Novenco Hak ApS

Galoche Alle 16, 4600 Køge, Denmark

CVR no. 35 25 27 38

Annual report 2020

Approved at the Company's annual general meeting on 17 March 2021

Chair of the meeting:

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Lasse Lindberg Nielsen

Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Novenco Hak ApS for the financial year 1 January - 31 December 2020.

The annual report is 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 Company at 31 December 2020 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2020.

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.

Køge, 16 March 2021
Executive Board:

Thomas Jarl Dywremose

Board of Directors:

Keun Bae Kim Chair	Choon Sung Lee

Independent auditor's report

To the shareholders of Novenco Hak ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Novenco Hak ApS for the financial year 1 January - 31 December 2020, 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 2020, 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 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent Company financial statements" (herinafter 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Emphasis of matter in the financial statements

Without modifying our opinion, we draw attention to the fact that the Company has lost more than half of the share capital and that the equity is negative. We draw attention to note 2 in the financial statements in which Management gives an account of the matter.

We have not modified our opinion in respect of this matter.

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.

Independent auditor's report

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 the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

Independent auditor's report

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.

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, 16 March 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Gath	Allan Nørgaard
State Authorised Public Accountant	State Authorised Public Accountant
mne19718	mne35501

Management's review

Company details

Name	Novenco Hak ApS
Address, Postal code, City	Galoche Alle 16, 4600 Køge, Denmark
CVR no.	35 25 27 38
Established	29 May 2013
Registered office	Køge
Financial year	1 January - 31 December
Board of Directors	Keun Bae Kim, Chairman Choon Sung Lee
Executive Board	Thomas Jarl Dywremose
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights for the Group

DKK'000	2020	2019	2018	2017	2016
Key figures					
Revenue	435,157	433,083	353,147	358,472	512,781
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	11,394	-27,719	36	6,623	11,113
Net financials	-2,482	17	-860	-1,039	-85
Profit/loss for the year	4,730	-36,871	-2,765	2,310	7,868
Total assets	217,377	226,615	248,357	225,877	299,998
Equity	-32,977	-35,767	1,037	5,067	7,758
Cash flows from operating activities	27,406	18,405	-12,414	2,860	921
Net cash flows from investing activities	-4,111	-3,414	-3,243	-3,357	-2,652
Amount relating to investments in property, plant and equipment	-274	-3,535	-981	0	1,117
Cash flows from financing activities	-15	-23	27	-10,910	5,973
Total cash flows	23,280	14,968	-15,630	-11,407	4,242
Financial ratios					
Gross margin	14.5%	13.8%	19.3%	18.4%	19.5%
Equity ratio	-15.2%	-15.8%	0.4%	2.2%	2.6%
Return on equity	-13.8%	212.3%	-90.6%	36.0%	312.1%
Operating margin	2.3%	-9.2%	-0.2%	1.0%	0.2%
Average number of employees	207	244	227	210	260

For terms and definitions, please see the accounting policies.

Management's review

Business review

The purpose of Novenco HAK ApS is to own companies, directly or indirectly owned, within production, sales or services of ventilation products and systems for marine and offshore purposes.

Development during the year

Net profit for the year amounts to MDKK 4,7 compared to a deficit of MDKK 36,9 in 2019. Management considers this to be not satisfactory. The equity by December 31st 2020 amounts to MDKK -33,0.

Financing

The owner of Novenco HAK ApS has mediated the Group with overdraft facilities to support the activities. Further the owner has issued a support letter, reference note 2.

Investments

There has been no major investment during 2020.

Risks

General risks

The general risks are tied to the global world economy as the Group has activities in large parts of the world. Current and expected oil price has impact on activities and investments within Offshore in particular. However, the Group's exposure to offshore is reducing as the Group increase focus on other segments.

Financial risks

Currency risks

The group reduce the currency exposure by placing as much purchase as possible against contract currency.

Interest related risks

Due to the composition of financing the company is exposed to interest rate fluctuations. Interest bearing liabilities at December 31st 2020 amounts to MDKK 40.

Credit risks

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

Research and development activities

The company has no research or development activities

Statutory CSR report

As the only purpose of Novenco HAK ApS is to own companies, hereof Novenco Marine & Offshore A/S, the parent company does not have separate risks and policies related to corporate responsibility. The main risks related to Novenco HAK ApS are in the operations of the subsidiary Novenco Marine & Offshore A/S. Below Novenco Marine & Offshore A/S' Statutory CSR report is inserted:

The Group, 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

he Group regards employee safety for our employees in the factory in China to be the risk to consider. The Group's global CSR policy ensures protection of internationally proclaimed human rights including employee safety. The Group consider its effort to meet local laws and regulations in the CSR area to be sufficient to eliminate any risks in this area.

Management's review

The Group has a dedicated health and safety organization, which through a proactive and risk- based approach ensures to bring down number of work-related accidents. The organization has evaluated the health and safety of the employees on a regular basis during 2020. The objective is zero accidents. This objective was met during 2020.

In all sites there has been taken precautions to handle COVID-19 to the extent possible. Temperature screening at entrance has been established as well as disinfectant has been made available and mandatory to use for all employees. Further distance between workspaces has at all times been minimum according to recommendations or directions from local authorities. At all times precautions have been immediately adjusted to new enforced recommendations or directions.

Also, in the shadow of COVID-19 the Group during 2020 has continued focusing on the psychological well-being of the employees. The Group hire employees according to local laws and regulations. No child labor is permitted anywhere in the organization as the Group do not allow gender discrimination.

Climate and Environment

The Group's policy is to make a continuous, targeted effort to reduce its impact on the climate and environment. The objective is to reduce the consumption of energy, and to minimize the environmental footprint of waste.

For 2019 the consumption of electricity in the Chinese factory per revenue DKK has reduced with 17% compared to 2018. Initiatives started in 2017 was fully implemented towards the end of 2018 which mean that in 2020 the consumption is at same level as 2019.

To secure the reduction of the impact on the environment Chinese factory is sorting all waste to secure proper treatment and recycling. Further there are increased focus on utilizing recyclable parts in the design phase.

Novenco Marine & Offshore A/S' subsidiaries all comply with local legislation concerning health, safety and the environment. The Chinese factory is certified according to ISO 9001:2015 and ISO 14001:2015.

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.

Anti-corruption

Doing business outside EU and US with customers that do not have an established anti-corruption policy include a risk of being faced with requirements that falls into the category of corruption. The Group has a global policy stating that the Group will work against all forms of corruption, including extortion and bribery. Further it states that all breaches or suspicion of breaches must be reported so appropriate measures can be taken. This reduces the risks related to corruption.

Account of the gender composition of Management

In the company, there are only one member of the Board of Directors and one member of the Executive Board. There are no other employees in the company.

Outlook

Management expects the result for 2021 to be in line with the level of 2020. Novenco HAK ApS has so far only experienced limited constraints due to COVID-19. However, continued close monitoring is established as it is obvious that the situation has had an impact on demand in our major markets on short and medium term.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

		Group		Parent company	
Note	DKK'000	2020	2019	2020	2019
4	Revenue	435,157	433,083	0	0
17,5	Production costs	-372,075	-373,133	0	0
	Gross profit	63,082	59,950	0	0
17	Distribution costs	-26,136	-33,077	0	0
17,5	Administrative expenses	-26,821	-66,542	-262	-143
	Operating profit/loss	10,125	-39,669	-262	-143
	Other operating income	23	0	0	0
	Profit/loss before net financials	10,148	-39,669	-262	-143
	Income from investments in group enterprises	0	0	5,838	-35,981
	Income from investments in associates	189	119	0	0
6	Financial income	311	1,001	5	146
7	Financial expenses	-2,793	-984	-1,164	-1,141
	Profit/loss before tax	7,855	-39,533	4,417	-37,119
8	Tax for the year	-3,125	2,662	313	248
	Profit/loss for the year	4,730	-36,871	4,730	-36,871

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2020	Group 2019	Parent company 2020	Parent company 2019
	ASSETS				
	Fixed assets				
9	Intangible assets				
	Completed development projects	7,526	5,856	0	0
	Goodwill	4,287	4,689	0	0
	Development projects in progress and prepayments for intangible assets	1,286	0	0	0
		13,099	10,545	0	0
10	Property, plant and equipment				
	Fixtures and fittings, other plant and equipment	2,705	4,055	0	0
	Leasehold improvements	609	761	0	0
		3,314	4,816	0	0
11	Investments				
	Investments in group enterprises	0	0	20,051	16,153
	Investments in associates	2,944	3,127	0	0
		2,944	3,127	20,051	16,153
	Total fixed assets	19,357	18,488	20,051	16,153
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	3,601	4,413	0	0
	Work in progress	1,974	3,727	0	0
	Finished goods and goods for resale	8,054	6,066	0	0
		13,629	14,206	0	0
	Trade receivables	50,222	63,209	0	0
	Construction contracts	43,064	63,266	0	0
	Receivables from group enterprises	0	224	0	4,931
14	Deferred tax assets	2,286	2,304	591	526
	Corporation tax receivable	0	566	0	566
	Other receivables	5,944	6,639	0	0
12	Prepayments	2,880	2,938	47	46
		104,396	139,146	638	6,069
	Cash	79,995	54,775	182	138
	Total non-fixed assets	198,020	208,127	820	6,207
	TOTAL ASSETS	217,377	226,615	20,871	22,360

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2020	Group 2019	Parent company 2020	Parent company 2019
	EQUITY AND LIABILITIES				
	Equity				
13	Share capital	11,000	11,000	11,000	11,000
	Retained earnings	-43,977	-46,767	-43,977	-46,767
	Total equity	-32,977	-35,767	-32,977	-35,767
	Provisions				
14	Deferred tax	1,636	2,433	0	0
16	Other provisions	13,411	12,257	0	0
	Total provisions	15,047	14,690	0	0
	Liabilities other than provisions				
15	Non-current liabilities other than provisions				
	Other payables	1,860	614	0	0
		1,860	614	0	0
	Current liabilities other than provisions				
	Bank debt	39,926	39,941	39,926	39,941
	Construction contracts	76,076	73,676	0	0
	Trade payables	85,162	92,802	0	0
	Payables to group enterprises	7,188	6,068	13,819	18,154
	Corporation tax payable	2,549	3,700	0	0
	Other payables	22,546	30,891	103	32
		233,447	247,078	53,848	58,127
		235,307	247,692	53,848	58,127
	TOTAL EQUITY AND LIABILITIES	217,377	226,615	20,871	22,360

1 Accounting policies
2 Financing
3 Unusual circumstances
18 Contractual obligations and contingencies, etc.
19 Collateral
20 Related parties
21 Fee to the auditors appointed by the Company in general meeting
22 Appropriation of profit/loss

Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Group Share capital	 Retained earnings	 Total
	Equity at 1 January 2019	11,000	-9,963	1,037
	Transfer through appropriation of loss	0	-36,871	-36,871
	Adjustment of investments through forreign exchange adjustments	0	67	67
	Equity at 1 January 2020	11,000	-46,767	-35,767
	Transfer through appropriation of profit	0	4,730	4,730
	Adjustment of investments through forreign exchange adjustments	0	-1,940	-1,940
	Equity at 31 December 2020	11,000	-43,977	-32,977

Note	DKK'000	Parent company Share capital	 Retained earnings	 Total
	Equity at 1 January 2019	11,000	-9,963	1,037
22	Transfer, see "Appropriation of profit/loss"	0	-36,871	-36,871
	Adjustment of investments through forreign exchange adjustments	0	67	67
	Equity at 1 January 2020	11,000	-46,767	-35,767
22	Transfer, see "Appropriation of profit/loss"	0	4,730	4,730
	Adjustment of investments through forreign exchange adjustments	0	-1,940	-1,940
	Equity at 31 December 2020	11,000	-43,977	-32,977

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	Group 2020	Group 2019
	Profit/loss for the year	4,730	-36,871
23	Adjustments	601	9,076
	Cash generated from operations (operating activities)	5,331	-27,795
24	Changes in working capital	26,189	50,062
	Cash generated from operations (operating activities)	31,520	22,267
	Interest received, etc.	311	1,001
	Interest paid, etc.	-2,793	-984
	Income taxes paid	-1,632	-3,879
	Cash flows from operating activities	27,406	18,405
	Additions of intangible assets	-3,961	0
	Additions of property, plant and equipment	-274	-3,535
	Dividend received from associates	124	121
	Cash flows to investing activities	-4,111	-3,414
	Repayments, debt to credit institutions	-15	-23
	Cash flows from financing activities	-15	-23
	Net cash flow	23,280	14,968
	Cash and cash equivalents at 1 January	54,775	40,024
	Foreign exchange adjustments	1,940	-217
	Cash and cash equivalents at 31 December	79,995	54,775

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Novenco Hak ApS for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company.

Control means a parent company’s power to direct a subsidiary’s financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity’s financial and operating decisions.

Significant influence

Entities over whose financial and operating policy decisions the group exercises significant influence are classified as associates. Significant influence is assumed to exist if the Parent Company directly or indirectly holds or controls 20% or more of the voting power of the investee, but does not control the investee.

The existence of potential voting rights which may presently be exercised or be converted into additional voting rights in considered when assessing if significant influence exists.

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

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

Investments in associates are recognised in the consolidated financial statements using the equity method.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Income statement

Revenue

The Company has chosen IFRS 15 as interpretation for revenue recognition.

Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Also, provision for losses on construction contracts is recognised.

Distribution costs

Distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc. carried out in the year, including costs related to sales staff, advertising, exhibitions and amortisation/depreciation. Sales and marketing costs are recognised in the income statement when the Company obtains control of the sales or marketing product.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	5 years
Goodwill	20 years
New line	years
Fixtures and fittings, other plant and equipment	3-12 years
Leasehold improvements	5-10 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

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

Profit/loss from investments in subsidiaries and associates

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries and associates are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries. Only proportionate elimination of intra-group gains/losses is made for equity investments in associates.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management’s experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period of 20 years as the investment is considered as strategic.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful 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

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contractual obligations and contingencies".

Investments in subsidiaries and associates

Equity investments in subsidiaries and associates are measured according to the equity method. Equity investments in joint ventures are also measured according to the equity method in the consolidated financial statements.

On initial recognition, equity investments in subsidiaries and associates are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deducted from the carrying amount.

Equity investments in subsidiaries and associates measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Construction contracts

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under Liabilities and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Warranty commitments include expenses for remedial action in respect of the contract work within the warranty period. Provisions for warranty commitments are measured at net realisable value and recognised based on past experience.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Payables to credit institutions

Mortgage debt is recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, mortgage debt is measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

Other payables

Other payables are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

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

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Gross margin	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$
Operating margin	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

2 Financing

The continuation of operation in the Group is dependent on the prolongation of the credit facility and financial support from the Group owner.

The Group owner is committed to ensure the prolongation of the credit facility, and provide financial support for up to DKK 13.8 Million, should such support be necessary to ensure that the Group can continue as a going concern and comply with the capital requirements contained in the Danish Legislation.

This commitment is effective at least until 31 December 2021.

Based on these conditions, Management has presented the financial statements for 2020 based on the going concern assumption.

Equity amounted to a negative DKK 32,977 thousand at 31 December 2020, which is less than half of the share capital. The Company is therefore covered by section 119 of the Danish Company Act. The Company expects to restore equity through own earnings over the coming years.

3 Unusual circumstances

The consequences from COVID-19 has impacted the business of the Group during 2020. The lock down of China means that the number of new shipbuilding contracts have decreased significantly throughout the year. The stop in the Cruise industry has a twofold effect. It means that a number of contracts between owners and yards have been cancelled and no new shipbuilding contracts on cruise ships are currently signed. Further this results in a reduction in aftersales business at 20% due to inactive vessels.

		Group		Parent company	
	DKK'000	2020	2019	2020	2019
4	Segment information				
	Breakdown of revenue by business segment:				
	Marine	214,202	333,915	0	0
	Offshore	220,955	99,168	0	0
		435,157	433,083	0	0
	Breakdown of revenue by geographical segment:				
	Asia	259,551	265,671	0	0
	Europe	139,902	140,950	0	0
	North and South America	27,919	21,397	0	0
	Other	7,785	5,065	0	0
		435,157	433,083	0	0

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

		Group		Parent company	
	DKK'000	2020	2019	2020	2019
5	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment				
	Amortisation of intangible assets	1,265	402	0	0
	Impairment of intangible assets	0	9,718	0	0
	Depreciation of property, plant and equipment	1,447	1,830	0	0
		2,712	11,950	0	0

		Group		Parent company	
	DKK'000	2020	2019	2020	2019
6	Financial income				
	Interest receivable, group entities	0	0	5	146
	Other financial income	311	1,001	0	0
		311	1,001	5	146
7	Financial expenses				
	Interest expenses, group entities	0	0	411	549
	Other financial expenses	2,793	984	753	592
		2,793	984	1,164	1,141
8	Tax for the year				
	Estimated tax charge for the year	3,062	690	-313	0
	Deferred tax adjustments in the year	-1,669	-3,352	0	-248
	Tax adjustments, prior years	1,732	0	0	0
		3,125	-2,662	-313	-248

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

9 Intangible assets

DKK'000	Group			
	Completed development projects	Goodwill	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2020	6,301	23,384	0	29,685
Forreign exchange adjustments	-142	0	0	-142
Additions	2,675	0	1,286	3,961
Cost at 31 December 2020	8,834	23,384	1,286	33,504
Impairment losses and amortisation at 1 January 2020	445	18,695	0	19,140
Amortisation for the year	863	402	0	1,265
Impairment losses and amortisation at 31 December 2020	1,308	19,097	0	20,405
Carrying amount at 31 December 2020	7,526	4,287	1,286	13,099
Amortised over	5 years	20 years		

10 Property, plant and equipment

DKK'000	Group		
	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2020	15,565	3,538	19,103
Foreign exchange adjustments	106	10	116
Additions	274	0	274
Disposals	-351	-49	-400
Cost at 31 December 2020	15,594	3,499	19,093
Impairment losses and depreciation at 1 January 2020	11,510	2,777	14,287
Foreign exchange adjustments	361	0	361
Depreciation	1,334	113	1,447
Reversal of accumulated depreciation and impairment of assets disposed	-316	0	-316
Impairment losses and depreciation at 31 December 2020	12,889	2,890	15,779
Carrying amount at 31 December 2020	2,705	609	3,314
Depreciated over	3-12 years	5-10 years	

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

11 Investments

Group

Name	Domicile	Interest
Associates		
Novenco Nippon Ltd.	Japan	22.73%

DKK'000	Parent company Investments in group enterprises
Cost at 1 January 2020	56,710
Cost at 31 December 2020	56,710
Value adjustments at 1 January 2020	-40,557
Foreign exchange adjustments	-1,940
Profit/loss for the year	5,838
Value adjustments at 31 December 2020	-36,659
Carrying amount at 31 December 2020	20,051

Parent company

Name	Domicile	Interest
Subsidiaries		
Novenco Marine & Offshore A/S	Denmark	100.00%
Novenco AS	Norway	100.00%
Novenco (S) Pte. Ltd.	Singapore	100.00%
Novenco Hi-Pres Air Handling Equipment (Wuxi) Co., Ltd.	China	100.00%
Novenco Marine & Offshore Italia Srl	Italy	100.00%
Novenco (Shanghai) Commerical & Trading, Co., Ltd.	China	100.00%
Associates		
Novenco Nippon Ltd.	Japan	22.73%

12 Prepayments

Prepayments in Group relates to IT licenses and leasing.

13 Share capital

The parent's share capital has remained DKK 11,000 thousand over the past 5 years.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

		Group		Parent company	
	DKK'000	2020	2019	2020	2019
14	Deferred tax				
	Deferred tax at 1 January	129	3,480	-526	-279
	Deferred tax adjustments in the year	0	-3,351	-65	-247
	Deferred tax utilised in prior year	-779	0	0	0
	Deferred tax at 31 December	-650	129	-591	-526
	Analysis of the deferred tax				
	Deferred tax assets	-2,286	-2,304	-591	-526
	Deferred tax liabililties	1,636	2,433	0	0
		-650	129	-591	-526

15 Non-current liabilities other than provisions

DKK'000	Group Total debt at 31/12 2020	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other payables	1,860	0	1,860	1,860
	1,860	0	1,860	1,860

		Group		Parent company	
	DKK'000	2020	2019	2020	2019
16	Other provisions				
	Opening balance at 1 January	12,556	13,491	0	0
	Provisions in the year	5,298	9,401	0	0
	Provisions utilised in the year	-3,379	-5,270	0	0
	Unutilised provisions in the year, reversed	-1,064	-5,365	0	0
	Other provisions at 31 December	13,411	12,257	0	0

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

	Group		Parent company	
DKK'000	2020	2019	2020	2019
17 Staff costs				
Wages/salaries	61,025	113,057	0	0
Pensions	1,839	10,264	0	0
Other social security costs	5,588	1,063	0	0
Other staff costs	1,104	0	0	0
	69,556	124,384	0	0

Staff costs are recognised as follows in the consolidated financial statements and the parent company financial statements:

Production	46,538	86,140	0	0
Distribution	11,154	19,098	0	0
Administration	11,864	19,146	0	0
	69,556	124,384	0	0
Average number of full-time employees	207	244	0	0

Group

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to the group Management is not disclosed.

Parent company

The parent company has no employees.

18 Contractual obligations and contingencies, etc.

Other contingent liabilities

	Group		Parent company	
DKK'000	2020	2019	2020	2019
Rental obligations	19,407	16,318	0	0
Operating leases	435	289	0	0
	19,842	16,607	0	0

Parent company

The parent company 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 dividens, interest and royalties. The group as a whole is not liable to others.

19 Collateral

The Group and parent company has not provided any security or other collateral in assets at 31 December 2020.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

20 Related parties

Group

Novenco Hak ApS' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Hi Air Korea Co., Ltd.	South Korea	Principal shareholder

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Hi Air Korea Co., Ltd.	South Korea	The consolidated financial statements are available at the Company´s address.

Related party transactions

DKK'000	2020	2019
Group		
Purchases from parent companies	18,447	6,398
Sales to parent companies	421	8,970
Receivables from parent companies	0	224
Payables to parent companies	7,188	6,068
Parent Company		
Receivables from group companies	0	4,931
Payables to group companies	13,819	18,154

	Group		Parent company	
DKK'000	2020	2019	2020	2019
21 Fee to the auditors appointed by the Company in general meeting				
Statutory audit	642	579	29	29
Tax assistance	91	113	20	20
Other assistance	317	232	23	23
	1,050	924	72	72

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	Parent company 2020	Parent company 2019
22 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	4,730	-36,871
	4,730	-36,871

DKK'000	Group 2020	Group 2019
23 Adjustments		
Depreciation for accounting purposes on property, plant and equipment	1,447	1,830
Amortization for accounting purposes on intangible assets	1,265	10,120
Gain/loss on the sale of non-current assets	0	1,163
Provisions	-1,352	-1,234
Income from investments in associates	-116	-119
Financial income	-311	-1,001
Financial expenses	2,793	984
Tax for the year	-3,125	-2,667
	601	9,076
24 Changes in working capital		
Change in inventories and contract work in progress	21,403	-23,766
Change in receivables	14,605	51,453
Change in trade and other payables	-9,819	22,375
	26,189	50,062