# VL Staal a/s

Storstrømsvej 1, 6715 Esbjerg N

CVR no. 71 14 83 19

## Annual report 2017/18

Approved at the Company's annual general meeting on

Chairman:

........................................
Fréderic Coirier

Building a better
working world

## Contents

## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of VL Staal a/s for the financial year 1 April 2017 - 31 March 2018.

The annual report is 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 March 2018 and of the results of the Company's operations and cash flows for the financial year 1 April 2017 - 31 March 2018.

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

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

Esbjerg, 30 May 2018
Executive Board:

Gildas Léauté

Board of Directors:

| | | |
|---|---|---|
| Fréderic Coirier<br>Chairman | Gildas Léauté | Jean-François Bénot |
| Jesper Vesterby Knudsen<br>Employee elected | Keld Gammelgaard<br>Christensen<br>Employee elected | |

# Independent auditor's report

## To the shareholder of VL Staal a/s

### Opinion

We have audited the financial statements of VL Staal a/s for the financial year 1 April 2017 - 31 March 2018, 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 March 2018 and of the results of the Company's operations as well as the cash flows for the financial year 1 April 2017 - 31 March 2018 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### 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 the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

## Independent auditor's report

- 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, 30 May 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 | VL Staal a/s |
| Address, Postal code, City | Storstrømsvej 1, 6715 Esbjerg N |
| CVR no. | 71 14 83 19 |
| Established | 16 April 1983 |
| Registered office | Esbjerg |
| Financial year | 1 April 2017 - 31 March 2018 |
| Website | www.vlstaal.dk |
| E-mail | vlstaal@vlstaal.dk |
| Telephone | +45 76 10 55 55 |
| Telefax | +45 76 10 55 50 |
| Board of Directors | Fréderic Coirier, Chairman<br>Gildas Léauté<br>Jean-François Bénot<br>Jesper Vesterby Knudsen, Employee elected<br>Keld Gammelgaard Christensen, Employee elected |
| Executive Board | Gildas Léauté |
| Auditors | Ernst & Young Godkendt Revisionspartnerselskab<br>Havnegade 33, 6700 Esbjerg, Denmark |

# Management's review

## Financial highlights

| DKKt | 2017/18 | 2016/17 | 2015/16 | 2014/15 | 2013/14 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Gross margin | 35,804 | 42,614 | 46,043 | 51,119 | 77,035 |
| Operating profit/loss | -5,189 | -3,137 | 3,433 | 9,360 | 20,043 |
| Net financials | -581 | -294 | -527 | -535 | -556 |
| **Profit/loss for the year** | **-4,501** | **-2,703** | **2,404** | **6,905** | **14,971** |
| Total assets | 96,613 | 94,978 | 86,237 | 96,774 | 107,360 |
| Investment in property, plant and equipment | -1,678 | -2,649 | -8,908 | -2,210 | 3,282 |
| **Equity** | **32,543** | **36,625** | **40,767** | **40,546** | **37,715** |
| **Financial ratios** | | | | | |
| Solvency ratio | 33.7% | 38.6% | 47.3% | 41.9% | 35.1% |
| Return on equity | -13.0% | -7.0% | 5.9% | 17.6% | 40.0% |
| Return on invested capital | -9.3% | -5.5% | 6.5% | 14.2% | 32.8% |
| Liquity ratio | 131.0% | 146.2% | 188.7% | 197.1% | 235.1% |
| **Average number of employees** | **78** | **88** | **90** | **83** | **80** |

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios.

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

Equity ratio $$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$$

Return on equity $$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$$

Return on invested capital $$\frac{\text{EBITDA}}{\text{Average invested capital * 100}}$$

Liquity ratio $$\frac{\text{Total current assets}}{\text{Current liabilities}}$$

# Management's review

## Business review

The primary acitivity of the Company is manufacturing of steel products, mainly stacks.

On CNC milling and drilling centres, customer specific tasks are performed on subcontract.

A significant part of the production is sold on export markets.

## Financial review

The Company's income statement for the year ended 31 March 2018 shows a loss for the year of DKK 4,501 thousand, and the balance sheet at 31 March 2018 shows equity of DKK 32,543 thousand.

The result for the year is lower than previously stated expectations. Management considers the Company's financial performance in the year unsatisfactory.

The result for the year is affected by the market situation with postponing of many bigger projects.

## Knowledge resources

The Company is engaged in developing processes and upgrading employees.

## Special risks

The Company's most important operating risk is linked to the ability to be strongly positioned in the main markets and to be able to produce at competitive prices. Ongoing development of production and processes and the use of the Company's special skills in the areas of weld-up and processing shall ensure this.

Revenue is primarily generated in DKK and EUR, and a material part of the cost of raw materials etc. is purchased in these currencies. Potential risks regarding exchange rate fluctuations are covered by exchange contracts. It is the Company's policy not to actively speculate in financial risks.

Risk of loss on debtors is secured by insurance.

## Impact on the external environment

The Company is enviromentally conscious and continually works to reduce the enviromental impact of business operations.

A public environmental statement detailing the significant environmental impacts, targets and action plans for the Company's current focus areas is prepared annually. The Company's environmental efforts are recognised through certification of the overall management system according to ISO 9001/14001 Det Norske Veritas.

The Company is eco-conscious and has implemented an internal environment policy. The Company is currently working on reducing the environmental influences from the Company's operation.

## Events after the balance sheet date

No events have occurred after the financial year end, which could significantly affect the Company's financial position.

## Outlook

The Company's activities for 2018/19 are expected to be at a higher level compared to 2017/18. The Company's earnings for 2018/19 are expected to be positive.

# Financial statements 1 April 2017 - 31 March 2018

## Income statement

| Note | DKK | 2017/18 | 2016/17 |
|---|---|---|---|
| | **Gross margin** | 35,803,976 | 42,613,753 |
| 2 | Staff costs | -37,233,253 | -41,880,994 |
| | Depreciation of property, plant and equipment | -3,759,716 | -3,870,181 |
| | **Profit/loss before net financials** | -5,188,993 | -3,137,422 |
| 3 | Financial income | 310,413 | 659,183 |
| 4 | Financial expenses | -891,269 | -952,998 |
| | **Profit/loss before tax** | -5,769,849 | -3,431,237 |
| 5 | Tax for the year | 1,268,800 | 728,500 |
| | **Profit/loss for the year** | -4,501,049 | -2,702,737 |

# Financial statements 1 April 2017 - 31 March 2018

## Balance sheet

| Note | DKK | 2017/18 | 2016/17 |
|---|---|---|---|
| | **ASSETS** | | |
| | **Fixed assets** | | |
| 6 | **Property, plant and equipment** | | |
| | Land and buildings | 24,633,789 | 25,872,748 |
| | Plant and machinery | 9,893,186 | 11,092,064 |
| | Other fixtures and fittings, tools and equipment | 777,018 | 712,310 |
| | | 35,303,993 | 37,677,122 |
| 7 | **Investments** | | |
| | Investments in subsidiaries | 4,524,870 | 4,524,870 |
| | | 4,524,870 | 4,524,870 |
| | **Total fixed assets** | 39,828,863 | 42,201,992 |
| | **Non-fixed assets** | | |
| | **Inventories** | | |
| | Raw materials and consumables | 5,869,215 | 4,728,381 |
| | Work in progress | 1,202,009 | 2,253,819 |
| | Finished goods and goods for resale | 136,246 | 439,863 |
| | | 7,207,470 | 7,422,063 |
| | **Receivables** | | |
| | Trade receivables | 24,553,209 | 18,133,076 |
| 8 | Work in progress for third parties | 22,898,226 | 18,022,421 |
| | Receivables from group entities | 108,087 | 2,369,705 |
| | Income taxes receivable | 129,800 | 1,065,434 |
| | Other receivables | 471,562 | 1,598,906 |
| 9 | Prepayments | 271,139 | 468,454 |
| | | 48,432,023 | 41,657,996 |
| | **Cash** | 1,144,958 | 3,696,207 |
| | **Total non-fixed assets** | 56,784,451 | 52,776,266 |
| | **TOTAL ASSETS** | 96,613,314 | 94,978,258 |

# Financial statements 1 April 2017 - 31 March 2018

## Balance sheet

| Note | DKK | 2017/18 | 2016/17 |
|---|---|---|---|
| | **EQUITY AND LIABILITIES** | | |
| | **Equity** | | |
| | Share capital | 1,000,000 | 1,000,000 |
| | Revaluation reserve | 4,455,360 | 4,664,400 |
| | Retained earnings | 27,087,548 | 30,961,096 |
| | **Total equity** | 32,542,908 | 36,625,496 |
| | **Provisions** | | |
| 11 | Deferred tax | 3,644,000 | 4,665,000 |
| 12 | Other provisions | 5,367,627 | 4,465,534 |
| | **Total provisions** | 9,011,627 | 9,130,534 |
| | **Liabilities other than provisions** | | |
| 10 | **Non-current liabilities other than provisions** | | |
| | Mortgage debt | 11,702,171 | 13,134,137 |
| | | 11,702,171 | 13,134,137 |
| | **Current liabilities other than provisions** | | |
| 10 | Current portion of long-term liabilities | 1,431,966 | 1,710,625 |
| | Bank debt | 1,986,978 | 0 |
| 8 | Work in progress for third parties | 2,937,517 | 3,173,045 |
| | Trade payables | 15,896,239 | 13,751,561 |
| | Payables to group entities | 11,919,762 | 7,977,953 |
| | Other payables | 9,184,146 | 9,474,907 |
| | | 43,356,608 | 36,088,091 |
| | **Total liabilities other than provisions** | 55,058,779 | 49,222,228 |
| | **TOTAL EQUITY AND LIABILITIES** | 96,613,314 | 94,978,258 |

1 Accounting policies
13 Contractual obligations and contingencies, etc.
14 Collateral
15 Related parties

# Financial statements 1 April 2017 - 31 March 2018

## Statement of changes in equity

| Note | DKK | Share capital | Revaluation reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| | Equity at 1 April 2017 | 1,000,000 | 4,664,400 | 30,961,096 | 36,625,496 |
| 16 | Transfer, see "Appropriation of profit/loss" | 0 | 0 | -4,501,049 | -4,501,049 |
| | Transfer from revaluation reserve | 0 | -209,040 | 209,040 | 0 |
| | Adjustment of hedging instruments at fair value | 0 | 0 | 536,461 | 536,461 |
| | Tax on items recognised directly in equity | 0 | 0 | -118,000 | -118,000 |
| | **Equity at 31 March 2018** | 1,000,000 | 4,455,360 | 27,087,548 | 32,542,908 |

The Company's share capital is not divided into several classes.

The Company's share capital has remained DKK 1,000,000 over the past 5 years.

# Financial statements 1 April 2017 - 31 March 2018

## Cash flow statement

| Note | DKK | 2017/18 | 2016/17 |
|---|---|---|---|
| | Profit/loss for the year | -4,501,049 | -2,702,737 |
| 17 | Adjustments | 3,929,670 | 8,166,608 |
| | Cash generated from operations (operating activities) | -571,379 | 5,463,871 |
| 18 | Changes in working capital | -1,934,868 | -1,204,250 |
| | Cash generated from operations (operating activities) | -2,506,247 | 4,259,621 |
| | Income taxes received/paid | 1,065,434 | -74,013 |
| | **Cash flows from operating activities** | -1,440,813 | 4,185,608 |
| | Additions of property, plant and equipment | -1,678,034 | -2,649,021 |
| | Disposals of property, plant and equipment | 291,245 | 0 |
| | Acquisition of securities and investments | 0 | -4,524,870 |
| | **Cash flows to investing activities** | -1,386,789 | -7,173,891 |
| | Dividends distributed | 0 | -1,875,000 |
| | Repayments, long-term liabilities | -1,710,625 | -2,850,722 |
| | **Cash flows from financing activities** | -1,710,625 | -4,725,722 |
| | **Net cash flow** | -4,538,227 | -7,714,005 |
| | Cash and cash equivalents at 1 April | 3,696,207 | 11,410,212 |
| 19 | **Cash and cash equivalents at 31 March** | -842,020 | 3,696,207 |

# Financial statements 1 April 2017 - 31 March 2018

## Notes to the financial statements

1 **Accounting policies**

The annual report of VL Staal A/S has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class C(m) enterprises.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies applied by the company are consistent with those of last year.

### Reporting currency

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

### Foreign currency translation

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

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

### Derivative financial instruments

On initial recognition, derivative financial instruments are measured at cost. On subsequent recognition, derivative financial instruments are measured at fair value. Positive and negative fair values are recognised as other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

# Financial statements 1 April 2017 - 31 March 2018

## Notes to the financial statements

1 Accounting policies (continued)

### Income statement

#### Revenue

Contract work in progress is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method). When income from a construction contract cannot be estimated reliably, revenue is recognised only corresponding to the costs incurred to the extent that it is probable that they will be recovered.

The stage of completion is determined by reference to the proportion of costs incurred to the latest cost estimate.

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

#### Gross margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

#### Other operating income

Other operating income and operating costs comprise items of a secondary nature relative to the entity's core activities, including gains or losses on the sale of non-current assets.

#### Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

#### Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, etc.

#### Staff costs

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

#### Depreciation

The item comprises depreciation of property, plant and equipment.

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

| | |
|---|---|
| Buildings | 25 years |
| Plant and machinery | 5-8 years |
| Other fixtures and fittings, tools and equipment | 3-5 years |

Land is not depreciated.

## Financial statements 1 April 2017 - 31 March 2018

### Notes to the financial statements

1 Accounting policies (continued)

#### Income from investments in subsidiaries

The item includes dividend received from subsidiaries in so far as the dividend does not exceed the accumulated earnings in the subsidiary in the period of ownership.

#### Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

#### Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

### Balance sheet

#### Property, plant and equipment

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

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

Land and buildings are revalued at fair value. Revaluations and reversals thereof, less deferred tax, are taken directly to equity. The fair value is made up on the basis of an external assessment based on discounted cash flows.

#### Investments in subsidiaries

Investments in subsidiaries are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary during the period of ownership are treated as a reduction in the cost of acquisition.

# Financial statements 1 April 2017 - 31 March 2018

## Notes to the financial statements

1 Accounting policies (continued)

### Impairment of fixed assets

Every year, property, plant and equipment and investments in subsidiaries are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

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

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

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

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

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Production overheads comprise the indirect cost of material and labour as well as maintenance and depreciation of property, plant and equipment used in the production process. Financing costs are not indcluded in cost.

### Receivables

Receivables are measured at amortised cost.

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

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

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

# Financial statements 1 April 2017 - 31 March 2018

## Notes to the financial statements

1 Accounting policies (continued)

### Work in progress for third parties

Contract work in progress for third parties are measured at the market value of the work performed less advances received. The market value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract. The percentage of completion is made up based on costs incurred relative to the expected, total expenses on each individual work in progress.

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

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

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

### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

### Equity

*Revaluation reserve*

The reserve comprises revaluations of property, plant and equipment compared to the cost of the assets net of deferred tax.

The revaluation reserve is reduced by the depreciation charges relating to the revaluation.

### Income taxes

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

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

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

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

# Financial statements 1 April 2017 - 31 March 2018

## Notes to the financial statements

1 Accounting policies (continued)

### Liabilities

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

Other liabilities are measured at net realisable value.

### Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

## Financial statements 1 April 2017 - 31 March 2018

### Notes to the financial statements

| | DKK | 2017/18 | 2016/17 |
|---|---|---|---|
| 2 | **Staff costs** | | |
| | Wages/salaries | 34,322,366 | 38,601,588 |
| | Pensions | 2,205,013 | 2,493,525 |
| | Other social security costs | 705,874 | 785,881 |
| | | 37,233,253 | 41,880,994 |
| | Average number of full-time employees | 78 | 88 |

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

| | | 2017/18 | 2016/17 |
|---|---|---|---|
| 3 | **Financial income** | | |
| | Interest receivable, group entities | 1,914 | 4,194 |
| | Other financial income | 308,499 | 654,989 |
| | | 310,413 | 659,183 |
| 4 | **Financial expenses** | | |
| | Interest expenses, group entities | 32,821 | 12,650 |
| | Other financial expenses | 858,448 | 940,348 |
| | | 891,269 | 952,998 |
| 5 | **Tax for the year** | | |
| | Estimated tax charge for the year | 0 | 143,500 |
| | Deferred tax adjustments in the year | -1,139,000 | -872,000 |
| | Refund in joint taxation | -129,800 | 0 |
| | | -1,268,800 | -728,500 |

## Financial statements 1 April 2017 - 31 March 2018

### Notes to the financial statements

6 **Property, plant and equipment**

| DKK | Land and buildings | Plant and machinery | Other fixtures and fittings, tools and equipment | Total |
|---|---|---|---|---|
| Cost at 1 April 2017 | 41,949,988 | 52,069,750 | 4,123,144 | 98,142,882 |
| Additions in the year | 141,602 | 872,213 | 664,219 | 1,678,034 |
| Disposals on demerger and sale of other enterprise | 0 | -9,865,102 | -965,842 | -10,830,944 |
| Cost at 31 March 2018 | 42,091,590 | 43,076,861 | 3,821,521 | 88,989,972 |
| Revaluations at 1 April 2017 | 10,000,000 | 0 | 0 | 10,000,000 |
| Revaluations at 31 March 2018 | 10,000,000 | 0 | 0 | 10,000,000 |
| Impairment losses and depreciation at 1 April 2017 | 26,077,240 | 40,977,686 | 3,410,834 | 70,465,760 |
| Depreciation in the year | 1,380,561 | 2,071,091 | 308,065 | 3,759,717 |
| Reversal of depreciation of disposals | 0 | -9,865,102 | -674,396 | -10,539,498 |
| Impairment losses and depreciation at 31 March 2018 | 27,457,801 | 33,183,675 | 3,044,503 | 63,685,979 |
| **Carrying amount at 31 March 2018** | 24,633,789 | 9,893,186 | 777,018 | 35,303,993 |
| Carrying amount at 31 March 2018, if no revaluation had been made | 18,921,789 | 9,893,186 | 777,018 | |

Note 14 provides more details on security for loans, etc. as regards property, plant and equipment.

7 **Investments**

| DKK | Investments in subsidiaries |
|---|---|
| Cost at 1 April 2017 | 4,524,870 |
| Cost at 31 March 2018 | 4,524,870 |
| Value adjustments at 1 April 2017 | 0 |
| Value adjustments at 31 March 2018 | 0 |
| **Carrying amount at 31 March 2018** | 4,524,870 |

In connection with the acquisition of shares in subsidiaries, the Companys has committed to buy the remaining 30 % of the shares in Dansk Skorstens Teknik A/S no later than 31 March 2025.

| Name | Domicile | Interest | Equity DKK | Profit/loss DKK |
|---|---|---|---|---|
| **Subsidiaries** | | | | |
| Dansk Skorstens Teknik A/S | Esbjerg | 70.00% | 3,701,393 | 362,379 |

# Financial statements 1 April 2017 - 31 March 2018

## Notes to the financial statements

| | DKK | 2017/18 | 2016/17 |
|---|---|---|---|
| 8 | **Work in progress for third parties** | | |
| | Work in progress at sales price | 62,421,120 | 40,795,088 |
| | On-account invoicing, work in progress | -42,460,411 | -25,945,712 |
| | Other provisions | -3,464,993 | -3,215,534 |
| | | 16,495,716 | 11,633,842 |

Recognised as follows:

- Work in progress for third parties (assets): DKK 22,898,226 (2016/17: DKK 18,022,421)
- Work in progress for third parties (liabilities): DKK -2,937,517 (2016/17: DKK -3,173,045)
- Other provisions (liabilities): DKK -3,464,993 (2016/17: DKK -3,215,534)

### 9 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including insurance policies, subscriptions, etc.

### 10 Non-current liabilities other than provisions

| DKK | Total debt at 31/3 2018 | Repayment, next year | Long-term portion | Outstanding debt after 5 years |
|---|---|---|---|---|
| Mortgage debt | 13,134,137 | 1,431,966 | 11,702,171 | 5,974,304 |
| | 13,134,137 | 1,431,966 | 11,702,171 | 5,974,304 |

| | DKK | 2017/18 | 2016/17 |
|---|---|---|---|
| 11 | **Deferred tax** | | |
| | Deferred tax at 1 April | 4,665,000 | 5,537,000 |
| | Adjustment of the deferred tax charge for the year | -1,139,000 | -872,000 |
| | Deferred tax on items recognised directly in equity | 118,000 | 0 |
| | **Deferred tax at 31 March** | 3,644,000 | 4,665,000 |

Provisions for deferred tax comprise deferred tax relating to property, plant and equipment, profit on account on contract work in progress, indirect production overheads, tax losses, etc.

### 12 Other provisions

Other provisions comprise expected warranty commitments and expected loss on contract work in progress.

### 13 Contractual obligations and contingencies, etc.

**Other contingent liabilities**

| DKK | 2017/18 | 2016/17 |
|---|---|---|
| Guarantee commitments | 23,971,749 | 22,979,784 |
| | 23,971,749 | 22,979,784 |

Guarantee commitments comprises recourse and non-recourse guarantee commitments.

# Financial statements 1 April 2017 - 31 March 2018

## Notes to the financial statements

### Contingent liabilities

The Company is due to its business character naturally involved in various disputes, etc. In Management's opinion the outcome of these disputes is not expected to have a material negative effect on the financial position apart from the receivables and payables recognised in the balance sheet at 31 March 2018.

As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities for payment of income taxes for income year 2017 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 17 November 2016.

### 14 Collateral

As security for the Company's mortage debt, the Company has placed properties as security. The total carrying amount of the properties provided as security represents DKK 24,633,789.

### 15 Related parties

VL Staal a/s' related parties comprise the following:

#### Parties exercising control

| Related party | Domicile | Basis for control |
|---|---|---|
| Poujoulat SA | France | Shareholder |

#### Information about consolidated financial statements

| Parent | Domicile | Requisitioning of the parent company's consolidated financial statements |
|---|---|---|
| Poujoulat SA | France | www.poujoulat.fr |

#### Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

#### Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

| Name | Domicile |
|---|---|
| Poujoulat SA | France |

# Financial statements 1 April 2017 - 31 March 2018

## Notes to the financial statements

| | DKK | 2017/18 | 2016/17 |
|---|---|---|---|
| 16 | **Appropriation of profit/loss** | | |
| | **Recommended appropriation of profit/loss** | | |
| | Retained earnings/accumulated loss | -4,501,049 | -2,702,737 |
| | | -4,501,049 | -2,702,737 |
| 17 | **Adjustments** | | |
| | Amortisation/depreciation and impairment losses | 3,759,716 | 3,870,181 |
| | Gain/loss on the sale of non-current assets | 200 | 0 |
| | Tax for the year | -1,268,800 | -728,500 |
| | Change in other provisions | 902,093 | 4,465,534 |
| | Other adjustments | 536,461 | 559,393 |
| | | 3,929,670 | 8,166,608 |
| 18 | **Changes in working capital** | | |
| | Change in inventories | 214,593 | 1,150,455 |
| | Change in receivables | -7,709,661 | -14,494,207 |
| | Change in trade and other payables | 5,560,200 | 12,139,502 |
| | | -1,934,868 | -1,204,250 |
| 19 | **Cash and cash equivalents at year-end** | | |
| | Cash according to the balance sheet | 1,144,958 | 3,696,207 |
| | Short-term debt to banks | -1,986,978 | 0 |
| | | -842,020 | 3,696,207 |