NOVENCO
Marine & Offshore

Novenco Hak ApS

Galoche Alle 16, 4600 Køge, Denmark

CVR no. 35 25 27 38

Annual report 2023

Approved at the Company's annual general meeting on 23 February 2024

Chair of the meeting:

Thomas Jarl Dywremose

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 2023.

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 2023 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 2023.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Køge, 23 February 2024
Executive Board:

Thomas Jarl Dywremose

Board of Directors:

Keun Bae Kim Chairman	Choon Sung Lee	Thomas Jarl Dywremose

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 2023, 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 2023, 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 2023 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphasis of matter in the financial statements

We draw attention to note 2 in the financial statements in which Management gives an account of the financing of the group and the company.

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.

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.

Independent auditor's report

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, 23 February 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Mogens Andreasen
State Authorised Public Accountant
mne28603

Allan Nørgaard
State Authorised Public Accountant
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 Thomas Jarl Dywremose
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	2023	2022	2021	2020	2019
Key figures					
Revenue	412,571	320,353	297,699	435,157	433,083
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	26,807	19,128	-694	12,860	-27,719
Profit before interest and tax (EBIT)	22,774	15,018	-3,695	10,147	-39,668
Net financials	510	-1,590	-2,485	-2,482	17
Profit for the year	18,322	10,310	-4,044	4,730	-36,871
Total assets	238,576	190,512	143,030	207,449	226,615
Investments in property, plant and equipment	-1,273	-977	-2,250	-274	-3,535
Equity	-9,878	-25,715	-34,050	-32,977	-35,767
Cash flows from operating activities	19,421	17,902	-42,754	27,406	18,405
Net cash flows from investing activities	-1,765	-1,482	-3,072	-4,111	-3,414
Cash flows from financing activities	22	-114	-14	-15	-23
Total cash flows	17,678	16,306	-45,840	23,280	14,968
Financial ratios					
Gross margin	21.8%	18.4%	15.4%	14.5%	13.8%
Equity ratio	-4.1%	-13.5%	-23.8%	-15.9%	-15.8%
Return on equity	-103.0%	-34.5%	12.1%	-13.8%	212.3%
Average number of full-time employees	141	142	184	207	244

For terms and definitions, please see the accounting policies.

Management's review

Business review

Novenco HAK ApS is a holding company who directly or indirectly owns companies, within production, sales or services of ventilation products and systems for marine and offshore purposes.

Development during the year

The result for 2023 shows a profit after tax of MDKK 18,3 compared to a profit after tax on MDKK 10,3 in 2022.The equity by December 31st 2023 amounts to negative MDKK -9,9. The result is in top of line with previously communicated expectations.

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 2023.

Risks

General risks

The general risks are connected to the world economy as the Group has activities across the world. The ongoing war in Ukraine and the conflicts in the Middle East have affected the Group's activities during the year and will most likely continue to influence the activities in 2024. Not least fluctuations in energy prices, raw material prices and transport costs.

We also see new opportunities within both the offshore sector and renewable energy, which has already been proven in 2022 - 2023.

Financial risks

Currency risks

The group reduces the currency exposure by placing as many purchases 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 on December 31st, 2023, amounts to MDKK 39.8.

Credit risks

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

Knowledge resources

It is essential for the Group to attract and retain skilled employees. Hence the Group has a structured approach to employee development. The average number of employees was 154 in 2023.

Research and development activities

The Group's development efforts are concentrated on further development of existing products, particularly regarding greater energy efficiency.

Management's review

Statutory CSR report

Cf. §99a in the Danish Financial Statements Act, the company reports the following:

The Group's primary activity is carried out through the subsidiaries in the Novence Marine & Offshore Group and it is assessed that the most significant impact on society occurs through the activities that. A summary of the Novenco Marine & Offshore Group submission is therefore published.

Novenco Marine & Offshore A/S is a global supplier with own development, production and sale of ventilation products and systems (HVAC) for marine and offshore purposes.

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

Novenco HAK ApS is a holding company who directly or indirectly owns companies, within production, sales or services of ventilation products and systems for marine and offshore purposes.

Employee safety and Human rights

The company regards employee safety for our employees in the factory in China to be the risk to consider. Novenco Marine & Offshore A/S' global CSR policy ensures protection of internationally proclaimed human rights including employee safety. The Company has programs where all new employees are being informed about the company's human rights policy. The program has been in effect since 2022. There have been no human rights violations in 2023. Due to the company's continuous focus on human rights, it is not expected that these will be violated in 2024 either.

The company considers its effort to meet local laws and regulations in the CSR area to be sufficient to eliminate any risks in this area.

Security for employees outside of China is also a strong concern. The company use and have implemented the travel guidelines of the Danish Ministry of Foreign Affairs.

The company has a dedicated health and safety organization, which through a proactive and risk-based approach ensures to bring down the number of work-related accidents. The organization has evaluated the health and safety of the employees on a regular basis during 2023. The objective is zero accidents. This objective has been met since 2021.

In 2023 Novenco Marine & Offshore A/S has continued focusing on the psychological well-being of the employees. The company conducted a survey of the employees' psychological working environment. The result of the survey was satisfactory with no areas of concern. The company hires employees according to local laws and regulations. No child labor is permitted anywhere in the organization and the company does not allow gender discrimination.

Novenco Marine & Offshore works to - through information and continuing education – to spread the high Danish and Norwegian standards within working environment and safety to all companies in the Group, just as the company pays all social costs etc. to all employees in China, including all employees in the Chinese factory in Wuxi.

Sustainability

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 as we see energy and water consumption to be the most significant risks to environmental and climatic conditions.

We have supported the UN Global Compact principles and their sustainable Development Goals for several years. Especially Development goal no. 16 is strongly on our minds.

To secure the reduction of the impact on the environment Chinese factory is sorting all waste to secure proper treatment and recycling. Further there is 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. The Norwegian office also holds ISO 9000:2015 and 27001:2017.

Management's review

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, and the company continues its efforts to reduce energy consumption not just in production but also for cooling and heating. Furthermore, the company seeks to send as much waste as possible for recycling.

With effect from the beginning of 2023, the office in Køge has joined the mandatory public waste sorting.

At the office in Køge, targeted efforts are being made to reduce energy consumption, among other things, LED lighting has been established and the offices are heated by high-efficiency heat pumps. The employees are switching off lights in rooms that are not used, running the dishwashers at night, where the load on the electricity grid is lowest, etc. The main electricity consumption comes from heating the office. Consumption therefore depends on the average outdoor temperature during the year. At the office in Køge electricity consumption in 2023 was 6,4% lower than 2022. The office will continue these actions in 2024.

Anti-corruption

Doing business outside the EU and US with customers that do not have an established anti-corruption policy includes a risk of being faced with requirements that falls into the category of corruption. The company has renewed a global policy stating that the company 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. Novenco Marine & Offshore has established control procedures to ensure that the company and its employees do not participate in bribery.

Our procedures have been in effect for the whole financial year and there have – to the best of our knowledge - been no violations against our procedures in 2023.

For the coming years, the company is considering implementing DS / ISO 37001 throughout the company. This reduces the risks related to corruption. There has been no recognition of signs of corruption anywhere in the organization during 2022.

There has been no recognition of signs of corruption anywhere in the organization during 2023.

For 2024 management will continue its current global policy against all forms of corruption, including extortion and bribery and will during the year perform inspection to ensure that these policies are followed throughout all business units within the group.

Processing and storage of data

The Company does not consider it relevant to draw up a policy for data ethics. In this connection, the company emphasizes that the company only to a limited extent collects and processes data and does not use new technologies as part of the company's main activity, and does not carry out specific data analyzes, evaluations or segmentations itself or via external suppliers.

Management's review

Account of the gender composition of Management

Cf. §99b in the Danish Financial Statements Act, the company's policy regarding management diversity aims on having 25 % female members on the Board of Directors. However, the company also aims to have the most qualified resources available. The company is currently not in compliance with the policy as all 3 members of the Board are male. Due to internal matters in 2023, it has not been possible to find available qualified female candidates. In 2023 the Board of Directors has initiated a task with the aims to meet the target of 25% female members on the Board of Directors in 2024 or 2025 at the latest.

Other managerial positions (level 1 and level 2) consist of Executive Board (1 person) and 20 persons with staff responsibilities. The company position in 2023 is 14 males and 6 females. The company aims on having 25% female members on other managerial positions.

		2023	2024	2025	2026	2027
	Total number of members	3				
Top managerial position	Underrepresented gender in %	0%				
(Board of Directors)	Target figure in %	25%				
	Year for fulfilment of target figure	2025				
	Total number of members	20				
Other Managerial postions	Underrepresented gender in %	30%				
(level 1 and 2)	Target figure in %	25%				
	Year for fulfilment of target figure	2024				

Level 1 = Executive Board
Level 2 = Persons with responsibilities who refer directly to Level 1

Outlook

The company strategy to focus more on the renewable energy market has paid off in 2023. End of the year Novenco AS (Norway) made a frame agreement as HVAC and cooling supplier on a TenneT project carried out by Petrofac in Dubai. The first - out of potential 6 - 2GW transformation platform has been awarded.

Based on a solid pipeline and a strong back-log, it is our assessment that the positive trend from 2023 will continue in the coming years.

The company expects the turnover to increase to the range of DKK 450 - 500 million with an EBITDA in the range of DKK 25 - 35 million and Net Earnings of DKK 15 - 25 million in 2024 after tax.

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

Income statement

		Group		Parent company	
Note	DKK'000	2023	2022	2023	2022
3	Revenue	412,571	320,353	0	0
17,4	Production costs	-322,828	-261,302	0	0
	Gross profit	89,743	59,051	0	0
17	Distribution costs	-20,532	-16,983	0	0
17,5	Administrative expenses	-46,634	-27,049	-233	-230
	Operating profit/loss	22,577	15,019	-233	-230
	Other operating income	197	0	0	0
	Profit/loss before net financials	22,774	15,019	-233	-230
	Income from investments in group enterprises	0	0	20,607	11,481
	Income from Participating interests	14	204	0	0
	Financial income	3,716	285	2	1
6	Financial expenses	-3,220	-2,079	-2,698	-1,272
	Profit before tax	23,284	13,429	17,678	9,980
7	Tax for the year	-4,962	-3,119	644	330
	Profit for the year	18,322	10,310	18,322	10,310

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

Balance sheet

		Group		Parent company	
Note	DKK'000	2023	2022	2023	2022
	ASSETS				
	Fixed assets				
9	Intangible assets				
	Completed development projects	3,684	6,118	0	0
	Goodwill	3,081	3,483	0	0
		6,765	9,601	0	0
10	Property, plant and equipment				
	Fixtures and fittings, other plant and equipment	1,809	1,513	0	0
		1,809	1,513	0	0
11	Investments				
	Investments in group enterprises	0	0	43,253	30,132
	Investments in Participating interests	2,331	2,734	0	0
		2,331	2,734	43,253	30,132
	Total fixed assets	10,905	13,848	43,253	30,132
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	4,045	3,316	0	0
	Work in progress	3,438	4,624	0	0
	Finished goods and goods for resale	28,735	2,425	0	0
		36,218	10,365	0	0
	Receivables				
	Trade receivables	64,771	78,337	0	0
	Construction contracts	43,233	23,410	0	0
	Receivables from group enterprises	14	127	0	0
14	Deferred tax assets	1,111	2,697	0	0
	Corporation tax receivable	22	0	994	978
	Other receivables	10,337	8,121	0	0
12	Prepayments	3,826	3,146	61	60
		123,314	115,838	1,055	1,038
	Cash	68,139	50,461	207	693
	Total non-fixed assets	227,671	176,664	1,262	1,731
	TOTAL ASSETS	238,576	190,512	44,515	31,863

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

Balance sheet

		Group		Parent company	
Note	DKK'000	2023	2022	2023	2022
	EQUITY AND LIABILITIES				
	Equity				
13	Share capital	11,000	11,000	11,000	11,000
	Translation reserve	-3,429	-944	-3,429	-944
	Retained earnings	-17,449	-35,771	-17,449	-35,771
	Total equity	-9,878	-25,715	-9,878	-25,715
	Provisions				
14	Deferred tax	3,768	557	0	0
16	Other provisions	11,974	16,384	0	0
	Total provisions	15,742	16,941	0	0
	Liabilities other than provisions				
15	Non-current liabilities other than provisions				
	Other payables	1,796	1,794	0	0
		1,796	1,794	0	0
	Current liabilities other than provisions				
	Bank debt	39,820	39,798	39,820	39,798
	Construction contracts	81,568	80,276	0	0
	Trade payables	33,481	30,438	0	0
	Payables to group enterprises	39,488	2,604	14,477	17,539
	Corporation tax payable	0	3,147	0	0
	Other payables	36,559	41,229	96	241
		230,916	197,492	54,393	57,578
	Total liabilities other than provisions	232,712	199,286	54,393	57,578
	TOTAL EQUITY AND LIABILITIES	238,576	190,512	44,515	31,863

1 Accounting policies
2 Financing
8 Appropriation of profit
18 Contractual obligations and contingencies, etc.
19 Security and collateral
20 Related parties

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

Statement of changes in equity

		Group			
Note	DKK'000	Share capital	Translation reserve	Retained earnings	Total
	Equity at 1 January 2022	11,000	1,031	-46,081	-34,050
	Transfer through appropriation of profit	0	0	10,310	10,310
	Adjustment of investments through forreign exchange adjustments	0	-1,975	0	-1,975
	Equity at 1 January 2023	11,000	-944	-35,771	-25,715
	Transfer through appropriation of profit	0	0	18,322	18,322
	Adjustment of investments through forreign exchange adjustments	0	-2,485	0	-2,485
	Equity at 31 December 2023	11,000	-3,429	-17,449	-9,878

		Parent company			
Note	DKK'000	Share capital	Translation reserve	Retained earnings	Total
	Equity at 1 January 2022	11,000	1,031	-46,081	-34,050
8	Transfer, see "Appropriation of profit"	0	0	10,310	10,310
	Adjustment of investments through forreign exchange adjustments	0	-1,975	0	-1,975
	Equity at 1 January 2023	11,000	-944	-35,771	-25,715
8	Transfer, see "Appropriation of profit"	0	0	18,322	18,322
	Adjustment of investments through forreign exchange adjustments	0	-2,485	0	-2,485
	Equity at 31 December 2023	11,000	-3,429	-17,449	-9,878

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

Cash flow statement

		Group	
Note	DKK'000	2023	2022
	Profit for the year	18,322	10,310
21	Adjustments	218	-7,564
	Cash generated from operations (operating activities)	18,540	2,746
22	Changes in working capital	3,031	15,287
	Cash generated from operations (operating activities)	21,571	18,033
	Interest received, etc.	3,716	285
	Interest paid, etc.	-2,532	-852
	Income taxes paid/received	-3,334	436
	Cash flows from operating activities	19,421	17,902
	Additions of intangible assets	-593	-621
	Additions of property, plant and equipment	-1,273	-977
	Dividend received from participating interests	101	116
	Cash flows to investing activities	-1,765	-1,482
	Proceeds of debt to credit institutions	22	0
	Repayments, debt to credit institutions	0	-114
	Cash flows from financing activities	22	-114
	Net cash flow	17,678	16,306
	Cash and cash equivalents at 1 January	50,461	34,155
	Cash and cash equivalents at 31 December	68,139	50,461

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 2023 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

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 group entities controlled by the Parent Company.

Control means a parent company's power to direct a group entity'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 group entities' 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.

Foreign group entities

Foreign group entities and associates are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign group entities to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

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.

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and expenses and the degree of completion of the contract can be measured reliably.

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only in so far as it is probable that such expenses will be recoverable from the counterparty.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains 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
Fixtures and fittings, other plant and equipment	3-12 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 group entities and participating interests

The income statement includes the proportional share of the underlying companies' profit or loss after elimination of internal profit/loss and after tax. In group entities, the full elimination of internal profit and loss is carried out without regard to ownership shares. In participating interests, only proportional elimination of profit and loss is carried out, taking into account ownership shares.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish group entities. Group entities 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.

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 group entities and participating interests

Equity investments in group entities and participating interests 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 group entities and participating interests 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 group entities and participating interests 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 group entities 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

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

Receivables are measured at amortised cost.

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

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in group entities and associates relative to cost. 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.

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

Notes to the financial statements

1 Accounting policies (continued)

Translation reserve

The translation reserve comprises the share of foreign exchange differences arising on translation of financial statements of entities that have a functional currency other than DKK, foreign exchange adjustments of assets and liabilities considered part of the Company's net investments in such entities and foreign exchange adjustments regarding hedging transactions that hedge the Company's net investments in such entities. The reserve is dissolved on the sale of foreign entities or if the conditions for effective hedging no longer exist. When equity investments in group entities and associates in the parent company financial statements are subject to the limitation requirement in the net revaluation reserve according to the equity method, foreign exchange adjustments will be included in this equity reserve instead.

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.

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	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

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 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 Companies Act. Further, the Group owner has confirmed that it will provide funds to repay the debt Novenco HAK ApS has to its subsidiary Novenco Marine & Offshore A/S should the subsidiary request such a payment.

This commitment is effective at least until 31 December 2024.

Based on these conditions, Management has presented the financial statements for 2023 based on the going concern assumption.

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

Notes to the financial statements

DKK'000	Group 2023	Group 2022	Parent company 2023	Parent company 2022
3 Segment information				
Breakdown of revenue by business segment:				
Marine	193,101	205,417	0	0
Offshore	219,470	114,936	0	0
	412,571	320,353	0	0
Breakdown of revenue by geographical segment:				
Asia	242,866	226,039	0	0
Europe	150,119	67,788	0	0
North and South America	18,197	22,875	0	0
Other	1,389	3,651	0	0
	412,571	320,353	0	0
4 Amortisation/depreciation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	2,377	2,357	0	0
Impairment of intangible assets	768	0	0	0
Depreciation of property, plant and equipment	888	1,752	0	0
	4,033	4,109	0	0

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

Notes to the financial statements

DKK'000	Group 2023	Group 2022	Parent company 2023	Parent company 2022
5 Fee to the auditors appointed in general meeting				
Statutory audit	842	726	34	33
Tax assistance	58	268	24	23
Other assistance	249	233	27	26
	1,149	1,227	85	82
6 Financial expenses				
Interest expenses, group entities	0	0	635	497
Other financial expenses	3,220	2,079	2,063	775
	3,220	2,079	2,698	1,272
7 Tax for the year				
Estimated tax charge for the year	382	3,499	-644	-628
Deferred tax adjustments in the year	4,580	-354	0	298
Tax adjustments, prior years	0	-26	0	0
	4,962	3,119	-644	-330

DKK'000	Parent company 2023	Parent company 2022
8 Appropriation of profit		
Recommended appropriation of profit		
Retained earnings	18,322	10,310
	18,322	10,310

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

Notes to the financial statements

9 Intangible assets

	Group		
DKK'000	Completed development projects	Goodwill	Total
Cost at 1 January 2023	11,627	23,384	35,011
Additions	593	0	593
Disposals	-445	0	-445
Cost at 31 December 2023	11,775	23,384	35,159
Impairment losses and amortisation at 1 January 2023	5,509	19,901	25,410
Foreign exchange adjustments	284	0	284
Impairment losses for the year	768	0	768
Amortisation for the year	1,975	402	2,377
Reversal of accumulated amortisation and impairment of assets disposed	-445	0	-445
Impairment losses and amortisation at 31 December 2023	8,091	20,303	28,394
Carrying amount at 31 December 2023	3,684	3,081	6,765
Amortised over	5 years	20 years	

10 Property, plant and equipment

	Group
DKK'000	Fixtures and fittings, other plant and equipment
Cost at 1 January 2023	19,207
Foreign exchange adjustments	-857
Additions	1,273
Disposals	-615
Cost at 31 December 2023	19,008
Impairment losses and depreciation at 1 January 2023	17,694
Foreign exchange adjustments	-768
Depreciation	888
Reversal of accumulated depreciation and impairment of assets disposed	-615
Impairment losses and depreciation at 31 December 2023	17,199
Carrying amount at 31 December 2023	1,809
Depreciated over	3-12 years

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

Notes to the financial statements

11 Investments

DKK'000	Group Investments in Participating interests
Cost at 1 January 2023	857
Cost at 31 December 2023	857
Value adjustments at 1 January 2023	1,877
Foreign exchange adjustments	-316
Dividend received	-101
Profit/loss for the year	14
Value adjustments at 31 December 2023	1,474
Carrying amount at 31 December 2023	2,331

Group

Participating interests

Name	Legal form	Domicile	Interest
Novenco Nippon	Ltd.	Japan	22.73%

DKK'000	Parent company Investments in group enterprises
Cost at 1 January 2023	56,710
Cost at 31 December 2023	56,710
Value adjustments at 1 January 2023	-26,578
Foreign exchange adjustments	-2,485
Dividend received	-5,000
Profit/loss for the year	20,606
Value adjustments at 31 December 2023	-13,457
Carrying amount at 31 December 2023	43,253

Parent company

Name	Legal form	Domicile	Interest
Novenco Marine & Offshore	A/S	Denmark	100.00%
Novenco	AS	Norway	100.00%
Novenco Hi-Pres Air Handling Equipment (Wuxi) Co.	Ltd.	China	100.00%
Novenco (Shanghai) Commerical & Trading, Co.	Ltd.	China	100.00%
Participating interests			
Novenco Nippon	Ltd.	Japan	22.73%

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

Notes to the financial statements

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.

DKK'000	Group 2023	Group 2022	Parent company 2023	Parent company 2022
14 Deferred tax				
Deferred tax at 1 January	-2,140	-2,105	0	-298
Deferred tax adjustments in the year	4,580	-354	0	298
Exchange rate adjustment	217	319	0	0
Deferred tax at 31 December	2,657	-2,140	0	0
Analysis of the deferred tax				
Deferred tax assets	-1,111	-2,697	0	0
Deferred tax liabililties	3,768	557	0	0
	2,657	-2,140	0	0

15 Non-current liabilities other than provisions

	Group			
DKK'000	Total debt at 31/12 2023	Short-term portion	Long-term portion	Outstanding debt after 5 years
Other payables	1,796	0	1,796	0
	1,796	0	1,796	0

16 Other provisions

Other provisions mainly consists of warranties on finished construction contracts, as well as expected losses on ongoing construction contracts.
Other provisions are in all material aspects expected to fall due within the next year.

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

Notes to the financial statements

DKK'000	Group 2023	Group 2022	Parent company 2023	Parent company 2022
17 Staff costs				
Wages/salaries	59,384	60,719	0	0
Pensions	5,501	3,213	0	0
Other social security costs	6,393	4,705	0	0
Other staff costs	1,292	332	0	0
	72,570	68,969	0	0

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

Production costs	42,139	42,490	0	0
Distribution costs	10,250	10,024	0	0
Administrative expenses	20,181	16,455	0	0
	72,570	68,969	0	0
Average number of full-time employees	141	142	0	0

Group

Total remuneration to group Management and Board of Directors: TDKK 1.853 (2022: TDKK 640).

Parent company

The parent company has no employees.

18 Contractual obligations and contingencies, etc.

Other contingent liabilities

DKK'000	Group 2023	Group 2022	Parent company 2023	Parent company 2022
Rental obligations	17,914	17,671	0	0
Operating leases	476	339	0	0
	18,390	18,010	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 Security and collateral

The Group and parent company has not provided any security or other collateral in assets at 31 December 2023.

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.	1321-11 Daman-Ri, Jinrye-myeon, Gumhae-city, Gyeongnam, 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.	1321-11 Daman-Ri, Jinrye-myeon, Gumhae-city, Gyeongnam, South Korea	The consolidated financial statements are available at the Company´s address.

Related party transactions

DKK'000	2023	2022
Group		
Purchases from parent companies	71,712	8,325
Sales to parent companies	1,017	2,184
Dividend received from participating interests	101	116
Payables to parent companies	39,488	2,604
Receivables from group enterprises	14	127
Parent Company		
Dividend received from group enterprises	5,000	0
Payables to group companies	14,477	17,539

Information on the remuneration to management

Information on the remuneration to Management appears from note 17, "Staff costs".

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

Notes to the financial statements

DKK'000	Group 2023	Group 2022
21 Adjustments		
Depreciation for accounting purposes on property, plant and equipment	888	1,752
Amortization for accounting purposes on intangible assets	3,146	2,357
Provisions	-5,783	-14,407
Income from investments in participating interests	-14	-204
Financial income	-3,716	-285
Financial expenses	3,220	2,079
Tax for the year	4,962	3,119
Equity adjustments, foreign currency translation	-2,485	-1,975
	218	-7,564
22 Changes in working capital		
Change in inventories and contract work in progress	-44,384	36,180
Change in receivables	12,399	-36,413
Change in trade and other payables	35,016	15,520
	3,031	15,287