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# ***DNV Denmark A/S***

Tuborg Parkvej 8, 2., DK-2900 Hellerup

## **Annual Report for 1 January - 31 December 2020**

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CVR No 89 83 23 14

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
26/05 2021

Thina Ytterhorn  
Chairman of the General  
Meeting

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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of DNV Denmark A/S for the financial year 1 January - 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations for 2020.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Copenhagen, 26 May 2021

## Executive Board

Jørgen Traun  
CEO

## Board of Directors

Thina Elisabeth Ytterhorn  
Chairman

Jørgen Traun

Jesper Jakobsen Schultz  
Staff Representative

Mads Clausen Andersen  
Staff Representative

Bente Vestergaard  
Staff Representative

# Independent Auditor's Report

To the Shareholder of DNV Denmark A/S

## Opinion

We have audited the financial statements of DNV GL Denmark A/S for the financial year 1 January – 31 December 2020 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 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 the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Management's responsibilities for the Financial Statements

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

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

## Auditor's responsibilities for the audit of the Financial Statements

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

# Independent Auditor's Report

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

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

## **Statement on Management's Review**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

## **Independent Auditor's Report**

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

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

Copenhagen, 26 May 2021

**KPMG**

Statsautoriseret Revisionspartnerselskab

*CVR No 25 57 81 98*

Kenn Wolff Hansen

statsautoriseret revisor

mne30154

## **Company Information**

### **The Company**

DNV Denmark A/S  
Tuborg Parkvej 8, 2.  
DK-2900 Hellerup

Telephone: + 45 39 45 48 00

Facsimile: + 45 39 45 48 01

Website: [www.dnv.com](http://www.dnv.com)

CVR No: 89 83 23 14

Financial period: 1 January - 31 December

Incorporated: 20 October 1982

Municipality of reg. office: Gentofte

### **Board of Directors**

Thina Elisabeth Ytterhorn, Chairman  
Jørgen Traun  
Jesper Jakobsen Schultz  
Mads Clausen Andersen  
Bente Vestergaard

### **Executive Board**

Jørgen Traun

### **Auditors**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
DK-2100 København Ø

### **Bankers**

Danske Bank A/S

## Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	361.585	380.127	341.550	351.856	405.634
Gross profit	213.027	219.397	191.224	186.680	236.755
Profit before financial income and expenses	50.505	43.387	20.812	22.173	71.106
Net financials	-664	-121	311	-788	-1.908
Net profit for the year	38.404	32.129	14.568	16.390	53.692
<b>Balance sheet</b>					
Balance sheet total	212.345	172.761	153.191	195.244	289.278
Equity	77.084	68.680	68.551	53.983	63.593
Investment in property, plant and equipment	2.491	0	0	286	1.669
Number of employees	175	177	189	193	206
<b>Ratios</b>					
Profit margin	14,0%	11,4%	6,1%	6,3%	17,5%
Return on assets	23,8%	25,1%	13,6%	11,4%	24,6%
Solvency ratio	36,3%	39,8%	44,7%	27,6%	22,0%
Return on equity	52,7%	46,8%	23,8%	27,9%	76,6%



# Management's Review

## Key activities

DNV A/S is, as a wholly owned subsidiary of DNV AS, one of the world's leading independent verification companies. The company is committed to ensuring life, property, and environment as a leading supplier of classification, certification, and consulting.

The Company assists companies and organizations with risk management in a range of segments and industries, including the maritime industry and energy system industries, as well as authorities and private organizations.

## Development in the year

The income statement of the Company for 2020 shows a profit of TDKK 38,404 and at 31 December 2020 the balance sheet of the Company shows equity of TDKK 77,084.

In 2020 the Company experienced a 5% decrease in revenue, mainly because of the global COVID-19 pandemic. However, the Company realized an increase in EBITA in comparison to previous year, mainly due to a 7% decrease in external expenses. We continue to experience the negative effects of COVID-19 short term but expect to recover to a large extent during the coming year.

## Maritime

The maritime market has been moderately declining for the past 5 years.

Freight rates are fluctuating in many segments. Newbuilding contracts are still low; it seems like the shipping companies are still waiting for the long-term consequences of the pandemic.

Again, this year, our revenue and profits are agreeable given the global situation with the pandemic.

For 2021, we expect revenue and EBITA to be almost equal to 2020.

# Management's Review

## **Oil & Gas**

The oil price remained relatively stable during 2020. The Danish upstream market is affected by political decision to terminate concessions by 2030 as part of the energy transition.

Digitalization continues to be important for the oil and gas industry, but also the role of oil and gas in the energy transition has during 2020 become even more important for all operators and stakeholders.

Given the pandemic we have stabilized our revenue and EBITA compared to last year.

To respond to the global energy transition the two business areas Oil & Gas and Energy will in 2021 operate as one under the name Energy Systems.

## **Energy – Renewables Certification**

The Energy transition is high up on the agenda in the Danish Government and internationally to meet the target in the Paris Agreement. Although installation of wind and Solar Energy have increased and will increase significantly in the years to come there is however not a one-to-one relationship between installed capacity and the Revenue for our energy services.

Renewables Certification in Denmark with more than 70 people operates internationally and the Danish market contributes with around 40% of the global Revenue.

We continue to see a significant increase in the development of offshore wind farms in markets predominantly outside Europe.

2020 was a good year for Renewables Certification with growth versus 2019 and results above target on all financial parameters. We expect growth also in 2020 as the merger with Oil & Gas will bring new resources to a growing market.

## ***Operating risks***

The Company has no exposure beyond normal industry-oriented risks despite the pandemic. There are no significant risks to individual customers or collaborators beyond what is customary for the industry as well as common customer / supplier relationships.

## ***Foreign exchange risks***

Main foreign currency risk related to transactions in EUR and NOK. The main costs are in DKK. Historically, currency fluctuations have not created large impacts.

## ***Interest rate risks***

The Company has limited interest rate risk since it does not hold loans and has limited use of bank credit.

# Management's Review

## ***Credit risks***

The Company is continuously following up accounts receivable and work in progress making bad debt provisions for receivables above 180 days to reduce exposure and to account for the risk exposure.

## ***Liquidity risks***

The Company has sound liquidity and is a part of the DNV Group Cash Pool.

## **Strategy**

It is the Company's goal to Safeguard Life, Property & the Environment. This year, resources have been used to continuously maintain the employees' competence and integrity.

## **Targets and expectations for the year ahead**

Maritime:

For 2021 we expect the revenue to be nearly the same level as 2020.

Energy Systems (Merger of BA Energy and BA Oil & Gas):

We expect growth in 2021 due to the growing offshore wind market and positive outlook for Oil & Gas services combined with the positive effects of the internal merger.

## **Research and development**

Research and development activities are undertaken to a significant extent by the Parent Company in Norway.

## **External environment**

Focus on climate change, sustainability and safety are fundamental guiding principles in the Company's activities and vision.

The Company is not required to produce green accounts.

## **Intellectual capital resources**

It is the Company's aim to attract, maintain and develop employees. This year training of employees has however been challenged by the restrictions put into force to combat the pandemic.

# Management's Review

## Statement of corporate social responsibility

As part of the DNV Group, it is the Company's goal to take the utmost account of human rights, social conditions, minimize our environmental and climate impact, as well as participate in the fight against corruption.

For more detailed information refer to the consolidated financial statements of DNV AS, which thus covers disclosure requirements in section 99a of the Danish Financial Statements Act.

The Parent Company's annual report and can be obtained / downloaded at:

<https://annualreport.dnv.com>

## Statement on gender composition

DNV Denmark A/S believes that diversity among employees, including gender equality, contributes positively to the working environment and strengthens the Company's performance and competitiveness.

DNV Denmark A/S is working to increase the number of female executives in the Company and, on this basis, has specific targets for the proportion of underrepresented gender and policies to ensure this.

DNV Denmark A/S has been aiming for a balanced distribution of Board members elected by the general meeting with 25% women and the same target for the other management positions. Other management positions include executive management and line managers in business areas and administration.

Status per December 31, 2020 is that for other management positions, the goal is met by 25%. For the board members two are women inclusive the employee elected members, and the Chairman of the Board who is a woman, which makes 40%. For the board members elected by the general meeting, 33% are women. This is considered to be a balanced distribution based on the size of the Board.

In connection with recruitment and recruitment to management positions, the goal is to have both male and female candidates. The Company is also involved in diversity efforts of the Parent Company including, among others, mentoring programs and annual global summits for up-and-coming talent. Further details can be found within the Parent Company annual report.

## Unusual events

COVID-19 forced us to close our offices for longer periods, but solid production systems in combination with the resilience of our colleagues made it possible to limit revenue reduction and increase EBITA in comparison to previous year. We are entering 2021 with solid order books.

## Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income Statement 1 January - 31 December

	Note	2020 TDKK	2019 TDKK
<b>Revenue</b>	1	<b>361.585</b>	<b>380.127</b>
Other operating income		357	76
Other external expenses		<u>-148.915</u>	<u>-160.806</u>
<b>Gross profit</b>		<b>213.027</b>	<b>219.397</b>
Staff expenses	2	-161.675	-175.275
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	<u>-847</u>	<u>-735</u>
<b>Profit before financial income and expenses</b>		<b>50.505</b>	<b>43.387</b>
Financial income	4	4	632
Financial expenses	5	<u>-668</u>	<u>-753</u>
<b>Profit before tax</b>		<b>49.841</b>	<b>43.266</b>
Tax on profit for the year	6	<u>-11.437</u>	<u>-11.137</u>
<b>Net profit for the year</b>		<u><b>38.404</b></u>	<u><b>32.129</b></u>

# Balance Sheet 31 December

## Assets

	Note	2020 TDKK	2019 TDKK
Acquired licenses		43	78
<b>Intangible assets</b>	7	<b>43</b>	<b>78</b>
Land and buildings		936	1.029
Other fixtures and fittings, tools and equipment		533	717
Leasehold improvements		1.861	0
<b>Property, plant and equipment</b>	8	<b>3.330</b>	<b>1.746</b>
Deposits		2.917	3.019
<b>Fixed asset investments</b>	9	<b>2.917</b>	<b>3.019</b>
<b>Fixed assets</b>		<b>6.290</b>	<b>4.843</b>
Trade receivables		59.371	72.667
Contract work in progress	10	21.319	26.898
Receivables from group enterprises		118.741	62.962
Other receivables		2.498	2.845
Deferred tax asset	11	806	1.517
Corporation tax		2.652	0
Prepayments	12	668	1.029
<b>Receivables</b>		<b>206.055</b>	<b>167.918</b>
<b>Currents assets</b>		<b>206.055</b>	<b>167.918</b>
<b>Assets</b>		<b>212.345</b>	<b>172.761</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2020 TDKK	2019 TDKK
Share capital	13	10.000	10.000
Retained earnings		84	28.680
Proposed dividend for the year		67.000	30.000
<b>Equity</b>		<b>77.084</b>	<b>68.680</b>
Other payables		12.633	4.377
<b>Long-term debt</b>	14	<b>12.633</b>	<b>4.377</b>
Trade payables		1.307	1.667
Contract work in progress, liabilities	10	55.668	31.756
Payables to group enterprises		17.463	15.433
Corporation tax		0	4.699
Other payables	14	48.190	46.149
<b>Short-term debt</b>		<b>122.628</b>	<b>99.704</b>
<b>Debt</b>		<b>135.261</b>	<b>104.081</b>
<b>Liabilities and equity</b>		<b>212.345</b>	<b>172.761</b>
Distribution of profit	15		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
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## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2020	10.000	28.680	30.000	68.680
Ordinary dividend paid	0	0	-30.000	-30.000
Net profit/loss for the year	0	-28.596	67.000	38.404
<b>Equity at 31 December 2020</b>	<b>10.000</b>	<b>84</b>	<b>67.000</b>	<b>77.084</b>



# Notes to the Financial Statements

	2020 <u>TDKK</u>	2019 <u>TDKK</u>
<b>1 Revenue</b>		
<b>Geographical segments</b>		
Revenue, Scandinavia	208.619	219.102
Revenue, other countries	<u>152.966</u>	<u>161.025</u>
	<b><u>361.585</u></b>	<b><u>380.127</u></b>
<b>Business segments</b>		
Oil & Gas	133.847	142.616
Energy	120.878	122.468
Maritime	100.006	107.650
Other	<u>6.854</u>	<u>7.393</u>
	<b><u>361.585</u></b>	<b><u>380.127</u></b>
<b>2 Staff expenses</b>		
Wages and salaries	138.563	151.302
Pensions	15.515	15.079
Other social security expenses	1.059	1.241
Other staff expenses	<u>6.538</u>	<u>7.653</u>
	<b><u>161.675</u></b>	<b><u>175.275</u></b>
<b>Average number of employees</b>	<b><u>175</u></b>	<b><u>177</u></b>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

## Notes to the Financial Statements

	2020 TDKK	2019 TDKK
<b>3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	35	35
Depreciation of property, plant and equipment	812	700
	<b>847</b>	<b>735</b>
<b>4 Financial income</b>		
Interest received from group enterprises	0	182
Other financial income	4	0
Exchange gains	0	450
	<b>4</b>	<b>632</b>
<b>5 Financial expenses</b>		
Interest paid to group enterprises	383	467
Other financial expenses	233	286
Exchange adjustments, expenses	52	0
	<b>668</b>	<b>753</b>
<b>6 Tax on profit for the year</b>		
Current tax for the year	10.702	13.390
Deferred tax for the year	710	-2.053
Adjustment of tax concerning previous years	25	121
Adjustment of deferred tax concerning previous years	0	-321
	<b>11.437</b>	<b>11.137</b>

## Notes to the Financial Statements

### 7 Intangible assets

	Acquired licenses <u>TDKK</u>
Cost at 1 January 2020	174
Cost at 31 December 2020	<u>174</u>
Impairment losses and amortisation at 1 January 2020	96
Amortisation for the year	<u>35</u>
Impairment losses and amortisation at 31 December 2020	<u>131</u>
<b>Carrying amount at 31 December 2020</b>	<b><u>43</u></b>

### 8 Property, plant and equipment

	Land and buildings <u>TDKK</u>	Other fixtures and fittings, tools and equipment <u>TDKK</u>	Leasehold improvements <u>TDKK</u>	Total <u>TDKK</u>
Cost at 1 January 2020	2.395	10.568	0	12.963
Additions for the year	0	319	2.172	2.491
Disposals for the year	<u>0</u>	<u>-3.190</u>	<u>0</u>	<u>-3.190</u>
Cost at 31 December 2020	<u>2.395</u>	<u>7.697</u>	<u>2.172</u>	<u>12.264</u>
Impairment losses and depreciation at 1 January 2020	1.459	9.758	0	11.217
Depreciation for the year	0	501	311	812
Reversal of impairment and depreciation of sold assets	<u>0</u>	<u>-3.095</u>	<u>0</u>	<u>-3.095</u>
Impairment losses and depreciation at 31 December 2020	<u>1.459</u>	<u>7.164</u>	<u>311</u>	<u>8.934</u>
<b>Carrying amount at 31 December 2020</b>	<b><u>936</u></b>	<b><u>533</u></b>	<b><u>1.861</u></b>	<b><u>3.330</u></b>

# Notes to the Financial Statements

## 9 Fixed asset investments

	Deposits TDKK
Cost at 1 January 2020	3.019
Disposals for the year	-102
Cost at 31 December 2020	<u>2.917</u>
<b>Carrying amount at 31 December 2020</b>	<b><u>2.917</u></b>

	2020 TDKK	2019 TDKK
<b>10 Contract work in progress</b>		
Selling price of work in progress	377.302	289.048
Payments received on account	-411.651	-293.906
	<u>-34.349</u>	<u>-4.858</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	21.319	26.898
Prepayments received recognised in debt	-55.668	-31.756
	<u>-34.349</u>	<u>-4.858</u>

## 11 Deferred tax asset

Deferred tax asset at 1 January 2020	1.517	-857
Amounts recognised in the income statement for the year	-711	2.053
Adjustment of deferred tax concerning previous years	0	321
<b>Deferred tax asset at 31 December 2020</b>	<b><u>806</u></b>	<b><u>1.517</u></b>

## 12 Prepayments

Prepayments consist of prepaid expenses concerning insurance and office expenses.

## Notes to the Financial Statements

### 13 Equity

The share capital consists of 10,000 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

### 14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2020</u> TDKK	<u>2019</u> TDKK
<b>Other payables</b>		
Between 1 and 5 years	12.633	4.377
Long-term part	<u>12.633</u>	<u>4.377</u>
Other short-term payables	<u>48.190</u>	<u>46.149</u>
	<b><u>60.823</u></b>	<b><u>50.526</u></b>

### 15 Distribution of profit

Proposed dividend for the year	67.000	30.000
Retained earnings	<u>-28.596</u>	<u>2.129</u>
	<b><u>38.404</u></b>	<b><u>32.129</u></b>

## Notes to the Financial Statements

	<u>2020</u> TDKK	<u>2019</u> TDKK
<b>16 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations total	21.326	21.883
<b>Other contingent liabilities</b>		

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the balance sheet of the Company, as the Company acts as the administration company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax and tax on royalty and interest payments. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

# Notes to the Financial Statements

## 17 Related parties

### Basis

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#### Controlling interest

DNV AS, Norge

Parent Company

#### Transactions

During the year, the Company had the following transactions with related parties:

Sale of goods/ service to group entities TDKK 107,630

Purchase of goods/ service from group entities TDKK 117,539

Interest expenses to group entities TDKK 383

Receivables from group enterprises TDKK 118,741

Payable to group enterprises TDKK 17,463

#### Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

DNV AS  
Veritasveien 1  
1363 Høvik  
Norge

#### Consolidated Financial Statements

The company is included in the Group Annual Report of the Parent company of the largest and smallest group:

Name

---

Place of registered office

---

DNV AS

Høvik, Norway

# Notes to the Financial Statements

## **17 Related parties** (continued)

The Group Annual Report of DNV AS may be obtained at the following address:

Veritasveien 1, 1363 Høvik, Norway  
[www.dnv.com](http://www.dnv.com)

## **18 Fee to auditors appointed at the general meeting**

With reference to section 96 (3) of the Danish Financial Statements Act and to the audit fee included in the consolidated financial statements of DNV AS, the Company has not disclosed note information on audit fee.



# Notes to the Financial Statements

## 19 Accounting Policies

The Annual Report of DNV Denmark A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in TDKK.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated Financial Statements of DNV AS, the Company has not prepared a cash flow statement.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Translation policies

DKK is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

### Segment information on revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

## Income Statement

### Revenue

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Other external expenses

Other external expenses comprise expenses for distribution, sales, advertisement, administration, premises, loss on debtors, operational lease contracts etc.

### Staff expenses

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

### Amortisation, depreciation and impairment losses

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

### Other operating income

Other operating income comprise items of a secondary nature to the main activities of the Company, including gains on the sale of property, plant and equipment.

### Financial income and expenses

The items comprise interest income and expenses, realised and unrealised exchange gains and losses relating to transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc.

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

### Tax on profit for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed companies entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed companies which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

## Balance Sheet

### Intangible assets

Acquired licenses are measured at the lower of cost less accumulated amortisation and recoverable amount. Acquired licenses is amortised over 5 years.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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

Buildings	20-50 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	3-5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

### Fixed asset investments

Fixed asset investments consist of Deposits.

### Impairment of fixed assets

Every year, intangible assets and property, plant and equipment are reviewed for impairment indications. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must be allocated to the assets on a pro rata basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

### **Contract work in progress**

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

### **Prepayments**

Prepayments comprise prepaid expenses concerning subsequent financial years.

### **Equity**

#### ***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### **Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

## Financial Highlights

### Explanation of financial ratios

Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$