Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	914 975 042
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	REAL ALLOY NORWAY HOLDING AS
Forretningsadresse:	Rødvikvegen 9 6460 EIDSVÅG I ROMSDAL

Regnskapsår

Årsregnskapets periode:	01.01.2018 - 31.12.2018

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Monica Tennoy
Dato for fastsettelse av årsregnskapet:	28.06.2019

Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 30.04.2021

Resultatregnskap

Beløp i: NOK	Note	2018	2017
RESULTATREGNSKAP			
Kostnader			
Annen driftskostnad	1	74 205	48 100
Sum kostnader		**74 205**	**48 100**
Driftsresultat		**-74 205**	**-48 100**
Finansinntekter og finanskostnader			
Annen renteinntekt			2
Sum finansinntekter			**2**
Rentekostnad til foretak i samme konsern	4	4 642 236	4 811 923
Annen finanskostnad			36 188
Sum finanskostnader		**4 642 236**	**4 848 111**
Netto finans		**-4 642 236**	**-4 848 110**
Ordinært resultat før skattekostnad		**-4 716 441**	**-4 896 210**
Skattekostnad på ordinært resultat	3		
Ordinært resultat etter skattekostnad		**-4 716 441**	**-4 896 210**
Årsresultat		**-4 716 441**	**-4 896 210**
Årsresultat etter minoritetsinteresser		**-4 716 441**	**-4 896 210**
Totalresultat		**-4 716 441**	**-4 896 210**
Overføringer og disponeringer			
Overføring til/fra fond	5	-4 716 441	-4 896 210
Sum overføringer og disponeringer		**-4 716 441**	**-4 896 210**

Balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	2	238 803 422	135 354 422
Sum finansielle anleggsmidler		**238 803 422**	**135 354 422**
Sum anleggsmidler		**238 803 422**	**135 354 422**
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer	4	744 291	821 760
Sum fordringer		**744 291**	**821 760**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		65	819
Sum bankinnskudd, kontanter og lignende		**65**	**819**
Sum omløpsmidler		**744 356**	**822 579**
SUM EIENDELER		**239 547 778**	**136 177 001**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	5	75 000	75 000
Beholdning av egne aksjer	5	103 449 000	
Overkurs	5	68 206 140	72 922 581
Sum innskutt egenkapital		**171 730 140**	**72 997 581**
Sum egenkapital		**171 730 140**	**72 997 581**

Balanse

Beløp i: NOK	Note	2018	2017
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Øvrig langsiktig gjeld	4	66 822 985	63 114 421
Sum annen langsiktig gjeld		**66 822 985**	**63 114 421**
Sum langsiktig gjeld		**66 822 985**	**63 114 421**
Kortsiktig gjeld			
Annen kortsiktig gjeld		994 653	64 999
Sum kortsiktig gjeld		**994 653**	**64 999**
Sum gjeld		**67 817 638**	**63 179 420**
SUM EGENKAPITAL OG GJELD		**239 547 778**	**136 177 001**

RA Parent, Inc.

As of December 31, 2018

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Building a better working world

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Report of Independent Auditors

To the Stockholders of RA Parent, Inc.

We have audited the accompanying consolidated financial statements of RA Parent, Inc. (the Company), which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of operations, comprehensive loss, changes in equity and cash flows from inception to December 31, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of RA Parent, Inc. at December 31, 2018, and the consolidated results of their operations and their cash flows from inception to December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

Cleveland, Ohio
March 25, 2019

RA PARENT, INC.
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2018

(in millions)

	December 31, 2018
ASSETS	
Current Assets	
Cash and cash equivalents	$ 22.4
Accounts receivable, net	78.6
Financing receivable	30.1
Inventories	101.0
Prepaid expenses and other	31.3
Total Current Assets	263.4
Property, plant and equipment, net	188.2
Equity method investment	4.3
Deferred income taxes, net	1.6
Other noncurrent assets	11.4
Total Assets	$ 468.9
LIABILITIES AND EQUITY	
Current Liabilities	
Accounts payable	$ 67.9
Accrued liabilities	30.4
Long-term debt due within one year	4.1
Total Current Liabilities	102.4
Deferred income taxes, net	1.9
Accrued pension benefits	45.5
Environmental liabilities	10.8
Long-term debt, net	124.4
Other noncurrent liabilities	5.7
Total Liabilities	290.7
Equity	
Preferred stock; $0.01 par value; 50 shares issued and authorized	—
Common stock; $0.01 par value; 9,950 shares authorized; 5,000 shares issued; and 4,950 shares outstanding	—
Paid-in capital	183.5
Accumulated deficit	(4.8)
Accumulated other comprehensive loss	(1.4)
Total equity attributable to RA Parent, Inc.	177.3
Noncontrolling interest	0.9
Total Equity	178.2
Total Liabilities and Equity	$ 468.9

The accompanying notes are an integral part of these audited consolidated financial statements.

RA PARENT, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FROM INCEPTION, MAY 11, 2018, TO DECEMBER 31, 2018

(in millions)

	From inception, May 11, 2018, to December 31, 2018
	2018
Revenue	$ 722.5
Cost of sales	682.7
Gross profit	39.8
Selling, general and administrative expenses	22.7
Losses on derivative financial instruments, net	0.1
Interest expense	10.4
Foreign exchange losses on intercompany loans	3.3
Acquistion related expenses	1.8
Loss from equity method investment	0.7
Other expense, net	2.4
Loss before income taxes	(1.6)
Income tax expense	2.6
Net loss	(4.2)
Net income attributable to noncontrolling interest	0.6
Net loss attributable to RA Parent, Inc.	$ (4.8)

The accompanying notes are an integral part of these audited consolidated financial statements.

RA PARENT, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
FROM INCEPTION, MAY 11, 2018, TO DECEMBER 31, 2018

(in millions)

	From inception, May 11, 2018, to December 31, 2018
Net loss	$ (4.2)
Other comprehensive income (loss):	
Currency translation adjustments	(1.1)
Amortization of net actuarial gains	(0.4)
Income tax on amortization of net actuarial gains	0.1
Comprehensive loss, net of tax	(5.6)
Comprehensive income attributable to noncontrolling interest	0.6
Comprehensive loss attributable to RA Parent, Inc.	$ (6.2)

The accompanying notes are an integral part of these audited consolidated financial statements.

RA PARENT, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FROM INCEPTION, MAY 11, 2018, TO DECEMBER 31, 2018

(in millions)

	From inception, May 11, 2018, to December 31, 2018
Operating activities:	
Net loss	$ (4.2)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	19.9
Deferred income taxes	(0.2)
Amortization of debt issuance costs	0.9
Unrealized losses on derivative financial instruments	1.6
Unrealized foreign exchange losses on intercompany loans	3.1
Amortization of the fair value adjustment of acquired inventory and supplies	11.0
Loss from equity method investment	0.7
Other	0.5
Changes in operating assets and liabilities:	
Accounts receivable, net	50.3
Financing receivable	(3.5)
Inventories	7.4
Prepaid expenses and other current assets	(2.5)
Other noncurrent assets	1.5
Accounts payable	(6.9)
Accrued liabilities	1.6
Other noncurrent liabilities	(1.1)
Net cash provided by operating activities	80.1
Investing activities:	
Business acquisitions, net of cash	(148.0)
Capital expenditures	(20.2)
Other, net	1.2
Net cash used in investing activities	(167.0)
Financing activities:	
Proceeds from Asset-Based Facility, net of issuance costs	79.5
Repayments on capital leases and the Asset-Based Facility	(65.9)
Proceeds from the issuance of Senior Secured Notes, net of issuance costs	103.2
Distributions to noncontrolling interest	(0.3)
Other	0.2
Net cash provided by financing activities	116.7
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	(0.6)
Net increase in cash, cash equivalents, restricted cash and restricted cash equivalents	29.2
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of period	—
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period	$ 29.2

The accompanying notes are an integral part of these audited consolidated financial statements.

RA PARENT, INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)
FROM INCEPTION, MAY 11, 2018, TO DECEMBER 31, 2018

(in millions)

	Preferred Stock	Common Stock	Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Equity Attributable to RA Parent, Inc.	Noncontrolling Interest	Total Equity (Deficit)
Balance acquired	—	—	$ -	$ -	$ -	$ -	$ 0.6	$ 0.6
Capital contributions	—	—	183.5	—	—	183.5	—	183.5
Net (loss) income	—	—	—	(4.8)	—	(4.8)	0.6	(4.2)
Net distribution	—	—	—	—	—	—	(0.3)	(0.3)
Other comprehensive loss	—	—	—	—	(1.4)	(1.4)	—	(1.4)
Balance at December 31, 2018	—	—	$ 183.5	$ (4.8)	$ (1.4)	$ 177.3	$ 0.9	$ 178.2

The accompanying notes are an integral part of these audited consolidated financial statements.

NOTES TO AUDITED FINANCIAL STATEMENTS

RA PARENT, INC.
AS OF DECEMBER 31, 2018
AND DURING THE PERIOD FROM INCEPTION, MAY 11, 2018, TO DECEMBER 31, 2018

1. BUSINESS OPERATIONS

The accompanying financial statements include the accounts of RA Parent, Inc. ("Real Alloy" or "the Company"), as of December 31, 2018 and during the period from inception, May 11, 2018, to December 31, 2018. Real Alloy is a privately-held corporation that was formed for the purpose of acquiring the domestic assets, assuming certain domestic liabilities, and acquiring the stock of the foreign subsidiaries of Real Alloy Holding, Inc. under an asset purchase agreement that was finalized on May 31, 2018. The domestic assets and liabilities acquired were treated as an asset acquisition for tax purposes, with no carryover basis in tax attributes. The foreign subsidiaries were acquired as part of a taxable stock transaction and did carryover tax attributes. Prior to the acquisition, Real Alloy did not hold any assets or liabilities, nor did Real Alloy have any operations. After the acquisition on May 31, 2018, Real Alloy's operations include aluminum processing and recycling activities, as well as specification alloy manufacturing, and is comprised of two geographic operating segments located in North America and Europe. A significant percentage of the volume sold is through tolling arrangements, in which customer-owned scrap and dross is converted and the recycled metal is returned in ingot or molten form to the customers for a fee.

The Real Alloy North America ("RANA") segment includes aluminum melting, processing, recycling and alloying activities. It consists of seventeen facilities located in the United States, Canada and Mexico. This segment's operations convert aluminum scrap and dross (a by-product of melting aluminum) and combine these materials with other alloying agents, hardeners or other additives, as needed, to produce recycled aluminum alloys with chemical compositions and specific properties, including increased strength, formability and wear resistance, as specified by the customers for their particular applications. RANA services customers serving end-uses related to automotive, consumer packaging, construction, transportation and steel.

Similar to RANA the Real Alloy Europe ("RAEU") segment's operations primarily convert aluminum scrap, dross and other alloying agents as needed and deliver the recycled metal in ingot or molten form to the customers from six facilities located in Germany, Norway and Wales. RAEU services a similar customer base as RANA in the European market.

2. PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The Company evaluated subsequent events through March 25, 2019.

Use of Accounting Estimates

Management has made a number of estimates and assumptions related to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in accordance with GAAP. Significant areas requiring the use of management estimates relate primarily to valuation of long-lived assets, including environmental liabilities, asset retirement obligations, pension benefits, litigation reserves and the valuation of deferred income taxes. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying financial statements include the accounts of the operations comprising Real Alloy on a consolidated basis. In all cases, intercompany balances and transactions with other consolidated entities have been eliminated.

Revenue Recognition

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied, which occurs at a point in time when control of the product transfers to the customer. See Note 4, "Revenue from Contracts with Customers," for additional information.

During the period from inception to December 31, 2018, no individual customer represented more than 10% of revenue.

Business Combinations

Business combinations are accounted for using the acquisition method where the purchase price paid is allocated to the assets acquired and liabilities assumed, and noncontrolling interest, if applicable, based on their estimated fair values. Any excess purchase price over the fair value of the net assets acquired is recorded as goodwill.

Equity Method Investment

For equity investments that are not required to be consolidated under the variable or voting interest model, management evaluates the level of influence the Company is able to exercise over an entity's operations to determine whether to use the equity method of accounting. Management evaluates the relationships with other entities to identify whether such entities are variable interest entities ("VIE") and to assess whether the Company is the primary beneficiary of such entities. In determining the primary beneficiary of a VIE, qualitative and quantitative factors are considered, including, but not limited to: the amount and characteristics of the investment; the obligation or likelihood of providing financial support; the ability to control or significantly influence key decisions for the VIE and material intercompany transactions. Significant judgments related to these determinations include estimates about the future fair values and performance of these VIEs and general market conditions. In the event the Company is a primary beneficiary of a VIE, the assets, liabilities and results of operations of the VIE are included in the consolidated financial statements regardless of the percentage of voting interests owned.

In applying the equity method, the Company records the investment at cost and subsequently increases or decreases the carrying amount of the investment by the proportionate share of the net earnings or losses and other comprehensive income of the investee or utilizing a hypothetical liquidation at book value methodology, as appropriate. Any dividends or distributions received are recorded as a decrease in the carrying value of the investment, classified in equity method investment in the consolidated balance sheet. The proportionate share of net income is reported in (earnings) loss from equity method investment in the consolidated statement of operations. Management evaluates equity method investments for impairment whenever events or changes in circumstances indicate the carrying amounts of such investments may be impaired. A loss would be recorded in earnings in the current period if a decline in the value of an equity method investment is determined to be other than temporary. There was no impairment loss recorded on the equity method investment for the period from inception to December 31, 2018. As of December 31, 2018, there was one VIE that was treated as an unconsolidated investment accounted for under the equity method of accounting, Beck Aluminum International, LLC (“Beck Trading”), which had a carrying value of $4.3 million. Including trade accounts receivable due from Beck Trading, the maximum loss exposure was $4.9 million as of December 31, 2018.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

Management endeavors to utilize the best available information in measuring fair value. Where appropriate, valuations are adjusted for various factors, such as liquidity, bid/offer spreads and credit considerations. Such adjustments are generally based on available market evidence and unobservable inputs. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash on deposit at financial institutions and other short-term liquid investments. Cash and cash equivalents are stated at cost, which approximates fair value. All highly liquid investment instruments with maturities of three months or less are classified as cash equivalents. Cash that is subject to legal restrictions or is unavailable for general operating purposes is considered restricted cash or restricted cash equivalents and classified in prepaid expenses and other or other noncurrent assets in the consolidated balance sheet. Refer to the Prepaid Expenses, Other Assets and Accrued and Other Liabilities and the Supplemental Information footnotes for additional information about restricted cash and restricted cash equivalents.

Trade Accounts Receivable

Credit is extended to the customers based on an evaluation of their financial condition; generally, collateral is not required. The Company maintains an allowance against the accounts receivable for the estimated probable losses on uncollectible accounts. The allowance is based upon historical loss experience, current economic conditions within the industries the Company serves, as well as the determination of the specific risk related to certain customers. Accounts receivable are charged off against the reserve when, in management’s estimation, further collection efforts would not result in a reasonable likelihood of receipt, or later as proscribed by statutory regulations. The movement of the accounts receivable allowances during the period from inception to December 31, 2018 is as follows:

(in millions)	**Period of inception to December 31, 2018**
Balance acquired	$ —
Expenses for uncollectible accounts, sales returns and allowances, net of recoveries	0.2
Receivables written off against the valuation reserve	—
Balance, end of the period	$ 0.2

As of December 31, 2018, three customers accounted for more than 10%, but less than 20%, of total trade accounts receivable and the top ten customers represented approximately 63.1% of total trade accounts receivable.

Financing Receivable

Real Alloy has an agreement to sell certain of its trade accounts receivables in Europe. The agreement results in true sales of transferred receivables, as defined in ASC 860, *Transfers and Servicing*, which occurs when receivables are transferred to a purchaser without recourse. Such amounts are reported as financing receivable in the consolidated balance sheet until proceeds from such sales are received from the counterparty and are categorized as a

Level 2 measurement in the fair value hierarchy. Cash proceeds from such sales are generally received within thirty days and are included in operating cash flows.

The transferred receivables are isolated from Real Alloy's accounts, as debtors pay into a segregated escrow account maintained by the counterparty. Real Alloy maintains continuing involvement with the transferred receivables through limited servicing obligations, primarily related to recordkeeping. Real Alloy retains no right to the receivables, or associated collateral, and does not collect a servicing fee. Following transfer, Real Alloy has no further rights to receive any cash flows or other benefits from the transferred receivables and has no further obligations to provide additional cash flows or other assets to any party related to the transfer.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined primarily on the average cost method and includes material, labor and overhead related to the manufacturing process, as applicable. The value of inventories acquired in business combinations is recorded at fair value and any fair value adjustment is amortized to cost of sales over the applicable inventory turn. During the period from inception to December 31, 2018, no single supplier represented more than 10% of metal purchases and the top ten suppliers accounted for 28.4% of total metal purchases.

Property, Plant and Equipment, Net

Property, plant and equipment, net is stated at cost, net of depreciation and asset impairments. The cost of property, plant and equipment acquired in business combinations represents the fair value of the acquired assets at the time of acquisition.

The fair value of asset retirement obligations is capitalized to the related long-lived asset at the time the obligation is incurred and is depreciated over the remaining useful life of the related asset.

Major renewals and improvements that extend an asset's useful life are capitalized to property, plant and equipment. Major repair and maintenance projects are expensed over periods not exceeding twenty-four months while normal maintenance and repairs are expensed as incurred. Depreciation is primarily computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Buildings and improvements	5 - 33 years
Production equipment and machinery	2 - 25 years
Office furniture, equipment and other	3 - 10 years

The construction costs of landfills used to store by-products of the recycling process are depreciated as space in the landfills is used based on the unit of production method. Additionally, used space in the landfill is determined periodically either by aerial photography or engineering estimates.

Property, plant and equipment and other long-lived assets that have definite lives are evaluated for impairment when events or changes in circumstances, a triggering event, indicate that the carrying value of the assets may not be recoverable. Upon the occurrence of a triggering event, the impacted assets are reviewed to assess whether the undiscounted cash flows expected for the use of the asset, plus residual value from the ultimate disposal, exceeds the carrying value of the assets. If the carrying value exceeds the estimated recoverable amounts, the assets are written down to fair value.

Comprehensive Loss

Comprehensive loss consists of net loss, foreign currency translation adjustments and pension benefit adjustments, and is presented in the consolidated statement of comprehensive loss. Refer to the Accumulated Other Comprehensive Loss footnote for additional information about the components of and activity in accumulated other comprehensive loss.

Deferred Financing Costs

Costs related to the issuance of long-term debt are capitalized and classified as a reduction of the associated debt in the consolidated balance sheet and are amortized over the term of the related debt agreements as interest expense using the effective interest method. Costs related to the factoring facility (the "Factoring Facility") are capitalized and classified as other assets in the consolidated balance sheet and are amortized over the term of the arrangement on a straight-line basis as interest expense.

Derivatives and Hedging

The Company engages in activities that expose it to various market risks, including changes in the prices of aluminum alloys, scrap aluminum, copper, zinc, other alloying agents and natural gas, as well as changes in currency exchange rates. Certain of these financial exposures are managed as an integral part of the risk management program, which seeks to reduce the potentially adverse effects the volatility of the markets may have on operating results. Real Alloy may enter into forward contracts or swaps to manage exposure to market risk. Real Alloy does not hold or issue derivative financial instruments for trading purposes.

The fair values of derivative financial instruments are recognized as assets or liabilities at the balance sheet date. Fair values for metal and natural gas derivative financial instruments are determined based on the differences between contractual and forward rates of identical hedge positions as of the balance sheet date. In developing these fair values, Real Alloy includes an estimate of the risk associated with nonperformance by either its counterparty or itself. Refer to the Derivatives and Other Financial Instruments footnote for additional information about the derivative financial instruments.

Real Alloy does not account for its derivative financial instruments as hedges. The changes in fair value of derivative financial instruments not accounted for as hedges and the associated gains and losses realized upon settlement are recorded in losses on derivative financial instruments, net in the consolidated statement of operations. All realized gains and losses are included within operating cash flows in the consolidated statement of cash flows. Real Alloy is exposed to losses in the event of nonperformance by its derivative counterparties. The counterparties' creditworthiness is monitored on an ongoing basis, and credit levels are reviewed to ensure appropriate concentrations of credit outstanding to any particular counterparty. Although nonperformance by counterparties is possible, management does not currently anticipate nonperformance by any of these parties.

Foreign Currency Translation and Transactions

Certain of Real Alloy's international subsidiaries use the local currency as their functional currency. Substantially, all of the amounts included in the consolidated statement of operations from the international subsidiaries are translated into U.S. dollars at average monthly exchange rates, which management believes is representative of the actual exchange rates on the dates of the transactions. Adjustments resulting from the translation of the assets and liabilities into U.S. dollars at the balance sheet date exchange rates are reflected as a separate component of equity. Currency translation adjustments accumulate in equity until the disposition or liquidation of the international entities. Currency transactional gains and losses associated with receivables and payables denominated in currencies other than the functional currency are included within other expense, net in the consolidated statement of operations. The translation of accounts receivables and payables denominated in currencies other than the functional currencies resulted in transactional gains of $0.3 million for the period from inception to December 31, 2018.

Real Alloy maintains intercompany long-term loans between its U.S. and foreign jurisdiction entities, which were established in the subsidiaries' functional currency and due to its long-term nature, any currency related effects are recorded as a component of accumulated other comprehensive income (loss). The effects of exchange rates on intercompany loans held by Real Alloy's international subsidiaries that are not long-term in nature are recognized in current period earnings. Real Alloy recorded $3.3 million of losses related to the impact of foreign exchange rates on intercompany loans during the period from inception to December 31, 2018.

Income Taxes

Income taxes are accounted for using the asset and liability method, whereby deferred income taxes reflect the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In valuing deferred tax assets, judgment is used in determining if it is more likely than not that some portion or all of a deferred tax asset will not be realized and the amount of the required valuation allowance. Income taxes currently paid were deemed to have been remitted in the period the liability arose and any income taxes currently received were deemed to have been received in the period that a refund could have been recognized.

Tax benefits from uncertain tax positions are recognized in the financial statements when it is more likely than not that the position is sustainable based solely on its technical merits and considerations of the relevant taxing authority, widely understood practices and precedents. Interest and penalties related to uncertain tax positions are recognized within income tax expense in the consolidated statement of operations.

Pension Benefits

Real Alloy measures the costs of its obligations under defined pension plans based on its health care cost trends and actuarial assumptions, including discount rates, mortality rates, assumed rates of return, compensation increases, and turnover rates. Pension benefit costs are accrued based on annual analyses performed by actuaries. These analyses are based on assumptions including a discount rate and the expected rate of return on plan assets. Both the discount rate and expected rate of return on plan assets require estimates and projections by management and can fluctuate from period to period. Real Alloy's objective in selecting a discount rate is to select the best estimate of the rate at which the benefit obligations could be effectively settled. In making this estimate, projected cash flows are developed and matched with a yield curve based on an appropriate universe of high-quality corporate bonds. Assumptions for long-term rates of return on plan assets are based upon historical returns and future expectations for returns (calculated using the fair value of plan assets). Refer to the Employee Benefit Plans footnote for more information about the assumptions used to determine the pension benefit obligation.

Management reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in accumulated other comprehensive income (loss) and amortized to net periodic cost over future periods using the corridor method. Real Alloy believes the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions. Net periodic costs are recognized as employees render the services necessary to earn these post-retirement benefits. Management does not believe differences in actual experience or reasonable changes in assumptions will materially affect Real Alloy's financial position or results of operations.

Management believes these assumptions are appropriate; however, the actuarial assumptions used to determine pension benefits may differ from actual results due to changing market and economic conditions, higher or lower withdrawal rates, or longer or shorter life spans of participants. Management does not believe differences in actual experience or reasonable changes in assumptions will materially affect Real Alloy's financial position or results of operations.

Environmental and Asset Retirement Obligations

Environmental obligations that are not legal or contractual asset retirement obligations that relate to existing conditions caused by past operations with no benefit to future operations are expensed, while expenditures that extend the life, increase the capacity or improve the safety of an asset, or mitigate or prevent future environmental contamination are capitalized in property, plant and equipment. Obligations are recorded when the occurrence is probable and the associated costs can be reasonably estimated. While accruals are based on management's current best estimate of the future costs of remedial action, these liabilities can change substantially due to factors, such as the nature and extent of contamination, changes in the required remedial actions and technological advancements. Existing environmental liabilities are not discounted to their present values, as the amount and timing of the expenditures are not fixed or reliably determinable. Environmental liabilities that represent short-term remediation costs are classified in accrued liabilities.

Asset retirement obligations represent the present value of estimated future obligations associated with the retirement of tangible long-lived assets. The asset retirement obligations relate primarily to capping three landfills, as well as costs related to the future removal of asbestos and underground storage tanks at various recycling facilities. The estimated fair value of such legal obligations is recognized in the period in which the obligations are incurred and capitalized as part of the carrying amount of the associated long-lived asset. These estimated fair values are based upon the present value of future cash flows expected to be required to satisfy the obligations. Determining the estimated fair value of asset retirement obligations requires judgment, including estimates of the credit adjusted interest rate and estimates of future cash flows. Estimates of future cash flows are obtained primarily from engineering consulting firms. The present value of the obligations is accreted over time while the capitalized costs are depreciated over the remaining estimated useful life of the related asset. Short-term asset retirement obligations are classified in accrued liabilities, while long-term asset retirement obligations are classified as other noncurrent liabilities.

Shareholders' Equity

Capital stock is recorded at par value with any premium paid to par value recorded as paid-in capital. As of December 31, 2018, the authorized capital stock of Real Alloy was 9,950 shares of common stock at $0.01 par value per share, and 50 shares of preferred stock at $0.01 par value per share. The common stock of Real Alloy is entitled to one vote per share. The preferred stock of Real Alloy holds a liquidation preference to the common stock and shall pay a preferential dividend at a rate of 14.5% of the original issue price of $1,000 per share when such dividend is declared by the board of directors of Real Alloy. The preferential dividend shall accrue whether the dividend has been declared and shall be cumulative in nature, no dividends were declared from the period of inception to December 31, 2018.

New Accounting Pronouncements

Updates adopted in 2018

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09" or "ASC 606"), which was the result of a joint project by the FASB and International Accounting Standards Board to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and International Financial Reporting Standards. Subsequent accounting standard updates have been issued which amend and/or clarify the application of ASU 2014-09. The Company adopted ASU 2014-09 on the date of inception of the Company and has applied the standard to all contracts at that date. In evaluating the impact of the standard, management has concluded that there is no material change to the recognition of revenue for the Company.

Derivatives and Hedging: Contingent Put and Call Options in Debt Instruments (Topic 815)

In March 2016, the FASB issued ASU 2016-06, which clarifies what steps are required when assessing whether the economic characteristics and risks of call or put options are clearly and closely related to the economic characteristics and risks of their debt hosts, which is one of the criteria for bifurcating an embedded derivative. Consequently, when an option is contingently exercisable, an entity does not have to assess whether the event that triggers the ability to exercise the option is related to interest rates or credit risks. The Company adopted ASU 2016-06 on the date of inception of the Company. Management concluded that adoption of this ASU did not have a material impact to the financial statements of the Company.

Updates not yet effective

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, to make leasing activities more transparent and comparable, and generally requires recognition of operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019 on a modified retrospective basis and early adoption is permitted. Management is currently evaluating the impact the guidance will have on the Company's consolidated financial statements and related disclosures.

Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (Topic 230)

In August 2016, the FASB issued ASU 2016-15, which provided, among other things, that distributions received from equity method investees be classified using one of two possible methods, a cumulative earnings approach or a nature of distribution approach. This ASU is effective for fiscal years beginning after December 15, 2018; however, early adoption is permitted. Management is currently evaluating the effect the guidance will have on the Company's consolidated financial statements and related disclosures.

Business Combinations: Clarifying the Definition of a Business (Topic 805)

In January 2017, the FASB issued ASU 2017-01, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This ASU is effective for fiscal years beginning after December 15, 2018; however, early adoption is permitted. Management is currently evaluating the effect this guidance will have on the Company's consolidated financial statements and related disclosures.

Compensation – Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)

In March 2017, the FASB issued ASU 2017-07, which provides that an employer reports the service cost component of pension and post-retirement benefit costs in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed. The amendments in this ASU also allow only the service cost component to be eligible for capitalization when applicable.

This ASU is effective for fiscal years beginning after December 15, 2018; however, early adoption is permitted in the first interim period of any fiscal year presented. The amendments in this ASU will be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. The amendments allow a practical expedient that permits an employer to use the amounts disclosed in its pension and other postretirement benefit plan note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements. Disclosure that the practical expedient was used is required on a retrospective basis. Management is currently evaluating the effect this guidance will have on the Company's consolidated financial statements and related disclosures.

3. BUSINESS COMBINATION

Real Alloy Holding, LLC

On May 31, 2018, Real Alloy, through its wholly owned subsidiary Real Alloy Holding, LLC, acquired substantially all of the assets and assumed certain liabilities of Real Alloy Holding, Inc. ("Old Real Alloy"), under an asset purchase agreement (the "Real Alloy Purchase Agreement"). The purchase price under the Real Alloy Purchase Agreement is the combination of a credit bid of $183.5 million comprised of roll-up note obligations of Old Real Alloy and a cash payment in the amount of $172.8 million that was utilized to pay off certain liabilities of Old Real Alloy. The acquisition was accounted for as a business combination, with the purchase price allocated based on the estimated fair values of the assets acquired and liabilities assumed. Acquisition costs or expenses of $1.8 million were incurred by Real Alloy during the period from inception to December 31, 2018.

The following tables provide summary information about the purchase consideration and identifiable assets acquired:

(in millions)		
Purchase consideration	$	172.8
Credit bid		183.5
Total purchase consideration	$	356.3
Purchase price allocation:		
Assets:		
Cash and equivalents	$	18.1
Accounts receivable		130.4
Financing receivable		26.7
Inventories		113.0
Property, plant and equipment		189.8
Deferred income taxes		1.5
Prepaid expenses and other current assets		37.3
Other long term assets		17.8
Total assets	$	534.6
Liabilities:		
Accounts payables		76.0
Accrued liabilities		27.3
Accrued pension benefits		46.0
Environmental liabilities		10.6
Noncurrent asset retirement obligations		5.8
Deferred income taxes		2.2
Other		9.8
Non-controlling interest		0.6
Total liabilities		178.3
Estimated fair value of net assets acquired	$	356.3
Total purchase consideration	$	356.3
Estimated fair value of net assets acquired	$	356.3
Goodwill	$	0.0

Inventories included the estimated fair value of finished goods, work in process and raw materials. The estimated fair value of finished goods was based on analyses of future selling prices and the profit associated with the manufacturing effort. The estimated fair value of work in process considered costs to complete to finished goods and was based on analyses of future selling prices and the profit associated with the manufacturing effort. The estimated fair value of raw materials was based on replacement cost. The $113.0 million of estimated fair value of inventories includes $3.4 million in fair value adjustments, all of which was amortized as noncash charges in cost of sales during the period from inception to December 31, 2018. Also included in inventories is toll liability, which was adjusted by $0.3 million, to $9.9 million as of the date of acquisition.

Property, plant and equipment includes land, site improvements, buildings and building improvements and machinery, equipment, furniture and fixtures. The estimated fair value of property, plant and equipment was based on appraisals and replacement cost analyses. The fair value of property, plant and equipment acquired was estimated as follows:

(in millions)	Estimated Fair Value
Land and improvements	$ 52.2
Buildings and improvements	24.1
Machinery, equipment, furniture and fixtures	109.6
Construction w ork in progress	3.9
Property, plant and equipment	189.8

The fair value of prepaid expenses, supplies, and other current assets includes a $9.2 million adjustment to inventory supplies and is based on replacement costs. Of the $9.2 million adjustment to inventory supplies $7.6 million was amortized as noncash charges in cost of sales during the period from inception to December 31, 2018.

Other long term assets includes $5.0 million related to the fair value of Real Alloy's equity method of investment in Beck Trading and is based on a discounted cash flow model with various assumptions about growth rates and margins, as well as the cash distribution waterfall. During the period from inception to December 31, 2018, loss from the operations of Beck Trading included in the consolidated statement of operations was $0.7 million.

The fair value of trade payables and accrued liabilities were estimated to approximate carrying value due to the short-term nature of the liabilities.

Accrued pension benefits include defined benefit plans for German employees. The plans are based on final pay and service, but some senior officers are entitled to receive enhanced pension benefits. Benefit payments are financed, in part, by contributions to a relief fund that establishes a life insurance contract to secure future pension payments. Based on statutory pension contribution calculations proscribed under German law, the plans are substantially underfunded. The unfunded statutory accrued pension costs are covered under a pension insurance association under German law should Real Alloy, or its subsidiaries, be unable to fulfill their pension obligations

The following assumptions were utilized to measure accrued pension benefits at the acquisition date:

Discount rate	1.9%
Rate of compensation increase	2.8%
Pension increase	1.6%
Turnover	2.0%

Environmental liabilities represent estimated reserves for long-term environmental remediation costs that have been recognized based on the guidance in FASB ASC 450, Contingencies, and FASB ASC 410, Asset Retirement and Environmental Obligations. Real Alloy is subject to various environmental laws and regulations governing, among other things, the handling, disposal and remediation of hazardous substances and wastes, and employee safety. Short-term environmental remediation costs totaling $3.4 million are classified in accrued liabilities as of the acquisition date. Given the changing nature of environmental legal requirements, Real Alloy may be required to take environmental control measures at some of its facilities to meet future requirements.

Deferred income taxes represent the differences between the book and tax bases of the assets acquired, which as of the acquisition date totaled $1.5 million of deferred tax assets and $2.2 million of deferred tax liabilities in Germany, the United Kingdom, Norway, Canada and Mexico.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied. This typically occurs with the transfer of control of our goods and/or services to the customer. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring the control of goods or providing services. The amount of consideration we receive and revenue we recognize is fixed in accordance with the terms within our contracts with our customers. Taxes we collect concurrent with revenue-producing activities are excluded from revenue. Shipping and handling costs are not deemed performance obligations within the terms of our customer contracts; As such these costs are included within cost of sales in the consolidated statement of operations. Incidental items that are immaterial in the context of the contract are recognized as expense.

Tolling Agreements

Under tolling arrangements, customers deliver their own aluminum scrap and by-products and pay Real Alloy a fee to convert the material into usable recycled metal. For customer-owned toll material, revenue is recognized upon the performance of the tolling service for the customers. For the remaining tolling agreements, revenue is recognized upon the delivery of the tolled materials to the customers.

Buy/Sell Agreements

Under buy/sell arrangements, scrap units are purchased in the open market, including from scrap dealers, customers, and other producers, and are then processed and sold as wrought or cast alloys to customer specifications. The buy/sell portion of Real Alloy's business has a much more significant impact on reported revenues and cost of sales compared to tolling arrangements, as the cost of metal is included in both revenues and cost of sales. For buy/sell agreements, revenue is typically recognized when the goods reach their destination, depending on the terms and conditions within the individual contracts with our customers. For material that is consigned, revenue is not recognized until the product is used by the customer.

Advertising costs, totaling $0.2 million from the period from inception through December 31, 2018, are expensed as incurred and included in SG&A expenses.

The following table discloses the disaggregated revenue from our contracts with customers by major source:

	Period of inception to December 31, 2018			
(in millions)	RANA	RAEU	Corporate and Other	Total
Revenues				
Tolling	$ 59.5	$ 58.8	$ —	$ 118.3
Buy/Sell	384.8	219.4	—	604.2
Total Revenues	$ 444.3	$ 278.2	$ —	$ 722.5

5. FINANCING RECEIVABLE

On February 27, 2015, an indirect wholly owned German subsidiary of Real Alloy entered into a €50.0 million Factoring Facility, which provides for nonrecourse sales of certain of its trade accounts receivables to a financial institution, subject to certain limitations and eligibility requirements. The Factoring Facility has a termination date of January 15, 2019. In December 2018, the Factoring Facility was amended with a new termination date of January 15, 2022.

The financing receivable relates to proceeds receivable from the sale of accounts receivable under the Factoring Facility, net of advances taken against the sales proceeds and administrative fees and costs. The following table provides information about the Factoring Facility and financing receivable from the period from inception to December 31, 2018:

(in millions)	Period of inception to December 31, 2018
Balance acquired	$ 26.6
Sales of accounts receivable	212.4
Proceeds from sales of accounts receivable	(216.0)
Advances, net against financing receivable	7.7
Currency translation adjustments	(0.6)
Balance, end of the period	$ 30.1

Prior to the collection of proceeds from the transferred receivables, advances against such proceeds are available to the Real Alloy subsidiary, subject to certain limitations and eligibility requirements. Such advances, which totaled $11.1 million as of December 31, 2018 are recorded as a reduction to the financing receivable in the consolidated balance sheet, due to the counterparty's right of set off.

The interest rate applicable to advances under the Factoring Facility is the three-month EURIBOR (daily rate) fixed on the last business day of a month for the following month, plus 1.65%. Interest expense on advances was $0.2 million from the period from inception to December 31, 2018. Total availability under the Factoring Facility at December 31, 2018 is $21.0 million.

6. INVENTORIES

The components of inventories as of December 31, 2018 were as follows:

(in millions)	December 31, 2018
Finished goods	$ 48.8
Raw materials	62.5
Work in process	3.6
Toll Liability	(13.9)
Total	$ 101.0

7. PROPERTY, PLANT AND EQUIPMENT, NET

The components of property, plant and equipment, net as of December 31, 2018 were as follows:

(in millions)	December 31, 2018
Land and improvements	$ 50.2
Buildings and improvements	26.5
Production equipment and machinery	109.9
Office furniture and computer equipment	10.1
Construction work-in-progress	10.9
Property, plant and equipment	207.6
Accumulated depreciation	(19.4)
Property, plant and equipment, net	$ 188.2

Capital lease assets totaled $10.8 million as of December 31, 2018. Capital lease amortization is included in depreciation expense. Accumulated depreciation on capital lease assets totaled $2.4 million as of December 31, 2018. During the period from inception to December 31, 2018, $0.1 million of interest was capitalized in connection with capital projects.

Depreciation expense, including depreciation of capital lease assets, and repair and maintenance expense from the period from inception to December 31, 2018, was as follows:

(in millions)	Period of inception to December 31, 2018
Depreciation expense included in cost of sales	$ 19.4
Depreciation expense included in SG&A	0.5
Repair and maintenance expense	25.2

8. DEBT

Long-term debt

The following table presents the Company's long-term debt as of December 31, 2018:

(in millions)	December 31, 2018
Long-term debt due within one year:	
Capital leases	$ 4.1
Long-term debt due within one year	4.1
Long-term debt:	
Term Loan:	
Principal amount outstanding	110.0
Unamortized original issue discount and issuance costs	(6.0)
Term Loan, net	104.0
Revolving Credit Facilities:	
Principal amount outstanding	17.1
Unamortized debt issuance costs	(0.6)
Revolving Credit Facilities, net	16.5
Capital leases	3.9
Long-term debt, net	124.4
Total long-term debt, net	$ 128.5

Senior Secured Notes

On May 31, 2018, Real Alloy entered into the Senior Secured Notes Purchase Agreement for $110.0 million aggregate principal of senior secured notes (the "Senior Secured Notes"). The Senior Secured Notes are scheduled to mature on May 31, 2023 and interest of LIBOR plus 10% is payable quarterly, through the date of maturity. From the period from inception to December 31, 2018, interest expense associated with the Senior Secured Notes was $8.7 million, including $0.8 million of noncash expense related to the amortization of the original issue discount and debt issuance costs.

Asset-Based Facility

On May 31, 2018, Real Alloy entered into an asset-based lending facility with Wells Fargo Bank, N.A. for a $125.0 million senior-secured revolving asset-based credit facility (the "Asset-Based Facility"). The Asset-Based Facility is secured by a first priority lien on the borrowers' accounts receivables and inventory, and includes a letter of credit sub-facility for up to $25.0 million. The Asset-Based Facility is scheduled to mature on May 31, 2023 and interest is payable quarterly at LIBOR plus the applicable margin. During the period from inception to December 31, 2018, interest expense associated with the Asset-Based Facility was $1.0 million, including $0.1 million related to the amortization of debt issuance costs. Total availability under the Asset-Based Facility at December 31, 2018 is $66.5 million.

As of December 31, 2018, Real Alloy had total liquidity of $109.9 million, including $22.4 million of cash and cash equivalents, $66.5 million of availability under the Asset-Based Facility, and €18.4 million ($21.0 million) of availability under the Factoring Facility.

Capital Leases

In the normal course of operations, Real Alloy enters into capital leases to finance office, mobile, and other equipment for its operations. As of December 31, 2018, $4.1 million of the $8.0 million in total capital lease obligations were due within the next twelve months.

Contractual maturities of long-term debt

The following table presents contractual maturities of long-term debt as of December 31, 2018:

(in millions)		
2019	$	4.1
2020		2.4
2021		1.1
2022		0.3
2023		127.2
Total	$	135.1

9. PREPAID EXPENSES, OTHER ASSETS, AND ACCRUED AND OTHER LIABILITIES

The following tables provide details of prepaid expenses, other assets, accrued liabilities and other noncurrent liabilities as of December 31, 2018:

Prepaid Expenses and Other Current Assets:

(in millions)		December 31, 2018
Prepaid expenses	$	10.7
Inventory supplies		16.0
Income taxes receivable		2.0
Other		2.6
Total prepaid expenses and other current assets	$	31.3

Other Noncurrent Assets:

(in millions)		December 31, 2018
Restricted cash and restricted cash equivalents	$	6.8
Other deposits		4.6
Total other noncurrent assets	$	11.4

Accrued Liabilities:

(in millions)		December 31, 2018
Employee-related costs	$	13.0
Accrued interest		0.1
Accrued taxes		9.6
Environmental liabilities		2.1
Asset retirement obligations		1.0
Derivative liabilities		0.9
Other liabilities		3.7
Total accrued liabilities	$	30.4

Other Noncurrent Liabilities:

(in millions)	December 31, 2018
Asset retirement obligations	$ 4.0
Other	1.7
Total other noncurrent liabilities	$ 5.7

10. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations consist of legal obligations associated with the closure of active landfills, as well as costs to remove asbestos and underground storage tanks and other legal or contractual obligations associated with the ultimate closure of any manufacturing facilities.

The changes in the carrying amount of the asset retirement obligations during the period from inception to December 31, 2018 were:

(in millions)	Period of inception to December 31, 2018
Balance acquired	$ 5.9
Revisions and liabilities incurred	(1.1)
Accretion expense	0.3
Payments	(0.1)
Balance, end of the period	$ 5.0

Of the total asset retirement obligations as of December 31, 2018, $1.0 million is classified as accrued liabilities, with the remaining $4.0 million classified as other noncurrent liabilities in the consolidated balance sheet.

11. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Derivatives

Real Alloy may use forward contracts and options, as well as contractual price escalators, to reduce the risks associated with its metal, natural gas and certain currency exposures. Generally, Real Alloy enters into master netting arrangements with counterparties and offsets net derivative positions with the same counterparties against amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral under those arrangements in the consolidated balance sheet. For classification purposes, Real Alloy records the net fair value of each type of derivative position expected to settle in less than one year (by counterparty) as a net current asset or liability and each type of long-term position as a net noncurrent asset or liability.

The table below presents gross amounts of recognized assets and liabilities, the amounts offset in the consolidated balance sheet and the net amounts of assets and liabilities presented as of December 31, 2018. As of December 31, 2018, there were no amounts subject to enforceable master netting arrangements or similar agreements that have not been offset in the consolidated balance sheet.

	December 31, 2018	
(in millions)	Asset	Liability
Metal	$ 1.0	$ (1.5)
Natural gas	—	(0.4)
Total	1.0	(1.9)
Effect of counterparty netting arrangements	(1.0)	1.0
Net derivatives assets (liabilities)	$ —	$ (0.9)

The following table presents details of the fair value of Real Alloy's derivative financial instruments as of December 31, 2018, as recorded in the balance sheet:

(in millions)	Balance Sheet Classification	December 31, 2018
Derivative assets:		
Natural gas	Prepaid expenses and other current assets	$ —
Derivative liabilities:		
Metal	Accrued liabilities	$ (0.5)
Natural gas	Accrued liabilities	$ (0.4)

Derivative contracts are recorded at fair value under ASC 820 using quoted market prices and significant other observable inputs. Management endeavors to use the best available information in measuring fair value. Where appropriate, valuations are adjusted for various factors, such as liquidity, bid/offer spreads and credit considerations. Such adjustments are generally based on available market evidence and unobservable inputs. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following tables set forth the derivative financial assets and liabilities accounted for at fair value on a recurring basis as of December 31, 2018 and the level in the fair value hierarchy:

(in millions)	Fair Value Hierarchy	Estimated Fair Value at December 31 2018
Derivative assets	Level 2	$ 1.0
Derivative liabilities	Level 2	(1.9)
Net derivative assets		$ (0.9)

Both realized and unrealized gains and losses on derivative financial instruments are included within losses on derivative financial instruments, net in the consolidated statement of operations. Realized losses and unrealized gains and losses on derivative financial instruments for the period from inception to December 31, 2018 are as follows:

(in millions)	Period of inception to December 31, 2018
Realized losses (gains):	
Metal	$ (1.5)
Natural gas	—
Total realized losses (gains)	(1.5)
Unrealized losses (gains):	
Metal	1.3
Natural gas	0.3
Total unrealized losses (gains)	1.6
Losses on derivative instruments, net	$ 0.1

Metal hedging

As metal is purchased to fill fixed-price customer sales orders at RAEU, London Metal Exchange ("LME") future swaps or forward contracts may be sold. As sales orders are priced, LME future or forward contracts may be purchased, which contracts generally settle within six months. Real Alloy can also buy put option contracts for managing metal price exposures. Option contracts require the payment of a premium, which is recorded as a realized loss upon settlement or expiration of the option contract. Upon settlement of put option contracts, Real Alloy receives cash and recognizes a related gain if the LME closing price is less than the strike price of the put option. If the put option strike price is less than the LME closing price, no amount is paid and the option expires.

A significant amount of inventory is maintained on-hand to meet anticipated and unpriced future sales. On occasion, in order to preserve the value of this inventory, management of Real Alloy will sell future contracts at the current metal value. The on-hand metal will subsequently be physically delivered to the broker to settle the future contract, or another future will be purchased at the time the metal is delivered to a customer. Real Alloy had 21.4 thousand tonnes of offsetting metal buy and sell derivative contracts as of December 31, 2018.

Natural Gas Hedging

To manage the price exposure for natural gas purchases, Real Alloy may fix the future price of a portion of its natural gas requirements by entering into financial hedge agreements. Under these swap agreements, payments are made or received based on the differential between the monthly closing price on the New York Mercantile Exchange ("NYMEX") and the contractual hedge price. Natural gas costs can also be managed through the use of cost escalators included in some long-term supply contracts with customers, which limits exposure to natural gas price risk. Real Alloy had 2.1 trillion offsetting British thermal unit forward buy and sell derivative contracts as of December 31, 2018.

Credit Risk

Real Alloy is exposed to losses in the event of nonperformance by the counterparties to the derivative financial instruments discussed above; however, management does not anticipate any nonperformance by the counterparties. The counterparties are evaluated for creditworthiness and risk assessment prior to initiating trading activities with the brokers and periodically throughout each year while actively trading. As of December 31, 2018, $2.5M of cash collateral was posted with counterparties, no cash was held with Real Alloy.

Other Financial Instruments

The following tables present the carrying values and fair value estimates of other financial instruments as of December 31, 2018:

		December 31, 2018	
(in millions)	Fair Value Hierarchy	Carrying Amount	Estimated Fair Value
Assets			
Cash and cash equivalents	Level 1	$ 22.4	$ 22.4
Restricted cash and restricted cash equivalents	Level 1	6.8	6.8
Financing receivable	Level 2	30.1	30.1
Liabilities			
Term loan	Level 2	$ 104.0	$ 110.0
Revolving Credit Facilities	Level 2	16.5	17.1

Real Alloy used the following methods and assumptions to estimate the fair value of each financial instrument as of December 31, 2018:

Cash, cash equivalents, restricted cash and restricted cash equivalents

Cash, cash equivalents, restricted cash and restricted cash equivalents are recorded at historical cost. The carrying value is a reasonable estimate of fair value as these instruments have short-term maturities and market interest rates.

Financing receivable

Financing receivable represents the net amount due from the sale and transfer of trade accounts receivable under the Factoring Facility. The carrying value is a reasonable estimate of fair value as the financing receivable is generally outstanding for no more than thirty days and the counterparty is a large creditworthy financial institution.

Long-term debt – Revolving Credit Facilities and term loan

The estimated fair values of the Revolving Credit Facilities and the term loan is based on market characteristics, including interest rates and maturity dates generally consistent with market terms.

12. INCOME TAXES

Loss before income taxes by domestic and foreign jurisdictions for the period from inception to December 31, 2018 were:

(in millions)	Period of inception to December 31, 2018
U.S.	$ (3.8)
International	2.2
Total	$ (1.6)

Income tax expense for the period from inception to December 31, 2018 were:

(in millions)	Period of inception to December 31, 2018
Current:	
Federal	$ —
State	0.4
International	2.4
Current income tax expense	2.8
Deferred:	
Federal	0.6
State	—
International	(0.8)
Deferred income tax benefit	(0.2)
Income tax expense	$ 2.6

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The following table provides a reconciliation of the effective tax rates in the consolidated statement of operations from continuing operations for the period from inception to December 31, 2018 with the statutory U.S. federal income tax rate of 21.0%:

(in millions)	Period of inception to December 31, 2018
U.S. federal statutory rate	21.00%
Foreign income taxes	(36.40%)
State income taxes	(20.76%)
GILTI	(97.45%)
Deferred tax valuation allowance	(35.21%)
Other, net	(0.93%)
Effective tax rate	(169.75%)

On December 22, 2017, the U.S. congress enacted The Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act provides for comprehensive tax legislation that reduced the U.S. federal statutory corporate tax rate to 21%, broadened the U.S. federal income tax base, repealed the corporate alternative minimum tax and created new taxes on global intangible low-taxed income ("GILTI").

The Tax Act subjects a US shareholder to tax on GILTI earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or to provide for the tax expense related to GILTI in the year the tax is incurred as a period expense. Real Alloy has elected to account for GILTI as a current period expense. The impact of GILTI at December 31, 2018 was an increase in taxable income offset with current year temporary differences.

Deferred income taxes are a component of continuing operations and include the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for income tax reporting purposes. The components of the Company's deferred tax assets, liabilities and valuation allowances as of December 31, 2018 are summarized in the following table:

(in millions)	December 31, 2018
Deferred tax assets:	
Net operating loss carryforwards	$ 12.0
Pension benefits	7.1
Expenses not currently deductible	1.2
Interest expense not currently deductible	1.4
Environmental	2.1
Other	1.9
Total deferred tax assets	25.7
Deferred tax valuation allowance	(9.0)
Deferred tax assets, net of valuation allowance	16.7
Deferred tax liabilities:	
Property, plant and equipment	16.1
Other	0.9
Total deferred tax liabilities	17.0
Net deferred tax liabilities	$ (0.3)

Management assesses deferred tax assets to consider whether it is more likely than not that the deferred tax assets will be realized. The ultimate realization of deferred tax assets depends on the ability to generate taxable income during the periods and in jurisdictions in which the temporary differences become deductible. As a result of some of the domestic and international entities generating losses it was determined that sufficient uncertainty exists as to the realizability of the deferred tax assets; as such, management has placed a valuation allowance on some of the domestic and international entities' deferred tax assets. The following table provides information about the activity of the deferred tax valuation allowance for the period from inception to December 31, 2018:

(in millions)	Period of inception to December 31, 2018
Balance acquired	$ 8.4
Additions in tax expense	0.6
Balance, end of the period	$ 9.0

For December 31, 2018, valuation allowances of $9.0 million were maintained to reduce certain deferred tax assets to amounts that are more likely than not to be realized. The net increase in the valuation allowance is primarily attributable to 2018 net operating losses generated in international tax jurisdictions.

Real Alloy is subject to taxation in the United States and various state and foreign jurisdictions located in Canada, Mexico, Germany, Norway and the United Kingdom. Real Alloy's domestic tax years for 2018 remain open for examination by the Internal Revenue Service and various state taxing authorities. Additionally, Real Alloy's 2015 through 2018 tax years remain open to examination, with few exceptions, by various foreign taxing authorities.

The Company has not provided for U.S. income taxes on undistributed earnings of certain non-U.S. subsidiaries, as such amounts are considered permanently reinvested outside the U.S.

Unrecognized tax benefits as of December 31, 2018, the recognition of which would impact the effective tax rate, was $0.3. For the period from inception to December 31, 2018, no interest and penalty amounts were recognized.

13. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases various types of equipment and property, primarily office space at various locations and the equipment utilized in its operations. The following table provides a summary of future minimum lease payments required under operating leases that have initial or remaining noncancellable terms in excess of one year, which may also contain renewal options, as of December 31, 2018:

(in millions)	2019	2020	2021	2022	2023	Thereafter
Operating leases	$ 3.0	$ 2.2	$ 1.5	$ 1.3	$ 0.9	$ 0.6

Rent expense during the period from inception to December 31, 2018 was $2.6 million.

Capital Leases

The Company leases various types of equipment and property under capital leases. The future minimum lease payments required under capital leases that have original terms in excess of one year as of December 31, 2018 are as follows:

(in millions)	2019	2020	2021	2022	2023	Thereafter
Capital leases	$ 4.1	$ 2.4	$ 1.1	$ 0.3	$ 0.1	$ —

Purchase Obligations

Non-cancellable purchase obligations are principally for the purchase of natural gas and services related to waste removal. The Company's purchase obligations are long-term agreements to purchase services that are enforceable, legally binding and specify all significant terms, including fixed or minimum services to be purchased; fixed, minimum or variable price provisions and the approximate timing of the transaction. As a result of the variability in the pricing of the purchase obligations, actual amounts paid may vary from the amounts shown below. As of December 31, 2018, amounts due under long-term non-cancellable purchase obligations are as follows:

(in millions)	2019	2020	2021	2022	2023	Total
Purchase obligations	$ 4.0	$ 1.8	$ 0.9	$ 0.1	$ —	$ 6.8

Amounts purchased under long-term purchase obligations during the period from inception to December 31, 2018 approximated the amounts projected above for 2019.

Employees

As of December 31, 2018, approximately 13% of U.S. employees and substantially all of the non-U.S. employees were covered under collective bargaining agreements.

Environmental Proceedings

The Company's operations are subject to environmental laws and regulations governing air emissions; wastewater discharges; the handling, disposal and remediation of hazardous substances and wastes and employee health and safety. These laws can impose joint and several liabilities for releases or threatened releases of hazardous substances upon statutorily defined parties, including Real Alloy, regardless of fault or the lawfulness of the original activity or disposal. Given the changing nature of environmental legal requirements, the Company may be required, from time to time, to take environmental control measures at some of its facilities to meet future requirements. The Company is under orders to perform environmental remediation by agencies in three states.

The reserves for environmental remediation liabilities totaled $10.8 million as of December 31, 2018. Of these reserves, $2.1 million has been classified as an accrued liability in the consolidated balance sheet as of December 31, 2018, with the remaining portion classified as environmental liabilities. These amounts, in addition to the asset retirement obligations, discussed in the Asset Retirement Obligations footnote, represent the most probable costs of remedial actions. Management estimates the costs related to currently identified remedial actions will be paid out primarily over the next 10 years.

The following is a summary of the changes in the accruals for environmental liabilities for the period from inception to December 31, 2018:

(in millions)		Period of inception to December 31, 2018
Balance acquired	$	13.9
Revisions and liabilities incurred		(1.0)
Balance, end of the period		12.9
Less amount classified as accrued liabilities		(2.1)
Environmental liabilities	$	10.8

Legal Proceedings

Real Alloy has been named as a defendant in or as a party to a number of legal actions or proceedings that arose in the ordinary course of business. In some of these actions and proceedings, claims for monetary damages are asserted. In view of the inherent difficulty of predicting the outcome of such legal actions and proceedings, management generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss related to each pending matter may be, if any.

In accordance with applicable accounting guidance, management establishes an accrued liability for litigation when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. The estimated loss is based upon currently available information and is subject to significant judgment, a variety of assumptions and known and unknown uncertainties. The matters underlying the estimated loss may change from time to time, and actual results may vary significantly from the current estimate. Therefore, an estimate of loss represents what management believes to be an estimate of loss only for certain matters meeting these criteria. It does not represent the Company's maximum loss exposure.

Based on management's current understanding of these pending legal actions and proceedings, it does not believe that judgments or settlements arising from pending or threatened legal matters, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company. However, in light of the inherent uncertainties involved in these matters, some of which are beyond the Company's control, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company's results of operations or cash flows for any particular reporting period.

14. EMPLOYEE BENEFIT PLANS

Defined Contribution Pension Plans

Real Alloy's defined contribution plans cover substantially all of Real Alloy's U.S. employees. The plans provide employer matching contributions, as well as supplemental age- and salary-based contributions. The match of employee contributions under defined contribution plans and supplemental employer contributions for the period from inception to December 31, 2018 were:

(in millions)		Period of inception to December 31, 2018
Employer's match of employee contributions	$	0.9
Supplemental employer contributions		—

Defined Benefit Pension Plans

Real Alloy sponsors three defined benefit pension plans for its German employees. The plans are based on final pay and service, but some senior officers are entitled to receive enhanced pension benefits. Benefit payments are financed, in part, by contributions to a relief fund which establishes a life insurance contract to secure future pension payments (a Level 2 measurement within the fair value hierarchy). However, the plans are substantially unfunded under German law. The unfunded accrued pension costs are covered under a pension insurance association under German law if Real Alloy is unable to fulfill its obligations.

The components of the net periodic benefit expense for the period from inception to December 31, 2018 were:

(in millions)	Period of inception to December 31, 2018
Service cost	$ 0.6
Interest cost	0.5
Amortization of net loss	—
Expected return on plan assets	—
Net periodic benefit expense	$ 1.1

The changes in projected benefit obligations and plan assets during the period from inception to December 31, 2018, using a period-end measurement date, were:

(in millions)	Period of inception to December 31, 2018
Change in projected benefit obligations:	
Projected benefit obligation acquired	$ 51.7
Service cost	0.6
Interest cost	0.5
Actuarial (gain) loss	0.6
Benefits paid	(0.7)
Translation and other	(1.0)
Projected benefit obligation at end of period	51.7
Change in plan assets:	
Fair value of plan assets acquired	5.7
Employer contributions	0.3
Translation and other	0.2
Fair value of plan assets at end of period	6.2
Net amount recognized	$ 45.5

The following table provides additional information about amounts recognized in the consolidated balance sheet as of December 31, 2018:

(in millions)	December 31, 2018
Accrued pension benefits	$ 45.5
Net actuarial gain (loss) recognized in accumulated other comprehensive income (loss), before tax	(0.4)
Additional Information:	
Accumulated benefit obligation	$ 46.6
Projected employer contributions for 2019	0.4

Plan Assumptions. The Company is required to make assumptions regarding such variables as the expected long-term rate of return on plan assets and the discount rate applied to determine service cost and interest cost. Management's objective in selecting a discount rate is to select the best estimate of the rate at which the benefit obligations could be effectively settled. In making this estimate, projected cash flows are developed and matched with a yield curve based on an appropriate universe of high-quality corporate bonds.

Assumptions for long-term rates of return on plan assets are based upon historical returns, future expectations for returns for each asset class and the effect of periodic target asset allocation rebalancing. Management believes these assumptions are appropriate based upon the mix of the investments and the long-term nature of the plans' investments. The following table provides assumptions used to determine benefit obligations as of December 31, 2018:

	December 31, 2018
Discount rate	1.9%
Rate of compensation increase	2.8%
Pension increase	1.6%
Turnover	2.0%

The following table reflects the assumptions used to determine the net periodic benefit expense for the period from inception to December 31, 2018:

	Period of inception to December 31, 2018
Discount rate	1.9%
Expected return on plan assets	1.0%
Rate of compensation increase	2.8%

Expected Future Benefit Payments. The following estimated future benefit payments under the pension plans, which reflect expected future service, as appropriate, are expected to be paid for the periods indicated:

(in millions)	2019	2020	2021	2022	2023	2024 - 2028
Expected future benefit payments	$ 1.3	$ 1.3	$ 1.4	$ 1.5	$ 1.5	$ 8.8

15. SEGMENT AND GEOGRAPHIC INFORMATION

We report two operating segments (each of which is considered a reportable segment): Real Alloy North America ("RANA") and Real Alloy Europe ("RAEU"). The operating segments are based on the organizational structure used by the chief operating decision maker to evaluate performance, make decisions on resource allocation and for which discrete financial information is available. Refer to the Business Operations footnote for information about each segment's operations.

The accounting policies of the reportable segments are the same as those described in the Presentation and Summary of Significant Accounting Policies footnote. Real Alloy's measure of profitability of the reportable segments is earnings before interest, taxes, depreciation and amortization and excludes certain other items ("Adjusted EBITDA"). There are no intersegment sales.

Reportable Segment Information

The following table shows revenues, Adjusted EBITDA and other selected financial information for each of the reportable segments during the period from inception to December 31, 2018:

(in millions)	RANA	RAEU	Total
Period of inception to December 31, 2018			
Total revenues	$ 444.3	$ 278.2	$ 722.5
Adjusted EBITDA	31.5	16.3	47.8
Segment assets	270.2	198.7	468.9
Payments for property, plant and equipment	12.6	7.6	20.2

The following table provides a reconciliation of Adjusted EBITDA to Real Alloy's loss before income taxes during the period from inception to December 31, 2018:

(in millions)	Period of inception to December 31, 2018
Adjusted EBITDA	$ 47.8
Unallocated amounts:	
Depreciation and amortization	(19.9)
Unrealized (losses) gains on derivative financial instruments	(1.6)
Loss on disposal of assets	(0.4)
Foreign exchange (losses) gains on intercompany loans	(3.1)
Interest expense	(10.4)
Acquistion related costs	(1.8)
Amortization of the fair value adjustment of acquired inventory and supplies	(10.8)
Loss from equity method investment	(0.7)
Other expense, net	(0.7)
Loss before income taxes	$ (1.6)

Geographic Information

The following table sets forth the geographic breakout of revenues (based on customer location) during the period from inception to December 31, 2018 and long-lived tangible assets (net of accumulated depreciation) as of December 31, 2018:

(in millions)	Period of inception to December 31, 2018
Revenues	
United States	$ 333.1
International:	
Europe	278.2
Mexico and Canada	111.2
Total international	389.4
Total revenues	$ 722.5

(in millions)	December 31, 2018
Long-lived tangible assets	
United States	$ 66.0
International:	
Europe	98.0
Mexico and Canada	24.2
Total international	122.2
Total long-lived tangible assets	$ 188.2

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the components of accumulated other comprehensive income (loss) in the consolidated balance sheet, which are items that change equity during the reporting period, but are not included in earnings, during the period from inception to December 31, 2018:

	Currency translation	Pension	Total
Balance at May 31, 2018	$ -	$ -	$ -
Current period currency translation adjustments	(1.1)	—	(1.1)
Pension benefit adjustments	—	—	—
Deferred tax expense on pension benefit adjustments	—	—	—
Amortization of net actuarial gains	—	(0.4)	(0.4)
Income tax on net actuarial gains	—	0.1	0.1
Balance at December 31, 2018	(1.1)	(0.3)	(1.4)

There were no reclassifications out of accumulated other comprehensive loss during the period from inception to December 31, 2018:

17. SUPPLEMENTAL INFORMATION

Supplemental cash flow information during the period from inception to December 31, 2018 is as follows:

(in millions)	Period of inception to December 31, 2018
Cash paid for interest	$ 8.8
Cash paid for taxes	1.2

The following table provides a reconciliation of total cash, cash equivalents, restricted cash and restricted cash equivalents as of December 31, 2018:

(in millions)	December 31, 2018
Cash and cash equivalents	$ 22.4
Restricted cash and restricted cash equivalents - other noncurrent assets	6.8
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of the period	$ 29.2

18. RELATED PARTY TRANSACTIONS

As part of the Beck Acquisition, Real Alloy and Beck Trading entered into a Sales Representative and Tolling Agreement whereby, for a defined group of customers, Real Alloy will serve as a sales representative for Beck Trading and will be paid a commission for sales generated. Beck Trading will also serve as a sales representative for Real Alloy, for a defined group of customers, and will be paid a commission for the sales generated. Real Alloy had trade account receivables due from Beck Trading of $0.6 million and trade payables due to Beck Trading of $0.1 million as of December 31, 2018.

STYRETS ÅRSBERETNING FOR REAL ALLOY NORWAY HOLDING AS

Annual report for REAL ALLOY NORWAY HOLDING AS - translated to English for information purposes only

for 2018

Virksomhetens art og lokalisering

REAL ALLOY NORWAY HOLDING AS er et holdingselskap, med lokasjon på Rød i Nesset Kommune.
REAL ALLOY NORWAY HOLDING AS is a holding company located at Rød in the municipality of Nesset.

Det børsnotert morselskapet REAL ALLOY HOLDING Inc. i USA meldte i November 2017 konkurs i Delaware i USA (i henhold til Kapittel 11). Det var kun morselskapet REAL ALLOY HOLDING Inc., som var omfattet av konkursen og ikke dets datterselskaper i Tyskland, Norge, Storbritannia, Mexico og Canada.

Den 29. Mars 2018 kunngjorde den Amerikanske konkursdomstolen (U.S. Bankruptcy Court) at de har godkjent salget av selskapets aktiva og betydelig gjeld til de tidligere eiere av gjeldssertifikater (ledet av DDJ Capital Management).

Den 31. Mai 2018 ble salget endelig godkjent av alle myndigheter og dermed er ikke morselskapet lengre omfattet av konkursen etter Kapittel 11 i USA. I forbindelse med salget ble det stiftet et nytt morselskap i USA: REAL ALLOY HOLDING LLC.

The listed parent company REAL ALLOY HOLDING Inc. in the United States filed petitions for voluntary Chapter 11 reorganization in the U.S. Bankruptcy Court for the District of Delaware in November 2017. Only the parent company, REAL ALLOY HOLDING Inc., was covered by Chapter 11 and not its daughter-in-law in Germany, Norway, the UK, Mexico and Canada.

On March 29, 2018, the U.S. Bankruptcy Court announced that they have approved the sale of the company's assets and significant debt to the former debtors (led by DDJ Capital Management).

On 31 May 2018, the sale was finally approved by all authorities and thus the parent company is no longer subject to bankruptcy after Chapter 11 in the United States. In connection with the sale, a new parent company was established in the United States: REAL ALLOY HOLDING LLC.

Selskapet er en del av REAL ALLOY konsernet, som er en verdensledende virksomhet bl. a. innenfor resirkulering av aluminium. Selskapets formål er å drive investeringsvirksomhet, herunder ved deltakelse i andre selskaper, og å drive forretningsvirksomhet innen produksjon og gjenvinning av metall, samt håndtering av avfall fra slik virksomhet.
The company is a part of the REAL ALLOY HOLDING LLC corporation, a world leading business within i.a. recycling of aluminum. The objective of the company is investments activities, including participation in other companies, and to operate business within production and recycling of metal, and also handling of waste from such operations.

Foretakets utsikter

Etterspørselen etter smelting av aluminiumsavfall fra primær-aluminiumsindustrien i Norge har økt i løpet av 2018. Etterspørselen etter smelting av aluminiumsavfall var fortsatt god i Europa. Vi forventer en stabil etterspørsel etter smelting av aluminiumsavfall i 2019 på samme nivå som for 2018.

Demand for recycling aluminum dross from the primary aluminum industry in Norway increased during 2018. Demand for recycling aluminum dross was still good in Europe. We expect a stable demand for recycling aluminum dross in 2019 on the level from 2018.

REAL ALLOY NORWAY HOLDING AS's driftsresultater påvirkes av utviklingen i valutakursene for US Dollar, EURO og Norske Kroner.

REAL ALLOY NORWAY HOLDING AS operating results are affected by the development in exchange rates for U.S. Dollar, Euro and Norwegian Kroner.

Fortsatt drift Going concern

I samsvar med regnskapslovens § 3-3 bekreftes det at forutsetningen for fortsatt drift er lagt til grunn ved utarbeidelsen av regnskapet. Selskapet produksjon fra smelting av aluminiumsavfall har økt i 2018. Vi forventer stabil etterspørsel etter smelting av aluminiumsavfall i 2019 og at videre utvikling av aluminium oksid skal gi økende inntjening. Vi forventer en resultatforbedring i 2019. Markedet kan påvirkes av økonomisk usikkerhet

In accordance with the Norwegian Accounting Act § 3-3a we confirm that the financial statements have been prepared under the assumption of going concern. The recycling of aluminium dross increased in 2018. We expect a stable demand for dross recycling in 2019 and further development of aluminum oxide should increase the margin. We expect an improvement in the result 2019. The market could be affected by economic insecurity.

Redegjørelse for årsregnskapet Comments related to the financial statements

Etter styrets oppfatning gir årsregnskapet et rettvisende bilde av selskapets stilling per årsskiftet, og av resultatet i året 2018.

It is the opinion of the board that the financial statement provides a true and fair view of the company's position and financial performance as it stood at the end of the year, and from the performance in 2018.

Arbeidsmiljø/Likestilling The working environment and the employees

Selskapet har ingen ansatte.

The company has no employees

Ytre miljø External environment

Selskapet har ingen produksjon eller aktivitet og forurenser derfor ikke til det ytre miljø. For datterselskapenes aktivitet vises til årsberetning for disse selskapene.

The company has no production or activity. Regarding the activity in the subsidiaries we refer to the annual report for each company.

Eidsvåg, 28. juni 2019

Russell Barr
Styreleder
Chairman of the board &
Managing Director

Christoph Will
Styremedlem
Board Member

Terrance J. Hogan
Styremedlem
Board Member

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Inger Helene Iversen	19.10.2016	21.11.2016
Telefon	Deres referanse	Vår referanse
61236772	Tone Lillestøl	2016/1054076

ERNST & YOUNG AS
Postboks 1156 Sentrum
0107 OSLO

Fritak fra konsernregnskapsplikt

Vi viser til deres brev 19. oktober 2016 hvor dere på vegne Real Alloy Norway Holding AS, org.nr. 914 975 042, søker om fritak fra plikten til å utarbeide konsernregnskap.

Real Alloy Norway Holding AS er eid av Real Industri, Inc, hjemmehørende i USA. Real Industri, Inc utarbeider konsernregnskap som omfatter underkonsernet Real Alloy Norway Holding AS, etter US GAAP.

Skattedirektoratet finner med hjemmel i regnskapsloven av 17. juni 1998 nr. 56 § 3-7 fjerde ledd å kunne gi tillatelse til at det gjøres unntak for konsernregnskapsplikten for Real Alloy Norway Holding AS. Det forutsettes at Real Industri, Inc utarbeider konsernregnskap som omfatter den regnskapspliktige og dennes datterselskap. Det legges til grunn at dette konsernregnskapet er utarbeidet i samsvar med US GAAP og at kravene i regnskapsloven § 3-7 med forskrifter for øvrig følges. Bestemmelsene i regnskapsloven kapittel 8 gjelder tilsvarende for dette konsernregnskapet.

Når det gjelder hvilket språk morselskapet skal utarbeide konsernregnskapet på, vises det til forskrift av 7. september 2006 nr. 1062 til utfylling og gjennomføring mv. av regnskapsloven. Det følger av § 3-7-1 at konsernregnskapet foruten på norsk, kan være på svensk, dansk eller engelsk.

Kopi av dette brev må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet mv. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Inger Helene Iversen

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer

Postadresse	Besøksadresse:	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org.nr: 996250318	Telefaks
	E-post: skatteetaten.no/sendepost	22 17 08 60

Real Alloy Norway Holding AS

Årsregnskap 2018

English translation of the financial statements of 2018 for information purposes only

Income Statement

Real Alloy Norway Holding AS

Operating income and operating expenses	**Note**	**2018**	**2017**
Other operating expenses	**1**	74 205	48 100
Total operating expenses		**74 205**	**48 100**
Operating profit		**-74 205**	**-48 100**
Financial income and expenses			
Other interest income		0	2
Interest expense to group companies	**4**	4 642 236	4 811 923
Other financial expenses		0	36 188
Net financial items		**-4 642 236**	**-4 848 110**
Operating result before tax		-4 716 441	-4 896 210
Tax on ordinary result	**3**	0	0
Ordinary result after tax		**-4 716 441**	**-4 896 210**
Brought forward			
From share premium reserve	**5**	4 716 441	4 896 210
Total brought forward		**-4 716 441**	**-4 896 210**

Balance Sheet

Real Alloy Norway Holding AS

Assets	Note	2018	2017
Financial fixed assets			
Investments in subsidiaries	2	238 803 422	135 354 422
Total fixed assets		**238 803 422**	**135 354 422**
Current assets			
Other short-term receivables	4	744 291	821 760
Cash and bank deposits		65	819
Total current assets		**744 356**	**822 579**
Total assets		**239 547 778**	**136 177 001**

Balance Sheet

Real Alloy Norway Holding AS

Equity and liabilities	Note	2018	2017
Paid-up equity			
Share capital	5	75 000	75 000
Paid, not registered share capital	5	103 449 000	0
Share premium reserve	5	68 206 140	72 922 581
Total paid-up equity		**171 730 140**	**72 997 581**
Liabilities			
Other long-term liabilities			
Other long term liabilities	4	66 822 985	63 114 421
Current debt			
Other current debt		994 653	64 999
Total liabilities		**67 817 638**	**63 179 420**
Total equity and liabilities		**239 547 778**	**136 177 001**

28 Juni
Eidsvåg / - 2019
The board of Real Alloy Norway Holding AS

Russell Bruce Barr
chairman of the board

Terrance J. Hogan
member of the board

Christoph Will
member of the board

Real Alloy Norway Holding AS
Årsregnskap 2018
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Kontantstrømoppstilling — Cash flow statement

		2018	2017	
	Kontantstrømmer fra operasjonelle aktiviteter			Operating activities
	Resultat før skattekostnad	-4 716 441	-4 896 210	Net income
+/-	Endring i andre tidsavgrensningsposter	4 715 686	131 516	Other current liabilities
=	Netto kontantstrøm fra operasjonelle aktiviteter	-755	-4 764 694	Net cash provided by operating activities
	Kontantstrømmer fra investeringsaktiviteter			
-	Utbetalinger ved kjøp av aksjer i datter	-103 449 000	0	Purchase of shares in subsidiary
=	Netto kontantstrøm fra investeringsaktiviteter	-103 449 000	0	Net cash used in investing activities
	Kontantstømmer fra finansieringsaktiviter			
+	Innbetalt kapital	103 449 000	0	Paid in capital
+	Innbetalinger ved opptak av ny kortsiktig gjeld	0	4 739 522	Paid in from short term loans
=	Netto kontantstrøm fra finansieringsaktiviteter	103 449 000	4 739 522	Net cash used by financing activities
=	Netto endring i kontanter og kontantekvivalenter	-755	-25 172	Net increase (decrease) in cash and cash equivalents
+	Beholdning av kontanter og kontantekvivalenter ved periodens begynnelse	819	25 990	Cash and cash equivalents at beginning of year
=	Beholdning av kontanter og kontantekvivalenter ved periodens slutt	65	819	Cash and cash equivalents at end of year

Real Alloy Norway Holding AS

Årsregnskap 2018

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Overordnede prinsipper for årsregnskapet 2018

Årsregnskapet er utarbeidet av selskapets styre. Årsregnskapet er utarbeidet og presentert i norske kroner. I enkelte noter er det spesifisert at beløpene er i tusen, herunder TNOK. Årsregnskapet er utarbeidet i samsvar med regnskapsloven og god regnskapsskikk.

Årsregnskapet består av følgende:

- **Resultatregnskap** inndelt etter art
- **Balanseoppstilling** oppstilt etter stigende likviditet. Eiendeler bestemt til varig eie eller bruk er klassifisert som anleggsmidler, og øvrige eiendeler er klassifisert som omløpsmidler. Omløpsmidler omfatter eiendeler direkte knyttet til varekretsløpet eller eiendeler som har forfall innen ett år etter at transaksjonen er gjennomført. Gjeld som forfaller til betaling innen ett år fra balansedato er klassifisert som kortsiktig gjeld. Omløpsmidler vurderes normalt til det laveste av anskaffelseskost og virkelig verdi, mens anleggsmidler normalt vurderes til anskaffelseskost, eventuelt fratrukket av- og nedskrivinger.
- **Kontantstrømoppstilling** utarbeidet etter den indirekte metoden i samsvar med NRS(F).
- **Noter**

Accounting principles

The financial statement is prepared by the board of directors. The financial statement is prepared and presented in norwegian kroner (NOK). In some notes the specified amount is presented in thousands (TNOK). The financial statement is prepared in accordance with the Norwegian Accounting Act and the generally accepted accounting principles in Norway.

The financial statements consists of the following reports:

- **Profit and loss statement**
- **Balance sheet**. Assets ment for permanent possession or use, are classified as fixed assets. Other assets are classiefied as current assets. Current assets includes assets directly attached to the circulation of goods or assets that has a due date within a year after the transaction is completed. Liabilities that has a due date within a year after the balance date is classified as short-term liabilities. Current assets is valued to the lowest of aquisition cost and net realizable value (Norwegian term "virkelig verdi"), while fixed assets normally are valued to aquisition cost, adjusted for any depreciations and/or write downs.
- **Cash flow statement** prepared according to the indirect method in accordance with NRS(F).
- Notes

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Investeringer i datterselskaper

Med datterselskap menes et selskap hvor Real Alloy Norway Holding AS har bestemmende innflytelse. Normalt innebærer dette en eierandel på over 50 %, hvor investeringen er av langvarig og strategisk karakter.

Investeringer i datterselskap er vurdert til det laveste av anskaffelseskost og virkelig verdi. Investeringene nedskrives til virkelig verdi når verdifall skyldes årsaker som ikke kan antas å være forbigående og det må anses nødvendig etter god regnskapsskikk.

Investment in subsidiaries

Subsidiaries is entities where Real Alloy Norway Holding AS has controlling interest. Usually this involves an ownership of over 50 %, where the investment is long-lasting and strategical.

Investments in subsidiaries is valued to the lowest of aquisition cost and fair value. Investments is written down to fair value if the fall of value is long-term and considered neccesary after Norwegian GAAP.

Transaksjoner med nærstående parter

Kjøps- og salgstransaksjoner med nærstående selskaper er gjennomført til vanlige forretningsmessige vilkår og prinsipper. Regnskapsføring og klassifisering med mer følger regnskapslovens generelle prinsipper. Transaksjoner med nærstående er spesifisert i note 4.

Transactions with related parties

Both purchasing- and sales transactions with related parties are done at normal business terms and principles (arms lenght). Accounting and classification and so on is done according to the Norwegian Accounting Act and generally accepted accounting prinples in Norway. Transactions with related parties are specified in note 4.

Fordringer

Kundefordringer er oppført til pålydende med fradrag for avsetning til forventede tap. Andre fordringer er vurdert til det laveste av virkelig verdi og pålydende beløp.

Current assets

Accounts receivables is valued at nominal value less expected losses. Other receivables is valued to the lowest of net realizable value (Norwegian term "virkelig verdi") and nominal value.

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Utsatt skatt og skattekostnad

Utsatt skatt beregnes på bakgrunn av midlertidige forskjeller mellom regnskapsmessige og skattemessige verdier ved utgangen av regnskapsåret samt skattemessig underskudd til fremføring. Ved beregningen benyttes nominell skattesats. Det er lagt til grunn en skattesats på 22 % (23 % i 2017) for utsatt skatt. Utsatt skattefordel balanseføres ikke, se note 3.

Årets skattekostnad består av endringer i utsatt skatt og utsatt skattefordel, sammen med betalbar skatt for inntektsåret, korrigert for feil i tidligere års beregninger.

Betalbar skatt beregnes ut fra skattbart resultat for året, inkludert inntekter og kostnader som periodiseres til andre perioder skattemessig enn regnskapsmessig.

Deferred tax and tax expenses

Deferred tax is calculated based on temporary differences between accounting values and tax values at year end, together with taxable loss carried forward. The calculation is done with nominal values. For deferred tax, the tax rate used is 22 % (23% for 2017). The deferred tax asset is not recorded in the balance sheet as an asset, see note 3 for more information.

This years tax expense consists of changes in deferred tax together with tax payable, with corrections due to errors in previous years calculation (if any).

Tax payable is calculated from taxable result of the year.

Transaksjoner og regnskapsposter i utenlandsk valuta

Transaksjoner i utenlansk valuta regnskapsføres til valutakursen på transaksjonstidspunktet. Pengeposter i utenlandsk valuta omregnes til valutakursen på balansedagen.

Valutakursdifferanser resultatføres løpende i den perioden de oppstår under regnskapspostene annen finansinntekt og annen finanskostnad.

Selskapets presentasjonsvaluta og funksjonell valuta er norske kroner.

Transactions and items in foreign currency

Transactions in foreign currency is accounted with the foreign exhange course at the time of the transaction. Monetary amounts in foreign currency is converted to NOK with the foreign exchange course at the balance date.

Exchange differences are booked in the profit and loss statement as other financial income or other financial expenses.

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Note 1 – Lønnskostnader, antall ansatte, godtgjørelser, ytelser til ledende ansatte m.m.

Obligatorisk tjenestepensjon

Selskapet har ikke ansatte og er følgelig ikke omfattet av reglene om obligatorisk tjenestepensjon.

Det er ikke utbetalt noen godtgjørelse til styret i 2018.

Revisjon: (Beløp inklusive MVA)	**2018**
Revisjonshonorar for ordinær revisjon	19 735
Andre tjenester	0
Sum revisjonshonorar	19 735

Note 1 - Salaries, number of employees, benefits, contributions to the leading staff and more

The entity has no employees and does not need to follow the regulation of the pension scheme.

There has been no compensation to the members of the board in 2018.

Audit (amounts with VAT deduction)	**2018**
Statutory audit	19 735
Other services	0
Total audit fee	19 735

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Note 2 - Aksjer i datter

	Real Alloy Norway AS
Forretningskontor	Eidsvåg i Romsdal
Eierandel	100 %
Andel av stemmeberettiget kapital	100 %
Balanseført verdi	238 803 422
Egenkapital i følge siste årsregnskap	98 748 661
Resultat i følge siste årsregnskap	-8 304 570

Selskapet har benyttet seg av unntaket i regnskapsloven med hensyn til å utarbeide konsernregnskap. Konseregnskap for Real Alloy-gruppen kan fås ved henvendelse til Regnskapsregisteret eller selskapet. Real Alloy Norway Holding AS har hovedkontor i Eidsvåg i Romsdal.

Note 2 - Shares in subsidiaries

	Real Alloy Norway AS
Business office	Eidsvåg i Romsdal
Ownership	100 %
Share of votes	100 %
Booked value	238 803 422
Equity according to latest financial statement	98 748 661
Result according to latest financial statement	-8 304 570

The entity has utilized the exception in the Norwegian Accounting Law regarding concolidated financial statement. The concolidated financial statement can be attained by request to Regnskapsregisteret or the entity. Real Alloy Norway Holding AS' headquarter is in Eidsvåg in Romsdal.

Real Alloy Norway Holding AS

Årsregnskap 2018

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Note 3 - Skatter

	2018	2017
Betalbar skatt på ordinært resultat	0	0
Endring i utsatt skattefordel	0	0
Sum skattekostnad	**0**	**0**
Ordinært resultat før skattekostnad	-4 716 441	-4 896 210
Permanente forskjeller	0	0
Endring i midlertidig forskjeller	0	0
Avskåret rentefradrag	0	0
Underskudd til fremføring	4 716 441	4 896 210
Grunnlag betalbar skatt	**0**	**0**
Skatt, 23 % (24 % i 2017) av grunnlag	**0**	**0**
Betalbar skatt	0	0
Betalbar skatt i balansen	**0**	**0**
Spesifikasjon av grunnlag for utsatt skatt/utsatt skattefordel:		
Forskjeller som utlignes:	**31.12.2018**	**31.12.2017**
Underskudd til fremføring	-14 067 652	-9 351 211
Fremført rentefradrag	-5 219 448	-5 219 448
Sum forskjeller	-19 287 100	-14 570 659
Forskjeller som ikke inngår i beregning av utsatt skattefordel	19 287 100	14 570 659
Balanseført utsatt skattefordel, 22 % (23 % i 2017)	**0**	**0**
Ikke balanseført utsatt skattefordel, 22 % (23 % i 2017)	**4 243 162**	**3 351 252**

Note 3 - Taxation

Tax on ordinary result and basis for current tax appear like this:

	2018	2017
Current tax on ordinary result	0	0
Change in deferred tax asset	0	0
Tax on ordinary result	**0**	**0**
Current tax:		
Profit/loss before tax	-4 716 441	-4 896 210
Permanent differences	0	0
Changes in temporary differences	0	0
Disallowed interest expense	0	0
Loss carried forward	4 716 441	4 896 210
Basis for current tax	**0**	**0**
Tax 23% (24 % in 2017)	**0**	**0**
Current payable tax	0	0
Current payable tax in the balance sheet	**0**	**0**
Differences:	**31.12.2018**	**31.12.2017**
Loss carried forward	-14 067 652	-9 351 211
Disallowed interest expense, carried forward	-5 219 448	-5 219 448
Total	-19 287 100	-14 570 659
Differences that are not offset	19 287 100	14 570 659
Deferred tax asset in the balance sheet, 22 % (23 % in 2017)	**0**	**0**
Deferred tax asset not in the balance sheet, 22 % (23 % in 2017)	**4 243 162**	**3 351 252**

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Note 4 - Mellomværende og transaksjoner med nærstående

	2018	2017
Fordringer og gjeld		
Andre fordringer	744 291	821 760
Annen langsiktig gjeld	66 822 985	63 114 421
Andel gjeld som forfaller senere enn 5 år etter regnskapsårets slutt	66 822 985	63 114 421
Transaksjoner		
Annen finansinntekt	0	17 400
Rentekostnader	4 642 236	4 811 923

Note 4 - Balances held with group undertakings and associated companies

	2018	2017
Receivables and debt		
Other receivables	744 291	821 760
Other long term liabilities (to parent company)	66 822 985	63 114 421
Debt due more than 5 years after 31.12.18	66 822 985	63 114 421
Transactions		
Other financial income	0	17 400
Interest expense	4 642 236	4 811 923

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Note 5 - Egenkapital og aksjonæroversikt

Årets endring i egenkapital:	**Aksjekapital**	**Innbetalt, ikke registrert aksjekapital**	**Innbetalt, ikke registrert overkurs**	**Overkurs**	**Sum EK**
Egenkapital pr 1. januar	75 000	0	0	72 922 581	72 997 581
Ikke registrert kapitalforhøyelse	0	15 000	103 434 000	0	103 449 000
Årets resultat	0	0	0	-4 716 441	-4 716 441
Egenkaptal pr 31. desember	75 000	15 000	103 434 000	68 206 140	171 730 140

Innbetalt, ikke registrert aksjekapital og innbetalt, ikke registrert overkurs er presentert som innbetalt, ikke registrert aksjekapital i regnskapet for 2018.

Kapitalforhøyelsen er registrert i Brønnøysund den 7. feburar 2019.

Aksjekapitalen pr 31.12.	**Antall**	**Pålydende**	**Balanseført**	**Forretningsadresse**
Stemmeberettigede aksjer (A-aksjer)	30 000	2,50	75 000	
Real Alloy UK AcquireCo Ltd	30 000	100 %	100 %	Rødvikvegen 9, 6460 Eidsvåg i Romsdal

Note 5 - Equity and shareholder information

Change in equity 2018:	**Share capital**	**Paid, not registered share capital**	**Paid, not registered share premium reserve**	**Share premium reserve**	**Total**
Equity as at 1st January	75 000	0	0	72 922 581	72 997 581
Paid, not registered capital increase	0	15 000	103 434 000	0	103 449 000
Profit/loss for the year	0	0	0	-4 716 441	-4 716 441
Equity as at 31st December	75 000	15 000	103 434 000	68 206 140	171 730 140

Paid, not registered share capital and paid, not registered share premmium reserve is presented as paid, not registered share capital in the financial statements for 2018.

The capital increases is registered in Brønnøysund the 7th of February 2019.

Shareholders:

Equity as of 31st December	**Number**	**Nominal value**	**Book value**	
Voting shares	30 000	2,50	75 000	
Ownership structure as of 31st December	**Class A A-shares**	**Owner share**	**Votes for**	**Business adress**
Real Alloy UK AcquireCo Ltd	30 000	100 %	100 %	Rødvikvegen 9, 6460 Eidsvåg i Romsdal

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Statsautoriserte revisorer
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Medlemmer av Den norske revisorforening

UAVHENGIG REVISORS BERETNING

Til generalforsamlingen i Real Alloy Norway Holding AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert årsregnskapet for Real Alloy Norway Holding AS som består av balanse per 31. desember 2018, resultatregnskap for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Etter vår mening er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2018, og av dets resultater for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i avsnittet *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet i samsvar med de relevante etiske kravene i Norge knyttet til revisjon slik det kreves i lov og forskrift. Vi har også overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Øvrig informasjon omfatter informasjon i selskapets årsrapport bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Styret (ledelsen) er ansvarlig for den øvrige informasjonen. Vår uttalelse om revisjonen av årsregnskapet dekker ikke den øvrige informasjonen, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese den øvrige informasjonen med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom den øvrige informasjonen og årsregnskapet eller kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon. Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon, er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe annet realistisk alternativ.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan skyldes misligheter eller feil og er å anse som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av årsregnskapet.

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Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i årsregnskapet, enten det skyldes misligheter eller feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll;
- opparbeider vi oss en forståelse av den interne kontrollen som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll;
- vurderer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige;
- konkluderer vi på om ledelsens bruk av fortsatt drift-forutsetningen er hensiktsmessig, og, basert på innhentede revisjonsbevis, hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape betydelig tvil om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det foreligger vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet. Hvis slike tilleggsopplysninger ikke er tilstrekkelige, må vi modifisere vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapets evne til fortsatt drift ikke lenger er til stede;
- vurderer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen, tidspunktet for vårt revisjonsarbeid og eventuelle vesentlige funn i vår revisjon, herunder vesentlige svakheter i den interne kontrollen som vi avdekker gjennom vårt arbeid.

Uttalelse om øvrige lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet og forutsetningen om fortsatt drift er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendige i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Andre forhold

Denne beretningen erstatter tidligere avgitt beretning, datert 30.06.2019, som ble avgitt ved utløpet av lovens frist for avholdelse av generalforsamling. Fullstendig årsregnskap og årsberetning var på dette tidspunktet ikke avgitt av styret.

Trondheim, 16. august 2019
ERNST & YOUNG AS

Christian Ronæss
statsautorisert revisor