Novenco Hak ApS

Galoche Alle 16, 4600 Køge, Denmark

CVR no. 35 25 27 38

Annual report 2019

Approved at the Company's annual general meeting on 21 August 2020

Chairman:

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 2019.

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 2019 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 2019.

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 2020
Executive Board:

Choon Sung Lee

Board of Directors:

Keun Bae Kim
Chairman

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 2019, 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 2019, 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 2019 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 2020
Ernst & Young
CVR no. 30 70 02 28

Peter Gath	Nicklas Rasmussen
State Authorised Public Accountant	State Authorised Public Accountant
mne19718	mne43474

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
Executive Board	Choon Sung Lee
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights for the Group

DKK'000	2019	2018	2017	2016	2015
Key figures					
Revenue	433,083	353,147	358,472	512,781	892,238
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-27,719	36	6,623	11,113	28,226
Net financials	17	-860	-1,039	-85	8,025
Profit/loss for the year	**-36,871**	**-2,765**	**2,310**	**7,868**	**-1,450**
Total assets	226,615	248,357	225,877	299,998	373,329
Equity	**-35,767**	**1,037**	**5,067**	**7,758**	**-2,716**
Cash flows from operating activities	18,405	-12,414	2,860	921	3,488
Net cash flows from investing activities	-3,414	-3,243	-3,357	-2,652	6,726
Investment in property, plant and equipment	-3,535	-981	0	1,117	3,737
Cash flows from financing activities	-23	27	-10,910	5,973	-69,728
Total cash flows	**14,968**	**-15,630**	**-11,407**	**4,242**	**-59,514**
Financial ratios					
Gross margin	13.8%	19.3%	18.4%	19.5%	12.4%
Equity ratio	-15.8%	0.4%	2.2%	2.6%	-0.7%
Return on equity	212.3%	-90.6%	36.0%	312.1%	337.2%
Operating margin	-9.2%	-0.2%	1.0%	0.2%	0.2%
Average number of employees	**244**	**227**	**210**	**260**	**407**

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. For terms and definitions, please see the accounting policies.

*Financial highlights have been prepared based on activities for Novenco Building & Industry A/S for the period 1 January - 4 February 2015.

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

The result for 2019 is a deficit of TDKK 36.871. Management considers this to be unsatisfactory. The equity by December 31st 2019 amounts to TDKK -35.767.

The result for 2019 is impacted by a few onerous offshore projects carried out in the subsidiaries in Norway and Singapore.

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 2019.

Risks

General risks

The general risks are tied to the global world economy as the group has activities in large parts of the world.The Group is exposed to the level of oil prices, however during the last 2 years Offshore has made its activities less exposed to oil prices. Offshore has reduced its exposure to the Offshore market with 70% during 2019 and 2020 and has entered into the advanced industry onshore market. This is a growing market and Novenco has successfully delivered the first project.

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 2019 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

Management's review

Statutory CSR report

As the only purpose of Novenco HAK ApS is to own companies, hereof Novenco Marine & Offshore A/S, the Company has no policies round knowledge resources and corporate social responsibility, hereunder human rights, social and labour conditions, climate and the environment as well as anti-corruption.

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

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 2020 to improve significantly compared to 2019. We have only experienced minor constraints due to the COVID-19 situation. We will continue to monitor the situation closely, but we expect that COVID-19 and the uncertainty related to the current market situation will affect demand in our major markets on short and medium term. Due to the current COVID-19 situation, the outlook is subject to a high level of uncertainty.

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

Income statement

		Group		Parent company	
Note	DKK'000	2019	2018	2019	2018
5	**Revenue**	433,083	353,147	0	0
18,6	Production costs	-373,133	-284,987	0	0
	Gross profit	59,950	68,160	0	0
18	Distribution costs	-33,077	-30,762	0	0
18,6	Administrative expenses	-66,542	-38,095	-143	-148
	Operating profit/loss	-39,669	-697	-143	-148
	Income from investments in group enterprises	0	0	-35,981	-1,686
	Income from investments in associates	119	36	0	0
7	Financial income	1,001	6	146	6
8	Financial expenses	-984	-866	-1,141	-1,216
	Profit/loss before tax	-39,533	-1,521	-37,119	-3,044
9	Tax for the year	2,662	-1,244	248	279
	Profit/loss for the year	-36,871	-2,765	-36,871	-2,765

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

Balance sheet

Note	DKK'000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
	ASSETS				
	Fixed assets				
10	**Intangible assets**				
	Completed development projects	5,856	3,118	0	0
	Goodwill	4,689	14,809	0	0
	Development projects in progress and prepayments for intangible assets	0	3,840	0	0
		10,545	21,767	0	0
11	**Property, plant and equipment**				
	Fixtures and fittings, other plant and equipment	4,055	2,264	0	0
	Leasehold improvements	761	814	0	0
		4,816	3,078	0	0
12	**Investments**				
	Investments in group enterprises	0	0	16,153	52,067
	Investments in associates	3,127	2,939	0	0
		3,127	2,939	16,153	52,067
	Total fixed assets	18,488	27,784	16,153	52,067
	to be carried forward	18,488	27,784	16,153	52,067

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

Balance sheet (continued)

		Group		Parent company	
Note	DKK'000	2019	2018	2019	2018
	brought forward	18,488	27,784	16,153	52,067
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	4,413	5,929	0	0
	Work in progress	3,727	2,241	0	0
	Finished goods and goods for resale	6,066	4,324	0	0
		14,206	12,494	0	0
	Receivables				
	Trade receivables	63,209	111,446	0	0
	Construction contracts	63,266	42,974	0	0
	Receivables from group enterprises	224	29	4,931	4,785
15	Deferred tax assets	2,304	494	526	279
	Corporation tax receivable	566	124	566	124
	Other receivables	6,639	9,387	0	0
13	Prepayments	2,938	3,601	46	27
		139,146	168,055	6,069	5,215
	Cash	54,775	40,024	138	18
	Total non-fixed assets	208,127	220,573	6,207	5,233
	TOTAL ASSETS	226,615	248,357	22,360	57,300

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

Balance sheet

Note	DKK'000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
	EQUITY AND LIABILITIES				
	Equity				
14	Share capital	11,000	11,000	11,000	11,000
	Retained earnings	-46,767	-9,963	-46,767	-9,963
	Total equity	-35,767	1,037	-35,767	1,037
	Provisions				
15	Deferred tax	2,433	3,974	0	0
17	Other provisions	12,257	13,491	0	0
	Total provisions	14,690	17,465	0	0
	Liabilities other than provisions				
16	**Non-current liabilities other than provisions**				
	Other payables	614	0	0	0
		614	0	0	0
	Current liabilities other than provisions				
	Bank debt	39,941	39,964	39,941	39,964
	Construction contracts	73,676	75,438	0	0
	Trade payables	92,802	76,717	0	0
	Payables to group enterprises	6,068	256	18,154	16,265
	Corporation tax payable	3,700	6,453	0	0
	Other payables	30,891	31,027	32	34
		247,078	229,855	58,127	56,263
	Total liabilities other than provisions	247,692	229,855	58,127	56,263
	TOTAL EQUITY AND LIABILITIES	226,615	248,357	22,360	57,300

1 Accounting policies
2 Financing
3 Events after the balance sheet date
4 Special items
19 Contractual obligations and contingencies, etc.
20 Collateral
21 Related parties
22 Fee to the auditors appointed by the Company in general meeting

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

Statement of changes in equity

		Group		
Note	DKK'000	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 31 December 2019	11,000	-46,767	-35,767

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

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

Cash flow statement

		Group	
Note	DKK'000	2019	2018
	Profit/loss for the year	-36,871	-2,765
24	Adjustments	9,076	-2,234
	Cash generated from operations (operating activities)	-27,795	-4,999
25	Changes in working capital	50,062	-37
	Cash generated from operations (operating activities)	22,267	-5,036
	Interest received, etc.	1,001	6
	Interest paid, etc.	-984	-866
	Income taxes paid	-3,879	-6,518
	Cash flows from operating activities	18,405	-12,414
	Additions of intangible assets	0	-2,375
	Additions of property, plant and equipment	-3,535	-981
	Dividend received from associates	121	113
	Cash flows to investing activities	-3,414	-3,243
	Repayments, debt to credit institutions	-23	27
	Cash flows from financing activities	-23	27
	Net cash flow	14,968	-15,630
	Cash and cash equivalents at 1 January	40,024	56,185
	Foreign exchange adjustments	-217	-531
	Cash and cash equivalents at 31 December	54,775	40,024

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 2019 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.

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.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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 included in "Other receivables" and "Other payables", respectively.

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.

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)

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.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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".

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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 "Provisions" 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".

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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 ratio	$\frac{\text{Gross margin x 100}}{\text{Revenue}}$
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	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$

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 13.2 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 2020.

Based on these conditions, Management has presented the financial statements for 2019 based on the going concern assumption.

The Company realised a loss of DKK 36,871 thousand in 2019. Equity amounted to a negative DKK 35,767 thousand at 31 December 2019, 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 Events after the balance sheet date

After the end of the financial year, the COVID-19 outbreak has affected the markets in which the group operates, which may have a significant impact on the financial statement. Reference is made to the description in the management review.

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

Notes to the financial statements

4 **Special items**

DKK'000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Expenses				
Impairment of group goodwill	-9,718	0	-9,718	0
Trieste office closing costs	-4,500	0	-4,500	0
	-14,218	0	-14,218	0
Special items are recognised in the below items of the financial statements				
Administrative expenses	-14,218	0	0	0
Income from investments in group entities	0	0	-14,218	0
Net profit/loss on special items	-14,218	0	-14,218	0

5 **Segment information**

DKK'000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Breakdown of revenue by business segment:				
Marine	333,915	232,740	0	0
Offshore	99,168	120,407	0	0
	433,083	353,147	0	0
Breakdown of revenue by geographical segment:				
Asia	265,671	156,187	0	0
Europe	140,950	170,771	0	0
North and South America	21,397	22,712	0	0
Other	5,065	3,477	0	0
	433,083	353,147	0	0

6 **Amortisation/depreciation and impairment of intangible assets and property, plant and equipment**

DKK'000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Amortisation of intangible assets	402	537	0	0
Impairment of intangible assets	9,718	0	0	0
Depreciation of property, plant and equipment	1,830	196	0	0
	11,950	733	0	0

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

Notes to the financial statements

		Group		Parent company	
	DKK'000	2019	2018	2019	2018
7	**Financial income**				
	Interest receivable, group entities	0	0	146	0
	Other financial income	1,001	6	0	6
		1,001	6	146	6
8	**Financial expenses**				
	Interest expenses, group entities	0	0	549	551
	Other financial expenses	984	866	592	665
		984	866	1,141	1,216
9	**Tax for the year**				
	Estimated tax charge for the year	690	1,629	0	0
	Deferred tax adjustments in the year	-3,352	-385	-248	-279
		-2,662	1,244	-248	-279

10 **Intangible assets**

	Group			
DKK'000	Completed development projects	Goodwill	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2019	11,712	23,384	3,840	38,936
Forreign exchange adjustments	-111	0	0	-111
Disposals	-9,140	0	0	-9,140
Transferred	3,840	0	-3,840	0
Cost at 31 December 2019	6,301	23,384	0	29,685
Impairment losses and amortisation at 1 January 2019	8,594	8,575	0	17,169
Impairment losses for the year	0	9,718	0	9,718
Amortisation for the year	0	402	0	402
Reversal of accumulated amortisation and impairment of assets disposed	-8,149	0	0	-8,149
Impairment losses and amortisation at 31 December 2019	445	18,695	0	19,140
Carrying amount at 31 December 2019	5,856	4,689	0	10,545
Amortised over	5 years	20 years		

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

Notes to the financial statements

11 Property, plant and equipment

	Group		
DKK'000	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2019	13,982	3,544	17,526
Foreign exchange adjustments	118	34	152
Additions	3,397	138	3,535
Disposals	-1,932	-178	-2,110
Cost at 31 December 2019	15,565	3,538	19,103
Impairment losses and depreciation at 1 January 2019	11,718	2,730	14,448
Foreign exchange adjustments	96	27	123
Depreciation	1,632	198	1,830
Depreciation and impairment of disposals	-1,760	-178	-1,938
Reversal of accumulated depreciation and impairment of assets disposed	-176	0	-176
Impairment losses and depreciation at 31 December 2019	11,510	2,777	14,287
Carrying amount at 31 December 2019	4,055	761	4,816
Depreciated over	3-12 years	5-10 years	

12 Investments

Group

Name	Domicile	Interest
Associates		
Novenco Nippon Ltd.	Japan	22.73%

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

Notes to the financial statements

12 Investments (continued)

DKK'000	Parent company Investments in group enterprises
Cost at 1 January 2019	56,710
Cost at 31 December 2019	56,710
Value adjustments at 1 January 2019	-4,643
Foreign exchange adjustments	67
Profit/loss for the year	-35,981
Value adjustments at 31 December 2019	-40,557
Carrying amount at 31 December 2019	16,153

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%

13 Prepayments

Prepayments in Group relates to IT licenses and leasing.

14 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

DKK'000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
15 Deferred tax				
Deferred tax at 1 January	3,480	8,327	-279	-754
Deferred tax adjustments in the year	-3,351	-5,601	-247	-279
Deferred tax utilised in prior year	0	754	0	754
Deferred tax at 31 December	129	3,480	-526	-279
Analysis of the deferred tax				
Deferred tax assets	-2,304	-494	-526	-279
Deferred tax liabililties	2,433	3,974	0	0
	129	3,480	-526	-279

16 Non-current liabilities other than provisions

DKK'000	Group: Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other payables	614	0	614	0
	614	0	614	0

DKK'000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
17 Other provisions				
Opening balance at 1 January	13,491	19,770	0	0
Provisions in the year	9,401	7,364	0	0
Provisions utilised in the year	-5,270	-9,498	0	0
Unutilised provisions in the year, reversed	-5,365	-4,145	0	0
Other provisions at 31 December	**12,257**	**13,491**	**0**	0

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

Notes to the financial statements

	Group		Parent company	
DKK'000	2019	2018	2019	2018
18 Staff costs				
Wages/salaries	113,057	99,732	0	0
Pensions	10,264	8,098	0	0
Other social security costs	1,063	5,348	0	0
Other staff costs	0	-231	0	0
	124,384	112,947	0	0

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

Production	86,140	63,344	0	0
Distribution	19,098	28,723	0	0
Administration	19,146	20,880	0	0
	124,384	112,947	0	0
Average number of full-time employees	244	227	25	25

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.

19 Contractual obligations and contingencies, etc.

Other contingent liabilities

	Group		Parent company	
DKK'000	2019	2018	2019	2018
Rental obligations	16,318	20,264	0	0
Operating leases	289	1,294	0	0
	16,607	21,558	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.

20 Collateral

The Group and parent company has not provided any security or other collateral in assets at 31 December 2018.

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

Notes to the financial statements

21 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	2019	2018
Group		
Purchases from parent companies	6,398	5,369
Sales to parent companies	8,970	6,380
Receivables from parent companies	224	29
Payables to parent companies	6,068	256
Parent Company		
Receivables from group companies	4,931	4,785
Payables to group companies	18,154	16,265

Information on the remuneration to management

Information on the remuneration to Management appears from note 18, "Staff costs".

	Group		Parent company	
DKK'000	2019	2018	2019	2018
22 Fee to the auditors appointed by the Company in general meeting				
Statutory audit	579	645	29	28
Tax assistance	113	386	20	20
Other assistance	232	104	23	23
	924	1,135	72	71

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

Notes to the financial statements

		Parent company	
	DKK'000	2019	2018
23	**Appropriation of profit/loss**		
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-36,871	-2,765
		-36,871	-2,765

		Group	
	DKK'000	2019	2018
24	**Adjustments**		
	Depreciation for accounting purposes on property, plant and equipment	1,830	1,367
	Amortization for accounting purposes on intangible assets	10,120	1,304
	Gain/loss on the sale of non-current assets	1,163	0
	Provisions	-1,234	-6,279
	Income from investments in associates	-119	-36
	Financial income	-1,001	-6
	Financial expenses	984	866
	Tax for the year	-2,667	1,244
	Equity adjustments	0	-694
		9,076	-2,234
25	**Changes in working capital**		
	Change in inventories and contract work in progress	-23,766	40,290
	Change in receivables	51,453	-38,689
	Change in trade and other payables	22,375	-1,638
		50,062	-37