Valmont SM A/S

Værksvej 5, 6230 Rødekro, Hjordkær

CVR no. 88 37 46 14

Annual report
for the year 1 January - 31 December 2021

Approved at the Company's annual general meeting on 23 May 2022

Chair of the meeting:

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Bo Bendixen

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 2021.

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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

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, 23 May 2022
Executive Board:

Niels Brix

Board of Directors:

Aaron Michael Schapper Chair	Roger Andrew Massey	Niels Brix
Daniel Høyer Koch	Ove Havmøller	

Independent auditor's report

To the shareholder 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 2021, 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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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 ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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.

Aalborg, 23 May 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Hans B. Vistisen
State Authorised Public Accountant
mne23254

Anders Roe Eriksen
State Authorised Public Accountant
mne46667

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, Chair Roger Andrew Massey Niels Brix Daniel Høyer Koch Ove Havmøller
Executive Board	Niels Brix
Auditors	EY Godkendt Revisionspartnerselskab Vestre Havnepromenade 1A, 9000 Aalborg, Denmark
Bankers	Sydbank A/S

Management's review

Financial highlights

DKK'000	2021	2020	2019	2018	2017
Key figures					
Revenue	739,540	721,051	601,840	586,040	664,198
Gross profit	247,486	234,180	223,053	260,900	331,685
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-5,484	3,234	842	33,882	77,937
Net financials	-1,754	-3,860	-2,588	-2,169	-4,307
Profit/loss from continuing operations before tax	-67,021	-25,565	-29,917	62	34,428
Profit/loss for the year	-93,333	-52,838	-23,398	41	26,822
Total assets	403,799	667,201	452,567	552,075	518,235
Investments in property, plant and equipment	11,825	4,795	2,958	8,991	6,019
Equity	130,084	159,417	212,254	235,653	249,023
Financial ratios					
Operating margin	-8.8%	-3.0%	-4.5%	0.4 %	5.8 %
Current ratio	111.6%	122.6%	184.8%	153.7%	173.4%
Equity ratio	32.2%	23.9%	46.9%	42.7%	48.1%
Return on equity	-64.5%	-28.4%	-10.4%	0.0%	11.2%
Asset turnover	143.0%	134.0%	120.0%	110.0%	119.0%
Average number of full-time employees	550	519	486	494	569

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

Operating margin $$\frac{\text{Operating profit/loss (EBIT)} \times 100}{\text{Revenue}}$$

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

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

Return on equity $$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$$

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

Management's review

Business review

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

Financial review

The income statement for 2021 shows a loss of DKK 93,333 thousand against a loss of DKK 52,838 thousand last year, and the balance sheet at 31 December 2021 shows equity of DKK 130,084 thousand. In the annual report for 2020, Management expected positive operational earnings.

Covid-19 has impacted order intake negatively. Furthermore operations has been impacted by problems in the supply chain, which has increased cost and postponed production of orders.

The result is not satisfactory. Management is replaced during the year and a restructuring of part of the business has been done. This has resulted in additional costs associated with termination.

The downsizing done end of 2020 has been finalized and for that reason a split between continuing and discontinuing operations has been made. 2021 has also been negatively impacted due to an unfavorable outcome of an arbitration ruling. The costs associated with the arbitration and scaling of the Business has impacted Profit for the year with approximately DKK -9,570 thousand.

Total equity amounts to DKK 130,084 thousand corresponding to an equity ratio of 32%. A capital increase of DKK 64,000 thousand has been made during 2021. During the financial year 2021, the Company has invested DKK 11,825 thousand in property, plant and equipment. Cash at bank and in hand totaled DKK 74,826 thousand at 31 December 2021, and the Company holds a credit facility with Sydbank of DKK 75,000 thousand.

Impairment of property, plant and equipment

Management has assessed the valuation (the higher of the net selling price of the assets and its value in use) of the property, plant and equipment and concluded that there is impairment. Therefore, an impairment of DKK 35,492 has been made on property, plant and equipment to reflect the net selling price, which is assed by management to be the higher of the net selling price of the assets and its value in use. Reference is made to note 10.

Impairment of deferred tax assets

Management has assessed the valuation of the deferred tax assets and concluded, that it is not probable that the Company is able to utilize the deferred tax asset within a 3-5 years period. Therefore, an impairment of DKK 33,586 thousand has been made on deferred tax assets (including change in deferred tax for the year of DKK 16,844 thousand).

Financial risks and use of financial instruments

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.

Management's review

Research and development activities

Statutory CSR report

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

CSR is high on the agenda for the entire Valmont Group and the group pays close attention to its corporate responsibility. As a subsidiary Valmont SM A/S has adopted the following responsibilities:

Environmental issues:

Risk related to environmental issues comes from the production in Valmont SM A/S.

Valmont SM A/S is committed to continuously reduce its environmental impact. This is done by a focus to reduce/reuse and collect waste wherever possible. All scrap materials and waste from production is separated into reusable lots and disposed in a manner that makes it possible to reuse most materials.

Valmont SM A/S has seen a considerable drop in waste disposals in 2021.

Climate issues:

Risk related to climate issues comes from the production in Valmont SM A/S.

Valmont SM A/S is committed to continuously reduce its climate impact. Target is to reduce energy consumption by 60% (1990 basis) in 2025. This is done by a focus on reducing energy consumption via both larger projects and incremental reductions.

Valmont SM A/S has reduced its energy consumption per employee in 2021.

Social and Employee conditions:

Risk related to social and employee conditions comes from employees becoming injured at work or sick.

Valmont SM A/S aims to ensure a good and safe work environment as well as ensuring that no employees becomes sick due to their work environment. Valmont SM A/S works continuously to reduce sickness and accidents at the work place through conversations and training. Specifically to avoid Covid-19 incidents as much as possible Valmont SM A/S has changed working hours, changed canteen set-up and increased daily cleaning.

Despite the effort made Valmont SM A/S has seen an increase in sick leave in 2021 due to Covid-19 as well as an increase in accident rate.

Anti-Corruption:

Potential risk related to corruption comes from close cooperation with employees from different companies.

Valmont SM A/S gives training to all employees exposed to customer, suppliers and accounting on compliance issues. Valmont SM A/S has a zero tolerance on bribery, corruption and other types of fraud. Valmont SM A/S has not seen any incidents of corruption in 2021.

Valmont SM A/S will continue the training of employees in 2022 to avoid incidents of corruption.

COVID-19:

In 2021, the Covid-19 pandemic has put additional pressure on the physical and mental well-being of our employees caused by health risks and lockdowns. Valmont SM A/S has put great focus on protecting our employees during this time by prescribing guidelines and providing protective equipment. This has, among other things, ensured the health of employees during the pandemic.

Human Rights:

Given the nature of its sourcing, Valmont SM A/S foresee no risk for non-compliance with local rules and regulation with our partners. Valmont SM A/S does therefore not maintain a set of policies for this area.

Management's review

Account of the gender composition of Management, cf. §99b

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 2021, 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 2023. In 2021 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.

Data ethics

Valmont has for several years worked dedicated to ensure a safe storage of data and that all employees take part to ensure that data from all sources are handled with care.

Our goal is to ensure that data are stored only as long as needed and that access is granted to employees who need access to information.

Valmont handles data in alignment with GDPR regulation and a substantive work has been done to ensure that the regulation and ideas behind is incorporated into all aspects of data treatment.

Internal audits are done to ensure the continuous improvement and adherence to safety standards. These audits are made in a similar manner to other standardized audits that the Company undertakes.

Systems access is secured on a global scale from headquarters and to ensure maximum security and latest standards are implemented in the protection of our systems.

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 2022 management expects sales of DKK 500-600 million and EBITDA around DKK 0 million. Possible further impact of Covid-19 is not included in the expectations. Finally, the expectations will be dependent on the war in Ukraine and its impact on the company's suppliers, with possible lower market activity as a result.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2021	2020
3	Revenue	739,540	721,051
	Other operating income	7,954	6,195
	Raw materials and consumables	-437,629	-432,557
	Other external expenses	-62,379	-60,509
	Gross profit	247,486	234,180
4	Staff costs	-252,970	-230,946
5	Depreciation and impairment of property, plant and equipment	-59,783	-24,939
	Profit/loss before net financials	-65,267	-21,705
6	Financial income	661	59
7	Financial expenses	-2,415	-3,919
	Profit/loss from continuing operations before tax	-67,021	-25,565
8	Tax for the year	-16,742	5,615
	Profit/loss for the year from continuing operations	-83,763	-19,950
8,9	Profit/loss after tax from discontinued operations	-9,570	-32,888
	Profit for the year	-93,333	-52,838

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2021	2020
	ASSETS		
	Fixed assets		
10	Property, plant and equipment		
	Land and buildings	76,409	113,291
	Plant and machinery	12,983	31,159
	Other fixtures and fittings, tools and equipment	477	1,949
	Property, plant and equipment in progress	8,540	1,136
		98,409	147,535
	Total fixed assets	98,409	147,535
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	5,275	5,346
		5,275	5,346
	Receivables		
	Trade receivables	53,198	84,354
11	Work in progress for third parties	158,765	134,586
	Receivables from group entities	0	93,059
14	Deferred tax assets	0	16,742
	Other receivables	10,749	10,823
12	Prepayments	2,577	2,357
		225,289	341,921
	Cash	74,826	152,282
9	Assets relating to discontinued operations	0	20,117
	Total non-fixed assets	305,390	519,666
	TOTAL ASSETS	403,799	667,201

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2021	2020
	EQUITY AND LIABILITIES		
	Equity		
13	Share capital	15,000	15,000
	Retained earnings	115,084	144,417
	Total equity	130,084	159,417
	Liabilities other than provisions		
15	Non-current liabilities other than provisions		
	Mortgage debt	0	3,803
11	Work in progress for third parties	0	80,000
		0	83,803
	Current liabilities other than provisions		
	Mortgage debt	3,802	5,078
11	Work in progress for third parties	114,015	169,321
	Trade payables	86,747	172,291
	Other payables	69,151	71,336
9	Liabilities relating to discontinued operations	0	5,955
		273,715	423,981
	Total liabilities other than provisions	273,715	507,784
	TOTAL EQUITY AND LIABILITIES	403,799	667,201

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Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2020	15,000	197,255	212,255
20	Transfer, see "Appropriation of profit/loss"	0	-52,838	-52,838
	Equity at 1 January 2021	15,000	144,417	159,417
	Capital increase (group contribution)	0	64,000	64,000
20	Transfer, see "Appropriation of profit/loss"	0	-93,333	-93,333
	Equity at 31 December 2021	15,000	115,084	130,084

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Valmont SM A/S for 2021 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.

Income statement

Revenue

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

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 and impairment

The item comprises depreciation and impairment 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

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 acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or 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.

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".

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Discontinued operations

Assets relating to discontinued operations comprise fixed assets expected to be sold in connection with the discontinued operations and disposal groups, which are defined as a group of assets which are to be disposed of together as a group in a single transaction. Liabilities associated with assets relating to discontinued operations are liabilities directly associated with these assets and which are to be transferred in the transaction. Assets are classified as assets relating to discontinued operations where their carrying amount will be recovered principally through a sale within 12 months in accordance with a formal plan rather than through continuing use.

Assets or disposal groups relating to discontinued operations are measured at the lower of the carrying amount at the date of the reclassification as "discontinued operations" and the fair value less costs to sell. Assets are not depreciated or amortised once classified as "discontinued operations".

Discontinued operations comprise a separate, major line of business whose activities and cash flows are clearly distinguishable, operationally and for financial reporting purposes, from the Company's other lines of business and where the line of business has either been disposed of or separated as held for sale and the sale is expected to be effected within one year in accordance with a formal plan.

The profit/loss from discontinued operations and value adjustments after tax of related assets and liabilities and gains and losses on disposal are presented as a separate line item in the income statement. Assets and relating liabilities in respect of discontinued operations are presented as separate line items in the balance sheet without restatement of comparative figures.

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. 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.

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1 Accounting policies (continued)

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.

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.

2 Special items

In "Depreciation and impairment of property, plant and equipment" an impairment of property, plant and equipment of DKK 35,492 thousand is recognized.

In "Profit/loss after tax from discontinued operations" an extraordinary loss on down scaling certain Business areas of DKK 9,570 thousand is recognized.

In "Tax for the year" a change in deferred tax of DKK 16,844 thousand has been recognized and an impairment of deferred tax assets of DKK -33,586 thousand is recognized, totalling DKK -16,742 thousand.

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3 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.

	DKK'000	2021	2020
4	Staff costs		
	Wages/salaries	226,410	212,427
	Pensions	16,419	14,881
	Other social security costs	3,548	2,605
	Other staff costs	6,593	1,033
		252,970	230,946
	Average number of full-time employees	550	519

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

	DKK'000	2021	2020
5	Depreciation and impairment of property, plant and equipment		
	Depreciation of property, plant and equipment	24,291	24,939
	Impairment of property, plant and equipment	35,492	0
		59,783	24,939
6	Financial income		
	Interest receivable, group entities	661	59
		661	59
7	Financial expenses		
	Interest expenses, group entities	345	1,178
	Other financial expenses	2,070	2,741
		2,415	3,919
8	Tax for the year		
	Deferred tax adjustments in the year	16,742	-14,891
		16,742	-14,891
	Specified as follows:		
	Tax on continuing operations	16,742	-5,615
	Tax on discontinued operations, see note 9	0	-9,276
		16,742	-14,891

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Notes to the financial statements

9 Loss from discontinued operations

As a part of the future strategy the management in 2021 has decided to scale a number of Business areas significantly down. These areas are listed as discontinuing activities.

The result from the discontinuing activities are listed as "Loss after tax from discontinued operations" with an amount of DKK 9,570 thousand.

Loss from discontinued operations is broken down on main items below:

DKK'000	2021	2020
Revenue	30,723	51,220
Other materials and consumables	-30,624	-74,190
Other external expenses	-8,460	-7,108
Staff costs	-1,209	-12,086
Loss before tax	-9,570	-42,164
Tax on profit/loss	0	9,276
Loss after tax from discontinued operations	-9,570	-32,888

Assets and liabilities regarding discontinued operations 2021		
Trade receivables	0	6,104
Work in progress for third parties	0	14,013
Assets relating to discontinued operations	0	20,117
Work in progress for third parties	0	2,820
Other provisions	0	3,135
Liabilities relating to discontinued operations	0	5,955
Net assets relating to discontinued operations	0	14,162

10 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 2021	350,543	321,951	18,492	1,136	692,122
Additions in the year	227	2,143	915	8,540	11,825
Disposals in the year	0	-25	-285	-1,136	-1,446
Cost at 31 December 2021	350,770	324,069	19,122	8,540	702,501
Impairment losses and depreciation at 1 January 2021	237,252	290,792	16,543	0	544,587
Impairment losses in the year	24,412	9,523	1,557	0	35,492
Depreciation in the year	12,697	10,778	816	0	24,291
Reversal of depreciation and impairment of disposals	0	-7	-271	0	-278
Impairment losses and depreciation at 31 December 2021	274,361	311,086	18,645	0	604,092
Carrying amount at 31 December 2021	76,409	12,983	477	8,540	98,409

Management has assessed the valuation (the higher of the net selling price of the assets and its value in use) of the property, plant and equipment and concluded a need for impairment of DKK 35.492 thousand.

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Notes to the financial statements

	DKK'000	2021	2020
11	Work in progress for third parties		
	Selling price of work performed	158,765	727,464
	Prepayments	-114,015	-842,199
		44,750	-114,735
	recognised as follows:		
	Work in progress for third parties (assets)	158,765	134,586
	Work in progress for third parties (liabilities)	-114,015	-249,321
		44,750	-114,735

12 Prepayments

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

13 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 past five years.

	DKK'000	2021	2020
14	Deferred tax		
	Deferred tax at 1 January	-16,742	-1,851
	Change in deferred tax	-16,844	-14,891
	Impairment of deferred tax assets	33,586	0
	Deferred tax at 31 December	0	-16,742

Analysis of the deferred tax

DKK'000	2021	2020
Deferred tax assets	0	-16,742
	0	-16,742

As of 31 December 2021 the Company has deferred tax assets at a carrying amount of DKK 33,587 thousand, that primarily relates to tax loss carry-forwards. As it is uncertain if these tax losses can be utilised within a foreseeable future, their carrying amount has not been recognised in the financial statements.

The deferred tax asset, DKK 16,742 thousand as per 31 December 2020, relates to timing differences in respect of:

- Property, plant and equipment, DKK -3,492 thousand
- Work in progress, DKK 11,739 thousand
- Other, DKK 39 thousand
- Tax loss carry-forward, DKK -25,028

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Notes to the financial statements

15 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2021	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	3,802	3,802	0	0
	3,802	3,802	0	0

16 Contractual obligations and contingencies, etc.

Other contingent liabilities

DKK'000	2021	2020
Guarantee commitments	237,428	431,025
	237,428	431,025

Guarantees:
The company has issued guarantees in favor of customers of DKK 237,428 thousand (2020: DKK 431,025 thousand).

Contingent liabilities:
Valmont SM A/S is a party to a few pending lawsuits and claims. In Management's opinion, apart from the receivables and payables recognised in the balance sheet at 31 December 2021, 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	2021	2020
Rent and lease liabilities	1,215	2,302

Rent and lease liabilities include operating lease obligation falling due within 5 years with a total of DKK 1,215 thousand (2020: DKK 2,302 thousand).

17 Collateral

At 31 December 2021, the Company has mortgage loans payables which amount to DKK 3,802 thousand. The loans are secured by collateral in the company's land and buildings. At 31 December 2021, the carrying amount of the land and buildings amounts to DKK 76,409 thousand.

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Notes to the financial statements

18 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	2021	2020
Revenue, group sister companies	0	331
COGS, group sister companies	2,765	733
IT charges, Valmont Inc.	0	-3,713
Insurance charges, Valmont Inc.	-1,637	-1,326
Service fee and payroll charges, Valmont Inc.	-764	-1,765
Loan interest expenses, Valmont Industries Holland	-345	-1,178
Loan interest income, Valmont Industries Holland	661	59
Receivable from parent company, Valmont Industries Holland B.V.	0	93,059

19 Fee to the auditors appointed by the Company in general meeting

Statutory audit	230	230
Assurance engagements	684	656
Other assistance	35	85
	949	971

20 Appropriation of profit/loss

Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	-93,333	-52,838
	-93,333	-52,838