

## **SCANDINAVIAN FITTINGS & FLANGES ApS**

Sallingsundvej 7  
6715 Esbjerg N  
Business Registration No  
18251086

### **Annual report 2018**

The Annual General Meeting adopted the annual report on 05.04.2019

#### **Chairman of the General Meeting**

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Name: Claus Rønnpage Poulsen

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## Entity details

### Entity

SCANDINAVIAN FITTINGS & FLANGES ApS

Sallingsundvej 7

6715 Esbjerg N

Central Business Registration No (CVR): 18251086

Registered in: Esbjerg

Financial year: 01.01.2018 - 31.12.2018

Phone: 76127600

### Board of Directors

Tore Christiansen, Chairman

Johan Frederik Brandt

Claus Rønnpage Poulsen

### Executive Board

Claus Rønnpage Poulsen

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Dokken 8

Postbox 200

6701 Esbjerg

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of SCANDINAVIAN FITTINGS & FLANGES ApS for the financial year 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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.

Esbjerg, 10.03.2019

### Executive Board

Claus Rønnpage Poulsen

### Board of Directors

Tore Christiansen  
Chairman

Johan Frederik Brandt

Claus Rønnpage Poulsen

# Independent auditor's report

## To the shareholders of SCANDINAVIAN FITTINGS & FLANGES ApS

### Opinion

We have audited the financial statements of SCANDINAVIAN FITTINGS & FLANGES ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 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.

## Independent auditor's report

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:

- 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.

## Independent auditor's report

### 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.

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.

Esbjerg, 10.03.2019

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556

John Lindvig Christiansen  
State Authorised Public Accountant  
Identification No (MNE) mne26846

## Management commentary

### Primary activities

The company's primary activity has been selling pipes, fittings and flanges to the Danish petrochemical industry, as well to industry in general.

### Development in activities and finances

The result of the company's operations during the fiscal year is regarded as satisfactory.

### 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 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
<b>Gross profit</b>		<b>4.924.776</b>	<b>5.030.186</b>
Staff costs	1	(4.145.414)	(4.082.651)
Depreciation, amortisation and impairment losses	2	<u>(369.311)</u>	<u>(369.261)</u>
<b>Operating profit/loss</b>		<b>410.051</b>	<b>578.274</b>
Income from investments in group enterprises		325.890	685.237
Other financial income	3	10.018	39.484
Other financial expenses	4	<u>(158.376)</u>	<u>(194.531)</u>
<b>Profit/loss before tax</b>		<b>587.583</b>	<b>1.108.464</b>
Tax on profit/loss for the year	5	<u>(80.097)</u>	<u>(114.921)</u>
<b>Profit/loss for the year</b>		<b><u>507.486</u></b>	<b><u>993.543</u></b>
<b>Proposed distribution of profit/loss</b>			
Transferred to reserve for net revaluation according to the equity method		325.890	685.237
Retained earnings		<u>181.596</u>	<u>308.306</u>
		<b><u>507.486</u></b>	<b><u>993.543</u></b>

## Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Other fixtures and fittings, tools and equipment		820.957	1.129.788
<b>Property, plant and equipment</b>	6	<b>820.957</b>	<b>1.129.788</b>
Investments in group enterprises		1.450.289	1.124.399
Deferred tax	8	463.976	544.073
<b>Fixed asset investments</b>	7	<b>1.914.265</b>	<b>1.668.472</b>
<b>Fixed assets</b>		<b>2.735.222</b>	<b>2.798.260</b>
Manufactured goods and goods for resale		11.942.390	12.668.424
Prepayments for goods		506.236	0
<b>Inventories</b>		<b>12.448.626</b>	<b>12.668.424</b>
Trade receivables		5.295.494	5.590.853
Receivables from group enterprises		279.926	1.128.189
Other receivables		23.642	23.323
Prepayments		84.283	92.197
<b>Receivables</b>		<b>5.683.345</b>	<b>6.834.562</b>
<b>Cash</b>		<b>1.433.120</b>	<b>1.775.943</b>
<b>Current assets</b>		<b>19.565.091</b>	<b>21.278.929</b>
<b>Assets</b>		<b>22.300.313</b>	<b>24.077.189</b>

## Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		220.000	220.000
Reserve for net revaluation according to the equity method		1.400.289	1.074.399
Retained earnings		<u>9.061.539</u>	<u>8.879.943</u>
<b>Equity</b>		<b><u>10.681.828</u></b>	<b><u>10.174.342</u></b>
Bank loans		5.441.583	5.229.264
Trade payables		3.723.130	4.785.698
Payables to group enterprises		633.818	1.031.767
Other payables		<u>1.819.954</u>	<u>2.856.118</u>
<b>Current liabilities other than provisions</b>		<b><u>11.618.485</u></b>	<b><u>13.902.847</u></b>
<b>Liabilities other than provisions</b>		<b><u>11.618.485</u></b>	<b><u>13.902.847</u></b>
<b>Equity and liabilities</b>		<b><u>22.300.313</u></b>	<b><u>24.077.189</u></b>
Unrecognised rental and lease commitments	9		
Contingent liabilities	10		
Related parties with controlling interest	11		
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## Statement of changes in equity for 2018

	<b>Contributed capital DKK</b>	<b>Reserve for net revaluation according to the equity method DKK</b>	<b>Retained earnings DKK</b>	<b>Total DKK</b>
Equity beginning of year	220.000	1.074.399	8.879.943	10.174.342
Profit/loss for the year	0	325.890	181.596	507.486
<b>Equity end of year</b>	<b>220.000</b>	<b>1.400.289</b>	<b>9.061.539</b>	<b>10.681.828</b>

## Notes

	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>1. Staff costs</b>		
Wages and salaries	3.483.946	3.427.839
Pension costs	518.657	514.578
Other staff costs	142.811	140.234
	<b>4.145.414</b>	<b>4.082.651</b>
Average number of employees	<b>7</b>	<b>7</b>
	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Depreciation of property, plant and equipment	349.311	369.261
Profit/loss from sale of intangible assets and property, plant and equipment	20.000	0
	<b>369.311</b>	<b>369.261</b>
	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>3. Other financial income</b>		
Financial income arising from group enterprises	8.942	0
Other interest income	1.076	39.484
	<b>10.018</b>	<b>39.484</b>
	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>4. Other financial expenses</b>		
Other interest expenses	158.376	194.531
	<b>158.376</b>	<b>194.531</b>
	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>5. Tax on profit/loss for the year</b>		
Change in deferred tax	80.097	114.921
	<b>80.097</b>	<b>114.921</b>

## Notes

	<b>Other fixtures and fittings, tools and equipment DKK</b>	
	<u>DKK</u>	
<b>6. Property, plant and equipment</b>		
Cost beginning of year		2.715.976
Additions		310.480
Disposals		<u>(450.000)</u>
<b>Cost end of year</b>		<b><u>2.576.456</u></b>
Depreciation and impairment losses beginning of year		(1.586.188)
Depreciation for the year		(349.311)
Reversal regarding disposals		<u>180.000</u>
<b>Depreciation and impairment losses end of year</b>		<b><u>(1.755.499)</u></b>
<b>Carrying amount end of year</b>		<b><u>820.957</u></b>
	<b>Invest- ments in group enterprises DKK</b>	<b>Deferred tax DKK</b>
	<u>DKK</u>	<u>DKK</u>
<b>7. Fixed asset investments</b>		
Cost beginning of year	50.000	544.073
Disposals	<u>0</u>	<u>(80.097)</u>
<b>Cost end of year</b>	<b><u>50.000</u></b>	<b><u>463.976</u></b>
Revaluations beginning of year	1.074.399	0
Share of profit/loss for the year	<u>325.890</u>	<u>0</u>
<b>Revaluations end of year</b>	<b><u>1.400.289</u></b>	<b><u>0</u></b>
<b>Carrying amount end of year</b>	<b><u>1.450.289</u></b>	<b><u>463.976</u></b>

## Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
Investments in group enterprises comprise:			
Scandinavian Fittings & Flanges Ejendomme ApS	Esbjerg	ApS	100,0

	<u>2018 DKK</u>	<u>2017 DKK</u>
<b>8. Deferred tax</b>		
Property, plant and equipment	(7.698)	(31.308)
Receivables	(12.992)	(14.579)
Tax losses carried forward	484.666	589.960
	<u><b>463.976</b></u>	<u><b>544.073</b></u>

	<u>2018 DKK</u>	<u>2017 DKK</u>
<b>9. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<u><b>7.376.820</b></u>	<u><b>8.523.565</b></u>
Liabilities under rental agreements or leases with group enterprises until expiry	<u><b>7.290.000</b></u>	<u><b>8.370.000</b></u>

### 10. Contingent liabilities

The Entity serves from July 3, 2014 as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

The Entity has provided a guarantee regarding the mortgage debt in Scandinavian Fittings & Flanges Ejendomme ApS. The mortgage represent a net value of 6.244.442 DKK on December 31, 2018.

### 11. Related parties with controlling interest

Related parties with control of Scandinavian Fittings & Flanges ApS consist of the following;

Scandinavian Fittings & Flanges Holding AS, Sandnes, Norge holds 100% of the company's contributed capital.

## Notes

### **12. Group relations**

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Scandinavian Fittings & Flanges Holding AS, Sandnes, Norge



## 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.

### Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

### 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 rate 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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

### Income statement

#### Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

## Accounting policies

### 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 from the sale of services is recognised in the income statement when delivery is made 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.

### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

### Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

### Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of property, plant and equipment.

### Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

### Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange 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 expenses on payables to group enterprises, net capital or exchange 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.

## Accounting policies

### 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.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

### Balance sheet

#### Property, plant and equipment

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.

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	3-5 years
--------------------------------------------------	-----------

Estimated useful lives and residual values are reassessed annually.

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

#### Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount

## Accounting policies

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value 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 FIFO 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 writedowns for bad and doubtful debts.

### Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### 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.