Spæncom A/S

Akacievej 1 Fløng
2640 Hedehusene

CVR no. 26 27 10 10

# Annual report 2016

The annual report was presented and approved at the Company's annual general meeting on

8 June 2017

________________________________________
chairman

# Contents

# Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Spæncom A/S for the financial year 1 January – 31 December 2016.

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

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

In our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

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

Hedehusene, 8 June 2017
Executive Board:

Torben Bloch Bodh Nielsen

Board of Directors:

| | | |
|---|---|---|
| Michael Alan Ogden<br>Chairman | Leif Thomas Andersson | Nicolas Yatzimirsky |
| Henrik Junker | Mikael Bundgaard Poulsen | |

# Independent auditor's report

## To the shareholder of Spæncom A/S

## Opinion

We have audited the financial statements of Spæncom A/S for the financial year 1 January – 31 December 2016 comprising 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 Company's assets, liabilities and financial position at 31 December 2016, and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 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 that 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 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 Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

# Independent auditor's report

## 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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:

— identify and assess the risks of material misstatement of the company 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 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 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 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 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

# Independent auditor's report

audit.

## Statement on the Management's review

Management 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, 8 June 2017
**KPMG**
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Mark Palmberg
State Authorised
Public Accountant

# Management's review

## Company details

Spæncom A/S
Akacievej 1 Fløng
2640 Hedehusene

| | |
|---|---|
| Telephone: | +45 88 88 82 00 |
| Website: | www.spaencom.dk |
| | |
| CVR no.: | 26 27 10 10 |
| Established: | 15 November 1966 |
| Registered office: | Hedehusene |
| Financial year: | 1 January – 31 December |

### Board of Directors

Michael Alan Ogden, Chairman
Leif Thomas Andersson
Nicolas Yatzimirsky
Henrik Junker
Mikael Bundgaard Poulsen

### Executive Board

Torben Bloch Bodh Nielsen

### Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
Denmark

### Annual general meeting

The annual general meeting will be held on 8 June 2017 at the Company's address.

# Management's review

## Financial highlights

| DKKm | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Revenue | 680 | 579 | 644 | 558 | 477 |
| Operating profit/loss | 15 | -1 | 9 | 2 | -6 |
| Profit/loss from financial income and expenses | -4 | -3 | -11 | -1 | 0 |
| Net profit/loss for the year | 8 | -2 | -5 | 1 | -1 |
| Share capital | 42 | 42 | 339 | 323 | 366 |
| Equity | 126 | 118 | 120 | 125 | 125 |
| Number of employees | 508 | 462 | 473 | 444 | 411 |
| Return on equity | 6,5% | -1,7% | -4,1% | -0,8% | -0,8% |
| Acid test | 163,7% | 131,5% | 132,1% | 135,5% | 125,0% |
| Profit margin | 1,6% | -0,3% | 3,0% | 0,7% | 0,0% |
| Return on assets | 5,2% | -0,6% | 5,7% | 1,2% | 0,0% |
| Solvency ratio | 44,0% | 36,2% | 35,4% | 38,7% | 34,2% |

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

# Management's review

## Operating review

### Vision and strategy

The core competences of Spæncom are to develop, produce and erect concrete elements. It is the vision of Spæncom to be the preferred partner in all construction projects using concrete elements and to be the largest supplier of highly refined industrialised construction systems.

This vision is pursued by focusing on innovation, high quality and consistency of supply, combined with the ability to compete through valueadding solutions, high productivity and focus on costs.

### Results for the year and development

The production volume for the year slightly decreased compared to the previous year due to the fact that we have stopped producing hollow core in Aalborg, and we have had a lower level of production of tunnel segments.

The Company's production of concrete elements takes place from production facilities in Aalborg, Kolding and Vemmelev and constitutes the majority of the Group's activities. The Group's headquarter is situated in Hedehusene.

The Company's revenue for the year amounted to DKK 680 million, which is a increase compared to last year when revenue amounted to DKK 579 million. The Company's revenue for the year is in line with the expected revenue according to the expectations stated in the annual report for 2015.

During the financial year, overhead costs were held at a low level.

Operating profit amounted to DKK 15.1 million. The operating profit is in line with expectations stated in the annual report for 2015.

Net financials amounting to a negative DKK 3.5 million include value adjustments of the market value of shares and bonds.

The net result is considered satisfactory.

### The Group

The Group comprises the parent company, Spæncom A/S, as well as the subsidiary, Spaencom Betonfertigteile GmbH & Co KG (hereinafter named SBF).

### SBF

During the financial year, the land, buildings and production plant of SBF have been rented to DW Systembau GmbH (a company in the Consolis Group). Loss for the year before net financials amounted to DKK 0.5 million compared to a loss of DKK 1.5 million last year. The results are considered unsatisfactory.

# Management's review

## Operating review

### General risks

Considering the Company's activities within production of concrete elements, the Company is inherently and to a great extent dependent on the general development in the construction industry, which is generally considered to be sensitive to market fluctuations.

### *Operational risks*

To some extent, the Company's costs depend on the development in raw material prices – especially the prices of steel, cement and energy – and to the greatest possible extent, the Company attempts to hedge this risk by entering into longterm agreements with its suppliers. Similarly, the Company's production is relatively wageintensive, and therefore, the Company's costs are also influenced by the development in wages and salaries.

The Company's production and products are mainly based on wellknown and thoroughly tested techniques, and the majority of the tasks are performed under wellknown risks; the Company attempts to minimise the risks through certified quality assurance programmes.

### *Currency risks*

The Company's exposure to exchange rate fluctuations is limited as only a limited part of the transactions are denominated in currencies other than DKK. The main part of the transactions in foreign currencies is denominated in EUR, which is not hedged due to Denmark's fixed exchange rate policy visàvis the euro. Transactions in other currencies are hedged if Management finds it appropriate.

The exposure to foreign currencies was insignificant at 31 December 2016.

As a main rule, the net investment in foreign subsidiaries is not hedged. No speculative currency transactions are made.

### *Interest rate risks*

In relation to its mortgage debt, the Company is subject to an interest rate risk. The interest rate exposure is related to fluctuations in the CIBOR rate.

At year end, there were no outstanding interest rate derivatives.

### *Credit risks*

The Company's customers comprise a wide range of the operators in the Danish construction industry in particular, but with a considerable part of the revenue distributed among the large operators in the industry.

As the Company predominantly contracts and invoices in accordance with AB92, projects and debts are normally secured by means of guarantees from reputable guarantors and by means of transports. The maximum credit risk that may occur for trade receivables and other receivables corresponds to the value at which they are recognised in the balance

# Management's review

## Operating review

sheet. No single receivable constitutes a significant part.

The Company contracts only with reputable financial institutions controlled by respected financial supervisory authorities.

### *Liquidity risks*

The negative development in the liquidity proves that liquidity management should continuously be a focus area for the Company. However, based on budgeted results, Spæncom expects that the current financial resources are adequate and that the shortterm liquidity reserves are sufficient. These reserves include the parent company's contribution of working capital if necessary.

### Development and research

It is a continuous effort to develop processes, methods and products which are of use to the Company and its stakeholders. This is done both within the Company and in cooperation with clients and advisors as well as in cooperation with the Consolis Group, which uses significant resources on the development of products and production methods.

Spæncom does not undertake actual research but participates in various development projects together with universities, technological institutes and other operators within the industry.

### Human capital

To ensure the continuing growth of Spæncom A/S, it is essential that Spæncom continuously attracts and maintains highly educated professionals such as engineers, designers and production staff. To ensure a high and at the same time competitive product quality, the Company makes use of stateoftheart processes in the tender and design phase and today possesses the highest expertise within design and project development in the concrete element industry.

### Corporate social responsibility

There are no specific policies regarding voluntary integration of corporate social responsibility as a part of the activities of the Company. Consequently, there is no separate statement regarding corporate social responsibility.

Spæncom has environmental considerations as a high priority, and production takes place in compliance with the applicable environmental legislation and with a focus on possible reduction of the total amount of waste and discharge. There are no policies, actions and results regarding climate impact as a part of the activities of the Company. Consequently, there is no separate statement regarding climate impact.

There are no policies, actions and results regarding human rights. Consequently, there is no separate statement regarding human rights impact.

No official policy, in regards to Environment has been prepared, but it is the goal for 2017

# Management's review

## Operating review

such to be developed.

### Gender quotation in Management

Currently, the Company's supreme management body, the Board of Directors, consists solely of five members, which are all males. It is the Company's target, to have one female member on the Board by the end of 2018. The goal has been set based on the Group's industry, in which the workforce consists primarily of men.

Spæncom is known for its ability to retain their employees and the replacement rate is very low. At the Company's other management levels, the gender quotation is 85% men and 15% women at present.

The Company strives to maintain and fulfil the goals set for gender quotation at all management levels but will always employ the best qualified candidate. Both male and female employees are encouraged to apply for internally advertised positions and to develop their competences and careers.

### Event after the balance sheet date

No events have occurred after the balance sheet date that materially affect the Company's financial position.

### Expectations for 2017

Revenue is expected to amount to DKK 700 million, and positive EBIT is expected.

### Dividends and the annual general meeting

The Board of Directors will recommend to the annual general meeting that no dividend should be distributed.

The annual general meeting will be held on Thursday 8 June at the Company's premises in Hedehusene (Akacievej 1).

# Financial statements 1 January – 31 December

## Income statement

| DKK'000 | Note | 2016 | 2015 |
|---|---|---|---|
| Revenue | 2 | 680,264 | 578,553 |
| Production costs | | -544,733 | -458,150 |
| **Gross profit** | | 135,531 | 120,403 |
| Distribution costs | | -68,588 | -65,672 |
| Administrative expenses | | -51,903 | -56,007 |
| Other operating income | | 93 | 211 |
| **Operating profit/loss** | | 15,133 | -1,065 |
| Financial income | 4 | 1,148 | 3,583 |
| Financial expenses | | -4,698 | -6,527 |
| **Profit/Loss before tax** | | 11,583 | -4,009 |
| Tax on profit/loss for the year | 5 | -3,524 | 1,648 |
| **Profit for the year** | | 8,059 | -2,361 |

# Financial statements 1 January – 31 December

## Balance sheet

| DKK'000 | Note | 2016 | 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed assets** | | | |
| **Intangible assets** | 6 | | |
| Licences | | 480 | 276 |
| | | 480 | 276 |
| **Property, plant and equipment** | 7 | | |
| Land and buildings | | 93,972 | 98,572 |
| Property, plant and equipment under contruction | | 961 | 452 |
| Plant and machinery | | 34,970 | 34,175 |
| Fixtures and operating equipment | | 1,341 | 1,505 |
| | | 131,244 | 134,704 |
| **Fixed asset investments** | 8 | | |
| Investments in subsidiaries | | 5,000 | 5,000 |
| | | 5,000 | 5,000 |
| **Non-current assets** | | 136,724 | 139,980 |
| **Current assets** | | | |
| **Inventories** | | | |
| Raw materials and consumables | | 18,005 | 18,829 |
| Finished goods and goods for resale | | 3,590 | 4,115 |
| | | 21,595 | 22,944 |
| **Receivables** | | | |
| Trade receivables | | 119,404 | 95,167 |
| Receivables from group entities | | 16,125 | 20,950 |
| Construction contracts | 9 | 6,771 | 14,999 |
| Other receivables | | 1,399 | 2,911 |
| Prepayments | | 917 | 1,804 |
| | | 144,616 | 135,831 |
| **Securities** | | 924 | 795 |
| **Cash at bank and in hand** | | 45,447 | 26,568 |
| **Total current assets** | | 212,582 | 186,138 |
| **TOTAL ASSETS** | | 349,306 | 326,118 |

# Financial statements 1 January – 31 December

## Balance sheet

| DKK'000 | Note | 2016 | 2015 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 11 | | |
| Share capital | | 42,105 | 42,105 |
| Retained earnings | | 88,429 | 80,370 |
| Treasury shares | | -4,384 | -4,384 |
| **Total equity** | | 126,150 | 118,091 |
| **Total provisions** | 12 | | |
| Deferred tax | | 12,432 | 9,972 |
| **Total provisions** | | 12,432 | 9,972 |
| **Liabilities other than provisions** | | | |
| **Non-current liabilities other than provisions** | 13 | | |
| Mortgage loans | | 51,788 | 56,506 |
| | | 51,788 | 56,506 |
| **Current liabilities other than provisions** | | | |
| Current portion of non-current liabilities | 13 | 4,695 | 4,557 |
| Advance billings | 9 | 63,109 | 51,529 |
| Trade payables | | 44,313 | 45,821 |
| Payables to group entities | | 7,414 | 7,558 |
| Other payables | | 39,405 | 32,084 |
| | | 158,936 | 141,549 |
| **Total liabilities other than provisions** | | 210,724 | 198,055 |
| **TOTAL EQUITY AND LIABILITIES** | | 349,306 | 326,118 |

| | |
|---|---|
| Fees to auditor appointed at the general meeting | 14 |
| Contractual obligations, contingencies, etc. | 15 |
| Mortgages and collateral | 16 |
| Related parties | 17 |

# Financial statements 1 January – 31 December

## Statement of changes in equity

| DKK'000 | Share capital | Retained earnings | Treasury shares | Total |
|---|---|---|---|---|
| **Equity at 1 January 2016** | 42,105 | 80,370 | -4,384 | 118,091 |
| Transferred over the profit appropriation | 0 | 8,059 | 0 | 8,059 |
| **Equity at 31 December 2016** | 42,105 | 88,429 | -4,384 | 126,150 |

There have been no changes in the share capital during the last five years.

# Financial statements 1 January – 31 December

## Notes

### 1 Accounting policies

The annual report of Spæncom A/S for 2016 has been prepared in accordance with the provisions applying to reporting class C entities (large) under the Danish Financial Statements Act.

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

— Going forward, dividends from equity investments in subsidiaries recognised at cost are always recognised in the income statement. In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary. Previously, cost was reduced to the extent that distributed dividend exceeded accumulated earnings after the acquisition date.

— Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2015 or for the comparative figures. The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

#### Omission of cash flow statement

Pursuant to section 112(1) of the Danish Financial Statements Act, consolidated financial statements have not been prepared as the Company and its group entities are included in the consolidated financial statements of Consolis SAS. Furthermore, in accordance with section 86(4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement. The cash flow statement is included in the consolidated financial statements of Consolis SAS.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates 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.

# Financial statements 1 January – 31 December

## Notes

**1 Accounting policies (continued)**

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

## Income statement

## Segment information

Information is provided on business segments and geographical markets. Segment information is based on the Company's accounting policies, risks and internal financial management.

### Revenue

Construction contracts are included in the revenue as the production is completed, whereby the revenue corresponds to the sales value of the year's work (production method). Revenue is included when the total income and costs of the construction contract and the completion ratio at the balance sheet date can be calculated reliably, and it is probable that the financial advantages, including payments, will flow to the Group.

Revenue from self-constructed concrete elements is recognised based on direct costs incurred relative to the expected total direct costs. The same principle is applied for erection, freight and external deliveries.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

### Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating revenue for the year. Trading entities recognise their costs of sales, whereas production entities recognise production costs incurred in generating revenue for the year. Such costs include direct and indirect costs of raw materials and consumables, wages and salaries, rent and leases and depreciation of production equipment.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

# Financial statements 1 January – 31 December

## Notes

### 1 Accounting policies (continued)

#### Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. are recognised as distribution costs. Also, costs relating to sales staff, exhibitions and depreciation are recognised.

#### Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Group, including expenses for administrative staff, management, office premises and office expenses and depreciation.

#### Other operating income

Other operating income comprises items secondary to the activities of the Company.

#### Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the Danish tax prepayment scheme, etc.

Furthermore, realised and unrealised gains and losses regarding derivative financial instruments which cannot be classified as hedging agreements are included.

Financial income and expenses are recognised at the amounts relating to the financial year.

#### Profit/loss from investments in subsidiaries

Dividend from individual subsidiaries is recognised in the income statement of the parent company in the financial year when the dividend is declared.

#### Tax on profit/loss from ordinary activities

The Company is taxed jointly with all Danish subsidiaries in the Consolis Denmark A/S Group. The current Danish corporation tax is distributed among the jointly taxed Danish companies in direct proportion to their taxable income. Companies utilising taxable losses in other companies settle joint taxation to the parent company corresponding to the tax value of the utilised losses, while companies where taxable losses are utilised by other companies receive joint taxation from the parent company corresponding to the tax value of the utilised losses (full allocation).

# Financial statements 1 January – 31 December

## Notes

### 1 Accounting policies (continued)

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity. The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item, whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

## Balance sheet

**Intangible assets**

Licences are measured at cost less accumulated amortisation and impairment losses.

Amortisation is provided on a straight-line basis over the assets' estimated useful lives of 2-10 years.

**Property, plant and equipment**

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

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

| | |
|---|---|
| Production buildings | 25-50 years |
| Plant and machinery | 3-25 years |
| Fixtures and operating equipment | 3-10 years |

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

# Financial statements 1 January – 31 December

## Notes

### 1 Accounting policies (continued)

Land is not depreciated.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

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

**Impairment of fixed assets**

The carrying amount of intangible assets and property, plant and equipment as well as investments in group entities is subject to an annual test for indications of impairment other than the decrease in value reflected by amortisation or depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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

**Inventories**

Inventories are measured at cost in accordance with the weighted average cost formula. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

# Financial statements 1 January – 31 December

## Notes

### 1 Accounting policies (continued)

#### Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value for 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

Construction contracts are measured at the sales value of the work performed less on-account invoices and expected losses.

Construction contracts are characterised by the manufactured products containing a high degree of individualisation in terms of design. Furthermore, it is a requirement prior to the commencement of the work that a binding contract has been entered into, which is compensated at cancellation.

The sales value is measured based on the level of completion at the balance sheet date and the total expected income from the individual contract work. The percentage of completion is calculated on the basis of an assessment of the completed work, normally calculated as the relationship between the costs and the total expected costs for the construction contract.

When it is likely that the total construction costs for a construction contract will exceed the total construction income, the expected loss on the construction contract is immediately included as an expense.

When the sales value of a construction contract cannot be measured reliably, the sales value is measured as the costs to be spent on the construction which the Company considers to be the most probable to recover.

Construction contracts for which the sales value of the work performed exceeds the invoicing on account and expected loss are recognise as receivables. Construction contracts for which invoicing on account and expected losses exceed the sales value are recognised as a liability.

Prepayments from customers are recognised as a liability.

Expenses in connection with sales work and obtaining contracts are recognised in the

# Financial statements 1 January – 31 December

## Notes

1 **Accounting policies (continued)**

income statement as incurred.

### Prepayments and deferred income

Prepayments comprise costs incurred concerning subsequent financial years.

### Equity

*Treasury shares*

The value of acquired treasury shares appears directly from the Company's equity. When calculating the Company's key figures, the number of shares is reduced by the number of treasury shares.

The purchase price for the Company's portfolio of shares is presented as a separate reserve of treasury shares.

Dividends for treasury shares are recognised in net profit on equity.

Profit from the sale of treasury shares is recognised on premium on issue of shares.

### Other provisions

Provisions comprise anticipated costs related to losses on work in progress, restructurings, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

### Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. Where alternative tax rules can be applied to determine the tax value, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a setoff against deferred tax liabilities in the same legal tax entity and jurisdiction.

# Financial statements 1 January – 31 December

## Notes

### 1 Accounting policies (continued)

Deferred tax is measured in accordance with the tax rules and at the tax rates at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

The Company is jointly taxed with the Danish companies in the Consolis Denmark A/S Group. Refund of taxes is made between the companies.

#### Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the 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.

Other liabilities are measured at net realisable value.

## Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios have been calculated as follows:

| | |
|---|---|
| Return on assets | $\frac{\text{Profit before financials x 100}}{\text{Total assets}}$ |
| Return on equity | $\frac{\text{Net profit for the year x 100}}{\text{Averafe equity}}$ |
| Asset turnover | $\frac{\text{Revenue}}{\text{Average total assets}}$ |
| Acid test | $\frac{\text{Current assets x 100}}{\text{Current liabilities}}$ |
| Solvency ratio | $\frac{\text{Equity at year end x 100}}{\text{Total assets}}$ |

# Financial statements 1 January – 31 December

## Notes

**2 Revenue**

| DKK'000 | 2016 | 2015 |
|---|---|---|
| Own production | 471,278 | 404,705 |
| Erection, freight and external deliveries | 208,986 | 173,848 |
| | 680,264 | 578,553 |

Revenue for Norway amounts to DKK 5,352 thousand.

**3 Staff costs**

| | | |
|---|---|---|
| Wages and salaries | 229,832 | 205,690 |
| Pensions | 18,917 | 16,908 |
| Other social security costs | 1,434 | 1,171 |
| | 250,183 | 223,769 |
| **Wages and salaries, pensions and other social security costs are recognised as follows in the financial statements:** | | |
| Production costs | 227,465 | 200,991 |
| Distribution costs | 8,318 | 8,462 |
| Administrative expenses | 14,400 | 14,316 |
| | 250,183 | 223,769 |
| Average number of employees | 508 | 462 |

Remuneration of the Executive Board and the Board of Directors of DKK 3,158 thousand (2015: DKK 4,672 thousand) is included in staff costs.

**4 Financial income**

| | | |
|---|---|---|
| Interest income, group entities | 70 | 3,479 |
| Interest regarding current assets | 1,078 | 104 |
| | 1,148 | 3,583 |

**5 Tax on profit/loss for the year**

| | | |
|---|---|---|
| Current tax for the year | -1,064 | 0 |
| Deferred tax adjustment for the year | -2,460 | 1,648 |
| | -3,524 | 1,648 |

# Financial statements 1 January – 31 December

## Notes

### 6 Intangible assets

| DKK'000 | Licences |
|---|---|
| Cost at 1 January | 2,340 |
| Additions for the year | 376 |
| Cost at 31 December 2016 | 2,716 |
| Impairment losses and amortisation at 1 January 2016 | -2,064 |
| Amortisation for the year | -172 |
| Impairment losses and amortisation at 31 December 2016 | -2,236 |
| **Carrying amount at 31 December 2016** | 480 |

### 7 Property, plant and equipment

| DKK'000 | Land and buildings | Plant and machinery | Fixture and operating equipment | Property, plant and equipment under construction | Total |
|---|---|---|---|---|---|
| Cost at 1 January 2016 | 247,686 | 184,266 | 19,144 | 452 | 451,548 |
| Additions for the year | 109 | 8,447 | 441 | 509 | 9,506 |
| Disposals for the year | 0 | -871 | -70 | 0 | -941 |
| Cost at 31 December 2016 | 247,795 | 191,842 | 19,515 | 961 | 460,113 |
| Impairment losses and depreciation at 1 January 2015 | -149,114 | -150,091 | -17,639 | 0 | -316,844 |
| Depreciation for the year | -4,709 | -7,652 | -605 | 0 | -12,966 |
| Impairment losses and depreciation of sold assets for the year | -153,823 | -157,743 | -18,244 | 0 | -329,810 |
| **Carrying amount at 31 December 2016** | 93,972 | 34,099 | 1,271 | 961 | 130,303 |

| DKK'000 | 2016 | 2015 |
|---|---|---|
| **Depreciation and impairment of property, plant and equipment are recognised in the following items:** | | |
| Depreciation and impairment losses, production | 12,456 | 12,523 |
| Depreciation and impairment losses, administration | 684 | 466 |
| | 13,140 | 12,989 |

# Financial statements 1 January – 31 December

## Notes

### 8 Investments in subsidiaries

| DKK'000 | 2016 | 2015 |
|---|---|---|
| Cost at 1 January 2016 | 92,316 | 122,317 |
| Disposals for the year | 0 | -30,001 |
| Value adjustments at 1 January 2016 | -87,316 | -107,299 |
| Disposals for the year | 0 | 19,983 |
| Carrying amount at 31 December 2016 | 5,000 | 5,000 |

### 9 Construction contracts

| | | |
|---|---|---|
| Selling price of production for the period | 878,499 | 677,604 |
| Payments received on account | -930,154 | -714,134 |
| | -51,655 | -36,530 |
| **Recognised in the balance sheet as follows:** | | |
| Contract work in progress recognised in assets | 6,771 | 14,999 |
| Prepayments received recognised in debt | -63,109 | -51,529 |
| | -56,338 | -36,530 |

### 10 Prepayments

Prepayments, DKK 917 thousand, consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest (2015: DKK 1,804 thousand).

### 11 Equity

The Company has acquired 2,321 A-shares and 7,466 B-shares, corresponding to 2.32 %. The total payment for the shares amounted to DKK 4,384 thousand, which has been transferred from retained earnings under equity. These shares have not been cancelled and are therefore held as treasury shares. The Company may choose to sell these shares at a later time. The shares have been acquired as part of the Company's strategy.

# Financial statements 1 January – 31 December

## Notes

### 12 Deferred tax

| DKK'000 | Other provisions |
|---|---|
| Non-current assets | -2,590 |
| Current assets | -80 |
| Provisions and liabilities | -486 |
| Tax loss carryforward | 15,588 |
| | 12,432 |

### 13 Mortgage debt and bank loans

| DKK'000 | 2016 | 2015 |
|---|---|---|
| **Mortgage debt** | | |
| After 5 years | 32,971 | 38,191 |
| Between 1 and 5 years | 18,817 | 18,315 |
| Within 1 year | 4,695 | 4,557 |
| | 56,483 | 61,063 |

### 14 Fees to auditor appointed at the general meeting

| **KPMG:** | | |
|---|---|---|
| Audit fee | 274 | 299 |
| Tax advisory services | 41 | 40 |
| Non-audit services | 52 | 50 |
| | 367 | 389 |

# Financial statements 1 January – 31 December

## Notes

### 15 Contractual obligations and contingencies, etc .

Lease commitments (operating leases) due within 5 years amount to a total of DKK 17,639 thousand. Lease commitments due after 5 years amount to a total of DKK 97 thousand.

Spæncom A/S is party to ongoing litigation. Management believes that the outcome of these lawsuits will not affect the Company's financial position beyond the receivables and obligations recognised in the balance sheet at 31 December 2016.

Contingent liabilities

The Company is jointly taxed with the Danish entities of the Consolis Group with Consolis Denmark Holding A/S as the administrative company. The Company has unlimited joint and several liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties under the joint taxation scheme.

### 16 Mortgages and collateral

Performance guarantees amount to DKK 139,230 thousand (2015: DKK 116,892 thousand).

Book value of the properties, for which the mortgage and credit institutions have provided funding amounts to DKK 93,972 thousand (2015: 98,572 thousand).

In 2005, the company provided guarantees to the subsidiary Spaencom Betonfertigteile GmbH & Co. of EUR 3,313 thousand, corresponding to DKK 24,716 thousand.

The following properties have been provided as collateral for mortgage debt of DKK 100,000 thousand:

- Borgergade 102, title no. 0009a, Tjæreby By, Tårnborg

- Letvadvej 37, title no. 0003df, Sofiendal By, Skalborg

- Letvadvej 37, title no. 0002gz, Sofiendal By, Skalborg

- Soneberg 7, title no. 0002d, Rådvad By, Harte

# Financial statements 1 January – 31 December

## Notes

### 17 Related party disclosures

Spæncom A/S' related parties comprise the following:

**Control**

Concolis Denmark A/S, Akacievej 1, Fløng, 2640 Hedehusene

Concolis Denmark A/S holds the majority of the share capital in the Company

Spæncom A/S A/S is part of the consolidated financial statements of Consolis Holding SAS, 31 place Ronde, Quatier Valmy La Défense, 92800 Puteaux, France, which is the smallest and largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Consolis Holding SAS can be obtained by contacting the Company.

**Related party transactions**

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial State-ments Act.