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MacArtney A/S

Gl Guldagervej 48
6710 Esbjerg V
Central Business Registration
No 84164828

Annual report 01.10.2017 - 30.09.2018

The Annual General Meeting adopted the annual report on 16.01.2019

Chairman of the General Meeting

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Name: Niels Erik Hedeager

Contents

Entity details

Entity
MacArtney A/S
Gl Guldagervej 48
6710 Esbjerg V

Central Business Registration No (CVR): 84164828
Registered in: Esbjerg
Financial year: 01.10.2017 - 30.09.2018

Board of Directors
Niels Erik Hedeager
Jon Arthur Ferrier
Henrik Uhd Christensen
Marco Dalhoff MacArtney
Glenn Carsten Macartney

Executive Board
Claus Omann

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
P.O. Box 200
6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of MacArtney A/S for the financial year 01.10.2017 - 30.09.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.10.2017 - 30.09.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Esbjerg, 17.12.2018

Executive Board

Claus Omann

Board of Directors

Niels Erik Hedeager	Jon Arthur Ferrier	Henrik Uhd Christensen
Marco Dalhoff MacArtney	Glenn Carsten Macartney	

Independent auditor's report

To the shareholders of MacArtney A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of MacArtney A/S for the financial year 01.10.2017 - 30.09.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group’s and the Parent’s financial position at 30.09.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.10.2017 - 30.09.2018 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements section of this auditor’s report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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’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 consolidated financial statements and the parent 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’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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Esbjerg, 17.12.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Jørn Jepsen
State-Authorised Public Accountant
Identification No (MNE) mne24824

Stig Petersen
State-Authorised Public Accountant
Identification No (MNE) mne35464

Management commentary

	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000	2013/14 DKK'000
Financial highlights					
Key figures					
Revenue	551.854	452.700	431.595	692.096	582.264
Gross profit/loss	202.178	162.286	135.882	193.901	177.509
Operating profit/loss	241	(22.515)	(16.978)	26.706	28.584
Net financials	8.970	6.145	4.166	5.006	3.569
Profit/loss for the year	5.520	(17.665)	(7.853)	26.338	26.463
Profit/loss for the year excl minority interests	4.559	(17.475)	(8.172)	25.197	25.913
Total assets	409.263	315.491	277.804	328.731	361.723
Investments in property, plant and equipment	15.105	34.990	12.938	7.976	8.677
Equity	178.582	175.393	199.107	215.162	193.021
Equity excl minority interests	175.262	170.046	196.270	211.865	190.468
Average invested capital incl goodwill	203.660	171.232	160.449	160.341	156.612
Net interest-bearing debt	99.635	52.541	(2.585)	(14.624)	4.146
EBITDA	13.463	(11.569)	(8.943)	35.170	35.436
EBIT	241	(22.515)	(16.978)	26.706	28.584
Ratios					
Net margin (%)	1,0	(3,9)	(1,8)	3,8	4,5
Return on invested capital incl goodwill (%)	1,6	(12,0)	(10,2)	17,0	18,4
Revenue/Invested capital incl goodwill	2,7	2,6	2,7	4,3	3,7
Financial gearing (%)	0,6	0,3	0,0	(0,1)	0,0
Return on equity (%)	2,6	(9,5)	(4,0)	12,5	14,5
Equity ratio (%)	42,8	53,9	70,7	64,4	52,7
EBITDA margin	2,4	(2,6)	(2,1)	5,1	6,1

The comparative figures for the financial year 2013/14 have not been restated after the change in accounting policies on derivative financial instruments.

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Management commentary

Ratios	Calculation formula	Calculation formula reflects
Net margin (%)	Profit/loss for the year x 100 / Revenue	The entity's operating profitability.
Return on invested capital incl goodwill (%)	EBITA x 100 / Average invested capital incl goodwill	The return generated by the entity on the investors' funds.
Revenue/Invested capital incl goodwill	Revenue / Average invested capital incl goodwill	Turnover rate of capital employed by the entity.
Financial gearing	Net interest-bearing debt / Equity excl minority interests	The entity's financial gearing.
Return on equity (%)	Profit/loss for the year excl minority interests x 100 / Average equity excl minority interests	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	Equity excl minority interests x 100 / Total assets	The financial strength of the entity.
EBITDA margin	Equity x 100 / Total assets	The enterprise's financial strength.

EBITA (Earnings Before Interest, Tax and Amortisation) is defined as operating profit plus the year's amortisation and depreciation of intangible assets including goodwill.

Invested capital including goodwill is defined as net working capital plus the carrying amount of property, plant and equipment and intangible assets as well as accumulated amortisation of intangible assets including goodwill, and less other provisions and long-term operating liabilities. Accumulated impairment losses on goodwill are not added.

Net working capital is defined as inventories, receivables and other operating current assets net of trade payables and other short-term operating liabilities. Income tax receivable and payable as well as cash are not included in net working capital.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined as operating profit plus the year's amortisation and depreciation of fixed assets including goodwill.

Management commentary

Primary activities
MacArtney A/S is the parent of the group MacArtney Underwater Technology - a high-tech, growth-oriented, international group with headquarters in Esbjerg and subsidiaries in the US, Canada, the UK, Norway, France, the Netherlands, Germany, Australia, Singapore and China as well as a worldwide agent network.

The company has its key competency within underwater technology - developing, producing and marketing special components and systems. MacArtney Underwater Technology Group employs approximately 400 people. The MacArtney Group owns the full value chain from development and engineering to project management, manufacturing and aftersales.

Development in activities and finances
The yearly profit for the group after-tax amounts to DKK 5.520k and the parent company yields a profit of DKK 4.559k after tax.

After distribution of the profit for the year, the total equity for the parent company amounts to DKK 175.247k, and the group amounts to DKK 178.582k, corresponding to 43.6% of the balance sheet total at 30.09.2018 for the group.

Profit/loss for the year in relation to expected developments
Due to the worldwide decline in oil prices, MacArtney has seen a downturn in sales to the oil and gas industry in recent years, which is the company's primary market. As a consequence of this development, a number of adjustments have been implemented resulting in many non-recurring costs. Furthermore, MacArtney has chosen to invest in developing new market areas, which is expected to contribute to increased activity in the coming years. Management considers the financial performance for the year to be satisfactory.

The MacArtney Group is a global supplier of underwater technology specialising in design, manufacture, sales and service of a wide range of systems to oil & gas offshore operators, civil engineering, fishery, the renewable energy sector, ocean science institutes, defence, and navies around the world. During the last year, the oil & gas industry has developed positively. Positive trends have been seen in most of the industries MacArtney serves, which has increased the demand for solutions and products from MacArtney.

In order to be more efficient MacArtney has invested in strengthening the general business platform with a number of initiatives. In that respect, integration of the two manufacturing sites has been an ongoing task alongside the establishment of an operations organisation that is responsible for all procurement, supply and service. As a part of that, work investment has been made to improve ERP and other parts of IT support tools and IT infrastructure. Initiatives that will continue during the coming year.

A newly acquired 10.000 m2 facility next to the group headquarters has been added to the existing buildings and transformed to a modern workshop, store areas and canteen.

MacArtney has invested in the development of a number of new products, e.g. underwater winches that have already been successfully launched.

Commercially MacArtney has established subsidiaries in Sweden and Chile, which are new market development areas.

Management commentary

Outlook

Assuming that the oil price will continue to be above USD 60-70 per barrel and based on the investment in developing new markets; revenue and earnings for the next year are expected to be realised at a higher level.

Overall, group revenue is expected to increase by DKK 50 million resulting in positive earnings. The increased revenue growth is based on an increasing order book. Expectations to earnings before tax is between DKK 14-18 million.

Increased sales effort and the growing market activity will increase the demand for the Group’s products. The increased earnings are based on increased efficiency of the company and a more favourable product mix.

Particular risks

Business risks

The Group's most important operating risk is linked to the ability to be strongly positioned in the markets in which the products are sold. Furthermore, it is important for the group to be constantly at the forefront of technological development within the group’s areas of activity.

Financial exposure

As a consequence of its operation, investments and financing, the group is exposed to changes in the rate of exchange and interest rates. It is the group’s policy not to actively speculate financial risks. The group’s financial control aims solely to control those financial risks that have already been undertaken.

Currency risks

The group’s foreign companies are not directly affected by exchange rate fluctuations in that income and outgoings are in local currency. Activities carried out by the parent company are affected by exchange rate fluctuations in that revenue is primarily generated in foreign currency whereas costs, including labour costs, remain in Danish Kroner. Many supplies are purchased in foreign currency. To reduce the risk of exchange rate fluctuations the group headquarter uses hedging instruments in the form of forward foreign exchange contracts as a part of hedging.

The group is furthermore affected by changes in the rate of exchange in that the group company year-end results are converted to Danish Kroner based on average exchange rates.

Environmental performance

The company does not consider it has a special impact on its environmental surroundings.

Research and development activities

There is a permanent ongoing development of the parent company and the group´s product range. This has provided considerable additional competency, and supports the planned strategy.

Management commentary

Statutory report on corporate social responsibility

The company has not developed any policies for social responsibility, human rights, environment and climate. The company has initiated a process of developing corporate social responsibility policies that are likely to be implemented within 1-2 years.

Statutory report on the underrepresented gender

MacArtney A/S is working to increase the number of female managers in executive positions and the company has set targets for the proportion of the underrepresented gender to ensure this. MacArtney A/S has set a goal that 25% of the shareholder-elected board members are women. There is currently none.

MacArtney A/S is furthermore working to increase the number of female managers in the company's other executive positions. The goal is that women will hold 20% of the company's executive positions by 2020. MacArtney A/S will transform its goals to actions through the aim that the recruiting process will always have female applicants among the relevant candidates.

Currently 32% of executive positions are held by female managers in the company, which is a higher-level compared to last year, where this was 17%.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2017/18

	Notes	2017/18 DKK'000	2016/17 DKK'000
Revenue	1	551.854	452.700
Cost of sales		(289.894)	(237.977)
Other external expenses	2	(59.782)	(52.437)
Gross profit/loss		**202.178**	**162.286**
Staff costs	3	(188.715)	(173.855)
Depreciation, amortisation and impairment losses	4	(13.222)	(10.946)
Operating profit/loss		**241**	**(22.515)**
Income from investments in associates		10.065	7.791
Other financial income		2.024	739
Other financial expenses		(3.119)	(2.385)
Profit/loss before tax		**9.211**	**(16.370)**
Tax on profit/loss for the year	5	(3.691)	(1.295)
Profit/loss for the year	6	**5.520**	**(17.665)**

Consolidated balance sheet at 30.09.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Goodwill		44.425	42.178
Intangible assets	7	**44.425**	**42.178**
Land and buildings		27.826	28.475
Other fixtures and fittings, tools and equipment		25.363	25.956
Property, plant and equipment	8	**53.189**	**54.431**
Investments in associates		18.542	18.589
Fixed asset investments	9	**18.542**	**18.589**
Fixed assets		**116.156**	**115.198**
Raw materials and consumables		54.781	52.330
Work in progress		8.491	9.017
Manufactured goods and goods for resale		1.770	2.708
Inventories		**65.042**	**64.055**
Trade receivables		103.186	76.703
Contract work in progress	11	64.425	15.128
Receivables from group enterprises		42.378	25.219
Deferred tax	12	5.830	7.208
Other receivables		4.065	3.031
Income tax receivable		2.050	4.536
Prepayments	13	3.350	1.846
Receivables		**225.284**	**133.671**
Cash		**2.781**	**2.567**
Current assets		**293.107**	**200.293**
Assets		**409.263**	**315.491**

Consolidated balance sheet at 30.09.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Contributed capital		10.000	10.000
Retained earnings		165.262	160.046
Equity attributable to the Parent's owners		**175.262**	**170.046**
Share of equity attributable to minority interests		**3.320**	**5.347**
Equity		**178.582**	**175.393**
Deferred tax	12	117	944
Other provisions		107	150
Provisions		**224**	**1.094**
Mortgage debt		11.196	11.849
Bank loans		18.214	22.500
Finance lease liabilities		1.394	3.215
Non-current liabilities other than provisions	14	**30.804**	**37.564**
Current portion of long-term liabilities other than provisions	14	7.210	7.864
Bank loans		64.780	13.423
Prepayments received from customers		649	595
Contract work in progress	11	46.756	18.723
Trade payables		31.446	31.033
Payables to group enterprises		0	346
Payables to associates		6.989	6.225
Income tax payable		1.672	793
Other payables		40.151	22.438
Current liabilities other than provisions		**199.653**	**101.440**
Liabilities other than provisions		**230.457**	**139.004**
Equity and liabilities		**409.263**	**315.491**
Associates	10		
Financial instruments	17		
Contingent assets	18		
Contingent liabilities	19		
Assets charged and collateral	20		
Group relations	21		
Subsidiaries	22		

Consolidated statement of changes in equity for 2017/18

	Contributed capital DKK'000	Retained earnings DKK'000	Share of equity attributable to minority interests DKK'000	Total DKK'000
Equity beginning of year	10.000	160.046	5.347	175.393
Effect of divestments of entities etc	0	0	(2.994)	(2.994)
Exchange rate adjustments	0	603	6	609
Other entries on equity	0	69	0	69
Tax of entries on equity	0	(15)	0	(15)
Profit/loss for the year	0	4.559	961	5.520
Equity end of year	**10.000**	**165.262**	**3.320**	**178.582**

Consolidated cash flow statement for 2017/18

	Notes	2017/18 DKK'000	2016/17 DKK'000
Operating profit/loss		241	(22.515)
Amortisation, depreciation and impairment losses		13.222	10.946
Other provisions		(43)	150
Working capital changes	15	(32.328)	34.514
Cash flow from ordinary operating activities		**(18.908)**	**23.095**
Financial income received		2.024	739
Financial expenses paid		(3.119)	(2.385)
Income taxes refunded/(paid)		240	(648)
Other cash flows from operating activities	16	143	(3.716)
Cash flows from operating activities		**(19.620)**	**17.085**
Acquisition etc of property, plant and equipment		(15.105)	(6.235)
Sale of property, plant and equipment		5.868	26.285
Acquisition of enterprises		(7.794)	(42.500)
Dividends received		10.427	13.438
Additions of cash related to acquisitions of enterprises		0	(21.558)
Cash flows from investing activities		**(6.604)**	**(30.570)**
Loans raised		0	30.000
Repayments of loans etc		(7.414)	(18.378)
Dividend paid		0	(6.000)
Intercompany accounts		(17.505)	(25.051)
Cash flows from financing activities		**(24.919)**	**(19.429)**
Increase/decrease in cash and cash equivalents		**(51.143)**	**(32.914)**
Cash and cash equivalents beginning of year		(10.856)	22.058
Cash and cash equivalents end of year		**(61.999)**	**(10.856)**
Cash and cash equivalents at year-end are composed of:			
Cash		2.781	2.567
Short-term debt to banks		(64.780)	(13.423)
Cash and cash equivalents end of year		**(61.999)**	**(10.856)**

Notes to consolidated financial statements

	2017/18 DKK'000	2016/17 DKK'000
1. Revenue		
Asia	87.835	49.882
Europe	377.377	325.394
America	86.642	77.424
	551.854	**452.700**

Segment information on activities is not provided, as these do not differ from one another, and in the Company are arranged so that no distinction is made between the type of underwater technology being delivered.

	2017/18 DKK'000	2016/17 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	699	712
Other assurance engagements	131	109
Tax services	342	146
Other services	432	381
	1.604	**1.348**

Fees to Deloitte, auditors of the Parent, amount to DKK 775 thousand, and fees to other audit firms amount to DKK 829 thousand.

	2017/18 DKK'000	2016/17 DKK'000
3. Staff costs		
Wages and salaries	157.661	146.135
Pension costs	16.371	12.746
Other social security costs	14.683	14.974
	188.715	**173.855**
Average number of employees	**365**	**364**

	Remuneration of management 2017/18 DKK'000	Remuneration of management 2016/17 DKK'000
Executive Board	0	2.190
Board of Directors	0	1.430
Total amount for management categories	5.567	0
	5.567	**3.620**

Notes to consolidated financial statements

	2017/18 DKK'000	2016/17 DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	3.072	2.039
Depreciation of property, plant and equipment	10.260	10.461
Profit/loss from sale of intangible assets and property, plant and equipment	(110)	(1.554)
	13.222	**10.946**

	2017/18 DKK'000	2016/17 DKK'000
5. Tax on profit/loss for the year		
Current tax	3.283	184
Change in deferred tax	(690)	1.555
Adjustment concerning previous years	1.098	(346)
Effect of changed tax rates	0	(98)
	3.691	**1.295**

	2017/18 DKK'000	2016/17 DKK'000
6. Proposed distribution of profit/loss		
Retained earnings	4.559	(17.475)
Minority interests' share of profit/loss	961	(190)
	5.520	**(17.665)**

	Goodwill DKK'000
7. Intangible assets	
Cost beginning of year	49.456
Exchange rate adjustments	157
Additions	4.806
Cost end of year	**54.419**
Amortisation and impairment losses beginning of year	(7.278)
Exchange rate adjustments	356
Amortisation for the year	(3.072)
Amortisation and impairment losses end of year	**(9.994)**
Carrying amount end of year	**44.425**

Notes to consolidated financial statements

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000
8. Property, plant and equipment		
Cost beginning of year	34.462	76.580
Exchange rate adjustments	26	186
Additions	393	14.712
Disposals	0	(9.439)
Cost end of year	**34.881**	**82.039**
Depreciation and impairment losses beginning of year	(5.987)	(50.624)
Exchange rate adjustments	(10)	(531)
Depreciation for the year	(1.058)	(9.202)
Reversal regarding disposals	0	3.681
Depreciation and impairment losses end of year	**(7.055)**	**(56.676)**
Carrying amount end of year	**27.826**	**25.363**
Recognised assets not owned by entity	**-**	**3.200**

	Investments in associates DKK'000
9. Fixed asset investments	
Cost beginning of year	1.519
Exchange rate adjustments	3
Cost end of year	**1.522**
Revaluations beginning of year	17.070
Exchange rate adjustments	312
Share of profit/loss for the year	10.065
Dividend	(10.427)
Revaluations end of year	**17.020**
Carrying amount end of year	**18.542**

Notes to consolidated financial statements

	Registered in	Equity interest %
10. Associates		
Subconn Inc.	USA	49,0
Abyssea S.A.	France	20,0

11. Contract work in progress

	2016/17 DKK'000	2016/17 DKK´000
Selling price	104.301	43.357
Progress billings	(86.632)	(46.952)
Net value	**17.669**	**(3.595)**

Recognised in the balance sheet under:

Assets	64.425	15.128
Liabilities	(46.756)	(18.723)
	17.669	**(3.595)**

	2017/18 DKK'000	2016/17 DKK'000
12. Deferred tax		
Intangible assets	(148)	(181)
Property, plant and equipment	(362)	(2.607)
Inventories	561	1.377
Receivables	42	1.129
Tax losses carried forward	5.584	6.546
Other taxable temporary differences	36	0
	5.713	**6.264**

Changes during the year	
Beginning of year	6.264
Recognised in the income statement	(536)
Recognised directly in equity	(15)
End of year	**5.713**

Deferred tax has been recognised as assets by DKK 5,830 thousand and as liabilities by DKK 117 thousand. Based on an evaluation of the markets in Denmark, Norway and the USA as well as the activities within sales,

Notes to consolidated financial statements

product development, market potential and adjustments of costs, the Company has prepared budgets for the following years showing the use of the deferred tax assets within three to five years.

13. Prepayments

Prepayments include prepaid expenses.

	Due within 12 months 2017/18 DKK'000	Due within 12 months 2016/17 DKK'000	Due after more than 12 months 2017/18 DKK'000	Outstanding after 5 years DKK'000
14. Liabilities other than provisions				
Mortgage debt	2.924	1.826	11.196	0
Bank loans	4.286	4.286	18.214	1.071
Finance lease liabilities	0	1.752	1.394	0
	7.210	**7.864**	**30.804**	**1.071**

	2017/18 DKK'000	2016/17 DKK'000
15. Change in working capital		
Increase/decrease in inventories	(987)	8.571
Increase/decrease in receivables	(78.318)	33.009
Increase/decrease in trade payables etc	46.977	(7.066)
	(32.328)	**34.514**

16. Other cash flows from operating activities

Other cash flows consist of interest rate swaps and exchange rate adjustments.

17. Financial instruments

Currency hedging

As part of hedging-recognised receivables and liabilities, as well as future sales and purchases, the Company uses hedging instruments by way of forward exchange contracts.

	Period	Contract value DKK'000	Recognized in the income statement DKK'000
NOK/DKK	0-2 months	15.835	(112)
GBP/DKK	0-1 months	838	2
CAD/DKK	0-8 months	3.580	30
USD/DKK	0-1 months	875	26
NOK/CAD	0-2 months	971	51
		22.099	**(3)**

Notes to consolidated financial statements

Forward exchange contracts concern the hedging of sales and purchases, see company policy. Fair value adjustments are recognised in the income statement. Forward exchange contracts have been concluded with the Company's usual banker.

Interest hedging

Other payables include the negative fair value of an interest rate swap of DKK 134 thousand. The interest rate swap secures a fixed interest rate on the Company's floating rate bank loan. The interest rate swap has a principal of DKK 22.5 million and secures a fixed interest rate of 0.4% for the remaining maturity of five years. The bank loan and the interest rate swap have been concluded with the same counterparty.

18. Contingent assets

The Group has a contingent deferred tax asset of DKK 6,355 thousand, which has not been recognised as an asset because it has not been possible to produce convincing evidence for utilising the deferred tax asset within the next three to five years.

19. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which MacArtney Finance ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies. The jointly taxed companies' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

At 01.10.2016, the Company demerged its properties to the sister subsidiary MacArtney Properties ApS. Consequently, MacArtney A/S is liable for obligations in MacArtney Properties ApS that occurred before the demerger. The liability amounts to DKK 23,507 thousand at 30.09.2018.

Credit institutions have provided guarantees as security for performance of approximately DKK 20,889 thousand, and other guarantees of approximately DKK 2,435 thousand.

Unrecognised rental and lease commitments

Rental and lease commitments amount to approximately DKK 117,890 thousand.

20. Assets charged and collateral

Mortgage debt is secured by way of a mortgage deed of approximately DKK 69,100 thousand on properties and assets of a total carrying amount of DKK 52,600 thousand.

21. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
MacArtney Finance ApS, Esbjerg
Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
MacArtney A/S, Esbjerg

Notes to consolidated financial statements

22. Subsidiaries	Registered in	Equity interest %
MacArtney Norge AS	Norway	100,0
MacArtney UK Ltd.	UK	100,0
MacArtney Inc.	USA	100,0
MacArtney Canada LTD	Canada	100,0
MacArtney France SAS	France	100,0
MBT GmbH	Germany	64,0
MacArtney Benelux B.V.	Holland	75,0
MacArtney Singapore	Singapore	100,0
MacArtney Australia Pty Ltd	Australia	100,0
MacArtney China Co. Ltd	China	100,0
MacArtney Hydraulics A/S	Denmark	100,0

Parent income statement for 2017/18

	Notes	2017/18 DKK'000	2016/17 DKK'000
Revenue	1	314.452	203.363
Other operating income		5.082	3.903
Cost of sales		(207.611)	(154.967)
Other external expenses	2	(26.773)	(18.473)
Gross profit/loss		**85.150**	**33.826**
Staff costs	3	(95.168)	(58.032)
Depreciation, amortisation and impairment losses	4	(5.204)	(2.309)
Operating profit/loss		**(15.222)**	**(26.515)**
Income from investments in group enterprises		8.979	(1.918)
Income from investments in associates		10.065	7.791
Other financial income from group enterprises		857	647
Other financial income		1.253	57
Other financial expenses		(1.940)	(1.104)
Profit/loss before tax		**3.992**	**(21.042)**
Tax on profit/loss for the year	5	567	3.567
Profit/loss for the year	6	**4.559**	**(17.475)**

Parent balance sheet at 30.09.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Goodwill		25.066	0
Intangible assets	7	**25.066**	**0**
Land and buildings		16.372	0
Other fixtures and fittings, tools and equipment		11.730	6.456
Property, plant and equipment	8	**28.102**	**6.456**
Investments in group enterprises		54.539	97.494
Receivables from group enterprises		3.200	0
Investments in associates		17.797	17.845
Fixed asset investments	9	**75.536**	**115.339**
Fixed assets		**128.704**	**121.795**
Raw materials and consumables		17.624	16.371
Work in progress		1.858	3.989
Manufactured goods and goods for resale		1.770	2.708
Inventories		**21.252**	**23.068**
Trade receivables		36.799	15.303
Contract work in progress	10	38.131	15.127
Receivables from group enterprises		94.935	81.581
Deferred tax	11	2.095	2.995
Other receivables		2.519	126
Income tax receivable		1.978	2.475
Joint taxation contribution receivable		0	1.630
Prepayments	12	754	815
Receivables		**177.211**	**120.052**
Cash		**2.137**	**2.584**
Current assets		**200.600**	**145.704**
Assets		**329.304**	**267.499**

Parent balance sheet at 30.09.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Contributed capital	13	10.000	10.000
Reserve for net revaluation according to the equity method		36.543	33.104
Retained earnings		128.704	126.942
Equity		**175.247**	**170.046**
Mortgage debt		5.241	0
Bank loans		18.214	22.500
Finance lease liabilities		1.394	0
Non-current liabilities other than provisions	14	**24.849**	**22.500**
Current portion of long-term liabilities other than provisions	14	6.468	4.286
Bank loans		54.838	4.080
Prepayments received from customers		649	595
Contract work in progress	10	13.356	15.605
Trade payables		23.613	13.334
Payables to group enterprises		709	24.875
Payables to associates		4.348	2.884
Other payables		25.227	9.294
Current liabilities other than provisions		**129.208**	**74.953**
Liabilities other than provisions		**154.057**	**97.453**
Equity and liabilities		**329.304**	**267.499**

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Parent statement of changes in equity for 2017/18

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	10.000	33.104	126.942	170.046
Exchange rate adjustments	0	0	588	588
Other entries on equity	0	0	69	69
Tax of entries on equity	0	0	(15)	(15)
Profit/loss for the year	0	3.439	1.120	4.559
Equity end of year	**10.000**	**36.543**	**128.704**	**175.247**

Notes to parent financial statements

	2017/18 DKK'000	2016/17 DKK'000
1. Revenue		
Asia	60.192	21.634
Europe	226.008	165.472
America	28.252	16.257
	314.452	**203.363**

Segment information on activities is not provided, as these do not differ from one another, and in the Company are arranged so that no distinction is made between the type of underwater technology being delivered.

	2017/18 DKK'000	2016/17 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	349	208
Tax services	198	0
Other services	143	92
	690	**300**

	2017/18 DKK'000	2016/17 DKK'000
3. Staff costs		
Wages and salaries	81.669	50.534
Pension costs	11.883	6.696
Other social security costs	1.616	802
	95.168	**58.032**
Average number of employees	**163**	**106**

	Remuneration of management 2017/18 DKK'000	Remuneration of management 2016/17 DKK'000
Executive Board	0	2.190
Board of Directors	0	1.403
Total amount for management categories	5.567	0
	5.567	**3.593**

Notes to parent financial statements

	2017/18 DKK'000	2016/17 DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1.466	0
Depreciation of property, plant and equipment	3.738	2.309
	5.204	**2.309**

	2017/18 DKK'000	2016/17 DKK'000
5. Tax on profit/loss for the year		
Change in deferred tax	(1.314)	(1.937)
Adjustment concerning previous years	747	0
Refund in joint taxation arrangement	0	(1.630)
	(567)	**(3.567)**

	2017/18 DKK'000	2016/17 DKK'000
6. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	3.439	(14.184)
Retained earnings	1.120	(3.291)
	4.559	**(17.475)**

	Goodwill DKK'000
7. Intangible assets	
Addition through business combinations etc	26.532
Cost end of year	**26.532**
Amortisation for the year	(1.466)
Amortisation and impairment losses end of year	**(1.466)**
Carrying amount end of year	**25.066**

Notes to parent financial statements

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000
8. Property, plant and equipment		
Cost beginning of year	0	26.743
Addition through business combinations etc	16.343	1.411
Additions	393	7.453
Disposals	0	(455)
Cost end of year	**16.736**	**35.152**
Depreciation and impairment losses beginning of year	0	(20.287)
Depreciation for the year	(364)	(3.374)
Reversal regarding disposals	0	239
Depreciation and impairment losses end of year	**(364)**	**(23.422)**
Carrying amount end of year	**16.372**	**11.730**

	Invest-ments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Investments in associates DKK'000
9. Fixed asset investments			
Cost beginning of year	82.204	0	31
Addition through business combinations etc	9.970	0	0
Disposals on divestments etc	(64.212)	0	0
Additions	7.800	4.967	0
Disposals	0	(1.767)	0
Cost end of year	**35.762**	**3.200**	**31**
Revaluations beginning of year	15.290	0	17.814
Disposals on divestments etc	(1.105)	0	0
Exchange rate adjustments	274	0	314
Amortisation of goodwill	(489)	0	0
Share of profit/loss for the year	9.467	0	10.065
Dividend	(4.660)	0	(10.427)
Revaluations end of year	**18.777**	**0**	**17.766**
Carrying amount end of year	**54.539**	**3.200**	**17.797**

There have been an addition to goodwill of DKK 4,806 thousand.

Notes to parent financial statements

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	Registered in	Equity interest %
Investments in associates comprise:		
Subconn Inc.	USA	49,0
Abyssea S.A	France	20,0

10. Contract work in progress

	2017/18 DKK'000	2016/17 DKK´000
Selling price	104.301	43.357
Progress billings	(79.526)	(43.835)
Net value	**24.775**	**(478)**

Recognised in the balance sheet under:

Assets	38.131	15.127
Liabilities	(13.356)	(15.605)
	24.775	**(478)**

	2017/18 DKK'000	2016/17 DKK'000
11. Deferred tax		
Property, plant and equipment	(857)	(927)
Inventories	559	1.065
Receivables	17	157
Tax losses carried forward	2.376	2.700
	2.095	**2.995**

Changes during the year	
Beginning of year	2.995
Merger of company	(900)
End of year	**2.095**

Based on an evaluation of the markets in Denmark, Norway and the USA as well as the activities within sales, product development, market potential and adjustments of costs, the Company has prepared budgets for the following years showing the use of the deferred tax assets within three to five years.

Notes to parent financial statements

12. Prepayments

Prepayments include prepaid expenses.

	Number	Par value DKK'000	Nominal value DKK'000
13. Contributed capital			
Ordinary shares	1	1000	1.000
Bonus shares	9	1000	9.000
	10		**10.000**

The shares are not divided into classes.

	Due within 12 months 2017/18 DKK'000	Due within 12 months 2016/17 DKK'000	Due after more than 12 months 2017/18 DKK'000	Outstanding after 5 years DKK'000
14. Liabilities other than provisions				
Mortgage debt	376	0	5.241	3.790
Bank loans	4.286	4.286	18.214	1.071
Finance lease liabilities	1.806	0	1.394	0
	6.468	**4.286**	**24.849**	**4.861**

15. Financial instruments

Currency hedging

As part of hedging-recognised receivables and liabilities, as well as future sales and purchases, the Company uses hedging instruments by way of forward exchange contracts.

	Period	Contract value DKK'000	Recognized in the income statement DKK'000
NOK/DKK	0-2 months	15.835	(112)
GBP/DKK	0-1 months	838	2
CAD/DKK	0-8 months	3.580	30
USD/DKK	0-1 months	875	26
NOK/CAD	0-2 months	971	51
		22.099	**(3)**

Forward exchange contracts concern the hedging of sales and purchases, see company policy. Fair value adjustments are recognised in the income statement. Forward exchange contracts have been concluded with the Company's usual banker.

Notes to parent financial statements

Interest hedging
Other payables include the negative fair value of an interest rate swap of DKK 134 thousand. The interest rate swap secures a fixed interest rate on the Company's floating rate bank loan. The interest rate swap has a principal of DKK 22.5 million and secures a fixed interest rate of 0.4% for the remaining maturity of five years. The bank loan and the interest rate swap have been concluded with the same counterparty.

16. Contingent assets
The Company has a contingent deferred tax asset of DKK 4,524 thousand, which has not been recognised as an asset because it has not been possible to produce convincing evidence for utilising the deferred tax asset within the next three to five years.

17. Contingent liabilities
The Company participates in a Danish joint taxation arrangement in which MacArtney Finance ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies. The jointly taxed companies' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

At 01.10.2016, the Company demerged its properties to the sister subsidiary MacArtney Properties ApS. Consequently, MacArtney A/S is liable for obligations in MacArtney Properties ApS that occurred before the demerger. The liability amounts to DKK 23,507 thousand at 30.09.2018.

Credit institutions have provided guarantees as security for performance of approximately DKK 20,889 thousand.

Unrecognised rental and lease
Rental and lease commitments amount to approximately DKK 50,077 thousand.

18. Assets charged and collateral
A guarantee has been provided for foreign subsidiaries' bank debt maximising DKK 39,947 thousand. The bank debt amounts to DKK 23,507 thousand at the balance sheet date.

Mortgage debt is secured by way of a mortgage deed of approximately DKK 7,000 thousand on properties of a total carrying amount of DKK 16,373 thousand.

19. Related parties with controlling interest
The Company has registered the following shareholder to hold 100% of the voting share capital or the nominal value of the share capital:
MacArtney Finance ApS, Esbjerg, Denmark

20. Non-arm's length related party transactions
Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

Previously, MacArtney A/S had chosen to deviate from the form requirements of the Danish Financial Statement Act relating to the income statement and cash flow statement. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) were inserted as a new subtotal. Income before tax from associates is presented as part of EBITDA.

In the financial year, MacArtney A/S has chosen to follow the Danish Financial Statement Act relating to the income statement and cash flow statement, and the comparative figures have been restated.

The accounting policies applied to these consolidated financial statements and parent financial statements are, except for the circumstances mentioned above, consistent with those applied last year.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses

Accounting policies

on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life, however, no more than 20 years.

The book-value method is applied for intercompany transactions.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries that are independent entities, the income statements are translated at average exchange rates for the year. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates are recognised directly in equity.

When recognising foreign associates the income statements are translated at average exchange rates and the Parent's share of the enterprises' equity including goodwill are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of the share of foreign associates' equity at the beginning of the year at the balance sheet date exchange rates and the share of the result from

Accounting policies

average exchange rates to balance sheet date exchange rates are recognised directly in equity.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions of interest rates (interest rate swaps) are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions of revenue and purchase of goods (forward exchange contracts) are recognised directly in the income statement. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are recognised directly in equity.

Income statement
Revenue
The Company's revenue consists of item sales and project sales.

Revenue from the item sale is recognised in the income statement when delivery is made and risk has passed to the buyer.

Projects are included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses
Other external expenses comprise expenses relating to the Company's ordinary activities, including expenses

Accounting policies

for premises, administration, sales, etc.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for the Company's staff.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Income from investments in associates
Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

Other financial income
Other financial income comprises interest income and exchange differences from long-term receivables.

Other financial expenses
Other financial expenses comprise interest expenses and exchange differences.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Company is jointly taxed with all of its wholly owned Danish subsidiaries and other affiliated companies. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet
Goodwill
Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation period is 20 years because goodwill derives from strategically acquired enterprises with a strong market position and a long-term earnings profile.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings as well as other fixtures and fittings, tools and equipment are measured at cost less

Accounting policies

accumulated depreciation. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	50 years
Other fixtures and fittings, tools and equipment	3-8 years

Estimated useful lives and residual values are reassessed annually.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or minus unamortised positive, or negative, goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with a negative equity value are measured at zero value, and any receivables from these enterprises are written down by the Company’s share of such negative equity if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Company has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and the pro rata share of the fair value of the assets and liabilities acquired which have been measured at fair value at the date of acquisition. The amortisation period for goodwill is 20 years because goodwill derives from strategically acquired enterprises with a strong market position and a long-term earnings profile.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates
Investments in associates are recognised and measured according to the equity method. This means that, in the balance sheet, investments are measured at the pro rata share of the associates' equity value plus or minus unamortised positive, or negative, goodwill and plus or minus unrealised intra-group profits or losses.

Associates with a negative equity are measured at zero value, and any receivables from these associates are written down by the Company’s share of such negative equity if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the

Accounting policies

Company has a legal or constructive obligation to cover the liabilities of the relevant associate.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and the pro rata share of the fair value of the assets and liabilities acquired which have been measured at fair value at the date of acquisition. The amortisation period for goodwill is 20 years because goodwill derives from strategically acquired enterprises with a strong market position and a long-term earnings profile.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Inventories
Inventories are measured at the lower of cost using the average method and net realisable value.

Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Contract work in progress
Contract work in progress (construction contracts) is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a construction contract cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

Accounting policies

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Income tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Once it is likely that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Mortgage debt
At the time of borrowing, mortgage debt is measured at cost, which corresponds to the proceeds received less transaction costs incurred. The mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Accounting policies

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

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.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as the Company's cash and cash equivalents at the beginning and the end of the financial year.

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

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank debt.