Novenco Marine & Offshore A/S

Galoche Allé 16, 4600 Koege, Denmark

CVR no. 33 78 56 82

Annual report 2016

Approved at the Company's annual general meeting on 14/02 - 2017

Chairman:

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Lasse L. Nielsen

Contents

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 Novenco Marine & Offshore A/S for the financial year 1 January – 31 December 2016.

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 2016 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 2016.

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.

Koege, February 14, 2017
Executive Board:

Lasse L. Nielsen

Board of Directors:

박찬수

Troels Torp
Chairman

Chansoo Park
Deputy chairman

Lasse L. Nielsen

Independent auditors' report

To the Shareholders of Novenco Marine & Offshore A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Novenco Marine & Offshore A/S for the financial year 1 January – 31 December 2016, which comprise an 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 consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 31 December 2016 and of the results of the Group's and parent company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" 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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities 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 as 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.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

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

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

Independent auditors' report (continued)

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on Management's review

Management is responsible for the Management's review.

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

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

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

Independent auditors' report (continued)

Independent auditor's report

Based on our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

København, February 14, 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Gath
State Authorised
Public Accountant

Lisa Hagedorn
State Authorised
Public Accountant

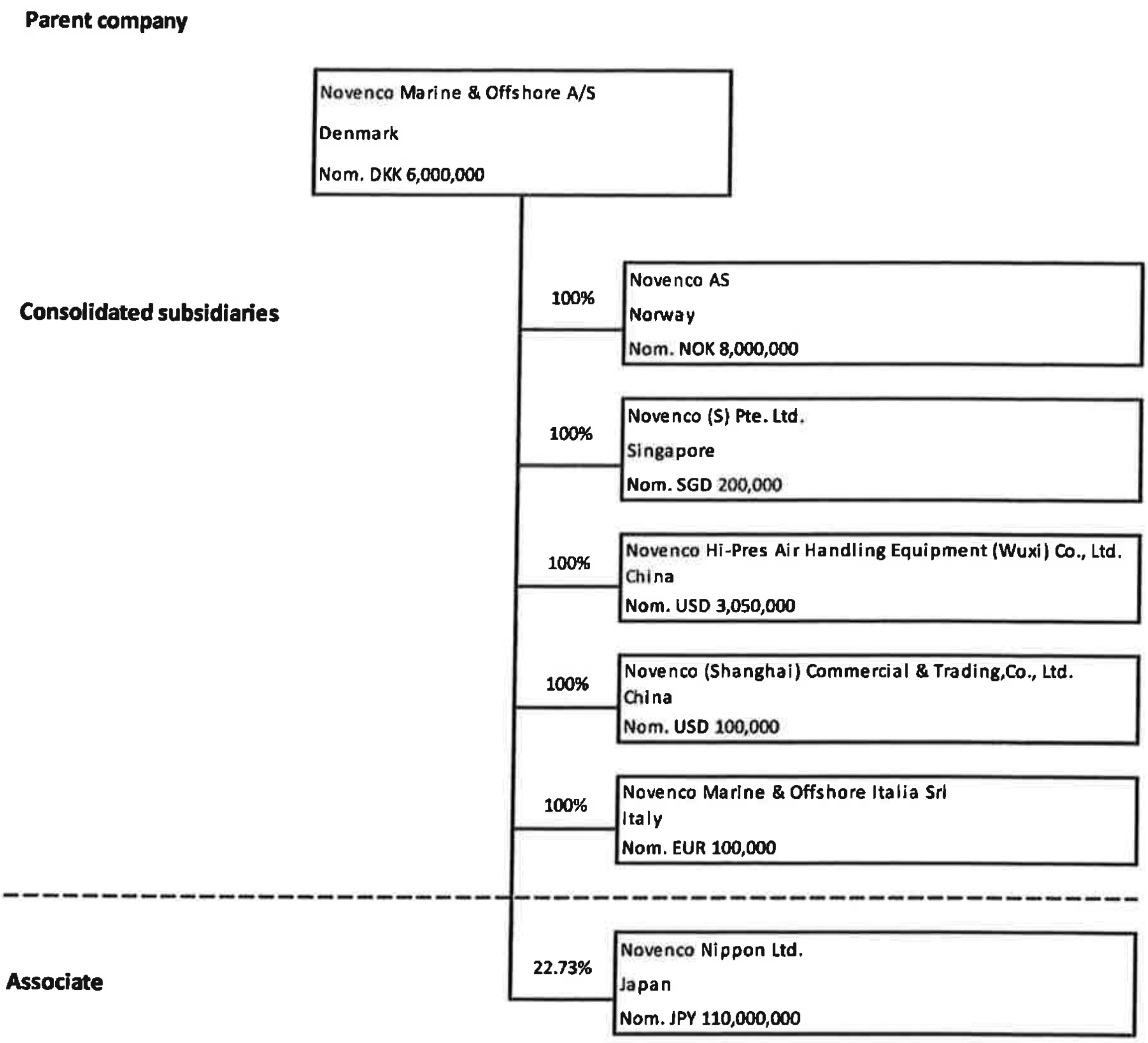
Management's review

Company details

Name	Novenco Marine & Offshore A/S
Address, zip code, city	Galoche Allé 16, DK-4600 Koege, Denmark
CVR no.	33 78 56 82
Established	12 July 2011
Registered office	Koege, Denmark
Financial year	1 January - 31 December (6th financial year)
Website	www.novencogroup.com
E-mail	info@novencogroup.com
Telephone	+45 70 12 42 22
Fax	+45 55 75 65 50
Board of Directors	Troels Torp, *Chairman* Chansoo Park, *Deputy Chairman* Lasse L. Nielsen
Executive Board	Lasse L. Nielsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, DK-2000 Frederiksberg, Denmark

Management's review

Group chart



Novenco HAK ApS is a principal shareholder in Novenco Marine & Offshore A/S.

Management's review

Financial highlights for the Group

DKKm	2016	2015	2014	2013	2012
Key figures					
Revenue	512.781	882.751	807.073	541.794	503.401
Profit/loss on ordinary operating activities	11.174	30.566	15.496	-24.448	-1.293
Profit/loss before net financials	11.174	30.928	16.933	-30.080	-2.704
Net financials	682	9.629	1.192	-2.778	-2.797
Profit/loss for the year	8.530	31.359	10.891	-30.174	-2.350
Total assets	302.733	376.324	437.918	341.454	264.215
Investment in development projects	1.556	264	0	1.502	7.407
Investment in property, plant and equipment	1.117	3.737	3.737	1.500	1.531
Equity	**57.583**	**47.228**	**18.991**	**7.740**	**25.550**
Cash flows					
Cash flows from					
- operating activities	1.676	17.751	47.899	-5.571	9.680
- investing activities	-2.652	-7.593	-3.631	-1.606	-3.048
- financing activities	5.264	-71.552	21.318	22.875	-2.312
Net cash flow for the year	4.288	-61.394	65.586	15.698	4.320
Financial ratios					
Gross margin	19,5	15,5	14,0	11,7	16,6
Operating margin	2,2	3,5	2,1	-5,6	-0,5
Return on capital employed	3,7	8,2	3,9	-8,8	-1,0
Equity ratio	19,0	12,5	4,3	2,3	9,7
Return on equity	16,3	94,7	81,5	-181,3	-15,6
Average number of full-time employees	260	392	417	342	210

Explanation of financial ratios

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

Management's review

The Annual Report of Novenco Marine & Offshore A/S for 2016 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 financial statements of Novenco Marine & Offshore A/S and Group companies are included in the consolidated financial statements of Novenco HAK ApS.

Principal activity

Novenco Marine & Offshore A/S and its subsidiaries, hereinafter referred to as the Group, are global suppliers with own development, production and sale of ventilation products and systems for marine and offshore purposes. The Group has 69 years of experience within the ventilation industry.

Development in activities and financial issues during the year

As expected the Offshore & Marine market has also in 2016 been very challenging with a major decline in activity level compared to especially 2013 and 2014. The amount of potential orders have decreased significantly and already given orders have been set on hold, postponed or even cancelled primarily caused by the lower oil price and overcapacity in the ship market.

However, Novenco Marine & Offshore has realized an order intake of DKK 431 million in 2016 which corresponds to a decline from 2015 of 7 % all related to the Offshore business. Within the Marine business, an improved performance within Cruise & Ferry and After Sales have been compensated by lower order intake within Merchant and Special Vessels.

After a very strong performance and an all time high revenue in 2015, the revenue in 2016 has as expected declined by DKK 370 million or 42 % to DKK 513 million. The decline in revenue relates primarily to the Offshore business, but also the Marine business has realized a lower revenue compared to 2015 related to both Merchant and Special Vessels. Revenue has compared to 2015 been lower on both the Asian, European and North & South American markets.

A combination of the positive impact from downsizing the organization and production facilities initiated in the second half of 2015 and an improved product mix in 2016 are the main drivers for the improved Gross profit margin, which in 2016 has increased by 4.0 %-point to 19.5 %. Despite the decline in revenue of 42 %, the Gross profit has declined by only 27 % or DKK 37 million.

A new easy scaling production set-up in Eastern Europe based on cooperation with an external manufacturer has been implemented to serve the European customers.

The initiatives round downsizing the organization and restructuring the business set-up has continued in 2016 including the final close down of the factory in Denmark, relocation of the Danish head office and elimination of all Group functions and strengthening local functions in order in due time to meet the expected challenging market conditions in the coming years.

These initiatives are the main drivers for the savings within Distribution and Administrative costs, which in 2016 have decreased by DKK 17 million or 16 % to DKK 89 million.

The organization have also in 2016 been downsized on all sites. In 2016 the Group employed 260 employees in average compared to 392 employees in 2015. At the end of 2016 the Group employs 218 head counts compared to 331 head counts at the end of 2015.

The profit on ordinary operating activities is realized at DKK 11 million in 2016 compared to DKK 31 million in 2015. The profit for 2016 is negatively impacted by restructuring costs of net DKK 10 million related to relocation costs, impairment of development projects and severance payments etc. compared to DKK 18 million in 2015.

Financial income is in 2016 realized at DKK 0 million compared to DKK 9 million in 2015, which related to currency gains from the strong USD.

Management's review

Profit for the year before tax is realized at DKK 12 million compared to DKK 41 million in 2015. The announced financial outlook for 2016 amounted to a profit before tax of round DKK 10 million. The management consider the realized result of DKK 12 million before tax as satisfactory – also taken the restructuring costs of DKK 10 million into consideration.

The profit after tax amounts to DKK 9 million, which has been proposed transferred to the equity.

Balance sheet development

The Group´s balance sheet stood at DKK 303 million at the end of 2016 compared to DKK 376 million at the end of 2015. The decline of DKK 73 million is related to the lower activity level in the Group.

Inventories has decreased by DKK 5 million, which relates to a lower activity level at the Chinese factory and final close down of the Danish factory.

Trade receivables, trade payables and other payables net has declined from net debt of DKK 60 million at the end of 2015 to a net debt of 53 million at the end of 2016 corresponding the lower activity level.

The net value of "Contract work in progress" amounts to DKK 37 million at the end of 2016 compared to DKK 22 million at the end of 2015. The decline relates to both a drop in "Advance invoicing to customers" of DKK 34 million due to finalizing of individual major projects and to a decrease in "Unbilled revenue to customers" related to the lower activity level in general.

At 1 January 2016 Novenco Marine & Offshore A/S merged with the direct parent company NovCo Holding II A/S with Novenco Marine & Offshore A/S as the continuing company. By this merger, Cash and cash equivalents of DKK 27 million were provided to Novenco Marine & Offshore A/S together with a debt to credit institution of DKK 47 million, which in 2016 has been repaid and replaced by a tax free contribution from the parent company Novenco HAK ApS of DKK 47 million recognized directly in the equity.

Receivables from Group companies has in 2016 decreased by DKK 31 million, which primarily relate to the merger with NovCo Holding II A/S.

The Group´s provisions for "Warranty commitments" amount to DKK 20 million at the end of 2016 which is unchanged from end of 2015. The provisions are regarded as adequate.

The Group´s and parent company´s equity has in 2016 increased by DKK 10 million to DKK 58 million at the end of 2016. The increase relates to the profit after tax of DKK 9 million and to currency gains from a stronger NOK.

The equity ratio at the end of 2016 amounts to 19.0 % which correspond an improvement of 6.4 %-point in 2016.

Investments

Investments amounts to DKK 3 million and relate to purchase of equipment and development costs regarding one specific project.

Cash flow development

Cash flow from operating activities amounts to DKK 1 million in 2016 compared to DKK 18 million in 2015. The decline relates primarily to the lower profit for the year, which adjusted for items with no impact on cash and cash equivalents has decreased from DKK 52 million in 2015 to DKK 20 million in 2016..

The working capital net has in 2016 increased by DKK 18 million primarily related to lower prepayments from customers due to finalizing on specific projects and to an activity driven lowering of trade payables and other payables, which only partly has been compensated by lower receivables and inventories. In 2015 the working capital increased by DKK 35 million primarily related to a reduction in overdue debt.

Cash flow from investment in equipment and development costs amounts to net DKK (3) million or DKK 5 million lower than in 2015.

The free cash flow is realized at DKK (1) million compared to DKK 10 million in 2015.

Management's review

Cash flow from financing amounts to DKK 5 million in 2016 driven by higher debt to the parent company Novenco HAK ApS compared to DKK (72) million in 2015 related to repayment of debt to the former parent company NovCo Holding II A/S, which was merged with Novenco Marine & Offshore A/S as from 1 January 2016.

The merger with NovCo Holding II A/S provide Cash and cash equivalents of DKK 27 million in Novenco Marine & Offshore A/S, which is the main driver for the increase in Cash and cash equivalents in 2016 of DKK 31 million to DKK 67 million at the end of 2016.

Objectives, outlook and financial resources

The Group´s strategy regarding efficiency enhancements will be continued and strengthened in 2017 across the value chain. A strong profit protection program will still be basis for cost initiatives in order to align the cost and revenue level.

The full year impact from already executed cost reduction initiatives and the profit protection plans for 2017 expects in total to lower the break-even revenue by further DKK 100 million and will secure a stronger competitiveness for the coming years.

The Group´s order backlog has as expected decreased compared to 2015, but is adequate to support the Group´s outlook for 2017.

Based on the Group's execution of the existing volume of orders and on the market outlook, the Group expects a profit before tax of DKK 5 - 10 million for the year 2017, which also is expressed in the budget for 2017. The management considers the financial resources to be adequate to carry out the plans and activities budgeted for 2017. However, it must be pointed out that the market situation is foreseen still to be challenging in the coming years.

The owner Novenco HAK Aps has also for 2017 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 2016 was DKK 67 million.

Currency risks

As a significant part 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.

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.

Ownership structure

At 31 December 2016, the entire share capital of the Group was owned by the ultimate, principal shareholder Hi Air Korea Co., Ltd.

Management's review

Management's remuneration

Remuneration to the Board of Directors and the Executive Board is disclosed in note 6 to the Annual Report.

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.

Corporate governance

As of May 1, 2016 Managing Director Lasse L. Nielsen has replaced former CEO Ole Jensen in both the Executive Board and in the Board of Directors of Novenco Marine & Offshore A/S.

The employees in Novenco Marine & Offshore A/S have decided no longer to have representation in the Board of Directors.

Corporate Social responsibility

Novenco Marine & Offshore 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

Novenco Marine & Offshore 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 trough a proactive and risk-based approach ensures to bring down number of work related accidents. The objective is zero, which has been achieved in 2016 on the factory in Denmark, which were closed down during 2016, compared to two accidents in 2015. There has been one work related accidents at the Chinese factory in 2016 compared to nine accidents in 2015.

In 2016 Novenco Marine & Offshore A/S has continued focusing on the psychological well-being of the employees.

Energy and climate change

Novenco Marine & Offshore 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 2012 to 2014 the Chinese factory has reduced its electricity consumption per revenue DKK with 32 percent. In 2015 and 2016, the consumption per revenue DKK has increased, however due to establishing of stronger test methods round products.

Novenco Marine & Offshore A/S is certified according to ISO 9001 and complies with local legislation concerning health, safety and the environment. Furthermore the Chinese factory also complies with ISO 14001.

Except for the Chinése factory Novenco Marine & Offshore A/S has as a sales and engineering company no concrete politics for impact on 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. Except for election of the new Managing Director as new Board member, no new Board members have been elected in 2016.

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 2016 is all in all unchanged from 2015 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

Income statement

Note	DKK'000	Consolidated 2016	Consolidated 2015	Parent Company 2016	Parent Company 2015
4	Revenue	512.781	882.751	302.913	487.941
5,6	Production costs	-412.910	-745.992	-264.698	-432.131
	Gross profit/loss	99.871	136.759	38.215	55.810
5,6	Distribution costs	-39.366	-49.774	-14.473	-27.506
5,6,7	Administrative cost	-49.331	-56.419	-16.522	-18.915
	Profit/loss on ordinary operating activities	11.174	30.566	7.220	9.389
8	Other operating income	0	362	0	362
	Profit/loss before net financials	11.174	30.928	7.220	9.751
9	Share of profit/loss in subsidiaries after tax	0	0	2.163	12.639
10	Share of profit/loss in associates after tax	1.055	675	1.055	675
11	Financial income	2.069	11.319	664	11.668
12	Financial expenses	-2.442	-2.365	-813	-1.990
	Profit/loss before tax	11.856	40.557	10.289	32.743
13	Tax on profit/loss for the year	-3.326	-9.198	-1.759	-1.384
	Profit/loss for the year	8.530	31.359	8.530	31.359

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

Balance sheet

Note	DKK'000	Consolidated 2016	Consolidated 2015	Parent Company 2016	Parent Company 2015
	ASSETS				
	Non-current assets				
14	**Intangible assets**				
	Completed development projects	284	5.113	284	5.113
	Development projects in progress	1.820	264	1.820	264
	Goodwill	17.151	18.321	5.894	6.295
		19.255	23.698	7.998	11.672
15	**Property, plant and equipment**				
	Plant and machinery	1.052	837	0	0
	Other fixtures and fittings, tools and equipment	2.414	3.597	854	1.423
	Leasehold improvements	1.616	1.639	0	0
		5.082	6.073	854	1.423
	Other non-current assets				
16	Investments in subsidiaries	0	0	91.096	84.004
17	Investments in associates	2.960	2.105	2.960	2.105
		2.960	2.105	94.056	86.109
	Total non-current assets	27.297	31.876	102.908	99.204
	Current assets				
	Inventories				
	Raw materials and consumables	3.591	8.643	990	1.930
	Work in progress	1.268	635	0	0
	Finished goods and goods for resale	5.714	6.567	0	0
		10.573	15.845	990	1.930
	Receivables				
	Trade receivables	104.647	153.125	49.902	59.811
18	Contract work in progress	76.475	95.521	27.345	38.627
	Receivables from Group companies	3.556	34.090	51.545	71.221
	Receivables from associated company	104	0	104	0
22	Deferred tax asset	1.183	1.564	0	0
	Deposits	430	662	397	334
	Other receivables	7.009	4.357	2.305	5
20	Prepayments	4.169	3.293	1.104	1.351
		197.573	292.612	132.702	171.349
	Cash and cash equivalents	67.290	35.991	15.673	134
	Total current assets	275.436	344.448	149.365	173.413
	TOTAL ASSETS	302.733	376.324	252.273	272.617

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

Balance sheet

Note	DKK'000	Consolidated 2016	Consolidated 2015	Parent Company 2016	Parent Company 2015
	EQUITY AND LIABILITIES				
	Equity				
21	Share capital	6.000	6.000	6.000	6.000
	Net revaluation reserve according to the equity method	4.384	1.246	10.416	5.447
	Reserve for development cost	1.556	0	1.556	0
	Profit and loss account	45.642	39.982	39.610	35.781
		57.582	47.228	57.582	47.228
	Non-current liabilities				
22	Deferred tax	18.278	18.256	4.239	4.553
23	Warranty commitments	19.593	18.909	13.541	16.183
	Other provisions	0	804	4.437	2.872
		37.871	37.969	22.217	23.608
	Current liabilities				
	Other provisions	2.701	4.159	2.210	1.250
18	Contract work in progress	39.688	73.384	21.938	37.831
	Trade payables	123.941	161.925	73.762	88.888
	Payables to Group companies	5.468	0	62.718	49.488
	Payables to associated company	0	190	0	190
	Corporate taxation payable	2.147	422	645	0
	Other payables	33.335	51.047	11.201	24.134
		207.280	291.127	172.474	201.781
	Total current liabilities	207.280	291.127	172.474	201.781
	TOTAL EQUITY AND LIABILITES	302.733	376.324	252.273	272.617

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

Statement of changes in equity

	DKK'000	Share capital	Net revaluation reserve according to the equity method	Reserve for development cost	Profit and loss account	Total
		Consolidated				
Note	**Equity at 1 January 2015**	6.000	544	0	12.447	18.991
	Transfer of "Profit/Loss for the year"	0	675	0	30.684	31.359
	Foreign currency translation adjustment relating to foreign Group companies	0	159	0	-3.313	-3.154
	Dividend	0	-166	0	166	0
	Other adjustments	0	34	0	-2	32
	Equity at 1 January 2016	6.000	1.246	0	39.982	47.228
	Merger of NovCo Holding II A/S, adjusted net equity	0	0	0	-47.492	-47.492
	Tax free contribution from parent company	0	0	0	46.710	46.710
	Transfer of "Profit/Loss for the year"	0	1.055	0	7.475	8.530
	Foreign currency translation adjustment relating to foreign group companies	0	2.354	0	0	2.354
	Dividend	0	-271	0	271	0
	Capitalized development cost	0	0	1.556	-1.556	0
	Other adjustments	0	0	0	252	252
	Equity at 31 December 2016	6.000	4.384	1.556	45.642	57.582

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

Statement of changes in equity (continued)

Note	DKK'000	Share capital	Net revaluation reserve according to the equity method	Reserve for development cost	Profit and loss account	Total
		Parent company				
	Equity at 1 January 2015	**6.000**	**0**	**0**	**12.991**	**18.991**
26	Transfer from "Profit appropriation/distribution of loss"	0	13.314	0	18.045	31.359
	Foreign currency translation adjustment relating to foreign Group companies	0	-3.154	0	0	-3.154
	Dividend	0	166	0	-166	0
	Transferred	0	-4.913	0	4.913	0
	Other adjustments	0	34	0	-2	32
	Equity at 1 January 2016	**6.000**	**5.447**	**0**	**35.781**	**47.228**
	Merger of NovCo Holding II A/S, adjusted net equity	0	0	0	-47.492	-47.492
	Tax free contribution from parent company	0	0	0	46.710	46.710
26	Transfer from "Profit appropriation/distribution of loss"	0	3.218	0	5.312	8.530
	Foreign currency translation adjustment relating to foreign group companies	0	2.354	0	0	2.354
	Dividend	0	-271	0	271	0
	Capitalized development cost	0	0	1.556	-1.556	0
	Other adjustments	0	-332	0	584	252
	Equity at 31 December 2016	**6.000**	**10.416**	**1.556**	**39.610**	**57.582**

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

Cash flow statement

Note	DKK'000	Consolidated 2016	Consolidated 2015
	Profit/loss for the year before tax	11.856	40.557
27	Adjustments	9.381	8.699
28	Changes in working capital	-18.164	-34.709
	Cash flows from operations (operating activities before financial income and expenses)	**3.073**	**14.547**
	Financial income and expenses	-373	8.954
	Cash flows from operations (operating activities)	**2.700**	**23.501**
	Corporation tax paid	-931	-5.750
	Cash flows from operating activities	**1.769**	**17.751**
	Acquisition of property, plant and equipment	-1.117	-2.543
	Disposal of property, plant and equipment	21	0
	Acquisition of intangible assets	-1.556	-5.050
	Cash flows from investing activities	**-2.652**	**-7.593**
	Net cash flows from operating and investing activities	**-883**	**10.158**
	Dividend, investments (net excl. tax)	271	166
	Repayment of bank debt	-46.803	-1.881
	Tax free contribution from parent company	46.710	0
	Change in receivables/debt Group companies	4.993	-69.837
	Cash flows from financing activities	**5.171**	**-71.552**
	Net cash flows for the year	**4.288**	**-61.394**
	Cash and cash equivalents in merged company January 1 2016	27.011	97.385
	Cash and cash equivalents at 1 January	35.991	0
	Cash and cash equivalents at 31 December	**67.290**	**35.991**

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

Notes to the financial statements

1 Accounting policies

Basis of financial statements

The Annual Report of Novenco Marine & Offshore A/S has been presented in accordance with the provisions of the Danish Financial Statements Act pertaining to large reporting class C enterprises.

Apart from the new and changed presentation and disclosure requirements, which follow from act. no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

As per 1 January 2016, Novenco Marine & Offshore A/S and its direct owner NovCo Holding II A/S merged with Novenco Marine & Offshore A/S as the continuing company. The comparative figures for 2015 have not been adjusted due to immateriality.

The Annual Report for 2016 has been presented in DKK thousand (DKK 1,000).

Consolidated financial statements

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

Companies in which the Group holds between 20 percent and 50 percent of the voting rights and exercises significant influence, but not control, are regarded as associates, cf. the Group chart.

Basis of consolidation

The consolidated financial statements have been prepared on the basis of the financial statements of Novenco Marine & Offshore 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.

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, additions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity are recognised in equity.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement if delivery has taken 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.

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

Notes to the financial statements

1 Accounting policies (continued)

Production costs (continued)

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.

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 costs

Administrative costs 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 On-account Tax Scheme.

Tax

The Company is covered by the Danish rules on compulsory joint taxation of the Danish subsidiaries of the Novenco HAK 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.

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

Notes to the financial statements

1 Accounting policies (continued)

Intangibles (continued)

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.

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.

A figure corresponding the capitalized development costs is tied up on "Reserve for development cost" in the equity. The reserve is released concurrently with amortization, impairment or sale of the development costs.

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.

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative cost, respectively.

- Plant and machinery	4-12 years
- Other fixtures and fittings, tools and equipment	3-12 years
- Leasehold improvements	5-10 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.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

Impairment of non-current assets (continued)

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.

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.

Where the cost of an acquisition is less than the fair value of the Group's share of the net identifiable assets and contingent liabilities of the subsidiary company acquired, the difference (negative goodwill) is recognised in the consolidated financial statement as prepayments under current liabilities and recognised in the profit or loss when the cost related to the negative goodwill appears or over a straight line basis

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 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.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Reserve for development costs

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

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.

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

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments under liabilities include negative goodwill related to the acquisition of subsidiaries.

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.

Cash flow statement

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

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 amortization/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.

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

Notes to the financial statements

1 Accounting policies (continued)

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 and cash equivalents" under current assets.

2 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 fincncial statements for 2016

3 Special items

Special items consist of significant income and cost which have a special nature compared to the Group's ordinary operating activities.

Special items for the year are specified as below and where they are included in the profit and loss statement.

DKK'000	Consolidated		Parent company	
	2016	2015	2016	2015
Cost				
Impairment, development costs	-3.112	0	0	0
Relocation costs, head office	-2.405	-1.563	0	0
Lay off and severance costs	-650	-4.011	0	0
Closing down factory including transfer costs and write of	-3.871	-12.054	0	0
Loss from sale of shares in subsidiary	0	-29.804	0	0
	-10.038	-47.432	0	0
Charged to the income statement as follows:				
Production costs	-7.464	-14.026	0	0
Distribution costs	-1.443	-989	0	0
Administrative cost	-1.131	-2.613	0	0
Gain/loss from sale of shares in subsidiary	0	-29.804	0	0
	-10.038	-47.432	0	0

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

Notes to the financial statements

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
4 Revenue				
Business areas				
Marine	381.351	511.257	297.257	402.409
Offshore	131.430	371.494	5.656	85.532
	512.781	882.751	302.913	487.941

The Marine business area include Merchant, Special Vesssels, Cruise & Ferries and After sales.

	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
Geographical areas				
Asia	301.517	501.187	200.176	299.851
Europe	182.286	330.990	81.653	159.110
North and South America	26.502	41.482	18.608	26.137
Other	2.476	9.092	2.476	2.843
	512.781	882.751	302.913	487.941
5 Depreciation, amortization and impairment losses of intangible and tangible assets				
Intangible assets	5.999	3.339	5.230	2.573
Tangible assets	2.236	3.416	569	1.636
	8.235	6.755	5.799	4.209
Charged to the income statement as follows:				
Production costs	5.316	3.589	4.829	3.130
Administrative cost	2.919	3.166	970	1.079
	8.235	6.755	5.799	4.209
6 Employees				
Wages and salaries	125.858	154.158	53.438	69.619
Pensions	9.144	10.151	2.643	4.130
Other social security costs	4.644	5.402	658	864
	139.646	169.711	56.739	74.613
Charged to the income statement as follows:				
Production costs	76.400	90.779	36.288	36.169
Distribution costs	30.276	44.089	8.253	19.510
Administrative cost	32.970	34.843	12.198	18.934
	139.646	169.711	56.739	74.613
Average number of full-time employees	260	392	60	121
Head count at 31 December	218	331	26	80

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.

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

Notes to the financial statements

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
7 Remuneration for auditors elected by the annual general meeting				
Auditors	551	501	200	224
Tax consultancy	405	51	275	24
Non-audit services	57	132	39	40
	1.013	684	514	288
Hereof to other auditors	71	73		
8 Other operating income				
Adjustment regarding rent agreement	0	362	0	362
	0	362	0	362
9 Share of profit/loss in subsidiaries after tax				
Profit/loss in subsidiaries after tax	0	0	2.930	13.406
Amortization of Group goodwill	0	0	-767	-767
	0	0	2.163	12.639
10 Share of profit/loss in associates after tax				
Share of profit/loss in associates after tax	1.055	675	1.055	675
	1.055	675	1.055	675
11 Financial income				
Interest income relating to Group companies	95	599	249	1.056
Exchange rate adjustment	413	10.541	413	10.541
Other financial income	1.561	179	2	71
	2.069	11.319	664	11.668
12 Financial expenses				
Interest expenses relating to Group companies	0	0	0	-9
Other financial expenses	-2.442	-2.365	-813	-1.981
	-2.442	-2.365	-813	-1.990
13 Tax on profit/loss for the year				
Current tax for the year	2.044	447	821	0
Adjustment regarding previous years	55	-2.768	55	-3.090
Deferred tax for the year	1.804	12.634	742	4.316
Adjustment regarding change in tax rate	-718	-1.289	0	-16
Other taxes	141	174	141	174
Total tax for the year	3.326	9.198	1.759	1.384

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

Notes to the financial statements

14 Intangible assets

	Consolidated			
DKK'000	**Completed development projects**	**Development projects in progress**	**Group goodwill**	**Total**
Cost at 1 January 2016	16.475	264	23.386	40.125
Additions during the year	0	1.556	0	1.556
Disposals during the year	-7.881	0	0	-7.881
Cost at 31 December 2016	**8.594**	**1.820**	**23.386**	**33.800**
Impairment losses and amortization at 1 January 2016	-11.362	0	-5.065	-16.427
Amortization for the year	-4.829	0	-1.170	-5.999
Disposals during the year	7.881	0	0	7.881
Impairment losses and amortization at 31 December 2016	**-8.310**	**0**	**-6.235**	**-14.545**
Carrying amount at 31 December 2016	**284**	**1.820**	**17.151**	**19.255**
Amortized over	**5 years**	**-**	**20 years**	

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

Notes to the financial statements

14 Intangible assets (continued)

DKK'000	Completed development projects	Development projects in progress	Group goodwill	Total
	Parent company			
Cost at 1 January 2016	16.475	264	8.038	24.777
Additions during the year	0	1.556	0	1.556
Disposals during the year	-7.881	0	0	-7.881
Cost at 31 December 2016	**8.594**	**1.820**	**8.038**	**18.452**
Impairment losses and amortization at 1 January 2016	-11.362	0	-1.743	-13.105
Amortization for the year	-4.829	0	-401	-5.230
Disposals during the year	7.881	0	0	7.881
Impairment losses and amortization at 31 December 2016	**-8.310**	**0**	**-2.144**	**-10.454**
Carrying amount at 31 December 2016	**284**	**1.820**	**5.894**	**7.998**
Amortized over	**5 years**	**-**	**20 years**	

Reason for the amortization period of Group goodwill
The investment of the subsidiaries is considered to have a stratetic impact for the Group and Parent. Taking into account the Group's and Parents expected plan for activities and profit, the economic life for the Group-goodwill is determined to 20 years.

Completed development projects:
Completed development projects consist of development and test of ventilation products for Marine and Offshore. The projects were completed in the end of 2013 and are amortised over 5 years.

Development projects in progress
Development projects in progress consist of development of new standization and process optimizing methods including a new CRM platform.

The cost can be summarizes in overall of internal cost of salaries and indirect production cost which are registered through the company's internal project module.

The carrying amount 31 December 2016 is DKK 1,8 million and the project is expected to be completed in 2017.

Impairment
The management have executed an impairment test for the carrying amount of "Completed development projects". It is estimated, that the recoverable amount is lower than the carrying amount. Therefor an impairment of DKK 3.1 million have been recognised in Production cost in the Profit and loss.

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

Notes to the financial statements

15 Property, plant and equipment

	Consolidated			
DKK'000	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2016	2.366	12.843	4.034	19.243
Reclassification	0	484	0	484
Translation adjustment at year-end rate	-55	-30	-121	-206
Additions during the year	444	309	364	1.117
Disposals during the year	-642	-1.160	-539	-2.341
Cost at 31 December 2016	**2.113**	**12.446**	**3.738**	**18.297**
Impairment losses and depreciation at 1 January 2016	-1.529	-9.246	-2.395	-13.170
Reclassification	0	-231	0	-231
Translation adjustment at year-end rate	28	52	64	144
Depreciation for the year	-185	-1.721	-330	-2.236
Disposals during the year	625	1.114	539	2.278
Impairment losses and depreciation at 31 December 2016	**-1.061**	**-10.032**	**-2.122**	**-13.215**
Carrying amount at 31 December 2016	**1.052**	**2.414**	**1.616**	**5.082**
Depriciated over	**4-12 years**	**4-11 years**	**3-11 years**	

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

Notes to the financial statements

15 Property, plant and equipment (continued)

	Parent company			
DKK'000	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2016	537	2.005	539	3.081
Additions during the year	0	0	0	0
Disposals during the year	-537	-75	-539	-1.151
Cost at 31 December 2016	**0**	**1.930**	**0**	**1.930**
Impairment losses and depreciation at 1 January 2016	-537	-582	-539	-1.658
Depreciation for the year	0	-569	0	-569
Disposals during the year	537	75	539	1.151
Impairment losses and depreciation at 31 December 2016	**0**	**-1.076**	**0**	**-1.076**
Carrying amount at 31 December 2016	**0**	**854**	**0**	**854**
Depreciated over	**4-12 years**	**4-11 years**	**3-11 years**	

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

Notes to the financial statements

DKK'000	Parent company 2016	Parent company 2015
16 Investments in subsidiaries		
Cost at 1 January	77.237	59.102
Additions during the year	0	18.135
Adjustment	365	0
Cost at 31 December	77.602	77.237
Revaluations at 1 January	10.091	7.474
Profit/loss for the year	2.930	13.406
Currency adjustments	2.248	-3.313
Transfer for setoff against receivables and other provisions at 1 January	-3.120	-10.596
Transfer for setoff against receivables and other provisions at 31 December	5.436	3.120
Disposals during the year	0	0
Value adjustments at 31 December	17.585	10.091
Impairment losses and amortization at 1 January	-3.324	-2.557
Amortization of goodwill	-767	-767
Impairment losses and amortization at 31 December	-4.091	-3.324
Carrying amount at 31 December	91.096	84.004

Investments in subsidiaries can be specified as follows:

Name	Registered office	Share capital	Voting rights and ownership
Novenco AS	Oslo, Norway	8.0 MNOK	100%
Novenco (S) Pte. Ltd.	608840, Singapore	0.2 MSGD	100%
Novenco Hi-Pres Air Handling Equipment (Wuxi) Co., Ltd.	Wuxi, China	3.0 MUSD	100%
Novenco (Shanghai) Commercial & Trading, Co., Ltd.	Shanghai, China	0.1 MUSD	100%
Novenco Marine & Offshore Italia S.r.l.	Trieste, Italy	0.1 MEUR	100%

All subsidiaries are recognised and measured as separate entities.

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Notes to the financial statements

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
17 Investment in associates				
Cost at 1 January	859	859	859	859
Cost at 31 December	859	859	859	859
Revaluations at 1 January	1.246	544	1.246	544
Profit/loss for the year	1.055	675	1.055	675
Dividend	-271	-166	-271	-166
Currency adjustment	109	159	109	159
Other adjustment	-38	34	-38	34
Value adjustments at 31 December	2.101	1.246	2.101	1.246
Carrying amount at 31 December	**2.960**	**2.105**	**2.960**	**2.105**

Investments in subsidiaries can be specified as follows:

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

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
18 Contract work in progress				
Work in progress at 31 December	1.311.628	1.413.633	638.300	768.419
Recognised profit	292.670	234.738	130.912	104.790
Work in progress at 31 December at selling price	1.604.298	1.648.371	769.212	873.209
Of which invoiced on account	-1.567.511	-1.626.234	-763.805	-872.413
Net value	**36.787**	**22.137**	**5.407**	**796**

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

Contract work in progress included under assets	76.475	95.521	27.345	38.627
Contract work in progress included under liabilities	-39.688	-73.384	-21.938	-37.831
Net value	**36.787**	**22.137**	**5.407**	**796**

20 Prepayments

Prepayments in Group and Parent company relates to IT licenses and leasing etc.

21 Share capital

The Company's share capital totals DKK 6 million divided into shares of DKK 1.00 each. No shares have special rights. The Company's share capital was increased by DKK 1 million on April 10, 2012.

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

Notes to the financial statements

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
22 Deferred tax				
Goodwill	-286	-122	-286	-122
Equipment	170	172	39	90
Capitalised development costs	-404	-217	-404	-217
Rights	752	53	752	53
Compensation agreement	90	452	90	452
General warranty provisions	4.019	4.208	2.979	3.560
Recognised profit on contract work in progress	-34.803	-42.992	-10.540	-13.311
Capitalised tax loss	10.939	18.803	2.499	4.406
Inventory	688	0	68	0
Trade receivables	609	132	0	0
Prepayments	-194	0	-194	0
Other adjustments	1.325	2.819	758	536
Deferred tax at 31 December	**-17.095**	**-16.692**	**-4.239**	**-4.553**

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

Deferred tax included under assets	1.183	1.564	0	0
Deferred tax included under equity and liabilities	-18.278	-18.256	-4.239	-4.553
Net value	**-17.095**	**-16.692**	**-4.239**	**-4.553**

Based on the financial outlook for the coming years, the management have considered it likely that the Group will realize sufficient total income in which present taxable losses and unused tax credits can be utilized.

23 Provisions for warranty commitments

Novenco Marine & Offshore A/S offers normal warranty commitments in connection with deliveries of goods and services.

Warranty provisions at 1 January	18.909	6.955	16.183	6.955
Provided during the year	15.585	27.598	9.772	20.743
Used during the year	-13.389	-12.996	-10.902	-8.867
Reversal	-1.512	-2.648	-1.512	-2.648
	19.593	18.909	13.541	16.183

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Notes to the financial statements

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
24 Contingencies and other liabilities				
The following binding agreements, falling due within 5 years, have been concluded:				
Rental obligations	13.013	18.622	1.400	2.237
Operating leases	6.578	7.003	912	1.955
Other supplier agreements	52	519	52	444
	19.643	26.144	2.364	4.636
Annual rent/lease payments amount to	6.803	16.555	78	6.411

Securities

Novenco Marine & Offshore A/S has provided customers guaranties of DKK 13 million on completed projects, contract work in progress and etc.

Of the cash and cash equivalent, DKK 4 million has been deposited as security for guarantees.

Novenco Marine & Offshore A/S has provided a letter of support to the subsidiary Novenco (S) Pe. Ltd.

Joint taxation

Novenco Marine & Offshore 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.

25 Related parties and ownership structure

Controlling interest
Novenco HAK ApS, Galoche Alle 16, DK-4600 Koege, Denmark as Principal shareholder

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

Novenco HAK ApS, Galoche Alle 16, DK-4600 Koege, Denmark

The ultimative owner with control is HiAir Korea Co., Ltd., 1321-11 Daman-Ri, Jinrye-myeon, Gumhae-city, Gyeongnam, South Korea

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

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

Notes to the financial statements

25 Related parties and ownership structure (continued)

Transactions with related parties

DKK'000	Consolidated 2016	Consolidated 2015	Parent 2016	Parent 2015
Consolidated				
Sale of goods and services to Group companies	153	5.169	4.558	50.258
Sale of goods and services to associated companies	1.402	500	1.402	500
Purchase of goods and services from Group companies and shareholders	14.798	11.778	149.368	180.689
Purchase of goods and services from associated company	3.819	3.672	3.819	3.672
Interest income from Group companies	95	599	249	1.056
Interest expense to Group companies	0	0	0	-9
Receivables from Group companies	3.556	34.090	51.545	71.221
Receivables from associated company	104	0	104	0
Payables to Group companies	5.468	0	62.718	49.488
Payables to associated company	0	190	0	190

26 Proposed profit appropriation/distribution of loss

	Parent 2016	Parent 2015
Net revaluation reserve according to the equity method	3.218	13.314
Profit and loss account	5.312	18.045
	8.530	31.359

27 Adjustments, cash flow statement

	Consolidated 2016	Consolidated 2015
Depreciation for accounting purposes on property, plant and equipment	2.236	3.415
Amortization for accounting purposes on intangible assets	5.999	3.340
Gain/loss on disposal of property, plant and equipment	42	0
Financial income and expenses	373	-8.954
Share of profit/loss in associates after tax	-1.055	-675
Change in provisions	-1.578	16.391
Other adjustments	3.364	-4.818
	9.381	8.699

28 Changes in working capital, cash flow statement

	Consolidated 2016	Consolidated 2015
Change in receivables	46.984	10.054
Change in inventories and contract work in progress	-9.378	2.739
Change in trade and other payables, etc.	-55.770	-47.502
	-18.164	-34.709