



ANNUAL REPORT 2020

FOR 1 JANUARY – 31 DECEMBER

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COMPANY INFORMATION

Company

ERRV Holdings ApS

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Executive Management

Per Niklas Ljungström
Phillip Pacey
Scott B. M. Moseley
Zion Oved

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PriceWaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

MANAGEMENT REVIEW



MANAGEMENT REVIEW

ACTIVITIES

The Group delivers safety and support at sea making the sea a safe place to work. With our efficient fleet of Service Operation Vessels (SOVs) providing services for the Offshore Wind industry and Emergency Response and Rescue Vessels (ERRVs) servicing the drilling rigs and production platforms of the Oil and Gas production.

EXPECTATIONS FOR 2021

Following deliveries of the three new-build SOVs for Vestas Offshore Wind and expected increase in Exploration and Production Oil market activities leads to an expected result before depreciation, amortization, and financial items etc. in the range of DKK 344-384 million improved compared to last year.

Wind

The SOV activities in Europe are expected to further increase, and the Group is well prepared to participate in upcoming tenders. But as main part of the Group SOVs is on long contracts reaching well beyond 2021, therefore the short-term result will mainly be positively impacted by committed new buildings whereof the ESVAGT SCHELDE was delivered in December 2020 and remaining two new-building will be delivered during 2021.

Further, the Group expects several tenders for new build SOVs for the emerging Offshore Wind industry in the U.S. The Group has therefore formed a Jones Act compliant joint venture with

U.S. partner Crowley and plan to bid together for these projects. All SOV projects are for wind parks located East Coast of U.S. under similar environmental conditions as the North Sea.

Oil and Gas

Supported by the recovery of the Oil and Gas prices and that the Covid-19 vaccination in Europe becomes effective by 2nd half 2021 it is the company's expectation that the activity level in the North Sea will return to the 2019 levels – with a temporary boost during 2nd half of 2021 and beginning 2022 for completion of outstanding priority drilling and maintenance work held back by the Covid-19 pandemic.

ACTIVITY FOR 2020

Result for the year

The Revenue for the Group in 2020 was MDKK 977 against MDKK 1.029 in 2019. The loss for the year was MDKK 246 compared to a profit of MDKK 14 in 2019.

In line with the guidance given last year, the activities in 2020 were impacted by the Covid-19 pandemic due to a significant drop in the oil and gas exploration activities across the North Sea and major logistic constraints across Europe. Especially the ERRV fleet was impacted by a reduced requirement for our services causing lower utilization and day-rates for the vessels on spot. Furthermore, air travel restrictions across borders led

the company to use dedicated relief vessels in addition to the normal crew change vessels.

At Havyard in Norway the newbuilding program of the three SOVs to Vestas Offshore Wind faced challenges due to a bankruptcy of Havyard Ship Technology. In close cooperation between the impacted parties, including the Group, the yard was successfully restructured, and the delivery secured. The restructuring also included support from the Group and an adjustment of the contractual delivery time in agreement with the customer. In addition, Havyard was also impacted by the Covid-19 pandemic where restrictions traveling into Norway made it difficult for the yard to maintain its required workforce and progress without the support from the pool of foreign workers. Consequently, the first newbuilding the ESVAGT SCHELDE was a couple of months delayed.

During 2020 the Pound Sterling and Norwegian Kroner lost value relative to Danish kroner, further impacting the result negatively.

To counterbalance the financial impact of the Covid-19 pandemic, the Group management, and the employees (both onshore and offshore) jointly entered into a voluntary one-year salary reduction and standstill agreement on April 1st, 2020 reducing the general cost base of the company.

At the end of 2020, an impairment assessment of the fleet was carried out, leading to an impairment of the ERRV fleet of MDKK 200. The impairment was partly driven by the low value of the Pound Sterling and Norwegian Kroner, and the drop in oil prices as derived of the Covid-19 pandemic.

Market and activities

Wind

Despite the Covid-19 pandemic, the wind market continued its positive trend during 2020 and several wind projects across the North Sea were announced to be developed within the next 5 years. Also, the governmental ambitions in Europe were significantly lifted, especially within UK, where the UK government doubled its target, now generating 60 gigawatt of wind power by 2030.

The performance of the existing SOV fleet was satisfactory throughout the year and the Group successfully secured a 5-year extension of the ESVAGT NJORD in direct continuation of its current 5-year contract on the Dudgeon Wind Park with Equinor. The contract was secured in tough competition with several other SOV providers.

On the spot market, the only SOV on spot, ESVAGT DANA, delivered a good result reaching an average utilization of approximately 92%.

Oil and Gas

The North Sea ERRV market was disappointing, driven by the low activity level within the Oil and Gas companies as derived of the Covid-19 pandemic. Especially the UK drilling activities, where the Group traditionally deploy a major part of its ERRV fleet, experienced a significant drop in the activity level and consequently the company decided to temporary lay-up three ERRVs.

During 2020, negotiations commenced with TOTAL Denmark for replacing the older Group 3 ERRVs when their current contracts expire by August 2021 with a new spread including two multi-purpose ERRVs and one combined W2W/ERRV vessel.

Development activities

the Group intensified the work on digitalization and during 2020 the Company held expenses of MDKK 5.0 (2019: MDKK 6.9).

Financial Risks

A consolidated overview of the Groups financial risks is included in note 26.

STATUTORY STATEMENT REGARDING ENVIRONMENT, SOCIAL ISSUES AND GOVERNANCE IN ACCORDANCE WITH SECTION 99A OF THE DANISH FINANCIAL STATEMENTS ACT

For our statutory statement regarding environment, social issues and governance, we refer to our 2020 ESG Report.

STATUTORY STATEMENT REGARDING THE UNDERREPRESENTED GENDER IN ACCORDANCE WITH SECTION 99B OF THE DANISH FINANCIAL STATEMENTS ACT

For our statutory statement regarding the underrepresented gender, we refer to our 2020 ESG Report.

KEY FIGURES FOR THE CONSOLIDATED GROUP

5 YEARS KEY FIGURES

TDKK	2020	2019*	2018	2017	2016
Profit and Loss accounts					
Net revenue	976,788	1,028,568	985,695	905,537	966,166
Profit before financial items	(170,027)	81,095	60,831	(207,234)	127,452
Net financials	(436,809)	(394,449)	(376,993)	(75,345)	(232,177)
Profit for the year	(606,872)	(307,435)	(316,198)	(475,245)	(107,946)
Balance sheet					
Total assets	4,777,074	4,776,911	4,748,109	4,753,669	4,613,891
Equity	(1,592,620)	(971,085)	(671,766)	(338,322)	100,535
Investment in property, plant and equipment	405,926	403,263	607,285	260,137	403,534
Key Ratios					
Profit Margin %	-17,4%	7,9%	6,2%	-22,9%	13,2%
Return on equity	47,3%	-37,4%	-62,6%	-399,7%	-17,0%
Equity ratio	-33,3%	-20,3%	-14,1%	-7,1%	-2,2%

*) The company has adopted IFRS 16 as per 1.1.2019, the comparative figures have not been adjusted.

The key figures and financial ratios have been prepared on a consolidated basis. The financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

MANAGEMENT'S STATEMENT

The Executive Board have today considered and adopted the Annual Report of ERRV Holdings ApS for the financial year 1 January – 31 December 2020.

Copenhagen, 11 May 2021

Executive Management

The Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and further requirements in the Danish Financial Statements Act.

Per Niklas Ljungström

Philip Pacey

In our opinion the consolidated Financial Statements and the separate Financial Statements give a true and fair view of the Group's and the Company's financial position at 31 December 2020 and the results of the Group's and Company's operations for the financial year 1 January – 31 December 2020.

Scott B. M. Moseley

Zion Oved

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

To the Shareholder of ERRV Holdings ApS

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of ERRV Holdings ApS for the financial year 1 January - 31 December 2020, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("financial statements").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants'

Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

STATEMENT ON MANAGEMENT'S REVIEW

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial

Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.

Copenhagen, 11 May 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab,
CVR No 33 77 12 31

Thomas Wraae Holm

State Authorized Public Accountant
mne30141

Palle H. Jensen

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FINANCIAL STATEMENTS



STATEMENT OF PROFIT AND LOSS

TDKK	Note	GROUP		PARENT	
		2020	2019	2020	2019
Net revenue	4	976,788	1,028,568	0	0
Other income		2,573	163	0	0
Other expenses		0	-287	0	0
Other operating expenses		-273,468	-296,057	-540	-673
Gross profit		705,893	732,387	-540	-673
Staff expenses	6	-378,769	-377,027	0	0
Share of profit/loss in subsidiaries		0	0	-250,000	0
Share of profit/loss in joint ventures	23	-7	-19	0	0
Profit before depreciation, amortisation and financial items etc.		327,117	355,341	-250,540	-673
Amortisation, depreciation and impairment losses		-497,143	-274,247	0	0
Profit/loss before financial items		-170,027	81,095	-250,540	-673
Financial income	8	5,004	9,876	4	4
Financial expenses	9	-441,813	-404,325	-6,550	-31
Profit/loss before income tax		-606,836	-313,354	-257,086	-700
Tax	10	-35	5,919	458	-103
Profit/loss for the year		-606,872	-307,435	-256,628	-803
Profit is attributable to:					
Non-controlling interests		-6	5	0	0
Owners of ERRV Holdings ApS		-606,866	-307,440	-256,628	-803

STATEMENT OF COMPREHENSIVE INCOME

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Profit for the year	-606,872	-307,435	-256,628	-803
Other comprehensive income				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Exchange diff. on translation of subsidiaries	-788	528	0	0
<i>Cash flow hedges:</i>				
Value adjustment of hedges for the year	-17,971	11,909	0	0
Reclassified to income statement				
- revenue	2,469	-1,368	0	0
- operating costs	0	0	0	0
- financial expenses	-3,076	-2,954	0	0
Reclassified to non-current assets	4,702	0	0	0
Other comprehensive income for the year, net of tax	-14,665	8,116	0	0
Total comprehensive income for the year	-621,536	-299,319	-256,628	-803
Profit is attributable to:				
Non-controlling interests	-6	5	0	0
Owners of ERRV Holdings ApS	-621,530	-299,325	-256,628	-803

BALANCE SHEET - ASSETS

TDKK	Note	GROUP		PARENT	
		2020	2019	2020	2019
Goodwill		493,502	493,502	0	0
Development projects		9,671	6,882	0	0
Intangible assets	11	503,173	500,384	0	0
Vessels	12	3,590,856	3,634,349	0	0
Other operating equipment and fixtures	12	2,019	4,078	0	0
Buildings on leased land	12	40,746	43,841	0	0
Prepayments for tangible assets	12	163,273	191,073	0	0
Right-of-use assets	19	25,169	16,367	0	0
Tangible assets		3,822,063	3,889,708	0	0
Investment in subsidiaries		0	0	0	0
Investment in joint ventures	23	0	6	0	0
Investments in other entities		0	6	0	0
Total non-current assets		4,325,236	4,390,098	0	0
Bunker oil and other consumables		9,461	17,679	0	0
Inventories	14	9,461	17,679	0	0
Trade receivables	15	109,236	156,227	0	0
Receivables from Group companies		0	0	166	163
Other receivables		10,000	7,518	151	34
Prepayments		6,809	2,889	0	0
Receivables		126,045	166,634	317	197
Cash and cash equivalents		316,332	202,500	316	30
Total current assets		451,838	386,813	633	228
Total assets		4,777,074	4,776,911	633	228

LIABILITIES

TDKK	Note	GROUP		PARENT	
		2020	2019	2020	2019
Share capital	16	150	150	150	150
Other reserves		-24,940	-10,276	-1,148	-1,148
Retained earnings		-1,568,101	-961,236	-257,343	-715
Equity attributable to owners of ESVAGT		-1,592,891	-971,362	-258,341	-1,713
Non-controlling interests		271	277	0	0
Total equity		-1,592,620	-971,085	-258,341	-1,713
Deferred tax liabilities	17	4	17	0	0
Bank and credit institutions	18	2,291,875	2,232,493	0	0
Lease liabilities, non current	19	15,461	8,419	0	0
Other non current liabilities		3,300	2,850	0	0
Derivatives, non current	21	5,006	5,373	0	0
Total non-current liabilities		2,315,647	2,249,152	0	0
Loan from parent company		3,922,577	3,319,968	256,500	0
Lease liabilities, current	19	10,217	9,006	0	0
Received prepayments		7,529	6,215	0	0
Trade payables		37,203	80,185	136	110
Payables to Group companies		0	0	2,338	1,831
Income tax liabilities		117	491	0	0
Other payables		57,569	79,114	0	0
Derivatives, current	21	18,834	3,864	0	0
Total current liabilities		4,054,047	3,498,844	258,974	1,941
Total liabilities		6,369,694	5,747,996	258,974	1,941
Total equity and liabilities		4,777,074	4,776,911	633	228

STATEMENT OF CHANGES IN EQUITY

TDKK	GROUP						
	Share Capital	Reserve for Foreign Currency Translation	Cash Flow Hedges	Retained Earnings	Total	Non-Controlling Interests	Total Equity
Equity at 01.01.2019	150	-1,217	-17,175	-424,114	-442,356	272	-442,084
Adjustment prior year	0	0	0	-229,682	-229,682	0	-229,682
Profit for the year	0	0	0	-307,440	-307,440	5	-307,435
Other comprehensive income	0	528	7,587	0	8,116	0	8,116
Total comprehensive income for the year	0	528	7,587	-307,440	-529,007	5	-529,001
Equity at 31.12.2019	150	-689	-9,587	-731,554	-971,362	277	-971,085
Profit for the year	0	0	0	-606,865	-606,865	-6	-606,871
Other comprehensive income	0	-788	-13,876	0	-14,664	0	-14,664
Total comprehensive income for the year	0	-788	-13,876	-606,865	-621,529	-6	-621,535
Equity at 31.12.2020	150	-1,477	-23,463	-1,338,419	-1,592,891	271	-1,592,620

STATEMENT OF CHANGES IN EQUITY

TDKK	PARENT					
	Share Capital	Reserve for Foreign Currency Translation	Cash Flow Hedges	Development Cost Reserve	Retained Earnings	Total Equity
Equity at 01.01.2019	150	-1,148	0	0	88	-910
Profit for the year	0	0	0	6,882	-7,685	-803
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the year	0	0	0	6,882	-7,685	-803
Equity at 31.12.2019	150	-1,148	0	6,882	-7,597	-1,713
Profit for the year	0	0	0	2,789	-259,417	-256,628
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the year	0	0	0	2,789	-259,417	-256,628
Equity at 31.12.2020	150	-1,148	0	9,671	-267,014	-258,341

CASH FLOW STATEMENT

TDKK	Note	GROUP		PARENT	
		2020	2019	2020	2019
Profit before depreciation, amortisation and financial items etc.		327,117	355,341	-250,540	-673
Other expenses		-975	287	0	0
Adjustment for non-cash transactions		0	5,403	0	0
Change in working capital	25	-11,419	14,343	564	785
Share of profit/loss in subsidiaries		0	0	250,000	0
Share of profit/loss in joint ventures		7	19	0	0
Cash flows from operating activities before financial income and expenses		314,731	375,393	24	111
Financial income received		622	1,217	4	4
Financial expenses paid		-88,772	-108,213	-50	-31
Income taxes paid		-566	5,541	307	-103
Net cash flow from operating activities		226,015	273,938	285	-19

TDKK	Note	GROUP		PARENT	
		2020	2019	2020	2019
Share capital paid in subsidiaries		0	0	-250,000	0
Payments for intangible assets and property, plant and equipment		-402,618	-407,186	0	0
Sale of intangible assets and property, plant and equipment		2,308	5,223	0	0
Net cash flow from investing activities		-400,309	-401,962	-250,000	0
Proceeds from loans from parent		250,000	0	250,000	0
Proceeds from loans from credit institutions		60,000	0	0	0
Principle element of lease payments		-14,452	-10,114	0	0
Share Capital and Share Premium paid		0	0	0	0
Cash flow from financing activities		295,548	-10,114	250,000	0
Net cash flow for the year		121,254	-138,138	285	-19
Effects of exchange rate changes on cash and cash equivalents		-7,422	2,010	0	0
Cash and cash equivalents, beginning of the year		202,500	338,629	30	49
Cash and cash equivalents, end of the year		316,332	202,500	316	30

The information in the cash flow statement cannot directly be reconciled to the statement of profit and loss. The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1

CAPITAL POSITION AND GOING CONCERN

The purpose of ERRV Holdings ApS is to hold the shares in ERRV ApS, which is the holdings company of ESVAGT A/S. The investment in ERRV ApS has a carrying value of MDKK 0 at 31 December 2020 (2019: MDKK 0) hence the share capital was lost and the company is subject to the rules of capital loss in the Danish Company's Act.

Impairment tests have been carried out regarding the investment in ESVAGT A/S, which did not result in any impairment.

The lenders of the loans in ERRV ApS have expressed their continuing interest in assuring that ERRV Holdings ApS and ERRV ApS can continue as a going concern and have expressed their intention not to call the loans already extended and any additional future loans that may be extended to ERRV Holdings ApS and ERRV ApS, unless the liquidity position of the ERRV Holdings ApS and ERRV ApS are adequate to justify such repayment.

NOTE 2

ACCOUNTING POLICIES

The Annual Report for the period 1 January - 31 December 2020 comprise the consolidated financial statement of the parent company ERRV Holding ApS and subsidiaries controlled by the parent company (the group) and the separate financial statements of the parent company and have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

Measurement basis

The consolidated and separate financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 16 "Covid-19 Related Rent Concessions"
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standard and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the group in the current or future periods and on foreseeable transactions.

Correction of error

As part of the impairment test performed, it has been concluded to make an adjustment of DKK 271 million as impairment on ERRV vessels in 2017. Net impact on Equity 1 January 2019 is DKK 230 million. Comparison figures are adjusted.

Basis of consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Consolidation is performed by summarizing the financial statements of the parent company and its subsidiaries which have been prepared in accordance with ERRV Holdings ApS accounting policies. On consolidation, elimination is made of intra-group income and costs, shareholdings, intra-group balances and dividend and realized and unrealized profits or losses on transactions between the consolidated companies.

Non-controlling interests' share of profit/loss for the year and of equity in subsidiaries are included as part of ERRV Holdings ApS' profit and equity respectively but shown as separate items.

NOTE 2 - CONTINUED

ACCOUNTING POLICIES

Foreign currency translation*Functional and presentation currency*

Items in the financial statements of each of the reporting companies of the Group are measured in the currency of the primary economic environment in which the company operates (the functional currency).

The functional currency of the Parent company, ERRV Holding ApS is DKK.

The financial statements are presented in Danish Kroner (DKK). The financial statements have been rounded to the nearest thousand.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- b) Income and expenses for each income statement are translated at average exchange rates; and
- c) All resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Foreign exchange forwards are used to hedge the currency risk related to recognized and unrecognized transactions.

The effective portion of changes in the value of derivative financial instruments designated to hedge future transactions is recognized under equity until the hedged transactions are realized. At that time, the cumulative gains/losses are transferred to the items under which the hedged transactions are recognized. The effective portion of changes in the value of derivative financial instruments used to hedge the value of the recognized financial assets and liabilities is recognized in the income statement together with changes in the fair value of the hedged assets or liabilities which can be attributed to the hedging relationship. The ineffective portion of hedge transaction are recognized in the income statement as financial income or expenses for interest and currency-based instruments.

Revenue recognition

The group provide support and services (ERRV and SOV) to the offshore industry comprising standby and emergency response and rescue, oil spill contingency, tanker assist, rig move and supply duties. Revenue from providing services is recognized in the accounting period in which the services are rendered. Revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the days spent relative to the total number of days the contract covers.

Support and service contracts include multiple deliverables, such as charter, crew, fuel and services. Except for fuel, the deliverables are integrated in the services and cannot be provided separately. The services in a charter excluding fuel are therefore accounted for as one performance obligation. A part of the contract price is allocated to a separate performance obligation for fuel based on its stand-alone selling price, which is directly observable. The contracts do not contain any variable elements.

Other income

Other income comprises of other activities, e.g. property rent and gains/losses of sales of fixed assets. Other income is recognized when the agreed service or asset is delivered, and the control has been transferred to the purchaser.

Other operating expenses

Other operating expenses comprise repair and maintenance, stores, vessel fuel, training and travel costs, expenses related to marketing, administration, office expenses, bad debt etc.

Staff expenses including pensions and similar liabilities

Staff expenses comprise wages and salaries, pensions, social security costs and other staff costs to the company's employees.

The Group has entered into pension and similar agreements with most employees. Obligations relating to defined contribution plans are recognized in the income statement in the period in which they are earned.

NOTE 2 - CONTINUED

ACCOUNTING POLICIES

Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Income from government subsidies as a result of COVID-19 pandemic were recognized as other income.

Amortization, depreciation and impairment

Amortization, depreciation and impairment comprise amortization, depreciation and impairment of intangible assets, property, plant and equipment and right-of-use assets.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, realized and non-realized capital gains/losses on transactions in foreign currency, amortization of financial assets and liabilities etc.

Income tax and deferred tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, based on amounts expected to be paid to the tax authorities.

The group's vessels activities are subject to the tonnage taxation scheme under which the computation of taxable income includes an amount, calculated based on the fleet's tonnage.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Intangible assets*Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGU's, or groups of CGU's, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Development projects

Development projects comprise costs related to specific development projects. Development projects are capitalized when development projects imply a technical and/or operational advantage for the Group and where the financial net present value of these projects exceeds the development expenses.

Intangible assets are measured at cost less of accumulated amortization and impairment losses.

Amortization is recognized in the income statement on a straight-line basis over the useful life, which is:

- Development projects: 3 years

Tangible assets

Premises on leased land, vessels, docking costs and other operating equipment and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost comprise the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. Borrowing costs from specific as well as general borrowing directly related to assets with a long production period are attributed to costs during the period of construction.

NOTE 2 - CONTINUED

ACCOUNTING POLICIES

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

- Premises on leased land: 20-30 years
- Vessels: Up to 30 years
- Docking costs: 2,5-5 years
- Other fixtures and fittings: 3-5 years

New build vessels are depreciated over 25 years. Used vessels are depreciated over a shorter period based on the vessel age upon time of purchase. Charter contracts related upgrades and other improvements are depreciated over expected useful life of 3-5 years.

Expenses for docking of vessels are recognized when incurred in the carrying amount of vessels and depreciated over the period until next docking.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses arising from disposal of tangible assets are calculated as the difference between the sales price less sales costs and the carrying amount at the time of sale. Gains and losses are recognized in the profit and loss account as other operating income or other operating costs.

Impairment of non-financial assets

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognized in the income statement when the impairment is identified.

Intangible assets that have an indefinite useful life and intangible assets not yet available for use are not subject to amortization and are tested annually for impairment. Tangible and intangible assets that are subject to amortization are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairment of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments include among other fixed payments and variable lease payments that are based on an index or a rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Contracts may contain both lease and non-lease components. For all leases, the group has elected not to separate the lease and non-lease components and instead accounts for these as a single component.

The lease payments are discounted using the interest rate implicit in the lease. If that rate is not readily determinable, the incremental borrowing rate is used.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs and restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Variable lease payments that do not depend on an index or a rate and payments associated with leases with a lease term of 12 months or less and low-value assets are recognized as an expense in the income statement, included in other operating expenses.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 pandemic-related rent concession from a lessor is a lease modification. ESVAGT applies the IASB amendments to IFRS 16 in regard to rent concessions that simplify how lessee accounts for rent concessions that are direct consequence of Covid-19 and where all conditions of the practical expedient are met.

Investment in subsidiaries and joint ventures

Investments in subsidiaries

Investments in subsidiaries are in the separate financial statements of the parent company recognized according to the equity method (see below) after initially being measured at cost.

Investment in joint ventures

IFRS requires investments in joint arrangements to be classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal

NOTE 2 - CONTINUED

ACCOUNTING POLICIES

structure of the joint arrangement. All investments over which the group has joint control are classified as joint ventures.

Interests in joint ventures are accounted for using the equity method (see below), after initially being recognized at cost.

Applying the equity method

Under the equity method, the investments are initially recognized at cost and adjusted thereafter to recognize the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from subsidiaries (separate financial statements of ERRV Holdings ApS only) and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions with joint ventures are eliminated to the extent of the group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described above.

Inventories

Inventories comprise of bunkers and other consumables. Inventories are measured at cost according to the FIFO-method. Write-down is made to a possibly lower net realizable value.

Receivables

Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost, which usually corresponds to the nominal value.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in

progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of historic sales and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the oil and energy prices to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Prepayments

Prepayments comprise various prepaid expenses such as prepaid insurance, subscriptions etc. Prepayments are measured at cost.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

Equity*Reserve for foreign currency translation*

The reserve for exchange adjustments consists of exchange rate differences that occur when translating the foreign subsidiaries financial statements from their functional currency into the Group's presentation currency. On disposal of the net investment, the reserve for exchange adjustments of that foreign subsidiary is recognized in the income statement. Reduction of a net investment in a foreign operation which does not result in loss of control is not treated as a disposal.

Cash flow hedges

The effective portion of changes in the value of derivative financial instruments designated to hedge future transactions is recognized under equity until the hedged transactions are realized.

Dividend distribution

Dividends are recognized as a liability in the period in which they are adopted at the Annual General Meeting.

Development cost reserve

An amount equal to the total capitalized development costs after tax is recognized in equity in the Development cost reserve.

NOTE 2 - CONTINUED

ACCOUNTING POLICIES

Bank and Credit institutions

Borrowings from credit institutions are initially recognized at fair value, net of transaction expenses incurred. Borrowings from credit institutions are subsequently measured at amortized cost. Any differences between the proceeds and the redemption value are recognized in the income statement over the period of the borrowings using the effective interest method.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Other liabilities

Other debt or liabilities covering trade payables and other debt are recognized at amortized cost, which is usually equivalent to the nominal value.

Statement of cash flow

The cash flow statement shows the Group's cash flows during the year distributed on operating, investing and financing activities, changes in cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities are calculated by the indirect method using the profit before depreciation adjusted for changes in working capital and non-cash operating items such as depreciation, amortization and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt, payment of principal element of leases as well as payments to and from shareholders.

Consolidated Key Figures

The key figures and financial ratios have been prepared on a consolidated basis. The financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

NOTE 3

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group performs certain judgements and estimates concerning the future.

The estimates are performed based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The Group is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

The judgement and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Judgements*Determination of cash generating units*

Judgement is applied in determining the cash generating units (CGU's). Management has based on the specific capabilities of the vessels, split these into three CGU's;

- *Group 1:* Multi-role ERRV vessels are flexible and support the offshore oil & gas industry with a number of highly specialized services as a supplement to the ERRV functions: Anchor handling; Rig moves; Emergency towing; Cargo runs; ROV inspections and surveys; Barge work; Oil spill response and Fire-Fighting.
- *Group 2/3:* ERRV vessels in Group 2/3 are all designed to operate worldwide and in harsh environments. They comply with all stand-by regulations in DK, UK, NL and N. The vessels are optimized on fuel consumption, capacity and size.
- *Wind:* Service Operation Vessels (SOV) are the cost-efficient choice for windfarms far from shore. The SOV offers onboard workshop, spare parts storage, crane and office facilities. Advanced transfer of technicians and spare parts to WTGs by ESVAGT Safe Transfer Boat or W2W gangway solutions.

This also reflect how Management monitors the operations.

Management furthermore applies its judgement in allocating assets that do not generate independent cash flows to appropriate CGU's.

NOTE 3 - CONTINUED

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates*Useful life and residual values*

The vessels are estimated to operate up to 30 years before they are taken out of the fleet. Some vessels operate longer than that, and the depreciations are calculated individually when the useful lives and residual values are reviewed and adjusted if appropriate, at the end of each year.

Impairment testing

Impairment testing is performed for each cash-generating unit as defined by our operational structure as described under judgement, if indicators of impairment exist.

For the impairment testing, a number of estimates are made regarding the expected development in day rates, utilization of vessels, future capital expenditures, discount rates, which are all included in the projected cash flows applied for the impairment testing.

These estimates are based on an assessment of current and future developments in the three cash-generating units and on historical data and assumptions. Assessment of market trends as regards to day rates is supported by independent 3rd party reports.

Following the revised market outlook, driven partly by the Covid-19 pandemic and low value of the Pound Sterling and Norwegian Kroner, an impairment loss of DKK 200 million has been recognized as of 31 December 2020. The result of the impairment testing is further disclosed in note 12.

The assumptions included in the value-in-use calculation are based on financial budgets and business plans approved by management.

NOTE 4

REVENUE

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Support and safety activities, Offshore Oil & Gas (over time)	589,084	676,185	0	0
Support and safety activities, Offshore (over time)	330,851	280,414	0	0
Sale of fuel, offshore Oil & Gas (point in time)	46,056	56,799	0	0
Sale of fuel, Offshore Wind (point in time)	10,797	15,171	0	0
	976,788	1,028,568	0	0

The group has recognized the following assets and liabilities related to contracts with customers:

TDKK	31 Dec	31 Dec	1 Jan
	2020	2019	2019
Group			
Current contract assets relating to charters	480	155	744
Current contract liabilities relating to charters	(7,529)	(6,215)	(8,352)

The increase in contract liabilities relates to mobilization costs paid prior to specific charters, which will be recognized as revenue during the secured contract length.

TDKK	2020	2019	2020	2019
Revenue recognized that was included in the contract liability at the beginning of the period	2,631	2,137	0	0

The group has taken the practical expedient in IFRS 15 not to disclose information about the aggregate amount of the transaction price allocated to its remaining performance obligations, as the group's contracts either has an original expected duration of one year or less; or as the group for its long-term contracts recognizes revenue in an amount to which the group has a right to invoice.

The invoicing is done a monthly basis reflecting the contracted day rate and the actuals days per month. Normal payment terms are running month +30 days or 45 days.

NOTE 5

GOVERNMENT GRANTS

The Group has received government subsidies of DKK 1,4 million as result of the COVID-19 pandemic. The subsidy was solely related to employee retention and was part of the government programme "Wage compensation scheme". There are no unfulfilled conditions or other contingencies attached to the received subsidies. During the pandemic ESVAGT has, despite the drop in Oil & Gas activities across the North Sea, retained all staff.

NOTE 6

STAFF EXPENSES

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Wages and salaries	362,107	360,683	0	0
Pensions, defined contribution plans	8,859	7,857	0	0
Other staff costs	5,634	7,246	0	0
Long term incentive scheme	2,170	1,241	0	0
Staff Expenses	378,769	377,027	0	0
Average number of full-time employees	926	916	0	0

NOTE 6 - CONTINUED

STAFF EXPENSES

Key Management Compensation

Key Management includes the Executive Management of the Company as well as the Board of Directors and Executive Management in the Group.

The Executive Management and other senior employees of the ESVAGT A/S have been granted 2 Long Term Incentive Schemes (the LTIP programs), which are structured according to the same principles, but depend on different triggering events. The participants will therefore only get payment from one of the LTIP programs when vested.

Both programs depend on the fair value development of ESVAGT A/S and an exit of the current owners. The maximum value of the programs amounts to DKK 112 million (EUR 15 million), however as at 31 December 2020 the value is calculated to DKK 19 million (EUR 2.5 million) corresponding to the estimated value at grant date.

The program vests over the period until an exit of the current owners. In 2020 DKK 2,2 million (2019 DKK 1,2 million) has been recognized as an expense in the P&L.

The exercise price of the awards is 0.

The compensation paid or payables to key management for employee services is shown below:

TDKK	GROUP	
	2020	2019
Wages and salaries	9.453	7.224
Pensions, defined contribution plan	233	268
Long term incentive scheme	827	827
Compensation to key management	10.513	8.319

NOTE 7

AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Amortization of intangible assets	2,418	382	0	0
Depreciation of tangible assets	279,571	266,970	0	0
Net Impairment of tangible assets	200,000	0	0	0
Depreciation of right-of-use assets	15,154	6,895	0	0
	497,143	274,247	0	0

NOTE 8

FINANCIAL INCOME

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Interest income from subsidiaries	0	0	4	4
Interest income, bank	624	1,217	0	0
Exchange rate adjustments	4,346	8,659	0	0
Other financial income	35	0	0	0
	5,004	9,876	4	4

Total interest income on financial assets that are measured at amortized cost for the year was TDKK 659 (2019: TDKK 1,217) for the Group and TDKK 4 (2019: TDKK 4) for the parent company.

NOTE 9

FINANCIAL EXPENSES

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Interest expenses to parent	352,655	312,638	6,543	31
Interest expenses, credit institutions	94,780	94,099	7	0
Interest expenses, bank	964	618	0	0
Interest expenses, leases	917	513	0	0
Other financial expenses, including bank fees	794	836	0	0
Capitalized interests	-8,296	-4,380	0	0
	441,813	404,325	6,550	31

Total interest expenses on financial liabilities not measured at fair value through profit or loss for the year was TDKK 449,315 (2019: TDKK 407,868) for the group and TDKK 6,550 (2019: TDKK 31) for the parent company.

NOTE 10

TAX

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
<i>Income tax:</i>				
Tax on profit/loss for the year	-215	-6,117	-458	103
Total income tax	-215	-6,117	-458	103
Tonnage tax	250	198	0	0
Total tax for the year	35	-5,919	-458	103
<i>Tax on profit/loss for the year can be broken down as follows:</i>				
Current tax	103	621	-117	0
Deferred tax	-11	-7	0	0
Adjustments for current tax of prior periods	-306	-6,732	-341	103
Tax on profit/loss for the year	-215	-6,117	-458	103
<i>Income tax is specified as follows:</i>				
Calculated 22% tax on "Profit for the year before income tax"	-133,504	-68,938	-56,559	-154
Tax effects of:				
Income tax under tonnage taxation	133,595	69,553	56,442	154
Adjustments in respect of prior years	-306	-6,732	-341	103
	-215	-6,117	-458	103
Effective tax rate	0.0%	2.0%	0.2%	-14.7%

The majority of the Group's taxable income is located in Denmark, and therefore the majority of the tax base is subject to Danish tax legislation. As such, the ESVAGT Group has elected to participate in the Danish Tonnage Tax scheme; the participation is binding until 31 December 2025.

Deferred tax relates to tangible fixed assets not covered by tonnage taxation activities.

NOTE 11

INTANGIBLE ASSETS

TDKK	GROUP		
	Goodwill	Develop- ment Projects	Total
Cost:			
At 01.01.2019	500,699	2,194	502,893
Additions during the year	0	6,907	6,907
At 31.12.2019	500,699	9,101	509,800
Amortization and impairment:			
At 01.01.2019	7,197	1,837	9,034
Amortization charge	0	382	382
At 31.12.2019	7,197	2,219	9,416
Carrying amount 31.12.2019	493,502	6,882	500,384
Cost:			
At 01.01.2020	500,699	9,101	509,800
Additions during the year	0	4,989	4,989
Reclassifications	0	218	218
At 31.12.2020	500,699	14,308	515,007
Amortization and impairment:			
At 01.01.2020	7,197	2,219	9,416
Amortization charge	0	2,418	2,418
At 31.12.2020	7,197	4,637	11,834
Carrying amount 31.12.2020	493,502	9,671	503,173

Impairment Analysis

Goodwill is monitored by management per segment: Offshore Oil and Offshore Wind, which corresponds to the segments to which goodwill has been allocated.

The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of each CGU is determined as the present value of future net cash flow from each cash-generating unit (val-

ue-in-use) or fair value less cost to sell if higher. In calculating the present value, discount rates are applied reflecting the risk-free interest rate with the addition of risks relating to the individual segments, such as market and financial exposure.

For the impairment testing carried out, the recoverable amounts of the segments are based on value-in-use calculations, which require the use of a number of estimates, and are all included in the projected cash flow. These projections are based on an assessment of current and of current and future developments in the segments and on historical data and assumptions. The assumptions included in the value-in-use calculation are based on the Financial Budget for 2021 and Business Plans for 2022-2026 as approved by management.

Furthermore, the value-in-use calculation assumes an indefinite cash flow from the segments to which goodwill is allocated, assuming continuous reinvestment in underlying assets. The indefinite cash flow is calculated as a terminal value based on long-term growth rate.

The carrying amount of goodwill has been allocated to the following segments:

DKK mio.	2020		2019	
	Offshore Oil	Offshore Wind	Offshore Oil	Offshore Wind
Carrying amount of allocated goodwill	275	218	275	218

Assumptions

- **Day Rates:** Day rates are based on committed contracts, and for post-contract periods and for vessels not on long term contract based on management's view on market trends. Assessment of market trends is supported by independent 3rd party opinion. Day rates is a combination of several factors including trading area and task specification.
- In management's view the day rate levels for ERRV activities are expected to improve in 2021 compared to 2020 and further improve over the forecast period until 2023.
- For the Wind/SOV activities, day rates are closely linked to specific contracts and therefore no specific trend for day rate levels has been assumed. Escalation beyond the forecast period follows above escalation rates.
- **Utilization:** The forecast for vessel utilization is based on committed commercial contracts, past performance and management expectations of market development
- Utilization on ERRV activities is forecast to improve in 2021 compared to 2020 and further improve in 2022 whereafter remained stable over remainder of the forecast period until 2026.
- Utilization on Wind/SOV activities are expected to remain high and stable compared to 2020, as majority of fleet is fixed on long-term contracts.

NOTE 11 - CONTINUED

INTANGIBLE ASSETS

- **Future capital expenditures:** Future capital expenditures includes investments, primarily related to dockings, during the remaining lifetime of existing fleet, and cash flow for continuous reinvestment in vessels as part of terminal value. The indefinite reinvestment in vessels (terminal value) assumes reinvestment of 70% of the ERRV fleet by number of vessels and 100% of the Wind/SOV fleet. The expenditures are based on management's estimate, including data from previous acquisition of vessels and previous surveys.
- **Lifetime of vessels and residual values upon end of vessel lifetime:** Lifetime of 25-30 years per asset is assumed. Residual values upon end of vessel lifetime are considered and included in the projected cash flow.
- **Long-term growth-rate:** 2%
- **Inflation rate:** Cost escalation beyond the forecast period and contract period for revenue.
- **FX rates:** Part of the Group's revenue is invoiced in foreign currencies, mainly EUR, GBP and NOK. For the value-in-use calculation day rate forecasts are made in these relevant foreign currencies. The FX rate assumptions applied for calculation of the forecasted cash flow is based on FX rate level on 31 December 2020:
 - GBP: 823,78 (2019: 876,64)
 - NOK: 70,53 (2019: 75,87)
 - EUR: 743,93 (2019: 746,97)
- **WACC (pre-tax):** Reflect specific risks relating to the relevant segments.

Discount and Growth Rates used in the impairment tests of intangible assets and impairment losses recognized as follows:

DKK mio.	2020		2019	
	Offshore Oil	Offshore Wind	Offshore Oil	Offshore Wind
Amounts				
Impairment Losses	-	-	-	-
Applied Assumptions				
WACC - Discount Rate (pre-tax)	8.3%	7.3%	7.9%	7.0%
Long-term Growth Rate	2.0%	2.0%	2.0%	2.0%

Conclusion on impairment test

The impairment test did not identify any need for the impairment losses to be recognized related to goodwill.

Based on the sensitivity analyses, it is Management's opinion that probable changes in key assumptions would cause the carrying amount of Offshore Oil to exceed the recoverable amount. For Offshore Wind even significant reduction in key assumption, Management has not identified any impairment indicator which would cause the carrying amount of Offshore Wind to exceed the recoverable amount.

For Offshore Oil following changes in key assumptions Offshore Oil would cause the recoverable amount equal to the carrying amount:

- WACC: +0,3 percentage points
- FX Rates (except EUR): -1,5 percentage
- Inflation rate and long-term growth rate: -0,7 percentage points

Sensitivity Analysis

The value-in-use calculations are particularly sensitive to the day rates expected post-contract and to utilization on ERRV spot activities. In addition, discount rate, inflation rate and changes in FX rates are critical variables.

The sensitivity analysis shows that the impairment losses on Goodwill in 2020 would have been:

- No impairment loss and DKK -54 million with a +/- 0,5 percentage points change in the discount rate, keeping all other assumptions unchanged.
- No impairment and DKK -177 million with +/- 5 percentages change in FX Rates (except EUR), keeping all other assumptions unchanged.
- No impairment with +/- 0,5 percentage points change in the long-term growth rate, keeping all other assumptions unchanged.

NOTE 12

PROPERTY, PLANT AND EQUIPMENT

TDKK	GROUP				Total
	Vessels	Operating Equipment & Fixtures	Buildings	Prepay-ments	
Cost:					
At 01.01.2019	4,496,167	36,025	61,804	117,469	4,711,465
Additions during the year	319,948	1,430	54	81,831	403,263
Disposals	-64,210	-3,320	0	0	-67,530
Reclassifications	8,227	0	0	-8,227	0
Transferred to right-of-use asset	-22,997	0	0	0	-22,997
At 31.12.2019	4,737,136	34,135	61,858	191,073	5,024,202
Amortisation and impairment:					
At 01.01.2019	917,790	30,682	14,937	0	963,409
Disposals	-58,700	-3,320	0	0	-62,020
Amortisation charge	261,193	2,696	3,081	0	266,970
Transferred to assets held for sale	-17,497	0	0	0	-17,497
At 31.12.2019	1,102,787	30,058	18,017	0	1,150,862
Carrying amount 31.12.2019	3,634,349	4,078	43,840	191,073	3,873,340

The amount of borrowing costs capitalised for the Group during the year was TDKK 4,380.

The rate used to determine the amount of borrowing cost eligible for capitalisation was 3.52%.

TDKK	GROUP				Total
	Vessels	Operating Equipment & Fixtures	Buildings	Prepay-ments	
Cost:					
At 01.01.2020	4,737,136	34,135	61,858	191,073	5,024,202
Additions during the year	331,132	0	0	74,794	405,926
Disposals	-52,909	0	0	-511,025	-53,420
Reclassifications	101,865	0	0	-102,083	-218,087
Transferred to right-of-use asset	0	0	0	0	0
At 31.12.2020	5,117,224	34,135	61,858	163,273	5,376,490
Amortisation and impairment:					
At 01.01.2020	1,102,787	30,058	18,017	0	1,150,862
Disposals	-50,837	0	0	0	-50,837
Amortisation charge	274,419	2,058	3,095	0	279,572
Impairment losses	200,000	0	0	0	200,000
Transferred to assets held for sale	0	0	0	0	0
At 31.12.2020	1,526,368	32,116	21,112	0	1,579,596
Carrying amount 31.12.2020	3,590,856	2,019	40,746	163,273	3,796,894

The amount of borrowing costs capitalized during 2020 was TDKK 8,296. The rate used to determine the amount of borrowing cost eligible for capitalization was 3,52%.

Commitments for tangible assets

ESVAGT's Newbuilding programme comprise three vessels (one delivered late 2020) for the wind industry. Delivery of last two vessels is expected during 2021.

TDKK	GROUP	
	2020	2019
Remaining Commitments, new building programme	492,100	845,812

NOTE 12 - CONTINUED

PROPERTY, PLANT AND EQUIPMENT

Impairment Analysis

The oil and gas markets have during 2020 been hit by simultaneous demand and supply shocks. Measures to contain the spread of COVID-19 have led to an unprecedented decline in demand for oil and gas, and initial intervention by OPEC+ member states struggled to balance the market.

As a result, oil prices dropped, which has driven reductions in spending budget by oil and gas companies, and consequently many activities were postponed, especially UK drilling activities, where ESVAGT traditionally deploy a major part of its ERRV Group 2 fleet – resulting in short-term reduction of demand in ERRV Group 2 fleet.

ESVAGT expects spot market to further build during 2021 and return to 2019 levels – with a potential boost during end 2021 and beginning of 2022 for completion of outstanding priority drilling and maintenance work held back by COVID-19 pandemic. The expectations to future demand are subject to several factors, particularly the development in the global oil and gas markets. The demand is depending on the public health, the impact of vaccines, and the policy responses to COVID-19.

Outcome of the impairment test

Following the revised market outlook, driven partly by the Covid-19 pandemic and the low value of the Pound Sterling and Norwegian Kroner, an impairment loss of DKK 200 million has been recognized as of 31 December 2020. The impairment loss relates solely to CGU ERRV Group 2/3. The CGU is covering ERRV vessels operating in the North Sea.

DKK mio.	Impairment losses/ reversals	Recover- able Amount
Cash generating unit		
Group 2/3	200	653
Total	200	

No impairments or impairment reversals were recognized in 2019.

Basis for impairment test

ESVAGT considers vessels with similar functionality as cash generating units (CGU) due to largely interdependent cash flows.

The recoverable amount for each CGU is determined as the present value of future net cash flow from each or fair value less cost to sell if higher. ESVAGT applies value-in-use calculations in the Impairment Analysis.

The value-in-use is calculated based on cash flow projections in financial budgets and key assumptions for the coming 5 years period as approved by management. For the period after the 5-year period an expected inflation rate of 2,0% p.a. is applied, and specific day-rate assumptions post-contract. These cash flow projections are subject to judgement and estimates that are uncertain, though based on experience and external sources where available. Below different sensitivity analysis for certain key assumptions applied in the expected future cash flows.

The discount rate applied in the value-in-use calculation is 8,3% (2019: 7,9%) p.a. after tax. The discount rate applied reflect the specific risks relating to the relevant CGU's.

The FX rates applied is based on the FX rate level on 31 December 2020:

- GBP: 823,78 (2019: 876,64)
- NOK: 70,53 (2019: 75,87)
- EUR: 743,93 (2019: 746,97)

Sensitivity analysis

The value-in-use calculations for the individual CGU's are particularly sensitive to the day rates expected post-contract and to utilization on ERRV spot activities. In addition, discount rate, inflation rate and changes in FX rates are critical variables.

The sensitivity analysis shows that the impairment losses in 2020 would have been:

- DKK -167 million and DKK -254 million with a +/- 0,5 percentage point change in the discount rate, keeping all other assumptions unchanged.
- DKK -69 million and DKK -349 million with +/- 5 percentage change in FX Rates (except EUR), keeping all other assumptions unchanged.
- DKK -187 million and DKK -218 million +/- 0,5 percentage point change in the inflation rate, keeping all other assumptions unchanged.

NOTE 13

FINANCIAL ASSETS AND LIABILITIES

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Carrying amount				
Financial assets:				
<i>Financial assets at amortised cost:</i>				
Trade receivables	109,236	156,227	0	0
Receivables from Group companies	0	0	166	163
Other Receivables	10,000	7,518	151	34
Cash and cash equivalents	316,332	202,500	316	30
Total Financial assets at amortised cost	435,568	366,245	633	228
Financial liabilities:				
<i>Financial liabilities at fair value</i>				
Foreign currency forwards (used for hedging)	23,840	9,237	0	0
Total financial liabilities at fair value	23,840	9,237	0	0
<i>Financial liabilities at amortised cost</i>				
Borrowings	2,291,875	2,232,493	0	0
Loan from parent company	3,922,577	3,319,968	256,500	0
Trade payables	37,203	80,185	136	110
Payables to Group companies	0	0	2,338	1,831
Lease liabilities	25,678	17,425	0	0
Other Payables	57,569	79,114	0	0
Total Financial liabilities at amortised cost	6,334,902	5,729,186	258,974	1,941
Total Financial liabilities	6,358,742	5,738,422	258,974	1,941

Fair value of financial instruments is approximately the same as the carrying amount.

NOTE 14

INVENTORIES

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Carrying amount				
Bunker oil	9,461	17,679	0	0
	9,461	17,679	0	0

During 2020 TDKK 59,550 (2019: TDKK 76,556) was recognized as an expense for the group, and TDKK 0 (2019: TDKK 0) for the parent company.

NOTE 15

TRADE RECEIVABLES

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Carrying amount				
Trade receivables at 31 December	109,336	156,327	0	0
Expected credit loss	-100	-100	0	0
Trade receivables net	109,236	156,227	0	0
The maturity of the trade receivables is specified as follows:				
Not overdue	80,887	112,556	0	0
Up to 30 days	25,318	35,314	0	0
Between 31 and 90 days	3,031	5,696	0	0
Between 91 and 365 days	0	2,661	0	0
Other	0	0	0	0
Total	109,236	156,227	0	0

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

NOTE 15 - CONTINUED

TRADE RECEIVABLES

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2020 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the oil and energy prices to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. The expected credit losses for all trade receivables and contract assets, 95.8% less than 30 days overdue, 2.5% 30-60 days overdue and 1.7% over 90 days overdue, are immaterial and therefore not recognize. During the year no losses has been realized.

As further described in note 22, the receivables from Group companies are primarily arising from ordinary sales transactions and are in general repaid in full on a monthly basis. Consequently, the 12-month expected credit losses related to those receivables are immaterial.

NOTE 16

SHARE CAPITAL

The share capital comprise of:

	No shares	Nominal value per share	2020 (TDKK)	2019 (TDKK)
	150,000	1	150	150
			150	150

No shares carry any special rights. There are no restrictions connected to the transferability or voting rights of the shares. All shares have been paid in full.

All shares in ERRV Holdings ApS are owned by ERRV Luxembourg Holdings S.á r.l.

Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital. Normal covenant demands applies such as "Leverage Ratio", "ICR Ratio" etc.

The Group has not adopted a specific key ratio, but Management and Board of Directors monitor the share and capital structure to ensure that the group's capital resources support the strategic goals. The overall target is to have secured long term financing with fixed interest rates at competitive rates. During the year, through a close dialogue with its main lenders and with the shareholders, the Group was able to decide on funding of current operation and future strategic initiatives in line with overall target.

The group's policy for managing capital is unchanged from last year.

NOTE 17

DEFERRED TAX

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
At 1 January	17	24	0	0
Deferred tax recognised in the income statement	-11	-7	0	0
Exchange Rate Adjustment	-1	0	0	0
At 31 December	4	17	0	0
Deferred tax relates to:				
Provisions	4	17	0	0
	4	17	0	0

NOTE 18

BANK AND CREDIT INSTITUTIONS

The borrowings comprise of shareholder loans, vessel financing related loans as well as revolving facilities to fund the ongoing operations. There are covenants attached to the loan facilities.

	Currency	Maturity	2020 (TDKK)	2019 (TDKK)
Group				
Floating rate loans	EUR	2022	318,402	319,703
Floating rate loans	DKK	2022	243,168	183,168
Fixed-rate loans	EUR	2024-2027	1,748,235	1,755,380
Fixed-rate loans	DKK	On demand	3,922,577	3,319,968

NOTE 19

LEASING

The group has entered leases on land, properties, cars and equipment. The remaining lease period for land is 22 years + 5 months. ESVAGT can terminate the contract of the leased land with a 6 months' notice. The non-cancellable lease period for cars is typically 36 months. In general car leases do not include any extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group recognized the following amounts relating to leases:

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Lease liabilities				
Current	10,217	9,006	0	0
Non-current	15,461	8,419	0	0
	25,678	17,425	0	0
Right-of-use assets				
Land	7,565	7,903	0	0
Cars	513	1,051	0	0
Equipment	17,092	7,414	0	0
	25,169	16,367	0	0

Additions to the right-of-use assets during the 2020 financial year were TDKK 23,956 (2019: TDKK 12,782) for the Group and TDKK 23,956 (2019: TDKK 12,782) for the parent company, respectively.

The statement of profit or loss show the following amounts relating to leases:

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Depreciation charge of right-of-use assets				
Land	337	337	0	0
Cars	414	318	0	0
Equipment	14,402	6,240	0	0
	15,154	6,895	0	0

NOTE 19 - CONTINUED

LEASING

The total cash outflow for leases in 2020 was TDKK 14,452 (2019: TDKK 10,114) for the Group and TDKK 14,452 (2019: TDKK 10,114) for the parent company.

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Interest expense (included in finance expenses)	917	513	0	0
Expense relating to short-term leases (included in other operating expenses)	0	162	0	0
	917	675	0	0

COVID-19-related rent concessions of TDKK 874 have been recognized within Other Operating Expenses.

NOTE 20

FEE TO THE STATUTORY AUDITORS

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Statutory audit	925	518	65	61
Other assurance services	0	448	0	0
Tax and VAT advisory services	1,772	737	0	0
Other services	3,111	1,900	316	507
Total fees to PwC	5,808	3,602	381	568

NOTE 21

DERIVATIVE FINANCIAL INSTRUMENTS

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to market risks.

The group has entered foreign exchange options and forwards used to hedge currency risk on contracted long-term revenue, fuel consumption and committed purchase of vessels.

Information about the group's exposure to financial risk is provided in note 25.

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Reclassified from other comprehensive income				
Gains/losses arising on currency forward contracts (cash flow hedges) reclassified to revenue/other operating expenses during the year	5,675	-491	0	0
	5,675	-491	0	0

NOTE 22

RELATED PARTIES

The ultimate controlling party is the parent company ERRV Luxembourg Holdings S.á.r.l., Luxembourg.

The disclosure of "Key management compensation" is presented in note 5.

The following balances arising from sales/purchases of goods and services are outstanding at the end of the period in relation to transactions with related parties:

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Loans to related parties				
<i>Loans from related parties</i>				
Beginning of the period	3,319,968	3,007,330	0	0
Loans advanced	250,000	0	250,000	0
Interest charged	352,652	312,638	6,500	0
End of year	3,922,620	3,319,968	256,500	0
<i>Loans to subsidiaries</i>				
Beginning of the period	0	0	163	187
Loans advanced	0	0	0	0
Loans repayments received	0	0	0	28
Interest charged	0	0	42	31
End of year	0	0	166	163
<i>Loans from subsidiaries</i>				
Beginning of the period	0	0	1,831	1,163
Loans advanced	0	0	465	637
Loans repayments	0	0	0	0
Interest charged	0	0	42	31
End of year	0	0	2,338	1,831

Terms and conditions

Receivables from the Group companies primarily arises from ordinary operations and are in general repaid in full on a monthly basis. The receivables do not thus carry any interest. Loans to the parent company and to and from subsidiaries carry an interest hence of 10% and 2% and the loans are expected to be settled in cash.

NOTE 23

INVESTMENTS IN JOINT VENTURES

The group has interest in a number of individually immaterial joint ventures that are accounted for using the equity method.

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Summarised balance sheet				
Aggregated carrying amount of individually immaterial associates	0	6	0	0
Aggregate amounts of the group's share of				
Loss from continuing operations	7	19	0	0
Total comprehensive income	7	19	0	0

No further information is disclosed due to the materiality of the investment.

NOTE 24

CONTINGENT LIABILITIES

Litigation
None

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Bank loans secured in vessels				
Bank and other credit institutions - amount secured	2,309,806	2,258,251	0	0
Carrying amount of vessels provided as security	3,590,856	3,634,349	0	0

Other contingent liabilities

Since 17 September 2015 ESVAGT A/S is part of national joint taxation in Denmark with ERRV Holding ApS and is jointly liable with other Danish companies owned by ERRV Holding ApS.

NOTE 25

CASH FLOW STATEMENT

TDKK	GROUP		PARENT	
	2020	2019	2020	2019
Change in working capital				
Change in inventories	8,219	-258	0	0
Change in trade receivables and receiv. from parent	47,208	-18,739	0	0
Change in other receivables and prepayments	-6,264	2,866	538	785
Change in trade payables, excl. payables related to fixed assets	-39,359	23,038	26	0
Change in other payables	-24,426	9,080	0	0
Change in received prepayments	1,314	-2,137	0	0
Exchange gains and losses on working capital	1,890	693	0	0
	-11,419	14,544	564	785
Changes in liabilities arising from financing activities				
Bank and credit institutions at 1 January	2,232,493	2,224,652	0	0
Proceeds from loans from credit institutions	60,000	0	0	0
Amortized loan cost	7,827	7,174	0	0
Foreign currency	-8,445	667	0	0
Bank and credit institutions at 31 December	2,291,875	2,232,493	0	0
Loan from related parties 1 January	3,319,968	3,007,330	0	0
Proceeds from loans from related parties	250,000	0	250,000	0
Accrued interest rates	352,608	312,638	6,500	0
Loan from related parties 31 December	3,922,576	3,319,968	256,500	0
Lease liabilities at 1 January	17,425	5,969	0	0
Recognised on adoption of IFRS 16	0	8,787	0	0
Repayment of leases	-14,452	-10,114	0	0
New leases	23,956	12,782	0	0
Adjustment of initial recognition	-1,251	0	0	0
Lease liabilities at 31 December	25,678	17,425	0	0
Financing liabilities at 31 December	6,240,129	5,569,886	0	0

NOTE 26

FINANCIAL RISK MANAGEMENT

Financial risk factors

The Financial risks of the group are managed centrally. The overall risk management guidelines and policies have been approved by the Board of Directors. Group Finance/Treasury department identifies and evaluates exposures in close co-operation with the group's operating units. The board provides written principles for overall risk management.

Market Risk*Foreign exchange risk*

The revenue is mainly denominated in other currencies than DKK, mainly EUR, GBP and NOK. Part of these transactions is hedged according to the Group policy. Increases or decreases in the exchange rate of GBP and NOK against the functional currency, can affect the group's results and cash position negatively or positively.

The cost of goods sold, and operating expenses are mainly incurred in DKK. The Group has transactions in other currencies, mainly EUR, but the foreign exchange risks related to this are not considered material, due to fixed exchange rate policy in Denmark against EUR. Increases or decreases in the exchange rate of such foreign against the functional currency, can affect the group's results and cash position negatively or positively.

Exposure

The group's exposure to foreign currency risk at the end of the reporting period, expressed in currency units, was as follows:

	GROUP			
	TEUR	TGBP	TNOK	TUSD
2020				
Trade receivables	3,384	2,797	10,675	559
Cash and cash equivalents	7,333	3,096	210,943	5,770
Bank loans	-277,800	0	0	0
Trade payables	-1,167	-77	-2,904	-1,288
	-268,250	5,817	218,714	5,041
2019				
Trade receivables	5,710	21	21,096	317
Cash and cash equivalents	3,204	393	123,507	1,109
Bank loans	-277,800	0	0	0
Trade payables	-2,486	-253	-5,126	-2,454
	-271,372	160	139,476	-1,028

NOTE 26 – CONTINUED

FINANCIAL RISK MANAGEMENT

Interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest risk. Group policy is always to ensure that a minimum of 75 percent of total outstanding debt is fixed rate or effectively bears a fixed rate pursuant to a hedging agreement. The group is compliant with the policy at 31 December 2020.

Sensitivity analysis

Profit or loss is sensitive to higher/lower interest from borrowings and fair value changes of interest rate derivatives as a result of changes in interest rates. The sensitivity analysis is based on financial instruments recognized at the balance sheet date. Effects from hedging is not included in these calculations and sensitivity figures.

TDKK	2020		2019	
	Impact on Post Tax Profit	Impact on Other Components of Equity	Impact on Post Tax Profit	Impact on Other Components of Equity
Group				
GBP/DKK exchange rate - increase 10%	4,792	4,792	141	141
NOK/DKK exchange rate - increase 10%	15,426	15,426	10,582	10,582
USD/DKK exchange rate - increase 10%	3,054	3,054	-686	-686

TDKK	2020		2019	
	Impact on Post Tax Profit	Impact on Other Components of Equity	Impact on Post Tax Profit	Impact on Other Components of Equity
Group				
Interest rates – increase by 100 basis points	-5,631	0	-5,044	0
Interest rates – decrease by 100 basis points	5,631	0	5,044	0

The calculation is based on an increase in both short- and long-term interest. All other variables are held constant.

NOTE 26 – CONTINUED

FINANCIAL RISK MANAGEMENT

Credit risks

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'BBB-' are accepted. For customers individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored.

The maximum exposure corresponds to the carrying number of receivables and cash.

Liquidity risk

Cash flow forecasting is performed by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the group's debt financing plans and compliance with loan documentation. The group has undrawn borrowing facilities of TDKK 490,000 that may be available for future operating activities (TDKK 150,000) and Capex investments (TDKK 360,000). The borrowing facilities is part of the current bank facilities attached to the same covenants as mentioned in note 17.

The tables below analyses the Group's derivatives and non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

TDKK	GROUP			Total
	Less than 1 year	1-5 years	>5 years	
Group - Non-derivatives				
At 31.12.2019				
Credit institutions	89,914	2,120,389	389,582	2,599,886
Loan from related parties	3,319,968	0	0	0
Lease liabilities (Finance lease)	9,006	8,419	0	17,425
Trade payables	80,185	0	0	80,185
Other payables	79,114	0	0	0
	3,578,187	2,128,809	389,582	2,697,496

At 31.12.2020				
Credit institutions	89,063	2,367,849	194,404	2,651,315
Loan from related parties	3,922,577	0	0	0
Lease liabilities	10,217	15,461	0	25,678
Trade payables	37,203	0	0	37,203
Other payables	57,569	0	0	0
	4,116,629	2,383,309	194,404	2,714,197

Group - derivatives**At 31.12.2019**

Foreign exchange options / forwards used to hedge currency risk	3,864	5,373	0	9,237
	3,864	5,373	0	9,237

At 31.12.2020

Foreign exchange options / forwards used to hedge currency risk	18,834	5,006	0	23,840
	18,834	5,006	0	23,840

NOTE 26 – CONTINUED

FINANCIAL RISK MANAGEMENT

TDDK	PARENT			Total
	Less than 1 year	1-5 years	>5 years	
Parent - Non-Derivatives				
At 31.12.2019				
Trade payables	110	0	0	110
Payables to Group companies	1,831	0	0	1,831
	1,941	0	0	1,941
At 31.12.2020				
Loan from related parties	256,500	0	0	256,500
Trade payables	2,338	0	0	2,338
Payables to Group companies	136	0	0	136
	258,974	0	0	258,974

Fair value

Financial instruments measured at fair value can be divided into three levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability.

Level 3 - Inputs for the asset or liability that are not based on observable market data.

The fair value of derivatives is calculated on level 2 in the fair value hierarchy using direct quotes.

Fair value measurements at 31 December:

TDDK	2020	2019
Significant other observable inputs (Level 2)		
Group		
Forwards used to hedge currency risk	23,840	9,237
	23,840	9,237
Parent		
Forwards used to hedge currency risk	0	0
	0	0

NOTE 26 – CONTINUED

FINANCIAL RISK MANAGEMENT

Measurement of derivatives

The valuation techniques used to measure derivatives include:

- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified and accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the group enters hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty and as differences between the spot rate and the forward rate of a contract.

The group uses foreign currency forwards to hedge its exposure to foreign currency risk. Under the group's policy the critical terms of the forwards must align with the hedged items.

The group designates the forward rate of foreign currency forwards in hedge relationships. The intrinsic value of foreign currency is determined with reference to the relevant spot market exchange rate.

The group operates internationally and is exposed to foreign exchange risk, primarily the NOK, GBP and USD. Foreign exchange risk arises from future commercial transactions denominated in currencies that are not DKK or EUR. The risk is measured through forecasts of highly probable expenditures in NOK, GBP and USD. The risk is hedged with the objective of minimizing the volatility of currency cost of highly probable revenue and purchases of property, plant and equipment.

The group treasury's risk management policy is to hedge up to 80% of forecast income and expenses in currencies other than DKK and EUR up to two years in advance.

The effects of the foreign currency related hedging instruments on the Group's financial position and performance are as follows:

	GROUP		
	NOK	GBP	USD
Foreign currency forwards as at 31 December 2019			
Carrying amount in TDKK	-9,816	-4,303	4,668
Notional amount	439,399	252,378	147,856
Maturity date	jan.2019 jan.2021	jan.2020 dec.2021	jan.2020 sep.2021
Weighted average hedged rate for the year (incl. forward points)	76.44	841.77	634.95
Foreign currency forwards as at 31 December 2020			
Carrying amount in TDKK	-16,680	-989	-6,144
Notional amount	340,454	226,764	117,914
Maturity date	jan.2021 dec.2022	feb.2021 dec.2022	jan.2021 dec.2022
Weighted average hedged rate for the year (incl. forward points)	72.86	816.28	633.95

NOTE 27

EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, no events that could significantly affect the financial statements as of 31 December 2020 have occurred.

NOTE 28

COMPOSITION OF THE GROUP

Name	Ownership and Voting Rights	Place of Reg. Office
<i>Investments in subsidiaries:</i>		
ERRV ApS	100%	Denmark
ESVAGT A/S	100%	Denmark
ESVAGT Holdings Limited	100%	Great Britain
ESVAGT UK Limited	100%	Great Britain
ESVAGT Norge AS	100%	Norway
P/F ESVAGT-THOR	51%	Faroe Islands
<i>Investments in joint ventures:</i>		
EWPL Ocean ApS	50%	Denmark

ERRV Holdings ApS

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