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MacArtney A/S

Gl Guldagervej 48
6710 Esbjerg V
CVR No. 84164828

Annual report 01.10.2019 - 30.09.2020

The Annual General Meeting adopted the annual report on 01.02.2021

Niels Erik Hedeager
Chairman of the General Meeting

Contents

Entity details

Entity

MacArtney A/S

Gl Guldagervej 48

6710 Esbjerg V

Business Registration No.: 84164828

Registered office: Esbjerg V

Financial year: 01.10.2019 - 30.09.2020

Board of Directors

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

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 01.10.2019 - 30.09.2020

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 30.09.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2019 - 30.09.2020.

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, 11.12.2020

Executive Board

Claus Omann

Board of Directors

Marco Dalhoff MacArtney

Henrik Uhd Christensen

Glenn Carsten Macartney

Niels Erik Hedeager

Jon Arthur Ferrier

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 01.10.2019 - 30.09.2020, 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 30.09.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2019 - 30.09.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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 Entity'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 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 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 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 Entity'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 Entity'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 and 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.

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, 11.12.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

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

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

Management commentary

Financial highlights

	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000
Key figures					
Revenue	665,722	635,037	551,854	452,700	431,595
Gross profit/loss	227,637	227,053	202,178	162,286	135,882
Operating profit/loss	18,340	10,746	241	(22,515)	(16,978)
Net financials	13,175	11,471	8,970	6,145	4,166
Profit/loss for the year	28,336	19,921	5,520	(17,665)	(7,853)
Profit for the year excl. minority interests	27,364	18,974	4,559	(17,475)	(8,172)
Balance sheet total	435,948	406,584	409,263	315,491	277,804
Investments in property, plant and equipment	12,325	7,192	15,105	34,990	12,938
Equity	210,803	197,852	178,582	175,393	199,107
Equity excl. minority interests	205,570	193,585	175,262	170,046	196,270
Average invested capital incl. goodwill	210,475	216,500	203,660	171,232	160,449
Net interest-bearing debt	14,726	29,501	57,257	27,322	(2,585)
EBITDA	31,290	24,403	13,463	(11,569)	(8,943)
EBIT	18,340	10,746	241	(22,515)	(16,978)
Ratios					
Net margin (%)	4.26	3.14	1.00	(3.90)	(1.82)
Return on invested capital incl. goodwill (%)	10.2	6.2	1.6	(12.0)	(10.2)
Revenue/average invested capital incl. goodwill (%)	3.2	2.9	2.7	2.6	2.7
Financial gearing	0.07	0.15	0.32	0.16	(0.01)
Return on equity (%)	13.71	10.29	2.64	(9.54)	(4.0)
Equity ratio (%)	47.15	47.61	42.82	53.90	70.65
EBITDA margin (%)	4.7	3.8	2.4	(2.6)	(2.1)

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

Net margin (%):
Profit/loss for the year * 100
Revenue

Return on invested capital incl goodwill (%):
EBITA * 100
Average invested capital incl goodwill

Revenue/Invested capital incl goodwill:
Revenue
Average invested capital incl goodwill

Financial gearing :
Net interest-bearing debt
Average equity

Return on equity (%):
Profit/loss for the year excl. minority interests * 100
Average equity excl. minority interests

Equity ratio (%):
Equity excl. minority interests * 100
Balance sheet total

EBITDA margin (%):
Operating profit/loss excl. depreciations * 100
Revenue

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, includ-ing cash and income tax receivable.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, includ-ing 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.

Primary activities

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

The company has its key competency within underwater technology - developing, producing and selling 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 service.

Development in activities and finances

The yearly profit for the group after-tax amounts to DKK 28,336 thousand and the parent company yields a profit of DKK 27,364 thousand after tax.

After distribution of the profit for the year, the total equity for the parent company amounts to DKK 205,570 thousand, and the group amounts to DKK 210,803 thousand, corresponding to 48.4% of the total balance sheet at 30.09.2020 for the group.

Profit/loss for the year in relation to expected developments

The MacArtney Group achieved profitable growth for the fiscal year. Management considers this to be satisfactory.

Outlook

MacArtney expects that the group in 2020/21 will realize a lower activity and result than in 2019/20.

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 fluctuations in exchange and interest rates. It is the group’s policy not to actively take financial risks.

Currency risks

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.

Business model

MacArtney develop, produce and sell special components and systems suppling underwater technology. The MacArtney Group owns the full value chain from development and engineering to, project management, manufacturing and aftersales. The special components and systems are sold through MacArtney A/S and subsidiaries as well as through a worldwide agent network. MacArtney is represented by subsidiaries in the US, Canada, the UK, Norway, France, the Netherlands, Germany, Italy, Australia, Singapore and China.

MacArtney A/S is ISO 9001 & ISO 45001 certified. The measures in the management system is expanded to cover also the areas of Environment, Climate, Health, Safety and Social aspects and Human rights. This means that methods are in place to ensure development and follow-up on action plans in order to follow progress towards strategic intentions and specific goals.

Environmental performance

MacArtney Group affects environment with production plants in DK and indirectly also with the special components sourced out by MacArtney as well as the use and disposal of products at customers. As MacArtney is aware of the potential risk of impacting the environment from activities MacArtney wants to be an environmentally conscious and responsible enterprise who contribute to a sustainable world and we aim to reduce our environmental footprint and impact on the climate.

MacArtney A/S has updated the Environmental policy so that it now deals with both environment and climate. MacArtney A/S measure our energy consumption regarding electricity and waste. All Electricity consumption in MacArtney Headquarter is 100% Sustainable Energy from Wind farms.

	2019/20	2018/19	2017/18
Electricity (kWh)	502.917	516.784	573.793
Waste in (Ton)	50	56	66

The total consumption of electricity is decrease by 2.68 % since last year. The consumption in MacArtney Headquarter is increase by 2.9 % and MacArtney Manufacturing is decrease by 6,8 %. The figure reflects the order intake. Our consumption of waste is decrease by 7 % but this could be balanced in Q1-2021 due waste collection in September is not count in the figure.

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.

Statutory report on corporate social responsibility

MacArtney assumes responsibility for its special components and systems, also when it comes to environmental issues and social conditions. MacArtney is committed to comply with the requirements to large companies in relation to Corporate Social Responsibility and has been for several years. In the coming years we will increase our systematic efforts to integrate social and human rights, and environmental and climate issues in our business strategy.

Social and employee aspects

MacArtney's commitment to social and human rights is based on the values. We care for people. The Code of Conduct policy that applies to MacArtney personnel has been foundation since 2014. The fundamental value is that the employees of MacArtney is the most valuable resource and a prerequisite condition for success of the group. MacArtney A/S has a work environment organization that acts proactively to ensure a safe and healthy working environment. MacArtney A/S measure employee safety and satisfaction through KPI´s for work accidents and sick absence.

	2019/20	2018/19	2017/18
Work accidents (KPI = 0)	5	3	0
Sick absence (KPI < 2.5%)	3.8%	3.6%	3.2%

5 employees were injured which has been analysed thoroughly and measures are taken to prevent reoccurrence.

The sick absence has increased during the year. MacArtney strives to improve the Sick absence to become below 2.5%. To prevent the increasing trend MacArtney has analysed and divided sick absence into categories as operation, stress, work related injury and other which will be managed by each department.

Social responsibility for society

The Code of Conduct policy in MacArtney also applies to all forms of corruption, receiving or giving of bribes are strictly forbidden in all business transactions with cooperation partners in both the private and public sector.
To mitigate these risks MacArtney have developed a Supplier Code of Conduct in 2018 and the intension is that all relevant strategic suppliers must receive and sign this. The Supplier Code of Conduct cover Human rights, child labour, discrimination, forced labour, working environment, working hours and salary, the right to organize and collective bargaining, right to privacy, environment, corruption and bribery.

MacArtney A/S measure the number of signed Code of Conducts

	2019/20	**2018/19**	**2017/18**
Signed Code of Conduct	17	9	0

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 by 2025. 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 2021. 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 29% of executive positions are held by female managers in the company, which is well ahead of the target but slightly below last year, where this was 35%.

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 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Revenue	1	665,722	635,037
Cost of sales		(364,158)	(340,060)
Other external expenses	2	(73,927)	(67,924)
Gross profit/loss		**227,637**	**227,053**
Staff costs	3	(196,347)	(202,650)
Depreciation, amortisation and impairment losses	4	(12,950)	(13,657)
Operating profit/loss		**18,340**	**10,746**
Income from investments in associates		17,732	13,827
Other financial income		1,903	969
Other financial expenses		(6,460)	(3,325)
Profit/loss before tax		**31,515**	**22,217**
Tax on profit/loss for the year	5	(3,179)	(2,296)
Profit/loss for the year	6	**28,336**	**19,921**

Consolidated balance sheet at 30.09.2020

Assets

	Notes	2019/20 DKK'000	2018/19 DKK'000
Completed development projects	8	1,195	0
Goodwill		39,104	42,203
Intangible assets	7	**40,299**	**42,203**
Land and buildings		26,077	26,908
Other fixtures and fittings, tools and equipment		23,404	22,383
Property, plant and equipment in progress		1,692	0
Property, plant and equipment	9	**51,173**	**49,291**
Investments in associates		28,154	23,462
Fixed asset investments	10	**28,154**	**23,462**
Fixed assets		**119,626**	**114,956**
Raw materials and consumables		65,158	53,543
Work in progress		17,709	14,371
Manufactured goods and goods for resale		741	609
Inventories		**83,608**	**68,523**

Trade receivables		85,979	121,675
Contract work in progress	11	37,211	21,317
Receivables from group enterprises		35,418	36,482
Deferred tax	12	6,352	6,828
Other receivables		3,774	4,929
Tax receivable		1,302	161
Joint taxation contribution receivable		788	1,030
Prepayments	13	21,862	2,610
Receivables		**192,686**	**195,032**
Cash		**40,028**	**28,073**
Current assets		**316,322**	**291,628**
Assets		**435,948**	**406,584**

Equity and liabilities

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital	14	10,000	10,000
Retained earnings		184,615	174,115
Proposed dividend for the financial year		10,955	9,470
Equity belonging to Parent's shareholders		**205,570**	**193,585**
Equity belonging to minority interests		**5,233**	**4,267**
Equity		**210,803**	**197,852**
Deferred tax	12	451	159
Other provisions	15	3,135	107
Provisions		**3,586**	**266**
Mortgage debt		10,048	10,299
Bank loans		9,643	13,928
Lease liabilities		2,505	1,406
Non-current liabilities other than provisions	16	**22,196**	**25,633**

Current portion of non-current liabilities other than provisions	16	6,585	6,473
Bank loans		61,423	59,703
Prepayments received from customers		229	2,065
Contract work in progress	11	30,611	28,354
Trade payables		39,961	38,148
Payables to associates		4,943	5,566
Tax payable		2,058	3,438
Other payables		53,553	39,086
Current liabilities other than provisions		**199,363**	**182,833**
Liabilities other than provisions		**221,559**	**208,466**
Equity and liabilities		**435,948**	**406,584**
Financial instruments	19		
Unrecognised rental and lease commitments	20		
Contingent assets	21		
Contingent liabilities	22		
Assets charged and collateral	23		
Group relations	24		
Subsidiaries	25		

Consolidated statement of changes in equity for 2019/20

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend for the financial year DKK'000	Equity belonging to Parent's shareholders DKK'000	Equity belonging to minority interests DKK'000
Equity beginning of year	10,000	174,115	9,470	193,585	4,267
Ordinary dividend paid	0	0	(9,470)	(9,470)	0
Exchange rate adjustments	0	(6,061)	0	(6,061)	(6)
Other entries on equity	0	195	0	195	0
Tax of entries on equity	0	(43)	0	(43)	0
Profit/loss for the year	0	16,409	10,955	27,364	972
Equity end of year	**10,000**	**184,615**	**10,955**	**205,570**	**5,233**

	Total DKK'000
Equity beginning of year	197,852
Ordinary dividend paid	(9,470)
Exchange rate adjustments	(6,067)
Other entries on equity	195
Tax of entries on equity	(43)
Profit/loss for the year	28,336
Equity end of year	**210,803**

Consolidated cash flow statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Operating profit/loss		18,340	10,746
Amortisation, depreciation and impairment losses		12,950	13,657
Other provisions		3,028	0
Working capital changes	17	3,762	14,193
Cash flow from ordinary operating activities		**38,080**	**38,596**
Financial income received		1,903	969
Financial expenses paid		(6,460)	(3,325)
Taxes refunded/(paid)		(4,733)	(576)
Other cash flows from operating activities	18	(2,892)	15
Cash flows from operating activities		**25,898**	**35,679**
Acquisition etc. of intangible assets		(1,328)	0
Acquisition etc. of property, plant and equipment		(12,325)	(7,193)
Sale of property, plant and equipment		75	776
Dividends received		10,710	10,415
Cash flows from investing activities		**(2,868)**	**3,998**
Free cash flows generated from operations and investments before financing		**23,030**	**39,677**
Repayments of loans etc.		(3,325)	(5,908)
Dividend paid		(9,470)	(3,400)
Cash flows from financing activities		**(12,795)**	**(9,308)**

Increase/decrease in cash and cash equivalents	**10,235**	**30,369**
Cash and cash equivalents beginning of year	(31,630)	(61,999)
Cash and cash equivalents end of year	**(21,395)**	**(31,630)**
Cash and cash equivalents at year-end are composed of:		
Cash	40,028	28,073
Short-term bank loans	(61,423)	(59,703)
Cash and cash equivalents end of year	**(21,395)**	**(31,630)**

Notes to consolidated financial statements

1 Revenue

	2019/20 DKK'000	2018/19 DKK'000
Asia	59,072	53,494
Europe	434,930	466,482
America	171,720	115,061
Total revenue by geographical market	**665,722**	**635,037**

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.

2 Fees to the auditor appointed by the Annual General Meeting

	2019/20 DKK'000	2018/19 DKK'000
Statutory audit services	710	659
Other assurance engagements	82	178
Tax services	687	358
Other services	617	443
	2,096	**1,638**

Fees to Deloitte, auditors of the Parent, amount to DKK 1,097 thousand, and fees to other audit firms amount to DKK 999 thousand.

3 Staff costs

	2019/20 DKK'000	2018/19 DKK'000
Wages and salaries	162,867	166,035
Pension costs	17,213	17,972
Other social security costs	16,267	18,643
	196,347	**202,650**

Average number of full-time employees	**397**	**416**

	Remuneration of management 2019/20 DKK'000	Remuneration of management 2018/19 DKK'000
Total amount for management categories	6,645	7,132
	6,645	**7,132**

The Group has received DKK 4,646 thousand as part of Danish and US governments' payroll protection programs during the Covid-19 pandemic. This compensation has been deducted from total wages and salaries.

4 Depreciation, amortisation and impairment losses

	2019/20 DKK'000	2018/19 DKK'000
Amortisation of intangible assets	3,232	2,753
Depreciation on property, plant and equipment	9,739	10,739
Profit/loss from sale of intangible assets and property, plant and equipment	(21)	165
	12,950	**13,657**

5 Tax on profit/loss for the year

	2019/20 DKK'000	2018/19 DKK'000
Current tax	5,510	4,284
Change in deferred tax	(725)	(905)
Adjustment concerning previous years	(818)	(583)
Refund in joint taxation arrangement	(788)	(500)
	3,179	**2,296**

6 Proposed distribution of profit/loss

	2019/20 DKK'000	2018/19 DKK'000
Ordinary dividend for the financial year	10,955	9,470
Extraordinary dividend distributed in the financial year	0	3,400
Retained earnings	16,409	6,104
Minority interests' share of profit/loss	972	947
	28,336	**19,921**

7 Intangible assets

	Completed development projects DKK'000	Goodwill DKK'000
Cost beginning of year	0	55,159
Additions	1,328	0
Cost end of year	**1,328**	**55,159**
Amortisation and impairment losses beginning of year	0	(12,956)
Amortisation for the year	(133)	(3,099)
Amortisation and impairment losses end of year	**(133)**	**(16,055)**
Carrying amount end of year	**1,195**	**39,104**

8 Development projects

Completed development projects consist of development of the Trustlink MS Connector Range. The project is expected to gain competitive advantages in the future.

9 Property, plant and equipment

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	34,941	81,190	0
Exchange rate adjustments	422	(837)	0
Additions	0	10,633	1,692
Disposals	0	(445)	0
Cost end of year	**35,363**	**90,541**	**1,692**
Depreciation and impairment losses beginning of year	(8,033)	(58,807)	0
Exchange rate adjustments	(235)	0	0
Depreciation for the year	(1,018)	(8,721)	0
Reversal regarding disposals	0	391	0
Depreciation and impairment losses end of year	**(9,286)**	**(67,137)**	**0**
Carrying amount end of year	**26,077**	**23,404**	**1,692**
Recognised assets not owned by Entity	0	3,033	0

10 Fixed asset investments

	Investments in associates DKK'000
Cost beginning of year	1,524
Cost end of year	**1,524**
Revaluations beginning of year	21,938
Exchange rate adjustments	(2,330)
Share of profit/loss for the year	17,732
Dividend	(10,710)
Revaluations end of year	**26,630**
Carrying amount end of year	**28,154**

Associates	**Registered in**	**Ownership %**
Subconc Inc.	USA	49
Abyssea S.A.	France	20

11 Contract work in progress

	2019/20 DKK'000	2018/19 DKK'000
Contract work in progress	209,165	181,998
Progress billings	(202,565)	(189,035)
Transferred to liabilities other than provisions	30,611	28,354
	37,211	**21,317**

12 Deferred tax

	2019/20 DKK'000	2018/19 DKK'000
Intangible assets	(163)	(143)
Property, plant and equipment	(466)	1,323
Inventories	825	831
Receivables	1,086	85
Tax losses carried forward	4,643	4,523
Other taxable temporary differences	(24)	50
Deferred tax	**5,901**	**6,669**

Changes during the year	2019/20 DKK'000	2018/19 DKK'000
Beginning of year	6,669	5,713
Recognised in the income statement	(725)	905
Recognised directly in equity	(43)	51
End of year	**5,901**	**6,669**

Deferred tax has been recognised in the balance sheet as follows	2019/20 DKK'000	2018/19 DKK'000
Deferred tax assets	6,352	6,828
Deferred tax liabilities	(451)	(159)
	5,901	**6,669**

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.

13 Prepayments

Prepayments include prepaid expenses.

14 Contributed capital

	Number	Par value DKK'000	Nominal value DKK'000
Ordinary shares	1,000	10	10,000
	1,000		**10,000**

15 Other provisions

Other provisions include warranty provisions.

16 Non-current liabilities other than provisions

	Due within 12 months 2019/20 DKK'000	Due within 12 months 2018/19 DKK'000	Due after more than 12 months 2019/20 DKK'000	Outstanding after 5 years 2019/20 DKK'000
Mortgage debt	1,434	1,013	10,048	4,175
Bank loans	4,286	4,286	9,643	0
Lease liabilities	865	1,174	2,505	0
	6,585	**6,473**	**22,196**	**4,175**

17 Changes in working capital

	2019/20 DKK'000	2018/19 DKK'000
Increase/decrease in inventories	(15,085)	(3,481)
Increase/decrease in receivables	2,769	30,391
Increase/decrease in trade payables etc.	16,078	(12,717)
	3,762	**14,193**

18 Other cash flows from operating activities

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

19 Derivative financial instruments

Currency hedging

Other liabilities include negative fair value of forward exchange contracts at DKK 1,128 thousand. Foreign exchange contracts have been entered into to hedge the exchange rate risk of sales and purchases in NOK for a total of NOK 10,000 thousand (DKKK 7,855 thousand). Fair value adjustments are recognized in the income statement. The exchange rate switches have a maturity of 0-2 months.

Interest hedging

Other payables include the negative fair value of an interest rate swap of DKK 165 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 13.9 million and secures a fixed interest rate of 0.28% for the remaining maturity of three years. The bank loan and the interest rate swap have been concluded with the same counterparty.

20 Unrecognised rental and lease commitments

Rental and lease commitments amount to approximately DKK 100,857 thousand.

21 Contingent assets

The Group has a contingent deferred tax asset of DKK 5,382 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.

22 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 15,140 thousand at 30.09.2020.

Credit institutions have provided guarantees as security for performance of approximately DKK 40,507 thousand, and other guarantees of approximately DKK 2,940 thousand.

23 Assets charged and collateral

Mortgage debt is secured by way of a mortgage deed of approximately DKK 61,381 thousand on properties and assets of a total carrying amount of DKK 47,644 thousand.

24 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 Finance ApS, Esbjerg

25 Subsidiaries

	Registered in	Ownership %
MacArtney Norge A/S	Norway	100
MacArtney UK Ltd.	UK	100
MacArtney Distribution Center Inc.	USA	100
MacArtney Inc.	USA	100
MacArtney Canada Ltd.	Canada	100
MacArtney France SAS	France	100
MacArtney Italy s.r.l.	Italy	100
MBT GmbH	Germany	64
MacArtney Benelux B.V.	Holland	75
MacArtney Singapore Pte. Ltd	Singapore	100
MacArtney Australia Pty ltd	Australia	100
MacArtney China Co. Ltd	China	100
MacArtney Hydraulics A/S	Denmark	100

Parent income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Revenue	1	340,055	368,529
Other operating income		2,827	3,640
Cost of sales		(202,985)	(233,074)
Other external expenses	2	(32,820)	(32,236)
Gross profit/loss		**107,077**	**106,859**
Staff costs	3	(106,543)	(114,879)
Depreciation, amortisation and impairment losses	4	(6,850)	(6,110)
Operating profit/loss		**(6,316)**	**(14,130)**
Income from investments in group enterprises		16,929	18,813
Income from investments in associates		17,732	13,827
Other financial income from group enterprises		1,337	1,715
Other financial income		66	(103)
Other financial expenses		(5,364)	(2,127)
Profit/loss before tax		**24,384**	**17,995**
Tax on profit/loss for the year	5	2,980	979
Profit/loss for the year	6	**27,364**	**18,974**

Parent balance sheet at 30.09.2020

Assets

	Notes	2019/20 DKK'000	2018/19 DKK'000
Completed development projects	8	1,195	0
Goodwill		22,134	23,600
Intangible assets	7	**23,329**	**23,600**
Land and buildings		15,660	16,031
Other fixtures and fittings, tools and equipment		13,436	10,995
Property, plant and equipment in progress		1,692	0
Property, plant and equipment	9	**30,788**	**27,026**
Investments in group enterprises		88,040	74,789
Receivables from group enterprises		152	1,159
Investments in associates		27,155	22,716
Fixed asset investments	10	**115,347**	**98,664**
Fixed assets		**169,464**	**149,290**
Raw materials and consumables		29,244	22,664
Work in progress		6,892	5,113
Manufactured goods and goods for resale		741	609
Inventories		**36,877**	**28,386**

Trade receivables		11,030	34,402
Contract work in progress	11	20,114	18,466
Receivables from group enterprises		95,958	105,283
Deferred tax	12	3,940	2,095
Other receivables		38	196
Tax receivable		981	677
Joint taxation contribution receivable		788	1,030
Prepayments	13	1,976	745
Receivables		**134,825**	**162,894**
Cash		**7,987**	**14,338**
Current assets		**179,689**	**205,618**
Assets		**349,153**	**354,908**

Equity and liabilities

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital		10,000	10,000
Reserve for net revaluation according to the equity method		79,315	61,712
Reserve for development costs		932	0
Retained earnings		104,368	112,403
Proposed dividend for the financial year		10,955	9,470
Equity		**205,570**	**193,585**
Other provisions	14	3,028	0
Provisions		**3,028**	**0**
Mortgage debt		4,688	4,929
Bank loans		9,643	13,928
Finance lease liabilities		2,505	565
Non-current liabilities other than provisions	15	**16,836**	**19,422**
Current portion of non-current liabilities other than provisions	15	5,471	5,684
Bank loans		54,161	51,441
Prepayments received from customers		229	2,065
Contract work in progress	11	3,854	27,421
Trade payables		18,245	26,446
Payables to group enterprises		2,169	2,639
Payables to associates		4,626	5,566
Tax payable		317	202
Other payables		34,647	20,437
Current liabilities other than provisions		**123,719**	**141,901**
Liabilities other than provisions		**140,555**	**161,323**
Equity and liabilities		**349,153**	**354,908**
Financial instruments	16		
Unrecognised rental and lease commitments	17		
Contingent assets	18		
Contingent liabilities	19		
Assets charged and collateral	20		
Related parties with controlling interest	21		
Transactions with related parties	22		

Parent statement of changes in equity for 2019/20

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development costs DKK'000	Retained earnings DKK'000	Proposed dividend for the year DKK'000
Equity beginning of year	10,000	61,712	0	112,403	9,470
Ordinary dividend paid	0	0	0	0	(9,470)
Exchange rate adjustments	0	(6,061)	0	0	0
Other entries on equity	0	0	0	195	0
Tax of entries on equity	0	0	0	(43)	0
Transfer to reserves	0	0	932	(932)	0
Profit/loss for the year	0	23,664	0	(7,255)	10,955
Equity end of year	**10,000**	**79,315**	**932**	**104,368**	**10,955**

	Total DKK'000
Equity beginning of year	193,585
Ordinary dividend paid	(9,470)
Exchange rate adjustments	(6,061)
Other entries on equity	195
Tax of entries on equity	(43)
Transfer to reserves	0
Profit/loss for the year	27,364
Equity end of year	**205,570**

Notes to parent financial statements

1 Revenue

	2019/20 DKK'000	2018/19 DKK'000
Asia	18,622	14,425
Europe	261,937	311,206
America	59,496	42,898
Total revenue by geographical market	**340,055**	**368,529**

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.

2 Fees to the auditor appointed by the Annual General Meeting

	2019/20 DKK'000	2018/19 DKK'000
Statutory audit services	416	400
Tax services	330	150
Other services	342	201
	1,088	**751**

3 Staff costs

	2019/20 DKK'000	2018/19 DKK'000
Wages and salaries	92,494	99,696
Pension costs	12,817	13,367
Other social security costs	1,232	1,816
	106,543	**114,879**

Average number of full-time employees	**174**	**189**

	Remuneration of manage-ment 2019/20 DKK'000	Remuneration of manage-ment 2018/19 DKK'000
Total amount for management categories	6,645	7,132
	6,645	**7,132**

The Company has received DKK 2,050 thousand as part of the government's payroll protection program during the Covid-19 pandemic. This compensation has been deducted from total wages and salaries.

4 Depreciation, amortisation and impairment losses

	2019/20 DKK'000	2018/19 DKK '000
Amortisation of intangible assets	1,599	1,466
Depreciation on property, plant and equipment	5,251	4,644
	6,850	**6,110**

5 Tax on profit/loss for the year

	2019/20 DKK'000	2018/19 DKK'000
Change in deferred tax	(1,888)	51
Adjustment concerning previous years	(304)	(530)
Refund in joint taxation arrangement	(788)	(500)
	(2,980)	**(979)**

6 Proposed distribution of profit and loss

	2019/20 DKK'000	2018/19 DKK'000
Ordinary dividend for the financial year	10,955	9,470
Extraordinary dividend distributed in the financial year	0	3,400
Retained earnings	16,409	6,104
	27,364	**18,974**

7 Intangible assets

	Completed development projects DKK'000	Goodwill DKK'000
Cost beginning of year	0	26,532
Additions	1,328	0
Cost end of year	**1,328**	**26,532**
Amortisation and impairment losses beginning of year	0	(2,932)
Amortisation for the year	(133)	(1,466)
Amortisation and impairment losses end of year	**(133)**	**(4,398)**
Carrying amount end of year	**1,195**	**22,134**

8 Development projects

Completed development projects consist of development of the Trustlink MS Connector Range. The project is expected to gain competitive advantages in the future.

9 Property, plant and equipment

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	16,766	38,690	0
Additions	0	7,321	1,692
Cost end of year	**16,766**	**46,011**	**1,692**
Depreciation and impairment losses beginning of year	(735)	(27,695)	0
Depreciation for the year	(371)	(4,880)	0
Depreciation and impairment losses end of year	**(1,106)**	**(32,575)**	**0**
Carrying amount end of year	**15,660**	**13,436**	**1,692**
Recognised assets not owned by entity	0	3,033	0

10 Fixed asset investments

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Investments in associates DKK'000
Cost beginning of year	35,762	1,159	31
Additions	88	0	0
Disposals	0	(1,007)	0
Cost end of year	**35,850**	**152**	**31**
Revaluations beginning of year	39,027	0	22,685
Exchange rate adjustments	(2,655)	0	(2,583)
Amortisation of goodwill	(489)	0	0
Share of profit/loss for the year	16,307	0	17,732
Dividend	0	0	(10,710)
Revaluations end of year	**52,190**	**0**	**27,124**
Carrying amount end of year	**88,040**	**152**	**27,155**

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

Investments in associates	Registered in	Ownership %
Subconn Inc.	USA	49
Abyssea S.A.	France	20

11 Contract work in progress

	2019/20 DKK'000	2018/19 DKK'000
Contract work in progress	194,421	181,998
Progress billings	(178,162)	(190,952)
Transferred to liabilities other than provisions	3,855	27,421
	20,114	**18,467**

12 Deferred tax

	2019/20 DKK'000	2018/19 DKK'000
Property, plant and equipment	(638)	(805)
Inventories	694	678
Receivables	261	85
Provisions	666	0
Tax losses carried forward	2,957	2,137
Deferred tax	**3,940**	**2,095**

Changes during the year	2019/20 DKK'000	2018/19 DKK'000
Beginning of year	2,095	2,095
Recognised in the income statement	1,888	(51)
Recognised directly in equity	(43)	51
End of year	**3,940**	**2,095**

Based on an evaluation of the markets in Denmark 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.

13 Prepayments

Prepayments include prepaid expenses.

14 Other provisions

Other provisions include provisions for warranties.

15 Non-current liabilities other than provisions

	Due within 12 months 2019/20 DKK'000	Due within 12 months 2018/19 DKK'000	Due after more than 12 months 2019/20 DKK'000	Outstanding after 5 years 2019/20 DKK'000
Mortgage debt	320	388	4,688	3,432
Bank loans	4,286	4,286	9,643	0
Lease liabilities	865	1,010	2,505	0
	5,471	**5,684**	**16,836**	**3,432**

16 Derivative financial instruments

Currency hedging

Other liabilities include negative fair value of forward exchange contracts at DKK 1,128 thousand.
Foreign exchange contracts have been entered into to hedge the exchange rate risk of sales and purchases in NOK for a total of NOK 10,000 thousand (DKK 7,855 thousand). Fair value adjustments are recognized in the income statement. The exchange rate switches have a maturity of 0-2 months.

Interest hedging

Other payables include the negative fair value of an interest rate swap of DKK 165 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 13.9 million and secures a fixed interest rate of 0.28% for the remaining maturity of three years. The bank loan and the interest rate swap have been concluded with the same counterparty.

17 Unrecognised rental and lease commitments

Rental and lease commitments amount to approximately DKK 40,543 thousand.

18 Contingent assets

The Company has a contingent deferred tax asset of DKK 5,382 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 15,140 thousand at 30.09.2020.

Credit institutions have provided guarantees as security for performance of approximately DKK 12,409 thousand.

20 Assets charged and collateral

A guarantee has been provided for foreign subsidiaries' bank debt maximising DKK 15,500 thousand. The bank debt amounts to DKK 11,310 thousand at 30.09.2020.

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 16,031 thousand.

21 Related parties with controlling interest

MacArtney Finance ApS, Esbjerg, Denmark owns all shares in the Entity, thus exercising control.

22 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).

The accounting policies applied to these consolidated financial statements and parent financial statements are 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 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 Management's proposal for the distribution of net profit/loss and equity, respectively.

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

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the 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. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. 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 subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using tistorical rates applicable to relevant non-monetary items.

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 classified directly as 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).

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

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 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.

Wage compensation has been deducted from staff costs. The compensation are recognised when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised as income in the income statement as earned.

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 from group enterprises
Other financial income from group enterprises comprises interest income etc. on receivables from group enterprises.

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.

Development projects
Development projects comprise development projects completed and in progress with related to intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Intellectual property rights etc. are 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 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	3-10 years

Estimated useful lives and residual values are reassessed annually. Items of 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 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.

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

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.

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.

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

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

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management’s proposal for distribution of profit/loss.

Minority interests
Minority interests comprise the minority interests' share of subsidiaries' equity in which the subsidiary is not wholly owned by the Parent.

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 to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. 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.

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.

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.