

Valtor Offshore A/S

Oddesundvej 5, 6715 Esbjerg N

CVR no. 73 27 98 28

Annual report 2019

Approved at the Company's annual general meeting on 5 March 2020

Chairman:

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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 Valtor Offshore A/S for the financial year 1 January - 31 December 2019.

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 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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 approved at the annual general meeting.

Esbjerg, 5 March 2020
Executive Board:

.....
Jørn Graabæk
Chief Executive Officer

.....
Claus Christoffersen

Board of Directors:

.....
Arne John Noesgaard
Chairman

.....
Lennart Andreas Bohlin

.....
Jørn Graabæk

Independent auditor's report

To the shareholders of Valtor Offshore A/S

Opinion

We have audited the financial statements of Valtor Offshore A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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.

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.

Copenhagen, 5 March 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Kim Thomsen
State Authorised Public Accountant
mne26736

Dan Mose Andersen
State Authorised Public Accountant
mne35406



Management's review

Company details

Name	Valtor Offshore A/S
Address, Postal code, City	Oddesundvej 5, 6715 Esbjerg N
CVR no.	73 27 98 28
Established	15 July 1983
Registered office	Esbjerg
Financial year	1 January - 31 December
Board of Directors	Arne John Noesgaard, Chairman Lennart Andreas Bohlin Jørn Graabæk
Executive Board	Jørn Graabæk, Chief Executive Officer Claus Christoffersen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Business review

The company's main activities include consulting, sales, production, service and maintenance of valves and actuators for the oil and gas industry.

Financial review

The income statement for 2019 shows a loss of DKK 2,364,136 against a profit of DKK 1,375,874 last year, and the balance sheet at 31 December 2019 shows equity of DKK 7,147,386.

During 2019 after issuing the 2018 Annual Report a material misstatement was identified. In 2018 purchase of goods was net against revenue rather than additions to inventories. Consequently the Gross Profit as well as Finished Goods and Goods for resale were in 2018 understated by DKK 1.098.899. Net tax the Profit for the year and Equity were understated by DKK 856.141. Equity as of 1 January 2019 and comparative numbers have been corrected.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2019	2018
	Gross profit	7,022,023	12,223,019
2	Staff costs	-9,734,147	-10,417,343
	Depreciation of and property, plant and equipment	-141,435	-109,236
	Profit/ loss before net financials	-2,853,559	1,696,440
	Financial income	172	10,457
	Financial expenses	-170,490	-2,564
	Profit/ loss before tax	-3,023,877	1,704,333
3	Tax for the year	659,741	-328,459
	Profit/ loss for the year	-2,364,136	1,375,874
	Recommended appropriation of profit/ loss		
	Proposed dividend recognised under equity	0	3,500,000
	Retained earnings/ accumulated loss	-2,364,136	-2,124,126
		-2,364,136	1,375,874

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	ASSETS		
	Fixed assets		
4	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	356,146	437,581
		356,146	437,581
5	Investments		
	Deposits	761,250	750,000
		761,250	750,000
	Total fixed assets	1,117,396	1,187,581
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	3,224,828	3,378,428
	Prepayments for goods	0	453,911
		3,224,828	3,832,339
	Receivables		
	Trade receivables	3,578,926	4,858,947
6	Construction contracts	0	170,699
	Receivables from group enterprises	1,510,444	3,901,107
	Deferred tax assets	0	10,849
	Joint taxation contribution receivable	443,386	0
	Prepayments	132,601	114,377
		5,665,357	9,055,979
	Cash	1,394,828	3,576,795
	Total non-fixed assets	10,285,013	16,465,113
	TOTAL ASSETS	11,402,409	17,652,694

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	2,000,000	2,000,000
	Retained earnings	5,147,386	7,511,522
	Dividend proposed	0	3,500,000
	Total equity	<u>7,147,386</u>	<u>13,011,522</u>
	Provisions		
	Deferred tax	178,696	0
	Total provisions	<u>178,696</u>	<u>0</u>
	Liabilities other than provisions		
7	Non-current liabilities other than provisions		
	Other payables	188,414	0
		<u>188,414</u>	<u>0</u>
	Current liabilities other than provisions		
	Bank debt	1,758	2,804
	Trade payables	1,370,797	2,347,797
	Payables to group enterprises	181,343	185,623
	Joint taxation contribution payable	0	405,900
	Other payables	2,334,015	1,699,048
		<u>3,887,913</u>	<u>4,641,172</u>
	Total liabilities other than provisions	<u>4,076,327</u>	<u>4,641,172</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>11,402,409</u></u>	<u><u>17,652,694</u></u>

- 1 Accounting policies
- 8 Contractual obligations and contingencies, etc.
- 9 Collateral
- 10 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Dividend proposed	Total
Equity at 1 January 2019	2,000,000	6,654,382	3,500,000	12,154,382
Adjustment of equity through corrections of errors	0	857,140	0	857,140
Adjusted equity at 1 January 2019	2,000,000	7,511,522	3,500,000	13,011,522
Transfer through appropriation of loss	0	-2,364,136	0	-2,364,136
Dividend distributed	0	0	-3,500,000	-3,500,000
Equity at 31 December 2019	2,000,000	5,147,386	0	7,147,386

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Valtor Offshore A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The company has applied following from reporting class C:

Statement of change in equity.

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

Material misstatements

During 2019 after issuing the 2018 Annual Report a material misstatement was identified. In 2018 purchase of goods was net against revenue rather than additions to inventories. Consequently the Gross Profit as well as Finished Goods and Goods for resale were in 2018 understated by DKK 1.098.899. Net tax the Profit for the year and Equity were understated by DKK 856.141. Equity as of 1 January 2019 and comparative numbers have been corrected.

Reporting currency

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

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Income statement

Revenue

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and expenses and the degree of completion of the contract can be measured reliably.

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only in so far as it is probable that such expenses will be recoverable from the counterparty.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Gross profit

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

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 Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, 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:

Fixtures and fittings, other plant and equipment	3-5 years
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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

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

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 comprises the cost of raw materials, consumables, direct labour and direct production overheads.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.

Prepayments

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under "Receivables from group entities".

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

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.

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. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	2019	2018
2 Staff costs		
Wages/ salaries	8,141,911	8,722,805
Pensions	1,339,960	1,404,950
Other social security costs	201,293	179,927
Other staff costs	50,983	109,661
	<u>9,734,147</u>	<u>10,417,343</u>
 Average number of full-time employees	 <u>16</u>	 <u>18</u>
3 Tax for the year		
Estimated tax charge for the year	-849,286	405,900
Deferred tax adjustments in the year	189,545	-24,731
Tax adjustments, prior years	0	-52,710
	<u>-659,741</u>	<u>328,459</u>
4 Property, plant and equipment		
DKK		Fixtures and fittings, other plant and equipment
Cost at 1 January 2019		3,405,828
Additions		<u>60,000</u>
Cost at 31 December 2019		3,465,828
Impairment losses and depreciation at 1 January 2019		2,968,247
Depreciation		<u>141,435</u>
Impairment losses and depreciation at 31 December 2019		3,109,682
Carrying amount at 31 December 2019		<u>356,146</u>

Note 9 provides more details on security for loans, etc. as regards property, plant and equipment.

Financial statements 1 January - 31 December

Notes to the financial statements

5 Investments

DKK	<u>Deposits</u>
Cost at 1 January 2019	750,000
Additions	11,250
Cost at 31 December 2019	<u>761,250</u>
Carrying amount at 31 December 2019	<u>761,250</u>

DKK	<u>2019</u>	<u>2018</u>
6 Construction contracts		
Selling price of work performed	0	170,699
	<u>0</u>	<u>170,699</u>

7 Non-current liabilities other than provisions

Of the long-term liabilities, DKK 0 falls due for payment after more than 5 years after the balance sheet date.

8 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with Armatec A/S, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

Other financial obligations

Other rent and lease liabilities:

DKK	<u>2019</u>	<u>2018</u>
Rent and lease liabilities	5,620,000	6,521,000

All rent and lease liabilities are due within the next 5 years.

9 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2019.

Financial statements 1 January - 31 December

Notes to the financial statements

10 Related parties

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Armatec AB	Sverige	Ernströmsgruppen.com A.Odhners gata 14, SE-400 91 Västa Frölunda

ΠΕΝΝΕΟ

The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Jørn Graabæk

Executive Board

On behalf of: Valtor Offshore A/S

Serial number: PID:9208-2002-2-778820886659

IP: 185.66.xxx.xxx

2020-03-06 10:20:41Z

NEM ID 

Claus Christoffersen

Executive Board

On behalf of: Valtor Offshore A/S

Serial number: CVR:73279828-RID:96602097

IP: 185.66.xxx.xxx

2020-03-06 11:30:52Z

NEM ID 

Jørn Graabæk

Board of Directors

On behalf of: Valtor Offshore A/S

Serial number: PID:9208-2002-2-778820886659

IP: 185.66.xxx.xxx

2020-03-09 05:58:35Z

NEM ID 

ANDREAS BOHLIN

Board of Directors

On behalf of: Valtor Offshore A/S

Serial number: 19740808xxxx

IP: 84.19.xxx.xxx

2020-03-09 09:48:25Z



Arne John Noesgaard

Board of Directors

On behalf of: Valtor Offshore A/S

Serial number: PID:9208-2002-2-554533769050

IP: 212.130.xxx.xxx

2020-03-10 11:06:25Z

NEM ID 

Dan Mose Andersen

State Authorised Public Accountant

On behalf of: Ernst & Young P/S

Serial number: CVR:30700228-RID:48037469

IP: 93.160.xxx.xxx

2020-03-10 11:36:26Z

NEM ID 

Kim Thomsen

State Authorised Public Accountant

On behalf of: Ernst & Young P/S

Serial number: CVR:30700228-RID:1267450293561

IP: 212.237.xxx.xxx

2020-03-12 11:09:42Z

NEM ID 

Claus Christoffersen

Chairman

On behalf of: Valtor Offshore A/S

Serial number: CVR:73279828-RID:96602097

IP: 185.66.xxx.xxx

2020-03-12 12:27:32Z

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