

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

Bøgekildevej 7
8361 Hasselager
Business Registration No
17616633

Annual report 2017

The Annual General Meeting adopted the annual report on *April 24 2018*

Chairman of the General Meeting



Name: Hans-Ingo Meny 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 (CVR): 17616633

Registered in: Hasselager

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Enrico Bianco, Chairman

Gianni Bianco

Paolo Bianco

Jeanne Martine Elizabeth Bianco

Executive Board

Hans-Ingo Meny 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 01.01.2017 - 31.12.2017.

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

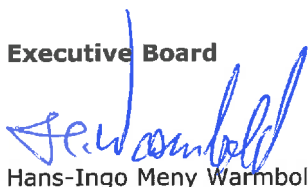
In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

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, 02.03.2018

Executive Board



Hans-Ingo Meny Warmbold

Board of Directors



Enrico Bianco
Chairman



Jeanne Martine Elizabeth
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 01.01.2017 - 31.12.2017, 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 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017 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, 02.03.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556



Jens Lauridsen

State Authorised Public Accountant

Identification No (MNE) 34323

Management commentary

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|----------|---------|-----------|---------|---------|
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Financial highlights | | | | | |
| Key figures | | | | | |
| Gross profit | 740 | 1.054 | (4.932) | 6.086 | 7.390 |
| Operating profit/loss | (2.781) | (2.735) | (11.937) | (2.723) | (2.439) |
| Net financials | (79) | (220) | (845) | (959) | (1.021) |
| Profit/loss for the year | (2.860) | (2.955) | (13.688) | (3.682) | (5.627) |
| Total assets | 8.130 | 6.034 | 6.868 | 39.872 | 44.610 |
| Investments in property, plant and equipment | 0 | 0 | 0 | 182 | 82 |
| Equity | (11.571) | (8.710) | (5.756) | 7.933 | 11.615 |
| Ratios | | | | | |
| Return on equity (%) | (27,4) | (40,9) | (1.257,4) | (37,7) | (39,0) |
| Equity ratio (%) | (142,3) | (144,3) | (83,8) | 20,5 | 26,0 |

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

| Ratios | Calculation formula | Calculation formula reflects |
|----------------------|--|--|
| 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's activity is trading in pipe and steel products and other related 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 in 2009 and forward, due to the financial crises and following weakness of demand, is gradually changing. While market prices have fluctuated, they have increased during the second half of the year, mainly driven by EU anti-dumping implementations. Overall national growth has been at approx. 1,7%, while demand for steel decreased by approx. 2,1%. The company has thus operated in a market with uncertainty amongst the customer base, which has created a sensitive market situation.

During 2015 and 2016, the company decided to change focus and strategy, and the company completed its transformation during 2016 from stock holder to commercial office. This development will continue going forward with focus on value adding customers and focussing on, and aligning, the cost base and thus adjusting to selected activities.

These changes have resulted in expected loss for the company, which results in a refinancing situation, which will be finally resolved in 2018, while securities have already been put in place.

The loss for the year 2017 was DKK 2.860.488 compared to the previous year negative profit (2016) equal to DKK 2.954.647.

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 2017.

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 2017, 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 2018, we expect a slightly improved market situation and economic environment compared to 2017.

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 2017

| | <u>Notes</u> | <u>2017</u> <u>DKK</u> | <u>2016</u> <u>DKK</u> |
|---|--------------|---------------------------|---------------------------|
| Gross profit | | 739.545 | 1.053.842 |
| Distribution costs | 2 | (114.859) | (273.549) |
| Administrative expenses | 2, 3 | <u>(3.405.982)</u> | <u>(3.515.088)</u> |
| Operating profit/loss | | (2.781.296) | (2.734.795) |
| Other financial income | | 52.949 | 33.250 |
| Other financial expenses | | <u>(132.141)</u> | <u>(253.102)</u> |
| Profit/loss before tax | | (2.860.488) | (2.954.647) |
| Tax on profit/loss for the year | | <u>0</u> | <u>0</u> |
| Profit/loss for the year | | <u>(2.860.488)</u> | <u>(2.954.647)</u> |
| Proposed distribution of profit/loss | | | |
| Retained earnings | | <u>(2.860.488)</u> | <u>(2.954.647)</u> |
| | | <u>(2.860.488)</u> | <u>(2.954.647)</u> |

Balance sheet at 31.12.2017

| | <u>Notes</u> | <u>2017 DKK</u> | <u>2016 DKK</u> |
|--|--------------|---------------------|---------------------|
| Other fixtures and fittings, tools and equipment | | 0 | 89.431 |
| Property, plant and equipment | 4 | 0 | 89.431 |
| Deposits | | 16.500 | 16.500 |
| Fixed asset investments | | 16.500 | 16.500 |
| Fixed assets | | 16.500 | 105.931 |
| Raw materials and consumables | | 809.603 | 735.978 |
| Prepayments for goods | | 0 | 29.721 |
| Inventories | | 809.603 | 765.699 |
| Trade receivables | | 6.889.979 | 3.261.168 |
| Other receivables | | 28.447 | 56 |
| Receivables | | 6.918.426 | 3.261.224 |
| Cash | | 385.295 | 1.901.400 |
| Current assets | | 8.113.324 | 5.928.323 |
| Assets | | 8.129.824 | 6.034.254 |

Balance sheet at 31.12.2017

| | <u>Notes</u> | <u>2017 DKK</u> | <u>2016 DKK</u> |
|--|--------------|----------------------------|---------------------------|
| Contributed capital | | 20.000.000 | 20.000.000 |
| Retained earnings | | <u>(31.570.734)</u> | <u>(28.710.246)</u> |
| Equity | | <u>(11.570.734)</u> | <u>(8.710.246)</u> |
| Bank loans | | 1.081.061 | 4.959.903 |
| Trade payables | | 5.573.656 | 3.311.966 |
| Payables to shareholders and management | | 11.116.109 | 5.367.454 |
| Other payables | 5 | <u>1.929.732</u> | <u>1.105.177</u> |
| Current liabilities other than provisions | | <u>19.700.558</u> | <u>14.744.500</u> |
| Liabilities other than provisions | | <u>19.700.558</u> | <u>14.744.500</u> |
| Equity and liabilities | | <u>8.129.824</u> | <u>6.034.254</u> |
| Going concern | 1 | | |
| Unrecognised rental and lease commitments | 7 | | |
| Contingent liabilities | 8 | | |
| Assets charged and collateral | 9 | | |

Statement of changes in equity for 2017

| | Contributed capital DKK | Retained earnings DKK | Total DKK |
|---------------------------|--|--------------------------------------|----------------------|
| Equity beginning of year | 20.000.000 | (28.710.246) | (8.710.246) |
| Profit/loss for the year | 0 | (2.860.488) | (2.860.488) |
| Equity end of year | 20.000.000 | (31.570.734) | (11.570.734) |

Cash flow statement for 2017

| | Notes | 2017 DKK | 2016 DKK |
|--|--------------|---------------------------|---------------------------|
| Operating profit/loss | | (2.781.296) | (2.734.795) |
| Amortisation, depreciation and impairment losses | | 89.431 | 116.526 |
| Working capital changes | 6 | <u>5.133.794</u> | <u>1.510.220</u> |
| Cash flow from ordinary operating activities | | 2.441.929 | (1.108.049) |
| Financial income received | | 52.949 | 9.399 |
| Financial income paid | | <u>(132.141)</u> | <u>(229.251)</u> |
| Cash flows from operating activities | | 2.362.737 | (1.327.901) |
| Increase/decrease in cash and cash equivalents | | 2.362.737 | (1.327.901) |
| Cash and cash equivalents beginning of year | | <u>(3.058.503)</u> | <u>(1.730.602)</u> |
| Cash and cash equivalents end of year | | (695.766) | (3.058.503) |
| Cash and cash equivalents at year-end are composed of: | | | |
| Cash | | 385.295 | 1.901.400 |
| Short-term debt to banks | | <u>(1.081.061)</u> | <u>(4.959.903)</u> |
| Cash and cash equivalents end of year | | (695.766) | (3.058.503) |

Notes

1. Going concern

The Company's equity is negative by DKK 11,571k, and the Company has thus lost its share capital. Liabilities include payables to the Company's owners of DKK 11,116k. The management and the owners are in a process of refinancing the share capital i.e. considering whether the payables to the Company's owners could be transferred to equity or other steps towards a positive equity going forward. Consequently, the annual report is presented on a going concern assumption. See management commentary for further information.

| | 2017 | 2016 |
|-----------------------------|------------------|------------------|
| | DKK | DKK |
| 2. Staff costs | | |
| Wages and salaries | 2.239.613 | 2.291.571 |
| Pension costs | 146.799 | 145.930 |
| Other social security costs | 1.374 | 3.052 |
| | 2.387.786 | 2.440.553 |
| | | |
| Average number of employees | 4 | 4 |

| | 2017 | 2016 |
|--|---------------|----------------|
| | DKK | DKK |
| 3. Depreciation, amortisation and impairment losses | | |
| Depreciation on property, plant and equipment | 89.431 | 116.526 |
| | 89.431 | 116.526 |

Notes

| | Other fixtures and fittings, tools and equipment DKK | |
|---|---|-------------------------|
| | <u>DKK</u> | |
| 4. Property, plant and equipment | | |
| Cost beginning of year | | 1.414.850 |
| Disposals | | <u>(606.361)</u> |
| Cost end of year | | <u>808.489</u> |
| Depreciation and impairment losses beginning of year | | (1.325.419) |
| Depreciation for the year | | (89.431) |
| Reversal regarding disposals | | <u>606.361</u> |
| Depreciation and impairment losses end of year | | <u>(808.489)</u> |
| Carrying amount end of year | | <u>0</u> |
| | 2017 | 2016 |
| | <u>DKK</u> | <u>DKK</u> |
| 5. Other payables | | |
| VAT and duties | 1.567.209 | 770.360 |
| Wages and salaries, personal income taxes, social security costs, etc payable | 148.298 | 89.051 |
| Holiday pay obligation | <u>214.225</u> | <u>245.766</u> |
| | <u>1.929.732</u> | <u>1.105.177</u> |
| | 2017 | 2016 |
| | <u>DKK</u> | <u>DKK</u> |
| 6. Change in working capital | | |
| Increase/decrease in inventories | (43.904) | 995.306 |
| Increase/decrease in receivables | (3.657.202) | 1.327.704 |
| Increase/decrease in trade payables etc | <u>8.834.900</u> | <u>(812.790)</u> |
| | <u>5.133.794</u> | <u>1.510.220</u> |
| | 2017 | 2016 |
| | <u>DKK</u> | <u>DKK</u> |
| 7. Unrecognised rental and lease commitments | | |
| Liabilities under rental or lease agreements until maturity in total | <u>33.000</u> | <u>33.000</u> |

Notes

8. Contingent liabilities

None.

9. 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. The carrying amount of mortgaged of these assets amounts DKK 7.728.029.

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.

Accounting policies

Administrative costs

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 operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

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, sub-suppliers 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 |
|--|------------|

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.

Accounting policies

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 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.