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# ***AH Industries A/S***

Industrivej 4, DK-6760 Ribe

## **Annual Report for 1 January - 31 December 2016**

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CVR No 33 85 93 41

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
31/5 2017

Thomas Thomsen  
Chairman

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 January - 31 December	13
Balance Sheet 31 December	14
Statement of Changes in Equity	16
Notes to the Financial Statements	17
Notes, Accounting Policies	24

# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of AH Industries A/S for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Ribe, 31 May 2017

## **Executive Board**

Thomas Thomsen

## **Board of Directors**

Knud Andersen  
Chairman

Bjarne Jensen

Thomas Thomsen

# Independent Auditor's Report

To the Shareholder of AH Industries A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of AH Industries A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Independent Auditor's Report

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

# Independent Auditor's Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Trekantområdet, 31 May 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Jan Bunk Harbo Larsen  
statsautoriseret revisor

Lasse Berg  
statsautoriseret revisor

## **Company Information**

### **The Company**

AH Industries A/S  
Industrivej 4  
DK-6760 Ribe  
E-mail: [info@ah-industries.com](mailto:info@ah-industries.com)  
Website: [www.ah-industries.com](http://www.ah-industries.com)

CVR No: 33 85 93 41  
Financial period: 1 January - 31 December  
Financial year: 6th financial year  
Municipality of reg. office: Esbjerg

### **Board of Directors**

Knud Andersen, Chairman  
Bjarne Jensen  
Thomas Thomsen

### **Executive Board**

Thomas Thomsen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Herredsvej 32  
DK-7100 Vejle

## Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	697.640	600.322	530.385	658.959	670.364
Gross profit/loss	129.656	115.558	114.585	116.205	116.139
Operating profit/loss	-9.280	-7.395	-1.758	-37.647	-39.927
Profit/loss before financial income and expenses	-1.354	-6.732	-600	-36.759	-39.822
Net financials	-18.984	-50.751	-13.835	-20.308	-20.008
Special items	0	0	0	-42.885	-29.062
Net profit/loss for the year	-17.167	-53.078	-12.045	-42.950	-49.965
<b>Balance sheet</b>					
Balance sheet total	263.615	304.690	319.587	370.097	408.774
Equity	49.316	66.486	119.566	131.548	174.790
<b>Ratios</b>					
Gross margin	18,6%	19,2%	21,6%	17,6%	17,3%
Profit margin	-0,2%	-1,1%	-0,1%	-5,6%	-5,9%
Return on assets	-0,5%	-2,2%	-0,2%	-9,9%	-9,7%
Solvency ratio	18,7%	21,8%	37,4%	35,5%	42,8%
Return on equity	-29,6%	-57,1%	-9,6%	-28,0%	-25,0%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.



# Management's Review

Financial Statements of AH Industries A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

## Key activities

AH Industries is a leading supplier of components, modules, systems and services to primarily the wind energy, cement and minerals as well as to offshore, marine and hydraulics customers. The company is specialised in machining of heavy metal components with high demands for precision and technical expertise. We are experts in sourcing, supply chain management, machining and assembly of steel as well as casted products particularly large and complex components, modules and systems. We develop, produce and service lifting and transportation equipment for wind turbines, and we base all we do within machining, assembly and lifting tools on more than 30 years of experience from wind turbine installations all over the world.

The Group operates through four dedicated Business Units, working closely together where applicable. Each Business Unit with experienced and competent management and employees with deep market and technological insight to secure close and seamless partnership with the customers.

AH Industries apply a strong cost control combined with a high level of production quality and accuracy. A continuous focus is centred on improving the efficiency in the production facilities as well as being able to produce same components in both Europe and Asia.

For more information on the activities of AH Industries please visit our website at [www.ah-industries.com](http://www.ah-industries.com).

## A description of Ratos, AH Industries' majority owner

Ratos has been the majority owner of AH Industries since 2007. Ratos is a Swedish long-term investment company that owns and develop unlisted medium-sized companies in the Nordic region Ratos is listed on Nasdaq OMX Stockholm with a market capitalization of approximately SEK 14 billion per year-end 2016. Ratos has a strong financial position with net liquidity exceeding SEK 2.7 billion as of the same date.

Ratos was founded in 1866 and has a long tradition of active ownership. Ratos' vision is to be perceived as the best owner company in the Nordic region. This is achieved by a professional, active and responsible exercise of its ownership role in a number of selected companies and investment situations. Ratos operates responsibly with a strong focus on long-term industrial value creation.

Ratos has contributed to AH Industries in the strategic development of the company but also by providing financial support to strengthen the balance sheet and supporting growth plans throughout the global financial crisis. Ratos also actively supported and financed the add-on acquisition of RM Group in 2010, strengthening AH Industries strategic platform and expanding the geographic presence.

# Management's Review

The 22nd December 2016 Ratos signed an agreement with German Aurelius Equity Opportunities SE & Co KGaA to sell 100% of the shares in AH Industries Holding A/S. AURELIUS Group is a pan-European asset manager with offices in Munich, London, Stockholm, and Madrid. Over the last ten years, AURELIUS has grown from a local turnaround investor to an international multi-asset manager investing in a wide range of sectors and across the capital structure. AURELIUS Equity Opportunities has many years of investment and management experience in various industries and sectors. AURELIUS Equity Opportunities employs its management capacities and the necessary financial resources to invest in product innovation, sales and research in order to develop the potential of its subsidiaries. The shares of AURELIUS Equity Opportunities SE & Co KGaA are listed in the m:access segment of the Munich Stock Exchange with a market capitalisation of approximately EUR 1.8bn per year-end 2016. AURELIUS has a net liquidity exceeding EUR 416m as of the same date.

## Market overview

### *General*

AH Industries' approach to sales is to offer our customers direct access to the individual business unit in order to establish smooth and efficient day-to-day cooperation, while at the same time regularly being in contact with our customers on a high level basis in order to ensure an alignment of strategy as the foundation of a long-term partnership.

### *Manufacturing*

2016 was a year that showed robust signs of recovery for the Wind Turbine Manufacturers. However, the situation for sub supplier part of the value chain has still been challenging due to overcapacity and price pressure. In 2016 Utilities with significant off shore experience have won contracts on the lowest ever kWh prices. This is very encouraging for the industry as the LCOE is getting very close to being competitive with other energy sources.

The wind energy industry continues to mature and further value chain optimizations have been observed during 2016. Like in 2015, a number of suppliers have exited the market or merged together and this creates opportunities for players with an attractive product and service offering combined with a cost-effective and flexible production set-up. This has meant that AH Industries during 2016 has been selected as strategic supplier for a number of central main products with the highest requirement on quality, delivery precision, flexibility and price to leading OEM's in the wind industry.

### *Site Solutions*

The market for single blade lifting and mounting in offshore wind was stagnant during 2015 and 2016 as 2016 was a year where fewer offshore wind projects was installed in Northern Europe. It is expected that the market will pick up again during 2017 for projects planned in 2017 - 2020. Nevertheless there has been increased market activity in other regions in the world in offshore wind and Site Solution has benefitted positively from this.

### *Industrial Solutions*

The cement and minerals industries have been affected negatively by the global crisis as well as the slowdown in China and 2016 remained again a challenging year. Nevertheless, as the cement industry seems to be stabilizing and as Industrial Solutions have managed to keep an acceptable activity level

## **Management's Review**

through, among other things, a very tight cost control and a strong customer service and winning delivery of more different products from the customers. The aftermarket has been relatively stable.

### **Development in the year**

In 2016 AH Industries has experienced different developments across the individual business units. A range of improvement initiatives have had a positive effect on the operational performance. Revenue and EBIT from continuing activities amounted to MDKK 698 (last year MDKK 600) and MDKK -1.4 (last year MDKK -6.7) respectively. EBIT has been improved further from 2015 due to strong focus on reducing cost. The EBIT of MDKK 1.4 is not in line with our expectations; however represents an improvement compared to last year. The growth in revenue from 2015 to 2016 relates to amongst other better utilisation of the machines in Horsens.

### ***Manufacturing***

During 2016 AH Industries have experienced a positive underlying development in the two manufacturing business units. For example, AH Industries has participated in the development of upgraded new versions of existing turbines for the US and the European Markets. AH industries in 2015 finalised the planned consolidation of some of the production sites in Denmark. This has in 2016 also been important in relation to the improved performance.

### ***Site Solutions***

AH Industries' customers have strong market positions and we have been able to strengthen our position by offering new customized solutions to an increasing number of customers. Management will continue to execute on this strategy also in the years to come.

The strategy to sell in new markets initiated in 2016 for Site Solutions has led to securing important strategic orders with new customers demonstrating that Site Solutions offers a strong proposition to the customers. Site Solutions will follow these opportunities closely during 2017 and the years to come.

### ***Industrial Solutions***

AH Industries' customers have strong market positions and we have been able to strengthen our position by offering new solutions and thus expanding our share of wallet with our current customers.

As is the case in the Manufacturing business, a continued utilization of the production setup in China is expected to increase the competitiveness of this unit.

Furthermore we have during second half of 2016 increased the sales effort and we have already seen positive effects from these activities. Management expects that Industrial Solutions can attract new customers with the strong winning concept offered to the market. Also Industrial Solutions has been able to secure orders for products that will lead to an increased market share going forward.

### **Organization**

During 2016 focus has continued around securing a leaner as well as a more customer-oriented setup.

## **Management's Review**

Furthermore, the new management team have worked closely together around business development and internal optimisations.

### **Special risks - operating risks and financial risks**

#### ***Operating risks***

#### ***Market risks***

Management does not see any special market risks, compared to other companies, operating in the same business areas as AH Industries.

Nevertheless AH Industries are penetrating new potential customers and industry segments in order to widen the customer range. AH Industries is also taking initiatives in order to increase the share of wallet at present customers.

#### ***Currency risks***

AH Industries is exposed to currency risk in connection with sales, purchase and lending in other currencies than the company's operational currency (DKK). It is the Group's policy to minimize the risk for material currency risks by the usage of financial instruments and lending in other currencies than the group functional currency.

#### ***Interest rate risks***

AH Industries is exposed to interest rate risk in connection with sales, purchase and investments.

AH Industries is following the group policy in respect to controlling the interest rate risks.

#### ***Credit risks***

The company is exposed to credit risks on debtors. The Group has an operational policy for follow-up on debtors. If an uncertainty related to a customer's ability or will to pay an outstanding amount exists and it is deemed that the outstanding amount is at risk, the Group will make an appropriate accrual for such risk.

# Management's Review

## **Mission, vision, strategy and objectives**

AH Industries every day strive to be the preferred supplier and partner to our customers and to contribute to our customer's competitiveness in terms of speed, delivery performance, quality, and cost of ownership but also through, installation and service experience. We fulfil our mission through keeping a strong focus on development of our core competences within quality, technical sales, sourcing, value engineering, machining, assembly, logistics, customer service as well as cost leadership.

Our vision is to be the preferred product, service and system provider. AH Industries has accumulated many years of experience in both specifying and purchasing raw materials, machining of components as well as engineering and building system solutions. We believe we are the natural choice when OEM's wants to select partners for system integration and deliveries and management expects that outsourcing of assembly tasks from the OEM's will be accelerated in the years to come.

Furthermore we service our global OEM customers through our global presence. AH Industries retain and develop the present strong position at our customers through our core competences. The core competences that we build on are cost leadership, quality, technical competence, high performance operation and delivery on time supported by strong management and organisations.

## **Targets and expectations for the year ahead**

Based on the structural measures taken during last year and the increased sales force combined with the focussed market communication, we expect a result in level with 2016. Nevertheless management has decided to further reduce the cost base in 2017 due to overcapacity and price pressure.

## **Basis of earnings**

### ***Organisation***

The business units in AH Industries are all managed in the same principal manner through a focused and industrial competent and commercially capable management. Through this principal model AH Industries offers seamless and effective contact direct to the management team in the business units that our customers are doing business with. We believe that our customers value the high level of experience and competence combined with the ability to make fast and committing agreements.

### ***Intellectual resources***

Our most important intellectual resource is the combination of our employees with their accumulated knowledge plus engineering and production resources. Thus we educate our employees within the newest technologies, lean, logistics and sourcing as well as leadership.

### ***Development***

AH Industries shall be a leading player within the parts of the value-chain where the company operates. Therefore we invest in the newest production technology, tools for optimizing as well as testing and measuring technologies. Amongst other AH Industries has invested in Robotized solutions in 2016 as well as advanced 3D measurement equipment

## **Management's Review**

We cooperate with our customers in all areas of the value chain from sourcing of materials, through production to system integration. Finally, we offer our customers global logistics solutions

We still have a positive long-term view of developments in the wind turbine, cement and minerals industries and in AHI's potential as a leading competitive supplier.

### **Statement of corporate social responsibility**

In August 2013, we signed the UN Global Compact and thereby officially support the 10 principles within Human Rights, Labour, Environment and Anti-corruption. UN Global Compact serves as our mainframe for our work with Corporate Social Responsibility (CSR), anchored with our CSR policy. Working dedicatedly with CSR is important for our core business at AH Industries as well as for our stakeholders.

Since then, we have further developed our CSR work by strengthening the implementation of CSR with core business processes, activities and culture.

In the following, we will take the opportunity to emphasize some of the CSR highlights from a/o. 2015:

- Revision and adjustment of CSR policy to ensure materiality and continued guidance
- Revision and adjustment of our Code of Conduct, strengthening focus on Business Ethics
- Implementation of Code of Conduct with Employee Development Dialogue
- Group Risk Assessment, ensuring management of most material risks

By this report we reaffirm AH Industries continued support of the ten business principles of the UN Global Compact in the areas of Human Rights, Labour Standards, Environment, and Anti-corruption. We describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations.

We also commit to share this information with our stakeholders using our primary channels of communication. We intend to provide an open insight to the progress we have made as well as the challenges we face related to our work with corporate social responsibility.

Each day we do our best to earn our position as a sustainable business partner.

Please refer to Groups webpage: [http://www.ah-industries.com/CSR\\_UK\\_2016.pdf](http://www.ah-industries.com/CSR_UK_2016.pdf)

## Income Statement 1 January - 31 December

	Note	2016 TDKK	2015 TDKK
<b>Revenue</b>	1	<b>697.640</b>	<b>600.322</b>
Other operating income		7.926	663
Expenses for raw materials and consumables		-475.977	-410.067
Other external expenses		-99.933	-75.360
<b>Gross profit/loss</b>		<b>129.656</b>	<b>115.558</b>
Staff expenses	2	-113.951	-105.632
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-17.059	-16.658
<b>Profit/loss before financial income and expenses</b>		<b>-1.354</b>	<b>-6.732</b>
Income from investments in subsidiaries	4	0	-40.537
Financial income	5	939	2.995
Financial expenses	6	-19.923	-13.209
<b>Profit/loss before tax</b>		<b>-20.338</b>	<b>-57.483</b>
Tax on profit/loss for the year	7	3.171	4.405
<b>Net profit/loss for the year</b>		<b>-17.167</b>	<b>-53.078</b>

# Balance Sheet 31 December

## Assets

	Note	2016 TDKK	2015 TDKK
Acquired patents		0	0
Goodwill		0	0
Development projects in progress		590	841
<b>Intangible assets</b>	<b>8</b>	<b>590</b>	<b>841</b>
Plant and machinery		75.526	85.278
Other fixtures and fittings, tools and equipment		5.676	6.105
Leasehold improvements		5.501	6.450
<b>Property, plant and equipment</b>	<b>9</b>	<b>86.703</b>	<b>97.833</b>
Investments in subsidiaries	10	0	0
Other receivables	11	3.736	3.736
<b>Fixed asset investments</b>		<b>3.736</b>	<b>3.736</b>
<b>Fixed assets</b>		<b>91.029</b>	<b>102.410</b>
<b>Inventories</b>	<b>12</b>	<b>88.340</b>	<b>79.028</b>
Trade receivables		53.195	90.724
Contract work in progress	13	0	287
Receivables from group enterprises		163	0
Other receivables		157	1.529
Corporation tax		15.124	9.131
Prepayments	14	1.303	1.128
<b>Receivables</b>		<b>69.942</b>	<b>102.799</b>
<b>Cash at bank and in hand</b>		<b>14.304</b>	<b>20.453</b>
<b>Currents assets</b>		<b>172.586</b>	<b>202.280</b>
<b>Assets</b>		<b>263.615</b>	<b>304.690</b>



# Balance Sheet 31 December

## Liabilities and equity

	Note	2016 TDKK	2015 TDKK
Share capital		10.000	10.000
Retained earnings		39.316	56.486
<b>Equity</b>		<b>49.316</b>	<b>66.486</b>
Provision for deferred tax	16	4.705	1.883
<b>Provisions</b>		<b>4.705</b>	<b>1.883</b>
Lease obligations		14.136	17.979
<b>Long-term debt</b>	17	<b>14.136</b>	<b>17.979</b>
Lease obligations	17	4.992	8.222
Trade payables		61.024	56.585
Payables to group enterprises		102.643	120.559
Other payables		22.902	26.894
Deferred income	18	3.897	6.082
<b>Short-term debt</b>		<b>195.458</b>	<b>218.342</b>
<b>Debt</b>		<b>209.594</b>	<b>236.321</b>
<b>Liabilities and equity</b>		<b>263.615</b>	<b>304.690</b>
Subsequent events	21		
Contingent assets, liabilities and other financial obligations	19		
Related parties	20		

## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	10.000	56.483	66.483
Net profit/loss for the year	0	-17.167	-17.167
<b>Equity at 31 December</b>	<b>10.000</b>	<b>39.316</b>	<b>49.316</b>

# Notes to the Financial Statements

	2016 <u>TDKK</u>	2015 <u>TDKK</u>
<b>1 Revenue</b>		
<b>Geographical segments</b>		
Revenue, Denmark	513.781	415.539
Revenue, exports	<u>183.859</u>	<u>184.783</u>
	<b><u>697.640</u></b>	<b><u>600.322</u></b>
<b>2 Staff expenses</b>		
Wages and salaries	99.910	94.030
Pensions	9.132	8.612
Other social security expenses	1.515	1.576
Other staff expenses	<u>3.394</u>	<u>1.414</u>
	<b><u>113.951</u></b>	<b><u>105.632</u></b>
<b>Including remuneration to the Executive Board and Board of Directors</b>	<b><u>5.044</u></b>	<b><u>4.668</u></b>
<b>Average number of employees</b>	<b><u>206</u></b>	<b><u>222</u></b>
<b>3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Depreciation of property, plant and equipment	<u>17.059</u>	<u>16.658</u>
	<b><u>17.059</u></b>	<b><u>16.658</u></b>
<b>4 Income from investments in subsidiaries</b>		
Share of profits of subsidiaries	0	233
Share of losses of subsidiaries	<u>0</u>	<u>-40.770</u>
	<b><u>0</u></b>	<b><u>-40.537</u></b>

## Notes to the Financial Statements

	2016 <u>TDKK</u>	2015 <u>TDKK</u>
<b>5 Financial income</b>		
Interest received from group enterprises	0	2.176
Other financial income	1	88
Exchange adjustments	<u>938</u>	<u>731</u>
	<b><u>939</u></b>	<b><u>2.995</u></b>
<b>6 Financial expenses</b>		
Interest paid to group enterprises	16.018	8.831
Other financial expenses	2.299	3.083
Exchange adjustments, expenses	<u>1.606</u>	<u>1.295</u>
	<b><u>19.923</u></b>	<b><u>13.209</u></b>
<b>7 Tax on profit/loss for the year</b>		
Current tax for the year	-5.971	-9.131
Deferred tax for the year	2.822	4.726
Adjustment of tax concerning previous years	<u>-22</u>	<u>0</u>
	<b><u>-3.171</u></b>	<b><u>-4.405</u></b>
Tax on profit/loss for the year is calculated as follows:		
Calculated 22% / 23,5% tax on profit/loss for the year before tax	-4.474	-13.272
Tax effect of:		
Tax on non-deductible expenses and non-taxable income	<u>1.303</u>	<u>8.867</u>
	<b><u>-3.171</u></b>	<b><u>-4.405</u></b>

## Notes to the Financial Statements

### 8 Intangible assets

	Acquired pa- tents	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK
Cost at 1 January	160	6.361	841
Additions for the year	0	0	326
Disposals for the year	0	0	-577
Cost at 31 December	<u>160</u>	<u>6.361</u>	<u>590</u>
Impairment losses and amortisation at 1 January	<u>160</u>	<u>6.361</u>	<u>0</u>
Impairment losses and amortisation at 31 December	<u>160</u>	<u>6.361</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>590</u></b>
Amortised over	<u>5 years</u>	<u>10 years</u>	

### 9 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 January	239.671	19.636	14.972
Additions for the year	6.894	1.790	181
Disposals for the year	-18.878	-1.647	0
Cost at 31 December	<u>227.687</u>	<u>19.779</u>	<u>15.153</u>
Impairment losses and depreciation at 1 January	154.391	13.530	8.523
Depreciation for the year	13.713	2.220	1.129
Impairment and depreciation of sold assets for the year	-15.943	-1.647	0
Impairment losses and depreciation at 31 December	<u>152.161</u>	<u>14.103</u>	<u>9.652</u>
<b>Carrying amount at 31 December</b>	<b><u>75.526</u></b>	<b><u>5.676</u></b>	<b><u>5.501</u></b>
Depreciated over	<u>3-8 years</u>	<u>2,5-8 years</u>	<u>5-7 years</u>
Including assets under finance leases amounting to	<u>30.212</u>	<u>0</u>	<u>0</u>

## Notes to the Financial Statements

	2016 TDKK	2015 TDKK
<b>10 Investments in subsidiaries</b>		
Cost at 1 January	46.539	572
Additions for the year	-165	45.967
Cost at 31 December	<u>46.374</u>	<u>46.539</u>
Value adjustments at 1 January	-46.539	-6.002
Net profit/loss for the year	165	-40.537
Value adjustments at 31 December	<u>-46.374</u>	<u>-46.539</u>
<b>Carrying amount at 31 December</b>	<u><b>0</b></u>	<u><b>0</b></u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
AHI Group Inc.	USA	USD 1.000	100%
AH Industries Deutschland GmbH	Tyskland	EUR 25.000	100%

### 11 Other fixed asset investments

	Other receiv- ables TDKK
Cost at 1 January	<u>3.736</u>
Cost at 31 December	<u>3.736</u>
<b>Carrying amount at 31 December</b>	<u><b>3.736</b></u>

### 12 Inventories

	2016 TDKK	2015 TDKK
Raw materials and consumables	66.778	60.273
Work in progress	21.562	17.214
Finished goods and goods for resale	0	1.541
	<u><b>88.340</b></u>	<u><b>79.028</b></u>

## Notes to the Financial Statements

	2016 <u>TDKK</u>	2015 <u>TDKK</u>
<b>13 Contract work in progress</b>		
Selling price of work in progress	<u>0</u>	<u>287</u>
	<u><b>0</b></u>	<u><b>287</b></u>

### 14 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

### 15 Distribution of profit

Retained earnings	<u>-17.167</u>	<u>-53.078</u>
	<u><b>-17.167</b></u>	<u><b>-53.078</b></u>

### 16 Provision for deferred tax

Provision for deferred tax at 1 January	1.883	-2.843
Amounts recognised in the income statement for the year	<u>2.822</u>	<u>4.726</u>
<b>Provision for deferred tax at 31 December</b>	<u><b>4.705</b></u>	<u><b>1.883</b></u>

### 17 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

#### Lease obligations

Between 1 and 5 years	<u>14.136</u>	<u>17.979</u>
Long-term part	14.136	17.979
Within 1 year	<u>4.992</u>	<u>8.222</u>
	<u><b>19.128</b></u>	<u><b>26.201</b></u>

# Notes to the Financial Statements

## 18 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

	2016 TDKK	2015 TDKK
<b>19 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	1.079	1.658
Between 1 and 5 years	1.097	2.363
	<u>2.176</u>	<u>4.021</u>

### Other contingent liabilities

The Danish companies owned by Ratos AB are jointly and severally liable for tax on the income subject to joint taxation etc. The total amount is disclosed in the Annual Report of RF af 20.12.2005 A/S, which is the management company of the joint taxation.

## 20 Related parties

### Basis

#### Controlling interest

AH Industries Holding A/S, Industrivej 4, 6760 Ribe      Main shareholder

#### Transactions

There have been no transactions with the Board of Directors, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties during the year, except for intercompany transactions and normal management remuneration.

#### Consolidated Financial Statements

The company is included in the Group Annual report of AH Industries Holding A/S - cvr.-nr.: 3079 9348 , Industrivej 4, 6760 Ribe. The company is included in the Group Annual report off the ultimate parent company



# Notes to the Financial Statements

## 20 Related parties (continued)

Name	Place of registered office
Ratos AB, 111 96 Stockholm, Sverige.	

In accordance with section 112 of the Danish Financial Statements Act, the company has omitted preparing a consolidated Financial Statement

## 21 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## **Notes, Accounting Policies**

### **Basis of Preparation**

The Annual Report of AH Industries A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Financial Statements for 2016 are presented in TDKK.

### **Cash flow statement**

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Ratos AB, 111 96 Stockholm, Sverige.

In accordance with section 112 of the Danish Financial Statements Act, the company has omitted preparing a consolidated Financial Statement, the Company has not prepared a cash flow statement.

### **Recognition and measurement**

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

## **Notes, Accounting Policies**

### **Leases**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### **Translation policies**

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

### **Revenue**

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

## **Income Statement**

### **Revenue**

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

## **Notes, Accounting Policies**

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### **Expenses for raw materials and consumables**

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the enterprise.

### **Other external expenses**

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

### **Staff expenses**

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

### **Income from investments in subsidiaries and associates**

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include the proportionate share of the profit for the year.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### **Extra ordinary income and expenses**

Extra ordinary income and expenses comprise income and expenses resulting from events or transactions which clearly differ from ordinary activities and which are not expected to be of a recurring nature.

## Notes, Accounting Policies

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding years.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other buildings	3-10 years
Plant and machinery	2,5-20 years
Leasehold improvements	5-10 years

Depreciation period and residual value are reassessed annually.

## **Notes, Accounting Policies**

### **Impairment of fixed assets**

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### **Investments in subsidiaries**

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

### **Other fixed asset investments**

Other fixed asset investments consist of deposits.

### **Inventories**

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

## **Notes, Accounting Policies**

### **Receivables**

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

### **Contract work in progress**

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

### **Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### **Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

## **Notes, Accounting Policies**

### **Financial debts**

Debts are measured at amortised cost, substantially corresponding to nominal value.

### **Deferred income**

Deferred income comprises payments received in respect of income in subsequent years.



## Notes, Accounting Policies

### Financial Highlights

#### Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$