SEMCO maritime

ANNUAL REPORT 2019

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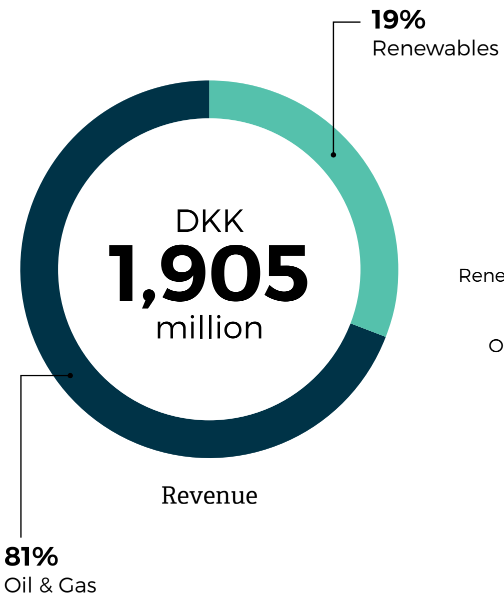
Overview

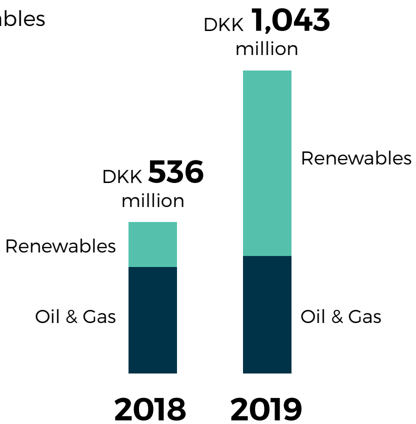
Energean Power FPSO

In 2019, Semco Maritime delivered more than 20 telecommunications systems and tailored fire-extinguishing equipment for the FPSO vessel Energean Power, which is to operate in the Karish and Tanin fields off the coast of Israel as the first FPSO unit in the eastern part of the Mediterranean. The complex engineering and design task was solved by in-house experts from Denmark, the UK and Singapore, and the equipment was manufactured at Semco Maritime's workshop in Singapore close to our customer.

2019 highlights



Revenue



Order book

EBITDA before special items

DKK **53** million

Equity ratio

20.2%

Employees

1,317 employees (average)

3.3 million man-hours*

Employee turnover: 8%

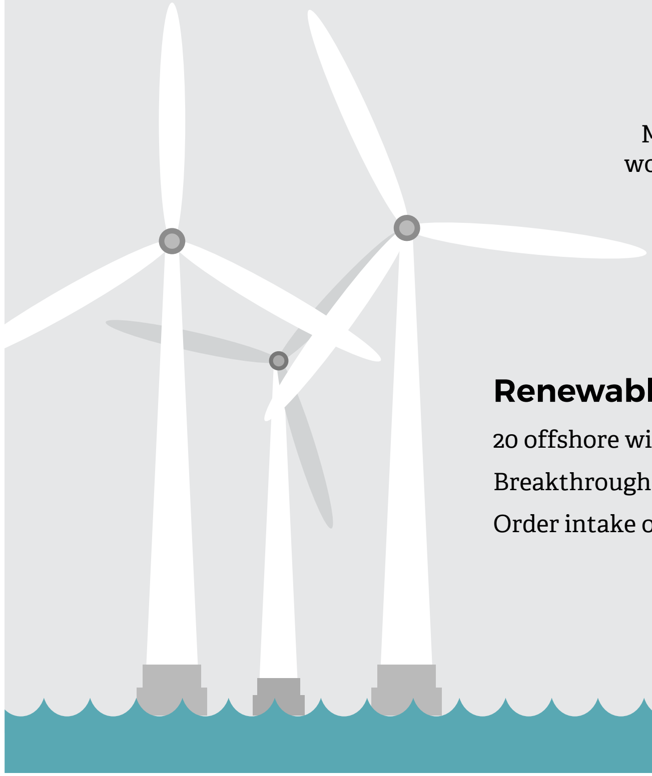
Oil & Gas

10 yard stays

129 modification and service projects

More than 700 employees working in offshore rotation

Order intake of DKK 1,578 million



Renewables

20 offshore wind farms

Breakthrough in the USA

Order intake of DKK 834 million

*Including employees hired on a contract basis

Semco Maritime securing historical order book


Steen Brødbæk, CEO

We took a number of important steps towards establishing a good balance between our Renewables and Oil & Gas business areas in 2019. Meanwhile, we continued to generate strong results in markets, which, as expected, were extremely competitive while offering a very strong potential.

The energy sector is feeling the winds of change, and we are doing our utmost to lift Semco Maritime's share of the global responsibility for ensuring a sustainable transition while winning important new orders at the same time to lay a foundation for profitable growth.

We have been successful in securing a de-facto breakthrough in offshore wind in the USA. In 2019 and at the beginning of 2020, we won key offshore substation contracts in the large Vineyard Wind and Mayflower Wind projects in Massachusetts in collaboration with our long-standing strategic business partner Bladt Industries. We are proud to have been awarded these large contracts and consider it a recognition of our decades of experience and strong capabilities which are to land us a solid position in the growing market for offshore wind power in the USA in the coming years. We are also witnessing strong offshore wind trends elsewhere outside Europe with notably a number of Asian countries set to attract large-scale investment and offer attractive opportunities for Semco Maritime. Strong performance in the Renewables business area boosted Semco Maritime's order book by 95% to a record-high of DKK 1,043 million, with Renewables accounting for 63% and Oil & Gas for 37%.

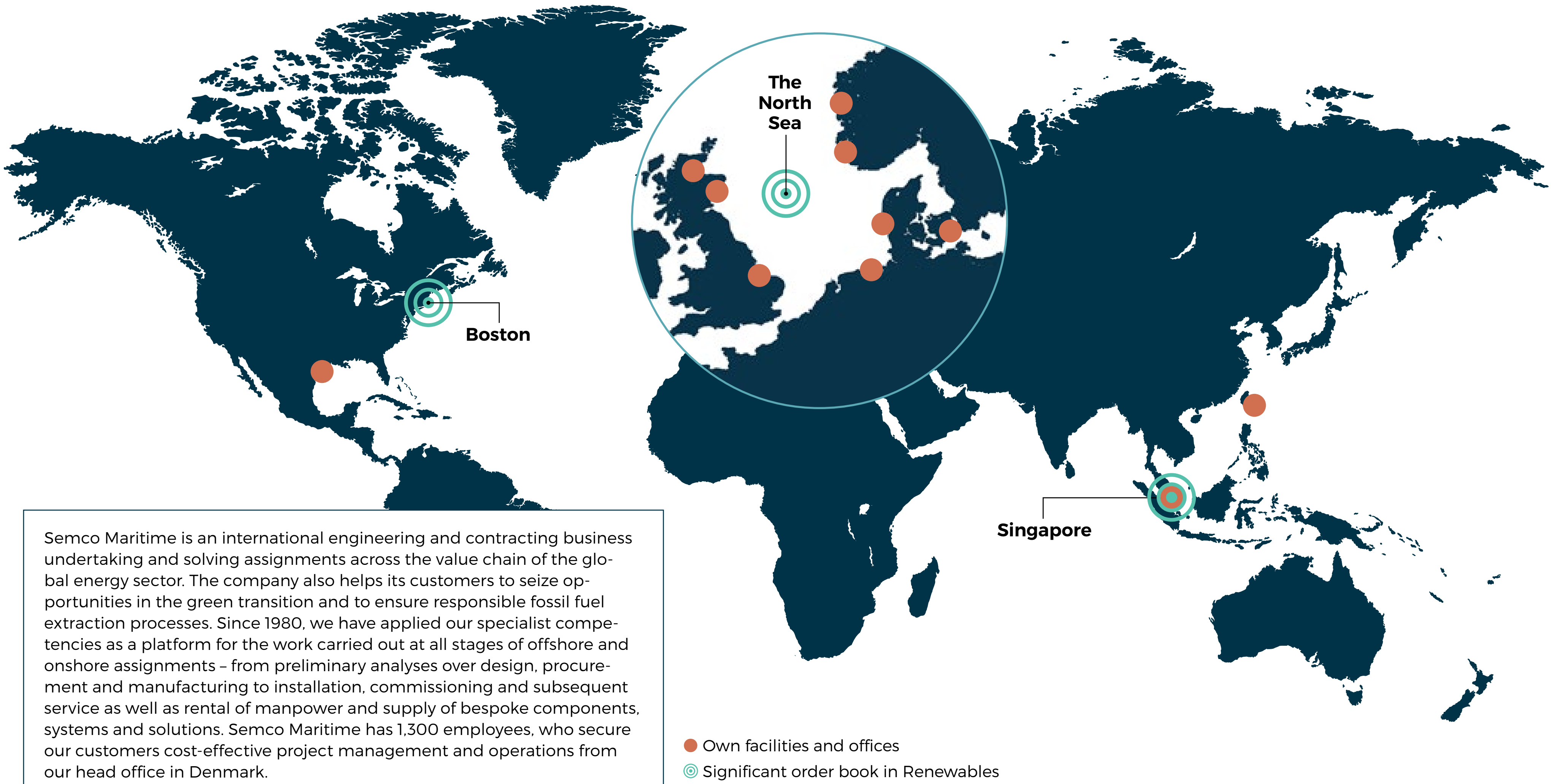
However, the substantial change in the relative balance between the two business areas was also driven by weaker activity in the servicing of rigs at our own yards in the first half of the year, when we won fewer orders than expected. Despite strong results in the form of revenue of DKK 1,905 million and EBITDA before special items of DKK 53 million, we did not achieve quite as solid a financial performance as we did in 2018.

Having refocused our activities in servicing of rigs and made a dedicated effort, we were therefore quite pleased to win two important orders for the servicing of rigs for Odfjell Drilling and Seadrill, respectively, at the end of the year. This will create a foundation for a higher level of activity and profitability through improved utilisation of our organisation and the yard facilities at Hanøytangen in 2020.

In the upcoming period, we will also need to ensure a solid order intake and effective execution in both business areas amid increasingly intensive competition across projects in the offshore wind and oil and gas sectors. Furthermore, we need to sharpen our focus on safety in all parts of the business and scale up our innovation initiatives, which are paramount to ensure that Semco Maritime becomes the clear first choice among customers and employees, who want to seize opportunities in the green transition and contribute to ensuring responsible fossil fuel extraction processes, as this will continue to play a major role in the world's energy supply for the next many years.

Our historically strong order book and sharp focus on efficiency and innovative solutions form the foundation for a high level of activity and improved revenues and earnings for Semco Maritime in the coming years and in 2020, which is characterised by significant uncertainty, though, due to the ongoing outbreak of coronavirus, which affects the Group's markets and oil prices.

Semco Maritime at a glance



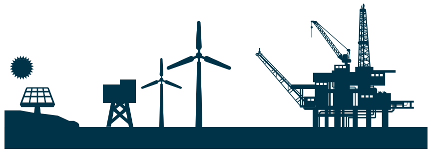
Semco Maritime is an international engineering and contracting business undertaking and solving assignments across the value chain of the global energy sector. The company also helps its customers to seize opportunities in the green transition and to ensure responsible fossil fuel extraction processes. Since 1980, we have applied our specialist competencies as a platform for the work carried out at all stages of offshore and onshore assignments – from preliminary analyses over design, procurement and manufacturing to installation, commissioning and subsequent service as well as rental of manpower and supply of bespoke components, systems and solutions. Semco Maritime has 1,300 employees, who secure our customers cost-effective project management and operations from our head office in Denmark.

Business model

Motivation

We want to play an important role in meeting the world's growing energy demand in a safe and sustainable way.

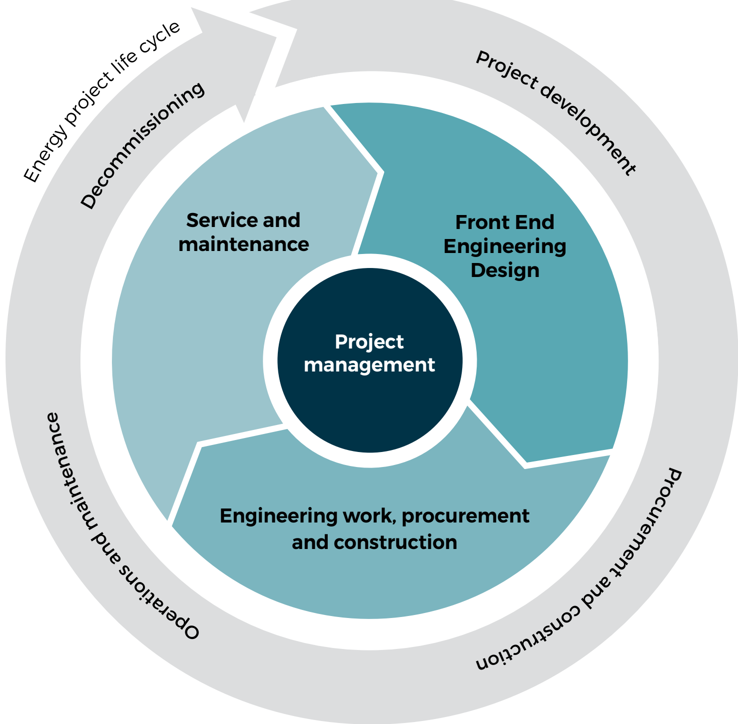
Markets



Renewables Oil & Gas

Value creation

- based on affordable, reliable and sustainable solutions



We provide assistance to our customers at all project stages

Promises

Safety
Safety is part of our DNA. We always aim at reducing the number of work accidents to zero.

Customers
We bring our expertise into play to provide inspiration and optimise value across the supply chain to deliver safe solutions that always live up to expectations.

Employees
We offer a safe and motivating workplace with unique opportunities for development.

Owners
We intend to deliver profitable growth and make our owners proud.

Group long-term targets 2023

- Revenue split 50/50 between Renewables and Oil & Gas
- 20% of revenue shall come from Service activities
- EBITDA margin of 6%

Financial highlights

DKKm	2019	2018	2017	2016	2015
INCOME STATEMENT					
Revenue	1,904.8	2,041.4	1,407.8	1,598.5	1,744.1
Profit/loss before amortisation and depreciation and special items	52.5	54.1	25.8	(50.5)	9.5
Operating profit/loss	22.1	30.2	0.1	(127.2)	(79.8)
Net financials	(6.0)	(3.4)	(4.2)	(1.7)	(13.1)
Profit/loss before tax	16.1	26.8	(4.1)	(128.9)	(92.9)
Profit/loss for the year from continuing operations	18.0	28.4	(8.0)	(127.5)	(85.2)
ASSETS					
Non-current assets	138.0	135.1	152.1	161.8	195.5
Inventories	16.5	16.4	15.4	20.4	22.3
Receivables	594.3	416.3	379.1	416.3	474.6
Cash	18.8	18.0	14.9	15.5	60.9
Assets related to discontinued operations	-	4.4	12.3	0.0	0.0
Total assets	**767.6**	**590.2**	**573.8**	**614.0**	**753.3**
LIABILITIES AND EQUITY					
Equity	154.7	131.6	107.8	140.7	76.2
Provisions	31.0	45.8	17.8	26.5	32.4
Non-current liabilities	29.2	3.3	3.9	29.6	34.2
Current liabilities	552.7	407.9	435.8	417.2	610.5
Liabilities related to discontinued operations	-	1.6	8.5	0.0	0.0
Total equity and liabilities	**767.6**	**590.2**	**573.8**	**614.0**	**753.3**
FINANCIAL RATIOS					
Total cash flows from operations	(72.4)	(2.6)	(38.5)	3.5	(49.4)
Total cash flows	(4.6)	3.3	(54.2)	183.1	(127.9)
Average no. of employees	1,317	1,289	1,109	1,228	1,506
Profit margin, %	1.2	1.5	0.0	(8.0)	(4.6)
Equity ratio, %	20.2	22.3	18.8	22.9	10.1
Return on equity, %	12.6	23.7	6.4	117.6	(74.4)

Strong demand for qualified labour

Operation Support provided flexible and highly qualified labour for a number of onshore and offshore projects in Denmark, Norway and the UK in 2019. More than 1,000 permanent employees and employees hired on a contract basis solved complex assignments on more than 60 platforms, 30 rigs, 50 vessels and 10 offshore wind farms for customers from the oil and gas industry, exploration companies and shipyards.

Demand was particularly strong in Norway, where Semco Maritime recruited more than 160 people, thus increasing the headcount to 295 in 2019.

A definition of financial ratios is provided on page 45.

Developments

Northwester 2 offshore substation lifted in place in September 2019.

RENEWABLES

Mayflower Wind

Building on a long-standing collaboration to enter the US market for offshore wind, Semco Maritime and Bladt Industries formed a consortium in 2019, which at the beginning of 2020 won a strategically important order in the Mayflower Wind project south of Nantucket, Massachusetts. The order is Semco Maritime's largest to date and comprises engineering work, procurement and construction of a 1,200 MW offshore substation for the Mayflower Wind project, which is to supply 804 MW of clean, renewable energy to power up to half a million households with expected start-up in 2025.

Developments in 2019

Semco Maritime maintained a relatively high level of activity in 2019, securing a strong order intake, which also created the foundation for a more balanced distribution of the Group's activities between the two business areas, Renewables and Oil & Gas.

The Group continued to generate strong results in 2019, although revenue and earnings fell slightly short of expectations for further progress after the strong performance in 2018. The second half of the year saw an intensified effort to land major contracts in both business areas, and by the end of February 2020, Semco Maritime had secured a historically strong order book.

Revenue

Semco Maritime's total revenue for 2019 was DKK 1,905 million (2018: DKK 2,041 million). The change was due to lower activity in the first half of 2019 within the servicing of rigs at the Group's own yard facilities and deferred project start-up with respect to production and supply of an offshore substation for the Vineyard Wind project in the USA.

The Group increased its total order intake by 26% to DKK 2,412 million (2018: DKK 1,920 million) and the end-of-year order book to DKK 1,043 million (2018: DKK 536 million). At end-February 2020, the Group's order book totalled DKK 1,997 million (2019: DKK 897 million).

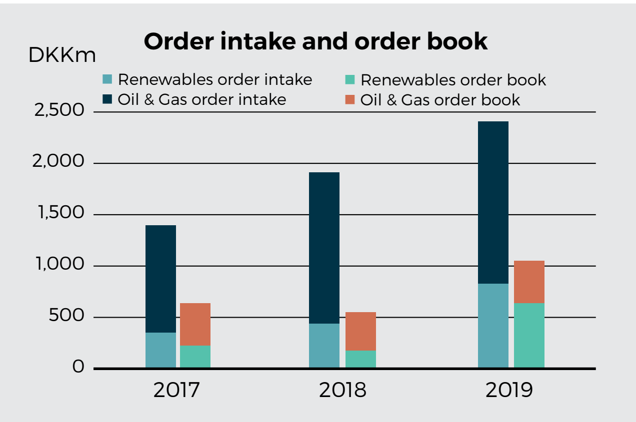
The positive development was driven especially by the conclusion of major strategic contracts in both business areas.

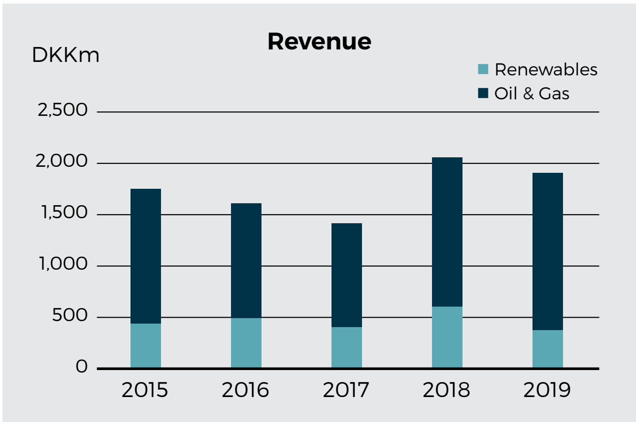
Renewables

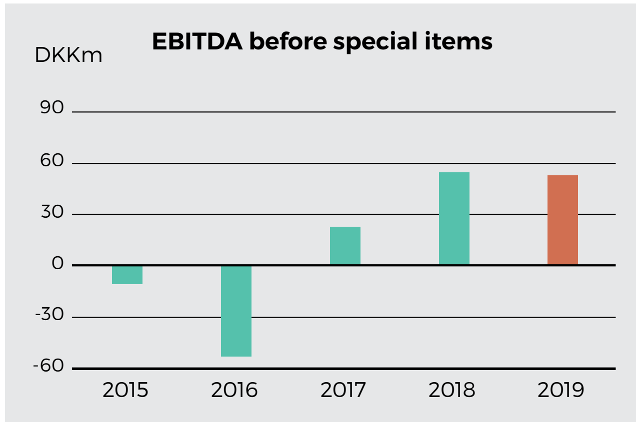
Revenue from the Renewables business area fell to DKK 366 million in 2019 (2018: DKK 610 million) from a high level in 2018, which was positively impacted by several completed Offshore Wind projects in the North Sea and the production of transport solutions for Offshore Wind projects. The Group won a major order for the production and supply of an offshore substation for the Vineyard Wind project, which, however, missed its scheduled start-up in 2019. The order intake rose to DKK 834 million (2018: DKK 431 million) in 2019 with the order book reaching DKK 655 million (2018: DKK 187 million).

Oil & Gas

In the Oil & Gas business area, revenue rose by 8% to DKK 1,539 million (2018: DKK 1,431 million) in 2019 despite persistently competitive markets. The continuing progress was driven by solid demand outside Denmark and a strong contribution from rental of manpower especially in the Norwegian market, while the service business maintained the positive momentum. In 2019, the business area's order intake rose to DKK 1,578 million (2018: DKK 1,489 million), and the end-of-year order book rose to DKK 388 million (2018: DKK 349 million).







Developments in 2019

Earnings
The Group gross margin improved to 61% (2018: 55%) driven by improved project execution and a changed revenue composition. However, earnings were affected by the lower revenue and higher staff costs resulting from the high level of activity and efforts to win major strategic orders in the Renewables business area. EBITDA amounted to DKK 53 million (2018: DKK 54 million) before special costs of DKK 11 million to adjust the Group's activities in servicing of rigs and sale of products and technology. The EBITDA margin before special items was 2.8% (2018: 2.6%).

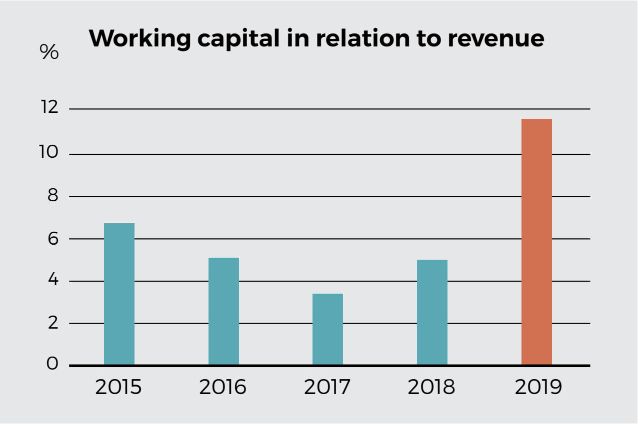
Financial items
Financial items amounted to a loss of DKK 6 million (2018: loss of DKK 3 million) due to negative exchange rate adjustments.

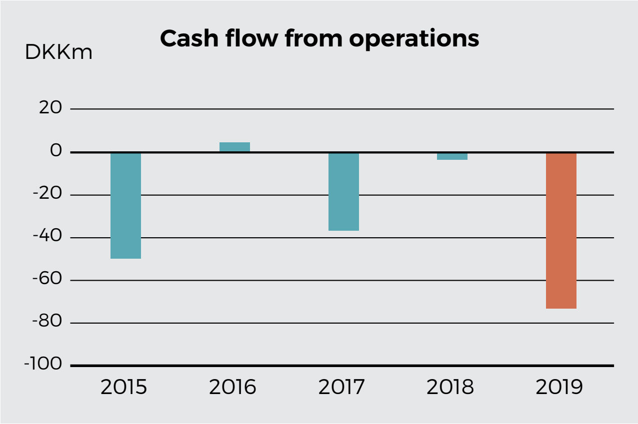
Profit/loss for the year
Profit before tax was DKK 16 million (2018: DKK 27 million), and profit after tax was DKK 18 million (2018: DKK 28 million).

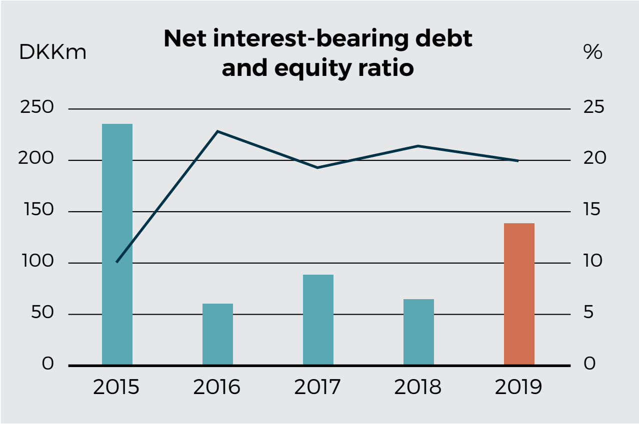
Cash flows
Consolidated cash flows from operating activities were an outflow of DKK 72 million in 2019 (2018: outflow of DKK 3 million) due to significant working capital changes as a result of prepayments to suppliers towards the end of the year. Cash flows for investing activities rose to DKK 23 million (2018: DKK 7 million) driven by investments to upgrade Semco Maritime's facilities at Hanøytangen, where the Group strengthened the bottom of the dock by establishing a concrete deck and installing new technology that will enable cost-effective servicing of several types of rigs. In addition, Semco Maritime upgraded the Group's ERP system in 2019. In 2019, cash flows from financing activities amounted to DKK 91 million. (2018: DKK 12 million) after drawings on the Group's credit facility.

Balance sheet
Net interest-bearing debt rose to DKK 147 million (2018: DKK 56 million) at the end of 2019 due to the afore-mentioned prepayments of suppliers. Equity improved further to DKK 155 million (2018: DKK 132 million), and the equity ratio fell slightly to 20.2% (2018: 22.3%) despite a substantial increase in total assets to DKK 768 million (2018: DKK 590 million), driven by the high level of activity and prepayments to suppliers. Return on equity was 12.6%, (2018: 23.7%).

Events after the balance sheet date
Other than developments with respect to the COVID-19 virus and the derived impact on oil prices mentioned under outlook for 2020, no events have occurred since the balance sheet date which are expected to have a material effect on the assessment of the Annual Report for 2019.







Outlook for 2020

Management expects a high level of activity in 2020 on the basis of positive business performance in January and February and the Group's strong order book and growing tender activity especially in Offshore Wind.

Against that background, revenue is expected to rise in 2020, and EBITDA before special items is also expected to improve as a result of the increased business activity, the effect of completed restructuring measures and continuing focus on good project management.

The offshore wind market is expected to see growth escalating further in the coming years, particularly in the new markets in the USA and Asia. Continuing market growth is driven by enhanced focus on the green transition among populations, decision-makers and players in the industry. Markets are expected to remain extremely competitive in Europe, the USA and Asia.

In the Oil & Gas markets, competition on prices remains fierce, and management does not expect to see any noticeable changes in competition within the near future.

The outlook for 2020 is subject to considerable uncertainty due to the ongoing outbreak of coronavirus (COVID-19), which affects several of the Group's markets and have also affected oil prices.

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 fluctuations in the financial markets and amended legislation and rules in the Group's markets. See also Risks on page 17.

See the video showing construction, sail-away and installation of the Northwester 2 offshore substation in September 2019.

Increase in Offshore Wind investments

The global energy sector transition is leading to steadily increasing investments in Offshore Wind projects with a particularly strong trend in several markets outside Europe. The USA and Asia are expected to see a particularly strong increase in the number of Offshore Wind projects in the years ahead with the industry persistently being focused on lowering costs and ensuring that sustainable energy remains competitive.

Semco Maritime invests in product development and competence building, innovative solutions and digitalisation measures to retain and expand its strong position in the attractive market for Offshore Wind and also to continue to contribute to the all-important climate change mitigation.

Responsibility

Demand for innovative and sustainable solutions is growing in the international energy industry, and our ability to develop and deliver cost-efficient and sustainable projects makes us stand out from other market players and constitutes an ever-increasing competitive advantage to Semco Maritime.

Safety is a core value

We endeavour to avoid negative impacts on our employees, stakeholders, our assets and the environment. In 2019, we reduced the number of work accidents caused by behaviour, but the level remained highly unsatisfactory because the personal safety of our employees is a critical precondition for continued success. We regularly step up our efforts to improve conditions, and we took the following initiatives in 2019:

- We promoted »safety« so that it is now one of our core values and took a number of steps to enhance our focus on safety.
- We conducted a Safety Culture Survey at all operational and offshore sites, the result being a score of 3.22 on a scale from one to four (2018: 3.25).
- We conducted two global safety campaigns and launched a new global initiative to draw attention to internal industrial accidents and provide more vivid and interesting statistics for our employees.

Semco Maritime's supplier management programme ensures a structured risk assessment and segmentation of our suppliers for the purposes of contributing to their ongoing safety improvements and ensure compliance with our Code of Conduct. In 2019, more than 90% (2018: 80%) of our suppliers completed our electronic self-evaluation programme. In addition, we use a risk-based model for qualification of new suppliers in low-cost countries.

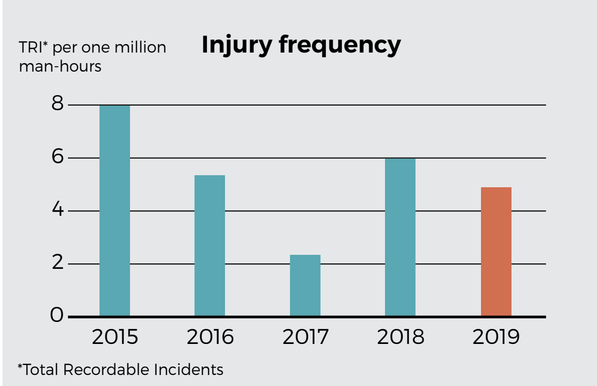
Satisfied and loyal employees

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 (next time in 2020) and also take structured measurements of sickness absence, the results of appraisal interviews and employee replacements.

In 2019, we reduced the sickness absence rate to 2.7% (2018: 2.9%) against a target of 2.8%, and we expect to maintain this low level in 2020 with a target of 2.5%.

As we launched a test and partly rolled out a new tool for completing appraisal interviews in 2019, we did not record the number of appraisal interviews completed in the financial year. In 2020, we will roll out the new system globally so that the same type of appraisal interview is conducted for all employees regardless of location and job position.

The turnover rate of salaried employees stood at 8% in 2019 (2018: 7%) and met our target of a rate below 10%.



Reporting to Global Compact

Semco Maritime is a signatory to the 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-2019.pdf

Management

OIL & GAS

Tyra field

In 2019, Semco Maritime was awarded a major contract for engineering, procurement, production and installation work as part of Total's redevelopment of the Tyra field in the North Sea. The project included preparatory engineering work and installation of technical systems and safety measures on five unmanned satellite platforms and employed eight people onshore and about 50 people offshore.

Management and ownership

Management structure
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 shareholders and two by the employees. In 2019, Harald Fjordby Knudsen replaced Morten Bjerregaard Knudsen as board member elected by the employees.

Importance is attached to the shareholder-elected board members having competencies in and experience from 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 prepared in compliance with the provisions set out in the Danish Companies Act. The members of the Executive Board may speak, but cannot vote at board meetings, and they do not attend meetings when matters reserved for the Board of Directors are considered. The Board of Directors held four ordinary and five extraordinary meetings in 2019.

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.

Ownership
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 owners of Semco Maritime since 1996. C.W. Obel A/S'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 both during times of attractive and less favourable market conditions.

Executive Board

Steen Brødbæk, 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, 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 Wind Power and CFO of ABB A/S. MSc (Econ. and Business Adm.).

Management and ownership

Anders Christen Obel (1)
Chairman since 2004. CEO of C.W. Obel A/S with special competencies in general management of industrial corporations and financing.

Keith Taylor (2)
Member since 2011. Consultant with a background as e.g. Chief Operating Officer for the Technip Group's activities in the APAC region and with special competencies in operations management of engineering and project companies in the Oil & Gas industry.

Jørgen Peter Rasmussen (3)
Member since 2017. Industrial adviser with a background as CEO of i.a. Schlumberger and with special competencies in the fields of strategy, business development and management in the international Oil & Gas industry.

Harald Fjordby Knudsen (4)
Elected employee representative since 2019. Metalworker/welder at Semco Maritime, employed since 1988.

Andreas Nauen (5)
Member since 2017. CEO of Siemens Gamesa Renewable Energy's Offshore Wind division with special competencies in the fields of strategy and management in the international energy industry.

Allan Sonnich Thomsen (6)
Elected employee representative since 2014. Senior Instrumentation Engineer at Semco Maritime, employed since 1996.

Risks

Being an international engineering and contracting business with project activities in the global energy sector, Semco Maritime is exposed to a number of significant risks. Management continually monitors these risks to maintain the right balance between risk and earnings and development potential.

Anchored in the management team
Risk management is anchored in the day-to-day management, which is handled by the Executive Board within the general framework and guidelines defined by Semco Maritime's Board of Directors and owners. The responsibilities of the Executive Board comprise the ongoing identification and management of risk and any necessary adjustment and development of the company's processes and activities to mitigate such risks.

In connection with the conclusion of contracts with customers and collaboration partners, Semco Maritime engages its legal department, which is also in charge of the company's insurance programme. The conclusion of material contracts is subject to a review by the Executive Board and approval according to standardised procedures. Large individual contracts may be approved by the Executive Board together with the Chairman of the Board of Directors, while specific maximum amounts have been defined for contracts that are subject to the approval of the entire Board of Directors and for certain major contracts which also must be approved by the Board of Directors of C.W. Obel A/S, the owners of Semco Maritime.

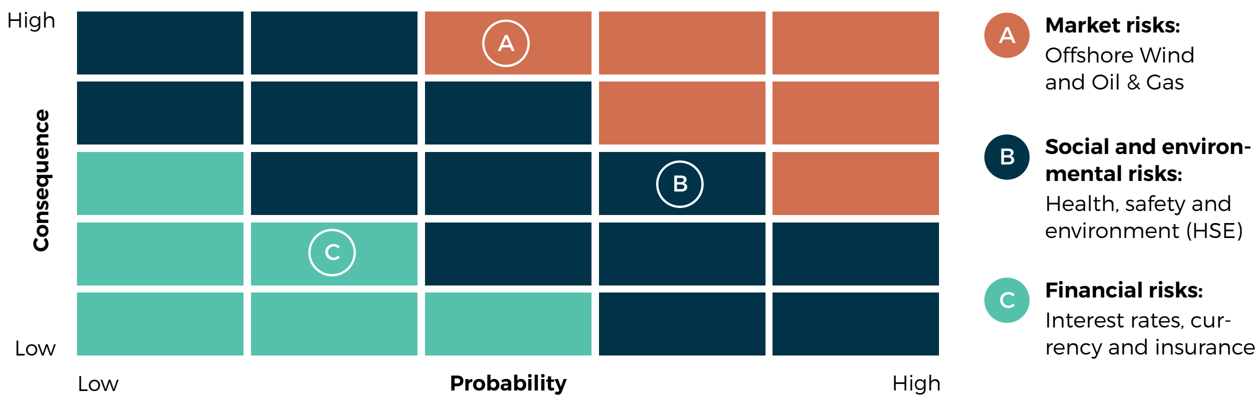
Semco Maritime's business entities regularly follow up on developments in health, safety and environment (HSE), which is a key risk area with an important impact on the company's ability to attract customers and employees. The operational responsibility for monitoring, follow-up and reporting HSE matters to the Executive Board lies with the managers of the individual business entities in cooperation with a dedicated corporate function which maintains statistics in the field and ensures consistent follow-up procedures.

The Executive Board involves the Board of Directors in connection with the conclusion of major contracts and also reports to the Board in connection with an annual strategic review of Semco Maritime's overall risk profile and risk management, reviewing the conclusions of an external insurance broker's annual review of the company's insurance programme.

Materiality assessment
It is management's assessment that the most significant risks in the upcoming period relate to market developments in Offshore Wind and Oil & Gas, HSE matters and developments in the financial markets. These risks are shown in the figure below based on management's assessment of the probability that each individual risk materialising and on the potential consequence it could have on Semco Maritime's business. The risks and mitigating measures are described in the following pages.

In addition to the risks listed, Semco Maritime has identified other risks, which comprise, among other things, changes in the balance between Oil & Gas projects and renewable energy, the company's ability to attract and maintain skilled employees and IT security and disruption.

Risks



Risks

A Market risks

B Social and environmental risks

RISK

A Market risks

Offshore Wind

Subsidy schemes remain a key element in the funding of Offshore Wind farm projects even though the need is gradually declining 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 makes it increasingly competitive.

Oil & Gas

The Group's activities and results are influenced by the investment activity in the oil and gas industry, which depends significantly on trends in oil and gas prices as well as in the US dollar rate.

B Social and environmental risks

Health and safety at work

Semco Maritime's activities involve risks of work 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 restorative measures. 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.

Environment

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.

MONITORING AND HANDLING

A Market risks

Offshore Wind

Semco Maritime monitors Offshore Wind farm auctions all over the world and engages closely with customers to ensure an overview of industry developments and outlook. We continue to optimise costs and continuously look for innovative solutions that can supplement Semco Maritime's market-leading service and product offerings to the industry.

Oil & Gas

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.

B Social and environmental risks

Health and safety at work

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 incidents occurred and introduce measures to reduce the risk of repetition.

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.

Environment

Environmental risks are managed 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.

Risks

C Financial risks

RISK

Interest rates

The funding of the Group is exposed to changes in interest rates, which may affect customer investment decisions and the Group's financial expenses.

Foreign currency

Semco Maritime's operations are exposed to currency risks. The Group issues invoices in 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).

Insurance

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.

MONITORING AND HANDLING

Interest rates

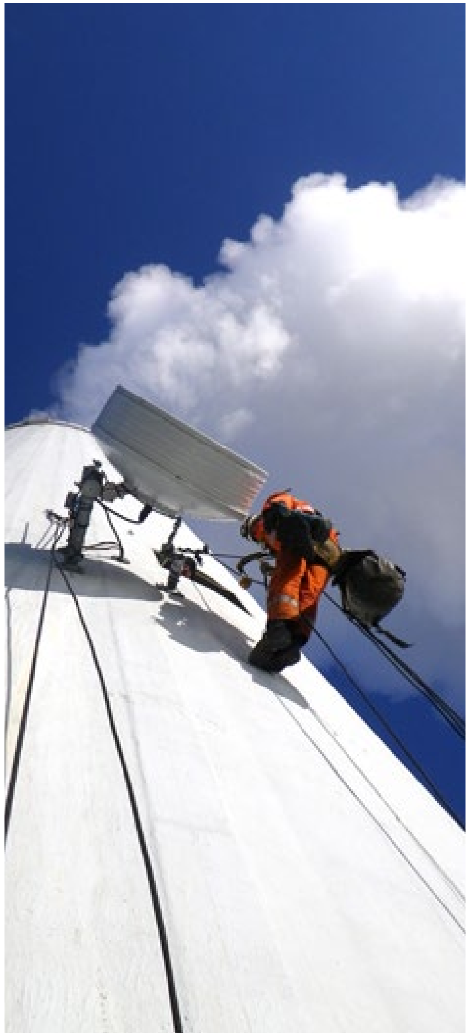
Semco Maritime's treasury function monitors the level of interest rates on an ongoing basis and secures a balanced mix of prepayments, liabilities and capital structure. In addition, Semco Maritime's focus on efficiency and ongoing cost reduction helps set off increases in the financing expenses of customer projects.

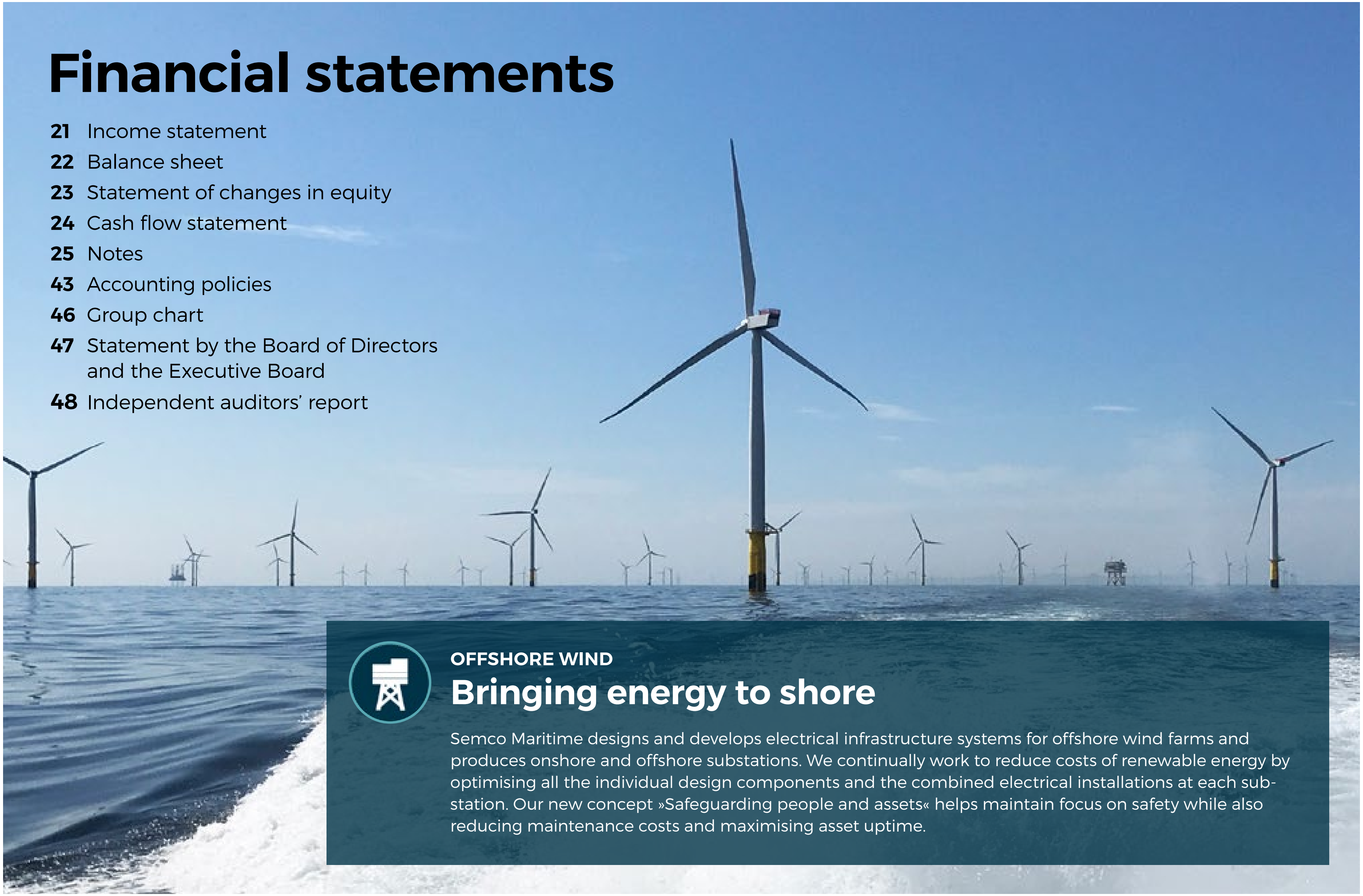
Foreign currency

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, and such risks are hedged on an ongoing basis as part of the day-to-day operations when 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.

Insurance

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.





Financial statements

OFFSHORE WIND

Bringing energy to shore

Semco Maritime designs and develops electrical infrastructure systems for offshore wind farms and produces onshore and offshore substations. We continually work to reduce costs of renewable energy by optimising all the individual design components and the combined electrical installations at each sub-station. Our new concept »Safeguarding people and assets« helps maintain focus on safety while also reducing maintenance costs and maximising asset uptime.

Income statement

		Group		Parent Company	
DKK'000	Note	2019	2018	2019	2018
Revenue	1	1,904,786	2,041,370	1,085,147	1,168,105
Cost of sales		(745,802)	(924,708)	(417,421)	(510,012)
Gross profit		**1,158,984**	**1,116,662**	**667,726**	**658,093**
Other operating income/expenses	2	1,722	2,406	1,459	1,883
Staff costs	3	(998,226)	(954,786)	(610,243)	(605,738)
Other external costs	4	(119,316)	(110,224)	(79,414)	(70,454)
Profit/loss before depreciation		**43,164**	**54,058**	**(20,472)**	**(16,216)**
Depreciation and impairment of non-current assets	9, 10	(21,088)	(23,839)	(13,003)	(15,583)
Operating profit/loss		**22,076**	**30,219**	**(33,475)**	**(31,799)**
Profit/loss from investments in group enterprises	11	-	-	48,887	53,547
Financial income	5	770	243	943	826
Financial expense	5	(6,732)	(3,657)	(6,413)	(1,321)
Profit/loss before tax		**16,114**	**26,805**	**9,942**	**21,253**
Tax on continuing operations	6	1,855	1,548	8,027	6,669
Profit/loss for the year from continuing operations		**17,969**	**28,353**	**17,969**	**27,922**
Profit/loss for the year from discontinued operations after tax	8	-	(4,398)	-	(3,967)
PROFIT/LOSS FOR THE YEAR		**17,969**	**23,955**	**17,969**	**23,955**

Balance sheet

ASSETS

		Group		Parent Company	
DKK'000	Note	2019	2018	2019	2018
Non-current assets					
Goodwill		53,825	57,523	27,805	30,168
Patents and licenses		8,207	-	7,803	-
Development projects		13,749	16,465	13,749	16,465
Intangible assets	**9**	**75,781**	**73,988**	**49,357**	**46,633**
Land and buildings		17,633	19,470	17,633	19,470
Leasehold improvements		13,667	13,443	8,424	7,144
Plant and machinery		6,484	9,510	2,999	4,060
Other fixtures and fittings, tools and equipment		5,521	10,497	4,870	6,642
Assets under contruction		10,541	-	-	-
Property, plant and equipment	**10**	**53,846**	**52,920**	**33,926**	**37,316**
Investments in group enterprises	11	-	-	191,008	135,190
Other financial assets	12	8,369	8,205	8,369	8,205
Long-term receivables from group enterprises		-	-	12,696	5,765
Financial assets		**8,369**	**8,205**	**212,073**	**149,160**
Total non-current assets		**137,996**	**135,113**	**295,356**	**233,109**
Current assets					
Inventories	13	13,127	13,108	9,317	9,179
Properties for resale	13	3,359	3,278	-	-
Inventories etc.		**16,486**	**16,386**	**9,317**	**9,179**
Trade receivables		324,836	272,388	146,442	117,398
Contract work in progress	14	231,644	126,550	162,515	60,758
Receivables from group enterprises		-	-	30,541	63,030
Deferred tax assets	6	7,926	-	7,678	-
Tax receivables	6	11,980	-	11,980	-
Other receivables		10,982	7,466	9,457	5,796
Prepayments	15	7,026	9,848	4,776	6,269
Receivables		**594,394**	**416,252**	**373,389**	**253,251**
Cash	22	18,757	17,964	186	276
Assets related to discontinued operations	8	-	4,444	-	3,460
Total current assets		**629,637**	**455,046**	**382,892**	**266,166**
TOTAL ASSETS		**767,633**	**590,159**	**678,248**	**499,275**

LIABILITIES AND EQUITY

		Group		Parent Company	
DKK'000	Note	2019	2018	2019	2018
Equity					
Share capital		28,753	28,753	28,753	28,753
Reserve for development costs		2,634	4,752	2,634	4,752
Retained earnings		123,339	98,045	123,339	98,045
Total equity		**154,726**	**131,550**	**154,726**	**131,550**
Deferred tax	6	-	10,416	-	10,499
Warranty provisions	16	29,411	32,787	25,115	28,641
Other provisions	16	1,633	2,578	-	-
Total provisions		**31,044**	**45,781**	**25,115**	**39,140**
Mortgage credit institutions		2,588	3,250	2,588	3,250
Deferred income		6,032	-	-	-
Other non-current liabilities		20,599	-	20,599	-
Total non-current liabilities	**17**	**29,219**	**3,250**	**23,187**	**3,250**
Short-term portion of non-current liabilities		662	653	662	653
Bank debt		-	-	-	-
Prepayments from customers	14	93,480	47,189	56,136	30,549
Trade payables		127,795	127,949	82,943	59,830
Amounts owed to group enterprises		162,042	70,197	270,127	151,222
Tax payables	6	5,689	5,579	-	-
Other payables		161,902	156,441	64,278	80,129
Deferred income	18	1,074	-	1,074	-
Liabilities related to discontinued operations	8	-	1,570	-	2,952
Total current liabilities		**552,644**	**409,578**	**475,220**	**325,335**
TOTAL EQUITY AND LIABILITIES		**767,633**	**590,159**	**678,248**	**499,275**

Special items	7
Charges	19
Contingent items and other liabilities	20
Related parties	21

Statement of changes in equity

Group and Parent Company

DKK'000	Note	Share capital	Reserve for development costs	Retained earnings	2019	2018
Equity at 1 January 2019		**28,753**	**4,752**	**98,045**	**131,550**	**107,821**
Exchange rate adjustment of subsidiaries		-	-	3,690	3,690	273
Changes in derivative financial instruments		-	-	1,383	1,383	(281)
Exchange rate adjustment of loans to finance investments in subsidiaries		-	-	562	562	(358)
Retained earnings	23	-	(2,118)	20,087	17,969	23,955
Tax for the year on equity entries		-	-	(428)	(428)	140
Equity at 31 December 2019		**28,753**	**2,634**	**123,339**	**154,726**	**131,550**

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

DKK'000	2019	2018	2017	2016	2015
Balance at 1 January	**28,753**	**28,753**	**28,753**	**15,500**	**15,500**
Cash capital increase	-	-	-	13,253	-
Balance at 31 December	**28,753**	**28,753**	**28,753**	**28,753**	**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	2019	2018
Cash flows from operating activities			
Profit/loss before amortisation and depreciation		43,164	54,058
Profit/loss before amortisation and depreciation, discontinued operations		-	(5,517)
Other operating income/expenses		(252)	(533)
Net financials		(5,962)	(3,414)
Changes in provisions		(4,321)	25,636
Taxes paid		(28,885)	10,578
Total before change in operating capital		**3,744**	**80,808**
Change in inventories		(100)	(1,035)
Change in current receivables and contract work in progress		(154,501)	(29,231)
Change in prepayments and other current liabilities		78,442	(53,132)
Change in working capital		**(76,159)**	**(83,398)**
Total cash flows from operations		**(72,415)**	**(2,590)**
Cash flows from investing activities			
Investment in intangible assets		(8,265)	(2,851)
Investment in property, plant and equipment		(15,170)	(6,009)
Investment in financial assets		(164)	(162)
Sale of property, plant and equipment		252	2,415
Total cash flow from investing activities		**(23,347)**	**(6,607)**
Cash flows before financing activities		**(95,762)**	**(9,197)**
Cash flows from financing activities			
Repayment of long-term loans		(653)	(24,251)
Change in cash pool arrangement		91,845	36,716
Total cash flow from financing activities		**91,192**	**12,465**
Total cash flows		**(4,570)**	**3,268**
Cash and cash equivalents at the beginning of the year		17,964	14,879
Market value adjustment of opening cash and cash equivalents		5,363	(183)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**22**	**18,757**	**17,964**

Notes

	Group		Parent Company	
DKK'000	**2019**	**2018**	**2019**	**2018**
1. Revenue				
Sales value of completed contracts	2,430,717	1,335,555	1,260,589	924,572
Sales value of work in progress, 31 December	1,063,442	1,589,373	647,425	822,867
Sales value of work in progress, 1 January	(1,589,373)	(883,558)	(822,867)	(579,334)
Revenue regarding contracts	**1.904.786**	**2.041.370**	**1.085.147**	**1,168,105**
Segment information				
Geographical markets for continuing operations				
Denmark	1,079,047	1,072,369	842,959	902,204
International	825,739	969,001	242,188	265,901
Total revenue	**1,904,786**	**2,041,370**	**1,085,147**	**1,168,105**
Business areas				
Renewables	366,378	610,110		
Oil & Gas	1,538,408	1,431,260		
Total revenue	**1,904,786**	**2,041,370**		
2. Other operating income/expenses				
Rental income	1,470	1,873	1,270	1,873
Gain on sale of construction activities	252	533	189	10
	1,722	**2,406**	**1,459**	**1,883**

§ 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 and business 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

	Group		Parent Company	
DKK'000	**2019**	**2018**	**2019**	**2018**
3. Staff costs				
Wages	(934,220)	(883,740)	(549,320)	(544,020)
Pensions	(53,152)	(49,755)	(51,101)	(46,471)
Other social security costs	(10,854)	(21,291)	(9,822)	(15,247)
	(998,226)	**(954,786)**	**(610,243)**	**(605,738)**
Total Group consideration to:				
Parent Company's Board of Directors	(646)	(625)	(646)	(625)
Parent Company's Executive Board	(6,655)	(6,365)	(6,655)	(6,365)
Average number of full-time employees	1,317	1,289	855	849

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 2019 concerning subscription rights.

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
4. Fees to auditors appointed by the general meeting				
Fee for statutory audit	(845)	(825)	(495)	(495)
Tax consultancy	(929)	(600)	(818)	(513)
Other services	(765)	(334)	(660)	(286)
	(2,539)	**(1,759)**	**(1,973)**	**(1,294)**

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

	Group		Parent Company	
DKK'000	**2019**	**2018**	**2019**	**2018**
5. Financial income and expenses				
Other financial income	770	243	180	173
Interest income concerning Group enterprises	-	-	763	653
	770	**243**	**943**	**826**
Other financial expenses	(6,732)	(3,657)	(6,092)	(1,296)
Interest expenses concerning Group enterprises	-	-	(321)	(25)
	(6,732)	**(3,657)**	**(6,413)**	**(1,321)**
6. Tax				
Tax for the year				
Current tax	6,729	(5,405)	12,351	-
Deferred tax	(4,132)	6,937	(4,309)	6,530
Prior-year adjustments	(742)	16	(15)	139
	1,855	**1,548**	**8,027**	**6,669**

Accounting policies

Financial income and expenses

Financial income and expenses include interest, capital 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

	Group		Parent Company	
DKK'000	2019	2018	2019	2018
6. Tax – continued				
Deferred tax				
Deferred tax, 1 January	10,416	8,074	10,499	7,392
Prior-year adjustments	(22,486)	10,512	(22,486)	10,897
Adjustment of deferred tax, profit items	4,132	(6,937)	4,309	(6,530)
Adjustment of deferred tax, discontinuing operations	-	(1,119)	-	(1,119)
Adjustment of deferred tax, equity items	-	(141)	-	(141)
Exchange rate adjustments of deferred tax	12	27	-	-
Deferred tax 31 December	**(7,926)**	**10,416**	**(7,678)**	**10,499**

Deferred tax assets in all materiality relate to intangible assets and property, plant and equipment and guarantee commitments, etc. Deferred tax assets are expected to be utilised within the next three to five years.

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Tax payable				
Tax payable, 1 January	5,579	241	-	170
Prior-year adjustments	23,228	(10,528)	22,501	(11,036)
Prior-year adjustments, discontinued operations	-	-	-	-
Current tax for the year	(6,729)	5,405	(12,351)	-
Tax on equity entries	428	-	428	
Exchange rate adjustment of tax payable	88	(117)	-	-
Tax paid during the year	(28,885)	10,578	(22,558)	10,866
Tax payable, 31 December	**(6,291)**	**5,579**	**(11,980)**	**-**
Tax payable is recognised in the balance sheet as follows				
Income tax receivable	(11,980)	-	(11,980)	-
Income tax payable	5,689	5,579	-	-
	(6,291)	**5,579**	**(11,980)**	**-**

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 »Tax receivables« or »Tax payables« respectively.

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

	Group		Parent Company	
DKK'000	**2019**	**2018**	**2019**	**2018**
7. Special items				
Special items comprise significant income and expenses of an exceptional nature relative to the Group's earnings-generating operating activities such as the costs of extensive structuring of processes and basic structural adjustments that over time have a material effect.				
Special items also include other significant amounts of a one-off nature which Management considers not to be a part of the Group's primary operations.				
As described in the Management's review, the profit for the year is affected by a number of factors which Management considers not to be a part of the primary operations.				
The year's special items are specified below, including in which line items in the income statement they are recognised.				
Costs				
Restructuring costs, etc.	10,780	-	4,943	-
Special items are recognised in the following line items:				
Staff costs	5,874	-	3,399	-
Other external expenses	3,429	-	900	-
Depreciation and impairment of non-current assets	1,477	-	644	-
Result of special items	**10,780**	**-**	**4,943**	**-**

Notes

	Group		Parent Company	
DKK'000	**2019**	**2018**	**2019**	**2018**
8. Profit/loss from discontinued operations				
At the end of 2017, as part of the Group strategy the Group management decided to wind up the business area »Power Projects« (separate segment), which is therefore presented as a discontinued operation. Throughout 2018, the Group worked to wind up the business area »Power Projects«. The winding-up was finalised in 2019. Profit/loss from discontinued operations is specified as follows:				
Revenue	-	(3,524)	-	(3,524)
Cost of sales	-	-	-	-
Staff costs	-	(1,793)	-	(1,362)
Other external costs	-	(200)	-	(200)
Financial income and expenses	-	-	-	-
Profit/loss before tax	**-**	**(5,517)**	**-**	**(5,086)**
Tax on profit/loss	-	1,119	-	1,119
Profit/loss for the year after tax, discontinued operations	**-**	**(4,398)**	**-**	**(3,967)**
Assets and liabilities relating to discontinued operations				
The winding-up was finalised in 2019. Net assets relating to discontinued operations may be specified as follows:				
Trade receivables	-	3,690	-	3,460
Contract work in progress	-	-	-	-
Other receivables	-	754	-	-
Assets related to discontinued operations	**-**	**4,444**	**-**	**3,460**
Trade payables	-	266	-	-
Other payables	-	1,304	-	2,952
Liabilities related to discontinued operations	**-**	**1,570**	**-**	**2,952**
Net assets related to discontinued operations	**-**	**2,874**	**-**	**508**

Notes

	Group			
DKK'000	Goodwill	Patents and licenses	Development projects	Total
9. Intangible fixed assets				
Cost at 1 January 2019	156,408	40,308	19,415	216,131
Exchange rate adjustment	611	63	-	674
Disposals during the year	(12,534)	(40,371)	-	(52,905)
Additions during the year	-	8,244	20	8,264
Cost 31 December 2019	**144,485**	**8,244**	**19,435**	**172,164**
Amortisation at 1 January 2019	(98,885)	(40,308)	(2,950)	(142,143)
Exchange rate adjustment	(249)	(63)	-	(312)
Disposals during the year	12,534	40,371	-	52,905
Amortisation for the year	(4,060)	(37)	(2,736)	(6,833)
Amortisation 31 December 2019	**(90,660)**	**(37)**	**(5,686)**	**(96,383)**
Carrying amount at 31 December 2019	**53,825**	**8,207**	**13,749**	**75,781**
Carrying amount at 31 December 2018	**57,523**	**-**	**16,465**	**73,988**

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 cover 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. The business area »Products & Technology« markets the new products and systems, which are expected to substantially improve the Company'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.

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

	Parent company			
DKK'000	**Goodwill**	**Patents and licenses**	**Development projects**	**Total**
9. Intangible fixed assets – continued				
Cost at 1 January 2019	110,624	38,589	19,415	168,628
Disposals during the year	-	(38,589)	-	(38,589)
Additions during the year	-	7,840	20	7,860
Cost at 31 December 2019	**110,624**	**7,840**	**19,435**	**137,899**
Amortisation 1 January 2019	(80,456)	(38,589)	(2,950)	(121,995)
Disposals during the year	-	38,589	-	38,589
Amortisation for the year	(2,363)	(37)	(2,736)	(5,136)
Amortisation 31 December 2019	**(82,819)**	**(37)**	**(5,686)**	**(88,542)**
Carrying amount at 31 December 2019	**27,805**	**7,803**	**13,749**	**49,357**
Carrying amount at 31 December 2018	**30,168**	**-**	**16,465**	**46,633**

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 cover 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. The business area »Products & Technology« markets the new products and systems, which are expected to substantially improve the Company'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.

§ Accounting policies

Patents and licences

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, whereas 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

	Group					
DKK'000	**Land and buildings**	**Leasehold improve-ments**	**Plant and machinery**	**Fixtures and fittings, tools and equipment**	**Facilities under construction**	**Total**
10. Property, plant and equipment						
Cost at 1 January 2019	81,666	24,286	74,999	44,159	-	225,110
Exchange rate adjustment	-	205	523	558	-	1,286
Additions during the year	408	2,148	775	1,298	10,541	15,170
Disposals during the year	-	(4,160)	(7,225)	(4,308)	-	(15,693)
Cost at 31 December 2019	**82,074**	**22,479**	**69,072**	**41,707**	**10,541**	**225,873**
Depreciation at 1 January 2019	(62,196)	(10,843)	(65,489)	(33,662)	-	(172,190)
Exchange rate adjustment	-	(122)	(470)	(454)	-	(1,046)
Disposals during the year	-	4,160	6,996	4,308	-	15,464
Depreciation for the year	(2,245)	(2,007)	(3,625)	(6,378)	-	(14,255)
Depreciation at 31 December 2019	**(64,441)**	**(8,812)**	**(62,588)**	**(36,186)**	**-**	**(172,027)**
Carrying amount at 31 December 2019	**17,633**	**13,667**	**6,484**	**5,521**	**10,541**	**53,846**
Carrying amount at 31 December 2018	**19,470**	**13,443**	**9,510**	**10,497**	**-**	**52,920**

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
Other 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 Land and buildings	Leasehold improve-ments	Plant and machinery	Fixtures and fittings, tools and equipment	Total
10. Property plant and equipment – continued					
Cost at 1 January 2019	81,666	13,752	41,755	27,883	165,056
Additions during the year	408	2,148	453	1,469	4,478
Disposals during the year	-	(3,347)	(394)	(4,265)	(8,006)
Cost at 31 December 2019	**82,074**	**12,553**	**41,814**	**25,087**	**161,528**
Depreciation at 1 January 2019	(62,196)	(6,608)	(37,695)	(21,241)	(127,740)
Additions during the year	-	-	-	-	-
Disposals during the year	-	3,347	394	4,265	8,006
Depreciation for the year	(2,245)	(868)	(1,514)	(3,241)	(7,868)
Depreciation at 31 December 2019	**(64,441)**	**(4,129)**	**(38,815)**	**(20,217)**	**(127,602)**
Carrying amount at 31 December 2019	**17,633**	**8,424**	**2,999**	**4,870**	**33,926**
Carrying amount at 31 December 2018	**19,470**	**7,144**	**4,060**	**6,642**	**37,316**

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 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 2019	Parent company 2018
11. Financial assets, investments in subsidiary		
Cost at 1 January 2019	301,554	302,087
Additions during the year	1,136	-
Disposals during the year	-	(533)
Cost at 31 December 2019	**302,690**	**301,554**
Value adjustment	(192,617)	(282,084)
Disposals during the year	-	35,647
Exchange rate adjustment	3,689	273
Profit/loss for the year	48,887	53,547
Value adjustment at 31 December 2019	**(140,041)**	**(192,617)**
Write-down of receivables to cover negative net asset value	**28,359**	**26,253**
Carrying amount at 31 December 2019	**191,008**	**135,190**

An overview of investments in subsidiaries is shown on page 46.

Accounting policies

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.

Accounting policies

Profit/(loss) from investments in Group enterprises

Under the equity method, a proportionate share of the profit/loss after tax in the underlying subsidiaries are recognised in the income statement.

The proportionate share of the profit or loss of subsidiaries after tax is recognised in the parent company in come statement after full elimination of intra-group gains/losses.

Investments in Group enterprises

Investments in subsidiaries are measured in the parent Company's financial statements according to the equity method. The Parent Company has opted to consider the equity method a method of consolidation.

On initial recognition, investments in subsidiaries are measured at cost. Cost is allocated in accordance with the acquisition method. See accounting policies regarding consolidated financial statements.

Cost is adjusted to reflect shares of profits after tax calculated in accordance with the Group's accounting policies with the deduction or addition of unrealised intra-group gains or losses.

Any value added and goodwill relative to the net asset value of the underlying business will be amortised in accordance with the Group's accounting policies. Dividends received are deducted from the carrying amount.

Investments in subsidiaries measured at net asset value are subject to an impairment test requirement in case of indications of impairment.

Notes

	Group		Parent Company	
DKK'000	**2019**	**2018**	**2019**	**2018**
12. Other financial assets				
Cost at 1 January 2019	8,205	8,044	8,205	8,044
Additions	164	161	164	161
Cost at 31 December 2019	**8,369**	**8,205**	**8,369**	**8,205**

Other financial assets include deposits, etc.

	Group		Parent Company	
DKK'000	**2019**	**2018**	**2019**	**2018**
13. Inventories				
Finished goods	13,127	13,108	9,317	9,179
Buildings held for sale	3,359	3,278	-	-
	16,486	**16,386**	**9,317**	**9,179**

After the balance sheet date, the Group entered into a conditional sales agreement regarding buildings held for sale.

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

	Group		Parent Company	
DKK'000	**2019**	**2018**	**2019**	**2018**
14. Contract work in progress				
Sales value at 31 December	1,063,442	1,589,373	647,425	822,867
Progress billings to customers	(925,278)	(1,510,012)	(541,046)	(792,658)
	138,164	**79,361**	**106,379**	**30,209**
Recognised in the balance sheet				
Contract work in progress	231,644	126,550	162,515	60,758
Prepayments	(93,480)	(47,189)	(56,136)	(30,549)
	138,164	**79,361**	**106,379**	**30,209**

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.

15. Prepayments

Prepayments include prepaid costs regarding rent, IT licenses, rentals, etc.

Accounting policies

Prepayments

Prepayments comprise costs incurred relating to subsequent financial years.

Notes

DKK'000	Warranty provisions Group	Warranty provisions Parent company
16. Warranty provisions		
Carrying amount at 1 January 2019	32,787	28,641
Additions during the year	29,411	25,115
Expenditure for the year	(32,787)	(28,641)
Carrying amount at 31 December 2019	**29,411**	**25,115**
Expected maturity:		
Within 1 year	29,411	25,115
After 1 year	-	-
	29,411	**25,115**

DKK'000	Group		
	Other provisions liabilities	Pension provisions	Other provisions total
16. Other provisions			
Carrying amount at 1 January 2019	1,241	1,337	2,578
Additions during the year	-	1,633	1,633
Expenditure for the year	(1,241)	(1,337)	(2,578)
Carrying amount at 31 December 2019	**-**	**1,633**	**1,633**
Expected maturity:			
Within 1 year	-	1,633	1,633
After 1 year	-	-	-
	-	**1,633**	**1,633**

Other provisions include retirement benefit obligations.

§ 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 Total payables	Instalments next year	Non-current liabilities	Outstanding debt after five years
17. Non-current liabilities				
Due to mortgage credit institutions	3,250	662	2,588	0
Deferred income	6,032	0	6,032	0
Other non-current liabilities	20,599	0	20,599	0
	29,881	**662**	**29,219**	**0**

Deferred income recognised under non-current liabilities relates to payments received concerning income in subsequent financial years. Other liabilities include payable frozen holiday funds falling due within five years.

DKK'000	Parent company Total payables	Instalments next year	Non-current liabilities	Outstanding debt after five years
Due to mortgage credit institutions	3,250	662	2,588	0
Other non-current liabilities	20,599	0	20,599	0
	23,849	**662**	**23,187**	**0**

Other liabilities include payable frozen holiday funds falling due within five years.

18. Deferred income

Deferred income recognised under current liabilities relates to pre-invoiced rental income etc.

	Group		Parent Company	
DKK'000	**2019**	**2018**	**2019**	**2018**
19. Mortgages				
Consisting of:				
As security for mortgage loans properties have been	3,250	3,903	3,250	3,903
mortgaged at a carrying amount of:	17,633	19,470	17,633	19,470

Accounting policies

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.

Accounting policies

Deferred income

Deferred income comprises payments received relating to income in subsequent financial years.

Notes

	Group		Parent Company	
DKK'000	**2019**	**2018**	**2019**	**2018**
20. Contingent and other liabilities and receivables				
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 in the amount of:	204,395	219,233	204,395	194,961
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 2019, the Company participated in one joint venture. This joint venture did not have any activities in 2019.				
Guarantees for the commitments of subsidiaries towards customers for contracts with a total value of:	-	-	117,431	116,755
Lease obligations (operating leases)				
< 1 year	44,216	39,167	21,890	21,973
1 - 5 years	140,382	136,135	80,715	78,448
> 5 years	117,236	144,179	112,722	126,134
	301,834	**319,481**	**215,327**	**226,555**
In connection with a head office lease contract, the parent company has entered into a subletting agreement with a third party.				
Subletting receivables amount to:				
< 1 year	3,394	-	3,394	-
1 - 5 years	10,298	-	10,298	-
	13,692	**-**	**13,692**	**-**

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 2019	Group 2018	Parent Company 2019	Parent Company 2018
20. 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 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 debtors and creditors in foreign currencies, and future transactions for signed sale agreements, forward contracts have been entered into as per 31 December 2019 in USD, NOK, GBP and EUR. The counter value is:	**25,081**	**20,053**	**25,081**	**20,053**
The future transactions are expected to be concluded in 2020.				

Accounting policies

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised in 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.

Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are recognised directly in equity.

Notes

	Group		Parent Company	
DKK'000	2019	2018	2019	2018
21. 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 consolidated 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 were none in the reporting year.				
All transactions have been carried out on an arm's length basis.				
22. Cash and cash equivalents, end of year				
Cash	18,757	17,964		
Total	**18,757**	**17,964**		
23. Appropriation of profit/loss				
Proposed profit appropriation				
Transferred to reserves under equity			(2,118)	402
Retained earnings			20,087	23,553
			17,969	**23,955**

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 A/S 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 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 20

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 purchase 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

Accounting policies

a systematic basis in the income statement based on 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 include costs such as direct and indirect costs for raw materials and consumables, wages and salaries incurred in generating the revenue for the year. Also, provision for losses on construction contracts is recognised.

Other operating income/expenses – see note 2

Staff costs – see note 3

Other external costs – see note 4

Profit/(loss) from investments in group enterprises – see note 11

Financial income and expenses – see note 5

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

Balance sheet

Intangible assets

Goodwill – see note 9

Patents and licences – see note 9

Development projects – see note 9

Property plant and equipment – see note 10

Lease agreements – see note 20

Investments in group enterprises – see note 11

Impairment of non-current assets – see notes 9, 10 and 11

Inventories – see note 13

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 fixed 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 at cost – see note 14

Prepayments and accrued income – see note 15

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.

Accounting policies

Tax and deferred tax – see note 6

Provisions – see note 16

Liabilities – see note 17

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 22

Financial ratios

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

Profit margin
$$\frac{\text{Operating profit x 100}}{\text{Revenue}}$$

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

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

Group overview

Semco Maritime A/S, Esbjerg, Denmark

- Semco Maritime Inc., Houston, USA
- Semco Maritime Renewables LLC, Boston, USA
- Bladt Semco Renewables LLC, Boston, USA (50%)
- 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
- Semco Maritime LLC, Taipei, Taiwan ROC

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 2019.

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 2019 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 2019.

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 for adoption at the annual general meeting.

Esbjerg, 27 March 2020

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)

Harald Fjordby 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 2019, 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 2019 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 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 Financial Statements Act. We did not identify any material misstatement of the Management's review.

27 March 2020

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

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