

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

Bøgekildevej 7
8361 Hasselager
Central Business Registration No
17616633

Annual report 2016

The Annual General Meeting adopted the annual report on 03.05.2017

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)

Bøgekildevej 7

8361 Hasselager

Central Business Registration No: 17616633

Registered in: Hasselager

Financial year: 01.01.2016 - 31.12.2016

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 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016.

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.

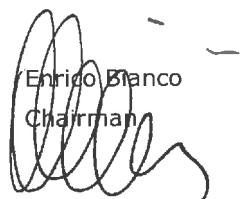
Hasselager, 03.05.2017

Executive Board



Hans Warmbold

Board of Directors



Enrico Bianco
Chairman

Jeanne Bianco



Gianni Bianco



Paolo Bianco

Independent auditor's report

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

Opinion

We have audited the financial statements of Nordisk Rør og Stål A/S (Nordic Tubes and Steel Company) for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared 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 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities 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.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 03.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556



Torben Aunbøl
State Authorised Public Accountant

Management commentary

	2016	2015	2014	2013	2012
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
Financial highlights					
Key figures					
Gross profit	1.054	(7.417)	6.086	7.467	8.672
Operating profit/loss	(2.735)	(11.937)	(2.723)	(2.439)	(2.112)
Net financials	(220)	(845)	(959)	(1.021)	(986)
Profit/loss for the year	(2.955)	(13.688)	(3.682)	(5.627)	(2.325)
Total assets	6.034	6.868	39.879	44.610	52.645
Investments in property, plant and equipment	0	0	182	82	60
Equity	(8.710)	(5.756)	7.933	11.615	17.241
Ratios					
Return on equity (%)	(40,9)	(1.257,4)	(37,7)	(39,0)	(12,6)
Equity ratio (%)	(144,3)	(83,8)	20,5	26,0	32,7

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

Ratios	Calculation formula	Ratios
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 entity's solvency ratio.

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 2016, while at the same time market prices have fluctuated, and in particular have increased at the end of the period, mainly driven by EU anti-dumping activities. 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 decided to change focus and strategy, and the company completed its transformation during 2016 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 2016 was DKK 2.954.647 compared to the previous year negative profit (2015) equal to DKK 13.688.456.

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 continued during 2016 where the business was finally consolidated at new premises.

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 2016, 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 2017, we expect a slightly improved market situation and economic environment compared to 2016, 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.

Income statement for 2016

	<u>Notes</u>	<u>2016</u> <u>DKK</u>	<u>2015</u> <u>DKK</u>
Gross profit		1.053.842	(7.416.887)
Distribution costs	1	(273.549)	(1.159.974)
Administrative costs	1, 2	<u>(3.515.088)</u>	<u>(3.360.493)</u>
Operating profit/loss		(2.734.795)	(11.937.354)
Other financial income		33.250	0
Other financial expenses	3	<u>(253.102)</u>	<u>(845.102)</u>
Profit/loss before tax		(2.954.647)	(12.782.456)
Tax on profit/loss for the year		<u>0</u>	<u>(906.000)</u>
Profit/loss for the year		(2.954.647)	(13.688.456)
Proposed distribution of profit/loss			
Retained earnings		<u>(2.954.647)</u>	<u>(13.688.456)</u>
		(2.954.647)	(13.688.456)

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Other fixtures and fittings, tools and equipment		89.431	205.957
Property, plant and equipment	4	89.431	205.957
Deposits		16.500	0
Fixed asset investments		16.500	0
Fixed assets		105.931	205.957
Raw materials and consumables		735.978	1.761.005
Prepayments for goods		29.721	0
Inventories		765.699	1.761.005
Trade receivables		3.261.168	4.567.278
Other receivables		56	38.094
Receivables		3.261.224	4.605.372
Cash		1.901.400	295.474
Current assets		5.928.323	6.661.851
Assets		6.034.254	6.867.808

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital		20.000.000	20.000.000
Retained earnings		<u>(28.710.246)</u>	<u>(25.755.599)</u>
Equity		<u>(8.710.246)</u>	<u>(5.755.599)</u>
Bank loans		4.959.903	2.026.076
Trade payables		3.311.966	3.567.334
Other payables		<u>6.472.631</u>	<u>7.029.997</u>
Current liabilities other than provisions		<u>14.744.500</u>	<u>12.623.407</u>
Liabilities other than provisions		<u>14.744.500</u>	<u>12.623.407</u>
Equity and liabilities		<u>6.034.254</u>	<u>6.867.808</u>
Unrecognised rental and lease commitments	6		
Contingent liabilities	7		
Mortgages and securities	8		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	20.000.000	(25.755.599)	(5.755.599)
Profit/loss for the year	<u>0</u>	<u>(2.954.647)</u>	<u>(2.954.647)</u>
Equity end of year	<u>20.000.000</u>	<u>(28.710.246)</u>	<u>(8.710.246)</u>

Cash flow statement 2016

	<u>Notes</u>	<u>2016</u> <u>DKK</u>	<u>2015</u> <u>DKK</u>
Operating profit/loss		(2.734.795)	(11.937.354)
Amortisation, depreciation and impairment losses		116.526	606.414
Working capital changes	5	1.510.220	22.976.110
Other adjustments		<u>0</u>	<u>(2.484.498)</u>
Cash flow from ordinary operating activities		(1.108.049)	9.160.672
Financial income received		9.399	0
Financial income paid		<u>(229.251)</u>	<u>(842.003)</u>
Cash flows from operating activities		(1.327.901)	8.318.669
Sale of property, plant and equipment		<u>0</u>	<u>10.664.511</u>
Cash flows from investing activities		0	10.664.511
Instalments on loans etc		0	(10.773.499)
Incurrence of debt to associates		<u>0</u>	<u>5.261.064</u>
Cash flows from financing activities		0	(5.512.435)
Increase/decrease in cash and cash equivalents		(1.327.901)	13.470.745
Cash and cash equivalents beginning of year		<u>(1.730.602)</u>	<u>(15.201.347)</u>
Cash and cash equivalents end of year		(3.058.503)	(1.730.602)
Cash and cash equivalents at year-end are composed of:			
Cash		1.901.400	295.474
Short-term debt to banks		<u>(4.959.903)</u>	<u>(2.026.076)</u>
Cash and cash equivalents end of year		(3.058.503)	(1.730.602)

Notes

	2016	2015
	DKK	DKK
1. Staff costs		
Wages and salaries	2.291.571	4.389.828
Pension costs	145.930	250.873
Other social security costs	3.052	3.752
	2.440.553	4.644.453
Average number of employees	4	7
	2016	2015
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Depreciation on property, plant and equipment	116.526	606.414
Profit/loss from sale of intangible assets and property, plant and equipment	0	(2.484.499)
	116.526	(1.878.085)
	2016	2015
	DKK	DKK
3. Other financial expenses		
Other financial expenses	253.102	845.102
	253.102	845.102
		Other fixtures and fittings, tools and equipment DKK
4. Property, plant and equipment		
Cost beginning of year		1.414.850
Cost end of year		1.414.850
Depreciation and impairment losses beginning of the year		(1.208.893)
Depreciation for the year		(116.526)
Depreciation and impairment losses end of the year		(1.325.419)
Carrying amount end of year		89.431

Notes

	2016	2015
	DKK	DKK
5. Change in working capital		
Increase/decrease in inventories	995.306	22.228.782
Increase/decrease in receivables	1.327.704	182.520
Increase/decrease in trade payables etc	(812.790)	564.808
	1.510.220	22.976.110

	2016	2015
	DKK	DKK
6. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	33.000	0

7. Contingent liabilities

None.

8. Mortgages and securities

Floating charge of nominal DKK 5.000.000 has been provided as security for bank debt. The floating charge comprises unsecured claims, trade, trade receivables, inventories as well as fixtures and fittings, tools and equipment. The carrying amount of mortgaged of these assets amounts DKK 4.132.854.

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 to these financial statements are consistent with those applied last year, with a few classifications though.

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.

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.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Distribution costs

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

Administrative costs

Accounting policies

Administrative costs 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 intangible assets and property, plant and equipment used for administration of the Entity.

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 interest 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.

Tax on profit/loss for the year

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 and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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-constructed 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.

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:

Other fixtures and fittings, tools and equipment	3-12 years
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Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

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

Accounting policies

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

Cash

Cash comprises cash in hand and bank deposits.

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, repayments of 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 loans.