89,9	90,6	89,4	123,2	135,4
Employees:					
Average number of employees	206	187	207	313	321
Key figures:					
Return on invested capital (ROIC)	0,9	1,6	-10,1	5,0%	9,0%
Assets/Equity	2,6	2,4	2,5	2,2	2,4
Return on equity (ROE)	0,5%	1,7%	-32,4%	0,1%	9,0%

The financial ratios have been calculated as follows:

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) $= \frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Equity}}$

Management's review

Operating activities

The principal activities in Norsea Denmark A/S are to act as the Offshore Energy Industry's one-stop-service provider of logistics, supply chain activities, steel constructions and offshore medic clinics, manning and offshore and maritime construction and maintenance projects.

We structure our business areas in, supply base and stevedoring services for the offshore oil and gas industry and offshore wind, pipe-yard management and logistic services, CCU management and repair and maintenance, ship-agency, road transportation of dangerous goods, freight forwarding, customs clearance/declaration, offshore manpower in turnus and maintenance/repair projects on offshore installations and rigs, onshore steel construction production, surface treatment, repair and maintenance of offshore structures including gangways, sales and service of equipment as well as lease of equipment, offices and workshop/storage facilities. All services are bundled together in our Project Logistics team, ensuring our customers a true single point of entry to our services, this has proven very effectful in new business areas outside NorSea Denmark's traditional customer portfolio.

In 2019 we have enjoyed expansion driven by the team's ability focus on assisting our customers on their additional operational needs by drawing on the full service portfolio of NorSea Denmark, making it easier for our customers to focus on their core capabilities of their business. In addition we have also in 2019 enjoyed inflow of new customers, both from the offshore energy sector and from industries that can benefit from using our core capabilities from above business areas due to our ability to deliver safe, efficient and cost effective solutions.

Development in activities and financial matters

In 2019 we have proven that actions from the turnaround, from the 2017 historically large negative result, is solid and we continue to provide a good positive operating income and result of the Danish business.

In 2019 we have produced a positive financial result at DKK 0,5 million. Our result is negatively driven by continuous high pressure on prices and further reduction of activity in the Oil and Gas side of our business. The result is however positively influenced by a strong focus on further reductions in indirect cost, the teams strong activities to grow our top-line from increased share of wallet with our current customers e.g. through co-creation of customer value adding activities and continuous efforts in LEAN, digitalization and automization of direct and in-direct operations.

In 2019 and beginning of 2020 we have increased our business portfolio by take-over of two companies, Westco freight forwarding with direct weekly routes between DK and UK, and Wilhelmsen Marine Products Danish domestic distribution and warehousing business.

NorSea UK was as of September 2019 taken in, as part of the Operational responsibilities of NorSea Denmark thus the Country Manager of NorSea UK is now a full member of the DK management team. NorSea UK Ltd will remain a separate Limited in NorSea Group.

NorSea House of Offshore Innovation was in December opened up for normal business, the official grand opening will be held when the outside areas are done. This await a customer finishing in using the outside buildings.

We have enjoyed high interest from possible occupants in the buildings innovative and collaborate business environment, so we have high expectations to getting to a healthy business impact of this large investment in the years to come.

In general our activity in offshore oil and gas have stabilized at a level that follows the current market conditions which is highly influenced by being largely in a production stage and very little to none exploration projects. We foresee this to continue into 2020, however we will continue to strive to gain larger marked share in all our business areas through attractive products and services. This will in 2020 increase revenue and EBITDA compared to 2019.

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, see also subsequent events disclosures in note 1.
Company Management has tried to estimate the effect of COVID-19 on the expected revenue and net profit of the Company. It is, however, too early yet to give an opinion as to the extent of the negative implications. Therefore, Management finds itself unable to disclose reliably its outlook for the future in accordance with section 12 of the Danish Financial Statements Act.

Investments

We have made significant investments in 2019 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.
We have in 2019 invested in new Trucks with main focus on achieving the highest possible safety and fuel economy.
In the beginning of 2020 we invested in acquisition of Westco Freight Forwarding to achieve a greater customer offering on our one-stop-shop offering to offshore energy customers across the North Sea.

Corporate social responsibility

In line with previous years, activities for the year were carried out highly focusing on safety. We have in 2019 celebrated >7,5 years without LTI.
These great results for a safe workplace is carried through by our engaged employees and in execution of "Project Safe NorSea Group".

We have in 2019 completed a NorSea corporate compliance policy on Anti-Corruption, Theft and Fraud, Whistleblowing, Competition Law and Data Protection.

We are committed to limit the impact on our external environment to an absolute minimum. Therefore we e.g. invest in CO2 reducing elements in trucks with a high mileage and in our buildings with LED lightning, increased insulation and heat recovery ventilation.

We have adopted and participates in the NorSea Group's mutual efforts of documenting and complying with good corporate social responsibility. We have therefore prepared a report on own policies which are Group aligned. Latest report is available at our website.

Particular risks

General risks

Activities in connection with the offshore oil and gas industry are sensitive towards changes in the oil companies' activity levels. Current political developments on climate initiatives holds a potential risk to the oil and gas industry, especially in the North Sea regions.

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.

Events after the balance sheet date

The implications of COVID-19 with many governments around the world deciding to "close down their countries" will have a major impact on the global economy. Management considers the implications of COVID-19 as a subsequent event after the balance sheet date (December 31, 2019), which is therefore a non-adjusting event to the Company. At this time, it is not possible to calculate the size of the COVID-19 impact

In April 2020 is was announced that Norsea Denmark A/S has been awarded the new Base contract for the next 10 years with Total E&P DK. The contract will secure 120 employees and estimated total revenue of 1.000 mDKK. Norsea's one-stop-shop strategy will optimize Total's supply chain through high efficiency, safety and simplicity. Furthermore the award was given due to Norsea's innovative and digital visions, which is high needed in the industry.

Management is of the opinion that from the balance sheet date until today, no further 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 Denmark A/S for the financial year 1 January - 31 December 2019.

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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019.

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, 15/5 2020

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 Denmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Norsea Denmark A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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 Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as

Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Esbjerg, 15/5 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jannick Kjersgaard State Authorised Public Accountant mne29440	Palle H. Jensen State Authorised Public Accountant mne32115

Income statement 1 January – 31 December

DKK'000	Note	2019	2018
Gross profit		**142 649**	**129 478**
Staff costs	3	-129 776	-115 387
Depreciation		-10 956	-11 434
Profit before financial income and expenses		**1 917**	**2 657**
Financial income	4	145	80
Financial expenses	5	-1 599	-1 684
Profit before tax		**463**	**1 053**
Tax on profit for the year	6	0	445
Profit for the year		**463**	**1 498**

Balance sheet at 31 December

DKK'000	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	7		
Land and buildings		65 474	70 461
Plant and machinery		20 237	17 929
Other fixtures and equipment		2 674	2 489
Property, plant and equipment under construction		69 867	28 401
		158 252	119 280
Total non-current assets		**158 252**	**119 280**
Current assets			
Inventories			
Raw materials		995	1 349
Finished goods		2 190	2 506
		3 185	3 855
Receivables			
Trade receivables		55 320	42 829
Work in progress	8	4 559	3 012
Receivables from group companies		632	42 982
Deferred tax asset	9	2 842	2 358
Other receivables		1 364	896
Prepayments		1 878	2 042
		66 595	94 119
Securities and investments		0	10
Cash at bank in hand		71	102
Total current assets		**69 851**	**98 086**
TOTAL ASSETS		**228 103**	**217 366**

Balance sheet at 31 December

DKK'000	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Share capital		15.000	15.000
Reserve for hedging instruments		-3.776	-2.061
Retained earnings		78.109	77.646
Total equity		**89.333**	**90.585**
Non-current liabilities other than provisions	10		
Mortgage credit institutions		62.607	66.901
Finance lease obligations		8.320	5.685
Other payables		3.068	0
		73.995	**72.586**
Current liabilities			
Current portion of non-current liabilities other than provisions	10	7.736	6.816
Work in progress	8	4.831	0
Trade payables		20.818	21.402
Payables to group companies		5.505	399
Other payables		22.582	22.542
Accruals		3.303	3.036
Total current liabilities		**64.775**	**54.195**
Total liabilities other than provisions		**138.770**	**126.781**
TOTAL EQUITY AND LIABILITIES		**228.103**	**217.366**

Events after the balance sheet date	1
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Cash flow statement

DKK'000	2019	2018
Profit before tax	463	1.053
Amortisation and depreciation	10.956	11.434
Corporation tax paid	0	2.202
Profit from sale of non-currents assets	-364	-238
Adjustments on financial instruments and other adjustments	-2.199	-305
Cash generated from operations before changes in working capital	**8.856**	**14.146**
Changes in inventories	670	-869
Changes in receivables	38.249	18.998
Changes in trade payables and other payables	2.487	696
Cashflow from operating activities	**50.262**	**32.971**
Investments in shares	0	0
Investments in property, plant and equipment	-50.172	-30.604
Disposal of tangible assets	608	1.931
Securities and investments	10	0
Cashflow from investing activities	**-49.554**	**-28.673**
Proceeds from mortgage loans	-4.289	-4.249
Proceeds from other long-loans	3.550	5
Cashflow from financing activities	**-739**	**-4.244**
Cashflow from operating, investing, and financing activities	**-31**	**54**
Cash and cash equivalents at beginning of year	102	48
Cash and cash equivalents at year-end	**71**	**102**
Breakdown of cash and cash equivalents		
Cash	71	102
Cash and cash equivalents at year-end	**71**	**102**

Equity statement

	Share Capital	Reserve for hedging instruments	Retained earnings	Total
Equity				
Equity at 1 January 2019	15.000	-2.061	77.646	90.585
Value adjustment financial instruments	0	-1.715	0	-1.715
Results for the year - note 12	0	0	463	463
Equity at 31 December 2019	**15.000**	**-3.776**	**78.109**	**89.333**

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 Events after the balance sheet date

The implications of COVID-19 with many governments around the world deciding to “close down their countries” will have a major impact on the global economy. Management considers the implications of COVID-19 as a subsequent event after the balance sheet date (December 31, 2019), which is therefore a non-adjusting event to the Company. At this time, it is not possible to calculate the size of the COVID-19 impact

In April 2020 is was announced that Norsea Denmark A/S has been awarded the new Base contract for the next 10 years with Total E&P DK. The contract will secure 120 employees and estimated total revenue of 1.000 mDKK. Norsea’s one-stop-shop strategy will optimize Total’s supply chain through high efficiency, safety and simplicity. Furthermore the award was given due to Norsea’s innovative and digital visions, which is high needed in the industry.

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

2 Accounting policies

The financial statements of Norsea Denmark A/S for 2019 have been prepared in accordance with the provisions applying to reporting class C medium 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.

Income statement

Revenue

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

Revenue is measured at the 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).

Gross profit/loss

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

Other external costs

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

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income

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.

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

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.

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.

Accruals

Accruals comprises payments received in respect of income in subsequent years.

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

	2019	2018
3 - Staff costs		
Wages and salaries	113.550	99.163
Pensions	14.855	15.041
Other social security costs	1.371	1.183
	129.776	**115.387**
Average number of employees	**206**	**187**

Remuneration of the company Board of Directors and the Executive Board amounts to DKK 2.233 thousand (2018: 3,425 thousand).

	2019	2018
4 - Financial income		
Interest from group companies	14	0
Interest from banks	0	27
Other interest	2	0
Foreign exchange gains	129	53
	145	**80**
5 - Financial expenses		
Interest and amortisation leasing	306	274
Other interest	1.293	1.410
Foreign exchange losses	0	0
	1.599	**1.684**
6 – Tax on profit for the year		
Adjustment of deferred tax	0	445
Adjustment regarding previous years	0	0
	0	**445**

Notes

DKK'000

					2019
	Land and Buildings	**Plant and machinery**	**Other fix-tures and equipment**	**PP&E under con-struction**	**Total**
7 - Property, plant and equipment					
Cost at 1 January 2019	189.881	63.949	7.060	28.401	289.291
Additions	0	7.217	1.489	41.466	50.172
Disposals	0	-4.591	0	0	-4.591
Transfer	0	330	-330	0	0
Cost at 31 December 2019	189.881	66.905	8.219	69.867	334.872
Depreciation 1 January 2019	119.420	46.020	4.571	0	170.011
Depreciation	4.987	4.995	974	0	10.956
Depreciation on assets sold	0	-4.347	0	0	-4.347
Depreciation 31 December 2019	124.407	46.668	5.545	0	176.620
Carrying amount at 31 December 2019	**65.474**	**20.237**	**2.674**	**69.867**	**158.252**
Property, plant and equipment includes finance leases with a carrying amount totalling	0	13.007	0	0	13.007

	2019	**2018**
8 - Work in progress		
Work in progress	7.762	7.499
Prepayments from customers	-8.034	-4.487
Carrying amount at 31 December 2019	**-272**	**3.012**

Notes

DKK'000

9 - Deferred tax asset	**2019**	**2018**
Deferred tax at 1 January	2.358	1.913
Adjustment of the deferred tax charge for the year	484	445
	2.842	**2.358**

The deferred tax asset comprises primarily from tax loss carry-forwards and differences between the carrying amounts and tax values of property, plant and equipment.The total tax asset amounts to TDKK 5.926 which has been recognised in the balance sheet at TDKK 2.842. Based on operating budgets, Management expects the tax asset to be utilized within the next three to four years.

10 - Mortgage credit institutions and finance lease obligations

Mortgage credit institutions		
Due for payment 0-<1 year	4.242	4.237
Due for payment 1-5 years	17.090	25.640
Due for payment > 5 years	45.517	41.261
	66.848	71.138
Finance Lease obligations		
Due for payment 0-<1 year	3.494	2.579
Due for payment 1-5 years	8.320	5.685
Due for payment > 5 years	0	0
	11.814	8.264
	78.662	**79.402**

11 - Mortgages and collateral

Collateral security
Land and buildings with a carrying amount of DKK 135.340 thousand at 31 December 2019 have been provided as collateral for mortgages of DKK 66.848 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 6.725 thousands of which DKK 3.160 thousand is due in 2020.

Other
The Company hedges anticipated interest risks on mortgage loans with SWAP-agreements. The net position as of 31 December 2019 amounts to DKK 4.842 thousand.

Notes

DKK'000

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.

12 - Related party disclosures

Norsea 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 Risavika Havnering 14, 4056 Tanager, Norway.
The consolidated financial statements of the ultimate owner Wilh. Wilhelmsen Holding ASA are available at Strandveien 20, 1366 Lysaker, Norway.

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

	2019	2018
13 – Appropriation of profit/loss		
Retained earnings	463	1.498
	463	**1.498**

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"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."

Kenneth Hansen
Dirigent
Serienummer: PID:9208-2002-2-251186328901
IP: 93.160.xxx.xxx
2020-05-15 12:31:30Z
NEM ID

Peter Smidt Foss
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-683920311867
IP: 89.184.xxx.xxx
2020-05-15 12:33:48Z
NEM ID

Jesper Høj-Hansen
Adm. direktør
Serienummer: PID:9208-2002-2-298354276671
IP: 95.154.xxx.xxx
2020-05-15 12:42:58Z
NEM ID

John Egil Stangeland
Bestyrelsesformand
Serienummer: 9578-5993-4-3125953
IP: 92.221.xxx.xxx
2020-05-16 11:13:52Z
bankID

Lars Haug
Bestyrelsesmedlem
Serienummer: 9578-5995-4-229531
IP: 85.93.xxx.xxx
2020-05-17 18:05:37Z
bankID

Gert Richard Møller
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-492530234106
IP: 93.164.xxx.xxx
2020-05-19 14:40:39Z
NEM ID

Jannick Kjersgaard
Revisor
Serienummer: PID:9208-2002-2-252791335649
IP: 83.92.xxx.xxx
2020-05-19 14:53:43Z
NEM ID

Palle H. Jensen
Revisor
Serienummer: CVR:33771231-RID:29787134
IP: 83.136.xxx.xxx
2020-05-19 16:39:44Z
NEM ID