# Valmont SM A/S

Værksvej 5, 6230 Rødekro, Hjordkær

CVR no. 88 37 46 14

## Annual report

for the year 1 January - 31 December 2018

Approved at the Company's annual general meeting on 27/5-19

Chairman:

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## 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 Valmont SM A/S for the financial year 1 January - 31 December 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 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 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.

Rødekro, 10 April 2019
Executive Board:

Jens Holk Nielsen

Board of Directors:

Aaron Michael Schapper
Chairman

Roger Andrew Massey

Jens Holk Nielsen

Bent Pedersen

Palle Mikkel Rudebeck

# Independent auditor's report

To the shareholders of Valmont SM A/S

## Opinion

We have audited the financial statements of Valmont SM A/S for the financial year 1 January - 31 December 2018, 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 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.

Copenhagen, 10 April 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen
State Authorised Public Accountant
mne33234

# Management's review

## Company details

| | |
|---|---|
| Name | Valmont SM A/S |
| Address, Postal code, City | Værksvej 5, 6230 Rødekro, Hjordkær |
| | |
| CVR no. | 88 37 46 14 |
| Established | 19 February 1980 |
| Registered office | Aabenraa |
| Financial year | 1 January - 31 December |
| | |
| Board of Directors | Aaron Michael Schapper, Chairman<br>Roger Andrew Massey<br>Jens Holk Nielsen<br>Bent Pedersen<br>Palle Mikkel Rudebeck |
| | |
| Executive Board | Jens Holk Nielsen |
| | |
| Auditors | Ernst & Young Godkendt Revisionspartnerselskab<br>Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark |
| | |
| Bankers | Sydbank A/S<br>Nykredit Bank A/S |

# Management's review

## Financial highlights

| DKK'000 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Revenue | 586,040 | 664,198 | 725,885 | 693,080 | 1,529,282 |
| Gross margin | 260,900 | 331,685 | 336,567 | 327,652 | 716,512 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 33,882 | 77,937 | 65,966 | 76,718 | 246,922 |
| Net financials | -2,169 | -4,307 | -5,206 | -5,566 | -10,159 |
| Profit/loss for the year | 41 | 26,822 | 14,678 | 25,810 | 137,563 |
| Total assets | 552,076 | 518,235 | 600,212 | 643,818 | 697,533 |
| Investment in property, plant and equipment | 8,991 | 6,019 | 9,367 | 14,412 | 67,863 |
| Equity | 235,653 | 249,023 | 229,540 | 227,767 | 236,957 |
| **Financial ratios** | | | | | |
| Operating margin | 0.4% | 5.8% | 3.3% | 5.3 % | 12.4 % |
| Current ratio | 153.7% | 173.4% | 186.3% | 208.9% | 231.4% |
| Equity ratio | 42.7% | 48.1% | 38.2% | 35.4% | 34.0% |
| Return on equity | 0.0% | 11.2% | 6.4% | 11.1% | 63.1% |
| Assets turnover | 0.0% | 4.8% | 1.2% | 1.0% | 2.2% |
| Average number of employees | 494 | 569 | 625 | 624 | 741 |

# Management's review

## Business review

Valmont SM A/S is a manufacturer of complex heavy steel structures for energy related industries.

## Financial review

The company realised a profit in the financial year of DKK 41 thousand (2017: DKK 26,822 thousand). The profit is not satisfactory. However considering the current market conditions within wind, management consider the result as expected. Total equity amounts to DKK 235,653 thousand corresponding to an equity ratio of 43%. During the financial year 2018 the Company has invested DKK 9.0 million in property, plant and equipment. Cash at bank and in hand totaled DK 12.6 million at 31 December 2018.

## Special risks

The main risk is related to the company's ability to be strong positioned on significant markets, being mainly energy related industries in the Nordics and Germany.

*Financial risks*

Based on the company's equity ratio and financial resources, moderate changes in the interest rate level will not have significant, direct effect on earnings.

*Currency risks*

Due to its international activities, profit and equity are affected by the foreign exchange development for a number of currencies. It is company policy to hedge commercial currency risks. Speculative currency transactions are not made.

*Credit risks*

Credit risk is related to receivables recognised in the balance sheet. Based on a specific credit rating, the Company grants credit to selected customers. On an ongoing basis the Company follows up on credit ratings etc.

## Intellectual capital etc.

Know how and competencies accumulated over decades is important for Valmont SM A/S.

## Environmental issues

Manufacturing of heavy complex steel structures is energy heavy. On an ongoing basis, the company initiates in energy saving investments of different matter.

## Statutory CSR report

CSR is high on the agenda for the entire Valmont Group and the group pays close attention to its corporate responsibility. For more information on Valmont Inc.'s corporate responsibility the company refers to:

http://www.valmont.com/about-us/corporate-governance#Corporate_Governance_Principles

Valmont SM A/S as a subsidiary in the Valmont Group has not developed a separate statement on social responsibility, including human rights, environmental issues, climate issues, social and employee conditions as well as anti-corruption as principles are laid out from Valmont Group and Valmont SM A/S adheres to corporate principles.

# Management's review

## Account of the gender composition of Management

It is the company’s goal that the Board of Directors is composed in such a way that it is effectively able to perform its tasks related to strategy development, management and control. The company will seek to nominate candidates whose profiles and skills are best suited for the company, as it is considered best for the company in the long run. When candidates for the Board of Directors are to be nominated, gender is considered with due regard to the company’s other recruitment criteria, including requirements for professional qualifications, industry experience,educational background, etc.
In 2018, the gender composition of the company’s Board of Directors is the following: 0 women and 3 men (excl. Board of Directors elected by employees). Valmont SM A/S’ goal is that one of three members of the Board of Directors appointed by the general meeting is to be a woman, corresponding to 33 %, before 2021. In 2018 it has not been possible to nominate female candidates.

*Other management levels*

The company seeks to create a good and versatile workplace that promotes equal career opportunities for both women and men. It is the company’s goal to achieve a balanced composition of gender in other management levels. To achieve this goal the company aims to always have at least one representative of each sex among the last three candidates for vacancies at the company’s other management levels.
The current gender composition of the company’s other management levels is the following: 20 % women and 80 % men.

## Events after the balance sheet date

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

## Outlook

For financial year 2019 management expects positive operational earnings.

# Financial statements 1 January - 31 December

## Income statement

| Note | DKK'000 | 2018 | 2017 |
|---|---|---|---|
| 2 | Revenue | 586,040 | 664,198 |
| | Other operating income | 9,207 | 8,472 |
| | Raw materials and consumables | -280,447 | -288,771 |
| | Other external expenses | -53,900 | -52,214 |
| | Gross margin | 260,900 | 331,685 |
| 3 | Staff costs | -227,018 | -253,748 |
| 4 | Depreciation of property, plant and equipment | -31,651 | -39,202 |
| | Profit before net financials | 2,231 | 38,735 |
| | Financial income | 14 | 0 |
| 5 | Financial expenses | -2,183 | -4,307 |
| | Profit before tax | 62 | 34,428 |
| 6 | Tax for the year | -21 | -7,606 |
| | Profit for the year | 41 | 26,822 |

# Financial statements 1 January - 31 December

## Balance sheet

| Note | DKK'000 | 2018 | 2017 |
|---|---|---|---|
| | ASSETS | | |
| | Fixed assets | | |
| 7 | Property, plant and equipment | | |
| | Land and buildings | 137,715 | 152,313 |
| | Plant and machinery | 48,399 | 61,544 |
| | Other fixtures and fittings, tools and equipment | 2,510 | 1,768 |
| | Property, plant and equipment in progress | 4,315 | 844 |
| | | 192,939 | 216,469 |
| | Total fixed assets | 192,939 | 216,469 |
| | Non-fixed assets | | |
| | Inventories | | |
| | Raw materials and consumables | 3,675 | 6,338 |
| | | 3,675 | 6,338 |
| | Receivables | | |
| | Trade receivables | 215,666 | 147,339 |
| 8 | Work in progress for third parties | 122,748 | 100,500 |
| | Receivables from group entities | 0 | 3 |
| | Income taxes receivable | 0 | 2,830 |
| | Other receivables | 2,392 | 1,782 |
| 9 | Prepayments | 2,083 | 3,559 |
| | | 342,889 | 256,013 |
| | Cash | 12,573 | 39,415 |
| | Total non-fixed assets | 359,137 | 301,766 |
| | TOTAL ASSETS | 552,076 | 518,235 |

# Financial statements 1 January - 31 December

## Balance sheet

| Note | DKK'000 | 2018 | 2017 |
|---|---|---|---|
| | EQUITY AND LIABILITIES | | |
| | Equity | | |
| 10 | Share capital | 15,000 | 15,000 |
| | Retained earnings | 220,653 | 220,612 |
| | Dividend proposed for the year | 0 | 13,411 |
| | Total equity | 235,653 | 249,023 |
| | Provisions | | |
| 11 | Deferred tax | 4,672 | 11,777 |
| | Total provisions | 4,672 | 11,777 |
| | Liabilities other than provisions | | |
| 12 | Non-current liabilities other than provisions | | |
| | Mortgage debt | 13,964 | 19,068 |
| | Payables to group entities | 64,173 | 64,362 |
| | | 78,137 | 83,430 |
| | Current liabilities other than provisions | | |
| | Mortgage debt | 5,089 | 5,965 |
| | Bank debt | 38,702 | 0 |
| 8 | Work in progress for third parties | 31,973 | 45,806 |
| | Trade payables | 110,546 | 71,929 |
| | Income taxes payable | 5,471 | 0 |
| | Other payables | 41,833 | 50,305 |
| | | 233,614 | 174,005 |
| | Total liabilities other than provisions | 311,751 | 257,435 |
| | TOTAL EQUITY AND LIABILITIES | 552,076 | 518,235 |

1 Accounting policies
13 Contractual obligations and contingencies, etc.
14 Collateral
15 Related parties
16 Fee to the auditors appointed by the Company in general meeting

# Financial statements 1 January - 31 December

## Statement of changes in equity

| Note | DKK'000 | Share capital | Retained earnings | Dividend proposed for the year | Total |
|---|---|---|---|---|---|
| | Equity at 1 January 2017 | 15,000 | 207,201 | 7,339 | 229,540 |
| 17 | Transfer, see "Appropriation of profit" | 0 | 13,411 | 13,411 | 26,822 |
| | Dividend distributed | 0 | 0 | -7,339 | -7,339 |
| | Equity at 1 January 2018 | 15,000 | 220,612 | 13,411 | 249,023 |
| 17 | Transfer, see "Appropriation of profit" | 0 | 41 | 0 | 41 |
| | Dividend distributed | 0 | 0 | -13,411 | -13,411 |
| | Equity at 31 December 2018 | 15,000 | 220,653 | 0 | 235,653 |

# Financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies

The annual report of Valmont SM A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

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

### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement for the parent company, Valmont Industries, Inc.

### Basis of recognition and measurement

Accounting estimates and assesments:
The calculation of the carrying amount of certain assets and liabilities is subject to assessments, estimates and assumptions of future events. The estimates made and assumptions are based on past experiences and other parameters which Management considers reasonable in the circumstances, but which naturally are uncertain and unpredictable. The assumptions may be incomplete or inaccurate and unexpected events or circumstances may arise. In addition, the company is subject to risks and uncertainties which may imply that the actual outcome may differ from these estimates.

Significant accounting estimates and assessments are mainly releated to measurement of work in progress and provision for warranties and losses on work in progress.

### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

### 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.

### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of 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

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

# Financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

Revenue from work in progress for third parties is recognised by reference to the stage of completion.

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

### Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed 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 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 share-based payments, 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.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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 | 10-20 years |
| Plant and machinery | 5-10 years |
| Other fixtures and fittings, tools and equipment | 3-8 years |

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Land is not depreciated.

### Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

### Tax

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

# Financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

### 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 losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

Interest expenses on loans to finance the production of items of property, plant and equipment, and which relate to the production period, are recognised in cost. All other borrowing costs are recognised in the income statement.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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 | 10-20 years |
| Plant and machinery | 5-10 years |
| Fixtures and fittings, plant and equipment | 3-8 years |

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

#### 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 of amortisation.

Impairment tests are conducted on 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 the the carrying 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.

# Financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

### 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.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

### Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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.

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.

### Work in progress for third parties

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.

### Cash

Cash comprise cash and bank balances.

### Equity

*Proposed dividends*

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

# Financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

### Provisions

Provisions comprise anticipated costs related to warranties, losses on work in progress, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Warranties comprise obligations to make good any defects within the warranty period of one to five years. Provisions for warranties are measured at net realisable value and recognised based on past experience. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at the average bond interest rate.

### 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. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. 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. In subsequent periods, the 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 obligation on finance leases.

Other liabilities are measured at net realisable value.

# Financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

### Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

### Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin $$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$$

Current ratio $$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$$

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

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

Assets turnover $$\frac{\text{Revenue}}{\text{Average total assets}}$$

The figures and ratios for 2012/13 have been changed due to change in accounting policies as regards proposed dividends, which are recognized under equity (earlier under liabilities).

2 Segment information

With reference to section 96(1) of the Danish Financial Statements Act, Valmont has omitted to disclose segments.

Valmont has sales in various segments within complex heavy steel structures for the energy related industry, and several of these constitute significant segments. Due to public tender agreements including quantities, disclosing segments and/or geography areas may have the consequence that price per unit can be determined by the public (as well as competitors). Hence, for competitive reasons, no product segment information has been disclosed.

# Financial statements 1 January - 31 December

## Notes to the financial statements

| DKK'000 | 2018 | 2017 |
|---|---|---|
| 3 Staff costs and incentive programmes | | |
| Wages/salaries | 208,795 | 233,004 |
| Pensions | 14,095 | 15,413 |
| Other social security costs | 3,255 | 4,193 |
| Other staff costs | 873 | 1,138 |
| | 227,018 | 253,748 |
| Average number of full-time employees | 494 | 569 |

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

### Incentive programmes

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

| DKK'000 | 2018 | 2017 |
|---|---|---|
| 4 Depreciation of property, plant and equipment | | |
| Depreciation of property, plant and equipment | 31,651 | 39,202 |
| | 31,651 | 39,202 |

| DKK'000 | 2018 | 2017 |
|---|---|---|
| 5 Financial expenses | | |
| Interest expenses, group entities | 1,183 | 2,109 |
| Exchange losses | 0 | 59 |
| Other financial expenses | 1,000 | 2,139 |
| | 2,183 | 4,307 |

| DKK'000 | 2018 | 2017 |
|---|---|---|
| 6 Tax for the year | | |
| Estimated tax charge for the year | 7,125 | 13,550 |
| Deferred tax adjustments in the year | -7,104 | -5,944 |
| | 21 | 7,606 |

| DKK'000 | 2018 | 2017 |
|---|---|---|
| Specified as follows: | | |
| Tax for the year | 21 | 7,606 |
| | 21 | 7,606 |
| Effective tax rate | 33.87% | 22.09% |

# Financial statements 1 January - 31 December

## Notes to the financial statements

### 7 Property, plant and equipment

| DKK'000 | Land and buildings | Plant and machinery | Other fixtures and fittings, tools and equipment | Property, plant and equipment in progress | Total |
|---|---|---|---|---|---|
| Cost at 1 January 2018 | 348,648 | 311,582 | 18,662 | 844 | 679,736 |
| Additions in the year | 0 | 2,903 | 1,773 | 4,315 | 8,991 |
| Disposals in the year | -302 | -103 | -491 | -844 | -1,740 |
| Cost at 31 December 2018 | 348,346 | 314,382 | 19,944 | 4,315 | 686,987 |
| Impairment losses and depreciation at 1 January 2018 | 196,335 | 250,038 | 16,894 | 0 | 463,267 |
| Depreciation in the year | 14,576 | 16,044 | 1,031 | 0 | 31,651 |
| Amortisation/depreciation and impairment of disposals in the year | -280 | 0 | 0 | 0 | -280 |
| Reversal of depreciation and impairment of disposals | 0 | -99 | -491 | 0 | -590 |
| Impairment losses and depreciation at 31 December 2018 | 210,631 | 265,983 | 17,434 | 0 | 494,048 |
| Carrying amount at 31 December 2018 | 137,715 | 48,399 | 2,510 | 4,315 | 192,939 |

| DKK'000 | 2018 | 2017 |
|---|---|---|
| **8 Work in progress for third parties** | | |
| Selling price of work performed | 792,120 | 976,171 |
| Prepayments | -701,345 | -921,477 |
| | 90,775 | 54,694 |
| recognised as follows: | | |
| Work in progress for third parties (assets) | 122,748 | 100,500 |
| Work in progress for third parties (liabilities) | -31,973 | -45,806 |
| | 90,775 | 54,694 |

### 9 Prepayments

Prepayments recognised as assets in the balance sheet include expenses relating to subsequent financial years, including insurance etc.

### 10 Share capital

The share capital comprises 15,000 shares of DKK 1,000 each. All shares rank equally.

The share capital has remained unchanged for the last five years.

# Financial statements 1 January - 31 December

## Notes to the financial statements

| DKK'000 | 2018 | 2017 |
|---|---|---|
| **11 Deferred tax** | | |
| Deferred tax at 1 January | 11,777 | 17,721 |
| Change in deferred tax | -7,105 | -5,944 |
| Deferred tax at 31 December | 4,672 | 11,777 |

Analysis of the deferred tax

| DKK'000 | 2018 | 2017 |
|---|---|---|
| Deferred tax liabililties | 4,672 | 11,777 |
| | 4,672 | 11,777 |

The provision for deferred tax, DKK 4,672 thousand as per 31 December 2018, relates to timing differences in respect of:

- Property, plant and equipment, DKK -1,281 thousand
- Work in progress, DKK 5,775 thousand
- Other, DKK 169 thousand

12 Non-current liabilities other than provisions

| DKK'000 | Total debt at 31/12 2018 | Repayment, next year | Long-term portion | Outstanding debt after 5 years |
|---|---|---|---|---|
| Mortgage debt | 19,053 | 5,089 | 13,964 | 0 |
| Payables to group entities | 64,173 | 0 | 64,173 | 0 |
| | 83,226 | 5,089 | 78,137 | 0 |

13 Contractual obligations and contingencies, etc.

Other contingent liabilities

| DKK'000 | 2018 | 2017 |
|---|---|---|
| Guarantee commitments | 71,506 | 78,905 |
| | 71,506 | 78,905 |

Guarantees:
The company has issued guarantees in favor of customers of DKK 71,506 thousand (2017: DKK 78,905 thousand).

Contingent liabilities:
Valmont SM A/S is a party to a few pending lawsuits and or claims. In Management's opinion, apart from the receivables and payables recognised in the balance sheet at 31 December 2018, the outcome of these lawsuits or claims will not further affect the Company's financial position.

The company is liable to normal warranty commitments from sale of goods usual for the sector.

Other financial obligations

Other rent and lease liabilities:

| DKK'000 | 2018 | 2017 |
|---|---|---|
| Rent and lease liabilities | 1,822 | 2,658 |

# Financial statements 1 January - 31 December

## Notes to the financial statements

Rent and lease liabilities include operating lease obligation falling due within 5 years with a total of DKK 1,822 thousand (2017: DKK 2,658 thousand).

### 14 Collateral

The Company holds mortgages with a original principal of DKK 74,064 thousand, secured on land and buildings with a carrying amount of DKK 137,715 thousand. An amount of DKK 66,064 thousand have been lodged as collateral for bank loans, whereas mortgages registered to the owner of DKK 8,000 thousand are held by the Company.

### 15 Related parties

Valmont SM A/S' related parties comprise the following:

Parties exercising control

| Related party | Domicile | Basis for control |
|---|---|---|
| Valmont Industries Inc. | One Valmont Plaza, Omaha, Nebraska 68154-5215 USA | Ultimate parent of the Group |
| Valmont Industries Holland B.V. | Den Engelsman 3, 6026 RB Maarheeze, Nederland | Parent company |

Information about consolidated financial statements

| Parent | Domicile | Requisitioning of the parent company's consolidated financial statements |
|---|---|---|
| Valmont Industries Inc. | One Valmont Plaza, Omaha, Nebraska 68154-5215 USA | http://www.valmont.com/financial-information/annual-reports |

Related party transactions

Valmont SM A/S was engaged in the below related party transactions:

| DKK'000 | 2018 | 2017 |
|---|---|---|
| Revenue, group sister companies | 2,862 | 0 |
| COGS, group sister companies | 25 | 0 |
| IT charges, Valmont Inc. | 2,562 | 2,636 |
| Insurance charges, Valmont Inc. | 823 | 1,306 |
| Service fee and payroll charges, Valmont Inc. | 921 | 556 |
| Loan interest expenses, Valmont Industries Holland | 1,183 | 2,109 |
| Payables to US parent company, Valmont Industries | 0 | 3 |
| Payables to group sister entity, Valmont Industries Holland B.V. | -64,173 | -64,362 |

| | DKK'000 | 2018 | 2017 |
|---|---|---|---|
| 16 | Fee to the auditors appointed by the Company in general meeting | | |
| | Statutory audit | 218 | 215 |
| | Assurance engagements | 565 | 560 |
| | Other assistance | 117 | 94 |
| | | 900 | 869 |

# Financial statements 1 January - 31 December

## Notes to the financial statements

| DKK'000 | 2018 | 2017 |
|---|---|---|
| 17 Appropriation of profit | | |
| Recommended appropriation of profit | | |
| Proposed dividend recognised under equity | 0 | 13,411 |
| Retained earnings | 41 | 13,411 |
| | 41 | 26,822 |