

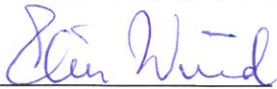
Hydro Precision Tubing Tønder A/S

Hydrovej 6, 6270 Tønder, Denmark

CVR-no. 37 48 84 10

Annual report 2017

The annual report has been approved at the company's annual general meeting on 30.04. 2018

As chairman of the annual general meeting 

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today presented the annual report for the financial year 1 January – 31 December 2017 of Hydro Precision Tubing Tønder A/S.

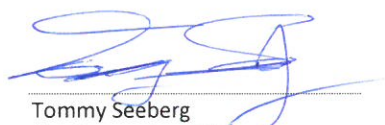
The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the matters addressed therein.


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

Tønder, 23 April 2018
Executive Board

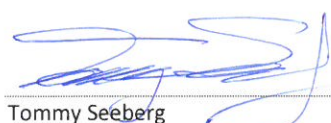


Tommy Seeberg
Chief executive Officer

Board of Directors:



Sergio Luiz Vendrasco
Chairman



Tommy Seeberg



Alexander Samsonsen



Viviann Mathiesen
employee representative



Esben Gotlieb Husted Jensen
employee representative

Independent auditor's report

To the shareholders of Hydro Precision Tubing Tønder A/S

Opinion

We have audited the financial statements of Hydro Precision Tubing Tønder A/S for the financial year 1 January – 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017 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 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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 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.

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 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.

As part of an audit conducted in accordance with ISAs and 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.

Independent auditor's report

- ▶ 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 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 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'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.

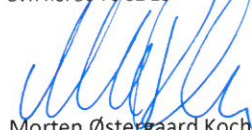
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Esbjerg, 23 April 2018

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Morten Østergaard Koch

State Authorised

Public Accountant

MNE no. mne35420

Management's review

Company details

Name	Hydro Precision Tubing Tønder A/S
Address, zip code, city	Hydrovej 6, 6270 Tønder, Denmark
CVR no.	37 48 84 10
Established	12 September 1957
Registered office	Tønder
Financial year	1 January 2017 – 31 December 2017
E-mail	ptt@hydro.com
Telephone	+45 74 72 03 04
Telefax	+45 74 72 33 13
Board of Directors	Sergio Luiz Vendrasco, Chairman Tommy Seeberg Alexander Samsonsen Viviann Mathiesen, employee representative Esben Gotlieb Husted Jensen, employee representative
Executive Board	Tommy Seeberg, Chief Executive Officer
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Havnegade 33, 6700 Esbjerg

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	1,126,434	1,055,979	1,040,778	887,780	831,268
Gross profit	342,342	323,462	302,470	274,300	256,701
Operating profit/loss from ordinary activities	91,471	79,313	57,308	37,596	58,236
Financial income and financial expenses	-4,949	-8,221	-2,424	-755	-294
Profit/loss from ordinary activities	86,522	71,092	54,884	36,841	57,942
Profit/loss from ordinary activities after tax	67,467	55,519	42,114	27,844	43,632
Non-current assets	180,943	186,643	190,181	195,366	117,440
Current assets	433,787	383,328	336,351	340,814	302,751
Total assets	614,730	569,971	526,532	536,180	420,191
Share capital	35,000	35,000	35,000	35,000	35,000
Equity	201,269	163,802	143,283	301,169	273,325
Provisions	2,755	2,426	2,246	1,215	2,679
Non-current liabilities other than provisions	202,759	201,278	201,452	1,341	1,192
Current liabilities other than provisions	207,947	202,465	179,551	232,455	142,995
Cash flows from operating activities	67,011	72,720	33,405	122,390	67,419
Cash flows from investing activities	-39,137	-37,550	-33,626	-121,995	-8,133
Portion relating to investment in property, plant and equipment	-39,137	-37,550	-33,626	-121,995	-8,133
Cash flows from financing activities	-27,877	-35,169	221	-1,047	-58,658
Total cash flows	-3	1	0	-652	628
Operating margin	8.1 %	7.5 %	5.5 %	4.2 %	7.0 %
Return on invested capital	50.1 %	51.7 %	25.8 %	13.0 %	21.8 %
Gross margin	30.4 %	30.6 %	29.1 %	30.9 %	30.9 %
Current ratio	208.6 %	189.3 %	187.3 %	146.6 %	211.8 %
Solvency ratio	32.7 %	28.9 %	27.3 %	56.2 %	65.0 %
Return on equity	37.0 %	36.2 %	19.0 %	9.7 %	16.5 %
Average number of full-time employees	415	424	432	406	388

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

Operating review

Main activities

The Company's main activity is development, manufacturing, processing, sale and delivery of precision drawn aluminium tubes, extruded tubes, multiport extrusions and structural parts primarily for the European market.

Development in activities and financial position

Profit before tax for 2017 was DKK 86,522 thousand, which is satisfactory taking into consideration the market conditions.

Intellectual capital

The ambition of being market leader and on front of the technological development means that the Company is marked by a dynamic knowledge environment in rapid change, which in particular is important when it comes to gathering and sharing new knowledge. Besides, the knowledge of each employee plays a major role.

In order still to be able to deliver and develop competitive products and solutions it is crucial that the Company can recruit and maintain employees with a high education level. As a goal for this, the composition and the turnover of employees are important indicators. The employee part with high education level is 12%, which is satisfactory. The turnover of employees in 2017 was 10%, which is acceptable.

The critical business processes are development and optimisation of products and processes according to market needs and management of quality and margins. In order to secure that the customer gets the agreed service, it is a demand that the different methods and procedures are documented. Business processes are controlled by KPIs as OTD and PPM. In the financial year, the agreed-upon delivery time was fully complied with. The number of customer claims in relation to the deliveries was 102 PPM in 2017.

Particular risks

General risks

The Company's major operational risk is related to the ability to be strongly positioned on the markets where the products are sold. During the financial year, the Company has maintained its market shares on the main markets within the European automotive industry.

Furthermore, it is important for the Company all the time to be on front of the technological development within the activity area of the Company. Consequently, the Company has maintained an appropriate investment level of new equipment (2017: DKK 39,354 thousand, 2016: DKK 37,939 thousand).

Financial risks

Due to operations, investments and funding, the Company is exposed to changes in exchange rates and interest. The parent company is centrally controlling the financial risks in the Company and coordinates the Company's control of the cash flow, including raising of funds and placing of excess liquidity. The Company is following a financial policy that operates with a low risk profile, so that the exchange rate, the interest and credit risks only arise based on commercial conditions.

The Company's use of derivative financial instruments is regulated through a written policy approved by the board and through internal procedures, which i.e. fix the limits of cover and which derivative financial instruments can be used.

Exchange rate risks

The activities are influenced by changes in exchange rates, as the turnover primarily is invoiced in foreign exchange, whereas the costs, including salaries, are paid in DKK. 99% of the Company's turnover comes from other countries than Denmark; primarily European countries.

The Company's foreign exchange risks, which are seen as low, are primarily covered by matching of receipts and outflow in same currency.

Credit risks

Credit risks related to financial assets correspond to the values included in the balance sheet. The Company has no major risks concerning a single customer or partner. Risks related to product guarantees towards customers are minimised by insurance cover. The Company's policy of taking credit risks implies that all major customers and other partners are continuously credit rated.

Liquidity

It is company policy that the raising of funds and placing of excess liquidity are centrally controlled by the parent company to an appropriate extent. The Company has furthermore a goal for stand-by liquidity in form of excess liquidity and irrevocable credits, which at any time should be at the disposal of the Company.

Environment and working environment

Hydro Precision Tubing Tønder A/S is an environmentally conscious enterprise striving to reduce its environmental impact from its operations.

The Company has been certified to the ISO 14001 Environmental Management Standard since 1998, and ISO 50.001 certification in 2016.

Working conditions

Last year we had 1 work-related injury with subsequent short-time absence.

The Company work continuously on maintaining and improving employee safety through increased employee involvement.

Research and development

The Hydro Group's precision tubing sector has a common development centre, PTTC, which handles research and development activities in the sector.

Events after the balance sheet date

From the day of the balance sheet and until today there have been no events that have major impact on the evaluation of the annual report.

Outlook

The growth of the European automotive industry does not seem to increase significantly in 2018, and it is expected that there will be an excess capacity on the market causing a further intensification of the competition.

In the financial year 2013, Hydro's extruding activities were separated out and incorporated in a joint venture company, Sapa, together with the extruding activities in Orkla.

In 2017 Hydro has taken over all the shares in the joint venture Sapa.

In 2018 the management team expects to report better results than in 2017.

As in previous years, there are some uncertain factors related to the development of the exchange rate. The mentioned expectations are based on an unchanged exchange rate for 2018.

Corporate Social Responsibility (CSR)

Hydro Precision Tubing Tønder A/S' statement on CSR according to §99a of the Danish Financial Statements Act is an integrated part of the annual report in the ultimate parent company, Norsk Hydro ASA.

<https://hydro.com/globalassets/1-english/investor-relations/annual-report/2017/downloads/annual-report-2017.pdf>

Human rights

Hydro has agreed a Code of Conduct which all employees are to observe and act upon.

The Company is i.a. under an obligation to respect and support human rights for all persons who may be affected by the Company's operations. These human rights are defined in UN's Universal Declaration of Human Rights and related documents.

The Company is obliged to have an inclusive working culture and appreciates and acknowledges that all humans are unique and valuable and must be respected for their individual abilities and opinions.

Goals and policies for the underrepresented gender

Hydro's objective is that at least 20% of board members elected by the general assembly shall be women at the latest at the ordinary general assembly of the financial year 2018. Status p.t. is that none of the not employee elected board members are women, because it has not been possible to find suitable female candidates.

At other management levels, including the management team, middle management and department managers, p.t. 33% are female managers, and it is Hydro's objective to secure a more equal distribution.

To fulfil the above mentioned objective the company has started a row of initiatives to promote and support the development of female talents and managers. The initiatives includes among other things career development conversations and plans to promote female talents and incentive to female talents'/managers' participation in networks – as well internal as external. At the recruiting of managers the aim is to attract as well female as male applicants.

Financial statements 1 January – 31 December

Income statement

Notes	DKK'000	2017	2016
2	Revenue	1,126,434	1,055,979
	Changes in inventories of finished goods, work in progress and goods for resale	15,193	-15,232
	Other operating income	1,323	1,977
	Costs of raw materials and consumables	-691,033	-612,551
	Other external costs	-109,575	-106,711
	Gross profit	342,342	323,462
3	Staff costs	-201,445	-198,137
7,8	Depreciation and impairment losses	-44,838	-41,088
	Other operating costs	-4,588	-4,924
	Operating profit	91,471	79,313
4	Financial income	1,429	842
5	Financial expenses	-6,378	-9,063
	Profit/loss before tax	86,522	71,092
6	Tax on profit/loss	-19,055	-15,573
15	Profit/loss for the year	67,467	55,519

Financial statements 1 January – 31 December

Balance sheet

Notes	DKK'000	2017	2016
ASSETS			
Non-current assets			
7	Intangible assets		
	Goodwill	17,092	31,743
		<u>17,092</u>	<u>31,743</u>
8	Property, plant and equipment		
	Land and buildings	34,512	37,566
	Plant and machinery	106,070	90,056
	Fixtures and fittings, other plant and equipment	1,034	657
	Property, plant and equipment under construction	22,235	26,621
		<u>163,851</u>	<u>154,900</u>
	Total non-current assets	<u>180,943</u>	<u>186,643</u>
Current assets			
Inventories			
	Raw materials and consumables	79,235	75,225
	Work in progress	27,032	20,702
	Finished goods and goods for resale	54,324	45,460
		<u>160,591</u>	<u>141,387</u>
Receivables			
	Trade receivables	119,654	86,820
	Receivables from group enterprises	148,362	153,044
	Other receivables	883	957
	Prepayments	4,291	1,111
		<u>273,190</u>	<u>241,932</u>
	Cash	<u>6</u>	<u>9</u>
	Total current assets	<u>433,787</u>	<u>383,328</u>
	TOTAL ASSETS	<u><u>614,730</u></u>	<u><u>569,971</u></u>

Financial statements 1 January – 31 December

Balance sheet

Notes	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	35,000	35,000
	Retained earnings	166,269	98,802
	Proposed dividends	0	30,000
	Total equity	<u>201,269</u>	<u>163,802</u>
	Provisions		
9	Provisions for deferred tax	<u>2,755</u>	<u>2,426</u>
	Liabilities		
10	Non-current liabilities		
	Payables to group enterprises	200,000	200,000
	Bonus	2,530	1,020
	Deferred income	229	258
		<u>202,759</u>	<u>201,278</u>
	Current liabilities		
10	Current portion of non-current liabilities	946	304
	Trade payables	65,245	116,912
	Payables to group enterprises	68,217	12,360
	Corporation tax	18,725	15,394
	Other payables	54,814	57,495
		<u>207,947</u>	<u>202,465</u>
	Total liabilities	<u>410,706</u>	<u>403,743</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>614,730</u></u>	<u><u>569,971</u></u>
11	Guarantees, contingent items, etc.		
12	Charges, collateral and contractual obligations		
13	Fees to auditors appointed at the annual general meeting		
14	Related parties		

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2017	35,000	98,802	30,000	163,802
Dividends paid	0	0	-30,000	-30,000
Transfer, see "Appropriation of profit/loss" (note 15)	0	67,467	0	67,467
Equity at 31 December 2017	35,000	166,269	0	201,269

The share capital comprises one share of DKK 35,000 thousand.

Cash flow statement

Notes	DKK'000	2017	2016
	Operating profit/loss	91,471	79,313
	Depreciation and impairment losses	44,481	41,453
	Depreciation, re-invoiced	357	-365
	Cash generated from operations (operating activities) before changes in working capital	136,309	120,401
	Changes in inventories	-19,204	15,051
	Changes in receivables	-33,468	-65,979
	Changes in trade and other payables, etc.	3,717	7,515
	Cash generated from operations (operating activities)	87,354	76,988
	Interest income, etc.	1,429	842
	Interest expense, etc.	-6,378	-9,063
	Corporation tax paid	-15,394	3,953
	Cash flows from operating activities	67,011	72,720
	Acquisition of property, plant and equipment	-39,353	-37,939
	Disposal of property, plant and equipment	216	389
	Cash flows from investing activities	-39,137	-37,550
	Long term debts	2,123	-169
	Dividends paid	-30,000	-35,000
	Cash flows financing activities	-27,877	-35,169
	Net cash flows from operating, investing and financing activities	-3	1
	Opening cash and cash equivalents	9	8
	Closing cash and cash equivalents	6	9

Notes

1 Accounting policies

The annual report of Hydro Precision Tubing Tønder A/S for 2017 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

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

Recognition and measurement

Assets are recognised on the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised on the balance sheet when the Company has a legal or constructive obligation, and an outflow of economic benefits is probable and the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

When assets and liabilities are recognised and measured, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, while costs are recognised at the amounts relating to the relevant financial year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the 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 transaction date and the rate at the day of payment and the balance sheet is recognised in the income statement as financial income or financial expenses. Property, plant and equipment and intangible assets, inventories and non-monetary assets acquired in foreign currencies are translated at historical cost.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place. Revenue is measured ex. VAT and taxes in relation to the sale and is measured at the fair value of the consideration laid down.

Other external costs

Costs incurred in distributing goods sold, sale, marketing, administration, premises, bad debts, etc. are recognised as other external costs.

Research costs and costs of development projects not complying with the criteria for recognition on the balance sheet are recognised as other external costs. In addition, provisions for bad debts on contract work in progress are recognised as other external costs.

Staff costs

Staff costs include payroll, social security contributions, pensions, etc. for the Company's staff.

Other operating income and operating costs

Other operating income and operating costs comprise items secondary to the principal activities of the enterprise, including lease income, licence fees, etc.

Financial income and expenses

Financial income and expenses comprise interest income and expense on assets and payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme etc.

Tax on profit/loss for the year

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement and directly in equity. In addition, the tax expense relating to entries recognised directly in equity is recognised directly in equity.

Current tax payable and receivable is recognised on 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 on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured on the basis of the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against deferred tax liabilities or as net tax assets.

The Company is jointly taxed with its Danish group companies. The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income (full absorption with refunds for tax losses).

Balance sheet**Intangible assets****Goodwill**

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over an amortisation period of 5 years.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers, and wages and salaries.

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

Buildings	20-30 years
Plant and machinery	3-15 years
Fixtures and fittings, other plant and equipment	3-10 years

Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as a correction of depreciation and impairment or under other operating income to the extent that the sales price exceeds initial cost.

Impairment of non-current assets

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

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 expected net cash flows from the use of the asset or the group of assets and expected net 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 FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and 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/impairment of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in the cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value. Write-down is made for bad debt losses. Receivables sold as part of factoring agreements are derecognized from the balance sheet if and when rewards and risks have been transferred to the factoring partner.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity – dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Non-current liabilities other than provisions

Non-current liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the non-current liabilities are measured at amortised cost. Accordingly, the difference between the proceeds and the nominal value to be repaid is recognised in the income statement as a financial expense using the effective interest rate over the term of the loan.

Deferred income

Deferred income comprises payments received concerning income in subsequent years. Deferred income is recognised at cost.

Cash flow statement

The cash flow statement, which is presented according to the indirect method, shows the Company's cash flows from operating, investing and financing activities for the year and the cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as the Company's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises, activities and investments as well as the acquisition, development, optimisation and disposal, etc. of intangible assets and property, plant and equipment, including the acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, conclusion of lease agreements, repayment of interest-bearing debt, acquisition of treasury shares and payment of dividends to shareholders.

Cash and cash equivalents comprise cash less short-term bank loans.

Financial ratios

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Financial ratios

Operating margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit/loss} \times 100}{\text{Average invested capital}}$
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity year end}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/Loss from ordinary activities after tax} \times 100}{\text{Average Equity}}$

DKK'000	<u>2017</u>	<u>2016</u>
2 Revenue		
Export markets	1,121,649	1,051,516
Domestic markets	4,785	4,463
	<u>1,126,434</u>	<u>1,055,979</u>
3 Staff costs		
Payroll	180,624	177,791
Pensions	18,551	18,275
Other social security costs	2,270	2,071
	<u>201,445</u>	<u>198,137</u>
Remuneration of the Board of Directors and the Executive Board Incl. pension DKK 275 thousand (2016: DKK 253 thousand)	<u>1,418</u>	<u>1,795</u>
Average number of full-time employees	<u>415</u>	<u>424</u>
4 Financial income		
Financial income from group enterprises	1	1
Other financial income	1,428	841
	<u>1,429</u>	<u>842</u>
5 Financial expenses		
Financial expenses to group enterprises	5,403	5,115
Other financial expenses	975	3,948
	<u>6,378</u>	<u>9,063</u>
6 Tax on profit/loss from ordinary activities		
Calculated tax on the taxable income for the year	18,725	15,394
Adjustments for the year of deferred tax	330	179
	<u>19,055</u>	<u>15,573</u>

7 Intangible assets		Goodwill
DKK'000		
Cost at 1 January 2017		73,254
Additions		0
Transferred		0
Cost at 31 December 2017		73,254
Impairment losses and amortisation at 1 January 2017		-41,511
Amortisation		-14,651
Impairment losses and amortisation at 31 December 2017		-56,162
Carrying amount at 31 December 2017		17,092
Amortised over		5 years

8 Property, plant and equipment						Total
	Land and buildings	Plant and machinery	Fixtures and fittings, other plant, etc.	Property, plant and equipment under construction		
DKK'000						
Cost at 1 January 2017	146,577	521,171	1,618	26,621		695,987
Transferred	0	26,621	0	-26,621		0
Additions	646	15,751	722	22,235		39,354
Disposals	-285	-26,669	-323	0		-27,277
Cost at 31 December 2017	146,938	536,874	2,017	22,235		708,064
Depreciation 1 January 2017	-109,011	-431,115	-961	0		-541,087
Disposals	259	26,122	323	0		26,704
Depreciation	-3,674	-25,811	-345	0		-29,830
Depreciation at 31 December 2017	-112,426	-430,804	-983	0		-544,213
Carrying amount at 31 December 2017	34,512	106,070	1,034	22,235		163,851

The cost of land and buildings as well as of plant and machinery includes financing costs of DKK 243 thousand and DKK 32 thousand.

Depreciation for the year in the income statement of DKK 44,838 thousand includes loss from disposal of non-current assets of DKK 357 thousand.

9 Provisions for deferred tax		
DKK'000	2017	2016
Provisions for deferred tax 1 January 2017	2,426	2,246
Change in year 2017	329	180
Provisions for deferred tax 31 December 2017	<u>2,755</u>	<u>2,426</u>
Specification of provisions for deferred tax		
Intangible assets	-3,587	-2,666
Property, plant and equipment	6,293	5,130
Current assets	597	487
Liabilities other than provisions	-548	-525
	<u>2,755</u>	<u>2,426</u>

10 Non-current liabilities					
DKK'000	Total liabilities at 1/1 2017	Total liabilities at 31/12 2017	Instalment next year	Non-current portion	Unpaid debt after five years
Payables to group enterprises	200,000	200,000	0	200,000	0
Bonus	1,295	3,447	917	2,530	0
Deferred income	287	258	29	229	113
	<u>201,582</u>	<u>203,705</u>	<u>946</u>	<u>202,759</u>	<u>113</u>

11 Guarantees, contingent liabilities, etc.

None.

12 Charges, collateral, contractual liabilities, etc.

The company has issued an owner's mortgage of DKK 30,000 thousand secured upon the property registered under title number 584 Tved Under Tønder. The mortgage is held by the Company.

The Company has entered into operating leases for cars and trucks. The lease liability for the residual lease term 2018-2023 represents DKK 3,544 thousand.

The Company has entered into standard leases for three factory buildings. The period of notice does not exceed 12 months.

The Company has concluded standard business contracts for the purchase and sale of aluminium for delivery in 2018.

The Company is jointly taxed with other Danish companies in the Hydro Group. Together with the other companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation unit.

The company has entered into a derivative financial instrument regarding sale of 3,500 tonnes aluminium at market average price for January 2018.

The company has entered into a derivative financial instrument regarding purchase of 3,500 tonnes aluminium at market price for February 2018.

DKK'000	2017	2016
13 Fees to auditors appointed at the annual general meeting		
Statutory audit services	214	201
Tax advisory services	0	0
Non-audit services	0	0
	214	201

14 Related parties

Hydro Precision Tubing Tønder A/S' related parties comprise the following:

Parties exercising control

The following shareholder is registered in the Company's register of shareholders as holding a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

Hydro Holding Danmark A/S, Bygmestervej 7, 6270 Tønder, Denmark (parent company)

Related party transactions

All transactions with related parties are conducted at market terms.

Group matters

Hydro Precision Tubing Tønder A/S is included in the consolidated financial statements of Norsk Hydro ASA, Oslo, Norway.

The consolidated financial statements are obtainable from Norsk Hydro ASA, P.O. Box 980, 0283 Oslo, Norway.

DKK'000	2017	2016
15 Proposed profit appropriation/distribution of loss		
Dividends	0	30,000
Retained earnings	67,467	25,519
	67,467	55,519