
AH Industries A/S

Industrivej 4, DK-6760 Ribe

Annual Report for 1 January - 31 December 2018

CVR No 33 85 93 41

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
6 /7 2019

Kim Kronborg Christiansen
Chairman of the General
Meeting

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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 2018.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

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, 6 July 2019

Executive Board

Kim Kronborg Christiansen

Board of Directors

Adrian Roy Willetts
Chairman

Kim Kronborg Christiansen

Mette 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of AH Industries A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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.

We communicate with those charged with governance regarding, among other matters, the planned

Independent Auditor's Report

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Trekantområdet, 6 July 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jan Bunk Harbo Larsen
State Authorised Public Accountant
mne30224

Lasse Berg
State Authorised Public Accountant
mne35811

Company Information

The Company

AH Industries A/S
Industrivej 4
DK-6760 Ribe

CVR No: 33 85 93 41
Financial period: 1 January - 31 December
Financial year: 8th financial year
Municipality of reg. office: Esbjerg

Board of Directors

Adrian Roy Willetts, Chairman
Kim Kronborg Christiansen
Mette Thomsen

Executive Board

Kim Kronborg Christiansen

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:

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	429.412	541.606	697.656	600.322	530.385
Gross profit/loss	89.661	112.250	129.123	115.558	114.585
Profit/loss before financial income and expenses	-2.371	10.646	-1.887	-6.732	-600
Net financials	-12.857	-11.674	-18.451	-50.751	-13.835
Profit/loss from discontinuing activities	0	-9.622	0	0	0
Net profit/loss for the year	-14.892	-12.263	-17.167	-53.078	-12.045
Balance sheet					
Balance sheet total	206.882	222.767	263.615	304.690	319.587
Equity	22.161	37.053	49.316	66.486	119.566
Ratios					
Gross margin	20,9%	20,7%	18,5%	19,2%	21,6%
Profit margin	-0,6%	2,0%	-0,3%	-1,1%	-0,1%
Return on assets	-1,1%	4,8%	-0,7%	-2,2%	-0,2%
Solvency ratio	10,7%	16,6%	18,7%	21,8%	37,4%
Return on equity	-50,3%	-28,4%	-29,6%	-57,1%	-9,6%

For definitions, see under accounting policies.

Management's Review

Financial Statements of AH Industries A/S for 2018 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.

No consolidated financial statements have been prepared for AH Industries A/S as the Company is included in the Consolidated Financial Statements of KKC Management ApS.

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.

Development in the year

The income statement of the Company for 2018 shows a loss of TDKK 14,892, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 22,161.

The past year and follow-up on development expectations from last year

The results for 2018 did meet expectations.

Capital resources

In July 2019 a restructuring of the Groups debt and equity was agreed with final closing in Q3 2019. Hence when closed the equity of the Group (AH Industries Holding A/S) will be positive with approximately DKK 100.000k.

To cover the capital and liquidity need of the AH Industries Group, credit facilities with shareholders totalling DKK 68.000k have been agreed. Of this amount, DKK 38,000k constitutes a revolving facility and DKK 30.000k is a bullet facilities with no amortisation during 2019. The budget for 2019 shows that the facilities are adequate to secure the planned operations.

The credit facilities is not subject to financial covenants and hence will be available from closing and through out 2019.

Please also refer to extended description of capital resources and ability to going concern in note 1 of the financial statements.

Management's Review

Special risks - operating risks and financial risks

Operating risks

The Company is not assessed to have any special or extraordinary operational risks that do not similarly exist in other companies operating within the same business areas as AH Industries.

Market risks

The Company is not assessed to have any special market risks that do not similarly exist in other companies operating within the same business areas as AH Industries.

Currency risks

The Company is exposed to currency risks in connection with sales, purchase and borrowing in other currencies than the Company's functional currency (DKK). It is the Company's policy to protect itself against material currency risks by using derivative financial instruments and borrowing in other currencies than the Company's functional currency.

Interest rate risks

Due to its operations, investments and funding, the Company is exposed to risks relating to changes in the interest rate level. In order to minimise this interest rate risk, the interest-bearing debt carries a mix of fixed and floating rates of interest.

AH Industries complies with group policy for the area.

Credit risks

The Company is exposed to credit risks on receivables. The Company has a policy for follow-up on receivables. If an uncertainty related to a customer's ability or willingness to pay an outstanding amount exists and it is deemed that the outstanding amount is at risk, the Company will make the necessary provision for bad debt.

The Company's credit risk is sought minimised through the use of non-recourse factoring if possible.

Management's Review

Strategy and objectives

AH Industries' mission is to expand and strengthen our position as our customers' first choice and to be regarded as an outstanding supplier of products and services that genuinely improve solutions in cooperation with the customer.

We strive continuously to fulfil our mission by developing our core competencies within technical sales, sourcing, value engineering, production, assembly, logistics and customer service. Our vision is to be the first choice of product, service and system provider. AH Industries has accumulated many years of experience in both specifying and sourcing raw materials, machining of components as well as planning and constructing system solutions. We think that we are the natural choice when suppliers of original equipment (OEM) select their partner for system integration and deliveries, and Management expects that outsourcing of assembly tasks from OEM suppliers will accelerate in the years to come.

Targets and expectations for the year ahead

Based on the structural measures taken during last year and the change of owner as from 1 February 2018 combined with the increasing sales efforts in all business entities, we expect a positive development during 2019.

Basis of earnings

Research and development

AH Industries wants to 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 optimising as well as testing and measuring technologies.

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.

Intellectual capital resources

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

Statement of corporate social responsibility

Business Model

As a sub-contractor, AH Industries provides sourcing, machining and assembly of products for metal structure solutions. Our customers operate primarily in Europe, Asia and the Middle East with a few orders going to the USA. Raw materials for machining and products for resale or assembly are sourced by AH Industries from China and Europe – including Eastern Europe and Turkey.

AH Industries has its head office in Ribe, Denmark and four production sites: three in Denmark (Ribe and Horsens) and one in China (Ningbo in the Zhejiang province).

Management's Review

At 1 February 2018, AH Industries changed owners from a German private equity fund to become an owner-managed enterprise with two owners.

Policies

All sites have the same values and policies. In Q4 2018, the Group updated its mission, vision, values and policies to match the ethical set of values of the new owners.

Consequently, instead of having separate policies for the working environment, environment and CSR, the Group's owners' ethical set of values has now been incorporated into the Group values Teamwork, Excellence and Caring as well as into the policies HSEE Policy, People Policy, Sourcing & Purchasing Policy. The values have been communicated to all employees via information meetings, and the policies will be rolled out during 2019. The owners consider this an important CSR achievement and a good starting point for the work to be done in the years ahead.

Social and staff matters

Health and safety:

All AH Industries' sites are certified under the international occupational health & safety standard OHSAS18001, and no sites have any unresolved issues with public authorities.

The safety of employees and visitors to AH Industries' sites has top priority. Since 2013, the Group has registered and worked seriously with near misses, and the accident frequency has been calculated on an annual basis since 2015.

Both KPIs are stable over the years with minor up-and-down fluctuations. This is not satisfactory and, therefore, the new owners have focus on the safety culture and on reducing dangerous situations. At the end of 2018, a training programme was launched which is to develop Management's mindset with respect to safety.

Contribution to society:

AH Industries' strategy is to train more skilled workmen in metal machining, and we therefore have a number of apprentices following the industrial engineering programme.

The Group is 3.58 apprentice points above target compared to the calculated AUB target (Employers' Training Contribution) for production enterprises (AH Industries) but 0.18 below target as regards apprentice points in the administration company (AH Industries Holding). This is a conscious prioritisation.

Trade union rights:

AH Industries respects trade unions and operates with collective agreements with a free choice of trade union on all Danish sites. All employees on the Chinese site are organised.

Management's Review

Environment and climate

AH Industries complies with current environmental and energy legislation and moreover works continuously to improve its performance in the area. AH Industries also expects the same from its suppliers. This policy has been communicated to our employees via the HSEE Policy and to suppliers via the Supplier Code of Conduct.

All sites – both Danish and Chinese – have all the required environmental approvals and no unresolved issues with public authorities. The Group is ISO14001 certified. Since January 2018, the Danish sites have added section 4.4.3 of ISO50001 and, thus, meets the Danish requirements for energy audit of large enterprises.

The Group's primary environmental impact relates to:

- Metal scraps from production – We have focus on optimising and reducing scraps. When scraps cannot be avoided, they are sold for recycling through approved metal scrap buyers.
- Transport of raw materials and finished goods – We have constant focus on optimising transport; overseas transport is mainly taking place by ship.
- Consumption of electricity and gas (LNG and LPG) – This consumption goes towards production and heating of buildings and therefore varies according to operations. The sites are focused on having energy-efficient equipment when it has an impact on consumption.

In 2019, focus remains on our performance in the above mentioned areas.

The Group furthermore has hazardous waste in the form of cooling lubricants and other chemical remains. All chemical waste is collected and handled by approved environmental waste-disposal companies. All factories have taken precautionary measures to ensure that discharge will not have any impact on the surrounding nature.

In January 2018, the Danish sites were certified under section 4.4.3 of ISO50001. This was an important step which implies that the Group meets the Danish requirements for energy audit of large enterprises.

We monitor the consumption of electricity and gas on a monthly basis, and consumption has declined compared to 2017.

Anti-corruption and anti-bribery as well as respect for human rights

As we have a factory in China and a supplier base in China, Eastern Europe and Turkey combined with our customers' global footprint, AH Industries operates directly and indirectly in countries where there is a risk of human rights compliance issues as well as a risk of corruption and bribery.

AH Industries is very conscious about this risk and has a zero-tolerance policy in the areas. To ensure compliance, the following processes have been activated:

Management's Review

- Respect for human rights is communicated to our employees via the value Caring and the People Policy and to our suppliers via the Supplier Code of Conduct.
- Our approach to corruption and bribery is communicated to our employees via the Code of Conduct to our Chinese employees and to all employees via the Sourcing & Purchasing Policy and to our suppliers via the Supplier Code of Conduct.
- The Supplier Code of Conduct is sent for the signature of our suppliers at regular intervals.
- The situation is assessed in connection with routine visits to our suppliers. The routine visits are made by either AH Industries employees, inspectors working on behalf of AH Industries and, in some cases, by customers.

Based on Transparency International's CPI2018, the risk of corruption and bribery is assessed to be highest in China, Turkey and Romania, and the risk in both China and Romania is assessed to be showing a declining trend.

The European suppliers (Turkey and Romania) trade exclusively with employees based in Denmark. The Chinese suppliers are handled by AH Industries' Chinese site. Upon employment, all employees in China are made familiar with AH Industries' CoC for employees, and they are therefore aware of the Group's zero tolerance in the area. The risk of corruption is assessed to be low, but we monitor the situation.

In 2018, focus has been on getting to know the business and our status on anti-corruption and anti-bribery as well as respect for human rights. Therefore, no specific results in the areas can be demonstrated this financial year.

Management's Review

Statement on gender composition

AH Industries operates in an industry with an overweight of male employees, and AH Industries is no exception.

The ratio of women on the Board of Directors is 33% at the present time. The most recent election of a member to the Board of Directors was in connection with the new owners' acquisition of the Company on 1 February 2018. In this connection, focus was on having a Board of Directors with knowledge of the Company. The resigning CFO, who had been with the Company for approximately nine years, was elected for this reason. The target is for the Board of Directors to have one female member on the Board of Directors at 1 February 2026.

The new owners' policy is to have a more balanced gender representation at other management levels and in specialist roles while at the same time recruiting based on required skills.

In 2018, more resources were spent to better describe skills and to test candidates before employment. By focusing on skills, the owners expect that the Company will succeed in bringing more women on board.

The number of women at other management levels is increasing. At 31 December 2018, the Senior Management Team consisted of 25% women compared to 0% at the end of 2017. At 31 December 2018, the ratio of women in management roles was 25.8% compared to 18.5% at the end of 2017. From 2019, we will also measure the ratio of women employed in specialist roles.

Uncertainty relating to recognition and measurement

The computation of the carrying amount of certain assets and liabilities requires assessments, estimates and assumptions regarding future events. The estimates used are based on historical experience and other factors which by Management are assessed to be reliable, but which by nature are associated with uncertainty. The assumptions may be incomplete or incorrect, and unexpected events or circumstances may arise.

Subsequent events

In July 2019 a restructuring of the Groups debt and equity was agreed with final closing in Q3 2019. Hence when closed the equity of the Group (AH Industries Holding A/S) will be positive with approximately DKK 100.000k.

Please also refer to extended description of capital resources and ability to going concern in note 1 of the financial statements.

Income Statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
Revenue	4	429.412	541.606
Other operating income		213	204
Expenses for raw materials and consumables		-283.890	-359.584
Other external expenses		-56.074	-69.976
Gross profit/loss		89.661	112.250
Staff expenses	5	-75.227	-84.080
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	6	-16.805	-16.076
Other operating expenses		0	-1.448
Profit/loss before financial income and expenses		-2.371	10.646
Financial income	7	208	1.632
Financial expenses	8	-13.065	-13.306
Profit/loss before tax		-15.228	-1.028
Tax on profit/loss for the year	9	336	-1.613
Profit/loss from continuing activities		-14.892	-2.641
Profit/loss from discontinuing activities	10	0	-9.622
Net profit/loss for the year		-14.892	-12.263

Balance Sheet 31 December

Assets

	Note	2018 TDKK	2017 TDKK
Goodwill		0	0
Intangible assets	11	0	0
Plant and machinery		55.381	66.663
Other fixtures and fittings, tools and equipment		3.662	3.891
Leasehold improvements		2.899	3.706
Property, plant and equipment	12	61.942	74.260
Investments in subsidiaries	13	0	0
Other receivables	14	2.375	2.375
Fixed asset investments		2.375	2.375
Fixed assets		64.317	76.635
Inventories	15	57.648	64.231
Trade receivables		61.349	60.889
Receivables from group enterprises		4.937	5.116
Other receivables		5.156	661
Corporation tax		31	0
Prepayments	16	1.099	1.198
Receivables		72.572	67.864
Cash at bank and in hand		12.345	14.037
Currents assets		142.565	146.132
Assets		206.882	222.767

Balance Sheet 31 December

Liabilities and equity

	Note	2018 TDKK	2017 TDKK
Share capital		10.000	10.000
Retained earnings		12.161	27.053
Equity		22.161	37.053
Provision for deferred tax	18	4.947	5.283
Provisions		4.947	5.283
Lease obligations		3.684	8.989
Long-term debt	19	3.684	8.989
Lease obligations	19	5.305	5.147
Trade payables		35.657	42.224
Payables to group enterprises		121.617	103.282
Other payables		13.511	19.953
Deferred income	20	0	836
Short-term debt		176.090	171.442
Debt		179.774	180.431
Liabilities and equity		206.882	222.767
Going concern	1		
Uncertainty on recognition and measurement	2		
Subsequent events	3		
Distribution of profit	17		
Contingent assets, liabilities and other financial obligations	21		
Related parties	22		
Accounting Policies	23		

Statement of Changes in Equity

	Share capital TDKK	Retained earnings TDKK	Total TDKK
Equity at 1 January	10.000	27.053	37.053
Net profit/loss for the year	0	-14.892	-14.892
Equity at 31 December	10.000	12.161	22.161

Notes to the Financial Statements

1 Going concern

The Annual Report for 2018 is prepared under the assumption of going concern. AH Industries A/S has in 2018 realised a loss of DKK 14.892k. Equity of the Company amounts to a DKK 22.161k at 31 December 2018.

In July 2019 a restructuring of the Groups debt and equity was agreed with final closing in Q3 2019. Hence when closed the equity of the Group (AH Industries Holding A/S) will be positive with approximately DKK 100.000k.

The budgeted figures for 2019, which shows expected loss of DKK 6.493k, have been prepared on the basis of several assumptions of positive developments, where improved profitability is the main target. As the assumptions rely on expectations for the future they may be subject to uncertainty.

To cover the capital and liquidity need of the AH Industries Group, credit facilities with shareholders totalling DKK 68,000k have been agreed. Of this amount, DKK 38,000k constitutes a revolving facility and DKK 30,000k is a bullet facilities with no amortisation during 2019. The budget for 2019 shows that the facilities are adequate to secure the planned operations.

The credit facilities is not subject to financial covenants and hence will be available from closing and through out 2019.

Management expects that the budget will be realised and that the required financing is available. Consequently, the Financial Statements are prepared under the assumption of going concern.

2 Uncertainty on recognition and measurement

The computation of the carrying amount of certain assets and liabilities requires assessments, estimates and assumptions regarding future events. The estimates used are based on historical experience and other factors which by Management are assessed to be reliable, but which by nature are associated with uncertainty. The assumptions may be incomplete or incorrect, and unexpected events or circumstances may arise.

3 Subsequent events

In July 2019 a restructuring of the Groups debt and equity was agreed with final closing in Q3 2019. Hence when closed the equity of the Group (AH Industries Holding A/S) will be positive with approximately DKK 100.000k.

Please also refer to extended description of capital resources and ability to going concern in note 1 of the financial statements.

Notes to the Financial Statements

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
4 Revenue		
Geographical segments		
Revenue, Denmark	254.209	426.545
Revenue, exports	<u>175.203</u>	<u>115.061</u>
	<u>429.412</u>	<u>541.606</u>
Business segments		
Wind Solutions	286.227	414.427
Industrial Solutions	178.377	127.179
	<u>-35.192</u>	<u>0</u>
	<u>429.412</u>	<u>541.606</u>
5 Staff expenses		
Wages and salaries	65.039	75.294
Pensions	8.254	6.692
Other social security expenses	1.303	1.362
Other staff expenses	<u>631</u>	<u>732</u>
	<u>75.227</u>	<u>84.080</u>
Including remuneration to the Executive Board and Board of Directors	<u>2.387</u>	<u>5.912</u>
Average number of employees	<u>152</u>	<u>191</u>

Notes to the Financial Statements

	2018 <u>TDKK</u>	2017 <u>TDKK</u>
6 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	16.805	16.076
	16.805	16.076
7 Financial income		
Other financial income	16	2
Exchange adjustments	192	1.630
	208	1.632
8 Financial expenses		
Interest paid to group enterprises	11.902	11.244
Other financial expenses	1.068	1.217
Exchange adjustments, expenses	95	845
	13.065	13.306
9 Tax on profit/loss for the year	2018 <u>TDKK</u>	2017 <u>TDKK</u>
Current tax for the year	0	0
Deferred tax for the year	-336	578
Adjustment of tax concerning previous years	0	1.035
	-336	1.613
Tax on profit/loss for the year is calculated as follows:		
Calculated 22% tax on profit/loss for the year before tax	-3.350	-226
Tax effect of:		
Tax on non-deductible expenses and non-taxable income	3.168	804
Adjustment of tax concerning previous years	0	1.035
	-182	1.613

Notes to the Financial Statements

	2018 <hr/> TDKK	2017 <hr/> TDKK
10 Discontinuing activities		
Revenue	0	28.655
Other operating income	0	8.370
Expenses for raw materials and consumables	0	-20.162
Other external expenses	0	-7.942
	<hr/>	<hr/>
Gross profit/loss	0	8.921
Staff expenses	0	-16.781
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	0	-1.114
	<hr/>	<hr/>
Profit/loss before financial income and expenses	0	-8.974
Financial expenses	0	-648
	<hr/>	<hr/>
Profit/loss before tax	0	-9.622
Tax on profit/loss for the year	0	0
	<hr/>	<hr/>
	0	-9.622

Notes to the Financial Statements

11 Intangible assets

	<u>Goodwill</u> TDKK
Cost at 1 January	<u>6.361</u>
Cost at 31 December	<u>6.361</u>
Impairment losses and amortisation at 1 January	<u>6.361</u>
Impairment losses and amortisation at 31 December	<u>6.361</u>
Carrying amount at 31 December	<u>0</u>
Amortised over	<u>10 years</u>

Notes to the Financial Statements

12 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 January	227.363	15.760	12.539
Additions for the year	4.406	27	54
Disposals for the year	0	-109	0
Cost at 31 December	<u>231.769</u>	<u>15.678</u>	<u>12.593</u>
Impairment losses and depreciation at 1 January	160.700	11.869	8.833
Depreciation for the year	15.688	256	861
Impairment and depreciation of sold assets for the year	0	-109	0
Impairment losses and depreciation at 31 December	<u>176.388</u>	<u>12.016</u>	<u>9.694</u>
Carrying amount at 31 December	<u>55.381</u>	<u>3.662</u>	<u>2.899</u>
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>18.077</u>	<u>0</u>	<u>0</u>

13 Investments in subsidiaries

	2018 TDKK	2017 TDKK
Cost at 1 January	<u>46.374</u>	<u>46.374</u>
Cost at 31 December	<u>46.374</u>	<u>46.374</u>
Value adjustments at 1 January	-46.374	-46.374
Net profit/loss for the year	4.037	0
Reversals for the year of revaluations in previous years	-4.037	0
Value adjustments at 31 December	<u>-46.374</u>	<u>-46.374</u>
Carrying amount at 31 December	<u>0</u>	<u>0</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%

Notes to the Financial Statements

14 Other fixed asset investments

	Other receiv- ables
	<u>TDKK</u>
Cost at 1 January	<u>2.375</u>
Cost at 31 December	<u>2.375</u>
Carrying amount at 31 December	<u>2.375</u>

15 Inventories

	2018	2017
	<u>TDKK</u>	<u>TDKK</u>
Raw materials and consumables	35.234	44.538
Work in progress	<u>22.414</u>	<u>19.693</u>
	<u>57.648</u>	<u>64.231</u>

16 Prepayments

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

17 Distribution of profit

Retained earnings	<u>-14.892</u>	<u>-12.263</u>
	<u>-14.892</u>	<u>-12.263</u>

18 Provision for deferred tax

	2018	2017
	<u>TDKK</u>	<u>TDKK</u>
Provision for deferred tax at 1 January	5.283	4.705
Amounts recognised in the income statement for the year	<u>-336</u>	<u>578</u>
Provision for deferred tax at 31 December	<u>4.947</u>	<u>5.283</u>

Notes to the Financial Statements

19 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:

	<u>2018</u> TDKK	<u>2017</u> TDKK
Lease obligations		
Between 1 and 5 years	3.684	8.989
Long-term part	<u>3.684</u>	<u>8.989</u>
Within 1 year	<u>5.305</u>	<u>5.147</u>
	<u>8.989</u>	<u>14.136</u>

20 Deferred income

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

21 Contingent assets, liabilities and other financial obligations

Contingent assets

The company has not recognized a deferred tax asset value of TDKK 4.181 regarding its unutilised tax losses per 31 December 2018.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	189	693
Between 1 and 5 years	<u>309</u>	<u>499</u>
	<u>498</u>	<u>1.192</u>

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK
21 Contingent assets, liabilities and other financial obligations (continued)		

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed income of the Group. The total amount is disclosed in the Annual Report of KKC Management ApS, which is the management company of the joint taxation.

AH Industries A/S has joined in a joint cash pool scheme under which AH Industries Holding A/S is formally registered as the owner of deposits or amounts drawn from the facility.

Each subsidiary is liable for the withdrawals made by the other enterprises from the facility.

22 Related parties

Basis

Controlling interest

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

The company has omitted information of transaction with related parties in accordance with the Danish Financial Statements Act section 98c, stk. 7.

Consolidated Financial Statements

The company is included in the Group Annual report of the ultimate parent company

<u>Name</u>	<u>Place of registered office</u>
KKC Management ApS	Hillerød, Denmark

Notes to the Financial Statements

22 Related parties (continued)

The Group Annual Report of KKC Management ApS may be obtained at the following address:

Smedievej 243
3400 Hillerød

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

Notes to the Financial Statements

23 Accounting Policies

The Annual Report of AH Industries A/S for 2018 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.

The Financial Statements for 2018 are presented in TDKK.

No note for the "Fee to auditors appointed at the general meeting" have been prepared for AH Industries A/S as the Company is included in the Consolidated Financial Statements of KKC Management ApS.

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 KKC Management ApS, 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 to the Financial Statements

23 Accounting Policies (continued)

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.

Notes to the Financial Statements

23 Accounting Policies (continued)

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.

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 year.

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

The item "Income from investments in subsidiaries" in the income statement includes 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.

Notes to the Financial Statements

23 Accounting Policies (continued)

Extraordinary income and expenses

Extraordinary 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.

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 Danish 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.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

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.

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 to the Financial Statements

23 Accounting Policies (continued)

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 manage-

Notes to the Financial Statements

23 Accounting Policies (continued)

ment.

Receivables

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

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.

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 to the Financial Statements

23 Accounting Policies (continued)

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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$