Insituform A/S under frivillig likvidation

Drejergangen 13, 2690 Karlslunde

CVR no. 25 69 56 90

Annual report 2018

Approved at the Company's annual general meeting on 12 July 2019

Chairman:

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Contents

Statement by the liquidator

Today, I have discussed and approved the annual report of Insituform A/S under frivillig likvidation for the financial year 1 January - 31 December 2018.

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

In my opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

Further, in my opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Greve, 12 July 2019
Liquidator:

Jens Bang Liebst

Skriv tekst her

Independent auditor's report

To the liquidator of Insituform A/S under frivillig likvidation

Opinion

We have audited the financial statements of Insituform A/S under frivillig likvidation for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 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 the 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for 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 rules and requirements.

Liquidator's responsibilities for the financial statements

Liquidator 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 Liquidator 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless liquidator either intends to liquidate the Company 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 as to 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 the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by liquidator.
- Conclude on the appropriateness of liquidator'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with liquidator 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's review

The liquidator is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 12 July 2019
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Robert Christensen
State Authorised Public Accountant
mne16653

Management's review

Company details

Name	Insituform A/S under frivillig likvidation
Address, Postal code, City	Drejergangen 13, 2690 Karlslunde
CVR no.	25 69 56 90
Registered office	Greve
Financial year	1 January - 31 December
Liquidator	Jens Bang Liebst
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management commentary

Business review

The Company's main activity was to renovate wastewater pipelines according to the No Dig principles.

Unusual matters having affected the financial statements

Going concern

The company's Management is planning to wind up the company in 2019. In Management's opnion, winding up the Company will not result in any significant changes to the measurements in the financial statements.

Reference is made to note 2 for more details.

Financial review

The income statement for 2018 shows a loss of DKK 40,718,076 against a loss of DKK 27,896,690 last year, and the balance sheet at 31 December 2018 shows equity of DKK 2,492,198.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2018 12 months	2016/17 15 months
	Gross profit/loss	-15,636,379	2,644,692
3	Staff costs	-21,927,640	-19,713,512
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-1,035,935	-11,188,983
	Other operating expenses	-1,655,705	0
	Profit/loss before net financials	-40,255,659	-28,257,803
	Income from investments in group enterprises	118,637	0
4	Financial income	0	50,047
5	Financial expenses	-581,054	-11,827
	Profit/loss before tax	-40,718,076	-28,219,583
6	Tax for the year	0	322,893
	Profit/loss for the year	-40,718,076	-27,896,690
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-40,718,076	-27,896,690
		-40,718,076	-27,896,690

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2018	2016/17
	ASSETS		
	Fixed assets		
7	Property, plant and equipment		
	Plant and machinery	0	14,503,966
	Property, plant and equipment under construction	0	200,717
		0	14,704,683
8	Investments		
	Investments in group enterprises	131,515	12,878
	Deposits, investments	160,594	160,594
		292,109	173,472
	Total fixed assets	292,109	14,878,155
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	0	1,048,863
		0	1,048,863
	Receivables		
	Trade receivables	1,637,956	17,143,495
	Construction contracts	0	1,461,559
	Other receivables	135,706	26,225
	Prepayments	0	556,609
		1,773,662	19,187,888
	Cash	13,431,789	503,826
	Total non-fixed assets	15,205,451	20,740,577
	TOTAL ASSETS	15,497,560	35,618,732

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2018	2016/17
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	600,000	600,000
	Retained earnings	1,892,198	-23,806,739
	Total equity	2,492,198	-23,206,739
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	807,326	7,689,181
	Payables to group enterprises	6,523,030	46,792,968
	Other payables	5,675,006	4,343,322
		13,005,362	58,825,471
	Total liabilities other than provisions	13,005,362	58,825,471
	TOTAL EQUITY AND LIABILITIES	15,497,560	35,618,732

1 Accounting policies
2 Going concern uncertainties
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Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2018	600,000	-23,806,739	-23,206,739
Transfer through appropriation of loss	0	-40,718,076	-40,718,076
Cancellation of debts from group companies	0	66,417,013	66,417,013
Equity at 31 December 2018	600,000	1,892,198	2,492,198

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Insituform A/S under frivillig likvidation for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and expenses and the degree of completion of the contract can be measured reliably.

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only in so far as it is probable that such expenses will be recoverable from the counterparty.

Gross profit/loss

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross profit/loss in accordance with section 32 of the Danish Financial Statements Act.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	10 years
Goodwill	10 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Plant and machinery	1,5 - 10 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Profit from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

The item includes dividend received from subsidiaries.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Investments in subsidiaries

Equity investments in subsidiaries and associates are measured according to the equity method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Construction contracts

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Equity

Cancellation of debts from group companies are recognised under 'Retained Earnings in Equity' in the balance sheet.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

2 Going concern uncertainties

The company's Management is planning to wind up the company in 2019. In Management's opnion, winding up the Company will not result in any significant changes to the measurements in the financial statements.

	DKK	2018 12 months	2016/17 15 months
3	Staff costs		
	Wages/salaries	17,845,347	15,302,597
	Pensions	1,172,720	805,986
	Other social security costs	398,999	911,339
	Other staff costs	2,510,574	2,693,590
		21,927,640	19,713,512
	Average number of full-time employees	26	22
4	Financial income		
	Other financial income	0	50,047
		0	50,047
5	Financial expenses		
	Interest expenses, group entities	280,596	0
	Other financial expenses	300,458	11,827
		581,054	11,827

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	2018 12 months	2016/17 15 months
6 Tax for the year		
Estimated tax charge for the year	0	-322,893
	0	-322,893

7 Property, plant and equipment

DKK	Plant and machinery	Property, plant and equipment under construction	Total
Cost at 1 January 2018	34,885,086	200,717	35,085,803
Additions	362,638	0	362,638
Disposals	-35,247,724	-200,717	-35,448,441
Cost at 31 December 2018	0	0	0
Impairment losses and depreciation at 1 January 2018	20,381,120	0	20,381,120
Depreciation	1,035,935	0	1,035,935
Reversal of accumulated depreciation and impairment of assets disposed	-21,417,055	0	-21,417,055
Impairment losses and depreciation at 31 December 2018	0	0	0
Carrying amount at 31 December 2018	0	0	0

8 Investments

DKK	Investments in group enterprises	Deposits, investments	Total
Cost at 1 January 2018	78,950	160,594	239,544
Cost at 31 December 2018	78,950	160,594	239,544
Value adjustments at 1 January 2018	-66,072	0	-66,072
Profit/loss for the year	118,637	0	118,637
Value adjustments at 31 December 2018	52,565	0	52,565
Carrying amount at 31 December 2018	131,515	160,594	292,109

The subsidiary is dissolved after the end of the financial year.

Name	Legal form	Domicile	Interest
Subsidiaries			
Insituform Sverige AB	Sweden	C/o Insituform A/S, Drejergangen 13, 2690 Karlslunde, Denmark	100.00%

Financial statements 1 January - 31 December

Notes to the financial statements

9 Contractual obligations and contingencies, etc.

Other contingent liabilities

As management company, the Company is jointly taxed with other Danish group entities and together with other jointly taxed group entities the Company has joint and several liability for the payment of income taxes as well as withholding taxes on interest, royalties and dividends.

Other financial obligations

Other rent and lease liabilities:

DKK	2018	2016/17
Rent and lease liabilities	0	401,500

10 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2018.

11 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Aegion Corporation (Ultimate Parent)	17988 Edison Avenue, St. Louis, MO 63005, United States	www.aegion.com
Insituform Rioolrenovatietechnieken B.V	Chroomstraat 91, Zoetermeer, Holland	