

# NovCo Holding II A/S

Industrivej 22, 4700 Naestved, Denmark  
CVR no. 29 32 04 97

## Annual Report 2015

Approved at the Company's annual general meeting on *15<sup>th</sup> February* 2016

Chairman:



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### Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of NovCo Holding II A/S for the financial year 1 January – 31 December 2015.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2015 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Naestved, February 12, 2016

Executive Board:



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Ole Jensen

Board of Directors:



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Troels Torp  
Chairman



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Chansoo Park  
Deputy chairman



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Ole Jensen

## Independent auditors' report

To the shareholders of NovCo Holding II A/S

### **Independent auditors' report on the consolidated financial statements and the parent company financial statements**

We have audited the consolidated financial statements and the parent company financial statements of NovCo Holding II A/S for the financial year 1 January – 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

### **Management's responsibility for the consolidated financial statements and the parent company 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 that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

### **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 2015 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

### **Emphasis of matter regarding the consolidated financial statements and the parent company financial statements**

Without modifying our opinion, we refer to note 23 in the consolidated financial statements and the parent company financial statements from which it appears that the share capital has been lost and the equity is negative. Management expects that the equity will be positive at the end of 2016 by the profit of Novenco Marine & Offshore A/S in 2016 and considers currently how to re-establish the share capital. Management believes that the financial resources are adequate to carry out the plans and activities budgeted for 2016, and consequently the consolidated financial statements and the parent company financial statements have been prepared on a going concern basis.

**Independent auditors' report**

**Statement on the Management's review**

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

February 12, 2016  
ERNST & YOUNG  
GODKENDT REVISIONSPARTNERSELSKAB  
CVR NO. 30 70 02 28



Peter Gath  
State Authorised  
Public Accountant



Lisa Hagedorn  
State Authorised  
Public Accountant

## Management's review

### Company details

Name	NovCo Holding II A/S
Address, zip code, city	Industrivej 22, DK-4700 Naestved, Denmark
CVR no.	29 32 04 97
Established	2 February 2006
Registered office	Naestved, Denmark
Financial year	1 January - 31 December (10th financial year)
Telephone	+45 70 11 66 63
Fax	+45 33 47 66 63
Board of Directors	Troels Torp, <i>Chairman</i> Chansoo Park, <i>Deputy Chairman</i> Ole Jensen
Executive Board	Ole Jensen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, DK-2000 Frederiksberg, Denmark

Management's review

Group Chart

Parent company

NovCo Holding II A/S  
Denmark - CVR no. 29 32 04 97  
Nom. DKK 106,000,000

Consolidated subsidiaries

Novenco Marine & Offshore A/S  
Denmark - CVR no. 33 78 56 82  
Nom. DKK 6,000,000

100% Novenco AS  
Norway  
Nom. NOK 8,000,000

100% Novenco (S) Pte. Ltd.  
Singapore  
Nom. SGD 200,000

100% Novenco Hi-Pres Air Handling Equipment (Wuxi) Co., Ltd.  
China  
Nom. USD 3,050,000

100% Novenco (Shanghai) Commercial & Trading, Co., Ltd.  
China  
Nom. USD 100,000

100% Novenco Marine & Offshore Italia Srl  
Italy  
Nom. EUR 100,000

Associate

22.73% Novenco Nippon Ltd.  
Japan  
Nom. JPY 110,000,000

## Management's review

### Financial highlights for the Group

DKKm	2015*	2014	2013	2012	2011
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#### Key figures

Revenue	892.238	963.257	772.644	758.066	704.339
Profit/loss on ordinary operating activities	28.259	-29.205	-60.982	-91.295	-52.196
Profit/loss before net financials	28.621	-29.593	-74.256	-88.529	-6.867
Net financials	8.122	-4.807	-6.174	-7.819	-2.654
Profit/loss for the year	-1.559	-39.664	-71.640	-78.001	-533

Total assets	375.709	573.367	531.813	479.388	509.025
Portion relating to investment in property, plant and equipment	2.543	4.319	2.621	842	1.786
<b>Equity</b>	<b>-264</b>	<b>4.417</b>	<b>44.052</b>	<b>105.453</b>	<b>174.072</b>

#### Cash flows

Cash flows from					
- operating activities	3.340	6.363	-30.275	-4.105	-63.030
- investing activities	6.726	-3.954	-5.157	4.503	61.431
- financing activities	-69.728	61.872	51.268	-18.975	13.949
Net cash flow for the year	-59.662	64.281	15.836	-18.577	12.350

#### Financial ratios

Gross margin	15,5	12,4	12,1	15,0	16,0
Operating margin	3,2	-3,1	-9,6	-11,7	-1,0
Return on capital employed	7,6	-5,2	-14,0	-18,5	-1,3
Equity ratio	-0,1	0,8	8,3	22,0	34,2
Return on equity	-75,1	-163,7	-95,8	-55,8	-246,8

Average number of full-time employees	407	599	569	535	637
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\* Financial highlights have been prepared based on activities for Novenco Building & Industry A/S for the period 1 January - 4 February 2015.

Please see the definitions in the section on accounting policies.



## Management's review

The Annual Report of NovCo Holding II A/S for 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act governing large reporting class C enterprises.

The financial statements and consolidated financial statements have been prepared applying the same accounting policies as last year.

The consolidated financial statements of NovCo Holding II A/S include the Novenco Marine & Offshore A/S including subsidiaries for the full year 2015 and Novenco Building & Industry A/S including subsidiaries for approx. 1 month in 2015.

## Principal activity

The purpose of NovCo Holding II A/S is to own companies, directly or indirectly owned, within production, sales or services of ventilation products or systems.

On July 10, 2013 Novenco HAK ApS acquired the majority control of NovCo Holding II A/S, including the companies Novenco A/S and Novenco Marine & Offshore A/S with subsidiaries. HiAir Korea Co. Ltd is the dominant shareholder of Novenco HAK ApS.

On the 5 February 2015, NovCo Holding II A/S sold the shares in Novenco A/S (now Novenco Building & Industry A/S) including the subsidiaries Novenco B.V in the Netherlands and Novenco UK Ltd. in England to an industrial buyer.

Hereafter, the Group are a global suppliers with own development, production and sale of ventilation products and systems for marine and offshore purposes. The Group has 68 years of experience within the ventilation industry.

## Development during the year

The activities within the Ventilation business area has been divested at February 5, 2015. Therefore only the business development for Marine & Offshore will be described in the following.

### Marine & Offshore business area

The level of activities within Marine & Offshore has been even higher than in 2014 and the revenue of DKK 883 million corresponds a growth of DKK 76 million or 9 % from last year. The revenue growth is mainly driven by higher activities within the Offshore business area in both Asia and Norway, but also by the Cruise & Ferry segment and Merchant segment in especially China, where the Group continue to have a strong market position.

Due to higher activities in the project execution centre in Italy, the former Italian branch has in 2015 been established as a legal entity.

The realized revenue is primarily based on the significant order intake achieved in 2013 and 2014, while the order intake in 2015 as expected has declined in all business areas during the year. This is driven by the reduced oil price and by the slow down in the Chinese economy. The order intake amounts to DKK 462 million in 2015 compared to DKK 711 million in 2014.

A commercial and organizational rebuilding of the After sales division has been initialized in 2015 in order to strengthen the Group's performance in this interesting market.

Despite the achieved growth in both revenue and profit in 2015, a downsizing of the organization and production facilities have been executed in the second half of 2015 in order to proactively and in due time meet the expected challenging market conditions in the coming years. The current low price level for oil is expected to continue for a while. Especially the Offshore business area is negatively impacted by the low oil price and many oil related investments in new building of rigs and vessels have been set on hold, postponed or even cancelled.

## Management's review

### Development during the year (continued)

The expected drop in the activity level in the Offshore market in the coming years is the main driver for closing down the Danish factory in Naestved and for downsizing the production capacity in China. A new easy scaling production set-up in Eastern Europe has been initiated in order to serve the European customers, and will be ready during 2016.

An even more focus on benefitting from the Group's global set-up with production, sales and project execution in several countries and regions have been implemented in order to secure higher efficiency and competitive operational costs.

The cost reduction initiatives have in total lowered the Groups break-even revenue by at least DKK 150 million and will secure a stronger competitiveness for the coming years.

The Group's order backlog has as expected decreased compared to 2014, but is still adequate to support the Group's outlook for 2016.

While the Group expects a significant drop in order intake and revenue from the Offshore business area in 2016, the Group expect a stable performance within the Marine business area driven by a more positive outlook for the Special Vessels area, where the Group in 2015 have experienced a positive development for non-oil related vessels and by the Cruise & Ferry segment. The After sales business area is also expected to catch up during 2016 after a major restructuring process.

All in all the Group expects a significant drop in revenue and order intake in 2016 compared to 2015, which however in 2015 has experienced an all time high activity level.

## Financial review

### Profit/loss for the year

The total revenue for 2015 including the sales for the ventilation business area for January 2015 amounts to DKK 892 million against DKK 963 million in 2014 including revenue for 12 months for the ventilation business.

Profit/loss after tax is realized at DKK (2) million whereof the Marine & Offshore business areas contribute with a profit of DKK 31 million, while the ventilation business have a negative impact of DKK (31) million including the loss from sales of the shares. In 2014, the profit after tax amounted to DKK (40) million whereof DKK (47) million is related to the ventilation business areas.

Restructuring costs of total DKK 19 million before tax related to closing down activities in Denmark, transfer to other factories within the Group, provision for lay off and severance costs and write down on equipment has negatively impacted the profit on operating activities for 2015 compared to restructuring costs in 2014 of DKK 6 million.

The management consider the realized result as satisfactory – also taken the restructuring costs of DKK 19 million into consideration.

### Equity

Total equity amounts to DKK 0 million at the end of 2015 which correspond a drop of DKK 5 million since the end of 2014 related to the negative result of DKK (2) million and negative currency translation for Group companies at DKK (3) million.

## Management's review

### Financial review

#### Cash flow

Cash flow from operating activities for NovCo Holding II Group amounts to DKK 3 million related to the cash generation in the Marine & Offshore business areas and to loss and repayment of debt within NovCo Holding II A/S.

Cash flow from operating activities within the Marine & Offshore business areas amounts to DKK 18 million in 2015 compared to DKK 48 million in 2014. The drop relate primarily to an increase within working capital driven by a reduction in overdue debt. Management's review

The drop within inventories and contract work in progress at DKK 80 million has continued in 2015 related to lowering order backlog. Furthermore, the joint taxation contribution received of DKK 16 million in 2014 is not realized in 2015.

Cash flow from investments for NovCo Holding II Group amount to DKK 7 million, whereof DKK 10 million relates to the sales price for shares within the ventilation business areas.

Due to repayment of bank debt of DKK 76 million, the cash and cash equivalents amount to DKK 63 million at the end of 2015 compared to DKK 123 million at the end of 2014.

#### Research and development

The Group's development efforts are concentrated on further development of existing products, particularly with regard to greater energy efficiency and new products which complement the Company's present product portfolio.

#### Financial resources

Based on the Marine & Offshore Group's execution of the existing volume of orders and on the market outlook, the Group expects a profit before tax of round DKK 10 million for the year 2016, which also is expressed in the budget for 2016. The management considers the financial resources to be adequate to carry out the plans and activities budgeted for 2016.

Management expects consequently that the equity will be positive at the end of 2016 and considers currently how to re-establish the share capital.

The owner Novenco HAK Aps has also for 2016 mediated the Group with overdraft facilities to support the activities of the Group.

### Special risks – operating and financial risks

#### General risks

The general risks are tied to the global world economy as the Company has activities in large parts of the world. Activities and investments within Offshore are in particular dependent on the current and expected oil price and consequently for the demand for the Groups products and services.

#### Financial risks

As a consequence of its financial position and its financial resources, the Company is exposed to interest rate fluctuations. The Group's interest rate exposure concerns its interest-bearing assets and the Group's limited interest-bearing liabilities. The Group's interest-bearing assets primarily consist of cash and cash equivalents which at 31 December 2015 was DKK 63 million

#### Currency risks

As a significant portion of revenues is made up of export sales, the Company is sensitive to changes in exchange rates. Goods are purchased using mainly Danish kroner (DKK), EUR and in the subsidiaries their local currencies.

## Management's review

### Credit risks

It is Company policy to always secure payment from external customers either through bank guarantees, letter of credits or an ongoing credit rating of the customer.

### Management's remuneration

Remuneration to the Board of Directors and the Executive Board is disclosed in note 21 to the Annual Report.  
Management's review

### Events occurring after the end of the financial year

After the end of the financial year, no significant events have occurred which may have a significant impact on the financial statements for 2015.

### Objectives and outlook

The Group's strategy regarding efficiency enhancements will be continued and strengthened in 2016 across the value chain. A strong profit protection program will be basis for cost initiatives in order to align the cost and revenue level.

Based on already executed cost down initiatives and the profit protection plans, the Group expect a profit before tax of round DKK 10 million for 2016. However, it must be pointed out that the market situation is foreseen to be challenging in the coming years.

### Corporate Social responsibility

NovCo Holding II A/S, which is globally operating in areas with different cultures, moral concepts, social conditions and behavioral norms, ensures high-level suppliers on health, safety and environment by a structural and focused selection.

#### *Employee safety and Human rights*

NovCo Holding II A/S's global CSR policy ensures protection of internationally proclaimed human rights including employee safety.

The company has a dedicated health and safety organisation, which through a proactive and risk-based approach ensures to bring down number of work related accidents. The objective is zero, and the number of accidents on the factory in Denmark is two in 2015 compared to one in 2014. There has been 9 work related accidents at the Chinese factory in 2015.

In 2015 NovCo Holding II has continued focusing on the psychological well-being of the employees. Training of all managers, union representatives and health and safety representatives has ensured a better psychological working environment.

#### *Energy and climate change*

NovCo Holding II A/S makes a continuous, targeted effort to reduce its impact on the global environment, where the objective is to reduce the consumption of energy. From 2010 to 2013 the Danish factory has reduced its electricity consumption with 5 percent per year and from 2013 to 2014 the reduction is 1.6 percent. The consumption of energy is in 2015 at the same level as in 2014.

NovCo Holding II is certified according to ISO 14001:2004 and complies with local legislation concerning health, safety and the environment.

## Management's review

### Gender diversity in management

The Company's policy regarding management diversity aims on having 25 % female members on the Boards of Directors. However, the Company also aims on having the most qualified resources available. The Company is currently not in compliance with the policy as all members of the Board are male. The Company aims to meet the target of 25 % female members on the Board of Directors in 2018 at the latest. In 2015, no new Board members have been elected.

The Company has implemented new statistics measuring gender on all management levels throughout the Group, in order to increase the overall focus on gender diversity. The Marine & Offshore industry is today dominated by male leaders. The Company's target of 10 % female managers at all levels is based on an evaluation of the practical achievable within the specific industry and by other comparable companies. However, the Company is not in compliance yet. In order to meet the target, the Company will seek to achieve that at least one from each sex are among the last three candidates to management positions, promotions etc. The share of female managers at the end of 2015 is all in all unchanged from 2014 as no major changes within the management group have taken place.

## **Consolidated financial statements and parent company financial statements for the period 1 January – 31 December**

### **Accounting policies**

#### **Basis of financial statements**

The Annual Report of NovCo Holding II A/S has been presented in accordance with the provisions of the Danish Financial Statements Act pertaining to large reporting class C enterprises.

The accounting policies are unchanged compared with last year.

Cost to completion of contract projects is in the Balance sheet for 2015 classified as "Trade payables" against classification as "Other payables" in 2014. The comparative figures for 2014 of DKK 51 million has been reclassified.

The Annual Report for 2015 has been presented in DKK thousand (DKK 1,000).

#### **Consolidated financial statements**

The consolidated financial statements include the parent company NovCo Holding II A/S and the subsidiaries in which NovCo Holding II A/S directly or indirectly holds more than 50 percent of the voting rights or otherwise exercises control.

Companies, in which the Group owns between 20% and 50% of the votes and exercises significant but not control, are considered associates, cf. the group chart.

#### **Basis of consolidation**

The consolidated financial statements have been prepared on the basis of the financial statements of NovCo Holding II A/S and its subsidiaries. The consolidated financial statements have been prepared by adding together items of a uniform nature. Intercompany income and expenses, intercompany balances and dividends as well as profit and loss from intercompany transactions have been eliminated on consolidation. The financial statements used for consolidation purposes have been prepared in accordance with the Group's accounting policies.

In the consolidated financial statements, the items of subsidiaries are recognised in full.

#### **Business combinations**

Newly acquired or newly established companies are recognised in the consolidated financial statements as of the date of acquisition.

On the acquisition of new companies, the purchase method is applied according to which the identifiable assets and liabilities of the newly acquired companies are measured at their fair values at the date of acquisition.

#### **General aspects related to recognition and measurement**

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

Liabilities are recognised in the balance sheet when they are probable and can be measured reliably. Assets and liabilities are measured at cost on initial recognition.

Assets and liabilities are subsequently measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective cost to maturity. Amortised cost is calculated as initial cost less any deductions and with addition/deduction of the accumulated amortisation of the difference between the cost price and the nominal amount. In this way, capital losses and gains are allocated over the term to maturity.

On recognition and measurement, any gains, losses and risks arising before the time when the Annual Report is presented and proving or disproving matters existing on the balance sheet date are taken into account.

## **Consolidated financial statements and parent company financial statements for the period 1 January – 31 December**

### **Accounting policies**

#### **General aspects related to recognition and measurement (continued)**

Income is recognised in the income statement as earned and includes value adjustments of financial assets and liabilities measured at fair value or amortised cost. Moreover, costs incurred to obtain the revenue for the year, including depreciation and amortisation, impairment losses and provisions and reversals hereof due to changes in accounting estimates, are recognised in the income statement.

#### **Foreign currency translation**

On initial recognition, transactions in foreign currencies are translated using the exchange rate ruling at the date of the transaction. Any exchange differences arising between the rate of exchange ruling at the date of the transaction and the rate of exchange ruling at the date of payment are recognised in the income statement as an item under financial income and expenses, net.

Receivables, payables and other monetary items in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. The difference between the rate of exchange ruling at the balance sheet date and the rate of exchange ruling at the time when the receivables or the payables arose or were recognised in the latest annual report is recognised in the income statement as financial income or financial expenses.

#### **Derivative financial instruments**

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included under other receivables and other payables, respectively. Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future cash flows are recognised directly in equity. Income and expenses relating to such hedging transactions are transferred from equity on realisation of the hedged asset or liability and are recognised in the same item as the hedged asset or liability.

Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are currently recognised in the income statement under financial income and expenses, net.

### **Income statement**

#### **Revenue**

Income from the sale of goods for resale and finished goods is recognised in the income statement if delivery took place and the risk has passed to the buyer before year-end and provided that the income can be stated reliably and payment is expected to be made.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Contract work in progress concerning customised production of systems is recognised as revenue when the production is completed, and the revenue thus corresponds to the selling price of the work completed (the percentage of completion method).

#### **Production costs**

Production costs comprise the costs incurred to obtain the revenue for the year. The cost includes raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation etc. as well as operation, administration and management of factories.

Included in production costs are research and development costs which do not meet the criteria for capitalisation and amortisation of capitalised development costs. Moreover, provisions for losses on contracts are included.

## **Consolidated financial statements and parent company financial statements for the period 1 January – 31 December**

### **Accounting policies**

#### **Distribution costs**

Distribution costs comprise costs of distribution and sales campaigns regarding goods sold during the year, including costs relating to sales staff, marketing and depreciation/amortisation as well as loss on trade debtors.

#### **Administrative expenses**

Administrative expenses comprise costs relating to the management, the administrative staff, office expenses, insurance, depreciation/amortisation etc.

#### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature in relation to the principal activity of the Company, including profit/loss on the sale of intangibles and property, plant and equipment.

#### **Share of profit/(loss) in subsidiaries and associates**

The proportionate share of the post-tax results of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intercompany profits/losses.

The proportionate share of the post-tax results of the associates is recognised in the income statement of the parent company and the consolidated income statement after elimination of the proportionate share of intercompany profits/losses.

#### **Net financials**

Financial income and expenses include interest, financial expenses relating to finance leases, marketable securities adjustments, amortisation of mortgage loans as well as additions and tax allowances under the Tax Prepayment Scheme.

#### **Tax**

The Company is covered by the Danish rules on compulsory joint taxation of the Danish subsidiaries of the Realdania Group. The current corporation tax is distributed between the jointly taxed companies in proportion to their taxable incomes (full absorption with refunds for tax losses).

Tax for the year, which consists of the year's joint taxation contribution and change in deferred tax, is recognised in the income statement with the share attributable to the profit/loss for the year and directly in equity with the share attributable to items recognised directly in equity.

### **Balance sheet**

#### **Intangibles**

Development costs comprise costs, salaries and amortisation directly and indirectly attributable to the Company's development activities.

Development projects clearly defined and identifiable involving a demonstrable technical rate of utilisation, adequate resources and a potential future market or a development opportunity in the Company, and where the intention is to produce, market or employ the project, have been recognised as intangibles provided that the cost can be stated reliably and that there is sufficient certainty that future earnings will cover the production and selling costs, the administrative expenses as well as the actual development costs. Other development costs are recognised in the income statement as paid.

Capitalised development costs are measured at cost less accumulated amortisation or at a lower recoverable amount.



## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Accounting policies

#### Intangibles (continued)

Capitalised development costs are amortised on a straight-line basis after the completion of the project over the estimated useful economic life. The amortisation period is 5 years.

#### Property, plant and equipment

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

Depreciation is provided on a straight-line basis over the expected useful lives of the assets.

- Land and buildings	15-30 years
- Plant and machinery	4-12 years
- Other fixtures and fittings, tools and equipment	3-12 years
- Leasehold improvements	10 years

Profits and losses derived from the disposal of property, plant and equipment are stated as the difference between the selling price less selling expenses and the carrying amount at the time of selling. Profits or losses are recognised in the income statement as an adjustment to depreciation and impairment losses or under other operating income to the extent that the selling price exceeds the original cost.

#### Leases

Leases for property, plant and equipment, where the Company has all substantial risks and benefits inherent in the ownership (finance leases), are initially measured in the balance sheet at the lower of fair value and present value of future lease payments. In calculating the present value, the internal interest rate of the lease or the alternative borrowing rate is used as a discounting factor. Financially leased assets are subsequently treated as the Company's other non-current assets.

The capitalised residual lease commitment is recognised in the balance sheet as a payable, while the interest component of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Rental payments made under operating leases and other leases are recognised in the income statement over the term of the leases. The Company's total operational lease commitments are stated under contingencies etc.

#### Impairment of non-current assets

The carrying amount of intangibles and property, plant and equipment is reviewed annually to determine whether there is any indication of impairment exceeding the write-downs in connection with general amortisation and depreciation. If any such indication exists, an impairment test will be carried out to determine whether the recoverable amount is lower than the carrying amount, and a write-down to this lower recoverable amount will be made. This impairment test is conducted on an annual basis of in-progress development projects, irrespective of whether or not there is any indication of impairment.

The recoverable amount of the asset is determined as the higher of the net selling price and its value in use. If the recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

#### Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured according to the equity method, which means that the investments are measured at the proportionate share of the equity value of the companies plus or less non-amortised positive and negative consolidated goodwill, respectively, and plus or less unrealised intercompany gains and losses.

## **Consolidated financial statements and parent company financial statements for the period 1 January – 31 December**

### **Accounting policies**

#### **Investments in subsidiaries and associates (continued)**

Subsidiaries and associates with a negative equity value are measured at zero value, and any receivables from these companies are written down by the parent company's share of the negative equity value insofar as they are deemed uncollectible. If the negative equity value exceeds the receivables, the remaining amount is recognised under provisions to the extent that the parent company has a legal or constructive obligation to cover the liabilities of the company in question.

Net revaluation of investments in subsidiaries and associates is transferred to the net revaluation reserve to the extent the carrying amount exceeds the cost.

#### **Goodwill**

Goodwill is amortised over its estimated useful economic life, which is determined based on Management's experience in the individual business areas. Goodwill is amortised on a straight-line basis over a period of 20 years as the investment is considered as strategic.

#### **Inventories**

Inventories are measured at cost using the FIFO method or the net realisable value for the individual product line, whichever is lower. The net realisable value of inventories is calculated as the selling price less the costs of completion and costs incurred to execute the sale and determined with due consideration of marketability, obsolescence and movements in the expected selling price.

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

The cost of manufactured finished goods and work in progress comprises the cost of raw materials, consumables, direct labour costs and indirect production costs. Indirect production costs comprise indirect materials and labour costs as well as maintenance of the machinery, factory buildings and equipment used in the manufacturing process and the cost of administration and management of factories.

#### **Receivables**

Receivables are measured at amortised cost or at net realisable value, if lower, calculated on the basis of an individual assessment of each receivable.

#### **Prepayments**

Prepayments under assets comprise paid-up expenses relating to the subsequent financial year.

#### **Contract work in progress**

Contract work in progress is recognised based on an actual assessment using either the percentage of completion method or the sales method.

Contract work in progress recognised according to the percentage of completion method is measured at the sales value of the work performed less work invoiced on account and expected losses. Contract work in progress is i.a. characterised by a high degree of individualisation with regard to design. It is also a requirement that a binding contract is signed before the work is begun.

The selling price is measured based on the stage of completion at the balance sheet date and the total expected revenue from the individual contract. The stage of completion is determined based on an assessment of the work performed, normally calculated as the relation between the costs paid and the total, expected costs for the contract in question.

When it is probable that the total costs will exceed the total revenue, the expected loss on the contract is immediately recognised as an expense.

## **Consolidated financial statements and parent company financial statements for the period 1 January – 31 December**

### **Accounting policies**

#### **Contract work in progress (continued)**

Contracts where the selling price of the work performed exceeds the amounts invoiced on account and expected losses are entered under Receivables. Contracts where the amounts invoiced on account and the expected losses exceed the selling price are recognised as a liability.

Contract work in progress which does not fulfil the requirements for recognition according to the percentage of completion method is recognised according to the sales method.

#### **Proposed dividend**

Dividend is recognised as a liability at the time of approval by the general meeting.

#### **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation as a result of an event occurring on or before the balance sheet date and it is probable that an outflow of economic benefits will be required to settle the obligation.

Warranty commitments are measured at net realisable value and include provisions for general and expected specific warranty commitments.

#### **Liabilities other than provisions**

Payables to mortgage banks and credit institutions are recognised initially at the proceeds received net of transaction expenses incurred. Financial liabilities other than provisions are subsequently measured at amortised cost, corresponding to the capitalised value, using the effective interest rate so that differences between the proceeds and the nominal value are recognised in the income statement as financial income and expenses, net, over the period of the borrowing.

Liabilities other than provisions, which comprise trade payables and payables to Group companies and associates and other payables, are measured at amortised cost, which usually equals the nominal debt.

#### **Tax and deferred tax**

Under the joint taxation rules, the subsidiaries' liability to the tax authorities for their own corporation taxes is settled concurrently with the payment of the joint taxation contributions to the management company.

Joint taxation contributions payable and receivable are recognised in the balance sheet under balances with Group companies.

Deferred tax is measured under the balance sheet liability method comprising all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised at the value at which they are expected to be utilised either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax unit and jurisdiction. Deferred tax is measured in accordance with the tax rules and tax rates in the various countries that will apply under the legislation in force at the balance sheet date when the deferred tax is expected to crystallise as current tax.

#### **Segment information**

The segment information follows the Group's accounting policies, risks and management control.

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Accounting policies

#### Cash flow statement

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

The cash flow statement cannot be derived solely on basis of the public accounting material.

#### Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for changes in the working capital, non-cash operating items such as amortisation/depreciation and write-downs and liabilities. The operating capital comprises current assets less short-term liabilities other than provision excluding the entries included in cash and cash equivalents as well as interest-bearing items.

#### Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of intangible assets, property, plant and equipment and investments.

#### Cash flows from financing activities

Cash flows from financing activities comprise the raising and repayment of long-term liabilities other than provisions as well as payments to and repayments from the shareholders.

#### Cash and cash equivalent

Cash and cash equivalents comprise the entries "Cash Cash and cash equivalents" under current assets.

#### Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Profit/loss before net financials} \times 100}{\text{Revenue}}$
Return on capital employed	$\frac{\text{Profit/loss before net financials} \times 100}{\text{Total assets}}$
Equity ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

**Consolidated financial statements and parent company financial statements for the period  
1 January – 31 December**

**Income statement**

Note	DKK'000	Consolidated		Parent Company	
		2015	2014	2015	2014
<b>1</b>	Revenue	892.238	963.257	0	0
	Production costs	-754.151	-843.874	0	-1.196
	<b>Gross profit/loss</b>	138.087	119.383	0	-1.196
	Distribution costs	-51.303	-67.114	0	0
	Administrative expenses	-58.525	-81.474	-374	-2.595
	<b>Profit/loss on ordinary operating activities</b>	28.259	-29.205	-374	-3.791
<b>2</b>	Other operating income	362	1.437	0	0
<b>2</b>	Other operating expenses	0	-1.825	0	0
	<b>Profit/loss before net financials</b>	28.621	-29.593	-374	-3.791
<b>3</b>	Share of profit/loss in subsidiaries after tax	0	0	29.725	-35.992
<b>4</b>	Share of profit/loss in associates after tax	675	323	0	0
<b>5</b>	Gain/loss from sale of shares in subsidiary	-29.804	0	-29.804	0
<b>6</b>	Financial income	12.305	7.186	1.185	4.922
<b>7</b>	Financial expenses	-4.858	-12.316	-2.991	-7.055
	<b>Profit/loss before tax</b>	6.939	-34.400	-2.259	-41.916
<b>8</b>	Tax on profit/loss for the year	-8.498	-5.264	700	2.252
	<b>Profit/loss for the year</b>	-1.559	-39.664	-1.559	-39.664
	<b>Proposed profit appropriation/distribution of loss</b>				
	Retained earnings			-1.559	-39.664
				-1.559	-39.664

**Consolidated financial statements and parent company financial statements for the period  
1 January – 31 December**

**Balance sheet**

Note	DKK'000	Consolidated		Parent Company	
		2015	2014	2015	2014
<b>ASSETS</b>					
<b>Non-current assets</b>					
<b>9</b>	<b>Intangible assets</b>				
	Completed development projects	5.113	13.810	0	4.786
	Development projects in progress	264	0	0	0
	Goodwill	18.321	19.490	0	0
		<u>23.698</u>	<u>33.300</u>	<u>0</u>	<u>4.786</u>
<b>10</b>	<b>Property, plant and equipment</b>				
	Land and buildings	0	4.503	0	0
	Plant and machinery	837	11.271	0	0
	Other fixtures and fittings, tools and equipment	3.597	3.953	0	0
	Leasehold improvements	1.639	4.265	0	0
	Property, plant and equipment under construction	0	260	0	0
		<u>6.073</u>	<u>24.252</u>	<u>0</u>	<u>0</u>
	<b>Investments</b>				
<b>11</b>	Investments in subsidiaries	0	0	47.228	62.757
<b>12</b>	Investments in associates	2.105	1.403	0	0
		<u>2.105</u>	<u>1.403</u>	<u>47.228</u>	<u>62.757</u>
	<b>Total non-current assets</b>	<u>31.876</u>	<u>58.955</u>	<u>47.228</u>	<u>67.543</u>
<b>Current assets</b>					
<b>Inventories</b>					
	Raw materials and consumables	8.643	37.877	0	0
	Work in progress	4.663	21.093	0	0
	Finished goods and goods for resale	6.567	9.734	0	0
		<u>19.873</u>	<u>68.704</u>	<u>0</u>	<u>0</u>
<b>Receivables</b>					
	Trade receivables	153.125	183.120	0	0
<b>13</b>	Contract work in progress	91.493	110.462	0	0
	Receivables from group companies	3.258	3.162	2.505	64.175
	Receivables from associates	0	75	0	0
	Taxation receivables	0	825	0	0
<b>17</b>	Deferred tax asset	2.674	1.715	1.110	1.537
	Deposits	662	2.906	0	0
	Other receivables	6.453	14.734	2.096	0
<b>14</b>	Prepayments	3.293	6.045	0	0
		<u>260.958</u>	<u>323.044</u>	<u>5.711</u>	<u>65.712</u>
<b>19</b>	<b>Cash and cash equivalents</b>	<u>63.002</u>	<u>122.664</u>	<u>27.011</u>	<u>0</u>
	<b>Total current assets</b>	<u>343.833</u>	<u>514.412</u>	<u>32.722</u>	<u>65.712</u>
	<b>TOTAL ASSETS</b>	<u>375.709</u>	<u>573.367</u>	<u>79.950</u>	<u>133.255</u>

**Consolidated financial statements and parent company financial statements for the period  
1 January – 31 December**

**Balance sheet**

Note	DKK'000	Consolidated		Parent Company	
		2015	2014	2015	2014
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
15	Share capital	106.000	106.000	106.000	106.000
	Net revaluation reserve according to the equity method	1.246	544	0	0
	Retained earnings	-107.510	-102.127	-106.264	-101.583
		<u>-264</u>	<u>4.417</u>	<u>-264</u>	<u>4.417</u>
<b>Provisions</b>					
17	Deferred tax	18.256	11.770	0	0
16	Warranty commitments	18.909	8.583	0	0
	Other provisions	4.963	839	0	0
		<u>42.128</u>	<u>21.192</u>	<u>0</u>	<u>0</u>
<b>Liabilities other than provisions</b>					
<b>Non-current liabilities other than provisions</b>					
18	Lease commitment	0	5.043	0	0
		<u>0</u>	<u>5.043</u>	<u>0</u>	<u>0</u>
<b>Current liabilities other than provisions</b>					
	Credit institution	46.803	123.499	46.803	117.831
18	Current portion of lease commitment	0	4.715	0	0
13	Contract work in progress	73.384	106.992	0	0
	Trade payables	161.925	238.626	0	0
	Payables to group companies	190	0	33.337	1.758
	Joint taxation contribution payable	422	0	0	0
	Other payables	51.121	68.883	74	9.249
		<u>333.845</u>	<u>542.715</u>	<u>80.214</u>	<u>128.838</u>
	<b>Total liabilities other than provisions</b>	<u>333.845</u>	<u>547.758</u>	<u>80.214</u>	<u>128.838</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>375.709</u>	<u>573.367</u>	<u>79.950</u>	<u>133.255</u>
19	Contingencies and other liabilities				
20	Remuneration for auditors elected by the annual general meeting				
21	Employees				
22	Related parties and ownership structure				
23	Financial resources				

**Consolidated financial statements and parent company financial statements for the period  
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**Statement of changes in equity**

DKK'000	Consolidated			
	Share capital	Net revaluation reserve according to the equity method	Retained earnings	Total
<b>Equity at 1 January 2014</b>	<b>106.000</b>	<b>468</b>	<b>-62.416</b>	<b>44.052</b>
Transfer of "Profit/Loss for the year"	0	323	-39.987	-39.664
Dividend	0	-109	109	0
Foreign currency translation adjustment relating to foreign Group companies	0	-41	171	130
Other adjustments	0	-97	-4	-101
<b>Equity at 1 January 2015</b>	<b>106.000</b>	<b>544</b>	<b>-102.127</b>	<b>4.417</b>
Transfer of "Profit/Loss for the year"	0	675	-2.234	-1.559
Foreign currency translation adjustment relating to foreign Group companies	0	159	-3.313	-3.154
Dividend	0	-166	166	0
Other adjustments	0	34	-2	32
<b>Equity at 31 December 2015</b>	<b>106.000</b>	<b>1.246</b>	<b>-107.510</b>	<b>-264</b>

DKK'000	Parent company			
	Share capital	Net revaluation reserve according to the equity method	Retained earnings	Total
<b>Equity at 1 January 2014</b>	<b>106.000</b>	<b>0</b>	<b>-61.948</b>	<b>44.052</b>
Transfer from "Profit appropriation/distribution of loss"	0	0	-39.664	-39.664
Foreign currency translation adjustment relating to foreign Group companies	0	0	29	29
<b>Equity at 1 January 2015</b>	<b>106.000</b>	<b>0</b>	<b>-101.583</b>	<b>4.417</b>
Transfer from "Profit appropriation/distribution of loss"	0	0	-1.559	-1.559
Foreign currency translation adjustment relating to foreign Group companies	0	0	-3.154	-3.154
Other adjustments	0	0	32	32
<b>Equity at 31 December 2015</b>	<b>106.000</b>	<b>0</b>	<b>-106.264</b>	<b>-264</b>



**Consolidated financial statements and parent company financial statements for the period  
1 January – 31 December**

**Cash flow statement**

Note	DKK'000	Consolidated	
		2015	2014
	Profit/loss for the year before tax	6.939	-34.400
23	Adjustments	-36.900	-27.654
24	Changes in working capital	31.100	57.908
	<b>Cash flows from operations (operating activities before financial income and expenses)</b>	<b>1.139</b>	<b>-4.146</b>
	Financial income and expenses	7.447	-5.130
	<b>Cash flows from operations (operating activities)</b>	<b>8.586</b>	<b>-9.276</b>
	Corporation tax paid	-5.246	-476
	Joint taxation contribution received	0	16.115
	<b>Cash flows from operating activities</b>	<b>3.340</b>	<b>6.363</b>
	Acquisition of property, plant and	-2.543	-4.319
	Disposal of property, plant and equipment	-264	365
	Disposal of shares in subsidiary	9.533	0
	<b>Cash flows from investing activities</b>	<b>6.726</b>	<b>-3.954</b>
	<b>Net cash flows from operating and investing</b>	<b>10.066</b>	<b>2.409</b>
	Dividend, investments (net excl. tax)	166	109
	Repayment of lease commitments	0	-4.941
	Repayment of debt from divested subsidiary	5.659	0
	Change in bank debt	-75.553	66.704
	<b>Cash flows from financing activities</b>	<b>-69.728</b>	<b>61.872</b>
	<b>Net cash flows for the year</b>	<b>-59.662</b>	<b>64.281</b>
	Cash and cash equivalents at 1 January	122.664	58.383
	<b>Cash and cash equivalents at 31 December</b>	<b>63.002</b>	<b>122.664</b>

**Consolidated financial statements and parent company financial statements for the period  
1 January – 31 December**

**Notes to the financial statements**

DKK'000	Consolidated		Parent company	
	2015	2014	2015	2014
<b>1 Revenue</b>				
<b>Business areas</b>				
Marine	511.257	479.841	0	0
Offshore	371.494	325.526	0	0
Buildings and industrials	9.487	157.890	0	0
	<u>892.238</u>	<u>963.257</u>	<u>0</u>	<u>0</u>
The Marine business area include Merchant, Special Vesssels, Cruise & Ferries and After sales.				
<b>Geographical areas</b>				
Asia	501.430	449.431	0	0
Europa	339.963	434.178	0	0
North and South America	41.753	58.030	0	0
Other	9.092	21.618	0	0
	<u>892.238</u>	<u>963.257</u>	<u>0</u>	<u>0</u>
<b>2 Other operating income and expenses</b>				
<b>Other operating income</b>				
Reversed loss regarding rent agreement	362	1.437	0	0
	<u>362</u>	<u>1.437</u>	<u>0</u>	<u>0</u>
<b>Other operating expenses</b>				
Other operating expenses	0	-1.825	0	0
	<u>0</u>	<u>-1.825</u>	<u>0</u>	<u>0</u>
<b>3 Share of profit/loss in subsidiaries after tax</b>				
Profit/loss in subsidiaries after tax	0	0	30.894	-34.823
Amortisation of Group goodwill	0	0	-1.169	-1.169
	<u>0</u>	<u>0</u>	<u>29.725</u>	<u>-35.992</u>
<b>4 Share of profit/loss in associates after tax</b>				
Share of profit/loss in associates after tax	675	323	0	0
	<u>675</u>	<u>323</u>	<u>0</u>	<u>0</u>
<b>5 Gain/loss from sale of shares in subsidiary</b>				
Loss from sale of shares in subsidiary	-29.804	0	-29.804	0
	<u>-29.804</u>	<u>0</u>	<u>-29.804</u>	<u>0</u>

**Consolidated financial statements and parent company financial statements for the period  
1 January – 31 December**

**Notes to the financial statements**

DKK'000	Consolidated		Parent company	
	2015	2014	2015	2014
<b>6 Financial income</b>				
Interest income relating to Group companies	94	0	0	1.540
Exchange rate adjustment	11.045	3.607	504	486
Other financial income	1.166	3.579	681	2.896
	<u>12.305</u>	<u>7.186</u>	<u>1.185</u>	<u>4.922</u>
<b>7 Financial expenses</b>				
Interest expenses relating to Group companies	0	0	-505	0
Exchange rate adjustment	0	-1.159	0	-779
Other financial expenses	-4.858	-11.157	-2.486	-6.276
	<u>-4.858</u>	<u>-12.316</u>	<u>-2.991</u>	<u>-7.055</u>
<b>8 Tax on profit/loss for the year</b>				
Current tax for the year	447	-279	0	0
Adjustment regarding previous years	-3.182	-722	-414	-715
Deferred tax for the year	12.923	6.022	289	-1.635
Adjustment regarding change in tax rate	-1.242	197	47	98
Other taxes	-448	46	-622	0
Total tax for the year	<u>8.498</u>	<u>5.264</u>	<u>-700</u>	<u>-2.252</u>

**Consolidated financial statements and parent company financial statements for the period  
1 January – 31 December**

**Notes to the financial statements**

**9 Intangible assets**

DKK'000	Consolidated			Total
	Completed development projects	Development projects in progress	Group goodwill	
Cost at 1 January 2015	37.728	0	71.132	108.860
Reclassification	2.662	0	0	2.662
Additions during the year	0	264	0	264
Disposals for the year	-23.915	0	0	-23.915
<b>Cost at 31 December 2015</b>	<b>16.475</b>	<b>264</b>	<b>71.132</b>	<b>87.871</b>
Impairment losses and amortisation at 1 January 2015	-23.918	0	-51.642	-75.560
Reclassification	-2.662	0	0	-2.662
Amortisation for the year	-2.416	0	-1.169	-3.585
Disposals during the year	17.634	0	0	17.634
<b>Impairment losses and amortisation at 31 December 2015</b>	<b>-11.362</b>	<b>0</b>	<b>-52.811</b>	<b>-64.173</b>
<b>Carrying amount at 31 December 2015</b>	<b>5.113</b>	<b>264</b>	<b>18.321</b>	<b>23.698</b>
<b>Amortised over</b>	<b>5 years</b>	<b>-</b>	<b>20 years</b>	
			<b>2015</b>	<b>2014</b>
Impairment losses and amortisation of intangible assets are recognised in the income statement under the following items:				
Production costs			-2.416	-7.082
Administrative expenses			-1.169	-1.169
			<b>-3.585</b>	<b>-8.251</b>

**Consolidated financial statements and parent company financial statements for the period  
1 January – 31 December**

**Notes to the financial statements**

**9 Intangible assets (continued)**

<b>DKK'000</b>	<b>Parent company</b>
	<b>Completed development projects</b>
Cost at 1 January 2015	12.795
Disposals for the year	-12.795
<b>Cost at 31 December 2015</b>	<b>0</b>
Impairment losses and amortisation at 1 January 2015	-8.009
Amortisation for the year	0
Disposals during the year	8.009
<b>Impairment losses and amortisation at 31 December 2015</b>	<b>0</b>
<b>Carrying amount at 31 December 2015</b>	<b>0</b>
<b>Amortised over</b>	<b>5 years</b>

	<b>2015</b>	<b>2014</b>
Impairment losses and amortisation of intangible assets are recognised in the income statement under the following items:		
Production costs	0	-1.196
	0	-1.196

**Consolidated financial statements and parent company financial statements for the period  
1 January – 31 December**

**Notes to the financial statements**

**10 Property, plant and equipment**

DKK'000	Consolidated					Total
	Land and building	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment under construction	
Cost at 1 January 2015	14.313	78.550	11.585	11.438	260	116.146
Reclassification	0	142	4.831	158	0	5.131
Translation adjustment at year-end rate	0	102	175	218	0	495
Additions during the year	0	128	2.359	56	0	2.543
Transferred	0	0	260	0	-260	0
Disposals during the year	-14.313	-76.556	-6.367	-7.836	0	-105.072
<b>Cost at 31 December 2015</b>	<b>0</b>	<b>2.366</b>	<b>12.843</b>	<b>4.034</b>	<b>0</b>	<b>19.243</b>
Impairment losses and depreciation at 1 January 2015	-9.810	-67.279	-7.632	-7.173	0	-91.894
Reclassification	0	-142	-4.831	-158	0	-5.131
Translation adjustment at year-end rate	0	-45	-171	-116	0	-332
Depreciation for the year	-37	-1.076	-2.125	-675	0	-3.913
Impairment losses and depreciation on assets disposed of	9.847	67.013	5.513	5.727	0	88.100
<b>Impairment losses and amortisation at 31 December 2015</b>	<b>0</b>	<b>-1.529</b>	<b>-9.246</b>	<b>-2.395</b>	<b>0</b>	<b>-13.170</b>
<b>Carrying amount at 31 December 2015</b>	<b>0</b>	<b>837</b>	<b>3.597</b>	<b>1.639</b>	<b>0</b>	<b>6.073</b>
<b>Amortised over</b>	<b>15-30 years</b>	<b>4-12 years</b>	<b>4-11 years</b>	<b>3-11 years</b>	<b>-</b>	

Impairment losses and amortisation of property, plant and equipment are recognised in the income statement under the following items:

	2015	2014
Production costs	-1.780	-17.436
Administrative expenses	-2.133	-3.860
	<u>-3.913</u>	<u>-21.296</u>

**Consolidated financial statements and parent company financial statements for the period  
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**Notes to the financial statements**

DKK'000	Parent company	
	2015	2014
<b>11 Investments in subsidiaries</b>		
Cost at 1 January	438.252	366.431
Disposals during the year	-387.120	-500
Conversion of debt/Tax-free group grant	0	72.321
Cost at 31 December	<u>51.132</u>	<u>438.252</u>
Revaluations at 1 January	-323.852	-289.107
Other adjustments	32	-105
Foreign currency adjustment	-3.313	130
Profit/loss for the year	30.894	-34.823
Disposals during the year	<u>297.400</u>	<u>53</u>
Value adjustments at 31 December	<u>1.161</u>	<u>-323.852</u>
Impairment losses and amortisation at 1 January	-51.643	-50.474
Amortisation of goodwill	-1.169	-1.169
Disposals during the year	<u>47.747</u>	<u>0</u>
Impairment losses and amortisation at 31 December	<u>-5.065</u>	<u>-51.643</u>
<b>Carrying amount at 31 December</b>	<b><u>47.228</u></b>	<b><u>62.757</u></b>

Investments in subsidiaries can be specified as follows:

<u>Name</u>	<u>Registered office</u>	<u>Share capital</u>	<u>Voting rights and ownership</u>
Novenco Marine & Offshore A/S	Naestved, Denmark	6 MDKK	100%

**Consolidated financial statements and parent company financial statements for the period  
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**Notes to the financial statements**

DKK'000	Consolidated	
	2015	2014
<b>12 Investment in associates</b>		
Cost at 1 January	859	859
Cost at 31 December	859	859
Revaluations at 1 January	544	468
Profit/loss for the year	675	323
Dividend	-166	-109
Currency adjustment	159	-41
Other adjustment	34	-97
Value adjustments at 31 December	1.246	544
<b>Carrying amount at 31 December</b>	<b>2.105</b>	<b>1.403</b>

Investments in subsidiaries can be specified as follows:

<u>Name</u>	<u>Registered office</u>	<u>Share capital</u>	<u>Voting rights and ownership</u>
Novenco Nippon Ltd.	Kobe, Japan	110 MJPY	22.73%



**Consolidated financial statements and parent company financial statements for the period  
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DKK'000	Consolidated		Parent company	
	2015	2014	2015	2014
<b>13 Contract work in progress</b>				
Work in progress at 31 December	1.409.605	1.184.824	0	0
Recognised profit	234.738	171.169	0	0
Work in progress at 31 December at selling price	1.644.343	1.355.993	0	0
Of which invoiced on account	-1.626.234	-1.352.523	0	0
<b>Net value</b>	<b>18.109</b>	<b>3.470</b>	<b>0</b>	<b>0</b>

The amount is included in the financial statements under the following items:

Contract work in progress included under assets	91.493	110.462	0	0
Contract work in progress included under liabilities	-73.384	-106.992	0	0
<b>Net value</b>	<b>18.109</b>	<b>3.470</b>	<b>0</b>	<b>0</b>

**14 Prepayments**

Prepayments in Group and Parent company are prepaid expenses related to IT licenses and leasing etc.

**15 Share capital**

The Company's share capital totals 106,000 MDKK divided into shares of DKK 1.00 each. No shares have special rights. The Company's share capital was decreased with 247,654 MDKK in 2013.

**16 Provisions for warranty commitments**

NovCo Holding II A/S offers normal warranty commitments in connection with deliveries of goods and services.

DKK'000	Consolidated		Parent company	
	2015	2014	2015	2014
Warranty provisions at 1 January	8.583	3.153	0	0
Disposal during the year	-1.628	0	0	0
Provided during the year	27.598	13.726	0	0
Used during the year	-12.996	-8.038	0	0
Reversal	-2.648	-258	0	0
	<b>18.909</b>	<b>8.583</b>	<b>0</b>	<b>0</b>

**Consolidated financial statements and parent company financial statements for the period  
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**Notes to the financial statements**

DKK'000	Consolidated		Parent company	
	2015	2014	2015	2014
<b>17 Deferred tax</b>				
Goodwill	-122	-183	0	0
Equipment	172	1.172	0	0
Leased assets	0	2.373	0	0
Leasehold improvements	0	405	0	0
Capitalised development cost	-164	-446	0	280
General warranty provisions	4.208	1.887	0	0
Recognised profit on contract work in progress	-42.992	-21.497	0	0
Financial contracts on equity	0	0	0	0
Compensation agreement	452	3.192	0	0
Trade receivables	132	123	0	0
Capitalised tax loss	19.913	13.532	1.110	1.257
Other adjustments	2.819	1.274	0	0
<b>Deferred tax at 31 December</b>	<b>-15.582</b>	<b>1.832</b>	<b>1.110</b>	<b>1.537</b>
Deferred tax included under assets	2.674	1.715	1.110	1.537
Deferred tax included under liabilities	-18.256	-11.770	0	0
	<b>-15.582</b>	<b>-10.055</b>	<b>1.110</b>	<b>1.537</b>

Deferred tax in Novenco Building & Industry A/S amounts to an asset of 11,887 thousand DKK at 31 December 2014, which has not been capitalised in the Balance sheet.

**18 Liabilities other than provisions (lease commitments)**

Liabilities other than provisions dues as follows:

Within 1 year	0	4.715	0	0
between 1 and 5 years	0	5.043	0	0
	0	9.758	0	0

**Lease commitments**

Within 1 year	0	4.715	0	0
between 1 and 5 years	0	5.043	0	0
	0	9.758	0	0

**Consolidated financial statements and parent company financial statements for the period  
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**Notes to the financial statements**

DKK'000	Consolidated		Parent company	
	2015	2014	2015	2014
<b>19 Contingencies and other liabilities</b>				
The following binding agreements, falling due within 5 years, have been concluded:				
Rental obligations	18.622	42.254	0	19.124
Operating leases	3.244	5.717	0	0
IT contracts	0	4.153	0	0
Other supplier agreements	519	922	0	0
	<u>22.385</u>	<u>53.046</u>	<u>0</u>	<u>19.124</u>
Annual rent/lease payments amount to	<u>16.555</u>	<u>27.118</u>	<u>0</u>	<u>8.500</u>

**Securities**

The Group has provided customers guaranties of DKK 14 million on completed projects and contract work in progress.

The Parent company has provided guarantees for subsidiary's commitments to Skandinaviska Enskilda Banken, Denmark.

Of the cash and cash equivalent, DKK 5 million has been deposited as security for guarantees.

**Joint taxation**

NovCo Holding II A/S is jointly taxed with the Danish subsidiaries of Novenco HAK Group. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. The Group as a whole is not liable to others.

DKK'000	Consolidated		Parent company	
	2015	2014	2015	2014
<b>20 Remuneration for auditors elected by the annual general meeting</b>				
Auditors	526	1.037	25	36
Tax consultancy	54	316	3	23
Non-audit services	142	568	10	135
	<u>722</u>	<u>1.921</u>	<u>38</u>	<u>194</u>
Hereof to other auditors	<u>73</u>	<u>372</u>		

**Consolidated financial statements and parent company financial statements for the period  
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**Notes to the financial statements**

DKK'000	Consolidated		Parent company	
	2015	2014	2015	2014
<b>21 Employees</b>				
Wages and salaries	159.303	208.077	0	0
Pensions	10.542	13.953	0	0
Other social security costs	5.870	15.072	0	0
	<u>175.715</u>	<u>237.102</u>	<u>0</u>	<u>0</u>
Charged to the income statement as follows:				
Production costs	94.158	135.531	0	0
Distribution costs	45.191	53.503	0	0
Administrative expenses	36.366	48.068	0	0
	<u>175.715</u>	<u>237.102</u>	<u>0</u>	<u>0</u>
Remuneration to the Executive Board		5.597		0
Remuneration to the Board of Directors		0		0
		<u>5.597</u>		<u>0</u>
Average number of full-time employees	<u>407</u>	<u>599</u>	<u>0</u>	<u>0</u>

With reference to the Danish Financial Statements Act § 98 B paragraph 3 (only one CEO) the remuneration to the Executive Board will not be shown for 2015.

Remuneration to the Executive Board in 2014 includes a severance pay to the former Group CEO.

**22 Related parties and ownership structure**

**Controlling interest**

Novenco HAK ApS, Industrivej 22, DK-4700 Naestved, Denmark as Principal shareholder.

**Ownership structure**

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Novenco HAK ApS, Industrivej 22, DK-4700 Naestved, Denmark.

The consolidated financial statements are available at the Company's address.

The ultimate owner with control is Novenco HAK ApS, Denmark.

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 23 Financial resources

Based on the Novenco Marine & Offshore's execution of the existing volume of orders, NovCo Holding expects to realize a profit after tax of round DKK 10 million for 2016, and consequently a positive cash flow, which also is expressed in the budget for 2016.

The equity stood at the end of December 2015 at DKK 0 million. Management expects that the equity will be positive at the end of 2016 by the profit of Novenco Marine & Offshore A/S in 2016, and considers currently how to re-establish the share capital.

Management believes that existing credit facilities will be maintained, and the owner Novenco HAK ApS has also for 2016 mediated the Group with overdraft facilities to support the activities of the Group. Management considers on this basis the financial resources to be adequate to carry out the plans and activities budgeted for 2016 and consequently the consolidated financial statements and the parent company financial statements have been prepared on a going concern basis.

DKK'000	Consolidated	
	2015	2014
<b>24 Adjustments, cash flow statement</b>		
Profit/loss in associates after tax	-675	-323
Depreciation for accounting purposes on property, plant and equipment	3.913	9.296
Impairment for accounting purposes on property, plant and equipment	0	12.000
Amortisation for accounting purposes on intangible assets	3.585	8.251
Accounting gain/loss on property, plant and equipment	0	313
Financial income and expenses	-7.447	5.130
Change in provisions, contract work in progress etc.	-60.506	-62.111
Disposal of subsidiary	29.804	0
Other adjustments	-5.574	-210
	<u>-36.900</u>	<u>-27.654</u>
<b>25 Changes in working capital, cash flow statement</b>		
Change in receivables	7.615	-27.703
Change in inventories and contract work in progress	79.636	80.775
Change in trade and other payables, etc.	-56.055	7.998
Change in amounts owed to group enterprises	-96	-3.162
	<u>31.100</u>	<u>57.908</u>