

Uddeholm A/S

**Kokmose 8
6000 Kolding**

CVR no. 64 09 31 18

Annual report 2016/17

**The annual report was presented and
adopted at the annual general meeting of
the Company on 31 May 2017**



Chairman

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Independent auditor's report

To the shareholders of Uddeholm A/S

Opinion

We have audited the financial statements of Uddeholm A/S for the financial year 1 April 2016 – 31 March 2017, comprising income statement, balance sheet 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 March 2017 and of the results of the Company's operations for the financial year 1 April 2016 – 31 March 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 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 rules and 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.

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 Uddeholm A/S for the financial year 1 April 2016 - 31 March 2017.

The annual report has been 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 March 2017 and of the results of the Company's operations for the year 1 April 2016 - 31 March 2017.

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

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

Vienna, 31 May 2017

Executive Board




Per-Anders Ingemar Bardh



Åge Østergaard

Board of Directors



Reinhard Nöbauer
Chairman



Per-Anders Ingemar Bardh



Pär Anders Emanuelsson



Franz Georg Auer

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 financial statement 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 audit.

Independent auditor's report

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.

Aarhus, 31 May 2017

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Jakob Westerdahl
State Authorised
Public Accountant

Management's review

Company details

Company

Uddeholm A/S
Kokmose 8
6000 Kolding
Denmark

CVR no.: 64 09 31 18
Financial year: 1 April - 31 March
Incorporated: 14 January 1952
Registered office: Kolding

Board of Directors

Reinhard Nöbauer, Chairman
Pär Anders Emanuelsson
Franz Georg Auer
Per-Anders Ingemar Bardh

Executive Board

Per-Anders Ingemar Bardh
Åge Østergaard

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
8210 Aarhus
Denmark

General meeting

The annual general meeting is held on 31 May 2017 in Vienna, Austria.

Management's review

The Company's development in the last five years can be described as follows:

	2016/17	2015/16	2014/15	2013/14	2012/13
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit	13,715	14,567	15,654	15,335	15,859
Profit before financial income and expenses	4,247	6,376	6,333	6,141	6,403
Profit for the year	3,165	4,777	4,673	4,516	4,689
Balance sheet					
Fixed assets	9,757	1,788	1,822	2,250	2,739
Current assets	17,326	18,416	20,016	21,792	18,920
Total assets	27,082	20,204	21,838	24,042	21,659
Equity	9,787	11,222	11,345	10,472	10,156
Ratios					
Current ratio	100.2%	205.0%	190.8%	161.5%	174.3%
Return on equity	30.1%	42.3%	42.8%	43.8%	49.1%
Solvency ratio	36.1%	55.5%	52.0%	43.6%	46.9%

The ratios have been calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation and financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Principal activity

In line with last year the Company's principal activities consisted of sale and distribution of highly alloyed steel and similar materials. The products are sold in Denmark. The primary target group for the Company's activities are the tool industry and segments of the process industry, which need the unique quality of highly alloyed materials. The competences, concepts and products of the Uddeholm group have formed the essential basis for the activities, and the Company marketed its products and services directly to the customers through its own sales organisation.

Development during the year under review

Gross profit amounted to DKK 13,715 thousand and profit before tax to DKK 4,082 thousand. The Company experienced quite stable market conditions, which together with previously implemented changes in structure led to satisfactory results. During the business year 2016/17 the Company has made a sizeable investment in a PVD Coating Center in the existing facilities.

Outlook

It is expected that the 2017/18 financial year will presumably enjoy stable development. Because of the new PVD Coating Center and the consequent effects thereof, the Management expects to report results slightly better than the 2016/17 financial year.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Financial statements 1 April 2016 - 31 March 2017

Income statement

	Note	2016/2017 DKK	2015/2016 DKK'000
Gross profit		13,714,570	14,567
Staff costs	2	-8,897,450	-8,028
Depreciation and impairment of property, plant and equipment		-569,730	-163
Profit before financial income and expenses		4,247,390	6,376
Financial income		6,034	7
Financial costs	3	171,777	-96
Profit before tax		4,081,647	6,287
Tax on profit for the year	4	-916,569	-1,510
Profit for the year		3,165,078	4,777
Proposed dividends for the year		3,100,000	4,600
Retained earnings		65,078	177
		3,165,078	4,777

Financial statements 1 April 2016 - 31 March 2017

Balance sheet

	<u>Note</u>	<u>2016/17</u> DKK	<u>2015/16</u> DKK'000
Assets			
Land and buildings		2,953,194	1,154
Plant and machinery		6,745,019	552
Fixtures and fittings, tools and equipment		58,295	82
Property, plant and equipment	5	9,756,508	1,788
Fixed assets		9,756,508	1,788
Finished goods and goods for resale		4,427,447	4,572
Inventories		4,427,447	4,572
Trade receivables		8,889,259	10,347
Receivables from group entities		14,427	0
Other receivables		2,608	18
Deferred tax asset		0	8
Corporation tax		828,862	419
Prepayments		163,101	131
Receivables		9,898,257	10,923
Cash at bank and in hand		3,000,019	2,921
Total current assets		17,325,723	18,416
Total assets		27,082,231	20,204

Financial statements 1 April 2016 - 31 March 2017

Balance sheet

	<u>Note</u>	<u>2016/17</u> DKK	<u>2015/16</u> DKK'000
Equity and liabilities			
Share capital		1,000,000	1,000
Retained earnings		5,687,202	5,622
Proposed dividends for the year		3,100,000	4,600
Total equity	6	9,787,202	11,222
Provision for deferred tax		285,887	0
Total provisions		285,887	0
Liabilities other than provisions			
Banks		85,447	28
Trade payables		737,849	1,063
Payables owed to group entities		13,309,782	5,033
Other payables		2,876,064	2,858
Current liabilities		17,009,142	8,982
Total liabilities other than provisions		17,009,142	8,982
Total equity and liabilities		27,082,231	20,204
Contractual obligations, contingencies, etc.	7		
Related parties	8		

Financial statements 1 April 2016 - 31 March 2017

Notes

1 Accounting policies

The Annual Report of Uddeholm A/S for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B entities as well as specific rules applying to reporting class C entities.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015.

Going forward the residual value of 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 2016/17 or for the comparative figures.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Income statement

Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sales', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit/loss'.

Revenue

Revenue from the sale of goods for resale and finished goods is recognized in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Other external cost

Other external cost include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs comprise salaries and wages, including holiday allowance, pension and other social security costs, etc. to the Company's employees excluding refunds from public authorities.

Financial statements 1 April 2016 - 31 March 2017

Notes

1 Accounting policies

Financial income and expenses

Financial income and expenses include interest, realized and unrealized exchange adjustments, amortization of mortgage loans as well as surcharges and refunds under the on account taxation scheme.

Tax on profit for the year

The Company is covered by the Danish rules on compulsory joint taxation with the group entity Voestalpine Danmark ApS.

Uddeholm A/S is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

Current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with the tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

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 recognized in the income statement, and the tax expense relating to amounts directly recognized in equity is recognized directly in equity. The tax expense recognized 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

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 write-down.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

The basis of depreciation, which is calculated as cost less any residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	25	years
Plant and machinery	3-10	years
Fixtures and fittings, tools and equipment	3-7	years

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

Land is not depreciated.

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

Financial statements 1 April 2016 - 31 March 2017

Notes

1 Accounting policies

Impairment of fixed assets

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortization.

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.

Leases

All other leases are considered operating leases. Payments relating to operating leases and other leases are recognized in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Inventories

Inventories are measured using the weighted average method. Where the net realizable value is lower than the cost, inventories are carried at this lower value.

The cost of goods for resale, raw materials and consumables comprises purchase price plus delivery costs.

The net realizable value of inventories is determined as the selling price less costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and development in the expected selling price.

Receivables

Receivables are measured at amortized cost, which corresponds to nominal value. The value is reduced by write-down for bad debts.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Dividends

Proposed dividends are recognized 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.

Financial statements 1 April 2016 - 31 March 2017

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1 Accounting policies

Corporation tax and deferred tax

Uddeholm A/S assumes, in its capacity as administrative company, the liability for the Danish Group companies' payment of income tax to the tax authorities as the joint taxation contributions of the Group entities are received.

Current tax payable and current tax receivable are recognized in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income of previous years and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is measured on the basis of the taxation rules and taxation rates applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax.

Liabilities other than provisions

Financial liabilities are recognized at cost at the date of borrowing, equivalent to proceeds received less transaction costs paid.

Other liabilities are measured at net realizable value.

Financial Highlights overview

Financial Highlights are calculated as follows:

Current ratio $\text{Current assets} \times 100 / \text{Current liabilities}$

Return on equity $\text{Profit for the year} \times 100 / \text{Average equity}$

Solvency ratio $\text{Equity at year end} \times 100 / \text{Total liabilities at year end}$

Financial statements 1 April 2016 - 31 March 2017

Notes

	2016/2017 DKK	2015/2016 DKK'000
2 Staff costs		
Wages and salaries	7,600,735	6,728
Pensions	1,081,888	1,091
Other social security costs	73,047	88
Other staff costs	141,780	121
	8,897,450	8,028
 Average numbers of employees	 14	 14
 3 Financial costs		
Interest, group entities	166,935	49
Other financial costs	4,842	48
	171,777	97
 4 Tax on profit for the year		
Current tax for the year	622,138	1,497
Deferred tax for the year	294,431	13
	916,569	1,510

Financial statements 1 April 2016 - 31 March 2017

Notes

5 Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total
	DKK	DKK	DKK	DKK
Cost at 1 April 2016	10,469,698	2,850,064	1,120,746	14,440,508
Additions for the year	1,831,666	6,574,874		8,406,540
Disposals for the year	-659,610	-84,600	-16,085	-760,295
Cost at 31 March 2017	11,641,754	9,340,338	1,104,661	22,086,753
Impairment losses and depreciation at 1 April 2016	9,315,478	2,298,204	1,038,496	12,652,178
Depreciation for the year	32,692	381,715	23,955	438,362
Impairment and depreciation of sold assets for the year	-659,610	-84,600	-16,085	-760,295
Impairment losses and depreciation at 31 March 2017	8,688,560	2,595,319	1,046,366	12,330,245
Carrying amount at 31 March 2017	2,953,194	6,745,019	58,295	9,756,508

Financial statements 1 April 2016 - 31 March 2017

Notes

6 Equity

	Share capital	Retained earnings	Proposed dividends for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 April 2016	1,000,000	5,622,124	4,600,000	11,222,124
Ordinary dividend paid	0	0	-4,600,000	-4,600,000
Profit/loss for the year	0	65,078	3,100,000	3,165,078
Equity at 31 March 2017	1,000,000	5,687,202	3,100,000	9,787,202

The share capital consists of 1,000,000 shares of a nominal value of DKK 1,000,000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

7 Contractual obligations, contingencies, etc.

The Company has entered into lease obligations effective for 5 years. All lease agreements are operational lease agreements. The total lease obligation at 31 March 2017 amounted to DKK 1,437 thousand.

The company is jointly taxed with other Danish group entities. As a group company, together with the other companies included in the joint taxation, the Company has unlimited joint and several liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the jointly taxed unit.

8 Related parties

Uddeholm A/S is part of the consolidated financial statements of Voestalpine Edelstahl GmbH, Voestalpine-Straße 1, 4020 Linz, Austria registered office, which is the smallest group in which the Company is included as a subsidiary. The consolidated financial statements of Voestalpine Edelstahl GmbH can be obtained by contacting the Company via www.voestalpine.com/edelstahl.