

Simonsen A/S

Møgelvangs Plads 7, 7900 Nykøbing Mors

Company reg. no. 12 64 63 72

Annual report

1 January - 31 December 2015

The annual report has been submitted and approved by the general meeting on the 11. february 2016

Anders Borg
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of Simonsen A/S for the financial year 1 January to 31 December 2015.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2015 and of the company's results of its activities and cash flows in the financial year 1 January to 31 December 2015.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Nykøbing Mors, 11. february 2016

Managing Director

Morten Simonsen

Board of directors

Tove Simonsen

Morten Simonsen

Klaus Simonsen

The independent auditor's reports

To the shareholders of Simonsen A/S

Report on the annual accounts

We have audited the annual accounts of Simonsen A/S for the financial year 1 January to 31 December 2015, which comprise accounting policies used, profit and loss account, balance sheet, cash flow statement and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

The management's responsibility for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore, the management is responsible for such internal control as it determines necessary in order to prepare annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with international standards on auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of annual accounts that give 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 used and the reasonableness of accounting estimates made by the management, as well as the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

The independent auditor's reports

Opinion

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2015 and of the results of the company's operations and cash flows for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the management's review

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the annual accounts. On this basis, it is our opinion that the information provided in the management's review is consistent with the annual accounts.

Nykøbing Mors, 11. february 2016

BRANDT

State Authorised Public Accountants
CVR-nr. 25 49 21 45

Flemming Hansen
State Authorised Public Accountant

Søren Yde
State Authorised Public Accountant

Company data

The company	Simonsen A/S Møgelvangs Plads 7 7900 Nykøbing Mors Phone: 96691300 Fax: 96691301 Web site: www.simonsen.eu Company reg. no.: 12 64 63 72 Financial year: 1 January - 31 December
Board of directors	Tove Simonsen Morten Simonsen Klaus Simonsen
Managing Director	Morten Simonsen
Auditors	BRANDT Statsautoriseret Revisionspartnerselskab Limfjordsvej 42 7900 Nykøbing Mors
Bankers	Danske Bank, Åboulevarden 69, 8100 Aarhus C
Lawyer	Advokat Tommy V. Christiansen, Frichsparken, Søren Frichs Vej 42a, 8230 Åbyhøj
Parent company	Simson Holding ApS, Morsø Kommune
Subsidiary	Simonsen Trading ApS, Morsø Kommune

Financial highlights

DKK in thousands.	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Profit and loss account:					
Net turnover	224.587	193.547	213.042	199.988	207.496
Gross profit	23.905	21.913	23.845	23.583	21.799
Results from operating activities	5.188	5.328	4.922	5.294	3.694
Net financials	-105	-122	-75	8	85
Results for the year	3.834	3.864	3.585	3.909	2.766
Balance sheet:					
Balance sheet sum	45.075	55.836	48.788	61.183	52.323
Equity	16.207	16.372	16.508	15.923	15.014
Cash flow:					
Operating activities	8.526	874	7.981	-88	0
Investment activities	-1.184	-332	350	-462	-763
Financing activities	-4.000	-4.000	0	-3.000	0
Cash flow in total	3.342	-3.458	5.331	-3.550	-257
Employees:					
Average number of full time employees	13	12	13	13	14
Key figures in %: *)					
Gross margin	10,6	11,3	11,2	11,8	10,5
Profit margin	2,3	2,8	2,3	2,6	1,8
Solvency ratio	36,0	29,3	33,8	26,0	28,7
Return on equity	23,5	23,5	22,1	25,3	18,9

*) The key figures have been laid out in accordance with the publication "Anbefalinger & Nøgletal 2015" ("Recommendations & Key Figures 2015") published by the CFA Society Denmark.

Management's review

The significant activities of the enterprise

The company was established on 1st December 1984 by the late Mr. Jorgen Simonsen. The company is 100% family-owned by Morten and Klaus Simonsen, working exclusively within the worldwide primary aluminium industry. The company is highly specialized in providing materials and services for lining of electrolytic cells and carbon bake furnaces, with highest quality insulation, refractory and carbon materials.

The company represents an exclusive wide range of high quality producers from around the world, making the company the only company to provide a full package of complete lining materials, unique within this industry.

Development in activities and financial matters

The company realized a strong result, above budget both in terms of turnover and profit margin. This in lieu of the very challenging times for the key industry and sector for the company, the primary aluminium industry, that has seen a slump in LME prices in line with the general slump in global commodity prices. So in the face of the challenges, the result for the fiscal year is very satisfactory.

The challenges facing the global aluminium industry are substantial, as the growth rate in China, providing an oversupply of metal and decreasing metal prices. This has led to closure of production in the western world. Positively for smelters outside the US, the USD has increased in strength and the price of oil is at a record low. Furthermore, the demand for aluminium is still growing globally.

The company has kept a strict focus on close relation to customers and partners and has been able to penetrate new markets with new introduced, high-quality high value materials. An ever important factor is the development of new designs, new materials very much with low energy consumption in mind, the company being the benchmark for product development and being the only company supplier of the complete cell relining package of materials. This is only possible with the foundation of the strong relationship with all our exclusive partners.

The company has again achieved the AAA rating from Bisnode Dun & Bradstreet.

Target of the company is a solvency of 25% as a minimum.

Management's review

The expected development

The company expects a challenging year for 2016, with lower overall results. The challenges for the industry has led to very tough supply conditions and the customers' wish to reduce all costs has meant a steady decline of overall prices and profitability. The backlog of contracts for 2016 is lower than expected, but still satisfactory and a sign of an ever ongoing demand for the company materials and not the least service. The major contracts have been secured in very competitive conditions, and the larger customers all have lower demand due to the normal life cycles of smelters relinings.

Positive is the very low price of oil that has positive impact on production costs and the strength of the USD. Furthermore, the conditions in the market do provide new opportunities for introduction of new materials, and the company expects to announce a new business model within Q1. The company is stongly based in the industry due to the very long tradition of doing business in the familiar way, prudent, dedicated and with service in mind.

A major highlight will be the 20th year anniversary between the Chinese partner LIRR and the company. This is a milestone for a strong cooperation and friendship creating the largest supplier of SIC sidewall blocks to the industry. This will be celebrated equally in the company headquarters in Denmark as well as in the brand new plant in China.

Accounting policies used

The annual report for Simonsen A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency, which are not settled at the date of the balance sheet, are translated by using the closing rate. The difference between the closing rate and the rate at the time of establishment of the receivable or the payable is recognised in the profit and loss account under financial income and financial costs.

The profit and loss account

Net turnover

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Accounting policies used

Distribution costs

The distribution costs comprise costs which have been incurred for distribution of goods sold during the year and for sales campaigns carried out during the year. Additionally, costs for sales staff, costs for advertising and exhibitions, and depreciation are recognised in the profit and loss account.

Cost of sales

Cost of sales include costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Administration costs

Administration costs comprise costs which have been incurred during the year for management and administration, including costs for the administrative staff, the executive board, offices, stationery and office supplies, and depreciation.

Other operating income/costs

Other operating income and costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains and losses on disposal of intangible and tangible fixed assets.

Net financials

Net financials include interest income, interest expenses, and realised and unrealised capital gains and losses on financial assets and liabilities. Net financials are recognised in the profit and loss account with the amounts concerning the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation of the parent company and the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset.

Accounting policies used

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life and the residual value of the individual assets and the residual value of the individual assets:

	Useful life	Residual value
Leasehold improvements	10-20 years	
Cars	3 years	exp. scrap 50%
EDP-equipment	4 years	
Office furniture and equipment	10 years	

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Financial fixed assets

Other securities and equity investments

Securities and equity investments recognised as current assets are measured at fair value (market price) on the balance sheet date.

Equity investments in associated enterprises

Shares in LGE-Japan Ltd are measured according to the equity method.

Inventories

Inventories are measured at cost price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Accounting policies used

Equity - dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting.

Corporate tax and deferred tax

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Also capitalised residual leasing liabilities in connection with financial leasing contracts are recognised in the financial liabilities.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Accrued expenses and deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

The cash flow statement

The cash flow statement shows the cash flow of the company for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities, respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

Cash flow from operating activities

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

Cash flow from investment activities

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities and payments related to the acquisition and sale of fixed assets.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

Accounting policies used

Available funds

Available funds comprise cash funds and short term securities which can easily be converted into cash funds and on which only an insignificant risk of value changes exists.

Profit and loss account 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2015</u>	<u>2014</u>
Net turnover	224.587.396	193.546.512
Production costs	-200.682.440	-171.633.531
Gross results	23.904.956	21.912.981
Distribution costs	-5.187.324	-4.606.927
1 Staff costs	-9.426.912	-8.549.043
Other Cost	-2.882.394	-2.466.686
Total Cost on rented premises	-1.220.440	-962.093
Operating profit	5.187.886	5.328.232
Income from equity investments in group enterprises	17.430	2.988
2 Other financial income	12.822	106
3 Other financial costs	-135.655	-124.928
Financing, net	-105.403	-121.834
Results before tax	5.082.483	5.206.398
4 Tax on ordinary results	-1.248.032	-1.341.918
Results for the year	3.834.451	3.864.480
Proposed distribution of the results:		
Reserves for net revaluation as per the equity method	17.430	2.988
Dividend for the financial year	3.000.000	4.000.000
Allocated to results brought forward	804.216	0
Allocated to other reserves	12.805	-29.164
Allocated from results brought forward	0	-109.344
Distribution in total	3.834.451	3.864.480

Balance sheet 31 December

All amounts in DKK.

Assets

<u>Note</u>	<u>2015</u>	<u>2014</u>
Fixed assets		
5 Other plants, operating assets, and fixtures and furniture	2.666.898	1.930.835
Tangible fixed assets in total	<u>2.666.898</u>	<u>1.930.835</u>
Equity investments in group enterprises	1.020.418	1.002.988
6 Other securities and equity investments	134.091	121.286
Other debtors	288.212	288.212
Financial fixed assets in total	<u>1.442.721</u>	<u>1.412.486</u>
Fixed assets in total	<u>4.109.619</u>	<u>3.343.321</u>
Current assets		
Prepayments for goods	1.433.702	0
Inventories in total	<u>1.433.702</u>	<u>0</u>
Trade debtors	25.609.685	42.266.085
Receivable corporate tax	257.009	0
Other debtors	465.544	278.593
Accrued income and deferred expenses	394.773	484.937
Debtors in total	<u>26.727.011</u>	<u>43.029.615</u>
Cash funds	12.805.056	9.463.131
Current assets in total	<u>40.965.769</u>	<u>52.492.746</u>
Assets in total	<u>45.075.388</u>	<u>55.836.067</u>

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities

<u>Note</u>	<u>2015</u>	<u>2014</u>
Equity		
7 Contributed capital	500.000	500.000
8 Other reserves	129.090	98.855
9 Results brought forward	12.577.775	11.773.559
10 Proposed dividend for the financial year	3.000.000	4.000.000
Equity in total	<u>16.206.865</u>	<u>16.372.414</u>
Provisions		
Provisions for deferred tax	147.989	92.893
Provisions in total	<u>147.989</u>	<u>92.893</u>
Liabilities		
Trade creditors	24.793.128	35.514.162
Debt to group enterprises	59.549	196.698
Simonsen Trading	1.029.441	1.011.001
Corporate tax	0	303.162
Other debts	2.717.076	2.170.507
Accrued expenses and deferred income	121.340	175.230
Short-term liabilities in total	<u>28.720.534</u>	<u>39.370.760</u>
Liabilities in total	<u>28.720.534</u>	<u>39.370.760</u>
Equity and liabilities in total	<u>45.075.388</u>	<u>55.836.067</u>

11 Contingencies
12 Related parties

Cash flow statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2015</u>	<u>2014</u>
Results for the year	3.834.451	3.864.480
13 Adjustments	1.841.098	2.025.846
14 Change in working capital	<u>4.475.684</u>	<u>-3.488.077</u>
Cash flow from operating activities before net financials	10.151.233	2.402.249
Interest received and similar amounts	12.824	107
Interest paid and similar amounts	<u>-135.656</u>	<u>-124.928</u>
Cash flow from ordinary activities	10.028.401	2.277.428
Corporate tax paid	<u>-1.502.328</u>	<u>-1.403.161</u>
Cash flow from operating activities	<u>8.526.073</u>	<u>874.267</u>
Purchase of tangible fixed assets	-1.684.147	-331.890
Sale of tangible fixed assets	<u>500.000</u>	<u>0</u>
Cash flow from investment activities	<u>-1.184.147</u>	<u>-331.890</u>
Dividend paid	<u>-4.000.000</u>	<u>-4.000.000</u>
Cash flow from financing activities	<u>-4.000.000</u>	<u>-4.000.000</u>
Changes in available funds	3.341.926	-3.457.623
Available funds 1 January 2015	<u>9.463.130</u>	<u>12.920.754</u>
Available funds 31 December 2015	<u>12.805.056</u>	<u>9.463.131</u>
Available funds		
Cash funds	<u>12.805.056</u>	<u>9.463.131</u>
Available funds 31 December 2015	<u>12.805.056</u>	<u>9.463.131</u>

Notes

All amounts in DKK.

	<u>2015</u>	<u>2014</u>
1. Staff costs		
Salaries	6.900.567	6.073.425
Contribution to pension plans	2.068.824	1.999.140
Other social security costs	<u>457.521</u>	<u>476.478</u>
	<u>9.426.912</u>	<u>8.549.043</u>
Average number of employees	13	12
2. Other financial income		
Interest income	17	106
Equity investments	<u>12.805</u>	<u>0</u>
	<u>12.822</u>	<u>106</u>
3. Other financial costs		
Interest, group enterprises	110.259	95.553
Other interest costs	<u>25.396</u>	<u>29.375</u>
	<u>135.655</u>	<u>124.928</u>
4. Tax on ordinary results		
Tax of the results for the year, parent company	1.192.991	1.403.162
Adjustment for the year of deferred tax	55.096	-61.244
Adjustment of tax for previous years	<u>-55</u>	<u>0</u>
	<u>1.248.032</u>	<u>1.341.918</u>

Notes

All amounts in DKK.

	<u>31/12 2015</u>	<u>31/12 2014</u>
5. Other plants, operating assets, and fixtures and furniture		
Cost 1 January 2015	4.507.717	4.175.827
Additions during the year	1.684.147	331.890
Disposals during the year	<u>-1.334.470</u>	<u>0</u>
Cost 31 December 2015	<u>4.857.394</u>	<u>4.507.717</u>
Depreciation and writedown 1 January 2015	-2.576.881	-2.046.939
Depreciation for the year	-537.515	-529.943
Depreciation and writedown, assets disposed of	<u>923.900</u>	<u>0</u>
Depreciation and writedown 31 December 2015	<u>-2.190.496</u>	<u>-2.576.882</u>
Book value 31 December 2015	<u>2.666.898</u>	<u>1.930.835</u>
6. Other securities and equity investments		
Cost 1 January 2015	<u>121.286</u>	<u>150.450</u>
Cost 31 December 2015	<u>121.286</u>	<u>150.450</u>
Revaluations for the year	<u>12.805</u>	<u>0</u>
Revaluation 31 December 2015	<u>12.805</u>	<u>0</u>
Writedown for the year	<u>0</u>	<u>-29.164</u>
Writedown 31 December 2015	<u>0</u>	<u>-29.164</u>
Book value 31 December 2015	<u>134.091</u>	<u>121.286</u>
7. Contributed capital		
Contributed capital 1 January 2015	<u>500.000</u>	<u>500.000</u>
	<u>500.000</u>	<u>500.000</u>

The share capital consists of 48 shares, each with a nominal value of DKK 10,000, and 20 shares each with a value of DKK 1,000. No shares hold particular rights.

Notes

All amounts in DKK.

	<u>31/12 2015</u>	<u>31/12 2014</u>
8. Other reserves		
Other reserves 1 January 2015	98.855	125.031
Provisions of the results for the year	<u>30.235</u>	<u>-26.176</u>
	<u>129.090</u>	<u>98.855</u>
9. Results brought forward		
Results brought forward 1 January 2015	11.773.559	11.882.903
Profit or loss for the year brought forward	<u>804.216</u>	<u>-109.344</u>
	<u>12.577.775</u>	<u>11.773.559</u>
10. Proposed dividend for the financial year		
Dividend 1 January 2015	4.000.000	4.000.000
Distributed dividend	-4.000.000	-4.000.000
Dividend for the financial year	<u>3.000.000</u>	<u>4.000.000</u>
	<u>3.000.000</u>	<u>4.000.000</u>

11. Contingencies

Joint taxation

Morten Simonsen Holding ApS being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

12. Related parties

Ownership

According to the company's list of shareholders, the following shareholders own a minimum of 5 % of the voting rights or a minimum of 5 % of the share capital:

Simson Holding ApS, Møgelvangs Plads 7, 7900 Nykøbing Mors

Notes

All amounts in DKK.

	<u>2015</u>	<u>2014</u>
13. Adjustments		
Depreciation and amortisation	538.078	529.942
Writedown of current assets	-12.805	29.164
Other financial income	-12.822	-106
Other financial costs	135.656	124.928
Tax on ordinary results	1.192.991	1.341.918
	<u>1.841.098</u>	<u>2.025.846</u>
14. Change in working capital		
Change in inventories	-1.433.702	0
Change in debtors	16.559.613	-9.733.121
Change in trade creditors and other liabilities	-10.650.227	6.245.044
	<u>4.475.684</u>	<u>-3.488.077</u>