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MacArtney A/S
Gl Guldagervej 48
6710 Esbjerg V
Central Business Registration
No 84164828

Annual report 01.10.2018 - 30.09.2019

The Annual General Meeting adopted the annual report on 04.02.2020

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: 01.10.2018 - 30.09.2019

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 01.10.2018 - 30.09.2019.

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 30.09.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.10.2018 - 30.09.2019.

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, 13.12.2019

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 01.10.2018 - 30.09.2019, 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 30.09.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.10.2018 - 30.09.2019 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, 13.12.2019

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

	2018/19 DKK'000	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000
Financial highlights					
Key figures					
Revenue	635.037	551.854	452.700	431.595	692.096
Gross profit/loss	227.053	202.178	162.286	135.882	193.901
Operating profit/loss	10.746	241	(22.515)	(16.978)	26.706
Net financials	11.471	8.970	6.145	4.166	5.006
Profit/loss for the year	19.921	5.520	(17.665)	(7.853)	26.338
Profit/loss excl minority interests	18.974	4.559	(17.475)	(8.172)	25.197
Total assets	406.584	409.263	315.491	277.804	328.731
Investments in property, plant and equipment	7.192	15.105	34.990	12.938	7.976
Equity	197.852	178.582	175.393	199.107	215.162
Equity excl minority interests	193.585	175.262	170.046	196.270	211.865
Average invested capital incl goodwill	216.500	203.660	171.232	160.449	160.341
Net interest-bearing debt	67.013	99.635	52.541	(2.585)	(14.624)
EBITDA	24.403	13.463	(11.569)	(8.943)	35.170
EBIT	10.746	241	(22.515)	(16.978)	26.706
EBT	22.217	9.211	(16.370)	(18.812)	31.712
Ratios					
Net margin (%)	3,1	1,0	(3,9)	(1,8)	3,8
Return on invested capital incl goodwill (%)	6,2	1,6	(12,0)	(10,2)	17,0
Revenue/Invested capital incl goodwill	2,9	2,7	2,6	2,7	4,3
Financial gearing (%)	0,3	0,6	0,3	0,0	(0,1)
Return on equity (%)	10,3	2,6	(9,5)	(4,0)	12,5
Equity ratio (%)	47,6	42,8	53,9	70,7	64,4
EBITDA margin (%)	3,8	2,4	(2,6)	(2,1)	5,1

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	The entity's financial gearing.
Return on equity (%)	Profit/loss 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 (%)	Operating profit/loss excl. depreciations x 100 / Revenue	The enterprise's operating profitability.

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 operations in the US, Canada, the UK, Norway, France, the Netherlands, Germany, Italy, Singapore, Australia 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 450 people. The MacArtney Group owns the full value chain from development and engineering to project management, manufacturing and after-sales.

In the following document, the name MacArtney is used for MacArtney A/S and all operations within the Group. Where MacArtney A/S is used this applies specifically to the parent company.

Development in activities and finances
The yearly profit for the Group after-tax amounts to DKK 19.921k and the parent company yields a profit of DKK 18.974k after tax.

After the distribution of the profit for the year, the total equity for the parent company amounts to DKK 193.585k, and the Group amounts to DKK 197.852k, corresponding to 49% of the balance sheet total, as of the 30th of September 2019 for the Group.

Profit/loss for the year in relation to expected developments
The markets and industries that MacArtney serves have in general seen a slight growth, which has affected activity positively. In addition, the company has succeeded in gaining market share in several markets, and a number of major projects have been won. During the year, Macartney has worked on its geographical expansion, which is expected to have a positive impact in the coming years. The activity for the year has been above the expected level, and the management is, therefore, satisfied with the result for the year.

MacArtney 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. Specifically, the Oil & Gas industry has had neutral development. On the other hand, there has been increasing activity in ocean science, renewable energy and defence.

This year MacArtney's international operations have generally seen a positive development, and most operations have recorded a positive profit above expectations. Development of MacArtney's service business is additionally an important focus area, which has also demonstrated positive growth throughout the year.

MacArtney has continued its investment in the development of new products during the year. Thus, a new series of harsh environment subsea connectors has been launched. A new handling product has also been developed, for which a patent has been issued.

Throughout the year, MacArtney has spent resources on strengthening the overall business processes to make operations and administration more efficient. The overall goal is to create a more scalable group that is better able to handle the growth and dynamics of the markets. As part of this work, the sales organisation

Management commentary

at our headquarters in Denmark has been reorganised to better target the industries being served..

Outlook

Assuming oil prices will remain relatively stable and that sudden recession will not hit the world's economies, MacArtney is expected to continue to develop international business so that revenue and profit can be realised at a higher level.

Overall, group revenue is expected to increase by DKK 25-50 million, resulting in positive earnings. The increased revenue growth is based on an increasing order book.

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

Particular risks

Business risks

MacArtney’s most important operating risk is linked to the ability to be strongly positioned in the markets in which its 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.

The major risk factors are primarily related to oil price developments and global market downturns due to macroeconomic factors and increased challenges with international regulations and sanctions in trade.

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. MacArtney’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 headquarters use hedging instruments in the form of forward foreign exchange contracts as a part of the 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.

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
MacArtney assumes responsibility for its special components and systems, including in terms of environmental issues and social conditions. MacArtney is committed to complying with the requirements for 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.

Business model
MacArtney develop, produce and market special components and systems for underwater technology supply. MacArtney owns the full value chain from development and engineering to project management, manufacturing and after-sales. The special components and systems are sold through MacArtney A/S and its operations as well as through a worldwide agent network. MacArtney is represented by operations in the US, Canada, the UK, Norway, France, the Netherlands, Germany, Italy, Singapore, Australia and China.

MacArtney is ISO 9001 certified. The measures in the management system are expanded to also cover the areas of environment, climate, health, safety and social 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 affects the environment with production plants in DK and indirectly also with the special components sourced out by MacArtney, as well as the use of and disposal of products by our customers. As MacArtney is aware of the potential risk of impacting the environment from these activities, MacArtney wishes 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 the environment and climate. MacArtney A/S measure our energy consumption regarding electricity and waste. The KPI objective for both KPI’s are to have a growth which is lower than the production growth.

	2018/19	**2017/18**
Electricity (kWh)	516.784	573.793
Waste in (Ton)	56	66

The consumption of electricity has reduced by 15% since last year. This is a very positive development as the activity in production has increased, including substantial construction activity. Our waste generation in production is at a declining level

Social and employee aspects

MacArtney’s commitment to social and human rights is based on our values. We care for people.

The Code of Conduct policy that applies to MacArtney personnel has been a foundation of MacArtney since 2014. The fundamental value is that the employees of MacArtney are the most valuable resource and a

Management commentary

prerequisite condition for success of the Group. MacArtney A/S has a work environment organisation that acts proactively to ensure a safe and healthy working environment. MacArtney A/S measures employee safety and satisfaction through KPI´s for work accidents and sickness absence. The objective for work accidents is zero accidents and the objective for sick absence is < 2.5%.

	2018/19	2017/18
Work accidents	3	0
Sick absence	3,6%	3,2%

Three employees were injured in 2019, this has been analysed thoroughly, and measures taken to prevent reoccurrence. Sickness absence has increased during the year due to a few employees who became seriously ill and had long term sick leave. MacArtney strives to improve sickness absence to below 2.5%.

Social responsibility for society

The Code of Conduct policy in MacArtney also applies to all forms of corruption. The receiving or giving of bribes is strictly forbidden in all business transactions with cooperation partners, in both the private and the public sector. The main risk related to this is connected to sourcing and selling in high-risk countries, in regards to labour, environment and anti-corruption.

To mitigate these risks, MacArtney developed a Supplier Code of Conduct in 2018, and the intention is that all relevant strategic suppliers must receive and sign this. The Supplier Code of Conduct covers human rights, child labour, discrimination, forced labour, working environment, working hours and salary, the right to organise and collective bargaining, right to privacy, environment, corruption and bribery.

MacArtney A/S measures the number of signed Code of Conducts; the short term KPI objective is a growth in the number of signed Code of Conduct, the long term objective is 100% coverage.

	2018/19	2017/18
Signed Code of Conduct	9	0

Statutory report on the underrepresented gender

MacArtney 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, at a minimum, hold 20% of the company’s executive positions in 2020. MacArtney A/S will transform its goals to actions through the aim that the recruiting process

Management commentary

will always have female applicants among the relevant candidates.

Currently, 35% of the other executive positions are held by female managers in the company, which is a higher-level compared to last year, where this was 32%

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 2018/19

	Notes	2018/19 DKK'000	2017/18 DKK'000
Revenue	1	635.037	551.854
Cost of sales		(340.060)	(289.894)
Other external expenses	2	(67.924)	(59.782)
Gross profit/loss		**227.053**	**202.178**
Staff costs	3	(202.650)	(188.715)
Depreciation, amortisation and impairment losses	4	(13.657)	(13.222)
Operating profit/loss		**10.746**	**241**
Income from investments in associates		13.827	10.065
Other financial income		969	2.024
Other financial expenses		(3.325)	(3.119)
Profit/loss before tax		**22.217**	**9.211**
Tax on profit/loss for the year	5	(2.296)	(3.691)
Profit/loss for the year	6	**19.921**	**5.520**

Consolidated balance sheet at 30.09.2019

	Notes	2018/19 DKK'000	2017/18 DKK'000
Goodwill		42.203	44.425
Intangible assets	7	**42.203**	**44.425**
Land and buildings		26.908	27.826
Other fixtures and fittings, tools and equipment		22.383	25.363
Property, plant and equipment	8	**49.291**	**53.189**
Investments in associates		23.462	18.542
Fixed asset investments	9	**23.462**	**18.542**
Fixed assets		**114.956**	**116.156**
Raw materials and consumables		53.543	54.781
Work in progress		14.371	8.491
Manufactured goods and goods for resale		609	1.770
Inventories		**68.523**	**65.042**
Trade receivables		121.675	103.186
Contract work in progress	11	21.317	64.425
Receivables from group enterprises		36.482	42.378
Deferred tax	12	6.828	5.830
Other receivables		4.929	4.065
Income tax receivable		161	2.050
Joint taxation contribution receivable		1.030	0
Prepayments	13	2.610	3.350
Receivables		**195.032**	**225.284**
Cash		**28.073**	**2.781**
Current assets		**291.628**	**293.107**
Assets		**406.584**	**409.263**

Consolidated balance sheet at 30.09.2019

	Notes	2018/19 DKK'000	2017/18 DKK'000
Contributed capital		10.000	10.000
Retained earnings		174.115	165.262
Proposed dividend		9.470	0
Equity attributable to the Parent's owners		**193.585**	**175.262**
Share of equity attributable to minority interests		**4.267**	**3.320**
Equity		**197.852**	**178.582**
Deferred tax	12	159	117
Other provisions		107	107
Provisions		**266**	**224**
Mortgage debt		10.299	11.196
Bank loans		13.928	18.214
Finance lease liabilities		1.406	1.394
Non-current liabilities other than provisions	14	**25.633**	**30.804**
Current portion of long-term liabilities other than provisions	14	6.473	7.210
Bank loans		59.703	64.780
Prepayments received from customers		2.065	649
Contract work in progress	11	28.354	46.756
Trade payables		38.148	31.446
Payables to associates		5.566	6.989
Income tax payable		3.438	1.672
Other payables		39.086	40.151
Current liabilities other than provisions		**182.833**	**199.653**
Liabilities other than provisions		**208.466**	**230.457**
Equity and liabilities		**406.584**	**409.263**
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 2018/19

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	10.000	165.262	0
Extraordinary dividend paid	0	(3.400)	0
Exchange rate adjustments	0	2.943	0
Other entries on equity	0	(245)	0
Tax of entries on equity	0	51	0
Profit/loss for the year	0	9.504	9.470
Equity end of year	**10.000**	**174.115**	**9.470**

	Share of equity attributable to minority interests DKK'000	Total DKK'000
Equity beginning of year	3.320	178.582
Extraordinary dividend paid	0	(3.400)
Exchange rate adjustments	0	2.943
Other entries on equity	0	(245)
Tax of entries on equity	0	51
Profit/loss for the year	947	19.921
Equity end of year	**4.267**	**197.852**

Consolidated cash flow statement for 2018/19

	Notes	2018/19 DKK'000	2017/18 DKK'000
Operating profit/loss		10.746	241
Amortisation, depreciation and impairment losses		13.657	13.222
Other provisions		0	(43)
Working capital changes	15	14.193	(32.328)
Cash flow from ordinary operating activities		**38.596**	**(18.908)**
Financial income received		969	2.024
Financial expenses paid		(3.325)	(3.119)
Income taxes refunded/(paid)		(576)	240
Other cash flows from operating activities	16	15	143
Cash flows from operating activities		**35.679**	**(19.620)**
Acquisition etc of property, plant and equipment		(7.193)	(15.105)
Sale of property, plant and equipment		776	5.868
Acquisition of enterprises		0	(7.794)
Dividends received		10.415	10.427
Cash flows from investing activities		**3.998**	**(6.604)**
Repayments of loans etc		(5.908)	(7.414)
Dividend paid		(3.400)	0
Intercompany accounts		0	(17.505)
Cash flows from financing activities		**(9.308)**	**(24.919)**
Increase/decrease in cash and cash equivalents		**30.369**	**(51.143)**
Cash and cash equivalents beginning of year		(61.999)	(10.856)
Cash and cash equivalents end of year		**(31.630)**	**(61.999)**
Cash and cash equivalents at year-end are composed of:			
Cash		28.073	2.781
Short-term debt to banks		(59.703)	(64.780)
Cash and cash equivalents end of year		**(31.630)**	**(61.999)**

Notes to consolidated financial statements

	2018/19 DKK'000	2017/18 DKK'000
1. Revenue		
Asia	53.494	87.835
Europe	466.482	377.377
America	115.061	86.642
	635.037	**551.854**

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.

	2018/19 DKK'000	2017/18 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	659	699
Other assurance engagements	178	131
Tax services	358	342
Other services	443	432
	1.638	**1.604**

Fees to Deloitte, auditors of the Parent, amount to DKK 877 thousand, and fees to other audit firms amount to DKK 761 thousand.

	2018/19 DKK'000	2017/18 DKK'000
3. Staff costs		
Wages and salaries	166.035	157.661
Pension costs	17.972	16.371
Other social security costs	18.643	14.683
	202.650	**188.715**
Average number of employees	**416**	**365**

	Remuneration of management 2018/19 DKK'000	Remuneration of management 2017/18 DKK'000
Total amount for management categories	7.132	5.567
	7.132	**5.567**

Notes to consolidated financial statements

	2018/19 DKK'000	2017/18 DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.753	3.072
Depreciation of property, plant and equipment	10.739	10.260
Profit/loss from sale of intangible assets and property, plant and equipment	165	(110)
	13.657	**13.222**

	2018/19 DKK'000	2017/18 DKK'000
5. Tax on profit/loss for the year		
Current tax	4.284	3.283
Change in deferred tax	(905)	(690)
Adjustment concerning previous years	(583)	1.098
Refund in joint taxation arrangement	(500)	0
	2.296	**3.691**

	2018/19 DKK'000	2017/18 DKK'000
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	9.470	0
Extraordinary dividend distributed in the financial year	3.400	0
Retained earnings	6.104	4.559
Minority interests' share of profit/loss	947	961
	19.921	**5.520**

	Goodwill DKK'000
7. Intangible assets	
Cost beginning of year	54.419
Exchange rate adjustments	740
Cost end of year	**55.159**
Amortisation and impairment losses beginning of year	(9.994)
Exchange rate adjustments	(209)
Amortisation for the year	(2.753)
Amortisation and impairment losses end of year	**(12.956)**
Carrying amount end of year	**42.203**

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	34.881	82.039
Exchange rate adjustments	20	677
Additions	40	7.152
Disposals	0	(8.678)
Cost end of year	**34.941**	**81.190**
Depreciation and impairment losses beginning of year	(7.055)	(56.676)
Exchange rate adjustments	(9)	(428)
Depreciation for the year	(969)	(9.770)
Reversal regarding disposals	0	8.067
Depreciation and impairment losses end of year	**(8.033)**	**(58.807)**
Carrying amount end of year	**26.908**	**22.383**
Recognised assets not owned by entity	**-**	**2.208**

	Investments in associates DKK'000
9. Fixed asset investments	
Cost beginning of year	1.522
Exchange rate adjustments	2
Cost end of year	**1.524**
Revaluations beginning of year	17.020
Exchange rate adjustments	1.506
Share of profit/loss for the year	13.827
Dividend	(10.415)
Revaluations end of year	**21.938**
Carrying amount end of year	**23.462**

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

	2018/19 DKK'000	2017/18 DKK´000
Selling price	181.998	104.301
Progress billings	(189.035)	(86.632)
Net value	**(7.037)**	**17.669**
Recognised in the balance sheet under:		
Assets	21.317	64.425
Liabilities	(28.354)	(46.756)
	(7.037)	**17.669**

	2018/19 DKK'000	2017/18 DKK'000
12. Deferred tax		
Intangible assets	(143)	(148)
Property, plant and equipment	1.323	(362)
Inventories	831	561
Receivables	85	42
Tax losses carried forward	4.523	5.584
Other taxable temporary differences	50	36
	6.669	**5.713**
Changes during the year		
Beginning of year	5.713	
Recognised in the income statement	905	
Recognised directly in equity	51	
End of year	**6.669**	

Deferred tax has been recognised as assets by DKK 6,828 thousand and as liabilities by DKK 159 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 2018/19 DKK'000	Due within 12 months 2017/18 DKK'000	Due after more than 12 months 2018/19 DKK'000	Outstanding after 5 years DKK'000
14. Liabilities other than provisions				
Mortgage debt	1.013	2.924	10.299	6.265
Bank loans	4.286	4.286	13.928	0
Finance lease liabilities	1.174	0	1.406	0
	6.473	**7.210**	**25.633**	**6.265**

	2018/19 DKK'000	2017/18 DKK'000
15. Change in working capital		
Increase/decrease in inventories	(3.481)	(987)
Increase/decrease in receivables	30.391	(78.318)
Increase/decrease in trade payables etc	(12.717)	46.977
	14.193	**(32.328)**

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	7.856	(319)
		7.856	**(319)**

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 consolidated financial statements

Interest hedging

Other payables include the negative fair value of an interest rate swap of DKK 361 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 18.2 million and secures a fixed interest rate of 0.4% for the remaining maturity of four 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 6,426 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 21,937 thousand at 30.09.2019.

Credit institutions have provided guarantees as security for performance of approximately DKK 12,409 thousand, and other guarantees of approximately DKK 2,333 thousand.

Unrecognised rental and lease commitments

Rental and lease commitments amount to approximately DKK 116,034 thousand.

20. Assets charged and collateral

Mortgage debt is secured by way of a mortgage deed of approximately DKK 68,400 thousand on properties and assets of a total carrying amount of DKK 51,400 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 Finance ApS, Esbjerg

Notes to consolidated financial statements

	Registered in	Equity interest %
22. Subsidiaries		
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 2018/19

	Notes	2018/19 DKK'000	2017/18 DKK'000
Revenue	1	368.530	314.452
Other operating income		3.640	5.082
Cost of sales		(233.074)	(206.790)
Other external expenses	2	(32.236)	(26.773)
Gross profit/loss		**106.860**	**85.971**
Staff costs	3	(114.879)	(95.989)
Depreciation, amortisation and impairment losses	4	(6.110)	(5.204)
Operating profit/loss		**(14.129)**	**(15.222)**
Income from investments in group enterprises		18.813	8.979
Income from investments in associates		13.827	10.065
Other financial income from group enterprises		1.715	857
Other financial income		(103)	1.253
Other financial expenses		(2.128)	(1.940)
Profit/loss before tax		**17.995**	**3.992**
Tax on profit/loss for the year	5	979	567
Profit/loss for the year	6	**18.974**	**4.559**

Parent balance sheet at 30.09.2019

	Notes	2018/19 DKK'000	2017/18 DKK'000
Goodwill		23.600	25.066
Intangible assets	7	**23.600**	**25.066**
Land and buildings		16.031	16.372
Other fixtures and fittings, tools and equipment		10.995	11.730
Property, plant and equipment	8	**27.026**	**28.102**
Investments in group enterprises		74.789	54.539
Receivables from group enterprises		1.159	3.200
Investments in associates		22.716	17.797
Fixed asset investments	9	**98.664**	**75.536**
Fixed assets		**149.290**	**128.704**
Raw materials and consumables		22.664	17.624
Work in progress		5.113	1.858
Manufactured goods and goods for resale		609	1.770
Inventories		**28.386**	**21.252**
Trade receivables		34.402	36.799
Contract work in progress	10	18.466	38.131
Receivables from group enterprises		105.283	94.935
Deferred tax	11	2.095	2.095
Other receivables		196	2.519
Income tax receivable		677	1.978
Joint taxation contribution receivable		1.030	0
Prepayments	12	745	754
Receivables		**162.894**	**177.211**
Cash		**14.338**	**2.137**
Current assets		**205.618**	**200.600**
Assets		**354.908**	**329.304**

Parent balance sheet at 30.09.2019

	Notes	2018/19 DKK'000	2017/18 DKK'000
Contributed capital	13	10.000	10.000
Reserve for net revaluation according to the equity method		61.712	36.543
Retained earnings		112.403	128.704
Proposed dividend		9.470	0
Equity		**193.585**	**175.247**
Mortgage debt		4.929	5.241
Bank loans		13.928	18.214
Finance lease liabilities		565	1.394
Non-current liabilities other than provisions	14	**19.422**	**24.849**
Current portion of long-term liabilities other than provisions	14	5.684	6.468
Bank loans		51.441	54.838
Prepayments received from customers		2.065	649
Contract work in progress	10	27.421	13.356
Trade payables		26.446	23.613
Payables to group enterprises		2.639	709
Payables to associates		5.566	4.348
Income tax payable		202	0
Other payables		20.437	25.227
Current liabilities other than provisions		**141.901**	**129.208**
Liabilities other than provisions		**161.323**	**154.057**
Equity and liabilities		**354.908**	**329.304**
Financial instruments	15		
Contingent assets	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Related parties with controlling interest	19		
Transactions with related parties	20		

Parent statement of changes in equity for 2018/19

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000
Equity beginning of year	10.000	36.543	128.704
Extraordinary dividend paid	0	0	(3.400)
Exchange rate adjustments	0	0	2.943
Other entries on equity	0	0	(230)
Tax of entries on equity	0	0	51
Profit/loss for the year	0	25.169	(15.665)
Equity end of year	**10.000**	**61.712**	**112.403**

	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	0	175.247
Extraordinary dividend paid	0	(3.400)
Exchange rate adjustments	0	2.943
Other entries on equity	0	(230)
Tax of entries on equity	0	51
Profit/loss for the year	9.470	18.974
Equity end of year	**9.470**	**193.585**

Notes to parent financial statements

	2018/19 DKK'000	2017/18 DKK'000
1. Revenue		
Asia	14.425	60.192
Europe	311.207	226.008
America	42.898	28.252
	368.530	**314.452**

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.

	2018/19 DKK'000	2017/18 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	400	349
Tax services	150	198
Other services	201	143
	751	**690**

	2018/19 DKK'000	2017/18 DKK'000
3. Staff costs		
Wages and salaries	99.696	82.490
Pension costs	13.367	11.883
Other social security costs	1.816	1.616
	114.879	**95.989**
Average number of employees	**189**	**163**

	Remuneration of management 2018/19 DKK'000	Remuneration of management 2017/18 DKK'000
Total amount for management categories	7.132	5.567
	7.132	**5.567**

Notes to parent financial statements

	2018/19 DKK'000	2017/18 DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1.466	1.466
Depreciation of property, plant and equipment	4.644	3.738
	6.110	**5.204**

	2018/19 DKK'000	2017/18 DKK'000
5. Tax on profit/loss for the year		
Change in deferred tax	51	(1.314)
Adjustment concerning previous years	(530)	747
Refund in joint taxation arrangement	(500)	0
	(979)	**(567)**

	2018/19 DKK'000	2017/18 DKK'000
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	9.470	0
Extraordinary dividend distributed in the financial year	3.400	0
Transferred to reserve for net revaluation according to the equity method	25.169	3.439
Retained earnings	(19.065)	1.120
	18.974	**4.559**

	Goodwill DKK'000
7. Intangible assets	
Cost beginning of year	26.532
Cost end of year	**26.532**
Amortisation and impairment losses beginning of year	(1.466)
Amortisation for the year	(1.466)
Amortisation and impairment losses end of year	**(2.932)**
Carrying amount end of year	**23.600**

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	16.736	35.152
Additions	30	3.538
Cost end of year	**16.766**	**38.690**
Depreciation and impairment losses beginning of year	(364)	(23.422)
Depreciation for the year	(371)	(4.273)
Depreciation and impairment losses end of year	**(735)**	**(27.695)**
Carrying amount end of year	**16.031**	**10.995**
Recognised assets not owned by entity	**-**	**429**

	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	35.762	3.200	31
Disposals	0	(2.041)	0
Cost end of year	**35.762**	**1.159**	**31**
Revaluations beginning of year	18.777	0	17.766
Exchange rate adjustments	1.436	0	1.507
Amortisation of goodwill	(489)	0	0
Share of profit/loss for the year	19.303	0	13.827
Dividend	0	0	(10.415)
Revaluations end of year	**39.027**	**0**	**22.685**
Carrying amount end of year	**74.789**	**1.159**	**22.716**

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

Notes to parent 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

	2018/19 DKK'000	2017/18 DKK´000
Selling price	181.998	104.301
Progress billings	(190.953)	(79.526)
Net value	**(8.955)**	**24.775**

Recognised in the balance sheet under:

Assets	18.466	38.131
Liabilities	(27.421)	(13.356)
	(8.955)	**24.775**

11. Deferred tax	2018/19 DKK'000	2017/18 DKK'000
Property, plant and equipment	(805)	(857)
Inventories	678	559
Receivables	85	17
Tax losses carried forward	2.137	2.376
	2.095	**2.095**

Changes during the year	
Beginning of year	2.095
Recognised in the income statement	(51)
Recognised directly in equity	51
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 2018/19 DKK'000	Due within 12 months 2017/18 DKK'000	Due after more than 12 months 2018/19 DKK'000	Outstanding after 5 years DKK'000
14. Liabilities other than provisions				
Mortgage debt	388	376	4.929	3.432
Bank loans	4.286	4.286	13.928	0
Finance lease liabilities	1.010	1.806	565	0
	5.684	**6.468**	**19.422**	**3.432**

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 state-ment DKK'000
NOK/DKK	0-2 months	7.856	(319)
		7.856	**(319)**

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 361 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 18.2 million and secures a fixed interest rate of 0.4% for the remaining maturity of four years. The bank loan and the interest rate swap have been concluded with the same counterparty.

Notes to parent financial statements

16. Contingent assets

The Company has a contingent deferred tax asset of DKK 6,426 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 21,937 thousand at 30.09.2019.

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

Unrecognised rental and lease

Rental and lease commitments amount to approximately DKK 44,260 thousand.

18. 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 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 16,031 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).

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 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

Accounting policies

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 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

Accounting policies

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 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.

Accounting policies

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 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.

Accounting policies

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 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.

Accounting policies

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.

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.

Accounting policies

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.

Joint taxation contributions receivable or payable
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 consist of non-controlling interests' share of equity in subsidiaries not 100% 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 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.

Accounting policies

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.

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.

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

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.