Erria A/S

Torvet 21, 1. sal, DK-4600 Køge

Annual Report for 1 January - 31 December 2018

CVR No 15 30 05 74

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 11/4 2019

Søren Storgaard
Chairman of the General Meeting

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Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Erria A/S for the financial year 1 January - 31 December 2018.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2018.

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

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

Køge, 7 March 2019

Executive Board

Henrik Normann Andersen
Executive Officer

Board of Directors

Peter Kristian Ellegaard Chairman	Flemming Edvard Ipsen Deputy Chairman	Kristian Svarrer
Liselotte Grønborg Lundberg		

Independent Auditor's Report

To the Shareholders of Erria A/S

Opinion

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

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Erria A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the 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.

Material Uncertainty Related to Going Concern

We refer to note 1 to the Financial Statements, which describe that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion has not been modified in respect of this matter.

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 re-

Independent Auditor's Report

quired under the Danish Financials 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 Statements 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 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 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 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group'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 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 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.

Hellerup, 7 March 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Flemming Eghoff	Morten Jørgensen
statsautoriseret revisor	statsautoriseret revisor
mne30221	mne32806

Company Information

The Company	Erria A/S Torvet 21, 1. sal DK-4600 Køge Telephone: + 45 +45 3336 4400 Facsimile: + 45 +45 3336 4401 E-mail: info@erria.dk Website: www.erria.dk CVR No: 15 30 05 74 Financial period: 1 January - 31 December Municipality of reg. office: Køge
Board of Directors	Peter Kristian Ellegaard, Chairman Flemming Edvard Ipsen Kristian Svarrer Liselotte Grønborg Lundberg
Executive Board	Henrik Normann Andersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	Group				
	2018	2017	2016	2015	2014
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Profit/loss					
Revenue	83.627	101.335	71.361	84.310	97.865
Profit/loss before financial income and expenses	-17.207	1.135	-3.597	2.200	12.206
Net financials	-2.003	-1.397	-7.367	-2.339	-2.225
Net profit/loss for the year	-19.269	-278	-10.854	52	7.855
Balance sheet					
Balance sheet total	22.490	26.985	48.591	78.085	77.978
Equity	-14.123	26	502	17.827	16.661
Cash flows					
Cash flows from:					
- operating activities	-15.430	11.146	-10.468	8.056	-14.289
- investing activities	-1.177	-416	-398	-266	-261
including investment in property, plant and equipment	-1.407	-246	-326	-266	-261
- financing activities	15.150	-9.535	8.087	-5.242	10.874
Change in cash and cash equivalents for the year	-1.457	1.195	-2.779	2.548	-3.676
Number of employees	168	175	222	278	333
Ratios					
Gross margin	22,8%	31,5%	48,2%	76,1%	79,5%
Profit margin	-20,6%	1,1%	-5,0%	2,6%	12,5%
Return on assets	-76,5%	4,2%	-7,4%	2,8%	15,7%
Solvency ratio	-62,8%	0,1%	1,0%	22,8%	21,4%
Return on equity	273,4%	-105,3%	-118,4%	0,3%	66,8%

In connection with changes to accounting policies, the comparative figures back to 2014-2015 have not been restated.

Management’s Review

Key activities

The company's purpose is to operate shipping companies, including technical management as well as trading and financing in Denmark and abroad, as well as holding shares in other companies.

Development in the year

The income statement of the Group for 2018 shows a loss of kDKK 19,269, and at 31 December 2018 the balance sheet of the Group shows negative equity of kDKK 14,123.

The past year and follow-up on development expectations from last year

Erria's revenue amounted to DKK 83.6 mio. in 2018 and thus decreased by 42% compared to revenue in 2017. The decrease is due to the redelivery of time charter vessels during first half of 2018., ERRIA realized an EBITDA of DKK -9.8 mio. compared to DKK 5.2 mio. in 2017.

The total result of the year has not lived up to expectations. The negative development is primarily due to a weak performance from time-chartered vessels in the 1st half of 2018. Management has decided to write down receivables by DKK 2.5 mio.

In view of the current situation in Venezuela, Erria earlier in 2018 decided to write down the value of its receivable of DKK 3.3 mio. from the national oil company PDVSA to DKK 0.

Erria has chosen to write off goodwill of DKK 2,5 mio. related to previous activities that Erria no longer deals with.

Capital resources

For information on the group's and parent company's capital resources, we refer to note 1.

Special risks - operating risks and financial risks

Operating risks

Management Agreements
Erria has management agreements on externally owned vessels that are in management. By nature, there is an operational risk that the company may lose one or more agreements. The company will in such a situation seeks to adapt the organization to the future level of activity.

Service agreements
Erria Container Services Ltd. has on behalf of the Group entered into service agreements with numerous shipping lines on container handling, maintenance and repair. The agreements typically have a duration of 12-24 months. Erria Container Services Ltd. extends the customer base on an ongoing basis, thus reducing the risk by mainly to serve some larger shipping lines.

Management's Review

Market risks

Erria's revenue and earnings are indirectly exposed to the general price developments in shipping and the oil industry.

Foreign exchange risks

Currency risks arise as a result of the Group's international business activities. It is the Group's policy not to use financial instruments to hedge currency risks. Currency risks are sought to be eliminated by concluding agreements on assets and liabilities in the same currency. The Group thus limits the influence of exchange rate changes on the result and financial position. This is primarily achieved by income, costs, investments and loans possible in the same currency.

In the subsidiary Erria Container Services Ltd. transactions occur primarily in Vietnamese Dong (VND). The Group does not consider the net exposure to be significant and therefore the currency risk is not hedged.

Targets and expectations for the year ahead

Erria will in 2019 focus on strengthening the business segment "Erria Container Service" (ECS) and has established ECS-Ghana in Africa, where agreements have been signed to handle containers on behalf of several of the world's largest shipping companies. ECS is expected to realize an EBITDA of around DKK 1 million in 2019.

The Offshore Personnel Specialist segment (OPS) continues to develop positively. During 2018 Erria became a supplier of specialist to the offshore wind industry and this combined with the development of the subsea cable capacity, driven by the rapid increase in data usage globally Erria expect that the OPS segment will continue its positive growth into 2020.

At the beginning of 2019, the organization was adapted to the expected business. The result for 2019, will be affected by one-off costs in connection with the adjustment of approx. DKK 1 million.

Based on this, the management expects that total revenue in ERRIA will amount to DKK 40-50 mio. and to realize an EBITDA in the region of DKK -2 to -3 mio. in 2019.

Erria has in Q1 2019 settled a dispute with APMT which results in an income of DKK 0.8 million.

External environment

As far as the activities in Denmark are concerned, there are no significant environmental impacts.

In ECS, there is an ongoing focus on safety, working environment and waste management and the company is a leader within the industry in Vietnam.

Income Statement 1 January - 31 December

	Note	Group 2018	Group 2017	Parent 2018	Parent 2017
		DKK'000	DKK'000	DKK'000	DKK'000
Revenue		**83.627**	**101.335**	**60.815**	**74.224**
Other operating income		24	0	0	0
Expenses for consumables		-58.227	-60.331	-44.681	-46.693
Other external expenses		-6.358	-9.096	-2.677	-4.293
Gross profit/loss		**19.066**	**31.908**	**13.457**	**23.238**
Staff expenses	2	-28.888	-26.726	-20.769	-18.957
Profit/loss before depreciations, amortisations and impairment (EBITDA)		**-9.822**	**5.182**	**-7.312**	**4.281**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-4.107	-1.547	-3.525	-931
Impairment of current assets		-3.277	-2.500	-3.277	-2.500
Other operating expenses		-1	0	0	0
Profit/loss before financial income and expenses		**-17.207**	**1.135**	**-14.114**	**850**
Financial income	4	23	21	0	0
Financial expenses	5	-2.026	-1.418	-1.888	-1.394
Profit/loss before tax		**-19.210**	**-262**	**-16.002**	**-544**
Tax on profit/loss for the year	6	-59	-16	0	0
Net profit/loss for the year		**-19.269**	**-278**	**-16.002**	**-544**

Balance Sheet 31 December

Assets

	Note	Group 2018 DKK'000	Group 2017 DKK'000	Parent 2018 DKK'000	Parent 2017 DKK'000
Goodwill		1.508	5.288	0	3.438
Intangible assets	7	**1.508**	**5.288**	**0**	**3.438**
Other fixtures and fittings, tools and equipment		1.659	570	94	172
Leasehold improvements		86	96	86	96
Property, plant and equipment	8	**1.745**	**666**	**180**	**268**
Investments in subsidiaries	9	0	0	7.138	7.138
Receivables from group enterprises		0	0	2.000	0
Fixed asset investments		**0**	**0**	**9.138**	**7.138**
Fixed assets		**3.253**	**5.954**	**9.318**	**10.844**
Inventories		**6.081**	**6.787**	**524**	**524**
Trade receivables		8.493	9.802	4.440	5.838
Receivables from group enterprises		0	0	1.511	1.347
Other receivables		2.947	887	1.988	15
Corporation tax		55	53	0	0
Prepayments		233	617	36	204
Receivables		**11.728**	**11.359**	**7.975**	**7.404**
Cash at bank and in hand		**1.428**	**2.885**	**101**	**941**
Currents assets		**19.237**	**21.031**	**8.600**	**8.869**
Assets		**22.490**	**26.985**	**17.918**	**19.713**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2018	Group 2017	Parent 2018	Parent 2017
		DKK'000	DKK'000	DKK'000	DKK'000
Share capital		8.686	7.897	8.686	7.897
Retained earnings		-22.809	-7.871	-20.048	-8.296
Equity		**-14.123**	**26**	**-11.362**	**-399**
Provision for deferred tax	11	0	0	0	0
Provisions		**0**	**0**	**0**	**0**
Credit institutions		3.750	4.125	3.750	4.125
Convertible and profit-yielding instruments of debt		3.721	0	3.721	0
Long-term debt	12	**7.471**	**4.125**	**7.471**	**4.125**
Credit institutions	12	13.995	6.778	13.995	6.778
Trade payables		7.503	9.152	3.039	4.039
Payables to group enterprises		0	0	4	0
Other payables		7.644	6.904	4.771	5.170
Short-term debt		**29.142**	**22.834**	**21.809**	**15.987**
Debt		**36.613**	**26.959**	**29.280**	**20.112**
Liabilities and equity		**22.490**	**26.985**	**17.918**	**19.713**

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Statement of Changes in Equity

Group

	Share capital	Share premium account	Retained earnings	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January	7.896	0	-7.870	26
Exchange adjustments	0	0	81	81
Cash capital increase	790	3.798	0	4.588
Share based payment	0	0	451	451
Net profit/loss for the year	0	0	-19.269	-19.269
Transfer from share premium account	0	-3.798	3.798	0
Equity at 31 December	**8.686**	**0**	**-22.809**	**-14.123**

Parent

	Share capital	Share premium account	Retained earnings	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January	7.896	0	-8.295	-399
Cash capital increase	790	3.798	0	4.588
Share based payment	0	0	451	451
Net profit/loss for the year	0	0	-16.002	-16.002
Transfer from share premium account	0	-3.798	3.798	0
Equity at 31 December	**8.686**	**0**	**-20.048**	**-11.362**

Cash Flow Statement 1 January - 31 December

	Note	Group 2018 DKK'000	Group 2017 DKK'000
Net profit/loss for the year		-19.269	-278
Adjustments	13	6.227	2.984
Change in working capital	14	-568	11.398
Cash flows from operating activities before financial income and expenses		**-13.610**	**14.104**
Financial income		22	21
Financial expenses		-1.895	-1.420
Cash flows from ordinary activities		**-15.483**	**12.705**
Corporation tax paid		53	-1.559
Cash flows from operating activities		**-15.430**	**11.146**
Purchase of property, plant and equipment		-1.407	-246
Exchange rate adjustments		230	-170
Cash flows from investing activities		**-1.177**	**-416**
Raising of loans from credit institutions		6.841	-9.535
Raising of other long-term debt		3.721	0
Cash capital increase		4.588	0
Cash flows from financing activities		**15.150**	**-9.535**
Change in cash and cash equivalents		**-1.457**	**1.195**
Cash and cash equivalents at 1 January		2.885	1.690
Cash and cash equivalents at 31 December		**1.428**	**2.885**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		1.428	2.885
Cash and cash equivalents at 31 December		**1.428**	**2.885**

Notes to the Financial Statements

1 Capital resources and going concern

The Group's interest-bearing debt amounts to DKK 21.5 million at 31 December 2018 of which DKK 14.0 million is short-term debt and DKK 7.5 million is long-term debt.

The Group has prepared a cash budget for 2019 based on current customers and the existing business activities which shows unfunded cash needs of DKK 3.3 million. In February 2019, the Group received additional loans of DKK 1.0 million provided by existing shareholders.

The Group's credit institutions have comfirmed that they will maintain the existing credit facilities up to and including 31 December 2019 on the assumption that concluded/existing agreements are met, including the Group's budget for 2019 etc.

Group Management expects that the remaining cash needs will be funded by customer wins as well as extended financing from the existing shareholders and the credit institutions.

Although group management expects to be able to obtain the necessary funding, a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern, as there is no formal financing commitment.

Notes to the Financial Statements

		Group		Parent	
		2018	2017	2018	2017
		DKK'000	DKK'000	DKK'000	DKK'000
2	**Staff expenses**				
	Wages and salaries	26.523	24.387	19.881	17.820
	Pensions	1.469	1.483	597	723
	Other social security expenses	72	98	72	98
	Other staff expenses	824	758	219	316
		28.888	**26.726**	**20.769**	**18.957**
	Including remuneration to the Executive Board and Board of Directors	**2.570**	**2.481**	**2.570**	**2.481**
	Average number of employees	**168**	**175**	**10**	**13**

If the Executive Board resigns, within a period of two years after an acquisition of the company, a special severance pay equal to 12 months' remuneration is paid. Notice must be made with 12 months.

As of 2016, the Group has introduced a warrant program for the Executive Board and senior employees.

Remuneration to the Board of Directors and Executive Board is short-term.

Notes to the Financial Statements

	Group		Parent	
	2018	2017	2018	2017
	DKK'000	DKK'000	DKK'000	DKK'000
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	1.201	1.201	859	859
Depreciation of property, plant and equipment	299	346	59	72
Gain and loss on disposal	2.607	0	2.607	0
	4.107	**1.547**	**3.525**	**931**
4 Financial income				
Other financial income	2	3	0	0
Exchange gains	21	18	0	0
	23	**21**	**0**	**0**
5 Financial expenses				
Other financial expenses	1.622	986	1.487	977
Exchange loss	404	432	401	417
	2.026	**1.418**	**1.888**	**1.394**
6 Tax on profit/loss for the year				
Current tax for the year	59	99	0	0
Deferred tax for the year	0	-83	0	0
	59	**16**	**0**	**0**

Notes to the Financial Statements

7 Intangible assets

Group

	Goodwill
	DKK'000
Cost at 1 January	12.010
Disposals for the year	-8.594
Cost at 31 December	3.416
Impairment losses and amortisation at 1 January	6.723
Amortisation for the year	1.201
Reversal of amortisation of disposals for the year	-6.016
Impairment losses and amortisation at 31 December	1.908
Carrying amount at 31 December	**1.508**

Parent

	Goodwill
	DKK'000
Cost at 1 January	8.594
Disposals for the year	-8.594
Cost at 31 December	0
Impairment losses and amortisation at 1 January	5.157
Amortisation for the year	859
Reversal of amortisation of disposals for the year	-6.016
Impairment losses and amortisation at 31 December	0
Carrying amount at 31 December	**0**

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK'000	DKK'000
Cost at 1 January	3.253	555
Exchange adjustment	78	0
Additions for the year	1.401	0
Disposals for the year	-87	0
Cost at 31 December	4.645	555
Impairment losses and depreciation at 1 January	2.683	459
Exchange adjustment	66	0
Depreciation for the year	295	10
Reversal of impairment and depreciation of sold assets	-58	0
Impairment losses and depreciation at 31 December	2.986	469
Carrying amount at 31 December	**1.659**	**86**

Parent

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK'000	DKK'000
Cost at 1 January	388	555
Disposals for the year	-87	0
Kostpris at 31 December	301	555
Impairment losses and depreciation at 1 January	216	459
Depreciation for the year	49	10
Reversal of impairment and depreciation of sold assets	-58	0
Impairment losses and depreciation at 31 December	207	469
Carrying amount at 31 December	**94**	**86**

Notes to the Financial Statements

	Parent	
	2018	2017
	DKK'000	DKK'000
9 Investments in subsidiaries		
Cost at 1 January	8.511	7.724
Additions for the year	0	787
Cost at 31 December	8.511	8.511
Value adjustments at 1 January	-1.373	-1.373
Value adjustments at 31 December	-1.373	-1.373
Carrying amount at 31 December	**7.138**	**7.138**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Erria Container Services Ltd.	Vietnam	100%

	Group		Parent	
	2018	2017	2018	2017
	DKK'000	DKK'000	DKK'000	DKK'000
10 Distribution of profit				
Retained earnings	-19.269	-278	-16.002	-544
	-19.269	**-278**	**-16.002**	**-544**

Notes to the Financial Statements

	Group		Parent	
	2018	2017	2018	2017
	DKK'000	DKK'000	DKK'000	DKK'000
11 Provision for deferred tax				
Provision for deferred tax at 1 January	0	83	0	0
Amounts recognised in the income statement for the year	0	-83	0	0
Provision for deferred tax at 31 December	**0**	**0**	**0**	**0**

12 Long-term debt

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

The debt falls due for payment as specified below:

	Group 2018	Group 2017	Parent 2018	Parent 2017
Credit institutions				
Between 1 and 5 years	3.750	4.125	3.750	4.125
Long-term part	3.750	4.125	3.750	4.125
Other short-term debt to credit institutions	13.995	6.778	13.995	6.778
	17.745	**10.903**	**17.745**	**10.903**
Convertible and profit-yielding instruments of debt				
Between 1 and 5 years	3.721	0	3.721	0
Long-term part	3.721	0	3.721	0
Within 1 year	0	0	0	0
	3.721	**0**	**3.721**	**0**

Notes to the Financial Statements

13 Cash flow statement - adjustments

	Group 2018	Group 2017
	DKK'000	DKK'000
Financial income	-23	-21
Financial expenses	2.026	1.418
Depreciation, amortisation and impairment losses, including losses and gains on sales	4.107	1.547
Tax on profit/loss for the year	59	16
Other adjustments	58	24
	6.227	**2.984**

14 Cash flow statement - change in working capital

	Group 2018	Group 2017
	DKK'000	DKK'000
Change in inventories	706	678
Change in receivables	-367	20.821
Change in trade payables, etc	-907	-10.101
	-568	**11.398**

15 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

	Group 2018	Group 2017	Parent 2018	Parent 2017
	DKK'000	DKK'000	DKK'000	DKK'000
Company charge amounting to DKK 5 million, which provides security on goodwill, property, plant and equipment and trade receivables with a total carrying value of	4.534	9.430	4.534	9.430

Notes to the Financial Statements

16 Related parties

The Group has no related parties that have control over Erria A/S.

Associated companies, board members and executive management of the parent company and subsidiaries, as well as companies or persons with a significant interest in the group, are considered related parties.

Related party transactions have been conducted on market terms.

17 Subsequent events

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

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Erria A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2018 are presented in kDKK.

Recognition and measurement

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

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

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

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

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Erria A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

18 Accounting Policies (continued)

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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

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

Incentive schemes

Share-based incentive programs, where the employees can only choose to buy shares in the parent company (equity schemes), are measured at the fair value of the equity instruments at the time of grant and are recognized in the income statement as a staff cost over the period in which the employees acquire the right to purchase the shares. The counterpart to this is recognized directly in equity.

In connection with the initial recognition of the share options, the number of options expected to be acquired is estimated to be the right. Subsequently, adjustments are made for changes in the estimate of the number of acquired options, so that the total recognition is based on the actual number of acquired options.

The fair value of the options granted is estimated. The calculation takes into account the terms and conditions associated with the share options granted.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Notes to the Financial Statements

18 Accounting Policies (continued)

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

Expenses for consumables

Expenses for consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

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

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

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

Notes to the Financial Statements

18 Accounting Policies (continued)

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment	4-10 years
Leasehold improvements	3-10 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable

Notes to the Financial Statements

18 Accounting Policies (continued)

value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation 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

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

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

Cash and cash equivalents

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

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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