Novenco Marine & Offshore A/S

Galoche Allé 16, 4600 Koege, Denmark
CVR no. 33 78 56 82

Annual report 2017

Approved at the Company's annual general meeting on 23/2 2018

Chairman:

....
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 2017.

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 2017 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 2017.

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 23, 2018

Executive Board:

Lasse L. Nielsen

Board of Directors:

Keun Bae Kim *Chairman*	Choon Sung Lee *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 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditors' report (continued)

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Independent auditors' report (continued)

Independent auditor's report

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, February 23, 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Gath
State Authorised
Public Accountant
MNE no. 19718

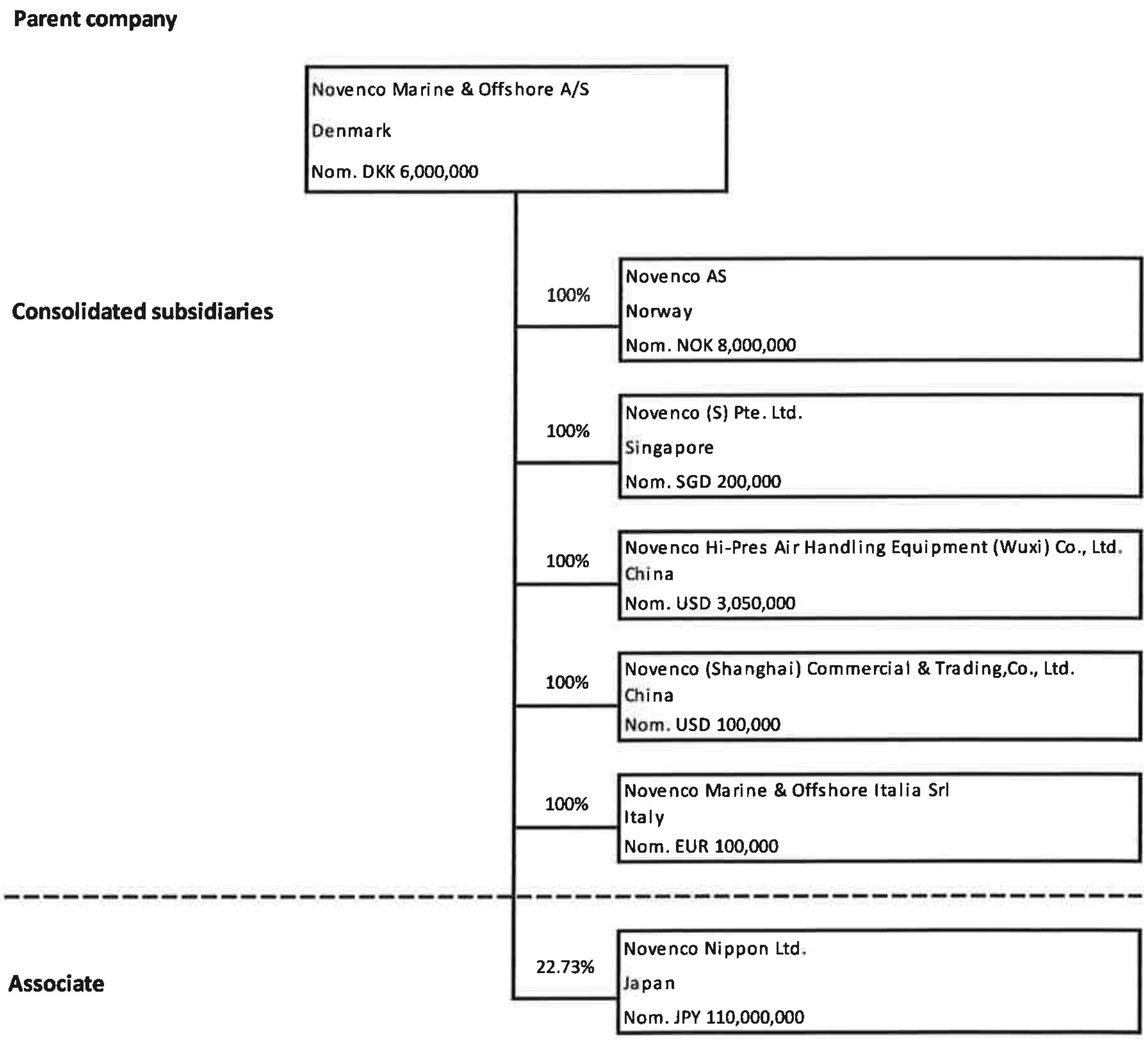
Management's review

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 (7th 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	Keun Bae Kim, *Chairman* Choon Sung Lee, *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	2017	2016	2015	2014	2013
Key figures					
Revenue	358.472	512.781	882.751	807.073	541.794
Profit/loss on ordinary operating activities	-973	11.174	30.566	15.496	-24.448
Profit/loss before net financials	3.649	11.174	30.928	16.933	-30.080
Net financials	-292	682	9.629	1.192	-2.778
Profit/loss for the year	2.437	8.530	31.359	10.891	-30.174
Total assets	235.791	302.733	376.324	437.918	341.454
Investment in development projects	2.777	264	264	0	1.502
Investment in property, plant and equipment	580	3.737	3.737	3.737	1.500
Equity	**55.018**	**57.582**	**47.228**	**18.991**	**7.740**
Cash flows					
Cash flows from					
- operating activities	3.256	1.769	17.751	47.899	-5.571
- investing activities	-3.357	-2.652	-7.593	-3.631	-1.606
- financing activities	-15.962	5.171	-71.552	21.318	22.875
Net cash flow for the year	-16.063	4.288	-61.394	65.586	15.698
Financial ratios					
Gross margin	18,4	19,5	15,5	14,0	11,7
Operating margin	1,0	2,2	3,5	2,1	-5,6
Return on capital employed	1,5	3,7	8,2	3,9	-8,8
Equity ratio	23,3	19,0	12,5	4,3	2,3
Return on equity	4,3	16,3	94,7	81,5	-181,3
Average number of full-time employees	210	260	392	417	342

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 $$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$$

Management's review

The Annual Report of Novenco Marine & Offshore A/S for 2017 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 70 years of experience within the ventilation industry.

Development in activities and financial issues during the year

As already preannounced the Marine & Offshore market has in 2017 been even more challenging and weak compared to 2016 with a major decline in activity level. The amount of potential orders have also in 2017 decreased and already given orders have been set on-hold, postponed or even cancelled primarily caused by the still low oil price and the overcapacity in the ship market.

Novenco Marine & Offshore has in 2017 realized an order intake of DKK 365 million, which corresponds to a decline from 2016 of DKK 66 million or 15 % related to both the Offshore and the Marine business. Within the Marine business, an improved order intake performance within Cruise & Ferries have compensated by lower order intake within especially Special Vessels and Merchant.

As expected, the revenue in 2017 has declined by DKK 154 million from 2016 or 30 % to DKK 358 million. The decline in revenue relates primarily to Marine business and especially to Special Vessels and Merchant.

Compared to the all-time high revenue in 2015, the revenue in 2017 has dropped by DKK million 524. Based on the already then foreseen drop in the Marine and Offshore market, major restructuring and down-sizing initiatives were initiated in 2015 and 2016, which has lowered the break-even revenue with more than DKK 500 million.

Strong execution on projects and a positive product mix drive an increase in Gross Margin of 1.8 %-point to 21.2 % in 2017. However, a bad debt loss related to bankruptcy of a Spanish customer impact the Gross Profit negatively by DKK 10 million lowering the Gross Margin to 18.5 % or DKK 66 million compared to DKK 100 million in 2016.

The distribution and administrative costs of total DKK 67 million have decreased by DKK 21 million or 24 % primarily related to the positive full-year impact from the previous initiated restructuring and downsizing activities.

The size of the organization have been stabile during 2017 and in line with the activity level both sales wise and production/project execution wise. Average number of full-time employees has in 2017 dropped by 50 employees or 19 % to 210 employees primarily related to the initiatives round downsizing the organization initiated and executed in 2016. At the end of 2017, the Group employee's shows 210 head counts compared to 218 head counts at the end of 2016.

The savings in distribution and administrative costs of DKK 21 million partly compensate the decrease in Gross Profit of DKK 34 million primarily related to the significant decrease in revenue, which overall corresponds a drop in Profit on ordinary operating activities of DKK 12 million to a loss of DKK 1 million in 2017. The Profit on ordinary operating activities was in 2016 impacted negatively by restructuring costs of net DKK 10 million.

The organization within the business division Special Vessels have been reestablished in 2016 and 2017 caused by a competitor's unjustified recruitment of Novenco personnel in 2016. A compensation of DKK 5 million have been received in 2017 based on mutual settlement. The compensation is recognized as Other operating income.

Management's review

Development in activities and financial issues during the year (continued)

Profit for the year before tax is realized at DKK 2,4 million compared to DKK 11,9 million in 2016. The announced financial outlook for 2017 amounted to a profit before tax of DKK 5-10 million. The management consider the realized result of DKK 3 million before tax as not to be satisfactory – but taken the bad debt loss of DKK 10 million into consideration the realized result is considered acceptable.

The profit after tax amounts to DKK 3 million, which has been proposed transferred to the equity.

Balance sheet development

The Group's balance sheet has in 2017 – as in 2016 - decreased by DKK 68 million or 22 % to DKK 235 million at the end of 2017. The major decrease relates also in 2017 to the significant lower activity level in the Group.

Trade receivables amounts at the end of 2017 has decreased by DKK 33 million to DKK 71 million or 20 % of the revenue in 2017 compared to DKK 105 million and 20 % respectively in 2016. In the same period, trade payables and other payables of total DKK 108 million at the end of 2017 has decreased by DKK 50 million - all primarily related to the lower activity level.

The net value of "Contract work in progress" amounts to DKK 11 million at the end of 2017 compared to DKK 37 million at the end of 2016. The decline of DKK 26 million relates to both a decrease within "Unbilled revenue to customers" due to a lower activity level in general and to a decrease within "Advanced invoicing to customers" due to finalizing of specific projects.

The Group´s provisions for "Warranty commitments" amount to DKK 20 million at the end of 2017, which is unchanged from at the end of 2016. The provisions are regarded as adequate.

The Group´s and parent company´s equity has in 2017 dropped by DKK 2 million to DKK 55 million at the end of 2017 despite the profit for the year. The equity is negatively impacted by currency losses of DKK 5 million related to especially the weaker currency NOK. However the equity ratio has in 2017 increased by 4.5 %-point to 23.5 % at the end of 2017 due to the lowered balance sheet.

Investments

Investments amounts to DKK 5 million and relate to two specific development projects.

Cash flow development

Cash flow from operations and investments activities (free cash flow) amounts in 2017 to DKK (0) million compared to DKK (1) million in 2016.

In 2017, cash flow from operations before changes in working capital of DKK adjusted for items with no impact on cash and cash equivalents amounts to DKK 10 million compared to DKK 17 million in 2016. The decline primarily relates to the lower profit for the year.

The working capital adjusted for items with no impact on cash and cash equivalents has in 2017 increased by DKK 7 million primarily related to lower trade payables due to lower activity level, which only partly have been compensated by lower receivables and lower contract work in progress. The working capital increased in 2016 by DKK 15 million.

Beside the impact from cash from operating activities of DKK 3 million, the free cash flow is impacted by cash flow from investment in development costs and equipment etc. of net DKK (3) million.

Cash flow from financing amounts to DKK (16) million in 2017 driven by higher receivables by the parent company Novenco HAK ApS compared to DKK 5 million in 2016.

Management's review

Cash flow development (continued)

Cash and cash equivalents amounts to DKK 51 million at the end of 2017 compared to DKK 67 million at the end of 2016.

Objectives, outlook and financial resources

As expected, the Group´s backlog at the end of 2017 is unchanged from the end of 2016, however with a lower estimated Gross Margin due to the market conditions.

The Group is fully focused on improving the sales and execution competences within especially business areas with shorter execution profiles and higher margins.

Based on execution of the existing volume of orders, on achieving benefits from improved sales and execution competences and on the market outlook, the Group expects a profit before tax of round DKK 3 - 5 million for the year 2018, which also is expressed in the budget for 2018. The management considers the financial resources to be adequate to carry out the plans and activities budgeted for 2018. However, it must be pointed out that the market situation is still foreseen to be challenging in the coming years despite the increase in the oil price.

The owner Novenco HAK ApS has mediated the Group with overdraft facilities to support the activities.

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 2017 was DKK 51 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 through either bank guarantees, letter of credits or an ongoing credit rating of the customer.

Ownership structure

At 31 December 2017, 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 for 2017 the Board of Directors consist of Keun Bae Kim as Chairman, Choon Sung Lee as Deputy Chairman and Lasse L. Nielsen as Board Member.

The Executive Board consist of Lasse L. Nielsen

Corporate Social responsibility

Novenco Marine & Offshore A/S, which is globally operating in areas with different cultures, moral concepts, social conditions and behavioural 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 organisation has evaluated the health and safety of the employees on a regular basis during 2017. The objective is zero accidents. However, there has been one work related accident at the Chinese factory in 2017 compared to one accident in 2016.

In 2017 Novenco Marine & Offshore A/S has continued focusing on the psychological well-being of the employees.

Climate and environment

Novenco Marine & Offshore A/S's policy is to makes a continuous, targeted effort to reduce its impact to be as minimal as possible on the climate and environment, where the objective is to reduce the consumption of energy, and to minimize the environmental footprint of waste. 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. In 2017 the electricity consumption per revenue DKK has reduced with 15 percent compared with 2016 mainly due to specific investment in low energy light sources.

To secure the reduction of the impact on the environment Chinese factory is sorting all waste to secure proper treatment and recycling.

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.

As the main impacts on human rights, environment and climate considers to be at the Chinese factory, the focus of this responsibility lies naturally here.

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 3 members of the Board are male. The Company aims to meet the target of 25 % female members on the Board of Directors in 2019 at the latest. No new Board members have been elected in 2017.

The Company has implemented 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 policy is to increase the ratio of female managers at all levels based on an evaluation of the practical achievable within the specific industry and by other comparable companies. The Company has a current ratio of 31% of female representatives in other managerial positions. In order to meet the target, the Company during the year looked to achieve that at least one from each sex are among the last three candidates to management positions, promotions etc. However, the share of female managers at the end of 2017 is all in all unchanged from 2016 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

		Consolidated		Parent Company	
Note	**DKK'000**	**2017**	**2016**	**2017**	**2016**
4	Revenue	358.472	512.781	197.995	302.913
5,6	Production costs	-292.653	-412.910	-162.187	-264.698
	Gross profit/loss	65.819	99.871	35.808	38.215
5,6	Distribution costs	-29.207	-39.366	-10.380	-14.473
5,6,7	Administrative cost	-37.585	-49.331	-12.479	-16.522
	Profit/loss on ordinary operating activities	-973	11.174	12.949	7.220
8	Other operating income	4.622	0	0	0
	Profit/loss before net financials	3.649	11.174	12.949	7.220
9	Share of profit/loss in subsidiaries after tax	0	0	-7.048	2.163
10	Share of profit/loss in associates after tax	437	1.055	437	1.055
11	Financial income	2.246	2.069	400	664
12	Financial expenses	-2.975	-2.442	-1.358	-813
	Profit/loss before tax	3.357	11.856	5.380	10.289
13	Tax on profit/loss for the year	-920	-3.326	-2.943	-1.759
	Profit/loss for the year	2.437	8.530	2.437	8.530

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

Balance sheet

		Consolidated		Parent Company	
Note	**DKK'000**	**2017**	**2016**	**2017**	**2016**
	ASSETS				
	Non-current assets				
14	**Intangible assets**				
	Completed development projects	135	284	135	284
	Development projects in progress	4.597	1.820	3.122	1.820
	Goodwill	15.982	17.151	5.493	5.894
		20.714	19.255	8.750	7.998
15	**Property, plant and equipment**				
	Plant and machinery	870	1.052	0	0
	Other fixtures and fittings, tools and equipment	1.574	2.414	400	854
	Leasehold improvements	1.226	1.616	0	0
		3.670	5.082	400	854
	Other non-current assets				
16	Investments in subsidiaries	0	0	65.744	91.096
17	Investments in associates	2.835	2.960	2.835	2.960
		2.835	2.960	68.579	94.056
	Total non-current assets	27.219	27.297	77.729	102.908
	Current assets				
	Inventories				
	Raw materials and consumables	2.627	3.591	0	0
	Work in progress	687	1.268	0	0
	Finished goods and goods for resale	5.861	5.714	900	990
		9.175	10.573	900	990
	Receivables				
	Trade receivables	71.777	104.647	33.213	49.902
18	Contract work in progress	43.847	76.475	23.233	27.345
	Receivables from Group companies	15.655	3.556	47.084	51.545
	Receivables from associated company	407	104	407	104
22	Deferred tax asset	2.519	1.183	0	0
	Deposits	425	430	337	397
	Other receivables	9.983	7.009	2.155	2.305
20	Prepayments	3.557	4.169	1.033	1.104
		148.170	197.573	107.462	132.702
	Cash and cash equivalents	51.227	67.290	10.166	15.673
	Total current assets	208.572	275.436	118.528	149.365
	TOTAL ASSETS	235.791	302.733	196.257	252.273

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

Balance sheet

Note	DKK'000	Consolidated 2017	Consolidated 2016	Parent Company 2017	Parent Company 2016
	EQUITY AND LIABILITIES				
	Equity				
21	Share capital	6.000	6.000	6.000	6.000
	Net revaluation reserve according to the equity method	0	4.384	0	10.416
	Reserve for development cost	4.333	1.556	2.859	1.556
	Profit and loss account	44.685	45.642	46.159	39.610
		55.018	57.582	55.018	57.582
	Non-current liabilities				
22	Deferred tax	11.600	18.278	3.514	4.239
23	Warranty commitments	19.770	19.593	13.371	13.541
	Other provisions	0	0	2.514	4.437
		31.370	37.871	19.399	22.217
	Current liabilities				
	Other provisions	0	2.701	0	2.210
18	Contract work in progress	32.702	39.688	25.927	21.938
	Trade payables	80.910	123.941	53.850	73.762
	Payables to Group companies	1.352	5.468	29.367	62.718
	Payables to associated company	0	0	0	0
	Corporate taxation payable	7.108	2.147	3.454	645
	Other payables	27.331	33.335	9.242	11.201
		149.403	207.280	121.840	172.474
	Total current liabilities	149.403	207.280	121.840	172.474
	TOTAL EQUITY AND LIABILITES	235.791	302.733	196.257	252.273

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

Statement of changes in equity

Note	DKK'000	Consolidated: Share capital	Net revaluation reserve according to the equity method	Reserve for development cost	Profit and loss account	Total
	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
17	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 1 January 2017	**6.000**	**4.384**	**1.556**	**45.642**	**57.582**
	Transfer of "Profit/Loss for the year"	0	437	0	2.000	2.437
	Foreign currency translation adjustment relating to foreign group companies	0	-4.958	0	0	-4.958
17	Dividend	0	-253	0	253	0
	Capitalized development cost	0	0	2.777	-2.777	0
	Other adjustments	0	390	0	-433	-43
	Equity at 31 December 2017	**6.000**	**0**	**4.333**	**44.685**	**55.018**

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

Statement of changes in equity (continued)

		Parent company				
	DKK'000	**Share capital**	**Net revaluation reserve according to the equity method**	**Reserve for development cost**	**Profit and loss account**	**Total**
Note	**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
	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
17	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 1 January 2017	**6.000**	**10.416**	**1.556**	**39.610**	**57.582**
26	Transfer from "Profit appropriation/distribution of loss"	0	-6.611	0	9.048	2.437
	Foreign currency translation adjustment relating to foreign group companies	0	-4.958	0	0	-4.958
17	Dividend	0	-12.180	0	12.180	0
	Capitalized development cost	0	0	1.303	-1.303	0
	Other adjustments	0	13.333	0	-13.376	-43
	Equity at 31 December 2017	**6.000**	**0**	**2.859**	**46.159**	**55.018**

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

Cash flow statement

Note	DKK'000	Consolidated 2017	Consolidated 2016
	Profit/loss for the year before tax	3.357	11.856
27	Adjustments	-4.773	9.381
28	Changes in working capital	8.215	-18.164
	Cash flows from operations (operating activities before financial income and expenses)	**6.799**	**3.073**
	Financial income and expenses	-729	-373
	Cash flows from operations (operating activities)	**6.070**	**2.700**
	Corporation tax paid	-2.814	-931
	Cash flows from operating activities	**3.256**	**1.769**
	Acquisition of property, plant and equipment	-580	-1.117
	Disposal of property, plant and equipment	0	21
	Acquisition of intangible assets	-2.777	-1.556
	Cash flows from investing activities	**-3.357**	**-2.652**
	Net cash flows from operating and investing activities	**-101**	**-883**
	Dividend, investments (net excl. tax)	253	271
	Repayment of bank debt	0	-46.803
	Tax free contribution from parent company	0	46.710
	Change in receivables/debt Group companies	-16.215	4.993
	Cash flows from financing activities	**-15.962**	**5.171**
	Net cash flows for the year	**-16.063**	**4.288**
	Cash and cash equivalents in merged company January 1 2016	0	27.011
	Cash and cash equivalents at 1 January	67.290	35.991
	Cash and cash equivalents at 31 December	**51.227**	**67.290**

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.

The accounting policies are unchanged compared with last year.

The Annual Report for 2017 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 og 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 2017

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

	Consolidated		Parent company	
DKK'000	**2017**	**2016**	**2017**	**2016**
Cost				
Impairment, development costs	0	3.112	0	3.112
Relocation costs, head office	0	2.405	0	2.405
Lay off and severance costs	0	650	0	650
Closing down factory including transfer costs and write offs	0	3.871	0	0
Compensation for competiors unjustified recruitment	4.622	0	0	0
Write off due to bankruptcy of Spanish customer	10.000	0	10.000	0
	14.622	10.038	10.000	6.167
Charged to the income statement as follows:				
Production costs	10.000	7.464	10.000	3.593
Distribution costs	0	1.443	0	1.443
Administrative cost	0	1.131	0	1.131
Other operating income	4.622	0	0	0
Result of special items, net	14.622	10.038	10.000	6.167

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

Notes to the financial statements

	Consolidated		Parent company	
DKK'000	2017	2016	2017	2016
4 Revenue				
Business areas				
Marine	241.447	381.351	194.072	297.257
Offshore	117.025	131.430	3.923	5.656
	358.472	512.781	197.995	302.913

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

	2017	2016	2017	2016
Geographical areas				
Asia	196.829	301.517	115.357	200.176
Europe	135.882	182.286	60.263	81.653
North and South America	22.852	26.502	19.488	18.608
Other	2.909	2.476	2.887	2.476
	358.472	512.781	197.995	302.913

	2017	2016	2017	2016
5 Depreciation, amortization and impairment losses of intangible and tangible assets				
Intangible assets	1.318	5.999	551	5.230
Tangible assets	1.736	2.236	389	569
	3.054	8.235	940	5.799
Charged to the income statement as follows:				
Production costs	614	5.316	149	4.829
Administrative cost	2.440	2.919	791	970
	3.054	8.235	940	5.799
6 Employees				
Wages and salaries	94.769	125.858	34.842	53.438
Pensions	7.803	9.144	1.336	2.643
Other social security costs	4.233	4.644	436	658
	106.805	139.646	36.614	56.739
Charged to the income statement as follows:				
Production costs	53.265	76.400	23.125	36.288
Distribution costs	26.177	30.276	5.588	8.253
Administrative cost	27.363	32.970	7.901	12.198
	106.805	139.646	36.614	56.739
Average number of full-time employees	210	260	24	60
Head count at 31 December	210	218	24	26

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 2017	Consolidated 2016	Parent company 2017	Parent company 2016
7 Remuneration for auditors elected by the annual general meeting				
Auditors	437	551	206	200
Tax consultancy	333	405	32	275
Non-audit services	67	57	59	39
	837	1.013	297	514
Hereof to other auditors	116	71		
8 Other operating income				
Other operating income	4.622	0	0	0
	4.622	0	0	0
9 Share of profit/loss in subsidiaries after tax				
Profit/loss in subsidiaries after tax	0	0	-6.281	2.930
Amortization of Group goodwill	0	0	-767	-767
	0	0	-7.048	2.163
10 Share of profit/loss in associates after tax				
Share of profit/loss in associates after tax	437	1.055	437	1.055
	437	1.055	437	1.055
11 Financial income				
Interest income relating to Group companies	237	95	388	249
Exchange rate adjustment	0	413	0	413
Other financial income	2.009	1.561	12	2
	2.246	2.069	400	664
12 Financial expenses				
Interest expenses relating to Group companies	0	0	0	0
Exchange rate adjustment	740	0	0	0
Other financial expenses	2.235	2.442	1.358	813
	2.975	2.442	1.358	813
13 Tax on profit/loss for the year				
Current tax for the year	6.859	2.044	3.454	821
Adjustment regarding previous years	243	55	176	55
Deferred tax for the year	-5.939	1.804	-795	742
Adjustment regarding change in tax rate	-351	-718	0	0
Other taxes	108	141	108	141
Total tax for the year	920	3.326	2.943	1.759

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 2017	8.594	1.820	23.386	33.800
Additions during the year	0	2.777	0	2.777
Disposals during the year	0	0	0	0
Cost at 31 December 2017	**8.594**	**4.597**	**23.386**	**36.577**
Impairment losses and amortization at 1 January 2017	-8.310	0	-6.235	-14.545
Amortization for the year	-149	0	-1.169	-1.318
Disposals during the year	0	0	0	0
Impairment losses and amortization at 31 December 2017	**-8.459**	**0**	**-7.404**	**-15.863**
Carrying amount at 31 December 2017	**135**	**4.597**	**15.982**	**20.714**
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	Parent company Completed development projects	 Development projects in progress	 Group goodwill	 Total
Cost at 1 January 2017	8.594	1.820	8.038	18.452
Additions during the year	0	1.303	0	1.303
Disposals during the year	0	0	0	0
Cost at 31 December 2017	**8.594**	**3.123**	**8.038**	**19.755**
Impairment losses and amortization at 1 January 2017	-8.310	0	-2.144	-10.454
Amortization for the year	-149	0	-402	-551
Disposals during the year	0	0	0	0
Impairment losses and amortization at 31 December 2017	**-8.459**	**0**	**-2.546**	**-11.005**
Carrying amount at 31 December 2017	**135**	**3.123**	**5.492**	**8.750**
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 and new ERP.

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 and external cost.

The carrying amount 31 December 2017 is DKK 4,6 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 there is no need for impairment adjustment.

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 2017	2.113	12.446	3.738	18.297
Translation adjustment at year-end rate	-128	-681	-228	-1.037
Additions during the year	90	430	60	580
Disposals during the year	0	-1.089	0	-1.089
Cost at 31 December 2017	**2.075**	**11.106**	**3.570**	**16.751**
Impairment losses and depreciation at 1 January 2017	-1.061	-10.032	-2.122	-13.215
Translation adjustment at year-end rate	67	648	136	851
Depreciation for the year	-211	-1.167	-358	-1.736
Disposals during the year	0	1.019	0	1.019
Impairment losses and depreciation at 31 December 2017	**-1.205**	**-9.532**	**-2.344**	**-13.081**
Carrying amount at 31 December 2017	**870**	**1.574**	**1.226**	**3.670**
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 2017	0	1.929	0	1.929
Additions during the year	0	0	0	0
Disposals during the year	0	-133	0	-133
Cost at 31 December 2017	**0**	**1.796**	**0**	**1.796**
Impairment losses and depreciation at 1 January 2017	0	-1.075	0	-1.075
Depreciation for the year	0	-389	0	-389
Disposals during the year	0	68	0	68
Impairment losses and depreciation at 31 December 2017	**0**	**-1.396**	**0**	**-1.396**
Carrying amount at 31 December 2017	**0**	**400**	**0**	**400**
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 2017	Parent company 2016
16 Investments in subsidiaries		
Cost at 1 January	77.602	77.237
Adjustment	0	365
Cost at 31 December	77.602	77.602
Revaluations at 1 January	17.585	10.091
Profit/loss for the year	-6.281	2.930
Dividend	-11.927	0
Currency adjustments	-4.695	2.248
Transfer for setoff against receivables and other provisions at 1 January	-5.436	-3.120
Transfer for setoff against receivables and other provisions at 31 December	3.754	5.436
Disposals during the year	0	0
Value adjustments at 31 December	-7.000	17.585
Impairment losses and amortization at 1 January	-4.091	-3.324
Amortization of goodwill	-767	-767
Impairment losses and amortization at 31 December	-4.858	-4.091
Carrying amount at 31 December	**65.744**	**91.096**

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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DKK'000	Consolidated 2017	Consolidated 2016	Parent company 2017	Parent company 2016
17 Investment in associates				
Cost at 1 January	859	859	859	859
Cost at 31 December	859	859	859	859
Revaluations at 1 January	2.101	1.246	2.101	1.246
Profit/loss for the year	437	1.055	437	1.055
Dividend	-253	-271	-253	-271
Currency adjustment	-266	109	-266	109
Other adjustment	-41	-38	-41	-38
Value adjustments at 31 December	1.978	2.101	1.978	2.101
Carrying amount at 31 December	**2.837**	**2.960**	**2.837**	**2.960**

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 2017	Consolidated 2016	Parent company 2017	Parent company 2016
18 Contract work in progress				
Work in progress at 31 December	902.619	1.311.628	696.944	638.300
Recognised profit	152.580	292.670	110.498	130.912
Work in progress at 31 December at selling price	1.055.199	1.604.298	807.442	769.212
Of which invoiced on account	-1.044.054	-1.567.511	-810.136	-763.805
Net value	**11.145**	**36.787**	**-2.694**	**5.407**

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

Contract work in progress included under assets	43.847	76.475	23.233	27.345
Contract work in progress included under liabilities	-32.702	-39.688	-25.927	-21.938
Net value	**11.145**	**36.787**	**-2.694**	**5.407**

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 has been no changes in the share capital in the last 5 years.

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Notes to the financial statements

	Consolidated		Parent company	
DKK'000	**2017**	**2016**	**2017**	**2016**
22 Deferred tax				
Goodwill	-451	-286	-451	-286
Equipment	214	170	82	39
Capitalised development costs	-659	-404	-659	-404
Rights	602	752	602	752
Compensation agreement	0	90	0	90
General warranty provisions	4.234	4.019	2.942	2.979
Recognised profit on contract work in progress	-15.708	-34.803	-6.122	-10.540
Capitalised tax loss	1.276	10.939	0	2.499
Inventory	500	688	0	68
Trade receivables	530	609	0	0
Prepayments	-216	-194	-216	-194
Other adjustments	597	1.325	308	758
Deferred tax at 31 December	**-9.081**	**-17.095**	**-3.514**	**-4.239**

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

Deferred tax included under assets	2.519	1.183	0	0
Deferred tax included under equity and liabilities	-11.600	-18.278	-3.514	-4.239
Net value	**-9.081**	**-17.095**	**-3.514**	**-4.239**

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	19.593	18.909	13.541	16.183
Provided during the year	12.117	15.585	8.637	9.772
Used during the year	-6.960	-13.389	-4.378	-10.902
Reversal	-4.980	-1.512	-4.427	-1.512
	19.770	19.593	13.373	13.541

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

Notes to the financial statements

DKK'000	Consolidated 2017	Consolidated 2016	Parent company 2017	Parent company 2016
24 Contingencies and other liabilities				
The following binding agreements, falling due within 5 years, have been concluded:				
Rental obligations	10.321	13.013	800	1.400
Operating leases	1.392	6.578	425	912
Other supplier agreements	41	52	41	52
	11.754	19.643	1.266	2.364
Annual rent/lease payments amount to	8.799	6.803	815	935

Securities

Novenco Marine & Offshore A/S has provided customers guaranties of DKK 4 million on completed projects, contract work in progress and etc.

Of the cash and cash equivalent, DKK 1,5 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 2017	Consolidated 2016	Parent 2017	Parent 2016
Consolidated				
Sale of goods and services to Group companies	6.081	153	20.364	4.558
Sale of goods and services to associated companies	0	1.402	0	1.402
Purchase of goods and services from Group companies and shareholders	19.588	14.798	72.888	149.368
Purchase of goods and services from associated company	2.110	3.819	2.110	3.819
Interest income from Group companies	237	95	388	249
Interest expense to Group companies	0	0	0	0
Receivables from Group companies	15.655	3.556	47.084	51.545
Receivables from associated company	407	104	407	104
Payables to Group companies	1.352	5.468	29.367	62.718

26 Proposed profit appropriation/distribution of loss

	Parent 2017	Parent 2016
Net revaluation reserve according to the equity method	-6.611	3.218
Profit and loss account	9.048	5.312
	2.437	8.530

27 Adjustments, cash flow statement

	Consolidated 2017	Consolidated 2016
Depreciation for accounting purposes on property, plant and equipment	1.736	2.236
Amortization for accounting purposes on intangible assets	1.318	5.999
Gain/loss on disposal of property, plant and equipment	70	42
Financial income and expenses	729	373
Share of profit/loss in associates after tax	-437	-1.055
Change in provisions	-2.524	-1.578
Other adjustments	-5.665	3.364
	-4.773	9.381

28 Changes in working capital, cash flow statement

	Consolidated 2017	Consolidated 2016
Change in receivables	30.210	46.984
Change in inventories and contract work in progress	27.040	-9.378
Change in trade and other payables, etc.	-49.035	-55.770
	8.215	-18.164