



ANNUAL REPORT 2018

Contents

Management's review

Consolidated and parent
company financial statements

Overview

- 4** 2018 highlights
- 5** Executive summary
- 6** Semco Maritime at a glance
- 7** Business model
- 8** Financial highlights

Developments

- 10** Developments in 2018
- 12** Outlook for 2019
- 13** Responsibility

Management

- 15** Management and ownership
- 16** Risks

Financial statements

- 19** Income statement
- 20** Balance sheet
- 21** Statement of changes in equity
- 22** Cash flow statement
- 23** Notes
- 39** Accounting policies
- 42** Group overview
- 43** Statement by the Board of Directors and the Executive Board
- 44** Independent auditor's report

Overview

- 4 2018 highlights
- 5 Executive summary
- 6 Semco Maritime at a glance
- 7 Business model
- 8 Financial highlights



OFFSHORE WIND

Hornsea Project One

In 2018, Semco Maritime contributed to Hornsea Project One, which, when opening in 2020, will be the largest offshore wind farm in the world and be capable of covering the energy consumption of more than one million UK households. The assignments comprised engineering work and procurement as well as manufacture and installation work at three offshore substations located 120 km off the Yorkshire Coast in England.

2018 highlights



Renewables

+25 offshore wind farms
47% growth
Share of revenue 31%



Oil & Gas

14 yard stays at own yards
44% growth
Share of revenue 69%



Employees

1,289 employees (average)
3.3 million man-hours*
Employee satisfaction score 4.1 out of 5.0

Financial highlights

REVENUE

2,041

DKKm

45% growth

EBITDA

54

DKKm

110% growth

CASH FLOW FROM OPERATIONS

26

DKKm

Increase of DKK 64 million

EQUITY RATIO

22.3%

3.5 percentage point
increase

**Including employees hired on a contract basis*

A strong 2018 prepares Semco Maritime for the future



Results and order intake both surpassed our expectations in 2018.

Steen Brødbæk, CEO

We grew our business in 2018, which was an exciting and busy year for Semco Maritime with multiple good projects and assignments within both Renewables and Oil & Gas. The positive performance was driven in particular by a number of offshore wind projects and a significantly higher level of activity for our international oil and gas activities. In the UK and Norway, we experienced a soaring level of activity participating in the hook-up of the Culzean gas field, just as the Norwegian business also boosted the level of activity for Equinor. The level of activity also rose at our yard facilities at Hanøytangen in Norway and in Invergordon in the UK. Furthermore, we are quite pleased that the efforts made to increase the volume of our service activities generated progress since our ambition is for service to account for about 20% of revenue in the long term. At Group level, total sales increased by 45%, and we more than doubled EBITDA and ensured significant improvements to our solidity. Results and order intake both surpassed our expectations in 2018 and provide a solid platform for continuing the positive performance in the years ahead.

Our progress was realised in a year when our customers continued to focus strongly on reducing costs and, as a result, fiercer competition was seen in the oil and gas sector and for offshore wind projects, which are more and more often launched on market conditions with no prospect of government subsidies or grants. The tendencies lead to growing interest in areas such as optimisation, digitalisation and efficiency improvement where Semco Maritime can assist with innovative solutions that pave the way for utilisation of the potential of customers and increasing profitability in the industry. We bring our extensive experience and specialist com-

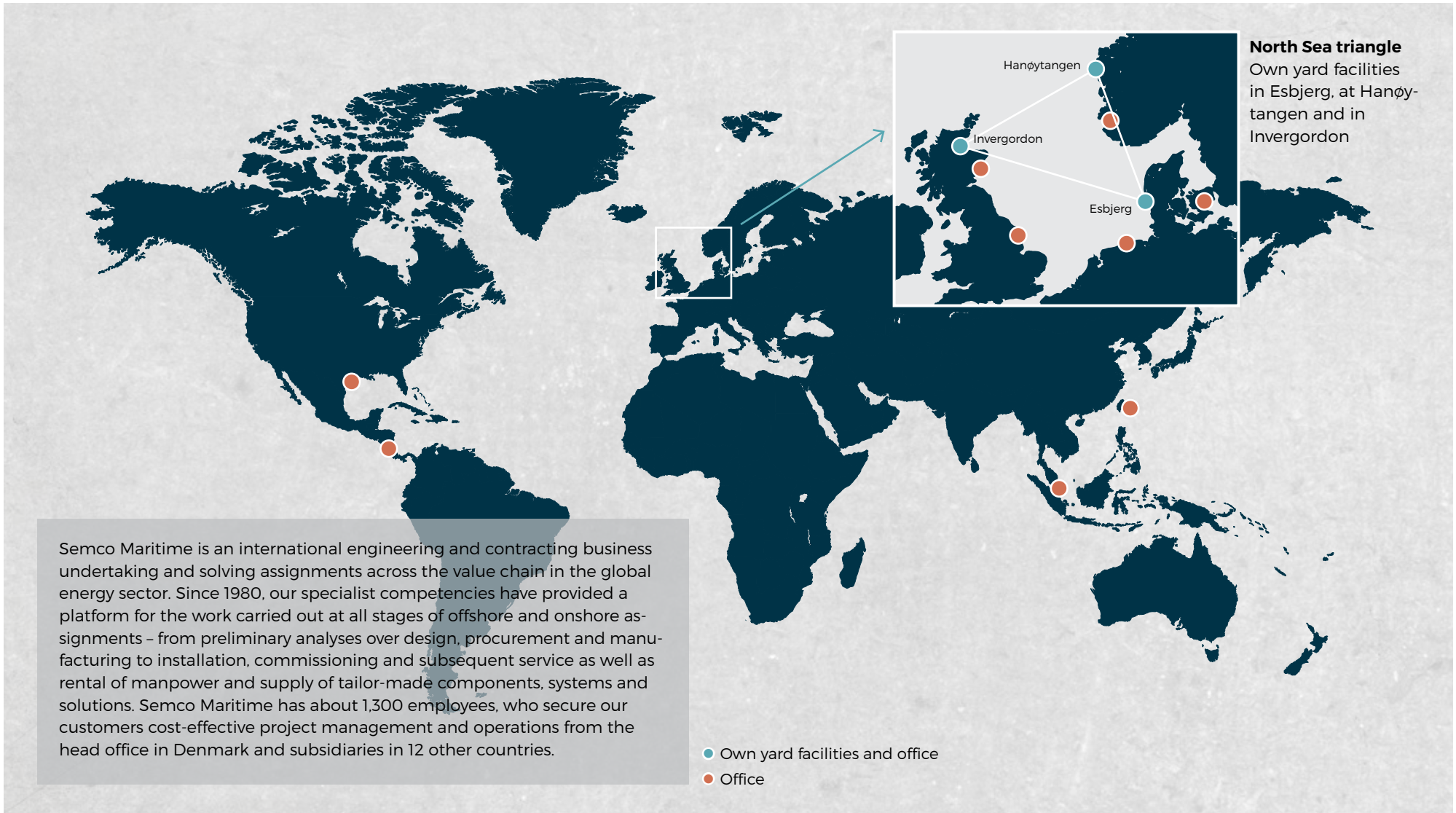
petencies into play to be the first choice of customers when their preliminary analyses are to be carried out, their projects are to be planned and the specific jobs are to be manned, undertaken and optimised.

The efforts made to lower costs are without doubt likely to continue in the coming years, and we will utilise Semco Maritime's strong position and the ability of the organisation to switch smoothly between projects within Renewables and Oil & Gas to win new interesting orders and projects. That is the recipe for generating growth and strengthening profitability for our customers and Semco Maritime alike.

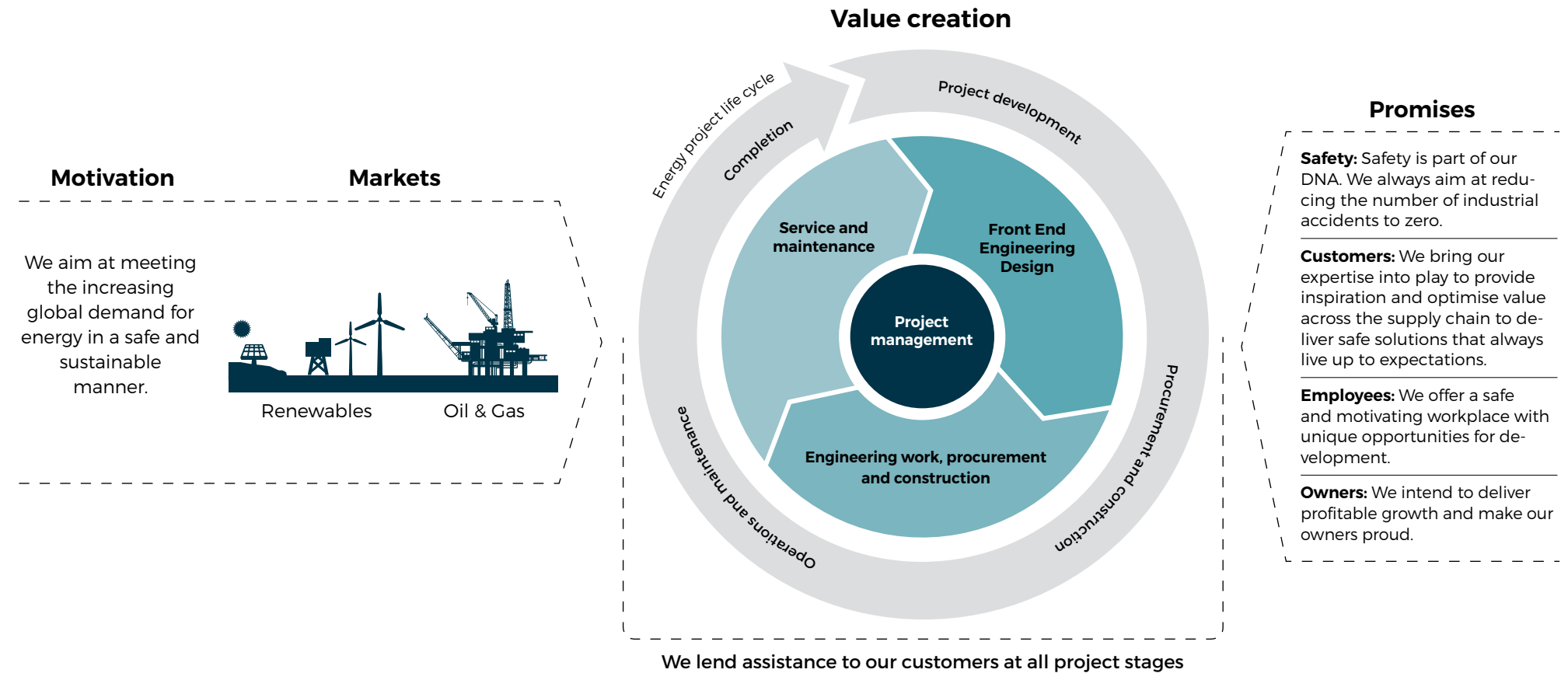
The positive outlook means that it is of the utmost importance that we, also in future, are able to retain and attract the most skilled employees who can contribute to the success of our customers across the value chain - from the initial drawings and calculations made by the engineers at the offices to the installation work undertaken by our technicians 120 km out to sea. In this context, we always aim at creating interesting jobs and optimum opportunities for development for our employees, just as we focus uncompromisingly on safety under the motto »Safety is part of our DNA«. Things can always be improved in these areas, and we step up our work to make Semco Maritime an increasingly safe and even more attractive workplace so we can be a clear first choice among employees.

We were pleased to note the high level of activity in 2018 and look forward to continuing on the same track as we predict sustained growth in the level of activity, revenue and earnings in the years ahead in markets that will remain extremely competitive.

Semco Maritime at a glance



Business model



Financial highlights

DKKm	2018	2017	2016	2015	2014
INCOME STATEMENT					
Revenue	2,041.4	1,407.8	1,598.5	1,744.1	2,268.5
Profit/loss before amortisation and depreciation	54.1	25.8	(86.9)	(25.7)	(31.4)
Operating profit/loss	30.2	0.1	(127.2)	(79.8)	(61.3)
Net financials	(3.4)	(4.2)	(1.7)	(13.1)	(6.2)
Profit/loss before tax	26.8	(4.1)	(128.9)	(92.9)	(67.5)
Profit/loss for the year from continuing operations	28.4	(8.0)	(127.5)	(85.2)	(65.3)
ASSETS					
Non-current assets	135.1	152.1	161.8	195.5	170.1
Inventories	16.4	15.4	20.4	22.3	23.0
Receivables	416.3	379.1	416.3	474.6	567.1
Cash	18.0	14.9	15.5	60.9	76.5
Assets related to discontinued operations	4.4	12.3	0.0	0.0	0.0
Total assets	590.2	573.8	614.0	753.3	836.7
LIABILITIES AND EQUITY					
Equity	131.5	107.8	140.7	76.2	151.7
Provisions	45.8	17.8	26.5	32.4	61.0
Non-current liabilities	3.3	3.9	29.6	34.2	32.7
Current liabilities	408.0	435.8	417.2	610.5	591.3
Liabilities related to discontinued operations	1.6	8.5	0.0	0.0	0.0
Total equity and liabilities	590.2	573.8	614.0	753.3	836.7
FINANCIAL RATIOS					
Total cash flows from operations	25.7	(38.5)	3.5	(49.4)	(42.1)
Total cash flows	(5.1)	(54.2)	183.1	(127.9)	(99.5)
Average no. of employees	1,289	1,109	1,228	1,506	1,812
Profit margin, %	1.5	0.0	(8.0)	(4.6)	(2.7)
Equity ratio, %	22.3	18.8	22.9	10.1	18.1
Return on equity, %	23.7	6.4	117.6	74.4	35.1



Investment in specialist competencies

In 2017 and 2018, Semco Maritime made investments in the yard facilities at Hanøytangen in Norway for the purpose of being able to service rigs tailored to the particularly demanding conditions in Norwegian waters. Our investments pave the way for the very precision-demanding work process and comprised, among other things, reinforcement of the rock bottom of the dry dock, one of the largest in Europe.

The upgrade has made Hanøytangen an attractive destination for servicing rigs, and, in 2018, Semco Maritime's employees at Hanøytangen serviced the two jack-up rigs West Elara and Maersk Inspirer and the floating rig Floatel Victory.

A definition of financial ratios is provided on [page 41](#).

Developments

- 10 Developments in 2018
- 12 Outlook for 2019
- 13 Responsibility



OIL & GAS Culzean

From its offices in Aberdeen and Esbjerg, Semco Maritime assisted in 2018 with the commissioning of the new Culzean gas field, the biggest gas find in the North Sea for more than a decade. The assignments comprised onshore preparations, procurement of materials and the actual offshore hook-up – and we supplied equipment for both telecommunications and firefighting. The work will continue in the first half of 2019.

Developments in 2018

Semco Maritime increased revenue and earnings in 2018, the increases being driven by a high level of activity within both Renewables and Oil & Gas. The Group's customers continued to focus on reducing costs, and we delivered innovative solutions that help counter the growing competition in the offshore wind sector and sustained fierce competition in the oil and gas sector.

On an ongoing basis, we concentrate on balancing Group activities, and in 2018 we increased the business volume within Renewables in accordance with our objective.

Revenue

In 2018, Semco Maritime boosted revenue by 45% to DKK 2,041 million (2017: DKK 1,408 million) as a result of the increased level of activity. Our stronger focus on offshore wind projects, hook-up activities and rental

of manpower as well as servicing of rigs and mobile offshore drilling units contributed positively to developments, which were further strengthened by the progress of the Group's service business.

The gross margin fell to 55% (2017: 69%) in 2018 as a result of the new composition of the Group's revenue, and project execution remained satisfactory. Semco Maritime's total order intake rose 34% to DKK 1,920 million (2017: DKK 1,429 million), while the order book had fallen to DKK 536 million (2017: DKK 657 million) by the end of the year as a result of the high level of activity in 2018. At end of February 2019, the Group's order book totalled DKK 897 million.

Renewables

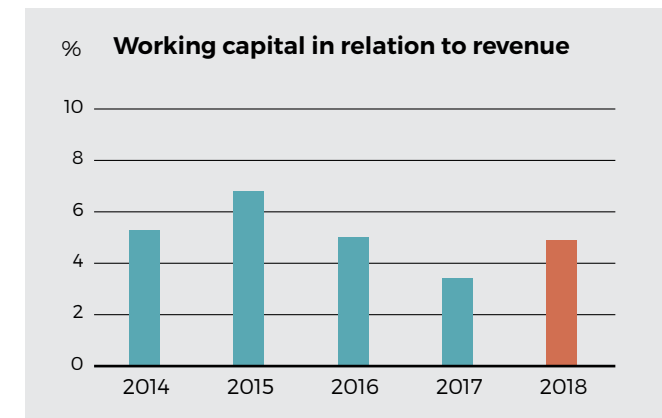
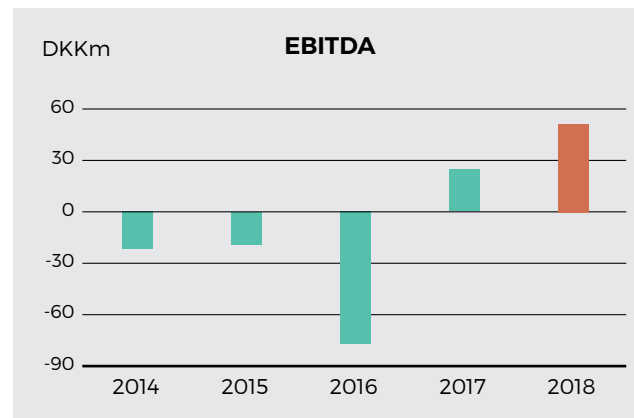
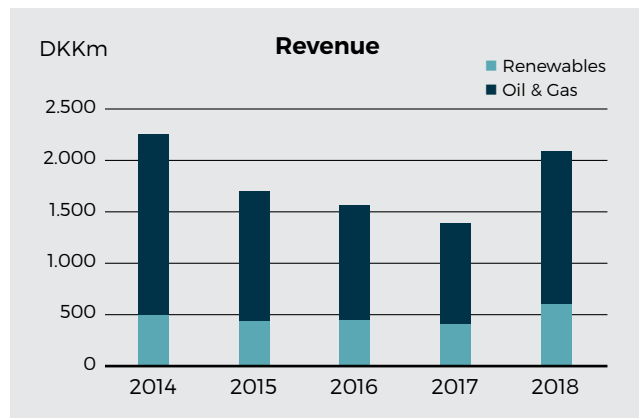
Revenue of the business area Renewables increased 47% to DKK 610 million (2017: DKK 416 million) thanks

to an increased level of activity for several ongoing large-scale offshore wind projects in the North Sea as well as the preparation of transport solutions for offshore wind projects.

Oil & Gas

The level of activity of the Oil & Gas business area rose, and Oil & Gas generated growth of 44% and raised revenue to DKK 1,431 million (2017: DKK 992 million) in 2018 in spite of continued fierce competition and falling oil prices.

The progress was attributable to an increase in the Group's international activities and servicing of more rigs and mobile offshore drilling units at the yard facilities at Hanøytangen in Norway and in Invergordon in the UK. Group service activities and manpower rental also contributed positively to the increase in revenue.



Developments in 2018

Earnings

Semco Maritime boosted earnings significantly in 2018 and increased EBITDA to DKK 54 million (2017: DKK 26 million), corresponding to an EBITDA margin of DKK 2.6% (2017: 1.8%) on the basis of the increased level of activity and revenue growth across the business areas of the Group. Earnings were affected by higher costs of sales and staff costs as a result of the increased level of activity, which also led to a rise in the average number of employees to 1,289 in 2018, up from 1,109 in 2017.

Financials

Group net financials were an expense of DKK 3 million in 2018 (2017: expense of DKK 4 million).

Profit/loss for the year

Profit/loss from continuing activities before tax rose

to DKK 27 million (2017: loss of DKK 4 million), driven by the increase in EBITDA. Profit/loss for the year from continuing operations after tax increased to DKK 28 million (2017: loss of DKK 8 million).

Cash flows

The total cash flows from operating activities improved markedly to DKK 26 million (2017: outflow of DKK 39 million) as a result of the business growth generated in the financial year. The Group's cash flows from investing activities were DKK 7 million (2017: DKK 19 million).

In 2018, Semco Maritime invested in, for instance, an onshore power plant at Hanøytangen, where the Group also made a number of upgrades of the facilities in 2017.

In 2018, the cash flows from financing activities were

negative at DKK 24 million (2017: DKK 3 million) due to the redemption of a long-term loan in connection with the conclusion of a new cash pool for the Group.

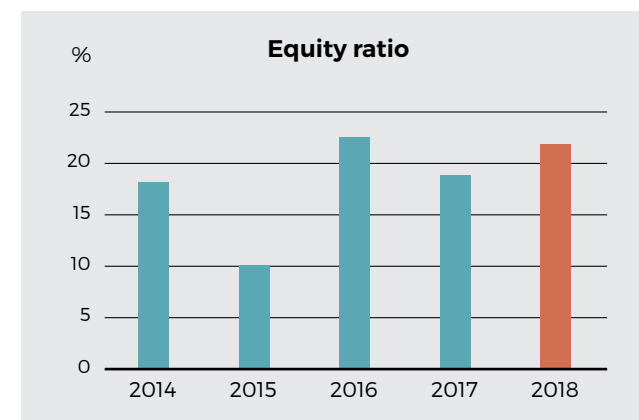
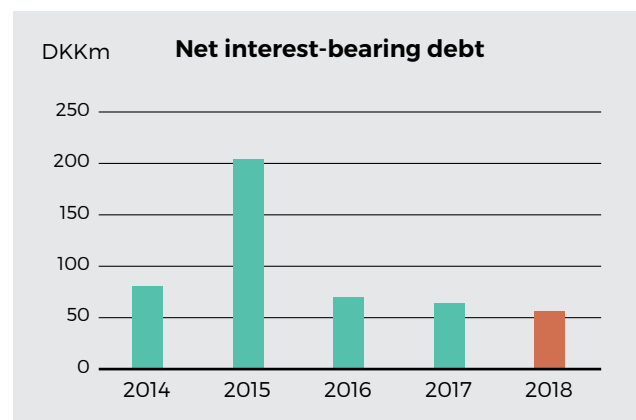
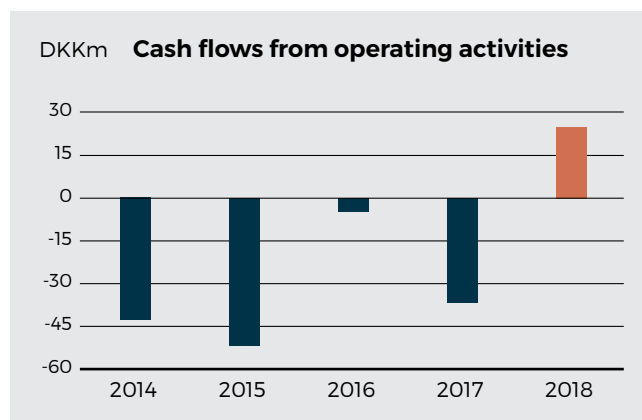
Balance sheet

Semco Maritime reduced net interest-bearing debt to DKK 56 million in 2018 (2017: DKK 75 million).

Equity increased to DKK 132 million (2017: DKK 108 million), and the equity ratio rose to 22.3% (2017: 18.8%). The return on equity increased to 20.1% (2017: -6.4%).

Events after the balance sheet date

No events have occurred since the balance sheet date which are assessed to have a material effect on the assessment of the Annual Report for 2018.



Outlook for 2019

Based on the strong order intake seen in 2018 and early 2019, management expects a continued high level of activity in 2019. This being the case, management expects to maintain the high revenue of 2018 and increase EBITDA further, driven by efficiency improvement initiatives and continued focus on strong project management.

Semco Maritime anticipates growth in the market for offshore wind in the coming years, among other things as a result of the fact that wind farms in some areas can now be built with or without limited government subsidies and with enhanced focus on the green transition among populations, de-

cision-makers and players in the industry. We still expect to see fierce competition in the European market and the new markets in Asia and the USA.

Oil prices have stabilised recently, and we anticipate the level of activity to rise in certain Oil & Gas markets in 2019. However, competition on prices remains fierce, and we do not expect to see any noticeable changes in competition within the near future.

In 2019, management intends to maintain focus on ensuring tight control of the Group's working capital and liquidity.



Sustainable offshore wind market

The offshore wind market is developing rapidly, and multiple offshore wind farm projects were launched in 2018 on market conditions without any subsidy or grant schemes. The costs of generating sustainable energy offshore are reduced on an ongoing basis, and this trend attracts multiple investments that pave the way for continued growth in the years ahead.

Semco Maritime contributes to the development of engineering and technological progress, which, in the course of the next decade, is set to render grant schemes superfluous, thereby allowing the green energy generation of the offshore wind industry to become economically sustainable, too, not to mention an even stronger alternative to conventional energy sources.



Forward-looking statements

The forward-looking statements in this Annual Report reflect Semco Maritime's current expectations for future events and financial results. The statements involve uncertainty, and the results achieved may deviate from expectations, one reason being the trends in economic conditions, commodity prices, subsidy and grant schemes as well as volatility in the financial markets and amended legislation and rules in the Group's markets. See also Risks on [page 16](#).

Responsibility

We develop cost-effective and sustainable projects that make Semco Maritime stand out from other players in the international energy industry. Our focus on responsibility and the ability to deliver the innovative and sustainable solutions increasingly being demanded by customers constitute an ever-increasing competitive advantage to Semco Maritime.

Safety is part of our DNA

Under the motto »Safety is part of our DNA«, we aim at avoiding any adverse impact on employees, stakeholders, our assets and the environment. In 2018, we witnessed a highly unsatisfactory rise in the number of industrial accidents caused by behaviour as well as near-miss situations. The personal safety of our employees is vital to us. Health and safety at work is an absolute condition for continued success, and we constantly strive to step up efforts and improve conditions. In 2018, we implemented the following specific measures to further enhance our focus on safety:

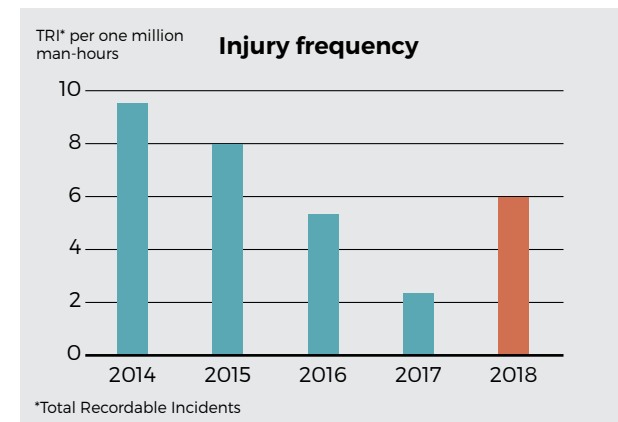
- All managers and hourly-paid employees at workshops and external sites completed Safety Awareness Refresher courses.
- A total of 381 safety talks were held, thus exceeding the target of 328.
- We conducted a Safety Culture Survey at all operational and offshore sites, the result being a score of 3.25 on a scale from one to five (3.16 in 2017).
- Two global safety campaigns and one offshore safety campaign were completed.

Moreover, we contribute to improving safety among our suppliers through the development of a supplier management programme that ensures a structured risk assessment and segmentation of our suppliers for the purposes of compliance with our Code of Conduct. In 2018, 80% of our suppliers completed our electronic self-evaluation programme, and we also introduced a strategic procurement programme for qualification of new suppliers in low-cost countries.

Continued high employee satisfaction

In order to retain and attract the most skilled employees, we focus on creating interesting jobs and optimum opportunities for development across the Group. We conduct employee satisfaction surveys every two years and also take structured measurements of sickness absence, the results of appraisal interviews and employee replacements.

In 2018, we lifted the employee satisfaction score to 4.1 on a scale from one to five (2016: 4.0) and maintained a sickness absence rate of 2.9% against a target of 2.8%. The proportion of employees completing the appraisal interviews fell to 77% (2017: 80%) against a target of 85%. The trend is largely attributable to the fact that Semco Maritime, in 2018, hired a number of new employees who will not complete their appraisal interviews until in 2019. The employee replacement rate of salaried employees stood at 6.8% in 2018 and met our target of a rate below 10%.



Reporting to Global Compact

Semco Maritime is a member of UN Global Compact and works actively to promote a number of the UN sustainable development goals. Read more about our corporate social responsibility and efforts to promote diversity in our Communication On Progress report for Global Compact here: <https://www.semcomaritime.com/en-en/-/media/files/cop-2018.pdf>



OFFSHORE WIND

Deutsche Bucht

Northland Power awarded Semco Maritime a five-year service contract for an offshore substation of the Deutsche Bucht offshore wind farm in the German part of the North Sea, where Semco Maritime already had been awarded a similar service contract for the Nordsee One offshore wind farm. Concluding more of this type of service contract represents a strategic focus area.

Management

15 Management and ownership

16 Risks

Management and ownership

Semco Maritime has a two-tier management structure, consisting of the Board of Directors and the Executive Board, which are independent of each other.

The Board of Directors is appointed by the shareholders of the company and makes decisions about the strategic development, monitors risks and supervises the Executive Board. The Board of Directors consists of six members, of which four are elected by the general meeting and two by the employees. Importance is attached to the fact that the board members elected by the general meeting have competencies in and experience of one or more of Semco Maritime's business areas and are capable of contributing to the commercial development of the business. The Board of Directors undertakes its work in compliance with rules of procedure that have been prepared in compliance with the provisions set out in the Danish Companies Act. The members of the Executive Board may speak, but not vote at board meetings, and they are not present when matters reserved for the Board of Directors are considered.

The Executive Board is appointed by the Board of Directors and is responsible for the day-to-day management and development of Semco Maritime as

well as the operations and performance of the company. The Executive Board is charged with executing the strategy in accordance with the general resolutions adopted by the Board of Directors.

The principal shareholder of the company is Semco Maritime Holding A/S, which is included in the consolidated financial statements of C.W. Obel A/S and Det Obelske Familiefond, the beneficial owner of Semco Maritime since 1996. C.W. Obel's solid financial position, in-depth insight into the industry and long-term ownership have laid the foundation for a stable development of the Group during times of attractive and less favourable market conditions.

Board of Directors

The members of the Board of Directors are the members elected by the general meeting: Anders Obel, CEO of C.W. Obel A/S, (Chairman) (1), Jørgen Peter Rasmussen, board member and senior industry adviser with a background in, for instance, Schlumberger (2), Andreas Nauen, CEO of Siemens Gamesa Renewable Energy's offshore division (3) and Keith Taylor, board member and consultant (4). Allan Thomsen, Senior Instrumentation Engineer (5) and Morten Bjerregaard Knudsen, Head of Technical Service (6) are board members elected by the employees of the company.



Executive Board

Steen Brødbæk (7), CEO since 2009: Extensive international management experience of engineering, technology and manufacturing businesses, not to mention strong strategic skills. Previous employment as CEO of Arvid Nilsson A/S and Invensys APV A/S as well as managerial positions with ABB A/S. Chairman of the board of directors of Carl Ras A/S and member of the boards of directors of Arkil Holding A/S and DI Energi. Qualified electrical power engineer.

Jørgen Devantier Gade (8), CFO since 2013: Experienced manager of finance organisations with particularly strong skills in finance, treasury, procurement and IT. Previous employment as CFO of Qubiqa A/S, CFO of LM WindPower and CFO of ABB A/S. Graduate MSc (Econ. and Business Adm.).

Risks

Risk	Monitoring and handling
MARKET RISKS	
<p>Offshore wind</p> <p>Subsidy schemes remain a key element in the funding of offshore wind farm projects even though the need is reduced on an ongoing basis and set to be eliminated within a period of 5-10 years. In recent years, several offshore wind farm projects have been won without subsidy schemes, and the increasing maturity of the market leads to increased competition.</p>	<p>Semco Maritime follows offshore wind farm auctions all over the world and has an ongoing close dialogue with customers to ensure an overview of industry developments and outlook. We continue to optimise costs and look continuously for innovative solutions that can complement Semco Maritime's market-leading service and product offerings to the industry.</p>
<p>Oil & Gas</p> <p>The Group's activities and results are influenced by the investment activity in the oil and gas industry, which depends significantly on the trend in oil and gas prices as well as the US dollar rate.</p>	<p>The exposure to fluctuations in oil and gas prices is countered by cost efficiency improvement of existing products and development of new solutions that reduce customer cost bases. Moreover, Semco Maritime has diversified the Group's activities across Oil & Gas and Renewables over a period of time. Fluctuations in the US dollar rate are countered, for instance, by the use of forward exchange contracts as described below and by increased focus on purchases denominated in US dollars.</p>
SOCIAL AND ENVIRONMENTAL RISKS	
<p>Health and safety at work</p> <p>Semco Maritime's activities involve risks of industrial accidents that may result in personal injury and disrupt the operation of customer assets, and this may result in claims for damages or demands that the Group must take preventive and restoring measures.</p> <p>As a supplier to the oil and gas and the offshore wind industries, Semco Maritime's ability to maintain satisfactory health and safety at work and the required safety certificates is key to the continued success of the Group.</p>	<p>Group entities report observations and the number and type of accidents on a monthly basis. Semco Maritime has also appointed a special team to analyse the background to occurred incidents and introduce measures to reduce the risk of repetition.</p> <p>Semco Maritime works actively to promote the culture of safety of the Group and demands that the conduct of the employees is based on the safety policy »Safety is part of our DNA«. The Group strives to rank among the absolutely safest workplaces in the industry, and the level of safety is improved on an ongoing basis through global campaigns, training and education of managers and employees as well as safety talks, etc.</p>

Risks

Risk	Monitoring and handling
<p>Environment</p> <p>The Group's activities – particularly in the offshore industry – are governed by the legislation and rules applicable to the handling of environmentally harmful substances and preventive measures to avoid discharge into the sea and the ground when assignments are undertaken by the Group. Unintended discharge may harm the environment, equipment and humans, and such discharge may impose liability on Semco Maritime.</p>	<p>Environmental risks are countered in cooperation with the Group's customers in individual projects and on the basis of clear policies and procedures that are laid down and revised at Group level.</p>
FINANCIAL RISKS	
<p>Interest rates</p> <p>The funding of the Group is exposed to changes in interest rates, which may affect customer investment decisions and the Group's financial expenses.</p>	<p>Semco Maritime's treasury function monitors the level of interest rates on an ongoing basis and secures a balanced mix of the Group's liabilities and capital structure. In addition, Semco Maritime's focus on efficiency and ongoing cost reduction helps set off increases in the financing expenses of customer projects.</p>
<p>Foreign currency</p> <p>Semco Maritime's operations are exposed to currency risks. The Group issues invoices in AUD, DKK, EUR, GBP, NOK, SGD and USD, whereas a significant share of goods purchased are denominated in DKK, EUR, GBP, NOK and USD. In addition to these transaction risks, Semco Maritime is exposed to translation risks arising when the income statements and balance sheets of foreign subsidiaries are translated into the Group's operating currency (DKK).</p>	<p>The Group treasury function enters into forward exchange contracts for the purpose of hedging Semco Maritime's greatest transaction risks at Group level and in individual large-scale projects, just as these risks are hedged on an ongoing basis as part of the day-to-day operations where purchases of goods and invoicing are denominated in the same currency to a wide extent. Translation risks are not hedged as translation into the Group's operating currency does not have any material effect on liquidity. Semco Maritime does not make speculative transactions.</p>
<p>Insurance</p> <p>There may be cases where the insurance taken out by the Group does not cover losses or provides only partial cover, and there may be long periods of uncertainty as regards the cover of losses.</p>	<p>Semco Maritime has established an extensive insurance programme reflecting the Group's activities. The overall insurance programme is reviewed once a year and comprises, for instance, a contractors all-risk policy, property insurance, third-party liability insurance and other statutory and contractual insurance policies.</p>

Financial statements

- 19 Income statement
- 20 Balance sheet
- 21 Statement of changes in equity
- 22 Cash flow statement
- 23 Notes
- 39 Accounting policies
- 42 Group chart
- 43 Statement by the Board of Directors and the Executive Board
- 44 Independent auditors' report



MANPOWER

Operation Support Norway

Operation Support worked on two major contracts with Equinor and Aker/BP, providing personnel both onshore and offshore. The contracts generated strong growth in the Norwegian business and employed more than 350 people in 2018.

Income statement

DKK'000	Note	Group		Parent Company	
		2018	2017	2018	2017
Revenue	1	2,041,370	1,407,820	1,168,105	946,235
Cost of sales		(924,708)	(431,889)	(510,012)	(258,921)
Gross profit		1,116,662	975,931	658,093	687,314
Other operating income/expenses	2	2,406	3,773	1,883	3,644
Staff costs	3	(954,786)	(791,246)	(605,738)	(567,543)
Other external costs	4	(110,224)	(162,672)	(70,454)	(89,473)
Profit/loss before depreciation		54,058	25,786	(16,216)	33,942
Depreciation and impairment of non-current assets	8,9	(23,839)	(25,651)	(15,583)	(18,034)
Operating profit/loss		30,219	135	(31,799)	15,908
Profit/loss from investments in group enterprises	10	-	-	53,547	(19,210)
Financial income	5	243	381	826	966
Financial expense	5	(3,657)	(4,612)	(1,321)	(3,148)
Profit/loss before tax		26,805	(4,096)	21,253	(5,484)
Tax on continuing operations	6	1,548	(3,889)	6,669	(2,924)
Profit/loss for the year from continuing operations	7	28,353	(7,985)	27,922	(8,408)
Profit/loss for the year from discontinued operations after tax	7	(4,398)	(21,491)	(3,967)	(21,068)
PROFIT/LOSS FOR THE YEAR		23,955	(29,476)	23,955	(29,476)

Balance sheet

ASSETS

DKK'000	Note	Group		Parent Company	
		2018	2017	2018	2017
Non-current assets					
Goodwill		57,523	61,870	30,168	32,531
Patents and licences		-	2,672	-	2,486
Development projects		16,465	15,949	16,465	15,949
Intangible assets	8	73,988	80,491	46,633	50,966
Land and buildings		19,470	22,181	19,470	22,181
Leasehold improvements		13,443	16,261	7,144	8,493
Plant and machinery		9,510	11,950	4,060	2,269
Other fixtures and fittings, tools and equipment		10,497	13,160	6,642	7,222
Property, plant and equipment	9	52,920	63,552	37,316	40,165
Investments in group enterprises	10	-	-	135,190	78,787
Other financial assets	11	8,205	8,044	8,205	8,044
Long-term receivables from group enterprises		-	-	5,765	6,056
Financial assets		8,205	8,044	149,160	92,887
Total non-current assets		135,113	152,087	233,109	184,018
Current assets					
Finished goods	12	13,108	12,166	9,179	8,068
Buildings held for sale	12	3,278	3,185	-	-
Inventories		16,386	15,351	9,179	8,068
Trade receivables		272,388	250,284	117,398	125,736
Contract work in progress	13	126,550	117,143	60,758	66,489
Receivables from group enterprises		-	-	63,030	44,329
Other receivables		7,466	3,559	5,796	1,378
Prepayments	14	9,848	8,157	6,269	5,151
Receivables		416,252	379,143	253,251	243,083
Cash	20	17,964	14,879	276	37
Assets related to discontinued operations	7	4,444	12,321	3,460	11,344
Total current assets		455,046	421,694	266,166	262,532
TOTAL ASSETS		590,159	573,781	499,275	446,550

LIABILITIES AND EQUITY

DKK'000	Note	Group		Parent Company	
		2018	2017	2018	2017
Equity					
Share capital		28,753	28,753	28,753	28,753
Reserve for development costs		4,752	4,350	4,752	4,350
Retained earnings		98,045	74,718	98,045	74,718
Total equity		131,550	107,821	131,550	107,821
Deferred tax	6	10,416	8,074	10,499	7,392
Warranty commitments	15	32,787	8,876	28,641	8,091
Other provisions	15	2,578	853	-	-
Total provisions		45,781	17,803	39,140	15,483
Mortgage debt	17	3,250	3,903	3,250	3,903
Total long-term liabilities		3,250	3,903	3,250	3,903
Short-term portion of long-term liabilities		653	24,251	653	24,251
Bank debt		-	28,325	-	9,631
Prepayments from customers	13	47,189	68,522	30,549	37,063
Trade payables		127,949	132,617	59,830	98,880
Amounts owed to group enterprises		70,197	33,481	151,222	54,442
Tax payable	6	5,579	241	-	170
Other payables		156,441	148,332	80,129	91,279
Liabilities related to discontinued operations	7	1,570	8,485	2,952	3,627
Total short-term liabilities		409,578	444,254	325,335	319,343
Total liabilities		412,828	448,157	328,585	323,246
TOTAL EQUITY AND LIABILITIES		590,159	573,781	499,275	446,550
Mortgages	16				
Contingent items and other liabilities	17				
Related parties	18				

Statement of changes in equity

Group and Parent Company

DKK'000	Note	Share capital	Reserve for development costs	Retained earnings	2018	2017
Equity at 1 January 2018		28,753	4,350	74,718	107,821	140,666
Exchange rate adjustment of subsidiaries		-	-	273	273	2,311
Changes in derivative financial instruments		-	-	(281)	(281)	(243)
Exchange rate adjustment of loans to finance investments in subsidiaries		-	-	(358)	(358)	(7,030)
Retained earnings	21	-	402	23,553	23,955	(29,476)
Tax for the year on equity entries		-	-	140	140	1,593
Equity at 31 December 2018		28,753	4,752	98,045	131,550	107,821

Latest five year changes in share capital may be specified as follows:

DKK'000	2018	2017	2016	2015	2014
Balance at 1 January	28,753	28,753	15,500	15,500	15,500
Cash capital increase	-	-	13,253	-	-
Balance at 31 December	28,753	28,753	28,753	15,500	15,500

The share capital consists of:

28,752,500 shares of DKK 1.

The share capital is distributed as follows:

28,588,000 A shares and 164,500 B shares

Consolidated cash flow statement

DKK'000	Note	2018	2017
Cash flows from operating activities			
Profit/loss before amortisation and depreciation		54,058	25,786
Profit/loss before amortisation and depreciation, discontinued operations		(5,517)	(28,158)
Other operating income/expenses		(533)	(42)
Net financials		(3,414)	(3,658)
Changes in provisions		25,636	(4,413)
Taxes paid		10,578	1,742
Total before change in operating capital		80,808	(8,743)
Change in inventories		(1,035)	4,054
Change in current receivables and contract work in progress		(29,231)	(41,742)
Change in prepayments and other short-term liabilities		(24,807)	7,897
Change in working capital		(55,073)	(29,791)
Total cash flows from operations		25,735	(38,534)
Cash flows from investing activities			
Investment in intangible assets		(2,851)	(2,812)
Investment in property, plant and equipment		(6,009)	(16,755)
Investment in financial assets		(162)	-
Sale of property, plant and equipment		2,415	562
Total cash flow from investing activities		(6,607)	(19,005)
Cash flows before financing activities		19,128	(57,539)
Cash flows from financing activities			
Repayment of long-term loans		(24,251)	3,338
Total cash flow from financing activities		(24,251)	3,338
Total cash flows		(5,123)	(54,201)
Cash and cash equivalents at the beginning of the year		(46,927)	10,777
Exchange rate adjustment of opening cash and cash equivalents		(183)	(3,503)
CASH AND CASH EQUIVALENTS AT END OF YEAR	20	(52,233)	(46,927)

Notes

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
1. Revenue				
Sales value of completed contracts	1,335,555	1,283,589	924,572	856,884
Sales value of work in progress, 31 December	1,589,373	893,966	822,867	579,334
Sales value of work in progress, 1 January	(893,966)	(788,996)	(579,334)	(489,983)
Exchange rate adjustment	10,408	19,261	-	-
Revenue regarding contracts	2,041,370	1,407,820	1,168,105	946,235
Segment information				
<i>Geographical markets for continuing operations</i>				
Denmark	1,072,369	761,363	902,204	749,873
International	969,001	646,457	265,901	196,362
Total revenue	2,041,370	1,407,820	1,168,105	946,235
2. Other operating income/expenses				
Rental income	1,873	1,231	1,873	1,231
Gain on sale of construction activities	533	42	10	87
Other income	-	2,500	-	2,500
	2,406	3,773	1,883	3,644



Accounting policies

Revenue

Construction contracts which are to a large degree individually designed are included in revenue in proportion to the work completed, so that revenue is matched with the sales value of the work carried out during the year (the percentage of completion method). When the profit or loss from a construction contract cannot be reliably estimated, revenue is recognised only for costs incurred to the extent that it is likely such costs will be recovered.

In relation to the completion of construction contracts, from time to time the Group undertakes to make procurements on behalf of third parties. In situations where the Group does not assume significant rewards and risks relating to the goods, revenue is presented as net figures and measured at fair value of the agreed consideration for the service in question. Revenue is recognised as such when rewards and risks pass from the supplier to the third party, which is the time when the Group has earned the right to the consideration.

Other income from the sale of goods and services is recognised in the income statement when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

Segment information

Information is provided about geographical markets. The segment information follows the company's accounting policies, risks and in-house financial management.



Accounting policies

Other operating income/expenses

Other operating income/cost comprises items secondary to the activities of the enterprises, including gains on disposal of intangible assets and property, plant and equipment.

Notes

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
3. Staff costs				
Wages	(883,740)	(724,618)	(544,020)	(508,164)
Pensions	(49,755)	(48,445)	(46,471)	(44,719)
Other social security costs	(21,291)	(18,183)	(15,247)	(14,660)
	(954,786)	(791,246)	(605,738)	(567,543)
Total Group consideration to:				
Parent Company's Board of Directors	(625)	(595)	(625)	(595)
Parent Company's Executive Board	(6,365)	(5,374)	(6,365)	(5,374)
Average number of full-time employees	1,289	1,109	849	824
Share subscription rights:				
In 2018, the Company's Executive Board and Senior Vice Presidents were granted rights to subscribe for a total of 1,150,100 shares of DKK 1 nominal value in spring 2021. The subscription price will be the fair value at the date of grant.				
No costs or liabilities were recognised at 31 December 2018 concerning subscription rights.				
4. Fees to auditors appointed by the general meeting				
Fee for statutory audit	(825)	(775)	(495)	(475)
Tax consultancy	(600)	(438)	(513)	(373)
Other services	(334)	(410)	(286)	(212)
	(1,759)	(1,623)	(1,294)	(1,060)



Accounting policies

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the company's employees. Refunds received from public authorities are deducted from staff costs.



Accounting policies

Other external costs

Other external costs comprise costs for distribution, sale, advertising, administration, premises, bad debt losses, operating leases, etc.

Notes

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
5. Financial income and expenses				
Other financial income	243	381	173	190
Interest income concerning Group enterprises	-	-	653	776
	243	381	826	966
Other financial expenses	(3,657)	(4,612)	(1,296)	(2,964)
Interest expenses concerning Group enterprises	-	-	(25)	(184)
	(3,657)	(4,612)	(1,321)	(3,148)
6. Tax				
Tax for the year				
Current tax	(5,405)	(105)	-	(250)
Deferred tax	6,937	(3,829)	6,530	(3,384)
Prior-year adjustments	16	45	139	710
	1,548	(3,889)	6,669	(2,924)



Accounting policies

Financial income and expenses

Financial income and expenses include interest, gains and losses on securities, payables and transactions in foreign currencies, amortisation of financial assets and liabilities, and surcharges and allowances under the tax prepayment scheme, etc.



Accounting policies

Tax on profit for the year

Semco Maritime A/S is jointly taxed with C.W. Obel A/S and a number of Danish subsidiaries. The current income tax liability is allocated among the jointly taxed Danish companies in proportion to their taxable income (full distribution with refunds for tax losses). The jointly taxed companies are taxed under the Danish tax prepayment scheme.

Tax for the year, comprising current corporate tax for the year, joint taxation contributions for the year and changes in deferred tax for the year, including such changes as follow from changes in the tax rate, is recognised in the income statement for such part of it as can be attributed to the profit/(loss) for the year, and directly in equity for such part of it as is attributable to amounts recognised directly in equity.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Notes

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
6. Tax - continued				
Deferred tax				
Deferred tax, 1 January	8,074	12,409	7,392	12,422
Prior-year adjustments	10,512	(633)	10,897	(879)
Adjustment of deferred tax, profit items	(6,937)	3,829	(6,530)	3,384
Adjustment of deferred tax, discontinuing operations	(1,119)	(5,942)	(1,119)	(5,942)
Adjustment of deferred tax, equity items	(141)	(1,593)	(141)	(1,593)
Exchange rate adjustments of deferred tax	27	4	-	-
Deferred tax 31 December	10,416	8,074	10,499	7,392
Deferred tax is in all materiality incumbent on property, plant and equipment, construction contracts etc.				
Tax payable				
Tax payable, 1 January	241	(2,251)	170	(736)
Prior-year adjustments	(10,528)	588	(11,036)	169
Prior-year adjustments, discontinuing operations	-	(152)	-	-
Current tax for the year	5,405	105	-	250
Exchange rate adjustment of tax payable	(117)	209	-	-
Tax paid during the year	10,578	1,742	10,866	487
Tax payable, 31 December	5,579	241	-	170



Accounting policies

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Joint taxation contributions payable and receivable are recognised in the balance sheet as »Other receivables« or »Tax payable«.

Deferred tax is measured in accordance with the balance sheet liability method on all temporary differences between the carrying amount and tax base of assets and liabilities. However, deferred tax on temporary differences relating to goodwill which is not deductible for tax purposes and office buildings and other items is not recognised where temporary differences – other than business acquisitions – arise at the date of acquisition without affecting either the profit/(loss) for the year or the taxable income. In cases where the tax base may be computed according to several sets of tax regulations, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability planned by Management.

Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, are applicable in the relevant countries at the time the deferred tax is expected to crystallise as current tax.

Notes

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
7. Profit/loss from discontinued operations				
As part of the Group's future strategy, Management decided at the end of 2017 to discontinue the segment »Power Projects« (separate segment), which is therefore presented as a discontinued operation. Throughout 2018, the Group has worked to wind up the business area »Power Projects«. Management expects the winding-up to be completed by mid-2019. Profit/loss from discontinued operations is specified as follows:				
Revenue	(3,524)	(142)	(3,524)	(3,748)
Cost of sales	-	(8,776)	-	(7,688)
Staff costs	(1,793)	(8,909)	(1,362)	(7,990)
Other external costs	(200)	(10,331)	(200)	(7,584)
Financial income and expenses	-	573	-	-
Profit/loss before tax	(5,517)	(27,585)	(5,086)	(27,010)
Tax on profit/loss	1,119	6,094	1,119	5,942
Profit/loss for the year after tax, discontinued operations	(4,398)	(21,491)	(3,967)	(21,068)
Assets and liabilities relating to discontinued operations 2018				
At the balance sheet date, the Group is working to finalise the remaining projects relating to the »Power Projects« segment, as a result of which the Group has recognised the following net assets in the balance sheet as discontinued operations:				
Trade receivables	3,690	7,043	3,460	6,832
Contract work in progress	-	4,512	-	4,512
Other receivables	754	766	-	-
Assets related to discontinued operations	4,444	12,321	3,460	11,344
Trade payables	226	226	-	-
Other payables	1,304	8,259	2,952	3,627
Liabilities related to discontinued operations	1,570	8,485	2,952	3,627
Net assets related to discontinued operations	2,874	3,836	508	7,717

Notes

DKK'000	Group			Total
	Goodwill	Patents and licenses	Development projects	
8. Intangible fixed assets				
Cost at 1 January 2018	156,891	40,262	16,564	213,717
Exchange rate adjustment	(483)	46	-	(437)
Additions during the year	-	-	2,851	2,851
Cost at 31 December 2018	156,408	40,308	19,415	216,131
Amortisation at 1 January 2018	95,021	37,590	615	133,226
Exchange rate adjustment	(239)	45	-	(194)
Amortisation for the year	4,103	2,673	2,335	9,111
Amortisation at 31 December 2018	98,885	40,308	2,950	142,143
Carrying amount at 31 December 2018	57,523	-	16,465	73,988
Carrying amount at 31 December 2017	61,870	2,672	15,949	80,491

Goodwill

The Company's investments in subsidiaries are considered to be of strategic importance to the Group. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 20 years, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles. The amortisation period is also determined on the basis of underlying lease agreements.

Development projects

Completed development projects primarily comprise the development and launch of new products and systems in the business area »Products & Technology«. Costs primarily covers internal costs related to salaries, which are recorded using the Company's in-house project module, and costs from third-party suppliers and consultants in connection with developing, testing and launching products and systems. In 2018, the »Products & Technology« business area completed and marketed the new products and systems. The new products and systems are expected to substantially improve the Group's competitiveness, leading to a higher level of activity and earnings going forward. Management has not found any evidence of impairment relative to the carrying amount of development projects.



Accounting policies

Goodwill

Goodwill is amortised over its estimated economic life determined on the basis of Management's experience with the individual business areas. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 20 years, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles.

Impairment of intangible assets

The carrying amount of intangible assets is analysed annually for evidence of impairment in addition to what is reflected by normal amortisation and depreciation charges.

If there is evidence of impairment, each asset or group of assets is tested for impairment. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is written down to its recoverable amount.

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

Notes

DKK'000	Parent Company			Total
	Goodwill	Patents and licenses	Development projects	
8. Intangible fixed assets - continued				
Cost at 1 January 2018	110,624	38,589	16,564	165,777
Additions during the year	-	-	2,851	2,851
Cost at 31 December 2018	110,624	38,589	19,415	168,628
Amortisation at 1 January 2018	78,093	36,103	615	114,811
Amortisation for the year	2,363	2,486	2,335	7,184
Amortisation at 31 December 2018	80,456	38,589	2,950	121,995
Carrying amount at 31 December 2018	30,168	-	16,465	46,633
Carrying amount at 31 December 2017	32,531	2,486	15,949	50,966

Goodwill

The Company's investments in subsidiaries are considered to be of strategic importance to the Group. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 20 years, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles. The amortisation period is also determined on the basis of underlying lease agreements.

Development projects

Completed development projects primarily comprise the development and launch of new products and systems in the business area »Products & Technology«. Costs primarily covers internal costs related to salaries, which are recorded using the Company's in-house project module, and costs from third-party suppliers and consultants in connection with developing, testing and launching products and systems. In 2018, the »Products & Technology« business area completed and marketed the new products and systems. The new products and systems are expected to substantially improve the Group's competitiveness, leading to a higher level of activity and earnings going forward. Management has not found any evidence of impairment relative to the carrying amount of development projects.

Accounting policies

Patents and licences

Patents are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the licence period, although not exceeding 5 years.

Gains and losses on the sale of patents and licenses are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Profits or losses are recognised in the income statement under other operating income and expenses.

Development projects

Development costs comprise costs, salaries, depreciation and amortisation directly or indirectly attributable to development activities.

Development projects which are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or business opportunity can be demonstrated and where the intention is to manufacture, market or utilise the project, are recognised as intangible assets if the cost can be reliably measured and there is sufficient certainty that future earnings can cover production and selling costs, administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment. After completion of the development work, development costs are amortised on a straight-line basis over the estimated economic life. The usual amortisation period is three to five years.

Notes

DKK'000	Group				Total
	Land and buildings	Leasehold improvements	Plant and machinery	Fixtures and fittings, tools and equipment	
9. Property, plant and equipment					
Cost at 1 January 2018	81,666	24,685	74,724	42,372	223,447
Exchange rate adjustment	-	(77)	(326)	(12)	(415)
Additions during the year	-	-	4,060	1,949	6,009
Disposals during the year	-	(322)	(3,459)	(150)	(3,931)
Cost at 31 December 2018	81,666	24,286	74,999	44,159	225,110
Depreciation at 1 January 2018	59,485	8,424	62,774	29,212	159,895
Exchange rate adjustment	-	(41)	(326)	(17)	(384)
Disposals during the year	-	(322)	(1,592)	(135)	(2,049)
Depreciation for the year	2,711	2,782	4,633	4,602	14,728
Depreciation at 31 December 2018	62,196	10,843	65,489	33,662	172,190
Carrying amount at 31 December 2018	19,470	13,443	9,510	10,497	52,920
Carrying amount at 31 December 2017	22,181	16,261	11,950	13,160	63,552



Accounting policies

Property, plant and equipment

Land and buildings, leasehold improvements, plant and machinery and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. For assets produced in-house, cost comprises direct and indirect costs of materials, components, third-party suppliers and labour.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Assets are depreciated on a straight line basis over their estimated useful lives based on the following assessment of the expected lives of the assets:

Buildings	max. 50 years
Fixtures in buildings	10-25 years
Leasehold improvements	max. 10 years
Plant and machinery	5 years
Fixtures and fittings, tools and equipment	3-5 years
Cars	5-7 years
Rental material	10 years

Profits or losses are recognised in the income statement under other operating income and expenses, respectively.

Notes

DKK'000	Parent Company				Total
	Land and buildings	Leasehold improvements	Plant and machinery	Fixtures and fittings, tools and equipment	
9. Property plant and equipment - continued					
Cost at 1 January 2018	81,666	13,752	38,518	25,934	159,870
Additions during the year	-	-	3,601	1,949	5,550
Disposals during the year	-	-	(364)	-	(364)
Cost at 31 December 2018	81,666	13,752	41,755	27,883	165,056
Depreciation at 1 January 2018	59,485	5,259	36,249	18,712	119,705
Disposals during the year	-	-	(364)	-	(364)
Depreciation for the year	2,711	1,349	1,810	2,529	8,399
Depreciation at 31 December 2018	62,196	6,608	37,695	21,241	127,740
Carrying amount at 31 December 2018	19,470	7,144	4,060	6,642	37,316
Carrying amount at 31 December 2017	22,181	8,493	2,269	7,222	40,165



Accounting policies

Impairment of property plant and equipment

The carrying amount of property, plant and equipment is analysed annually for evidence of impairment in addition to what is reflected by normal amortisation and depreciation charges.

If there is evidence of impairment, each asset or group of assets is tested for impairment. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is written down to its recoverable amount.

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

Notes

DKK'000	Parent Company	
	2018	2017
10. Financial assets, investments in subsidiary		
Cost at 1 January 2018	302,087	274,992
Additions during the year	-	27,095
Disposals during the year	(533)	-
Cost at 31 December 2018	301,554	302,087
Value adjustment at 1 January 2018	(282,084)	(265,185)
Disposals during the year	35,647	-
Exchange rate adjustment	273	2,311
Profit/loss for the year	53,547	(19,210)
Value adjustment at 31 December 2018	(192,617)	(282,084)
Write-down of receivables and provisions to cover negative net asset value	26,253	58,784
Carrying amount at 31 December 2018	135,190	78,787

An overview of investments in subsidiaries is shown on [page 42](#).



Accounting policies

Profit/loss from investments in group enterprises

Profit/loss in group enterprises comprises the proportionate share of the results after tax of the individual group enterprises after full elimination of intra-group profits/losses.

Investments in group enterprises

Investments in group enterprises with a negative net asset value are recognised at DKK nil, and any receivable from these companies is written off to the extent it is deemed to be irrecoverable.

To the extent that the parent company has a legal or constructive obligation to cover any negative balance that exceeds the receivable, the residual amount is recognised under provisions.

The purchase method of accounting is used in connection with acquisitions. See the description under »Consolidated financial statements«.

Impairment of financial assets

The carrying amount of investments in group enterprises is analysed annually for evidence of impairment over and above what is reflected by normal amortisation and depreciation charges.

If there is evidence of impairment, each asset or group of assets is tested for impairment. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is written down to its recoverable amount.

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

Notes

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
11. Other financial assets				
Cost at 1 January 2018	8,044	7,849	8,044	7,849
Additions	161	195	161	195
Disposals	-	-	-	-
Cost at 31 December 2018	8,205	8,044	8,205	8,044
Other receivables include deposits, etc.				
12. Inventories				
Finished goods	13,108	12,166	9,179	8,068
Buildings held for sale	3,278	3,185	-	-
	16,386	15,351	9,179	8,068



Accounting policies

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Notes

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
13. Contract work in progress				
Sales value at 31 December	1,589,373	893,966	822,867	579,334
Progress billings to customers	(1,510,012)	(845,345)	(792,658)	(549,908)
	79,361	48,621	30,209	29,426
Recognised in the balance sheet:				
Contract work in progress	126,550	117,143	60,758	66,489
Prepayments from customers	(47,189)	(68,522)	(30,549)	(37,063)
	79,361	48,621	30,209	29,426

14. Prepayments and accrued income

Prepayments and accrued income include advance payments regarding rent, IT-licenses, rentals etc.



Accounting policies

Construction contracts

Construction contracts are measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and the total expected income from the individual contracts.

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

Individual construction contracts are recognised in the balance sheet under either receivables or payables. Net assets are determined as the sum of construction contracts where the selling price of the work performed exceeds progress billings. Net liabilities are determined as the sum of construction contracts where progress billings exceed the selling price.

Selling costs and costs incurred in securing contracts are recognised in the income statement as and when incurred.



Accounting policies

Prepayments

Prepayments comprise costs incurred relating to subsequent financial years.

Notes

DKK'000	Warranty obligations	
	Group	Parent Company
15. Warranty commitments		
Carrying amount at 1 January 2018	8,876	8,091
Additions during the year	32,787	28,641
Expenditure for the year	(8,876)	(8,091)
Carrying amount at 31 December 2018	32,787	28,641
Expected maturity:		
Within 1 year	32,787	28,641
After 1 year	-	-
	32,787	28,641

DKK'000	Group		
	Other provisions	Pensions	Other provisions
15. Other provisions			
Carrying amount at 1 January 2018	-	853	853
Additions during the year	1,241	1,337	2,578
Expenditure for the year	-	(853)	(853)
Carrying amount at 31 December 2018	1,241	1,337	2,578
Expected maturity:			
Within 1 year	1,241	1,337	2,578
After 1 year	-	-	-
	1,241	1,337	2,578

Other provisions include pension liabilities and liabilities relating to re-establishment of external leases.



Accounting policies

Provisions

Provisions comprise expected expenses relating to guarantee commitments, restructuring, etc. Provisions are recognised when the Group has a legal or constructive obligation that arises from past events and it is probable that an outflow of financial resources will be required to settle the obligation.

Provisions are measured at net realisable value or fair value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Guarantee commitments comprise obligations to perform repair work within a warranty period of 1-5 years. Provisions are measured at net realisable value and recognised on the basis of experience from warranty work. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at the average bond yield.

Notes

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
16. Non-current liabilities				
Long-term liabilities maturing after more than 5 years after the balance sheet date amount to	648	1,296	648	1,296
17. Mortgages				
Consisting of:				
As security for mortgage debt:	3,903	4,558	3,903	4,558
Moreover, properties have been mortgaged at a carrying amount of:	19,470	22,181	19,470	22,181
18. Contingent and other liabilities				
The Group companies have undertaken contractual obligations customary to the line of business. These obligations have been covered by guarantees from banks and credit insurance companies by:	219,233	168,401	194,961	148,583
Performance guarantees usually cover a period of 1 to 5 years.				
From time to time, the Company enters into joint ventures on the execution of large projects. At 31 December 2018, the Company did not participate in any joint ventures.				
Guarantees for the commitments of subsidiaries towards customers for contracts with a total value of:	-	-	116,755	58,651
Lease obligations (operating leases)				
< 1 year	39,167	43,590	21,973	22,525
1 - 5 years	136,135	131,556	78,448	76,402
> 5 years	144,179	169,347	126,134	139,015
	319,481	344,493	226,555	237,942



Accounting policies

Leases

On initial recognition, lease contracts for non-current assets under which the company has all material risks and rewards of ownership (finance leases) are measured in the balance sheet at the lower of the fair value and the present value of future lease payments. For the calculation of the net present value, the interest rate stated in the leases is used as the discount rate. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the lease term.

All other leases are operating leases. Payments under operating leases are recognised in the income statement over the terms of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingent liabilities, etc.

Notes

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
18. Contingent and other liabilities - continued				
The Company is jointly taxed with C.W. Obel A/S and other Danish Group companies. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.				
The company has entered into a cash pool arrangement with C.W. Obel A/S and the subsidiaries in Norway, Germany and the UK.				
As security for debt to credit institutions in C.W. Obel A/S, the Company has provided a limited guarantee with primary liability in the amount of DKK 325 million.				
The company has issued letters of support towards a few of the subsidiaries.				
Due to its business character, the Group is naturally involved in various disputes and pending lawsuits. In Management's opinion the outcome of these disputes and lawsuits is not expected to have a material negative effect on the financial position.				
Financial instruments				
In order to secure receivables and liabilities in foreign currencies, and future transactions for signed sale agreements, forward contracts have been entered into as per 31 December 2018 in USD, NOK, GBP and EUR. The counter value is:	20,053	10,895	20,053	10,895
The forwards transactions are expected to be effected in 2019.				



Accounting policies

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently remeasured at their fair value. Positive and negative fair values of derivative financial instruments are recognised under other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised as other receivables or payables and in equity. If the future transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability respectively. If the expected future transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged transaction affects the income statement.

For derivatives that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as they occur.

Changes in the fair value of derivative financial instruments used to hedge net investments in subsidiaries are recognised directly in equity.

Notes

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
19. Related parties				
The Company's related parties are the major shareholder Semco Maritime Holding A/S, Copenhagen, and the Company's Executive Board and Board of Directors.				
Semco Maritime A/S is included in the consolidated financial statements of C.W. Obel A/S (smallest group) and Det Obelske Familiefond (largest group).				
Transactions with related parties are made on an arm's length basis.				
Pursuant to section 98C of the Danish Financial Statements Act, the Company has opted to disclose transactions not carried out on an arm's length basis, of which there have been none in the reporting year.				
All transactions have been carried out on an arm's length basis.				
20. Cash and cash equivalents, end of year				
Cash	17,964	14,879		
Bank debt	-	(28,325)		
Amounts owed to group enterprises	(70,197)	(33,481)		
Total	(52,233)	(46,927)		
21. Appropriation of profit/loss				
Proposed profit appropriation				
Transferred to reserves under equity			402	971
Retained earnings			23,553	(30,447)
			23,955	(29,476)



Accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

Accounting policies

The annual report for Semco Maritime has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The accounting policies applied in the preparation of the financial statements are consistent with those of last year.

The sections on accounting policies next to the notes form an integral part of the overall accounting policies.

Foreign currency translation

On initial recognition, transactions denominated in foreign currency are translated at the exchange rates at the transaction date. Exchange rate differences arising between the exchange rate at the transaction date and the date of payment are recognised in the income statement under financial income or expenses.

Receivables, payables and other monetary items denominated in foreign currency are translated at the exchange rates ruling at the balance sheet date. The difference between the exchange rate ruling at the balance sheet date and the exchange rate at the date when the receivable or payable arose or was recorded in the most recent financial statements is recognised in the income statement under financial income or expenses.

Foreign subsidiaries are considered independent entities. Income statements are translated at average exchange rates for the month, while balance sheet items are translated at the year-end rates. Foreign exchange adjustments arising on translation of for-

foreign subsidiaries' opening equity at the exchange rates at the balance sheet date and on translation of income statement items from average exchange rates to the exchange rates at the balance sheet date are taken directly to equity.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiaries are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

On recognition of foreign subsidiaries monetary items are translated at the exchange rates at the balance sheet date.

Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset.

Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Derivative financial instruments – see note 18

Consolidated financial statements

The financial statements consolidate the parent company, Semco Maritime A/S, and subsidiaries in which Semco Maritime A/S directly or indirectly holds more

than 50% of the voting rights or in other ways exercises a controlling interest.

On consolidation, intra-Group income and expenses, equity investments, balances and dividends as well as realised and unrealised gains and losses on transactions between the consolidated entities are eliminated.

Investments in subsidiaries are eliminated at the proportionate share of the subsidiaries' fair value of net assets and liabilities at the date of acquisition. Jointly managed joint ventures are consolidated pro rata.

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition. Enterprises divested or wound up are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated to reflect acquisitions, divestments or companies wound up.

Acquisitions are accounted for using the acquisition method, according to which the identifiable assets and liabilities of companies acquired are measured at fair value at the time of acquisition. A provision is recognised for costs relating to scheduled and announced restructuring in the acquired company in connection with the acquisition. The tax effect of revaluations is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on

Accounting policies

an individual assessment of the economic life of the asset. Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition when the general revenue recognition criteria are met.

Positive and negative goodwill from acquired businesses may be adjusted until the end of the year after the acquisition.

Income statement

Revenue – see note 1

Segment information – see note 1

Cost of sales

Cost of sales is recognised for their production costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries. Also, provision for losses on construction contracts is recognised.

Other operating income/expenses – see note 2

Other external costs – see note 2

Profit/loss from investments in group enterprises – see note 10

Financial income and expenses – see note 5

Tax on profit/loss for the year – see note 6

Balance sheet

Intangible assets

Goodwill – see note 8

Patents and licences – see note 8

Development projects – see note 8

Property plant and equipment – see note 9

Lease agreements – see note 18

Investments in group enterprises – see note 10

Impairment of non-current assets – see notes 8, 9 and 10

Inventories – see note 12

Receivables

Receivables are measured at amortised cost. If there is objective evidence that a receivable or a portfolio of receivables is impaired, an impairment loss is recognised. If there is objective evidence that an individual receivable may be impaired, a write-down is made on an individual level.

In the event there is no objective evidence of individual impairment, receivables are tested for objective evidence of impairment on a portfolio level. Portfolios are primarily based on debtors' registered office and credit ratings in accordance with the Company's

and the Group's credit risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

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

Contract work in progress – see note 13

Prepayments – see note 14

Equity

Dividends

Proposed dividend is recognised as a liability at the time of adoption by the shareholders at the annual general meeting (the declaration date). Dividend expected to be paid in respect of the financial year is stated as a separate line item under equity.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Tax and deferred tax – see note 6

Accounting policies

Provisions – see note 15

Liabilities

Financial liabilities are recognised at the time a loan is raised in the amount of the proceeds less any transaction costs incurred. In subsequent periods, the financial liabilities are measured at amortised cost, equivalent to the capitalised value when the effective rate of interest is used, so that the difference between the proceeds and the nominal value is recognised in the income statement over the loan period.

Other payables are measured at net realisable value.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of profit or loss, adjusted for non-cash operating items, changes in working capital and income tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments made in connection with the acquisition and disposal of companies and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents – see note 20



Financial ratios

The financial ratios listed in »Financial highlights« have been calculated as follows:

Profit margin

$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$

Equity ratio

$\frac{\text{Equity at year-end} \times 100}{\text{Total equity and liabilities, year-end}}$

Return on equity

$\frac{\text{Profit on ordinary activities after tax} \times 100}{\text{Average equity}}$

Group overview

Semco Maritime A/S, Esbjerg, Denmark

- Semco Maritime Inc., Houston, USA
- Protobase Ltd, Norwich, UK (dormant company)
- Semco Maritime AS, Stavanger, Norway
 - Semco Maritime Drift AS, Stavanger, Norway
 - Semco Maritime Pty Ltd., Perth, Australia
- Seguco S.A., Guatemala City, Guatemala
- Semco Maritime El Salvador S.A., San Salvador, El Salvador
- Semco Maritime Pte Ltd., Singapore
- Semco Maritime Vietnam JSC, Vung Tau City, Vietnam
- Semco Institute A/S, Esbjerg, Denmark
- Semco Maritime Energy Infrastructure Tanzania Ltd., Tanzania
- Semco Maritime UK Ltd., Aberdeen, UK
 - Semco Maritime Namibia Ltd., Namibia
- Semco Maritime Panama S.A., Panama
- Semco Maritime GmbH, Germany
- Compania de Servicios y Combustion Industrial S.A. (C2SI), Guatemala

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today considered and approved the annual report of Semco Maritime A/S for the period 1 January to 31 December 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements of the parent company give a true and fair view of the Group's and the company's assets and liabilities and financial position at 31 December 2018 and of the results of the Group's and the company's operations and the Group's cash flows for the financial year 1 January to 31 December 2018.

Furthermore, in our opinion, the Management's review includes a fair review of developments in the operations and financial position of the Group and the Parent Company, the financial results for the year and the Group's and the Parent Company's financial position.

We recommend the annual report to be approved at the Annual General Meeting.

Esbjerg, 3 April 2019

Executive Board:

Steen Brødbæk, CEO

Jørgen Devantier Gade, CFO

Board of Directors:

Anders Obel, Chairman

Jørgen Peter Rasmussen

Andreas Nauen

Keith Taylor

**Allan Thomsen
(employee representative)**

**Morten Bjerregaard Knudsen
(employee representative)**

Independent auditor's report

To the shareholders of Semco Maritime A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Semco Maritime A/S for the financial year 1 January – 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 company financial statements« (hereinafter collectively referred to as »the

financial statements«) section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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

Independent auditor's report

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or

business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review. Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Finan-

cial Statements Act. We did not identify any material misstatement of the Management's review.

Esbjerg, 3 April 2019

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

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