

**Nordisk Rør og Stål A/S (Nordic Tubes
and Steel Company)
Central Business Registration No
17616633
Omega 2, Søften
8382 Hinnerup (Aarhus)**

Annual report 2015

The Annual General Meeting adopted the annual report on

Chairman of the General Meeting

Name: Hans Warmbold

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Entity details

Entity

Nordisk Rør og Stål A/S (Nordic Tubes and Steel Company)

Omega 2, Søften

8382 Hinnerup (Aarhus)

Central Business Registration No: 17616633

Registered in: Favrskov

Financial year: 01.01.2015 - 31.12.2015

Board of Directors

Enrico Bianco, Chairman

Gianni Bianco

Paolo Bianco

Jeanne Bianco

Executive Board

Hans Warmbold

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Nordisk Rør og Stål A/S (Nordic Tubes and Steel Company) for the financial year 01.01.2015 - 31.12.2015.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2015 and of the results of its operations and cash flows for the financial year 01.01.2015 - 31.12.2015.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Hinnerup, 24.05.2016

Executive Board

Hans Warmbold

Board of Directors

Enrico Bianco
Chairman

Gianni Bianco

Paolo Bianco

Jeanne Bianco

Independent auditor's reports

To the shareholders of Nordisk Rør og Stål A/S (Nordic Tubes and Steel Company)

Report on the financial statements

We have audited the financial statements of Nordisk Rør og Stål A/S (Nordic Tubes and Steel Company) for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements 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 Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2015 and of the results of its operations and cash flows for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Independent auditor's reports

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Aarhus, 24.05.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Torben Aunbøl
State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

	2015	2014	2013	2012	2011
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial high-lights					
Key figures					
Gross loss	(7.417)	6.086	7.467	8.672	13.577
Operating profit/loss	(11.937)	(2.723)	(2.362)	(2.112)	2.445
Net financials	(845)	(959)	(1.098)	(986)	(1.114)
Profit/loss for the year	(13.688)	(3.682)	(5.627)	(2.325)	996
Total assets	6.868	38.681	44.610	52.645	56.655
Investments in property, plant and equipment	0	182	82	60	713
Equity	(5.756)	7.933	11.615	17.241	19.567
Ratios					
Return on equity (%)	(1.257,4)	(37,7)	(39,0)	(12,6)	5,2
Equity ratio (%)	(83,8)	20,5	26,0	32,7	34,5

Management commentary

Primary activities

The Company works on a long-term strategy to serve the customer base with high level service through well-trained and well-educated and motivated employees.

The matters above create the basis for cooperation between our customers and us that can take place in a pleasant and satisfactory way in our enterprises.

Development in activities and finances

The market slow down experienced since 2009, due to the financial crises and following weakness of demand, has not changed significantly during 2015, while at the same time prices have partly weakened, partly stayed at modest level. At the same time, national growth has been very modest at approx. 1,1% and demand has been at modest level in a very competitive market. The company has thus operated in a market with uncertainty amongst the customer base, which has created a sensitive market situation.

As the market situation has been in this state since 2009, the company has decided to change focus and strategy, as the company during 2015 has transformed from stock holder to commercial office.

This change has resulted in expected loss for the company, which results in a refinancing situation.

The loss for the year 2015 was DKK 13.688.456 compared to the previous year negative profit (2014) equal to DKK 3.681.698.

The re-focus of the company has been to establish increased front end activities as commercial office with a more adequate cost basis. These efforts will continue during 2016 after the business has now been consolidated.

In light of the events above described and the financial and economic environment and the evolution of the Danish business in which we have operated during all year 2015, the loss for the year is not meeting our expectations, however reflects the difficult market circumstances and decided change of business setup.

Outlook

For the year 2016, we expect a slightly improved market situation and economic environment compared to 2015, and will focus on front end activities.

The measures taken are focussing to regain profitability by consolidating the business model and market approach.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, production costs and other operating income.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc..

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as amortisation, depreciation and impairment losses relating to property, plant and equipment used for administration of the Entity. Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Land and buildings, plant as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Accounting policies

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings and permanent fixtures	30 years
Other fixtures and fittings, tools and equipment	3-12 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

Inventories are measured at the lower of cost using the weighted average method and net realisable value. Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Cash

Cash comprises cash in hand and bank deposits.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Accounting policies

Other financial liabilities

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The Entity's return on capital invested in the Entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Entity.

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Gross loss		(7.416.887)	6.086.145
Distribution costs	1	(1.159.974)	(1.337.022)
Administrative costs	1, 2	<u>(3.360.493)</u>	<u>(7.471.945)</u>
Operating profit/loss		(11.937.354)	(2.722.822)
Other financial income		0	88.993
Other financial expenses	3	<u>(845.102)</u>	<u>(1.047.869)</u>
Profit/loss from ordinary activities before tax		(12.782.456)	(3.681.698)
Tax on profit/loss from ordinary activities	4	<u>(906.000)</u>	<u>0</u>
Profit/loss for the year		<u>(13.688.456)</u>	<u>(3.681.698)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(13.688.456)</u>	<u>(3.681.698)</u>
		<u>(13.688.456)</u>	<u>(3.681.698)</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Land and buildings		0	8.209.778
Other fixtures and fittings, tools and equipment		<u>205.957</u>	<u>785.704</u>
Property, plant and equipment	5	<u>205.957</u>	<u>8.995.482</u>
Deferred tax		<u>0</u>	<u>906.000</u>
Fixed asset investments		<u>0</u>	<u>906.000</u>
Fixed assets		<u>205.957</u>	<u>9.901.482</u>
Raw materials and consumables		1.761.005	23.850.702
Prepayments for goods		<u>0</u>	<u>139.085</u>
Inventories		<u>1.761.005</u>	<u>23.989.787</u>
Trade receivables		4.567.278	4.784.600
Other short-term receivables		<u>38.094</u>	<u>3.293</u>
Receivables		<u>4.605.372</u>	<u>4.787.893</u>
Cash		<u>295.474</u>	<u>1.809</u>
Current assets		<u>6.661.851</u>	<u>28.779.489</u>
Assets		<u><u>6.867.808</u></u>	<u><u>38.680.971</u></u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Contributed capital	6	20.000.000	20.000.000
Retained earnings		<u>(25.755.599)</u>	<u>(12.067.143)</u>
Equity		<u>(5.755.599)</u>	<u>7.932.857</u>
Mortgage debts		<u>0</u>	<u>9.922.535</u>
Non-current liabilities other than provisions		<u>0</u>	<u>9.922.535</u>
Mortgage debts		0	850.964
Bank loans		2.026.076	15.203.156
Trade payables		3.229.304	3.382.817
Debt to associates		5.261.064	0
Other payables		<u>2.106.963</u>	<u>1.388.642</u>
Current liabilities other than provisions		<u>12.623.407</u>	<u>20.825.579</u>
Liabilities other than provisions		<u>12.623.407</u>	<u>30.748.114</u>
Equity and liabilities		<u><u>6.867.808</u></u>	<u><u>38.680.971</u></u>
Assets charged and collateral	8		
Ownership	9		

Statement of changes in equity for 2015

	Contributed capital DKK	Retained ear- nings DKK	Total DKK
Equity beginning of year	20.000.000	(12.067.143)	7.932.857
Profit/loss for the year	0	(13.688.456)	(13.688.456)
Equity end of year	20.000.000	(25.755.599)	(5.755.599)

Cash flow statement 2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Operating profit/loss		(11.937.354)	(2.722.822)
Amortisation, depreciation and impairment losses		606.414	732.921
Working capital changes	7	22.976.110	4.829.165
Other adjustments		(2.484.498)	0
Cash flow from ordinary operating activities		9.160.672	2.839.264
Financial income received		0	88.993
Financial income paid		(842.003)	(1.047.869)
Cash flows from operating activities		8.318.669	1.880.388
Acquisition etc of property, plant and equipment		0	(181.769)
Sale of property, plant and equipment		10.664.511	0
Cash flows from investing activities		10.664.511	(181.769)
Instalments on loans etc		(10.773.499)	(829.387)
Incurrence of debt to associates		5.261.064	0
Cash flows from financing activities		(5.512.435)	(829.387)
Increase/decrease in cash and cash equivalents		13.470.745	869.232
Cash and cash equivalents beginning of year		(15.201.347)	(16.070.579)
Cash and cash equivalents end of year		(1.730.602)	(15.201.347)
Cash and cash equivalents at year-end are composed of:			
Cash		295.474	1.809
Short-term debt to banks		(2.026.076)	(15.203.156)
Cash and cash equivalents end of year		(1.730.602)	(15.201.347)

Notes

	2015	2014
	DKK	DKK
1. Staff costs		
Wages and salaries	4.389.828	5.482.240
Pension costs	250.873	317.892
Other social security costs	3.752	6.228
	4.644.453	5.806.360
Average number of employees	7	10
	2015	2014
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Depreciation on property, plant and equipment	606.414	732.921
Profit/loss from sale of intangible assets and property, plant and equipment	(2.484.499)	0
	(1.878.085)	732.921
	2015	2014
	DKK	DKK
3. Other financial expenses		
Other financial expenses	845.102	1.047.869
	845.102	1.047.869
	2015	2014
	DKK	DKK
4. Tax on ordinary profit/loss for the year		
Change in deferred tax for the year	906.000	0
	906.000	0

Notes

	Land and buildings DKK	Other fix- tures and fittings, tools and equipment DKK
5. Property, plant and equipment		
Cost beginning of year	13.593.366	6.125.889
Disposals	<u>(13.593.366)</u>	<u>(4.711.039)</u>
Cost end of year	<u>0</u>	<u>1.414.850</u>
Depreciation and impairment losses beginning of the year	(5.383.588)	(5.340.185)
Depreciation for the year	(274.904)	(331.510)
Reversal regarding disposals	<u>5.658.492</u>	<u>4.462.802</u>
Depreciation and impairment losses end of the year	<u>0</u>	<u>(1.208.893)</u>
Carrying amount end of year	<u>0</u>	<u>205.957</u>
	Par value DKK	Nominal value DKK
6. Contributed capital		
Ordinary shares	<u>200</u>	<u>100.000,00</u>
	<u>200</u>	<u>20.000.000</u>
	2015 DKK	2014 DKK
7. Change in working capital		
Increase/decrease in inventories	22.228.782	2.611.837
Increase/decrease in receivables	182.520	2.765.897
Increase/decrease in trade payables etc	<u>564.808</u>	<u>(548.569)</u>
	<u>22.976.110</u>	<u>4.829.165</u>

8. Assets charged and collateral

Floating charge of nominal DKK 5.000.000 has been provided as security for bank debt. The floating charge comprises unsecured claims, trade receivables, inventories as well as fixtures and fittings, tools and equipment.

Notes

9. Ownership

The following companies hold more than 5 per cent of the share capital of DKK 20m

SICAM S.p.A., Societa Italiana Commercio Acciai e Metalli, Via P. Rondoni 1, 20146 Milano, Italien

STAD, Société Tubes Acier et Derives, Route de Picardie, 60190 Avrigny, Frankrig

Hambleton Holdings Limited, Dalton, Nr. Thirsk, North Yorkshire YO7 3 JN, England