

Scandinavian Fittings & Flanges ApS
Central Business Registration No
18251086
Sallingsundvej 7
6715 Esbjerg N

Annual report 2015

The Annual General Meeting adopted the annual report on 31.03.2016

Chairman of the General Meeting

Name: Claus Rönnpag-Nislev

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's reports	3
Management commentary	5
Accounting policies	6
Income statement for 2015	10
Balance sheet at 31.12.2015	11
Statement of changes in equity for 2015	13
Notes	14

Entity details

Entity

Scandinavian Fittings & Flanges ApS
Sallingsundvej 7
6715 Esbjerg N

Central Business Registration No: 18251086

Registered in: Esbjerg

Financial year: 01.01.2015 - 31.12.2015

Phone: 76127600

Board of Directors

Tore Christiansen, Chairman

Johan Fredrik Brandt

Claus Rönnpag-Nislev

Executive Board

Claus Rönnpag-Nislev, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Frodesgade 125

Postboks 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 01.01.2015 - 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 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.

Esbjerg, 11.03.2016

Executive Board

Claus Rønnpage-Nislev
Chief Executive Officer

Board of Directors

Tore Christiansen
Chairman

Johan Fredrik Brandt

Claus Rønnpage-Nislev

Independent auditor's reports

To the owners of Scandinavian Fittings & Flanges ApS

Report on the financial statements

We have audited the financial statements of Scandinavian Fittings & Flanges ApS for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity 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 for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

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.

Independent auditor's reports

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

Esbjerg, 11.03.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

John L. Christiansen
State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

Primary activities

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

Development in activities and finances

The result of the company's operations during the fiscal year is regarded as not 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.

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. 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

According to paragraph 32 in the Danish Financial Statement Act the company has refrained from stating the net turnover.

Gross profit or loss comprises revenue, cost of raw materials and consumables and external expenses.

Accounting policies

Revenue

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

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 write-downs 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.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing 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 internal profits or losses.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, 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 expenses on payables to group enterprises, 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.

Accounting policies

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.

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

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price minus selling costs and carrying amount at the time of sale. Profits or losses are recognised in the income statement as an adjustment to depreciation and impairment losses.

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 plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Accounting policies

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..

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 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 write-downs 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.

Operating leases

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

Other financial liabilities

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

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Gross profit		5.004.641	11.336.536
Staff costs	1	(5.198.625)	(6.212.483)
Depreciation, amortisation and impairment losses	2	<u>(89.304)</u>	<u>(104.868)</u>
Operating profit/loss		(283.288)	5.019.185
Income from investments in group enterprises		387.127	82.280
Other financial income	3	6.897	20.418
Other financial expenses	4	<u>(198.856)</u>	<u>(155.959)</u>
Profit/loss from ordinary activities before tax		(88.120)	4.965.924
Tax on profit/loss from ordinary activities	5	<u>39.807</u>	<u>(1.224.394)</u>
Profit/loss for the year		<u>(48.313)</u>	<u>3.741.530</u>
Proposed distribution of profit/loss			
Reserve for net revaluation according to the equity method		387.127	82.280
Retained earnings		<u>(435.440)</u>	<u>3.659.250</u>
		<u>(48.313)</u>	<u>3.741.530</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Other fixtures and fittings, tools and equipment		974.524	225.952
Property, plant and equipment	6	974.524	225.952
Investments in group enterprises		519.407	132.280
Deferred tax	8	443.701	403.894
Fixed asset investments	7	963.108	536.174
Fixed assets		1.937.632	762.126
Manufactured goods and goods for resale		12.751.737	12.936.760
Inventories		12.751.737	12.936.760
Trade receivables		2.985.327	6.907.707
Receivables from group enterprises		391.357	25.371
Other short-term receivables		322.328	22.451
Prepayments		146.756	141.889
Receivables		3.845.768	7.097.418
Cash		7.489	683.690
Current assets		16.604.994	20.717.868
Assets		18.542.626	21.479.994

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Contributed capital		220.000	220.000
Reserve for net revaluation according to the equity method		469.407	82.280
Retained earnings		9.509.403	9.944.843
Equity		<u>10.198.810</u>	<u>10.247.123</u>
Bank loans		3.603.327	1.692.061
Trade payables		2.621.001	6.337.760
Debt to group enterprises		383.780	804.289
Other payables		1.735.708	2.398.761
Current liabilities other than provisions		<u>8.343.816</u>	<u>11.232.871</u>
Liabilities other than provisions		<u>8.343.816</u>	<u>11.232.871</u>
Equity and liabilities		<u><u>18.542.626</u></u>	<u><u>21.479.994</u></u>
Unrecognised rental and lease commitments	9		
Assets charged and collateral	10		
Related parties with control	11		
Consolidation	12		

Statement of changes in equity for 2015

	Contributed capital DKK	Reserve for net revalua- tion accor- ding to the equity me- thod DKK	Retained earnings DKK	Total DKK
Equity beginning of year	220.000	82.280	9.944.843	10.247.123
Profit/loss for the year	0	387.127	(435.440)	(48.313)
Equity end of year	220.000	469.407	9.509.403	10.198.810

Notes

	2015	2014
	DKK	DKK
1. Staff costs		
Wages and salaries	4.228.746	5.177.302
Pension costs	696.751	726.462
Other staff costs	273.128	308.719
	5.198.625	6.212.483
	2015	2014
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	130.080	104.868
Profit/loss from sale of intangible assets and property, plant and equipment	(40.776)	0
	89.304	104.868
	2015	2014
	DKK	DKK
3. Other financial income		
Interest income	6.897	20.418
	6.897	20.418
	2015	2014
	DKK	DKK
4. Other financial expenses		
Interest expenses	123.663	106.042
Exchange rate adjustments	75.193	49.917
	198.856	155.959
	2015	2014
	DKK	DKK
5. Tax on ordinary profit/loss for the year		
Change in deferred tax for the year	(39.807)	1.224.394
	(39.807)	1.224.394

Notes

	Other fixtures and fittings, tools and equipment DKK
6. Property, plant and equipment	
Cost beginning of year	1.597.333
Additions	897.876
Disposals	(483.746)
Cost end of year	2.011.463
Depreciation and impairment losses beginning of the year	(1.371.381)
Depreciation for the year	(130.080)
Reversal regarding disposals	464.522
Depreciation and impairment losses end of the year	(1.036.939)
Carrying amount end of year	974.524

	Investments in group enterprises DKK	Deferred tax DKK
7. Fixed asset investments		
Cost beginning of year	50.000	403.894
Additions	0	39.807
Cost end of year	50.000	443.701
Revaluations beginning of year	82.280	0
Share of profit/loss after tax	387.127	0
Revaluations end of year	469.407	0
Carrying amount end of year	519.407	443.701

	Registered in	Corporate form	Equity interest %
Subsidiaries:			
Scandinavian Fittings & Flanges Ejendomme ApS	Esbjerg	ApS	100,00

Notes

	<u>2015</u> <u>DKK</u>	<u>2014</u> <u>DKK</u>
8. Deferred tax		
Property, plant and equipment	(3.745)	33.625
Receivables	(15.920)	39.600
Provisions	0	(17.152)
Tax losses carried forward	463.366	347.821
	<u>443.701</u>	<u>403.894</u>
	<u>2015</u> <u>DKK</u>	<u>2014</u> <u>DKK</u>
9. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	<u>183.485</u>	<u>232.025</u>

10. Assets charged and collateral

The Entity serves from July 3, 2014 as an 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 from the this day for income taxes etc for the jointly taxed entities and from this day for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities.

11. Related parties with control

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

Determining influence

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

12. Consolidation

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

Scandinavian Fittings & Flanges Holding AS, Sandnes, Norge