

ESVAGT A/S

**Dokvej 4
6700 Esbjerg**

CVR no. 60 69 88 13

Annual report for

01.01.2019

31.12.2019

The Annual Report was presented and adopted at the Annual General Meeting of the Company on: 13 May 2020.

Chairman of the meeting



Peter Strandgaard

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Company Information

Company

ESVAGT A/S
Dokvej 4
6700 Esbjerg

Company no. / CVR no. 60 69 88 13
Municipality of reg. office Esbjerg

Phone no. +45 78 73 07 30
Internet www.esvagt.com
E-mail mail@esvagt.com

Board of Directors

Jakob Bo Thomasen, Chairman
Malcolm Brown
Scott B. M. Moseley
Lars Oscar Tylegård
Philip Pacey
Svend Bech Poulsen
Henrik Gorezelak Pedersen

Executive Management

Peter Lytzen
Kristian Ole Jakobsen

Audit

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Management Review

Activities

ESVAGT's mission is to deliver safety and support at sea. With its modern fleet of Service Operations Vessels (SOVs) and Emergency Response and Rescue Vessels (ERRVs), ESVAGT provides maintenance and accommodation services for the wind farm operators and emergency response and rescue services for the oil and gas industry.

Activity 2019

Result for the year

The Revenue for the ESVAGT Group in 2019 was MDKK 1.029 against MDKK 986 in 2018. The profit for the year was MDKK 14 compared to MDKK 1 in 2018.

This was in line with Management expectations and considered a fair result in the prevailing market.

Market and activities

The offshore oil and gas market improved slightly during 2019 with more drilling activities seen both in the UK and Norway. In Denmark the drilling activities were reduced, however counterbalanced by more construction activities on the Tyra field. The offshore wind market continued to be satisfactory and our SOVs on long term contracts delivered as expected.

Investments

On the 4th September 2019 we took delivery of a new SOV, ESVAGT ALBERT BETZ, which went into operations on a long-term contract with MHI Vestas. Further the construction of other three SOVs, also on long term contracts to MHI Vestas, continued as planned with delivery of the first unit by Q4 2020 and two units by Q1 2021.

Merger with subsidiaries

As of 1st January 2019, the wholly owned subsidiaries ESWIND A/S and ESWIND01 A/S has been merged into Esvagt A/S. As the merger was group internal it did not have any impact on the financial position of the company.

Equity

On 31 December 2019 the equity was MDKK 1.763 with an equity ratio of 42,1% compared to MDKK 1.740 and a ratio of 41.9% in 2018.

Expectations for 2020

Due to the COVID-19 pandemic and the subsequent reduction in the world's oil consumption ESVAGT expect the drilling market to be significantly reduced in 2020 leading to fewer opportunities for ERRVs operating on spot. Pending the full impact of the pandemic and the full consequence of the reduced oil consumption it could be a necessity to lay-up certain ERRVs until the situation normalizes.

Within the wind industry we expect the operations of offshore wind farms to continue unaffected by the COVID-19 pandemic and general downturn in the economy and consequently we also expect our SOVs, all on long charters, to remain on contracts unaffected.

Uncertainties regarding recognition and measurement

As a natural consequence of the current low activity in the oil and gas industry, returns on investments within the industry have in general declined.

ESVAGT regularly assess the current market as an impairment indicator and have performed an impairment test of non-current assets. When performing such assessments and tests, future outlooks are considered. The ESVAGT Management expects the oil and gas industry to recover over the coming years and based upon the impairment tests performed, concludes that there is no need for impairment of its fleet. Management believes that ESVAGT with its asset base, experience and skills are well positioned when the market recovers.

Risks

ESVAGT is, in the opinion of the Management, not exposed to commercial, operational or financial risks beyond what is common and natural for its business and the industry in which it operates.

In accordance with its strategy, ESVAGT strives for an appropriate balance between long term and short-term contracts for its fleet, taking the market conditions into account.

During the year we have seen the Norwegian shipyard industry and our subcontractor for the three newbuild SOVs under construction to be in financial distress. Subsequent we have supported the Havyard shipyard and an agreement is in place. However further financial difficulties at Havyard could impose a risk of delay to the three newbuild SOVs.

Subsequent events

The outbreak of Covid-19 and the actions taken by governments across the world to mitigate the effects, will have a great impact on the global economy. Management considers the implications of Covid-19 as a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the company.

This means that the valuation of the company's non-current assets, receivables, etc., at 31 December 2019 are based on assumptions which may differ from Management expectations at the time of adoption of the Annual Report.

Currently, it is not possible to assess the effect of Covid-19 on the 2020 Financial Statements. Reference is also made to note 0 "Covid-19 and the financial situation of the Company.

Development activities

During 2019 ESVAGT held expenses of MDKK 6,9 (2018: MDKK 0,2). In 2019 expenses relates to IT systems.

Statutory statement regarding environment, social issues and governance in accordance with section 99a of the Danish Financial Statements Act

For our statutory statement regarding environment, social issues and governance, we refer to our 2019 ESG Report, which can be found at https://esvagt.com/files/4515/8745/4506/ESVAGT_Safety_Quality_and_ESG_Report_2019.pdf.

Statutory statement regarding the underrepresented gender in accordance with section 99b of the Danish Financial Statements Act

For our statutory statement regarding the underrepresented gender, we refer to our 2019 ESG Report, which can be found at https://esvagt.com/files/4515/8745/4506/ESVAGT_Safety_Quality_and_ESG_Report_2019.pdf.

Key figures for the consolidated group

	2019*	2018	2017	2016	2015**)
	IFRS	IFRS	IFRS	IFRS	ÅRL
	TDKK	TDKK	TDKK	TDKK	TDKK
5 years key figures					
Profit and loss accounts					
Net revenue	1.028.568	985.695	905.537	966.166	1.001.811
Profit before financial items	89.964	95.011	114.605	197.556	247.456
Net financials	(81.748)	(93.745)	(75.345)	(38.829)	(64.604)
Profit for the year	14.353	1.012	43.169	155.506	192.073
Balance sheet					
Total assets	4.190.808	4.153.013	4.124.318	3.663.359	3.342.751
Equity	1.762.940	1.740.471	1.756.705	1.327.149	1.188.546
Investment in property, plant and equipment	403.263	607.285	260.137	403.534	752.818
Key Ratios					
Profit margin (%)	9%	10%	13%	20%	25%
Return on equity (%)	1%	0%	3%	12%	15%
Equity ratio	42,1%	41,9%	42,6%	36,2%	35,6%

*) The company has adopted IFRS 16 as per 1.1.2019, the comparative figures have not been adjusted.

***) The company has adopted IFRS as per 1.1.2017, the comparative figures for 2016 have been adjusted accordingly. Comparative figures for 2015 are stated under Danish GAAP.

The key figures and financial ratios have been prepared on a consolidated basis. The financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of ESVAGT A/S for the financial year 1 January – 31 December 2019.

The Financial Statements are 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 separate Financial Statements give a true and fair view of the Group's and the Company's financial position at 31 December 2019 and the results of the Group's and Company's operations for the financial year 1 January – 31 December 2019.

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

Esbjerg, 13 May 2020

Executive Management



Peter Lytzen



Kristian Ole Jakobsen

Board of Directors

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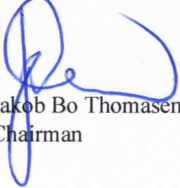
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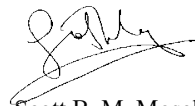
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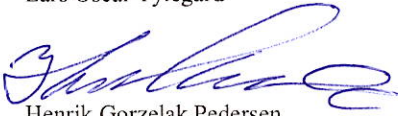
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Independent Auditor's Report

To the Shareholder of ESVAGT A/S

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 ESVAGT A/S 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 Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- 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.

Copenhagen, 13 May 2020

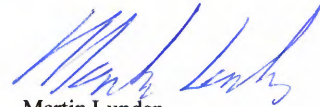
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Statsautoriseret Revisionspartnerselskab, CVR No 33 77 12 31



Thomas Wraae Holm

State Authorized Public Accountant
mne30141



Martin Lunden

State Authorized Public Accountant
mne32209

Statement of profit and loss

	Notes	Group		Parent	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Net revenue	3	1.028.568	985.695	1.025.054	983.169
Other income		(124)	(416)	(124)	(416)
Other operating expenses		(294.917)	(286.267)	(294.830)	(286.033)
Gross profit		733.528	699.012	730.101	696.720
Staff expenses	4	(377.027)	(373.351)	(376.131)	(372.315)
Share of profit/loss in subsidiaries		0	0	2.034	1.201
Share of profit/loss in joint ventures	21	(19)	0	(19)	0
Profit before depreciation, amortisation and financial items etc.		356.482	325.661	355.986	325.606
Amortisation, depreciation and impairment losses	5	(266.519)	(230.650)	(266.519)	(230.650)
Profit before financial items		89.964	95.011	89.467	94.956
Financial income	6	9.938	47	9.976	742
Financial expenses	7	(91.686)	(93.792)	(91.731)	(94.782)
Profit before income tax		8.215	1.267	7.711	916
Tax	8	6.137	(254)	6.636	(38)
Profit for the year		14.353	1.012	14.347	879
Profit is attributable to:					
Owners of Esvagt A/S		14.347	1.016	14.347	879
Non-controlling interests		5	(4)	0	0
		14.353	1.012	14.347	879

Statement of comprehensive income

	Notes	Group		Parent	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Profit for the year		14.353	1.012	14.347	879
Other comprehensive income					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Exchange diff. on translation of subsidiaries		528	(70)	528	(70)
Income related to adjustment subsidiaries		0	0	0	137
Cash flow hedges:					
Value adjustment of hedges for the year		11.909	82	11.909	82
Reclassified to income statement					
- revenue		(1.368)	1.368	(1.368)	1.368
- operating costs		0	2.943	0	2.943
- financial expenses		(2.954)	0	(2.954)	0
Reclassified to non-current assets		0	(21.568)	0	(21.568)
Other comprehensive income for the year, net of tax		8.116	(17.245)	8.116	(17.108)
Total comprehensive income for the year		22.468	(16.233)	22.463	(16.230)
Total comprehensive income for the year attributable to:					
Owners of ESVAGT A/S		22.473	(16.237)	22.463	(16.230)
Non-controlling interests		(5)	4	0	0
		22.468	(16.233)	22.463	(16.230)

Balance sheet

	Notes	Group		Parent	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Development projects		6.882	357	6.882	357
Intangible assets	9	6.882	357	6.882	357
Vessels	10	3.538.157	3.474.457	3.538.157	3.474.457
Other operating equipment and fixtures	10	4.078	5.343	4.078	5.343
Buildings on leased land	10	43.841	46.868	43.841	46.868
Prepayments for tangible assets	10	191.073	117.469	191.073	92.969
Right-of-use assets	17	16.367	0	16.367	0
Tangible assets		3.793.516	3.644.137	3.793.516	3.619.637
Investment in subsidiaries		0	0	12.330	10.623
Investment in joint ventures	21	6	25	6	25
Investments in other entities		6	25	12.336	10.648
Total non-current assets		3.800.404	3.644.519	3.812.734	3.630.642
Bunker oil and other consumables		17.679	17.421	17.679	17.421
Inventories	12	17.679	17.421	17.679	17.421
Trade receivables	13	156.227	136.623	106.233	101.781
Receivables from parent company		3.621	2.473	3.621	2.473
Receivables from Group companies		0	0	46.092	50.960
Other receivables		7.518	8.521	7.514	7.994
Prepayments		2.889	4.975	2.889	4.975
Receivables		170.255	152.592	166.348	168.183
Cash and cash equivalents		202.469	338.481	195.608	335.773
Total current assets		390.404	508.495	379.636	521.377
Total assets		4.190.808	4.153.013	4.192.370	4.152.018

Balance sheet

	Notes	Group		Parent	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Share capital	14	2.000	2.000	2.000	2.000
Other reserves		(10.278)	(18.394)	(3.396)	(18.036)
Retained earnings		<u>1.770.940</u>	<u>1.756.593</u>	<u>1.764.058</u>	<u>1.756.236</u>
Equity attributable to owners of ESVAGT		1.762.663	1.740.200	1.762.663	1.740.200
Non-controlling interests		277	272	0	0
Total equity		1.762.940	1.740.471	1.762.663	1.740.200
Deferred tax liabilities	15	17	24	0	0
Bank and credit institutions	16	2.232.493	2.224.652	2.232.493	2.224.652
Lease liabilities, non current	17	8.419	1.057	8.419	1.057
Other non current liabilities		2.850	0	2.850	0
Derivatives, non current	19	5.373	0	5.373	0
Total non-current liabilities		2.249.152	2.225.733	2.249.135	2.225.709
Lease liabilities, current	17	9.006	4.912	9.006	4.912
Received prepayments		6.215	8.352	6.215	8.352
Provisions		0	2.000	0	2.000
Trade payables		79.991	56.560	79.813	56.169
Payables to Group companies		0	0	2.362	0
Income tax liabilities		525	1.111	198	843
Other payables		79.114	97.232	79.114	97.191
Derivatives, current	19	3.864	16.643	3.864	16.643
Total current liabilities		178.716	186.810	180.572	186.110
Total liabilities		2.427.868	2.412.542	2.429.707	2.411.819
Total equity and liabilities		4.190.808	4.153.013	4.192.370	4.152.018

Statement of changes in equity – Group

	Share Capital	Reserve for Foreign Currency Translation	Cash Flow Hedges	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 01.01.2018	<u>2.000</u>	<u>(1.148)</u>	<u>(0)</u>	<u>1.755.578</u>	<u>1.756.430</u>	<u>275</u>	<u>1.756.705</u>
Profit for the year	0	0	0	1.016	1.016	(4)	1.012
Other comprehensive income	0	(70)	(17.175)	0	(17.245)	0	(17.245)
Total comprehensive income for the year	<u>0</u>	<u>(70)</u>	<u>(17.175)</u>	<u>1.016</u>	<u>(16.230)</u>	<u>(4)</u>	<u>(16.233)</u>
Equity at 31.12.2018	<u>2.000</u>	<u>(1.218)</u>	<u>(17.176)</u>	<u>1.756.594</u>	<u>1.740.200</u>	<u>272</u>	<u>1.740.472</u>
Profit for the year	0	0	0	14.347	14.347	5	14.353
Other comprehensive income	0	528	7.587	0	8.116	0	8.116
Total comprehensive income for the year	<u>0</u>	<u>528</u>	<u>7.587</u>	<u>14.347</u>	<u>22.463</u>	<u>5</u>	<u>22.468</u>
Equity at 31.12.2019	<u>2.000</u>	<u>(690)</u>	<u>(9.588)</u>	<u>1.770.940</u>	<u>1.762.663</u>	<u>277</u>	<u>1.762.940</u>

Statement of changes in equity – Parent

	Share Capital	Reserve for Foreign Currency Translation	Cash Flow Hedges	Development Cost Reserve	Retained Earnings	Total Equity
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 01.01.2018	<u>2.000</u>	<u>(1.148)</u>	<u>0</u>	<u>631</u>	<u>1.754.946</u>	<u>1.756.429</u>
Profit for the year	0	0	0	(274)	1.153	879
Other comprehensive income	0	(70)	(17.175)	0	137	(17.108)
Total comprehensive income for the year	<u>0</u>	<u>(70)</u>	<u>(17.175)</u>	<u>(274)</u>	<u>1.290</u>	<u>(16.230)</u>
Equity at 31.12.2018	<u>2.000</u>	<u>(1.218)</u>	<u>(17.175)</u>	<u>357</u>	<u>1.756.236</u>	<u>1.740.199</u>
Profit for the year	0	0	0	6.525	7.822	14.347
Other comprehensive income	0	528	7.587	0	0	8.116
Total comprehensive income for the year	<u>0</u>	<u>528</u>	<u>7.587</u>	<u>6.525</u>	<u>7.822</u>	<u>22.463</u>
Equity at 31.12.2019	<u>2.000</u>	<u>(690)</u>	<u>(9.588)</u>	<u>6.882</u>	<u>1.764.058</u>	<u>1.762.663</u>

Cash flow statement

	Notes	Group		Parent	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Profit before depreciation, amortisation and financial items etc.		356.482	325.661	355.986	325.606
Other expenses		287	0	287	0
Adjustment for non-cash transactions		5.403	0	5.403	0
Change in working capital	23	13.246	459	34.753	4.781
Share of profit/loss in subsidiaries		0	0	(2.034)	(1.201)
Share of profit/loss in joint ventures		19	0	19	0
Cash flows from operating activities before financial income and expenses		375.437	326.120	394.413	329.185
Financial income received		1.279	0	1.398	0
Financial expenses paid		(108.213)	(81.274)	(108.259)	(80.792)
Income taxes paid		5.551	(509)	5.992	(575)
Net cash flow from operating activities		274.054	244.337	293.545	247.818
Share capital paid in subsidiaries		0	(0)	0	(25)
Payments for intangible assets and property, plant and equipment		(407.186)	(612.124)	(430.830)	(608.323)
Sale of intangible assets and property, plant and equipment		5.223	1.085	5.223	1.085
Net cash flow from investing activities		(401.962)	(611.039)	(425.607)	(607.263)
Principle element of lease payments (2018 - principle element of finance leases)		(10.114)	(4.725)	(10.114)	(4.725)
Cash flow from financing activities		(10.114)	(4.725)	(10.114)	(4.725)
Net cash flow for the year		(138.022)	(371.427)	(142.176)	(364.169)
Effects of exchange rate changes on cash and cash equivalents		2.010	0	2.011	(1)
Cash and cash equivalents, beginning of the year		338.481	709.908	335.773	699.944
Cash and cash equivalents, end of the year		202.469	338.481	195.608	335.774

The information in the cash flow statement cannot directly be reconciled to the statement of profit or loss. The above consolidated statement of cash flows should be read in conjunction with the accompanying notes. Included in the financial expenses paid is the TDKK 26.026 related to accrued interest from 2018.

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Notes

0. Covid-19 and financial situation of the Company

The outbreak of the Coronavirus disease (COVID-19) is unfortunate and critical to the global society. Due to the measures introduced by the Governments where we operate, we have taken several measures to keep employees and our seafarers safe during this unusual situation. This includes moving more vessels into the crew change fleet reducing the number of vessels available for the spot market resulting in reduced revenue from these vessels.

Before the COVID-19 outbreak we had started a process of refinancing the current loan agreements to prepare for future growth in form increased CAPEX facilities, change of covenants to allow for CAPEX investments and to secure the long term financing.

The COVID-19 situation has postponed this refinancing process as well putting pressure on the Company's financial position, amongst others due to a slowdown in the spot market and the mentioned measures taken to mitigate COVID-19 including the changes in our crew change procedures, etc. The COVID-19 situation has a negative impact on the Group's and the Company's revenue, earnings and liquidity for 2020 and 2021.

To mitigate the negative impact from COVID-19, Management have initiated a "response to the market situation" program that entails several savings initiatives, which amongst others include salary reductions for Management and other Onshore employees, postponed salary increases for Offshore crew, lay up of 4 ERRV vessels, postponement of non-critical capex investments, etc. We have also applied and received approval for postponing dockings. We do not expect to lay off crews on idle and laid up vessels, but instead to be able to use this crew to mobilize the upcoming delivery of the three new build vessels and thereby postpone hiring of new crew.

The updated forecast for 2020 and 2021 shows a tight liquidity situation in the beginning of 2021 as well as pressure on our loan covenants. At the moment we do not expect covenant breaches that will lead to repayment of the loan balances and we also expect that the current credit facilities in place will be sufficient to cover the necessary liquidity needs based on the current forecast.

The forecasts are encumbered with some uncertainty. Therefore, our Shareholders have indicated to continue to support Esvagt A/S in case the negative COVID-19 impacts should exceed the managements expectation, and the Management team is also prepared to take further actions to mitigate this by expanding the saving initiatives taken. At this point the impact of COVID -19 is difficult to quantify, as it will depend on how long time the situation with measures to reduce spreading the virus will continue, but it is Management's expectation that the capital resources needed are present or will be contributed by its shareholders to ensure that the Group and the Company have sufficient capital resources to continue their operations.

1. Accounting policies

The Annual Report for the period 1 January - 31 December 2019 comprise the consolidated financial statement of the parent company ESVAGT A/S and subsidiaries controlled by the parent company (the group) and the separate financial statements of the parent company and have been prepared in accordance with the international Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

Measurement basis

The consolidated and separate financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

Changes in accounting principles

The group has adopted all new IFRSs, amendments and interpretations that are effective from 1 January 2019, of which only IFRS 16 has had a material effect to the group.

With effect from 1 January 2019, the group has implemented IFRS 16 Leases applying the modified retrospective approach. As permitted under the transition provisions in the standard, the comparative figures have not been restated but presented in accordance with the previous IFRS standard on leases (IAS 17) as disclosed in the annual report 2018. The new accounting policies are disclosed below.

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease liabilities using the incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3,9%. The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

For leases previously classified as finance leases the group recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

In the adoption of IFRS 16, the group has used the following practical expedients permitted by the standard:

- Accounting for operating leases with a remaining lease term of 12 months or less as at 1 January 2019 as short-term leases.
- Excluding initial direct costs for measurement of the right-of-use asset at the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- The group has elected not to separate the non-lease components and instead accounts for these as a single component.

Differences between the operating lease commitments at 31 December 2018 as disclosed in the annual report 2018 and lease liabilities recognized in the opening balance as of 1 January 2019 in accordance with IFRS 16 are specified as follows:

	2019
	TDKK
Operating lease commitments disclosed as at 31 December 2018	12.918
Discounting effect	(4.052)
Finance lease liabilities recognised as at 31 December 2018	5.969
Short-term leases not recognised as a liability	(141)
Adjustments at initial recognition (different treatment of extension options, indexation etc.)	64
Lease liability recognised as at 1 January 2019	14.758
Of which are:	
Current lease liabilities	5.291
Non-current liabilities	9.467
	14.758

The associated right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized in the balance sheet as at 31 December 2018.

Adoption of new and amended standards

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

Change in presentation of share of profit/loss in subsidiaries

For 2019, share of profit/loss in subsidiaries is presented as part of profit before depreciation, amortization and financial items etc. in the separate financial statement of the parent company, as this better reflects how Management monitors the operations. Previously, share of profit/loss in subsidiaries was presented as part of profit before income tax. Share of profit/loss in subsidiaries amounts to TDKK 2.034 (2018: TDKK 1.201) and has had an equivalent impact on profit before depreciation, amortization, and financial items etc. There has been no impact on profit for the year or on equity.

Basis of consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Consolidation is performed by summarizing the financial statements of the parent company and its subsidiaries which have been prepared in accordance with ESVAGT A/S accounting policies. On consolidation, elimination is made of intra-group income and costs, shareholdings, intra-group balances and dividend and realized and unrealized profits or losses on transactions between the consolidated companies.

Non-controlling interests' share of profit/loss for the year and of equity in subsidiaries are included as part of ESVAGT A/S profit and equity respectively but shown as separate items.

Foreign currency translation*Functional and presentation currency*

Items in the financial statements of each of the reporting companies of the Group are measured in the currency of the primary economic environment in which the company operates (the functional currency).

The functional currency of the Parent company, ESVAGT A/S is DKK.

The financial statements are presented in Danish Kroner (DKK). The financial statements have been rounded to the nearest thousand.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- b) Income and expenses for each income statement are translated at average exchange rates; and
- c) All resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Foreign exchange forwards are used to hedge the currency risk related to recognized and unrecognized transactions.

The effective portion of changes in the value of derivative financial instruments designated to hedge future transactions is recognized under equity until the hedged transactions are realized. At that time, the cumulated gains/losses are transferred to the items under which the hedged transactions are recognized. The effective portion of changes in the value of derivative financial instruments used to hedge the value of the recognized financial assets and liabilities is recognized in the income statement together with changes in the fair value of the hedged assets or liabilities which can be attributed to the hedging relationship. The ineffective portion of hedge transaction are recognized in the income statement as financial income or expenses for interest and currency-based instruments.

Revenue recognition

Esvagt provides support and services to the offshore industry comprising standby and emergency response and rescue, oil spill contingency, tanker assist, rig move and supply duties. Revenue from providing services is recognized in the accounting period in which the services are rendered. Revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the days spent relative to the total number of days the contract covers.

Support and service contracts include multiple deliverables, such as charter, crew, fuel and services. Except for fuel, the deliverables are integrated in the services and cannot be provided separately. The services in a charter excluding fuel are therefore accounted for as one performance obligation. A part of the contract price is allocated to a separate performance obligation for fuel based on its stand-alone selling price, which is directly observable.

The contracts do not contain any variable elements.

Other income

Other income comprises of other activities, e.g. property rent and gains/losses of sales of fixed assets. Other income is recognized when the agreed service or asset is delivered, and the control has been transferred to the purchaser.

Other operating expenses

Other operating expenses comprise repair and maintenance, stores, vessel fuel, training and travel costs, expenses related to marketing, administration, office expenses, bad debt etc.

Staff expenses including pensions and similar liabilities

Staff expenses comprise wages and salaries, pensions, social security costs and other staff costs to the company's employees.

ESVAGT A/S has entered into pension and similar agreements with most employees. Obligations relating to defined contribution plans are recognized in the income statement in the period in which they are earned.

Amortization, depreciation and impairment

Amortization, depreciation and impairment comprise amortization, depreciation and impairment of intangible assets, property, plant and equipment and right-of-use assets.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, realized and non-realized capital gains/losses on transactions in foreign currency, amortization of financial assets and liabilities etc.

Income tax and deferred tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, based on amounts expected to be paid to the tax authorities.

ESVAGT's vessels activities are subject to the tonnage taxation scheme under which the computation of taxable income includes an amount, calculated based on the fleet's tonnage.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the

same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Intangible assets

Development projects

Development projects comprise engineer costs related to specific development projects of ESVAGT's Fast Rescue Boats and Safe Transfer Boats. Development projects are capitalized when development projects imply a technical and/or operational advantage for ESVAGT and where the financial net present value of these projects exceeds the development expenses.

Intangible assets are measured at cost less of accumulated amortization and impairment losses.

Amortization to estimated residual value is recognized in the income statement on a straight-line basis over the useful life, which is:

- Development projects: 3 years

Tangible assets

Premises on leased land, vessels, docking costs and other operating equipment and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost comprise the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. Borrowing costs from specific as well as general borrowing directly related to assets with a long production period are attributed to costs during the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

- Premises on leased land: 20-30 years
- Vessels: Up to 30 years
- Docking costs: 2,5-5 years
- Other fixtures and fittings: 3-5 years

New build vessels are depreciated over 25 years. Used vessels are depreciated over a shorter period based on the vessel age upon time of purchase. Charter contracts related upgrades and other improvements are depreciated over expected useful life of 3-5 years.

Expenses for docking of vessels are recognized when incurred in the carrying amount of vessels and depreciated over the period until next docking.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses arising from disposal of tangible assets are calculated as the difference between the sales price less sales costs and the carrying amount at the time of sale. Gains and losses are recognized in the profit and loss account as other operating income or other operating costs.

Impairment of non-financial assets

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognized in the income statement when the impairment is identified.

Intangible assets that have an indefinite useful life and intangible assets not yet available for use are not subject to amortization and are tested annually for impairment. Tangible and intangible assets that are subject to amortization are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing

impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairment of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Leases

As explained above, the group has changed its accounting policy for leases where the group is the lessee. From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments include among other fixed payments and variable lease payments that are based on an index or a rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Contracts may contain both lease and non-lease components. For all leases, the group has elected not to separate the lease and non-lease components and instead accounts for these as a single component.

The lease payments are discounted using the interest rate implicit in the lease. If that rate is not readily determinable, the incremental borrowing rate is used.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs and restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Variable lease payments that do not depend on an index or a rate and payments associated with leases with a lease term of 12 months or less and low-value assets are recognized as an expense in the income statement, included in other operating expenses.

Until 31 December 2018, leases were classified as either finance leases or operating leases. A lease was classified at the inception date as a finance lease if substantially all the risks and rewards incidental to ownership were transferred to the Group. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance charges and reduction of the lease liability. Finance charges were recognized in finance costs in the statement of profit or loss. A leased asset was depreciated over the useful life of the asset. However, if there was no reasonable certainty that the Group would obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term. An operating lease was a lease other than a finance lease. Operating lease payments were recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Investment in subsidiaries and joint ventures

Investments in subsidiaries

Investments in subsidiaries are in the separate financial statements of the parent company recognized according to the equity method (see below) after initially being measured at cost.

Investment in joint ventures

IFRS requires investments in joint arrangements to be classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. All investments over which the group has joint control are classified as joint ventures.

Interests in joint ventures are accounted for using the equity method (see below), after initially being recognized at cost.

Applying the equity method

Under the equity method, the investments are initially recognized at cost and adjusted thereafter to recognize the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from subsidiaries (separate financial statements of Esvagt A/S only) and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions with joint ventures are eliminated to the extent of the group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described above.

Inventories

Inventories comprise of bunkers and other consumables. Inventories are measured at cost according to the FIFO-method. Write-down is made to a possibly lower net realizable value.

Receivables

Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost, which usually corresponds to the nominal value.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of historic sales and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the oil and energy prices to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Prepayments

Prepayments comprise various prepaid expenses such as prepaid insurance, subscriptions etc. Prepayments are measured at cost.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

Equity***Reserve for foreign currency translation***

The reserve for exchange adjustments consists of exchange rate differences that occur when translating the foreign subsidiaries financial statements from their functional currency into the Group's presentation currency. On disposal of the net investment, the reserve for exchange adjustments of that foreign subsidiary is recognized in the income statement. Reduction of a net investment in a foreign operation which does not result in loss of control is not treated as a disposal.

Cash flow hedges

The effective portion of changes in the value of derivative financial instruments designated to hedge future transactions is recognized under equity until the hedged transactions are realized.

Dividend distribution

Dividends are recognized as a liability in the period in which they are adopted at the Annual General Meeting.

Development cost reserve

An amount equal to the total capitalized development costs after tax is recognized in equity in the Development cost reserve.

Bank and Credit institutions

Borrowings from credit institutions are initially recognized at fair value, net of transaction expenses incurred. Borrowings from credit institutions are subsequently measured at amortized cost. Any differences between the proceeds and the redemption value are recognized in the income statement over the period of the borrowings using the effective interest method.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Other liabilities

Other debt or liabilities covering trade payables and other debt are recognized at amortized cost, which is usually equivalent to the nominal value.

Statement of cash flow

The cash flow statement shows the Group's cash flows during the year distributed on operating, investing and financing activities, changes in cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities are calculated by the indirect method using the profit before depreciation adjusted for changes in working capital and non-cash operating items such as depreciation, amortization and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt, payment of principal element of leases as well as payments to and from shareholders.

Consolidated Key Figures

The key figures and financial ratios have been prepared on a consolidated basis. The financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts (2015).

Parent company's policy to account for mergers

Mergers between the parent company and its subsidiaries are accounted for by applying predecessor accounting. Hereby the parent company recognizes the assets and liabilities received at their values as included in the consolidated financial statements of the Group. Comparative figures are restated accordingly. The full-year results and cash flows of the merged subsidiaries (including comparative figures) are included in the parent company's income statement and cash flow statement.

2. Critical accounting estimates and judgements

The group performs certain judgements and estimates concerning the future.

The estimates are performed based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The Group is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

The judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Judgements

Determination of cash generating units

Judgement is applied in determining the cash generating units (CGU's). Management has based on the specific capabilities of the vessels, split these into three CGU's; Group 1, Group 2/3 and Wind. This also reflect how Management monitors the operations.

Management furthermore applies its judgement in allocating assets that do not generate independent cash flows to appropriate CGU's.

Estimates

Useful life and residual values

The vessels are estimated to operate up to 30 years before they are taken out of the fleet. Some vessels operate longer than that, and the depreciations are calculated individually when the useful lives and residual values are reviewed and adjusted if appropriate, at the end of each year.

Impairment testing

Impairment testing is performed for each cash-generating unit as defined by our operational structure as described under judgement, if indicators of impairment exists.

For the impairment testing, a number of estimates are made regarding the expected development in day rates, utilization of vessels, future capital expenditures, discount rates, which are all included in the projected cash flows applied for the impairment testing.

These estimates are based on an assessment of current and future developments in the three cash-generating units and on historical data and assumptions. Assessment of market trends as regards to day rates is supported by independent 3rd party reports.

The assumptions included in the value-in-use calculation are based on financial budgets and business plans approved by management.

3. Revenue

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Support and safety activities, offshore oil & gas	676.185	642.124	672.784	639.537
Support and safety activities, offshore wind	280.414	278.412	280.300	278.472
Sale of fuel, offshore oil & gas	56.799	51.183	56.915	51.183
Sale of fuel, offshore wind	15.171	13.977	15.055	13.977
	1.028.568	985.695	1.025.054	983.169
	31 Dec 2019 TDKK	31 Dec 2018 TDKK	1 Jan 2018 TDKK	
Group				
Current contract assets relating to charters	155	252	180	
Current contract liabilities relating to charters	(6.215)	(8.352)	(9.491)	
Parent				
Current contract assets relating to charters	155	252	180	
Current contract liabilities relating to charters	(6.215)	(8.352)	(9.491)	

The decrease in contract liabilities relates to prepayments received in previous years which have been recognized as revenue during 2018 and 2019.

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Revenue recognised that was included in the contract liability at the beginning of the period	2.137	1.139	2.137	1.139

The group has taken the practical expedient in IFRS 15 not to disclose information about the aggregate amount of the transaction price allocated to its remaining performance obligations, as the group's contracts either has an original expected duration of one year or less; or as the group for its long-term contracts recognizes revenue in an amount to which the group has a right to invoice.

The invoicing is done a monthly basis reflecting the contracted day rate and the actual days per month. Normal payment terms are running month +30 days or 45 days.

4. Staff expenses

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Wages and salaries	360.683	346.779	359.787	345.743
Pensions, defined contribution plans	7.857	18.355	7.857	18.355
Other staff costs	8.487	8.216	8.487	8.216
Staff Expenses	377.027	373.351	376.131	372.315
Average number of full time employees	916	905	915	904

Key Management Compensation

Key Management includes Board of Directors and Executive Management in ESVAGT A/S, in total 10 persons by end 2019 (9 in 2018). The compensation paid or payables to key management for employee services is shown below:

2019 Group	Executive Management	Board of Directors	Total
	TDKK	TDKK	TDKK
Wages and salaries	5.974	1.250	7.224
Pensions, defined contribution plans	268	0	268
Compensation to the Board of Directors and Executive Management	6.242	1.250	7.492

2019 Parent	Executive Management	Board of Directors	Total
	TDKK	TDKK	TDKK
Wages and salaries	5.974	1.250	7.224
Pensions, defined contribution plans	268	0	268
Compensation to the Board of Directors and Executive Management	6.242	1.250	7.492

2018	Group	Parent
	TDKK	TDKK
Wages and salaries	6.497	6.497
Pensions, defined contribution plans	197	197
Compensation to the Board of Directors and Executive Management	6.694	6.694

For 2018, compensation has been disclosed in total in accordance with Danish Financial Statements Act section 98b.

5. Amortisation, depreciation and impairment losses

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Amortisation of intangible assets	382	426	382	426
Depreciation of tangible assets	259.242	230.224	259.242	230.224
Depreciation of right-of-use assets	6.895		6.895	
	266.519	230.650	266.519	230.650

6. Financial income

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Interest income from parent	62	47	62	47
Interest income from subsidiaries	0	0	119	694
Interest income, bank	1.217	0	1.217	0
Exchange rate adjustments	8.659	0	8.577	0
	9.938	47	9.976	742

Total interest income on financial assets that are measured at amortized cost for the year was TDKK 1,279 (2018: TDKK 47) for the Group and TDKK 1,398 (2018: TDKK 742) for the parent company.

7. Financial expenses

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Interest expenses to parent	0	0	47	0
Interest expenses, credit institutions	94.099	95.150	94.108	95.155
Interest expenses, bank	618	0	618	0
Interest expenses, leases	513	0	513	0
Exchange rate adjustments	0	1.702	0	1.902
Other financial expenses, including bank fees	836	926	826	926
Capitalized interests	(4.380)	(3.986)	(4.380)	(3.201)
	91.686	93.792	91.731	94.782

Total interest expenses on financial liabilities not measured at fair value through profit or loss for the year was TDKK 95.230 (2018: TDKK 95.150) for the group and TDKK 95.285 (2018: TDKK 95.155) for the parent company.

8. Tax

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
<i>Income tax:</i>				
Tax on profit/loss for the year	(6.336)	95	(6.835)	(121)
Total income tax	(6.336)	95	(6.835)	(121)
Tonnage tax	198	159	198	159
Total tax for the year	(6.137)	254	(6.636)	38
<i>Tax on profit/loss for the year can be broken down as follows:</i>				
Current tax	506	917	0	684
Deferred tax	(7)	(7)	0	0
Adjustments for current tax of prior periods	(6.835)	(814)	(6.835)	(805)
Tax on profit/loss for the year	(6.336)	95	(6.835)	(121)
<i>Income tax is specified as follows:</i>				
Calculated 22% tax on "Profit for the year before income tax"	1.807	202	1.696	279
Tax effects of:				
Income tax under tonnage taxation	(1.308)	708	(1.696)	405
Adjustments in respect of prior years	(6.835)	(814)	(6.835)	(805)
	(6.336)	95	(6.835)	(121)
Effective tax rate	-77,1%	7,5%	-88,6%	-13,3%

ESVAGT's activities are primarily subject to taxation under the Danish Tonnage Taxation legislation. Tax may materialize if the Company leaves the tonnage tax regime.

Deferred tax relates to tangible fixed assets not covered by tonnage taxation activities.

In 2019 ESVAGT received TDKK 6.031 related to former joint taxation which has resulted in a positive adjustment from prior years.

9. Intangible assets

	Group	Parent
	Develop- ment Projects TDKK	Develop- ment Projects TDKK
Cost:		
At 01.01.2018	2.042	2.042
Additions during the year	<u>152</u>	<u>152</u>
At 31.12.2018	<u>2.194</u>	<u>2.194</u>
Amortisation and impairment:		
At 01.01.2018	1.411	1.411
Amortisation charge	<u>426</u>	<u>426</u>
At 31.12.2018	<u>1.837</u>	<u>1.837</u>
Carrying amount 31.12.2018	<u>357</u>	<u>357</u>
Cost:		
At 01.01.2019	2.194	2.194
Additions during the year	<u>6.907</u>	<u>6.907</u>
At 31.12.2019	<u>9.101</u>	<u>9.101</u>
Amortisation and impairment:		
At 01.01.2019	1.837	1.837
Amortisation charge	<u>382</u>	<u>382</u>
At 31.12.2019	<u>2.219</u>	<u>2.219</u>
Carrying amount 31.12.2019	<u>6.882</u>	<u>6.882</u>

10. Property, Plant and Equipment

Group	Vessels	Operating Equipment & Fixtures	Buildings	Prepay- ments	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost:					
At 01.01.2018	4.624.289	32.350	61.804	163.657	4.882.100
Additions during the year	(23)	436	0	606.872	607.285
Disposals	(157.428)	(243)	0	0	(157.671)
Reclassifications	649.577	3.483	0	(653.060)	0
At 31.12.2018	<u>5.116.415</u>	<u>36.025</u>	<u>61.804</u>	<u>117.469</u>	<u>5.331.713</u>
Amortisation and impairment:					
At 01.01.2018	1.573.396	28.143	11.859	0	1.613.398
Disposals	(155.802)	(243)			(156.044)
Amortisation charge	224.364	2.782	3.078		230.224
At 31.12.2018	<u>1.641.958</u>	<u>30.683</u>	<u>14.937</u>	<u>0</u>	<u>1.687.577</u>
Carrying amount 31.12.2018	<u>3.474.457</u>	<u>5.343</u>	<u>46.868</u>	<u>117.469</u>	<u>3.644.137</u>
Hereof finance leases	5.500	0	0	0	5.500

The amount of borrowing costs capitalized during 2018 was TDKK 3.201. The rate used to determine the amount of borrowing cost eligible for capitalization was 3,52%.

Cost:					
At 01.01.2019	5.116.415	36.025	61.804	117.469	5.331.713
Additions during the year	319.948	1.430	54	81.831	403.263
Disposals	(64.210)	(3.320)	0	0	(67.530)
Reclassifications	8.227	0	0	(8.227)	0
Transferred to right-of-use assets	(22.997)	0	0	0	(22.997)
At 31.12.2019	<u>5.357.384</u>	<u>34.135</u>	<u>61.858</u>	<u>191.073</u>	<u>5.644.450</u>
Amortisation and impairment:					
At 01.01.2019	1.641.958	30.682	14.937	0	1.687.576
Disposals	(58.700)	(3.320)	0	0	(62.020)
Amortisation charge	253.466	2.696	3.081	0	259.242
Transferred to right-of-use assets	(17.497)	0	0	0	(17.497)
At 31.12.2019	<u>1.819.227</u>	<u>30.058</u>	<u>18.017</u>	<u>0</u>	<u>1.867.302</u>
Carrying amount 31.12.2019	<u>3.538.157</u>	<u>4.078</u>	<u>43.841</u>	<u>191.073</u>	<u>3.777.148</u>

The amount of borrowing costs capitalized during the year was TDKK 4.380. The rate used to determine the amount of borrowing cost eligible for capitalization was 3,52%.

10. Property, plant and equipment (continued)

Impairment analysis

Property, plant and equipment (PPE) is carried at cost less accumulated depreciation and impairment.

It is management's assessment that indications of impairment exist as per 31 December 2019 and therefore management has tested PPE for impairment. The impairment test is based on Management's assessment before the impact of Covid-19, reference is made to note 0. Covid-19 and financial situation of the Company.

Impairment testing is performed for each cash-generating unit (CGU) as defined by our operational structure. We have three CGUs: Within the ERRV market we have i) Group 1 vessels and ii) Group 2/3 vessels, in the SOV market we have iii) Wind vessels.

The recoverable amount is determined as the present value of future net cash flow from each cash-generating unit or fair value less cost to sell if higher. In calculating the present value, discount rates are applied reflecting the risk-free interest rate with the addition of risks relating to the individual CGUs, such as market and financial exposure.

For the impairment testing, where the recoverable amounts of the CGUs are based on value-in-use, a number of estimates are made which are all included in the projected cash flow. These are based on an assessment of current and future developments in the three CGUs and on historical data and assumptions. The assumptions included in the value-in-use calculation are based on financial budgets and business plans approved by management.

Key assumptions affecting the future cash flows of the three CGUs are as follows

- **Day Rates:** Day rates are based on committed contracts, and for post-contract periods and for vessels not on long term contract based on management's view on market trends. Assessment of market trends is supported by independent 3rd party opinion. Day rates is a combination of several factors including trading area and task specification.
 - In management's view the day rate levels for ERRV activities are expected to improve in 2020 compared to 2019 and further improve over the forecast period until 2024.
 - For the Wind/SOV activities, day rates are closely linked to specific contracts and therefore no specific trend for day rate levels has been assumed. Escalation beyond the forecast period follows above escalation rates.
- **Utilization:** The forecast for vessel utilization is based on committed commercial contracts, past performance and management expectations of market development
 - Utilization on ERRV activities is forecast to improve in 2020 compared to 2019 and remain stable over remainder of the forecast period until 2024.
 - Utilization on Wind/SOV activities are expected to remain high and stable compared to 2019, as majority of fleet is fixed on long-term contracts.
- **Future capital expenditures:** Future capital expenditures, which are primarily related to regular, periodic surveys over remainder of the vessels' lifetime are included in the projected cash flow. The expenditures are based on management's estimate, including data from previous surveys.
- **Lifetime of vessels and residual values upon end of vessel lifetime:** Lifetime of 25-30 years per asset is assumed. Residual values upon end of vessel lifetime are considered and included in the projected cash flow.
- **Inflation rate:** Cost escalation beyond the forecast period and contract period for revenue.
- **FX rates:** Part of ESVAGT's revenue is invoiced in foreign currencies, mainly EUR, GBP and NOK. For the value-in-use calculation day rate forecasts are made in these relevant foreign currencies. The FX rate assumptions applied for calculation of the forecasted cash flow is based on FX rate level on 31 December 2019.
- **WACC (pre-tax):** Reflect specific risks relating to the relevant CGUs.

Conclusion on impairment test

PPE has been tested for impairment at 31 December 2019. The test did not result in any impairment of carrying amounts.

The assumptions used, including a sensitivity analysis, are stated in the following. The sensitivity analysis assesses the impact of changes in cash flows and discount rates on the impairment test results.

The analysis concluded that relatively small changes in discount rate or lower day rates for Group 1 and Group 2/3 vessels would likely result in impairment.

Sensitivity analysis

At 31 December 2019, the recoverable amount exceeds carrying value for all three CGUs. The recoverable amount is however sensitive to changes in key assumptions, in particular those of return requirement and macro-economic parameters on inflation level and FX rates.

DKK mio.	2019			2018		
	Group 1	Group 2/3	Wind	Group 1	Group 2/3	Wind
Amounts						
Carrying amount	1.166	931	1.749	1.215	970	1.485
Recoverable amount (Value-in-use)	1.179	965	2.353	1.243	1.010	1.521
Headroom	13	34	604	28	40	36
Material Budget Assumptions						
WACC – discount rate (pre-tax)	7.9%	7.9%	7.0%	7.8%	7.8%	7.8%
FX rates	31-12-19	31-12-19	31-12-19	31-12-18	31-12-18	31-12-18
Inflation rate	2.0%	2.0%	2.0%	1.0%	1.0%	1.0%
Sensitivity analysis						
Impact on recoverable amount						
0.5%-point change in WACC	+46/-43	+34/-32	+149/-138			
10% change in FX rates (except EUR)	+40/-40	+133/-132	+54/-55			
0.5%-point change in inflation rate	+17/-16	+16/-15	+59/-55			

The overall assessment is that reasonable changes to the assumptions in negative directions could result in impairment. However, management does not expect impairment based on the current forecasts.

10. Property, plant and equipment (continued)

Parent	Vessels	Operating Equipment & Fixtures	Buildings	Prepay- ments	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost:					
At 01.01.2018	4.624.289	32.350	61.804	142.958	4.861.401
Exchange differences					
Additions during the year	(23)	436	0	603.071	603.484
Disposals	(157.428)	(243)	0	0	(157.671)
Reclassifications	649.577	3.483	0	(653.060)	0
At 31.12.2018	<u>5.116.415</u>	<u>36.025</u>	<u>61.804</u>	<u>92.969</u>	<u>5.307.213</u>
Amortisation and impairment:					
At 01.01.2018	1.573.396	28.143	11.859	0	1.613.398
Disposals	(155.802)	(243)	0		(156.044)
Amortisation charge	224.364	2.782	3.078		230.224
At 31.12.2018	<u>1.641.958</u>	<u>30.683</u>	<u>14.937</u>	<u>0</u>	<u>1.687.577</u>
Carrying amount 31.12.2018	<u>3.474.457</u>	<u>5.343</u>	<u>46.868</u>	<u>92.969</u>	<u>3.619.637</u>
Hereof finance leases	5.500	0	0	0	5.500

The amount of borrowing costs capitalized during 2018 was TDKK 3.201. The rate used to determine the amount of borrowing cost eligible for capitalization was 3,52%.

Cost:					
At 01.01.2019	5.116.415	36.025	61.804	92.969	5.307.213
Additions during the year	319.948	1.430	54	106.331	427.763
Disposals	(64.210)	(3.320)	0	0	(67.530)
Reclassifications	8.227	0	0	(8.227)	0
Transferred to right-of-use assets	(22.997)	0	0	0	(22.997)
At 31.12.2019	<u>5.357.384</u>	<u>34.135</u>	<u>61.858</u>	<u>191.073</u>	<u>5.644.450</u>
Amortisation and impairment:					
At 01.01.2019	1.641.958	30.682	14.937	0	1.687.576
Disposals	(58.700)	(3.320)	0	0	(62.020)
Amortisation charge	253.466	2.696	3.081	0	259.242
Transferred to right-of-use assets	(17.497)	0	0	0	(17.497)
At 31.12.2019	<u>1.819.227</u>	<u>30.058</u>	<u>18.017</u>	<u>0</u>	<u>1.867.302</u>
Carrying amount 31.12.2019	<u>3.538.157</u>	<u>4.078</u>	<u>43.841</u>	<u>191.073</u>	<u>3.777.148</u>

The amount of borrowing costs capitalized during the year was TDKK 4.380. The rate used to determine the amount of borrowing cost eligible for capitalization was 3,52%.

10. Property, plant and equipment (continued)

Commitments for tangible assets

ESVAGT's new building program comprise 3 vessels for the wind industry. Delivery of the vessels are expected in 2020 and 2021:

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Remaining commitments, new building programme	845.812	1.099.720	845.812	884.220
Total commitments	845.812	1.099.720	845.812	884.220

11. Financial assets and liabilities

Carrying Amount	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Financial assets:				
<i>Financial assets at amortised cost:</i>				
Trade receivables	156.227	136.623	106.233	101.781
Receivables from parent company	3.621	2.473	3.621	2.473
Receivables from Group companies	0	0	46.092	50.960
Cash and cash equivalents	202.469	338.481	195.608	335.773
Total Financial assets at amortised cost	362.318	477.578	351.553	490.987
Financial liabilities:				
<i>Financial liabilities at fair value</i>				
Foreign currency forwards (used for hedging)	9.237	16.643	9.237	16.643
Total financial liabilities at fair value	9.237	16.643	9.237	16.643
<i>Financial liabilities at amortised cost</i>				
Borrowings	2.232.493	2.257.584	2.232.493	2.257.584
Trade payables	79.991	56.560	79.813	56.169
Payables to Group companies	0	0	2.362	0
Lease liabilities	17.425	5.969	17.425	5.969
Total Financial liabilities at amortised cost	2.329.909	2.320.113	2.332.093	2.319.722
Total Financial liabilities	2.339.146	2.336.755	2.341.329	2.336.365

Fair value is approximately the same as the carrying amounts.

12. Inventories

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Bunker oil	17.679	17.421	17.679	17.421
	17.679	17.421	17.679	17.421

During 2019 TDKK 76.556 (2018: TDKK 86.219) was recognized as an expense for the group, and TDKK 76.556 (2018: TDKK 86.219) for the parent company.

13. Trade receivables

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Trade receivables at 31 December	156.327	136.723	106.333	101.881
Expected credit loss	(100)	(100)	(100)	(100)
Trade receivables net	156.227	136.623	106.233	101.781
The maturity of the trade receivables is specified as follows:				
Not overdue	112.556	83.535	62.561	64.150
Up to 30 days	35.314	50.463	35.314	37.580
Between 31 and 90 days	5.696	2.625	5.696	51
Between 91 and 365 days	2.661	0	2.661	0
Other	0	0	0	0
Total	156.227	136.623	106.233	101.781

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2019 or 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the oil and energy prices to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected credit losses for all trade receivables and contract assets, 94,7% less than 30 days overdue, 3,6% 30-60 days overdue and 1,7% over 90 days overdue, are immaterial and therefore not recognize. During the year no losses has been realized.

As further described in note 20, the receivables from Group companies are primarily arising from ordinary sales transactions and are in general repaid in full on a monthly basis. Consequently, the 12-month expected credit losses related to those receivables are immaterial.

14. Share capital

The share capital comprise of:	No shares	Nominal value per share	2019 TDKK	2018 TDKK
	12	100.000	1.200.000	1.200.000
	6	30.000	180.000	180.000
	2	15.000	30.000	30.000
	9	10.000	90.000	90.000
	500.000	1	500.000	500.000
			<u>2.000.000</u>	<u>2.000.000</u>

No shares carry any special rights. There are no restrictions connected to the transferability or voting rights of the shares. All shares have been fully paid in.

All shares in ESVAGT A/S is owned by ERRV ApS.

Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital. Normal covenant demands applies such as "Leverage Ratio", "ICR Ratio" etc.

The Group has not adopted a specific key ratio, but Management and Board of Directors monitor the share and capital structure to ensure that the group's capital resources support the strategic goals. The overall target is to have secured long term financing with fixed interest rates at competitive rates. During the year, through a close dialogue with its main lenders and with the shareholders, the Group was able to decide on funding of current operation and future strategic initiatives in line with overall target.

The Company's policy for managing capital is unchanged from last year.

15. Deferred tax

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
At 1 January	24	31	0	0
Deferred tax recognised in the income statement	(7)	(7)	0	0
At 31 December	<u>17</u>	<u>24</u>	<u>0</u>	<u>0</u>
Deferred tax relates to:				
Provisions	17	24	0	0
	<u>17</u>	<u>24</u>	<u>0</u>	<u>0</u>

16. Bank and credit institutions

The borrowings comprise of vessel financing related loans as well as revolving facilities to fund the ongoing operations. There are covenants attached to the loan facilities.

2019 - Group	Principal	Effective Interest Rate	Currency	Maturity	Carrying Amount
Floating rate loans	43 mEUR	2,524%	EUR	2022	319.703
Floating rate loans	183 mDKK	2,617%	DKK	2022	183.168
Fixed-rate loans	235 mEUR	3,802%	EUR	2024-2027	1.755.380
2019 - Parent	Principal	Effective Interest Rate	Currency	Maturity	Carrying Amount
Floating rate loans	43 mEUR	2,524%	EUR	2022	319.703
Floating rate loans	183 mDKK	2,617%	DKK	2022	183.168
Fixed-rate loans	235 mEUR	3,802%	EUR	2024-2027	1.755.380
2018 - Group	Principal	Effective Interest Rate	Currency	Maturity	Carrying Amount
Floating rate loans	43 mEUR	2,480%	EUR	2022	319.600
Floating rate loans	183 mDKK	2,593%	DKK	2022	183.168
Fixed-rate loans	235 mEUR	3,802%	EUR	2024-2027	1.754.815
2018 - Parent	Principal	Effective Interest Rate	Currency	Maturity	Carrying Amount
Floating rate loans	43 mEUR	2,480%	EUR	2022	319.600
Floating rate loans	183 mDKK	2,593%	DKK	2022	183.168
Fixed-rate loans	235 mEUR	3,802%	EUR	2024-2027	1.754.815

17. Leasing

The Group has entered leases on land, properties, cars and equipment. The remaining lease period for land is 24 years + 4 months. ESVAGT can terminate the contract of the leased land with a 6 months' notice. The non-cancellable lease period for cars is typically 36 months. In general car leases do not include any extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group has recognized the following amounts relating to leases:

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Lease liabilities				
Current	9.006	4.912	9.006	4.912
Non-current	8.419	1.057	8.419	1.057
	17.425	5.969	17.425	5.969
			Group 2019 TDKK	Parent 2019 TDKK
Right-of-use assets				
Land			7.903	7.903
Cars			1.051	1.051
Equipment			7.414	7.414
			16.367	16.367

Additions to the right-of-use assets during the 2019 financial year were TDKK 12,782 for the Group and TDKK 12,782 for the parent company, respectively.

The statement of profit or loss shows the following amounts relating to leases:

	Group 2019 TDKK	Parent 2019 TDKK
Depreciation charge of right-of-use assets		
Land	337	337
Cars	318	318
Equipment	6.240	6.240
	6.895	6.895

The total cash outflow for leases in 2019 was TDKK 10,114 for the Group and TDKK 10,114 for the parent company.

	Group 2019 TDKK	Parent 2019 TDKK
Interest expense (included in finance expenses)	513	513
Expense relating to short-term leases (included in other operating expenses)	162	162

In the previous year, the group had entered lease which were classified as 'operating leases' under IAS 17 Leases. The lease commitments for those leases were as follows:

	2018 TDKK	2018 TDKK
Operating lease commitments		
Due within 1 year	797	797
Due between 1 and 5 years	2.359	2.359
Due after 5 years	<u>9.762</u>	<u>9.762</u>
	<u>12.918</u>	<u>12.918</u>
Expensed payments relating to operating leases	<u>1.062</u>	<u>1.062</u>

Financial leases

In the previous year, the group only recognized lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of borrowings. For adjustments recognized on adoption of IFRS 16 on 1 January 2019, please refer to note 1.

The Group had finance leases for other fixtures and fitting. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments were as follows:

	Group 2018 TDKK	Parent 2018 TDKK
Financial leases	Minimum payments	Minimum payments
Within one year	5.058	5.058
Due between 1 and 5 years	<u>1.063</u>	<u>1.063</u>
Total minimum lease payments	<u>6.121</u>	<u>6.121</u>
Finance charges	<u>(152)</u>	<u>(152)</u>
Present value of min. lease paym.	<u>5.969</u>	<u>5.969</u>

18. Fee to the statutory auditors

	Group	
	2019 TDKK	2018 TDKK
Statutory audit	457	575
Other assurance services	448	318
Tax and VAT advisory services	737	297
Other services	1.393	1.416
Total fees to PwC	3.034	2.606

19. Derivative financial instruments

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to market risks.

The group has entered foreign exchange options and forwards used to hedge currency risk on contracted long-term revenue, fuel consumption and committed purchase of vessels.

Information about the group's exposure to financial risk is provided in note 24.

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Reclassified from other comprehensive income				
Gains/losses arising on currency forward contracts (cash flow hedges) reclassified to revenue/other operating expenses during the year	(491)	615	(491)	615

20. Related parties

The Company and its parent company ERRV ApS are included in the consolidated financial statements for ERRV Holding ApS, Østergade 1, 2nd floor, 1100 Copenhagen, Denmark.

Interest in subsidiaries and joint ventures are set out in note 26.

The ultimate controlling party is ERRV Luxembourg Holdings S.à.r.l., Luxembourg.
The disclosure of "Key management compensation" is presented in note 4.

The following transactions were carried through with related parties:

	Parent	
	2019 TDKK	2018 TDKK
Transactions with subsidiaries		
Sales of goods	269.264	192.537
Transactions with joint ventures		
Sales of goods	401	0

The following balances arising from sales/purchases of goods and services are outstanding at the end of the period in relation to transactions with related parties:

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Receivables from ERRV ApS and ERRV Holding ApS (parent company)				
Receivables from subsidiaries	0	0	45.920	23.645
Loans to related parties				
<i>Loans to ERRV ApS and ERRV Holding ApS (parent company)</i>				
Beginning of the period	2.473	2.200	2.473	2.200
Loans advanced	1.086	355	1.086	355
Loans repayments received	0	129	0	129
Interest charged	62	47	62	47
End of year	3.621	2.473	3.621	2.473
<i>Loans to subsidiaries</i>				
Beginning of the period	0	0	6.259	7.684
Loans repayments received	0	0	6.207	1.534
Interest charged	0	0	119	109
End of year	0	0	171	6.259
<i>Loans from subsidiaries</i>				
Beginning of the period	0	0	2.483	2.525
Loans repayments	0	0	167	80
Interest charged	0	0	47	37
End of year	0	0	2.362	2.483

Terms and conditions

Receivables from Group companies primarily arises from ordinary operations and are in general repaid in full on a monthly basis. The receivables do thus not carry any interest. Loans to the parent company and to and from subsidiaries carry an interest of 2% and the loans are expected to be settled in cash.

21. Investments in joint ventures

The group has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

Summarised balance sheet

	2019 TDKK	2018 TDKK
Aggregated carrying amount of individually immaterial associates	6	25
Aggregate amounts of the group's share of		
Profit from continuing operations	19	0
Total comprehensive income	19	0

No further information is disclosed due to the materiality of the investment.

22. Contingent liabilities

Litigation

None

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Bank loans secured in vessels				
Bank and other credit institutions - amount secured	2.258.251	2.257.583	2.258.251	2.257.583
Carrying amount of vessels provided as security	3.538.157	3.474.457	3.538.157	3.474.457

Other contingent liabilities

Since 17 September 2015 ESVAGT A/S is a part of national joint taxation in Denmark with ERRV Holding ApS and is jointly liable with other Danish companies owned by ERRV Holding ApS.

23. Cash flow statement

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Change in working capital				
Change in inventories	(258)	(9.387)	(258)	(9.387)
Change in trade receivables and receiv. from parent	(18.739)	(11.807)	(26.830)	(6.978)
Change in other receivables and prepayments	1.718	(3.743)	31.147	(3.771)
Change in trade payables, excl. payables related to fixed assets	23.038	(8.390)	23.038	(8.464)
Change in other payables	8.931	29.208	9.204	29.248
Change in received prepayments	(2.137)	(1.139)	(2.137)	(1.139)
Exchange gains and losses on working capital	693	5.717	590	5.272
	13.246	459	34.753	4.781
Bank and credit institutions at 1 January	2.224.652	2.211.216	2.224.652	2.211.216
Amortized loan cost	7.174	0	7.174	0
Foreign currency	667	13.436	667	13.436
Bank and credit institutions at 31 December	2.232.493	2.224.652	2.232.493	2.224.652
Lease liabilities (2018 - finance lease) at 1 January	5.969	10.694	5.969	10.694
Recognised on adoption of IFRS 16	8.787	0	8.787	0
Repayment of leases (2018 - finance leases)	(10.114)	(4.725)	(10.114)	(4.725)
New leases	12.782	0	12.782	0
Lease liabilities (2018 - finance lease) at 31 December	17.425	5.969	17.425	5.969
Financing liabilities at 31.12.2019	2.249.918	2.230.621	2.249.918	2.230.621

24. Financial risk management

Financial risk factors

The Financial risks of the group are managed centrally. The overall risk management guidelines and policies have been approved by the board of directors. Group finance/Treasury department identifies and evaluates exposures in close co-operation with the group's operating units. The board provides written principles for overall risk management.

Market risk

Foreign exchange risk

The cost of goods sold, and operating expenses are mainly incurred in DKK. The Group has transactions in other currencies, mainly EUR, but the foreign exchange risks related to this are not considered material, due to fixed change rate policy in Denmark against EUR. Increases or decreases in the exchange rate of such foreign currencies against the functional currency, the DKK, can affect the group's results and cash position negatively or positively.

Exposure

The group's exposure to foreign currency risk at the end of the reporting period, expressed in currency units, was as follows:

Group

	<u>TEUR</u>	<u>TGBP</u>	<u>TNOK</u>	<u>TUSD</u>
2019				
Trade receivables	5.710	21	21.096	317
Cash and cash equivalents	3.204	393	123.507	1.109
Bank loans	(277.800)	0	0	0
Trade payables	(2.486)	(253)	(5.126)	(2.454)
	<u>(271.372)</u>	<u>160</u>	<u>139.476</u>	<u>(1.028)</u>
2018				
Trade receivables	2.589	4.000	23.642	2
Cash and cash equivalents	17.887	2.817	51.425	1.077
Bank loans	(277.800)	0	0	0
Trade payables	(461)	(207)	(1.921)	(2.893)
	<u>(257.785)</u>	<u>6.610</u>	<u>73.146</u>	<u>(1.814)</u>

Parent

	<u>TEUR</u>	<u>TGBP</u>	<u>TNOK</u>	<u>TUSD</u>
2019				
Trade receivables	5.466	21	21.096	216
Cash and cash equivalents	3.191	393	123.507	1.006
Bank loans	(277.800)	0	0	0
Trade payables	(2.363)	(253)	(5.126)	(2.237)
	<u>(271.506)</u>	<u>160</u>	<u>139.476</u>	<u>(1.014)</u>
2018				
Trade receivables	2.348	0	23.642	2
Cash and cash equivalents	17.887	2.509	51.362	1.077
Bank loans	(277.800)	0	0	0
Trade payables	(461)	(169)	(1.921)	(2.893)
	<u>(258.026)</u>	<u>2.340</u>	<u>73.083</u>	<u>(1.814)</u>

24. Financial risk management (continued)

Interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is always to ensure that a minimum of 75 per cent of the total outstanding Debt is at fixed rate or effectively bears a fixed rate pursuant to a Hedging Agreement.

Sensitivity analysis

Profit or loss is sensitive to higher/lower interest from borrowings and fair value changes of interest rate derivatives as a result of changes in interest rates. The sensitivity analysis is based on financial instruments recognized at the balance sheet date. Effects from hedging is not included in these calculations and sensitivity figures.

	2019		2018	
	Impact on Post Tax Profit	Impact on Other Components of Equity	Impact on Post Tax Profit	Impact on Other Components of Equity
	TDKK	TDKK	TDKK	TDKK
Group				
GBP/DKK exchange rate - increase 10%	141	141	5.468	5.468
NOK/DKK exchange rate - increase 10%	10.582	10.582	5.476	5.476
USD/DKK exchange rate - increase 10%	(686)	(686)	(1.183)	(1.183)
Parent				
GBP/DKK exchange rate - increase 10%	141	141	1.936	1.936
NOK/DKK exchange rate - increase 10%	10.582	10.582	5.472	5.472
USD/DKK exchange rate - increase 10%	(677)	(677)	(1.183)	(1.183)

	2019		2018	
	Impact on Post Tax Profit	Impact on Other Components of Equity	Impact on Post Tax Profit	Impact on Other Components of Equity
	TDKK	TDKK	TDKK	TDKK
Group				
Interest rates – increase by 100 basis points	(5.044)	0	(5.043)	0
Interest rates – decrease by 100 basis points	5.044	0	5.043	0
Parent				
Interest rates – increase by 100 basis points	(5.044)	0	(5.043)	0
Interest rates – decrease by 100 basis points	5.044	0	5.043	0

The calculation is based on an increase in both short- and long-term interest. All other variables are held constant.

Credit risks

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'BBB-' are accepted. For customers individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored.

The maximum exposure corresponds to the carrying amount of receivables and cash.

Liquidity risk

Cash flow forecasting is performed by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the group's debt financing plans and compliance with loan documentation. The group has undrawn borrowing facilities of TDKK 550,000 that may be available for future operating activities.

The tables below analyses the group's derivatives and non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year TDKK	1-5 years TDKK	> 5 years TDKK	Total TDKK
Group - non-derivatives				
At 31.12.2018				
Credit institutions	80.530	816.914	1.852.521	2.749.965
Lease liabilities (Finance lease)	4.912	1.057	0	5.969
Trade payables	56.560	0	0	56.560
	142.002	817.971	1.852.521	2.812.494
At 31.12.2019				
Credit institutions	89.914	2.120.389	389.582	2.599.886
Lease liabilities	9.006	8.419	0	17.425
Trade payables	79.991	0	0	79.991
	178.911	2.128.809	389.582	2.697.302
Group - derivatives				
At 31.12.2019				
Foreign exchange options / forwards used to hedge currency risk	3.864	5.373	0	9.237
	3.864	5.373	0	9.237

24. Financial risks (continued)

The tables below analyses the group's derivatives and non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year TDKK	1-5 years TDKK	> 5 years TDKK	Total TDKK
Group - non-derivatives				
At 31.12.2018				
Credit institutions	80.530	816.914	1.852.521	2.749.965
Lease liabilities (Finance lease)	4.912	1.057	0	5.969
Trade payables	56.560	0	0	56.560
	142.002	817.971	1.852.521	2.812.494
At 31.12.2019				
Credit institutions	89.914	2.120.389	389.582	2.599.886
Lease liabilities	9.006	8.419	0	17.425
Trade payables	79.991	0	0	79.991
	178.911	2.128.809	389.582	2.697.302
Group - derivatives				
At 31.12.2019				
Foreign exchange options / forwards used to hedge currency risk	3.864	5.373	0	9.237
	3.864	5.373	0	9.237

24. Financial risks (continued)***Fair value***

Financial instruments measured at fair value can be divided into three levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability

Level 3 - Inputs for the asset or liability that are not based on observable market data.

The fair value of bank borrowings does not differ significantly from the carrying amount. The fair value of derivatives is calculated on level 2 in the fair value hierarchy using direct quotes.

Fair value measurements at 31.12.2019**Significant other observable inputs
(Level 2)**

	2019	2018
	TDKK	TDKK
Group		
Forwards used to hedge currency risk	9.237	16.643
As at 31.12.2019	9.237	16.643
Parent		
Forwards used to hedge currency risk	9.237	16.643
As at 31.12.2019	9.237	16.643

Measurement of derivatives

The valuation techniques used to measure derivatives include:

- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the group enters hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of Esvagt or the derivative counterparty and as differences between the spot rate and the forward rate of a contract.

The group uses foreign currency forwards to hedge its exposure to foreign currency risk. Under the group's policy the critical terms of the forwards must align with the hedged items.

The group designates the forward rate of foreign currency forwards in hedge relationships. The intrinsic value of foreign currency is determined with reference to the relevant spot market exchange rate.

The group operates internationally and is exposed to foreign exchange risk, primarily the NOK, GBP and USD. Foreign exchange risk arises from future commercial transactions denominated in currencies that are not DKK or EUR. The risk is measured through forecasts of highly probable expenditures in NOK, GBP and USD. The risk is hedged with the objective of minimizing the volatility of currency cost of highly probable revenue and purchases of property, plant and equipment.

The group treasury's risk management policy is to hedge up to 80% of forecast income and expenses in currencies other than DKK and EUR up to two years in advance.

The effects of the foreign currency related hedging instruments on the group's financial position and performance are as follows:

Group

Foreign currency forwards as at 31 December 2018

	<u>NOK</u>	<u>GBP</u>	<u>USD</u>
Carrying amount in TDKK	(20.783)	669	3.472
Notional amount	607.970	39.521	120.594
Maturity date	JAN 2019 - JAN 2021	JAN 2019 - DEC 2019	JAN 2019 - SEP 2020
Weighted average hedged rate for the year (incl. forward points)	76,14	835,16	608,86

Foreign currency forwards as at 31 December 2019

	<u>NOK</u>	<u>GBP</u>	<u>USD</u>
Carrying amount in TDKK	(9.816)	(4.303)	4.668
Notional amount	439.399	252.378	147.856
Maturity date	JAN 2019 - JAN 2021	JAN 2020 - DEC 2021	JAN 2020 - SEP 2021
Weighted average hedged rate for the year (incl. forward points)	76,44	841,77	634,95

25. Events after the balance sheet date

The outbreak of Covid-19 and the actions taken by governments across the world to mitigate the effects, will have a great impact on the global economy. Management considers the implications of Covid-19 as a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the company.

This means that the valuation of the company's non-current assets, receivables, etc., at 31 December 2019 are based on assumptions which may differ from Management expectations at the time of adoption of the Annual Report.

Currently, it is not possible to assess the effect of Covid-19 on the 2020 Financial Statements. Reference is also made to note 0 "Covid-19 and the financial situation of the Company."

26. Composition of the group

Name of entity	Ownership and Voting Rights Held by Esvagt	Place of Business/ Incorporation
<i>Investments in subsidiaries</i>		
ESVAGT Holdings Limited	100%	Great Britain
ESVAGT UK Limited	100%	Great Britain
ESVAGT Norge AS	100%	Norway
P/F ESVAGT-THOR	51%	Faroe Islands
<i>Investments in Joint Ventures</i>		
EWPL Ocean ApS	50%	Denmark