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Clemco Danmark A/S

Niels Bohrs Vej 40
8660 Skanderborg
Business Registration No
33392230

Annual report 01.07.2017 - 30.06.2018

The Annual General Meeting adopted the annual report on 11.10.2018

Chairman of the General Meeting

Name: Frederik Sejersdal Uhl Nielsen

Contents

Entity details

Entity
Clemco Danmark A/S
Niels Bohrs Vej 40
8660 Skanderborg

Central Business Registration No (CVR): 33392230
Registered in: Skanderborg
Financial year: 01.07.2017 - 30.06.2018

Board of Directors
Carl-Erik Uhl Nielsen, Chairman
Peter Bager
Frederik Sejersdal Uhl Nielsen

Executive Board
Frederik Sejersdal Uhl Nielsen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Clemco Danmark A/S for the financial year 01.07.2017 - 30.06.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2018 and of the results of its operations for the financial year 01.07.2017 - 30.06.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aarhus, 11.10.2018

Executive Board

Frederik Sejersdal Uhl
Nielsen

Board of Directors

Carl-Erik Uhl Nielsen Chairman	Peter Bager	Frederik Sejersdal Uhl Nielsen

Independent auditor's report

To the shareholders of Clemco Danmark A/S

Opinion

We have audited the financial statements of Clemco Danmark A/S for the financial year 01.07.2017 - 30.06.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2018 and of the results of its operations for the financial year 01.07.2017 - 30.06.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

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

Aarhus, 11.10.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Klaus Tvede-Jensen
State Authorised Public Accountant
Identification No (MNE) mne23304

Management commentary

Primary activities
Primary activities are, likewise previous years, sales and marketing of machinery and consumables for surface treatment of steel and other materials as well as large scale fully automated turn key projects to international clients within heavy duty industrial surface treatment.

Development in activities and finances
In the past financial year, current adjustments have been made between the level of activity and the cost level.

The risk of bad debts is managed by close debtor management and credit insurance on all larger debtors.

The company's management has launched a strategy for increased focus on automation of surface treatment of large steel structures for off shore use. As a result, the company has developed a robotic system for surface treatment of tower segments for the wind industry and significant investments have been made in the current financial year. The Management expects that this will result in increased earnings in the next few years.

Clemco Denmark A/S has achieved the DS/EN ISO 9001:2015 certification, an internationally-recognized standard for quality management systems.

The Entity’s inventories are considered reasonable in proportion to revenue, and the share of obsolete goods has been reduced through sales below cost price.

Profit for the year is considered satisfactory.

Events after the balance sheet date
No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017/18

	Notes	2017/18 DKK	2016/17 DKK
Gross profit		**16.718.873**	**18.481.598**
Staff costs	1	(12.505.891)	(12.606.059)
Depreciation, amortisation and impairment losses		(893.643)	(1.118.473)
Operating profit/loss		**3.319.339**	**4.757.066**
Other financial income	2	122.454	159.752
Other financial expenses		(92.918)	(176.806)
Profit/loss before tax		**3.348.875**	**4.740.012**
Tax on profit/loss for the year	3	(733.236)	(1.084.000)
Profit/loss for the year		**2.615.639**	**3.656.012**
Proposed distribution of profit/loss			
Extraordinary dividend distributed in the financial year		2.500.000	4.500.000
Retained earnings		115.639	(843.988)
		2.615.639	**3.656.012**

Balance sheet at 30.06.2018

	Notes	2017/18 DKK	2016/17 DKK
Completed development projects		564.309	810.923
Goodwill		26.786	58.929
Intangible assets	4	**591.095**	**869.852**
Other fixtures and fittings, tools and equipment		649.918	960.126
Leasehold improvements		53.951	4.218
Property, plant and equipment	5	**703.869**	**964.344**
Deposits		539.354	479.354
Fixed asset investments		**539.354**	**479.354**
Fixed assets		**1.834.318**	**2.313.550**
Manufactured goods and goods for resale		10.731.384	10.351.035
Inventories		**10.731.384**	**10.351.035**
Trade receivables		11.915.425	13.404.354
Contract work in progress	6	410.873	0
Receivables from group enterprises		2.609.176	1.920.372
Deferred tax		100.000	1.000
Other receivables		128.014	194.575
Prepayments		450.887	683.863
Receivables		**15.614.375**	**16.204.164**
Cash		**630.659**	**4.205.060**
Current assets		**26.976.418**	**30.760.259**
Assets		**28.810.736**	**33.073.809**

Balance sheet at 30.06.2018

	Notes	2017/18 DKK	2016/17 DKK
Contributed capital		500.000	500.000
Reserve for development expenditure		190.561	320.520
Retained earnings		16.678.402	16.432.804
Equity		**17.368.963**	**17.253.324**
Joint taxation contribution payable		866.000	1.022.000
Non-current liabilities other than provisions		**866.000**	**1.022.000**
Bank loans		95.462	73.387
Prepayments received from customers		309.265	160.322
Trade payables		6.920.079	11.038.201
Joint taxation contribution payable		62.000	0
Other payables		3.188.967	3.526.575
Current liabilities other than provisions		**10.575.773**	**14.798.485**
Liabilities other than provisions		**11.441.773**	**15.820.485**
Equity and liabilities		**28.810.736**	**33.073.809**
Unrecognised rental and lease commitments	7		
Contingent liabilities	8		
Assets charged and collateral	9		

Statement of changes in equity for 2017/18

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed extraordinary dividend DKK
Equity beginning of year	500.000	320.520	16.432.804	0
Extraordinary dividend paid	0	0	0	(2.500.000)
Transfer to reserves	0	(129.959)	129.959	0
Profit/loss for the year	0	0	115.639	2.500.000
Equity end of year	**500.000**	**190.561**	**16.678.402**	**0**

	Total DKK
Equity beginning of year	17.253.324
Extraordinary dividend paid	(2.500.000)
Transfer to reserves	0
Profit/loss for the year	2.615.639
Equity end of year	**17.368.963**

Notes

	2017/18	2016/17
	DKK	DKK
1. Staff costs		
Wages and salaries	11.836.483	11.646.610
Pension costs	832.749	811.477
Other social security costs	105.659	147.972
Staff costs classified as assets	(269.000)	0
	12.505.891	**12.606.059**
Average number of employees	**23**	**24**

	2017/18	2016/17
	DKK	DKK
2. Other financial income		
Financial income arising from group enterprises	36.947	30.000
Other interest income	38.982	56.860
Exchange rate adjustments	46.525	72.892
	122.454	**159.752**

	2017/18	2016/17
	DKK	DKK
3. Tax on profit/loss for the year		
Current tax	866.000	1.022.000
Change in deferred tax	(99.000)	62.000
Adjustment concerning previous years	(33.764)	0
	733.236	**1.084.000**

Notes

	Completed development projects DKK	Goodwill DKK
4. Intangible assets		
Cost beginning of year	899.841	225.000
Cost end of year	**899.841**	**225.000**
Amortisation and impairment losses beginning of year	(88.918)	(166.071)
Amortisation for the year	(246.614)	(32.143)
Amortisation and impairment losses end of year	**(335.532)**	**(198.214)**
Carrying amount end of year	**564.309**	**26.786**

It is Management's assessment that the Company's robot projects of a total carrying amount of DKK 564,309 contribute positively and effectively to the Company's earnings. Thus, in 2018, the Company has sold two systems to CS Wind in Scotland and CS Wind in Vietnam.

The robot system is technically well-functioning, and the Company receives inquiries every month from customers in the wind power industry from the EU as well as Asia.

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
5. Property, plant and equipment		
Cost beginning of year	2.615.604	16.854
Additions	852.674	64.737
Disposals	(626.327)	0
Cost end of year	**2.841.951**	**81.591**
Depreciation and impairment losses beginning of year	(1.655.478)	(12.636)
Depreciation for the year	(579.205)	(15.004)
Reversal regarding disposals	42.650	0
Depreciation and impairment losses end of year	**(2.192.033)**	**(27.640)**
Carrying amount end of year	**649.918**	**53.951**

Notes

	2017/18 DKK	2016/17 DKK
6. Contract work in progress		
Contract work in progress	684.788	0
Progress billings regarding contract work in progress	(273.915)	0
	410.873	**0**

	2017/18 DKK	2016/17 DKK
7. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**2.246.803**	**2.275.000**
Liabilities under rental agreements or leases with group enterprises until expiry	**125.000**	**125.000**

8. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where FSUN ApS serves as the administration company.

According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities.

The jointly taxed companies' total known net liability in the joint taxation is stated in the administration company's financial statements.

9. Assets charged and collateral

Bank debt is secured by way of a deposited mortgage deed registered to the mortgagor with a floating charge of DKK 5,500k nominal.

The carrying amount of assets charged is specified below:

The carrying amount of intangible assets charged amounts to DKK 591k.

The carrying amount of property, plant and equipment charged amounts to DKK 704k.

The carrying amount of fixed asset investments charged amounts to DKK 539k.

The carrying amount of inventories charged amounts to DKK 10,731k.

Notes

The carrying amount of trade receivables charged amounts to DKK 11,915k.

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 report-ing class C.

The accounting policies applied to 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 rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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

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

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

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on payables and transactions in foreign currencies etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

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).

Accounting policies

Balance sheet

Goodwill

Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation periods used are 7 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise completed and in progress with related intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortisation that are directly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation periods used are 5 years.

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. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years

For leasehold improvements, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

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

Accounting policies

Inventories
Inventories are measured at the lower of cost using the average cost formula and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as finance costs are recognised in the income statement as incurred.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

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

Cash
Cash comprises cash in hand and bank deposits.

Accounting policies

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.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax.