Annual Report for 2008

1 May 2009

Novenco experienced a challenging 2008 with execution of a number of projects entered into during previous years at low margins. The Group has continuously experienced great demand from a large and stable circle of customers and has secured a strong order book.

The turnover constituted DKK 753m, which is 13.6 % over the level of the turnover in 2007, adjusted for the sale of the Fire Fighting activities to a sister company.

The Group has in 2008 executed a number of unprofitable orders, which were entered into in previous year for which provisions were made in 2007. Nevertheless, the Group realized a gross result of DKK 87m compared to DKK 38m in 2007.

The result is influenced by provisions for warranty commitments and work in progress at DKK 42m, these are subject to uncertainty, but are one-offs. In 2008 DKK 19m has also been carried to the debit side relating to change projects, hereunder upgrading of the factory in Naestved and establishment in China.

The Group realizes a total result after taxes of DKK -72m, which is unsatisfactory. However Novenco is still a very sound company with a net worth of DKK 115m.

Development during the year

The Chinese sales- and project organization has grown considerably during 2008 and now handles all sales in China directly. The company in Singapore has also been able to secure considerable new orders in 2008, and the existing companies in Norway and Holland have contributed positively and demonstrated good project execution.

The newly established factory in China began production in June 2008. This initiative is expected to generate large savings. The modernisation of the production plant in Naestved gathered speed in the second half of 2008, and new machines that were installed at the end of the year will generate further savings. The company's supply chain has also been upgraded considerably during 2008.

In 2008 DKK 9.4m has been invested in development of products focusing on energy efficiency as well as products complementing the company's product portfolio like i.e. cooling plants.

Status after the year-end

In order to counter a decreasing demand Novenco has in the beginning of 2008 reduced the staff by 76 persons, and the company's majority shareholder Dania Capital has injected DKK 40m to the company for strengthening of the capital base.

Further comments

CEO Peter Ryttergaard tel. +45 5578 1500 or CFO Lars Knaack tel. +45 5578 1110

About Novenco

With more than 60 years' experience, Novenco is among the world leaders in supplying quality solutions for ventilation and fire fighting on land and at sea. Our products and systems are sold worldwide, and Novenco works together towards a mutual goal: to offer innovative environmental- and energy friendly solutions within ventilation and fire fighting serving the human need for comfort and safety. We have offices in 8 countries and employ more than 570 people, hereof 420 in Naestved, Denmark. Novenco is owned by Dania Capital and a number of the leading employees.

Novenco A/S

CVR no. 16 92 66 47

Annual report for 2008

The annual report has been presented and approved by the company in general meeting on 27/4- 2009

Chairman

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Statement by the Supervisory and Executive Boards on the annual report

On this day, the Supervisory and Executive Boards have considered and approved the annual report of Novenco A/S for the financial year ended 31 December 2008.

The annual report has been presented in accordance with the Danish Financial Statements Act. In our opinion, the accounting policies applied are appropriate and the accounting estimates made are reasonable. Moreover, we find the overall presentation of the annual report to be true and fair. In our opinion, the annual report thus provides a true and fair view of the group's and parent company's assets and liabilities, financial position and results of the group and parent company operations and consolidated cash flows.

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

Næstved, 19 February 2009

Executive Board

Peter Ryttergaard

Steen Asferg Rasmussen

Supervisory Board

Hans Karl Erik Petersson[1]
Chairman

Thomas Jarl Dywremose[2]
Deputy chairman

Birgitte Nielsen[1]

Anders Bruun-Schmidt[2]

Jørn Ole Krøll[3]

Jesper Mogens Walin[3]

Note: 1 Independent Board member appointed by Dania Capital K/S
2 Partner in Dania Capital K/S
3 Board member elected by the employees

Independent auditors' report

To the shareholders of Novenco A/S

We have audited the annual report of Novenco A/S for the financial year ended 31 December 2008, consisting of the statement by the Supervisory and Executive Boards, management's review, accounting policies, income statement, balance sheet, statement of changes in equity and notes to the consolidated annual report and the parent company's annual report as well as the consolidated cash flow statement. The annual report has been presented in accordance with the Danish Financial Statements Act.

Management's responsibility for the annual report

The management is responsible for preparing and presenting an annual report that gives a true and fair view in accordance with the Danish Financial Statements Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of an annual report that gives a true and fair view that is free from material misstatement whether due to fraud or error as well as selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish standards of auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the annual report, whether due to fraud or error. In making this risk assessment, the auditor considers internal controls relevant to the company's preparation and presentation of an annual report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies applied by the management and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the annual report.

In our opinion, the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualifications.

Independent auditors' report

Opinion

In our opinion, the annual report gives a true and fair view of the group's and parent company's assets, liabilities and financial position as at 31 December 2008 and of the results of the group and parent company operations and consolidated cash flows for the financial year ended 31 December 2008 in accordance with the Danish Financial Statements Act.

Næstved, 19 February 2009

KPMG
Statsautoriseret Revisionspartnerselskab

Henrik O. Larsen
state-authorised public accountant

Lisa Hagedorn
state-authorised public accountant

Company information

Company	Novenco A/S Industrivej 22 DK-4700 Næstved Telephone: +45 70 12 42 22 Fax: +45 55 75 65 50 E-mail address: Info@novencogroup.com Website: www.novencogroup.com CVR no.: 16 92 66 47 Accounting period: 1 January - 31 December *Financial year: 61st financial year* Municipality of domicile: Næstved
Supervisory Board	Hans Karl Erik Petersson, chairman Thomas Jarl Dywremose Birgitte Nielsen Anders Bruun-Schmidt Jørn Ole Krøll Jesper Mogens Walin
Executive Board	Peter Ryttergaard Steen Asferg Rasmussen
Audit	KPMG Statsautoriseret Revisionspartnerselskab Borups Allé 177 DK-2000 Frederiksberg

Group chart

Parent company

Novenco A/S, Næstved, Denmark
Nom. DKK 40,000,000

Consolidated subsidiaries

100%	Novenco AS, Oslo, Norway Nom. NOK 8,000,000
100%	Novenco B.V. Bergschenhoek, Holland Nom. EUR 18,000
100%	Novenco Navy A/S Næstved, Denmark Nom. DKK 500,000
100%	Novenco UK Ltd. Worcestershire, England Nom. GBP 1
100%	Novenco (S) Pte. Ltd. 608840 , Singapore Nom. SGD 200,000
100%	Novenco Hi-Pres Air Handling Equipment (Wuxi) Co., Ltd. Nom. USD 3,050,000

Associates

22.73%	Novenco Nippon Ltd. Kobe, Japan Nom. JPY 110,000,000
14.56%	Hi-Air Korea Co., Ltd. Kimhae City, Kyungnam, Korea Nom. KRW 1,196,000,000
20.67%	Airvenco Sdn. Bhd. Kuala Lumpur, Malaysia Nom. MYR 5,400,000

Dania Capital K/S is a majority shareholder in Novenco A/S via the holding company NovCo Holding II A/S.

Financial highlights

Seen over a 3-year period, the group's development can be described by the following financial highlights:

	Group		
	2008	2007*	2006*
	DKK'000	DKK'000	DKK'000
Key figures			
Income statement			
Revenue	752,853	786,636	761,104
Profit/loss from ordinary operating activities	-69,057	-83,611	25,868
Profit/loss before financial income and expenses, net	-86,932	72,243	18,763
Profit/loss from financial income and expenses, net	-5,180	3,692	12,184
Net profit/loss for the year	-71,970	60,380	22,241
Balance sheet			
Balance sheet total	469,178	716,292	484,077
Equity	115,244	172,925	135,837
Cash flows			
Cash flows from:			
- operating activities	-110,907	-32,757	-72,191
- investing activities	-26,574	170,418	-38,414
- of which investment in property plant and equipment	15,892	7,823	13,752
- financing activities	91,340	-89,838	89,273
Changes in cash and cash equivalents	-46,141	47,823	-21,332
Number of employees	**571**	**566**	**547**
Ratios (in per cent)			
Gross margin ratio	11.5	4.9	18.7
Operating margin	-11.5	9.2	2.5
Return on capital employed	-18.5	10.1	3.9
Equity ratio	24.6	24.1	28.1
Return on equity	-50.0	39.1	18.7

**Financial and operating data have been restated to reflect disposal of activities.*

Please see the definitions in the section on accounting policies.

Management's review

The annual report of Novenco A/S for 2008 has been presented in accordance with the provisions of the Danish Financial Statements Act governing large reporting class C enterprises.

The financial statements and consolidated financial statements have been prepared using the same accounting policies as last year.

Novenco A/S is ultimately owned by the private equity company Dania Capital K/S and must, therefore, observe the code of conduct laid down by DVCA. The code of conduct is available on www.dvca.dk.

Principal activity

Novenco A/S and its subsidiaries, hereinafter referred to as the Group, are global suppliers with own development, production and sale of ventilation products and systems for industrial and marine purposes. The Group has 60 years of experience within the ventilation industry.

On 1 January 2008, the Group's Fire Fighting activities were hived off into a separate company. This is to support the continued investments in this company at the same time as the Group's principal activity is ensured a clear focus.

Development during the year

The year 2008 was a challenging one for the Group with execution of a number of projects entered into during previous years at low margins. The Group witnessed great demand from a large and stable circle of customers and has secured a strong order book.

The Chinese sales and project organisation grew steadily throughout 2008 and is now responsible for all sales in China. The company in Singapore secured substantial new orders in 2008, and the existing companies in Norway and Holland have also contributed positively and demonstrated good project execution.

Through extensive projects, the production and supply chain achieved significant improvements, and we expect to see further improvements in 2009.

The newly established plant in China began production in June 2008. The first two products were transferred in 2008 and more will follow. This initiative is expected to generate large savings.

The modernisation of the production plant in Næstved gathered speed in the second half of 2008, and new machines that were installed at the end of the year will generate further savings.

For competitive reasons, the Group has chosen only to show the revenue of the individual segments, cf. note 1. Adjusted for the spin-off of the Fire Fighting activities, the Group's Marine and Off Shore segments increased revenue considerably, while the Land segment saw a slight increase in its revenue.

Management's review

The past year and follow-up on last year's outlook

In the outlook for 2008, we expected an increase in revenue and improved financial results. Adjusted for the spin-off of FireFighting, the Group increased revenue by DKK 90 million, and operating profit grew by DKK 15 million. However, the Group recorded a consolidated loss after tax of DKK 72 million , which is very unsatisfactory.

Moreover, the expected development in the working capital did not occur, which is also unsatisfactory. Part of this development is attributable to the global financial crisis, which means that already agreed dates of payment are not met.

Financial review

Results for the year

For 2008, the Group reported revenue of DKK 753 million, which is 13.6% above the 2007 level, adjusted for the FireFighting activities.

In 2008, the Group executed a number of onerous contracts entered into during previous years, for which provisions were made in 2007. Nevertheless, the Group realised a gross profit of DKK 87 million as against DKK 38 million for 2007.

The company made further provisions of DKK 20 million to honour warranty commitments for delivered products and services. Moreover, the company made provisions of DKK 22 million for work in progress, which due to the financial crisis will result in a loss. The provisions for warranty commitments are inherently subject to uncertainty as their exact extent cannot be quantified.

The operating loss amounted to DKK 69 million, up from a loss of DKK 84 million for 2007. As mentioned above, this is primarily attributable to the positive development in gross earnings.

In 2008, the Group charged DKK 19 million relating to projects for change to the income statement, up from DKK 5 million in 2007. These costs relate to a major project of change with a view to optimising production and purchasing as well as the heavy costs associated with running-in and optimisation of the plant in China.

Management's review

Operating loss before financial income and expenses amounted to DKK 87 million as against DKK 72 million for 2007.

During the year, the Group's associates developed negatively and profits came to DKK 6 million, down from DKK 20 million for 2007.

The consolidated loss after tax amounted to DKK 72 million as against a profit of DKK 60 million for 2007.

Balance sheet development
The consolidated balance sheet for 2008 totalled DKK 469 million compared with DKK 716 million for 2007.

The non-current assets were reduced by the acquisition cost of the assets that were sold to the subsidiary Novenco Fire Fighting A/S at the beginning of the year, value adjustment of associates, which was partly offset by the addition of property, plant and equipment. The non-current assets were reduced by DKK 17 million, net, compared with 2007.

Inventories were reduced by DKK 9 million, from DKK 52 million at the beginning of 2008 to DKK 43 million at the end of the year. This was attributable to increased control in the company's production management.

The Group's receivables fell from DKK 457 million in 2007 to DKK 282 million at the end of 2008. The fall was primarily attributable to the receipt of the proceeds from the sale of Novenco A/S' property in Næstved.

At the end of the year, cash and cash equivalents amounted to DKK 28 million, down from DKK 74 million at end-2007.
The Group's equity totalled DKK 115 million as against DKK 173 million in 2007.
The Group's provisions for warranty commitments amounted to DKK 45 million as against DKK 24 million in 2007.

Liabilities other than provisions were reduced in connection with application of the proceeds from the sale of the company's property in 2007. At end-2008, the Group's external bank loans totalled a mere DKK 3 million. However, the Group is part of the banking facility entered into by the parent company Novco Holding II A/S, whose total bank loans amounted to DKK 65 million at end-2008. At the beginning of 2009, payables were reduced by DKK 25 million as a result of a capital injection of DKK 40 million by Dania Capital K/S to NovCo Holding II A/S.

Cash flow development

Cash flows from ordinary activities amounted to DKK -98 million in 2008 as against DKK -26 million in 2007. The negative development was primarily attributable to exceptionally high outstanding debtors at the end of the year and reduced creditors. All in all, this resulted in a DKK 77 million fall in the working capital.

Management's review

Cash flows from investing activities amounted to DKK -27 million as against DKK 170 million in 2007. In 2008, cash flows from investing activities included the sale of intangibles of DKK 17 million to the subsidiary Novenco FireFighting A/S. In 2007, they included DKK 186 million relating to the sale of Novenco A/S' real property.

Total cash flows from operating and investing activities amounted to DKK -137 million, compared with DKK 138 million in 2007.

Cash flows from financing activities amounted to DKK 91 million as against DKK -90 million in 2007. The proceeds from the sale of property were used to repay external debt.

Investments

During the financial year, investments in property, plant and equipment amounted to DKK 16 million, which primarily related to investments in the production plant at the factory in Næstved and IT investments to improve and further develop the internal business procedures of the Group.

Financial resources

The Group considers the financial resources to be adequate to carry out the formulated plans.

Special risks – operating and financial risks

General risks

The general risks are tied to the global world economy as the company has activities all over the world.

Financial risks

As a result of the company's equity ratio and financial resources, the risk of exposure to interest rate fluctuations is limited.

The company's capital structure is very conservative with minimal debt.

Currency risks

As a significant portion of revenues are made up of export sales, the company is sensitive towards changes in exchange rates. Goods are purchased using mainly Danish kroner and in the subsidiaries their local currencies.

Currency risks associated with selling in foreign currencies are hedged by forward exchange contracts within the hedging levels defined by the company's policy.

Management's review

Credit risks

It is company policy to always secure payment from external customers either through a bank guarantee, a letter of credit or a current credit rating of the customer.

Corporate Governance

The Supervisory and Executive Boards of Novenco A/S continuously seek to ensure that the management structure and control systems of the Group are expedient and efficient. The management team currently assesses whether that is the case.

Corporate governance is largely built into the requirements laid down in the Danish Companies Act, the Danish Financial Statements Act, the company's articles of association and good practice for companies of similar size and with the same international reach as Novenco A/S. By virtue of its status as a company owned by a private equity fund, the company complies with the guidelines for responsible ownership and corporate governance. On the basis hereof, a number of internal procedures, which ensure active, reliable and profitable management of the Group, have been developed and are currently updated.

Ownership structure

At 31 December 2008, the entire share capital of the Group was owned by NovCo Holding II A/S.

The Group's principal shareholder, Dania Capital K/S, took over the share capital on 28 February 2006. At 31 December 2008, Dania Capital K/S controlled more than 95% of the company.

The Supervisory and Executive Boards of the company do not directly or indirectly own more than 5% of the company's share capital.

The share capital of the parent company, NovCo Holding II A/S, comprises two share classes, of which one share class is structured as an incentive scheme with participation from non-executive directors and certain management employees.

Dania Capital K/S is represented at Novenco A/S by the two partners Managing Partner Thomas Jarl Dywremose and Partner Anders Bruun-Schmidt, who both have a seat on the Supervisory Board of the company. Moreover, Hans Karl Erik Petersson and Birgitte Nielsen, who are non-executive directors, have been appointed by Dania Capital K/S. The rest of the Board members have been elected by the company's employees.

The work of the Supervisory Board

In 2008, the company held 8 Board meetings. The Supervisory Board has not found it expedient to form any committees. The Supervisory Board currently reviews the company's financial

Management's review

performance. Moreover, each Board meeting typically addresses a topic, which is discussed thoroughly so that the Supervisory Board covers all relevant areas of the company within one year.

Remuneration

Remuneration for the Supervisory and Executive Boards is disclosed in note 20 to the annual report.

Stakeholders

The company's primary stakeholders include Dania Capital K/S, the company's bankers SEB and Tryg Vesta Garanti as well as the company's employees, customers and suppliers. The company's management holds meetings as required with those stakeholders to continually clarify expectations and communicate the development of the company.

Objectives and outlook

At the threshold of 2009, the Group has a strong order book, but, at the same time, these are unprecedented uncertain times.

The Group's strategy regarding efficiency programmes and outsourcing will be continued in 2009. This will greatly improve the operating results, even if revenue remains unchanged. The operating capital is also expected to improve.

Basis for earnings

Research and development

Development costs amounted to DKK 9.4 million in 2008 and were concentrated on further development of existing products with regard to greater energy efficiency and new products which complement the company's product portfolio, e.g. cooling plants.

Market overview

The year 2008 was characterised by a strong willingness to invest in the markets serviced by the Group, driven by growing global trade, relatively high oil prices and a relatively low level of interest, which had a positive impact on the business areas of the marine side of our business. This has resulted in a satisfactory order book for 2009 and the next few years. From mid-2008, especially the buildings & industrial applications segment of the land segment saw reduced activity, while a corresponding decline was not found within the marine segment until the last few months of the year.

Management's review

Knowledge resources and employees

The Group has significant knowledge resources in the area of ventilation systems. These are, to an increasing extent, embedded in internal configuration systems, but also in the unique technology that the Group uses to manufacture ventilation and water mist systems. The Group is working actively to retain and spread this knowledge to ensure future growth.

Staff changes:

	Total	**Denmark**	**Rest of the world**
Number of employees, beginning of 2008	559	458	101
Staff departure	-128	-116	-12
Staff arrival	137	81	56
Number of employees, end of 2008	568	423	145

Production and process standards

The Group is certified under ISO 9001:2000. In 2008, the newly established subsidiary in Wuxi also obtained certification.

External environment

To make sure that the Group always meets external environmental requirements in relation to the nature of the company (metal-working industry), the Group has chosen to be environmentally certified (ISO 14001:2004) together with the statutory environmental approvals. The Group has established action plans to reduce consumption in order to reduce our CO2 emission and use of common resources, among other things.

Management's review

Events occurring after the end of the financial year

After the end of the financial year, no significant events have occurred which may have a significant effect on the financial statements for 2008.

In February 2009, the Group reduced staff by 76 persons in order to counter the decline in demand.

Moreover, in February 2009, Dania Capital launched a capital increase of DKK 40 million for the parent company NovCo Holding II A/S.

Accounting policies

Basis of financial statements

The annual report of Novenco A/S has been presented in accordance with the provisions of the Danish Financial Statements Act pertaining to reporting class C enterprises.

The accounting policies have been consistently applied.

Reclassification

Following an amendment to the Danish Financial Statements Act, which was adopted in 2008, recognition of the share of profit/loss in subsidiaries and associates has been changed in the income statement.

Up to now, the company's share of profit/loss in subsidiaries and associates has been recognised as two separate items in the income statement – profit/loss before tax and tax on profit/loss for the year.

In future, the share of profit/loss in subsidiaries and associates will be recognised in one line as profit/loss after tax. Comparative figures for previous years have been restated to reflect this change in classification.

Warranty commitments, which were previously set off against work in progress, have been reclassified. In future, warranty commitments included under work in progress will be reclassified to warranty commitments.

The annual report for 2008 has been presented in DKK thousand.

Consolidated financial statements

The consolidated financial statements include the parent company Novenco A/S and the subsidiaries in which Novenco A/S directly or indirectly holds more than 50% of the voting rights or in any way exercises a controlling influence.

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

Basis of consolidation

The consolidated financial statements have been prepared on the basis of the accounts of Novenco A/S and its subsidiaries. The consolidated financial statements have been prepared by adding together items of a uniform nature. Intercompany income and expenses, intercompany balances and dividends as well as profit and loss from intercompany transactions have been eliminated on consolidation. The accounts used for consolidation purposes have been prepared in accordance with the group's accounting policies.

Accounting policies

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

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements as of the date of acquisition.

On the acquisition of new enterprises, the purchase method is applied according to which the identifiable assets and liabilities of the newly acquired enterprises are measured at their fair values at the date of acquisition.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the group and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when they are probable and can be measured reliably. Assets and liabilities are measured at cost on initial recognition. Assets and liabilities are subsequently measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective cost to maturity. Amortised cost is calculated as initial cost less any deductions and with addition/deduction of the accumulated amortisation of the difference between the cost price and the nominal amount. In this way, capital losses and gains are allocated over the term to maturity.

On recognition and measurement, any gains, losses and risks arising before the time when the annual report is presented and proving or disproving matters existing on the balance sheet date are taken into account.

Income is recognised in the income statement as earned and includes value adjustments of financial assets and liabilities measured at fair value or amortised cost. Moreover, costs incurred to obtain the revenue for the year, including depreciation and amortisation, impairment losses and provisions and reversals hereof due to changes in accounting estimates, are recognised in the income statement.

Leasing

All lease agreements are considered operating leases. Payments in connection with operating leases are recognised using the straight-line method in the income statement over the term of the leases.

Foreign currency translation

On initial recognition, transactions in foreign currencies are translated using the exchange rate ruling at the date of the transaction. Any exchange differences arising between the rate of exchange ruling at the date of the transaction and the rate of exchange ruling at the date of

Accounting policies

payment are recognised in the income statement as an item under financial income and expenses, net.

Receivables, payables and other monetary items in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. The difference between the rate of exchange ruling at the balance sheet date and the rate of exchange ruling at the time when the receivables or the payables arose or were recognised in the latest annual report is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included under other receivables and other payables, respectively. Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future cash flows are recognised directly in equity. Income and expenses relating to such hedging transactions are transferred from equity on realisation of the hedged asset or liability and are recognised in the same item as the hedged asset or liability.

Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are currently recognised in the income statement as financial income or expenses, net.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement if delivery took place and the risk has passed to the buyer before the year-end and provided that the income can be stated reliably and payment is expected to be made.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Contract work in progress concerning customised production of systems is recognised as revenue when the production is completed, and the revenue thus corresponds to the selling price of the work completed (the percentage of completion method).

Accounting policies

Production costs

Production costs comprise the costs incurred to obtain the revenue for the year. The cost includes raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc. as well as operation, administration and management of factories.

Included within production costs are research and development costs which do not meet the criteria for capitalisation and amortisation of capitalised development costs. Moreover, provisions for losses on contracts are included.

Selling and distribution costs

Selling and distribution costs comprise costs of distribution and sales campaigns regarding goods sold during the year, including costs relating to sales personnel, marketing and depreciation/amortisation as well as loss on trade debtors.

Administrative expenses

Administrative expenses comprise costs relating to the management, the administrative staff, office expenses, insurance, depreciation/amortisation, etc.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature in relation to the principal activity of the enterprise, including profit/loss on the sale of intangibles and property, plant and equipment.

Share of profit/loss in subsidiaries and associates

The proportionate share of the post-tax results of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intercompany profits/losses.

The proportionate share of the post-tax results of the associates is recognised in the income statement of the parent company and the consolidated income statement after elimination of the proportionate share of intercompany profits/losses.

Financial income and expenses, net

Financial income and expenses include interest, financial expenses relating to financial leasing, realised and unrealised translation adjustments, marketable securities adjustments, amortisation of mortgage loans as well as additions and tax allowances under the on-account tax scheme.

Tax

Tax for the year, which comprises current tax for the year and changes in deferred tax, is recognised in the income statement with the share attributable to the net profit/loss for the year and directly in equity with the share attributable to items recognised directly in equity.

Accounting policies

The group is taxed jointly with the parent company.

Current Danish corporate income taxes are allocated between the jointly taxed Danish companies in proportion to their taxable incomes (full absorption with refunds for tax losses).

Balance sheet

Intangibles

Development costs comprise costs, salaries and amortisation directly and indirectly attributable to the company's development activities.

Development projects clearly defined and identifiable involving a demonstrable technical rate of utilisation, adequate resources and a potential future market or a development opportunity in the enterprise, and where the intent is to produce, market or employ the project, have been recognised as intangibles provided that the cost can be stated reliably and that there is sufficient certainty that the value in use of future earnings will cover the production, selling and administrative costs as well as the actual development costs. Other development costs are recognised in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation or at a lower recoverable amount.

Capitalised development costs are amortised on a straight-line basis after the completion of the project over the estimated useful economic life. The amortisation period is 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation is provided on a straight-line basis over the useful lives of the assets:

Buildings	15-30 years
Plant and machinery	4-12 years
Other fixtures and fittings, tools and equipment	3-12 years

Accounting policies

Profits and losses derived from the disposal of property, plant and equipment are stated as the difference between the selling price less selling expenses and the carrying amount at the time of selling. Profits or losses are recognised in the income statement as an adjustment to depreciation and impairment losses or under other operating income to the extent that the selling price exceeds the original cost.

Impairment of non-current assets

The carrying amount of intangibles and property, plant and equipment is reviewed annually to determine whether there is any indication of impairment exceeding the write-downs in connection with general amortisation and depreciation. If any such indication exists, an impairment test will be carried out to determine whether the recoverable amount is lower than the carrying amount, and a write-down to this lower recoverable amount will be made. This impairment test is conducted on an annual basis of in progress development projects, irrespective of whether there is an indication of impairment.

The recoverable amount of the asset is determined as the higher of the net selling price and its value in use. If the recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office property and other assets, where it is not possible to determine a separate value in use as the asset itself does not generate future cash flows, are subject to a review for impairment together with the group of assets to which they can be attributed.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured according to the equity method, which means that the investments are measured at the proportionate share of the equity value of the enterprises plus or less non-amortised positive and negative consolidated goodwill, respectively, and plus or less unrealised intercompany gains and losses.

Subsidiaries and associates with a negative equity value are measured at zero value, and any receivables from these enterprises are written down by the parent company’s share of the negative equity value insofar as they are deemed uncollectible. If the negative equity value exceeds the receivables, the remaining amount is recognised under provisions to the extent that the parent company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

Accounting policies

In future, the share of profits/losses in subsidiaries and associates is recognised in one line as post-tax profit/loss. Comparative figures for previous years have been restated to reflect this change in classification.

Net revaluation of investments in subsidiaries and associates is transferred to the net revaluation reserve to the extent that the carrying amount exceeds the cost.

Inventories

Inventories are measured at cost using the FIFO method or the net realisable value for the individual product line, whichever is lower. The net realisable value of inventories is calculated as the selling price less the costs of completion and costs incurred to execute sale and determined with due consideration of marketability, obsolescence and movements in the expected selling price.

The cost of goods for resale, raw materials and consumables comprises the cost price plus delivery costs.

The cost of manufactured finished goods and work in progress comprises the cost of raw materials, consumables, direct labour costs and indirect production costs. Indirect production costs comprise indirect materials and labour costs as well as maintenance of the machinery, factory buildings and equipment used in the manufacturing process and the cost of administration and management of factories.

Receivables

Receivables are measured at amortised cost or at net realisable value, if lower, calculated on the basis of an individual assessment of each receivable.

Prepayments

Prepayments under assets comprise paid-up expenses relating to the subsequent financial year.

Contract work in progress

Large contract orders are measured at the selling price of the orders executed at the balance sheet date (the percentage of completion method). Other/small projects are recognised using the method of recognising income as invoiced. Provisions are made for expected losses on onerous contracts.

Proposed dividend

Dividend is recognised as a liability at the time of approval by the general meeting.

Accounting policies

Provisions

Provisions are recognised when the group has a legal or constructive obligation as a result of an event occurring on or before the balance sheet date and it is probable that an outflow of economic benefits will be required to settle the obligation.

Warranty commitments are measured at net realisable value and include provisions for general and expected specific warranty commitments.

Liabilities other than provisions

Payables to mortgage banks and credit institutions are recognised initially at the proceeds received net of transaction expenses incurred. Liabilities other than provisions are subsequently measured at amortised cost, corresponding to the capitalised value, using the effective interest rate so that differences between the proceeds and the nominal value are recognised in the income statement as financial income and expenses, net, over the period of the borrowing.

Other liabilities other than provisions, which comprise trade payables and payables to group enterprises and associates and other payables, are measured at amortised cost, which usually equals the nominal debt.

Tax and deferred tax

Under the joint taxation rules, the subsidiaries' liability to the tax authorities for their own corporate income taxes is settled concurrently with the payment of the joint taxation contributions to the management company.

Joint taxation contributions payable and receivable are recognised in the balance sheet under balances with group enterprises.

Deferred tax is measured under the balance sheet liability method comprising all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised at the value at which they are expected to be utilised either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax unit and jurisdiction. Deferred tax is measured in accordance with the tax rules and tax rates in the various countries that will apply under the legislation in force at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Segment information

The segment information follows the group's accounting policies, risks and management control.

Accounting policies

Cash flow statement

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

Cash flow from operating activities

Cash flows from operating activities are determined as the net profit or loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses and provisions. The working capital comprises current assets less current liabilities other than provisions exclusive of the items included in cash and cash equivalents and interest-bearing items.

Cash flow from investing activities

Cash flows from investing activities include cash flows from the acquisition and disposal of intangibles, property, plant and equipment and investments.

Cash flow from financing activities

Cash flows from financing activities comprise cash flows from raising and repayment of long-term liabilities other than provisions and payments to and from the shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise the items 'Cash' under current assets. The cash flow statement cannot be derived using only the published financial data.

Explanation of financial ratios

Gross margin ratio $= \dfrac{\text{Gross profit x 100}}{\text{Revenue}}$

Operating margin $= \dfrac{\text{Profit/loss before financial income and expenses, net x 100}}{\text{Revenue}}$

Return on capital employed $= \dfrac{\text{Profit/loss before financial income and expenses, net x 100}}{\text{Total assets}}$

Equity ratio $= \dfrac{\text{Equity at year - end x 100}}{\text{Total assets}}$

Return on equity $= \dfrac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Income statement for the year ended 31 December

		Group		Parent company	
	Note	2008	2007	2008	2007
		DKK'000	DKK'000	DKK'000	DKK'000
Revenue	1	**752,853**	**786,636**	**459,492**	**481,192**
Production costs	20	-666,124	-748,361	-453,554	-513,292
Gross profit/loss		**86,729**	**38,275**	**5,938**	**-32,100**
Selling and distribution costs	20	-64,285	-67,462	-40,369	-42,207
Administrative expenses	19,20	-91,501	-54,424	-38,662	-30,680
Loss from ordinary operating activities		**-69,057**	**-83,611**	**-73,093**	**-104,987**
Other operating income	2	1,565	160,728	1,565	160,728
Other operating expenses	2	-19,440	-4,874	-19,440	-4,874
Profit/loss before financial income and expenses, net		**-86,932**	**72,243**	**-90,968**	**50,867**
Income from investments in subsidiaries after tax	3	0	0	-383	15,958
Income from investments in associates after tax	4	6,456	20,415	6,456	20,415
Financial income	5	3,467	967	1,680	369
Financial expenses	6	-15,103	-17,690	-13,524	-17,716
Profit/loss from ordinary activities before tax		**-92,112**	**75,935**	**-96,739**	**69,893**
Corporate income tax	7	20,142	-15,555	24,769	-9,513
Profit/loss for the year		**-71,970**	**60,380**	**-71,970**	**60,380**

Distribution of profit/loss

Proposal for the distribution of profit/loss

Proposed dividend for the financial year		55,000
Net revaluation reserve according to the equity method	6.073	12.302
Retained earnings	-78,043	-6,922
	-71,970	**60,380**

Balance sheet at 31 December

Assets

	Note	Group 2008	Group 2007	Parent company 2008	Parent company 2007
		DKK'000	DKK'000	DKK'000	DKK'000
Completed development projects		5,155	16,722	5,155	16,722
Development projects in progress		11,944	9,552	11,944	9,552
Intangibles	8	**17,099**	**26,274**	**17,099**	**26,274**
Land and buildings		9,240	7,091	0	0
Plant and machinery		9,107	10,181	8,570	10,106
Other fixtures and fittings, tools and equipment		8.351	10,204	5,337	10,246
Property, plant and equipment under construction		6.746	1,230	6,694	131
Property, plant and equipment	9	**33,444**	**28,706**	**20,601**	**20,271**
Investments in subsidiaries	10	0	0	62,610	57,572
Investments in associates	11	61,755	72,312	61,755	72,312
Other receivables		4,449	6,430	0	1,222
Investments		**66,204**	**78,742**	**124,365**	**131,106**
Total non-current assets		**116,747**	**133,722**	**162,065**	**177,651**
Raw materials and consumables		19,646	24,086	17,064	24,086
Work in progress		18,491	23,426	6,389	12,407
Finished goods and goods for resale		4,627	4,131	1,231	1,147
Inventories		**42,764**	**51,643**	**24,684**	**37,640**
Trade receivables		131,664	160,453	52,129	86,957
Contract work in progress	12	87,334	73,869	63,517	49,831
Receivables from sale of property		0	182,908	0	182,908
Receivables from group enterprises		10,705	13,729	53,327	29,996
Deferred tax asset	17	37,233	8,780	43,078	16,598
Deposits		8,166	8,264	8,166	8,228
Other receivables		2,941	1,900	54	1,330
Prepayments	13	4,090	7,349	2,996	6,323
Receivables		**282,133**	**457,252**	**223,267**	**382,171**
Cash		**27,534**	**73,675**	**9,524**	**18,317**
Total current assets		**352,431**	**582,570**	**257,475**	**438,128**
Assets		**469,178**	**716,292**	**419,540**	**615,779**

Balance sheet at 31 December

Liabilities and equity

	Note	Group		Parent company	
		2008	2007	2008	2007
		DKK'000	DKK'000	DKK'000	DKK'000
Share capital		40,000	40,000	40,000	40,000
Net revaluation reserve according to the equity method		56.182	66,739	47,215	64,298
Retained earnings		19,062	11,186	28,029	13,627
Proposed dividend for the financial year		0	55,000	0	55,000
Equity	14	**115,244**	**172,925**	**115,244**	**172,925**
Provisions for warranty commitments	15	44,807	24,340	44,189	23,900
Provisions		**44,807**	**24,340**	**44,189**	**23,900**
Credit institutions		0	133,492	0	133,492
Long-term liabilities other than provisions	16	**0**	**133,492**	**0**	**133,492**
Credit institutions		2,678	0	2,678	0
Prepayments received from customers	12	48,606	50,824	11,278	19,027
Trade payables		106.253	138,998	56,715	91,896
Payables to group enterprises		76,635	97,403	126,586	98,584
Joint taxation contribution payable		2,309	3,926	0	3,926
Other payables		72,646	94,384	62,850	72,029
Current liabilities other than provisions		**309,127**	**385,535**	**260,107**	**285,462**
Liabilities other than provisions		**309,127**	**519,027**	**260,107**	**418,954**
Liabilities and equity		**469,178**	**716,292**	**419,540**	**615,779**
Contingencies and other liabilities	18				
Remuneration for auditor elected by the annual general meeting	19				
Employees	20				
Related parties and ownership structure	21				

Statement of changes in equity

Group

	Share capital	Net revaluation according to the equity method	Retained earnings	Proposed dividend	Total
	DKK'000	DKK'000	DKK'000	DKK'000	DKK '000
Equity at 1 January 2007	40,000	58,779	22,058	15,000	135,837
Dividend distributed	0	0	0	-15,000	-15,000
Transferred via distribution of profit/loss	0	20,415	39,965	0	60,380
Foreign currency translation adjustment relating to foreign associates	0	-6,706	1,421	0	-5,285
Entries on shareholders' equity in associates	0	-3,007	0	0	-3,007
Dividend received from associates	0	-2,742	2,742	0	0
Proposed dividend	0	0	-55,000	55,000	0
Equity at 1 January 2008	40,000	66,739	11,186	55,000	172,925
Dividend distributed	0	0	0	-55,000	-55,000
Transferred via distribution of profit/loss	0	6,456	-78,426	0	-71,970
Capital contribution NovCo Holding II			90,929		90,929
Translation adjustment relating to forward exchange contracts at market value	0	0	-659	0	-659
Deferred tax on financial contracts	0	0	165	0	165
Foreign currency translation adjustment relating to foreign associates	0	-19,501	-6,143	0	-25,644
Entries on shareholders' equity in subsidiaries, etc.	0	4,498	0	0	4,498
Dividend received from associates	0	-2,010	2,010	0	0
Equity at 31 December 2008	**40,000**	**56,182**	**19,062**	**0**	**115,244**

Statement of changes in equity

Parent company

	Share capital	Net revaluation according to the equity method	Retained earnings	Proposed dividend	Total
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January 2007	40,000	63,030	17,807	15,000	135,837
Dividend distributed	0	0	0	-15,000	-15,000
Transferred via distribution of profit/loss	0	12,302	48,078	0	60,380
Foreign currency translation adjustment relating to subsidiaries, etc.	0	-5,285	0	0	-5,285
Entries on shareholders' equity in subsidiaries, etc.	0	-3,007	0	0	-3,007
Dividend received from associates	0	-2,742	2,742	0	0
Dividend	0	0	-55,000	55,000	0
Equity at 1 January 2008	40,000	64,298	13,627	55,000	172,925
Dividend distributed	0	0	0	-55,000	-55,000
Transferred via distribution of profit/loss	0	6,073	-78,043	0	-71,970
Capital contribution NovCo Holding II	0	0	90,929	0	90,929
Translation adjustment relating to forward exchange contracts at market value	0	0	-659	0	-659
Deferred tax on financial contracts	0	0	165	0	165
Foreign currency translation adjustment relating to foreign subsidiaries, etc.	0	-25,644	0	0	-25,644
Entries on shareholders' equity in subsidiaries, etc.	0	4,498	0	0	4,498
Dividend received from associates	0	-2,010	2,010	0	0
Equity at 31 December 2008	**40,000**	**47,215**	**28,029**	**0**	**115,244**

Consolidated cash flow statement for the year ended 31 December

	Note	2008	2007
		DKK'000	DKK'000
Profit/loss for the year before tax		-92,112	75,935
Adjustments	22	35,727	-132,268
Changes in working capital	23	-30,079	47,046
Cash flows from operating activities before financial income and expenses, net		**-86,464**	**-9,287**
Financial income and expenses, net		-11,637	-16,723
Cash flows from ordinary activities		**-98,101**	**-26,010**
Corporate income tax paid		-12,806	-6,747
Cash flows from operating activities		**-110,907**	**-32,757**
Payments to acquire property, plant and equipment		-15,892	-7,823
Receipts from sale of property, plant and equipment		10	186,408
Payments to acquire intangibles		-9,403	-9,663
Receipts from sale of intangibles		0	75
Acquisition of subsidiaries	24	0	-738
Divestment of subsidiaries	25	-2,758	0
Dividend, investments (net excluding tax)		1,469	2,159
Cash flows from investing activities		**-26,574**	**170,418**
Cash flows from investing and operating activities		**-137,481**	**137,661**
Receivables from sale of property		182,908	-182,908
Incurrence of debt with credit institutions		-133,492	30,000
Changes in payables to group enterprises		3,317	82,407
Dividend distributed		-55,000	-15,000
Capital contribution NovCo Holding II		90,929	0
Changes in bank loans		2,678	-4,337
Cash flows from financing activities		**91,340**	**-89,838**
The year's cash flow from operating, investing and financing activities		**-46,141**	**47,823**

Cash and cash equivalents at the beginning of the year	73,675	25,852
Cash and cash equivalents at the end of the year	**27,534**	**73,675**

Notes to the annual report

1 Revenue

	Group		Parent company	
	2008	2007	2008	2007
	DKK'000	DKK'000	DKK'000	DKK'000
Business areas				
Cargo	264,997	283,036	156,632	189,595
Offshore	118,375	125,269	39,191	31,458
Car Park	95,432	86,661	33,997	26,921
Buildings	87,886	84,663	85,893	82,665
Special Solutions	54,805	59,436	18,992	21,162
Cruise & Ferry	59,568	58,879	58,788	58,879
Service & Parts	46,855	49,957	50,166	46,572
Navy	9,697	33,129	1,595	18,334
Yachts	15,238	5,606	14,238	5,606
	752,853	**786,636**	**459,492**	**481,192**

2 Other operating income and expenses

Other operating income

Profit from sale of property located at Industrivej 22, DK-4700 Næstved	0	159,721	0	159,721
Other operating income	1,565	1,007	1,565	1,007
	1,565	**160,728**	**1,565**	**160,728**

Other operating expenses

Other operating expenses	-19,440	-4,874	-19,440	-4,874
	-19,440	**-4,874**	**-19,440**	**-4,874**

Notes to the annual report

3 Income from investments in subsidiaries

	Group		Parent company	
	2008	2007	2008	2007
	DKK'000	DKK'000	DKK'000	DKK'000
Profit/loss in subsidiaries after tax	0	0	-383	15,958
	0	**0**	**-383**	**15,958**

4 Income from investments in associates

Share of profits in associates after tax	6,456	20,415	6,456	20,415
	6,456	**20,415**	**6,456**	**20,415**

5 Financial income

Interest income relating to group enterprises	1,112	0	0	0
Other financial income	2,355	967	1,680	369
	3,467	**967**	**1,680**	**369**

6 Financial expenses

Interest expenses relating to group enterprises	-10,463	-2,435	-10,463	-3,064
Foreign currency translation adjustments	-3,061	7,403	-3,061	-6,837
Other financial expenses	-1,579	-7,852	0	-6,404
	-15,103	**-17,690**	**-13,524**	**-17,716**

Notes to the annual report

7 Corporate income tax

	Group		Parent company	
	2008	2007	2008	2007
	DKK'000	DKK'000	DKK'000	DKK'000
Current tax for the year	-6,184	-12,864	-1,557	-6,822
Deferred tax for the year	26,326	-2,691	26,326	-2,691
Total tax for the year	**20,142**	**-15,555**	**24,769**	**-9,513**
Allocated as follows:				
Tax on profit/loss for the year	20,142	-15,555	24,769	-9,513
Tax on changes in equity	165	0	165	0
	20,307	**-15,555**	**24,934**	**-9,513**

Notes to the annual report

8 Intangibles

Group

	Completed development projects	Develop-ment projects in progress
	DKK'000	DKK'000
Cost at 1 January	28,992	9,552
Adjustment at the beginning of the year	8	-8
Additions during the year	2,503	6,900
Disposals during the year	-22,385	-4,500
Cost at 31 December	9,118	11,944
Impairment losses and amortisation at 1 January	-12,270	0
Adjustment at the beginning of the year	0	0
Amortisation for the year	-1,575	0
Amortisation of disposals during the year	9,882	0
Impairment losses and amortisation at 31 December	-3,963	0
Carrying amount at 31 December	**5,155**	**11,944**
Amortised over	5 years	-

	2008	2007
	DKK'000	DKK'000
Impairment losses and amortisation of intangibles are recognised in the income statement under the following items:		
Production costs	1,575	4,823
	1,575	**4,823**

Notes to the annual report

8 Intangibles (continued)

Parent company

	Completed development projects	Develop-ment projects in progress
	DKK'000	DKK'000
Cost at 1 January	28,992	9,552
Adjustment at the beginning of the year	8	-8
Additions during the year	2,503	6,900
Disposals during the year	-22,385	-4,500
Cost at 31 December	9,118	11,944
Impairment losses and amortisation at 1 January	-12,270	0
Adjustment at the beginning of the year	0	0
Amortisation for the year	-1,575	0
Amortisation of disposals during the year	9,882	0
Impairment losses and amortisation at 31 December	-3,963	0
Carrying amount at 31 December	**5,155**	**11,944**
Amortised over	5 years	-

	2008	2007
	DKK'000	DKK'000
Impairment losses and amortisation of intangibles are recognised in the income statement under the following items:		
Production costs	1,575	4,823
	1,575	**4,823**

Notes to the annual report

9 Property, plant and equipment

Group

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construc-tion
	DKK'000	DKK'000	DKK'000	DKK'000
Cost at 1 January	13,832	63,987	41,728	1,230
Adjustment at the beginning of the year	0	0	-5,935	0
Translation adjustment at year-end rate	-11	0	-730	0
Additions during the year	2,848	2,173	4,982	5,822
Transfers during the year	0	0	67	-67
Disposals during the year	0	-7,618	-8,571	-239
Cost at 31 December	16,669	58,542	31,541	6,746
Impairment losses and depreciation at 1 January	-6,741	-53,806	-31,522	0
Adjustment at the beginning of the year	0	0	5,935	0
Translation adjustment at year-end rate	5	0	558	0
Depreciation for the year	-693	-2,364	-6,461	0
Impairment losses and depreciation on assets disposed of	0	6,735	8,300	0
Impairment losses and depreciation at 31 December	-7,429	-49,435	-23,190	0
Carrying amount at 31 December	**9,240**	**9,107**	**8,351**	**6,746**
Depreciated over	15-30 years	4-12 years	3-12 years	-

	2008	2007
	DKK'000	DKK'000
Impairment losses and depreciation on property, plant and equipment are recognised in the income statement under the following items:		
Production costs	2,299	4,038
Distribution costs	0	585
Administrative expenses	7,277	4,140
	9,576	**8,763**

Notes to the annual report

9 Property, plant and equipment (continued)

Parent company

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construc-tion
	DKK'000	DKK'000	DKK'000	DKK'000
Cost at 1 January	0	63,353	34,890	1,021
Adjustment at the beginning of the year	0	0	-5,935	0
Additions during the year	0	1,646	2,053	5,740
Transfers during the year	0	0	67	-67
Disposals during the year	0	-7,618	-8,304	0
Cost at 31 December	0	57,381	22,771	6,694
Impairment losses and depreciation at 1 January	0	-53,247	-25,746	0
Adjustment at the beginning of the year	0	0	5,935	0
Depreciation for the year	0	-2,299	-5,677	0
Impairment losses and depreciation on assets disposed of	0	6,735	8,054	0
Impairment losses and depreciation at 31 December	0	-48,811	-17,434	0
Carrying amount at 31 December	**0**	**8,570**	**5,337**	**6,694**
Depreciated over	15-30 years	4-12 years	3-12 years	-

	2008	2007
	DKK'000	DKK'000
Impairment losses and depreciation on property, plant and equipment are recognised in the income statement under the following items:		
Production costs	2,299	3,747
Administrative expenses	5,677	4,008
	7,976	**7,755**

Notes to the annual report

10 Investments in subsidiaries

	Parent company	
	2008	2007
	DKK'000	DKK'000
Cost at 1 January	60,013	59,275
Additions during the year	11,564	738
Cost at 31 December	71,577	60,013
Revaluations at 1 January	-2,441	4,251
Foreign currency translation adjustment	-6,143	1,421
Profit/loss for the year	-383	15,958
Dividend to parent company	0	-24,071
Revaluations at 31 December	-8,967	-2,441
Carrying amount at 31 December	**62,610**	**57,572**

Investments in subsidiaries can be specified as follows:

Name	Registered office	Share capital	Voting share and ownership interest
Novenco AS	Oslo, Norway	MNOK 8	100%
Novenco B.V.	Bergschenhoek, Holland	TEUR 18	100%
Novenco Navy A/S	Næstved, Denmark	MDKK 0.5	100%
Novenco UK Ltd.	Worcestershire, England	GBP 1	100%
Novenco (S) Pte. Ltd.	608840, Singapore	TSGD 200	100%
Novenco Hi-Pres Air Handling Equipment (Wuxi) Co., Ltd.	Wuxi, China	MUSD 3	100%

All foreign subsidiaries are recognised and measured as separate entities.

Notes to the annual report

11 Investments in associates

	Group		Parent company	
	2008	2007	2008	2007
	DKK'000	DKK'000	DKK'000	DKK'000
Cost at 1 January	5,573	5,573	5,573	5,573
Cost at 31 December	5,573	5,573	5,573	5,573
Revaluations at 1 January	66,739	58,779	66,739	58,779
Foreign currency translation adjustment	-19,501	-6,706	-19,501	-6,706
Profit for the year	6,456	20,415	6,456	20,415
Capital adjustment	-2,010	-3,007	-2,010	-3,007
Dividend to parent company	4,498	-2,742	4,498	-2,742
Revaluations at 31 December	56,182	66,739	56,182	66,739
Carrying amount at 31 December	**61,755**	**72,312**	**61,755**	**72,312**

Investments in associates can be specified as follows:

Name	Registered office	Share capital	Voting share and ownership interest
Novenco Nippon Ltd.	Kobe, Japan	MJPY 110	22.73%
Hi-Air Korea Co., Ltd.	Kyungnam, Korea	MKRW 1,196	14.56%
Airvenco Sdn. Bhd.	Kuala Lumpur, Malaysia	TMYR 5,400	20.67%

All foreign subsidiaries and associates are recognised and measured as separate entities.

Notes to the annual report

12 Contract work in progress

	Group		Parent company	
	2008	2007	2008	2007
	DKK'000	DKK'000	DKK'000	DKK'000
Contract work in progress included under assets	87,334	73,869	63,517	49,831
Prepayments received included under liabilities and equity	-48,606	-50,824	-11,278	-19,027
	38,728	**23,045**	**52,239**	**30,804**
Profit on payments received on account recognised in work in progress	63,056	26,047	30,946	-5,758

13 Prepayments

Prepayments are prepaid expenses relating to rent, IT support, IT licences and non-received royalty income, etc.

14 Equity

The company's share capital totals DKK 40,000,000. The share capital is not divided into shares.

15 Provisions for warranty commitments

Novenco A/S offers normal warranty commitments in connection with deliveries of goods and services. Provisions have been made for specific expenses; however, no provisions have been made for expenses, the scope or timing of which is uncertain. Novenco A/S has in previous years delivered a product family which in some cases turned out to be defective. The amount necessary to remedy the situation is subject to some uncertainty.

	Group		Parent company	
	2008	2007	2008	2007
	DKK'000	DKK'000	DKK'000	DKK'000
Provisions for warranty commitments				
Other provisions 1 January	24,340	2,619	23,900	2,067
Applied during the year	-22,328	-387	-22,328	-275
Provided during the year	42,795	22,108	42,617	22,108
	44,807	**24,340**	**44,189**	**23,900**

Notes to the annual report

16 Liabilities other than provisions

Liabilities other than provisions relate to payables to credit institutions. Liabilities other than provisions fall due as follows:

	Group		Parent company	
	2008	2007	2008	2007
	DKK'000	DKK'000	DKK'000	DKK'000
Within 1 year	0	0	0	0
Between 1 and 5 years	0	88,492	0	88,492
After 5 years	0	45,000	0	45,000
	0	**133,492**	**0**	**133,492**

17 Deferred tax

	Parent company	
	2008	2007
	DKK'000	DKK'000
Goodwill	75	75
Equipment	8,651	7,055
Capitalised development costs	-2,391	-2,380
Provisions for bad debts	799	450
General warranty provisions	9,033	4,075
Provisions for losses on projects in progress	0	5,873
Recognised profit on payments received on account	-7,736	1,439
Financial contracts on equity	165	0
Capitalised tax loss	34,482	0
Other adjustments	0	11
	43,078	**16,598**

Deferred tax has been provided for at a rate of 25%, corresponding to the current tax rate.

Notes to the annual report

18 Contingencies and other liabilities

The following binding agreements, falling due within 15 years, have been concluded:

	Group		Parent company	
	2008	2007	2008	2007
	DKK'000	DKK'000	DKK'000	DKK'000
Rental obligations	242,834	4,553	241,493	238,301
Operational leases	9,665	6,321	7,471	7,282
IT contracts	3,565	1,257	3,565	4,116
Other supplier agreements	54,347	68,312	50,225	71,031
Total liabilities	**310,411**	**80,443**	**302,754**	**58,831**
Annual rent/lease payments amount to	18,527	6,231	16,978	3,826

Securities

Security has been provided for mortgage credit related loans in the form of owner's and all-moneys mortgages with a nominal value of DKK 65 million in land, buildings and plant, etc. The company paid off the mortgage credit related loan at the beginning of 2008; consequently, the provision of security was discontinued.

Security has been provided for the rest of the company's bank loans in the form of a charge on assets in subsidiaries.

Bank guarantees

Novenco has given customers warranties on goods sold, and such warranties amount to DKK 54,828 thousand.

Notes to the annual report

19 Remuneration for auditors elected by the annual general meeting

	Group		Parent company	
	2008	2007	2008	2007
	DKK'000	DKK'000	DKK'000	DKK'000
Auditors' remuneration	770	781	433	470
Tax consultancy	105	0	105	0
Non-audit services	593	6	490	6
	1,468	**787**	**1,028**	**476**

20 Employees

Wages and salaries	209,507	209,690	170,895	171,198
Pension contributions	15,473	16,475	11,902	13,432
Other social security costs	8,919	9,178	2,902	3,017
	233,899	**235,343**	**185,699**	**187,647**
Recognised as follows:				
Production costs	137,277	136,493	127,585	128,156
Distribution costs	59,375	64,702	28,932	32,786
Administrative expenses	37,247	34,148	29,182	26,705
	233,899	**235,343**	**185,699**	**187,647**
Of which remuneration to the Executive and Supervisory Boards:				
Executive Board	4,425	4,326	4,425	4,326
Supervisory Board*	475	475	475	475
	4,900	**4,801**	**4,900**	**4,801**
Average number of employees				
	608	**566**	**464**	**466**

* *Thomas Jarl Dywremose and Anders Bruun-Schmidt do not receive remuneration*

Notes to the annual report

21 Related parties and ownership structure

Controlling influence	Basis
Dania Capital K/S, Borgergade 111, DK-1300 Copenhagen K	Principal shareholder

Other related parties

NovCo Holding II A/S, Copenhagen, Denmark	Parent company
NovCo Holding I A/S, Copenhagen, Denmark	Parent company
Novenco AS, Oslo, Norway	Subsidiary
Novenco B.V. Bergschenhoek, Holland	Subsidiary
Novenco Navy A/S, Næstved, Denmark	Subsidiary
Novenco UK Ltd.,Worcestershire, England	Subsidiary
Novenco (S) Pte. Ltd., 608840, Singapore	Subsidiary
Novenco Hi-Pres Air Handling Equipment (Wuxi) Co., Ltd.,Wuxi, China	Subsidiary
Novenco Nippon Ltd., Kobe, Japan	Associate
Hi-Air Korea Co., Ltd., Kimhae City, Kyungnam, Korea	Associate
Airvenco Sdn. Bhd., Kuala Lumpur, Malaysia	Associate

Transactions

The sale of goods to associates amounted to DKK 656 thousand and was made on an arm's length basis. Royalty income of DKK 618 thousand and commission income of DKK 197 thousand were received.

Novenco A/S invoiced Novenco AS a management fee of DKK 20,506 thousand, Novenco B.V. a management fee of DKK 10,027 thousand, Novenco UK Ltd. a management fee of DKK 522 thousand, Novenco (S) Pte. Ltd. a management fee of DKK 823 thousand and Novenco China a management fee of DKK 271 thousand.

Except for intercompany transactions, which were eliminated on consolidation, and normal management's remuneration, no transactions were made during the year with the Supervisory Board, Executive Board, management employees, leading shareholders, group enterprises or other related parties.

Ownership structure

The following shareholders are recorded in the company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Notes to the annual report

22 Adjustments, cash flow statement

	Group	
	2008	2007
	DKK'000	DKK'000
Share of profit/loss in associates after tax	-6,456	-20,415
Accounting depreciation on property, plant and equipment	9,519	8,763
Accounting amortisation of intangibles	1,575	4,823
Accounting gain on non-current assets	-10	-159,710
Financial income and expenses, net	11,637	16,723
Changes in provisions, etc.	21,337	14,121
Other adjustments	-1,875	3,427
	35,727	**-132,268**

23 Changes in working capital, cash flow statement

Changes in receivables	13,173	-1,525
Changes in inventories	6,678	-12,838
Changes in trade payables, other payables, etc.	-49,930	61,409
	-30,079	**47,046**

24 Acquisition of subsidiaries and activities

Acquisition price	0	738
	0	**738**

25 Divestment of subsidiaries and activities

Selling price		
Intangibles sold	-16,950	0
Property, plant and equipment sold	-345	0
Other receivables	-1,222	0
Inventories	-2,201	0
Non-invoiced revenue	-8,090	0
Prepayments by customers	1,476	0
Deposits	-157	0
Prepayments	-3	0
Warranty commitments	870	0
Other payables	14,255	0
Payables to group enterprise	15,125	0
	2,758	**0**