AH Industries A/S

Industrivej 4, DK-6760 Ribe

Annual Report for 1 January - 31 December 2017

CVR No 33 85 93 41

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 1 /6 2018

Kim Kronborg Christiansen
Chairman

Contents

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 2017.

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 2017 of the Company and of the results of the Company operations and cash flows for 2017.

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, 1 June 2018

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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017 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 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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.

Material Uncertainty Related to Going Concern
We refer to note 1 to the Financial Statements disclosing that the Company has realised a loss of DKK 12,263k in the financial year ended at 31 December 2017 and that the budget for the year ahead also shows a loss. This together with the other circumstances mentioned in note 1 indicate that material uncertainty exists which may cast doubt on the Company's ability to continue as a going concern. Our opinion has not been modified in respect of this matter.

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.

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

Trekantområdet, 1 June 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Bunk Harbo Larsen statsautoriseret revisor mne30224	Lasse Berg statsautoriseret revisor mne35811

Company Information

The Company	AH Industries A/S Industrivej 4 DK-6760 Ribe E-mail: info@ah-industries.com Website: www.ah-industries.com CVR No: 33 85 93 41 Financial period: 1 January - 31 December Financial year: 7th 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:

	2017	2016	2015	2014	2013
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	541.606	697.656	600.322	530.385	658.959
Gross profit/loss	112.250	129.123	115.558	114.585	116.205
Operating profit/loss	11.890	-9.813	-7.395	-1.758	-37.647
Profit/loss before financial income and expenses	10.646	-1.887	-6.732	-600	-36.759
Net financials	-11.674	-18.451	-50.751	-13.835	-20.308
Profit/loss from discontinuing activities	-9.622	0	0	0	0
Net profit/loss for the year	-12.263	-17.167	-53.078	-12.045	-42.950
Balance sheet					
Balance sheet total	222.767	263.615	304.690	319.587	370.097
Equity	37.053	49.316	66.486	119.566	131.548
Cash flows					
Cash flows from:					
- operating activities	7.806	23.523	50.431	58.941	17.851
- investing activities	-3.720	-4.685	-66.074	-31.084	-7.196
including investment in property, plant and equipment	-6.217	-8.865	-9.701	-29.495	-7.196
- financing activities	-4.353	-24.987	17.406	-44.490	-6.855
Change in cash and cash equivalents for the year	-267	-6.149	1.763	-16.633	3.800
Ratios					
Gross margin	20,7%	18,5%	19,2%	21,6%	17,6%
Profit margin	2,0%	-0,3%	-1,1%	-0,1%	-5,6%
Return on assets	4,8%	-0,7%	-2,2%	-0,2%	-9,9%
Solvency ratio	16,6%	18,7%	21,8%	37,4%	35,5%
Return on equity	-28,4%	-29,6%	-57,1%	-9,6%	-28,0%

For definitions, see under accounting policies.

Management's Review

Financial Statements of AH Industries A/S for 2017 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 Aurelius Equity Opportunities SE & Co KGaA.

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 2017 shows a loss of TDKK 12,263, and at 31 December 2017 the balance sheet of the Company shows equity of TDKK 37,053.

In the year, the Company sold the division Site Solution, which is consequently classified as discontinued.

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

The results for 2017 did not meet expectations.

Capital resources

To cover the capital and liquidity need of the AH Industries Group, credit facilities with Nordea totalling DKK 173,000k have been agreed. Of this amount, DKK 38,000k constitutes a revolving facility and DKK 135,000k is bullet facilities with no amortisation during 2018 and 2019. The budget for 2018 and 2019 shows that the facilities are adequate to secure the planned operations.

The credit facility is subject to financial covenants. These are determined based on the Group's 2018 and 2019 budgeted EBITDA although the financial covenants do not require a full achievement of the 2018 and 2019 earnings expectations.

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

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.

Management's Review

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.

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.

Management's Review

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 2018.

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

Organisation
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

This section constitutes the Company's statement in accordance with section 99a of the Danish Financial Statements Act. The Company has prepared separate policies based on the 10 principles of the UN Global Compact which include: Human Rights, Labour, Environment and Climate, Anti-corruption and Bribery.

Human Rights

Our efforts with respect to human rights in 2017 comprised continued focus on whether suppliers and partners share our approach and values in relation to human rights. Consequently, we did not either in 2017 become aware of any violation of neither local legislation nor the Company's policies for human rights. The Company continues to provide training and instructions to key functions in the Company (sourcing and sales) to ensure that the Company's values and policies are known and complied with.

Labour

In 2017, the Company continued its focus on health and safety with a view to preventing work-related injuries through training of employees and follow-up on both accidents and recorded near accidents. The effort has resulted in a decline in the accident rate of the Company.

Management's Review

Environment and Climate

The Company's primary environmental impact is chips from machining processes, coolant and cutting oils used in working machines and water from washing processes. In 2017, the Company focused on recycling these waste products to the greatest extent possible. As a result of the increased focus on recycling, we have recorded a higher rate of recycling with respect to the waste fractions concerned in 2017.

Anti corruption and Bribery

The Company has written policies for anti-corruption and bribery.

Moreover, the Company has designed a whistleblower system which has been available to employees and outside persons throughout the financial period. However, Management has not been contacted in 2017 by any employees concerning matters requiring further investigations.

Statement on gender composition

This section constitutes the Company's statement on gender composition in accordance with section 99b of the Danish Financial Statements Act.

The gender representation with respect to the members of the Board of Directors elected at the Company's General Meeting was no women and three men. The Company's owners strive to have the right competencies on the Board of Directors at any time which, until the end of 2017, has not resulted in a more equal gender distribution. The owners intend to correct this.

Policy for increasing the underrepresented gender at other management levels

The long-term policy is for the management group of AH Industries A/S to have an equal distribution of men and women. The Company is continuously working to obtain a more equal gender distribution at all organisational levels based on recruitment and promotion processes.

Recruitment

When recruiting new employees, we do not in general take account of gender, age, ethnicity or other characteristics that are irrelevant to the competences of the candidate. In the light of our ambition to increase the representation of the underrepresented gender, we have continued in 2017 to appoint the female candidates in cases where the candidates are considered to possess equal competences. This principle has been applied both in respect of executive appointments and appointments for other positions in the Company. In the cases where we use external recruitment companies for the appointment of executives, we have also in 2017 continued to place the supplier under an obligation to identify and present suitable candidates of both genders.

Promotions

In the Company, we use our internal recruitment pipeline for our management team to a high extent. This means that more than half of our executive appointments in 2017 were based on promotions of our own employees. Consequently, the gender representation in our management team also reflects the gender representation of the rest of our employees. In 2017, we focused on identifying female talents with

Management’s Review

the drive and skills to be promoted. As it is the case with other employees in the Company, career paths have been determined for these talents in cooperation with their immediate manager at an annual performance and development interview. Any supplementary training options and/or management courses which could be relevant to support talent development have also been considered.

The gender composition is stable at all management levels compared to previous years.

Uncertainty relating to recognition and measurement

The computation of the carrying amount of certain assets and liabilities requires assements, 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

As of February 1, 2018, Aurelius signed an agreement with Kim Kronborg Christiansen and Adrian Willetts on the sale of 100% of the shares in AH Industries Holding A/S, which owns AH Industries A/S 100%.

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

Income Statement 1 January - 31 December

	Note	2017	2016
		TDKK	TDKK
Revenue	3	**541.606**	**697.656**
Other operating income		204	7.926
Expenses for raw materials and consumables		-359.584	-475.993
Other external expenses		-69.976	-100.466
Gross profit/loss		**112.250**	**129.123**
Staff expenses	4	-84.080	-113.951
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	5	-16.076	-17.059
Other operating expenses		-1.448	0
Profit/loss before financial income and expenses		**10.646**	**-1.887**
Financial income	6	1.632	939
Financial expenses	7	-13.306	-19.390
Profit/loss before tax		**-1.028**	**-20.338**
Tax on profit/loss for the year	8	-1.613	3.171
Profit/loss from continuing activities		**-2.641**	**-17.167**
Profit/loss from discontinuing activities	9	-9.622	0
Net profit/loss for the year		**-12.263**	**-17.167**

Balance Sheet 31 December

Assets

	Note	2017	2016
		TDKK	TDKK
Goodwill		0	0
Development projects in progress		0	590
Intangible assets	10	**0**	**590**
Plant and machinery		66.663	75.526
Other fixtures and fittings, tools and equipment		3.891	5.676
Leasehold improvements		3.706	5.501
Property, plant and equipment	11	**74.260**	**86.703**
Investments in subsidiaries	12	0	0
Other receivables	13	2.375	3.736
Fixed asset investments		**2.375**	**3.736**
Fixed assets		**76.635**	**91.029**
Inventories	14	**64.231**	**88.340**
Trade receivables		60.889	53.195
Receivables from group enterprises		5.116	163
Other receivables		661	157
Corporation tax		0	15.124
Prepayments	15	1.198	1.303
Receivables		**67.864**	**69.942**
Cash at bank and in hand		**14.037**	**14.304**
Currents assets		**146.132**	**172.586**
Assets		**222.767**	**263.615**

Balance Sheet 31 December

Liabilities and equity

	Note	2017	2016
		TDKK	TDKK
Share capital		10.000	10.000
Retained earnings		27.053	39.316
Equity		**37.053**	**49.316**
Provision for deferred tax	17	5.283	4.705
Provisions		**5.283**	**4.705**
Lease obligations		8.989	14.136
Long-term debt	18	**8.989**	**14.136**
Lease obligations	18	5.147	4.992
Trade payables		42.224	61.024
Payables to group enterprises		103.282	102.643
Other payables		19.953	22.902
Deferred income	19	836	3.897
Short-term debt		**171.442**	**195.458**
Debt		**180.431**	**209.594**
Liabilities and equity		**222.767**	**263.615**
Going concern	1		
Uncertainty on recognition and measurement	2		
Subsequent events	25		
Distribution of profit	16		
Contingent assets, liabilities and other financial obligations	22		
Related parties	23		
Fee to auditors appointed at the general meeting	24		
Accounting Policies	26		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	10.000	39.316	49.316
Net profit/loss for the year	0	-12.263	-12.263
Equity at 31 December	**10.000**	**27.053**	**37.053**

Cash Flow Statement 1 January - 31 December

	Note	2017	2016
		TDKK	TDKK
Net profit/loss for the year		-12.263	-17.167
Adjustments	20	32.049	31.713
Change in working capital	21	1.363	27.964
Cash flows from operating activities before financial income and expenses		**21.149**	**42.510**
Financial income		1.632	941
Financial expenses		-14.975	-19.928
Cash flows from operating activities		**7.806**	**23.523**
Purchase of intangible assets		0	-326
Purchase of property, plant and equipment		-6.217	-8.865
Fixed asset disposals		1.361	0
Sale of intangible assets		589	577
Sale of property, plant and equipment		547	3.929
Cash flows from investing activities		**-3.720**	**-4.685**
Reduction of lease obligations		-4.992	-7.072
Repayment of payables to group enterprises		639	-17.915
Cash flows from financing activities		**-4.353**	**-24.987**
Change in cash and cash equivalents		**-267**	**-6.149**
Cash and cash equivalents at 1 January		14.304	20.453
Cash and cash equivalents at 31 December		**14.037**	**14.304**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		14.037	14.304
Cash and cash equivalents at 31 December		**14.037**	**14.304**

Notes to the Financial Statements

1 Going concern

The Annual Report for 2017 is prepared under the assumption of going concern.

AH Industries A/S has in 2017 realised a loss of DKK 12,263k. Equity of the Company amounts to DKK 37,053k at 31 December 2017. In the first 4 months of 2018, the Company has also realised a loss

The budgeted figures for 2018 and 2019, which both shows expected loss, 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 Nordea totalling DKK 173,000k have been agreed. Of this amount, DKK 38,000k constitutes a revolving facility and DKK 135,000k is bullet facilities with no amortisation during 2018 and 2019. The budget for 2018 and 2019 shows that the facilities are adequate to secure the planned operations.

The credit facility is subject to financial covenants. These are determined based on the Group's 2018 and 2019 budgeted EBITDA although the financial covenants do not require a full achievement of the 2018 and 2019 earnings expectations.

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. However, the above-mentioned circumstances indicate that material uncertainty exists which may cast doubt on the Company continuing as a going concern.

2 Uncertainty on recognition and measurement

The computation of the carrying amount of certain assets and liabilities requires assements, 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.

Notes to the Financial Statements

		2017	2016
		TDKK	TDKK
3	**Revenue**		
	Geographical segments		
	Revenue, Denmark	426.545	513.797
	Revenue, exports	115.061	183.859
		541.606	**697.656**
	Business segments		
	Wind Solutions	414.427	532.253
	Industrial Solutions	127.179	165.403
		541.606	**697.656**
4	**Staff expenses**		
	Wages and salaries	75.294	99.910
	Pensions	6.692	9.132
	Other social security expenses	1.362	1.515
	Other staff expenses	732	3.394
		84.080	**113.951**
	Including remuneration to the Executive Board and Board of Directors of:		
	Executive Board	5.748	3.674
	Supervisory Board	164	1.370
		5.912	**5.044**
	Average number of employees	**191**	**206**

Notes to the Financial Statements

		2017	2016
		TDKK	TDKK
5	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**		
	Depreciation of property, plant and equipment	16.076	17.059
		16.076	**17.059**
6	**Financial income**		
	Other financial income	2	1
	Exchange adjustments	1.630	938
		1.632	**939**
7	**Financial expenses**		
	Interest paid to group enterprises	11.244	16.018
	Other financial expenses	1.217	1.766
	Exchange adjustments, expenses	845	1.606
		13.306	**19.390**
8	**Tax on profit/loss for the year**		
	Current tax for the year	0	-5.971
	Deferred tax for the year	578	2.822
	Adjustment of tax concerning previous years	1.035	-22
		1.613	**-3.171**
	Tax on profit/loss for the year is calculated as follows:		
	Calculated 22% tax on profit/loss for the year before tax	-226	-4.474
	Tax effect of:		
	Tax on non-deductible expenses and non-taxable income	804	1.325
	Adjustment of tax concerning previous years	1.035	-22
		1.613	**-3.171**

Notes to the Financial Statements

9 Discontinuing activities

	2017	2016
	TDKK	TDKK
Revenue	28.655	0
Other operating income	8.370	0
Expenses for raw materials and consumables	-20.162	0
Other external expenses	-7.942	0
Gross profit/loss	**8.921**	**0**
Staff expenses	-16.781	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	-1.114	0
Profit/loss before financial income and expenses	**-8.974**	**0**
Financial expenses	-648	0
Profit/loss before tax	**-9.622**	**0**
Tax on profit/loss for the year	0	0
	-9.622	**0**

The above cash flows are included in the cash flow statement under cash flows from operating, investment and financing activities

Notes to the Financial Statements

10 Intangible assets

	Goodwill	Development projects in progress
	TDKK	TDKK
Cost at 1 January	6.361	589
Disposals for the year	0	-589
Cost at 31 December	6.361	0
Impairment losses and amortisation at 1 January	6.361	0
Impairment losses and amortisation at 31 December	6.361	0
Carrying amount at 31 December	**0**	**0**
Amortised over	10 years	

Notes to the Financial Statements

11 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 January	227.687	19.779	15.153
Additions for the year	5.572	386	301
Disposals for the year	-5.896	-4.405	-2.915
Cost at 31 December	227.363	15.760	12.539
Impairment losses and depreciation at 1 January	152.161	14.103	9.652
Depreciation for the year	14.163	1.733	1.294
Reversal of impairment and depreciation of sold assets	-5.624	-3.967	-2.113
Impairment losses and depreciation at 31 December	160.700	11.869	8.833
Carrying amount at 31 December	**66.663**	**3.891**	**3.706**
Depreciated over	3-8 years	2,5-8 years	5-7 years
Including assets under finance leases amounting to	24.145	0	0

12 Investments in subsidiaries

	2017	2016
	TDKK	TDKK
Cost at 1 January	46.374	46.539
Additions for the year	0	-165
Cost at 31 December	46.374	46.374
Value adjustments at 1 January	-46.374	-46.539
Net profit/loss for the year	0	165
Value adjustments at 31 December	-46.374	-46.374
Carrying amount at 31 December	**0**	**0**

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

13 Other fixed asset investments

	Other receivables
	TDKK
Cost at 1 January	3.736
Disposals for the year	-1.361
Cost at 31 December	2.375
Carrying amount at 31 December	**2.375**

14 Inventories

	2017	2016
	TDKK	TDKK
Raw materials and consumables	44.538	66.778
Work in progress	19.693	21.562
	64.231	**88.340**

15 Prepayments

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

16 Distribution of profit

	2017	2016
Retained earnings	-12.263	-17.167
	-12.263	**-17.167**

Notes to the Financial Statements

		2017	2016
		TDKK	TDKK
17	**Provision for deferred tax**		
	Provision for deferred tax at 1 January	4.705	1.883
	Amounts recognised in the income statement for the year	578	2.822
	Provision for deferred tax at 31 December	**5.283**	**4.705**
	Intangible assets	-3	-3
	Property, plant and equipment	5.734	6.286
	Inventories	-712	-1.865
	Prepayments	264	287
		5.283	**4.705**

18 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

	2017	2016
Between 1 and 5 years	8.989	14.136
Long-term part	8.989	14.136
Within 1 year	5.147	4.992
	14.136	**19.128**

19 Deferred income

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

Notes to the Financial Statements

		2017	2016
		TDKK	TDKK
20	**Cash flow statement - adjustments**		
	Financial income	-1.632	-939
	Financial expenses	13.954	19.390
	Depreciation, amortisation and impairment losses, including losses and gains on sales	18.114	16.433
	Tax on profit/loss for the year	1.613	-3.171
		32.049	**31.713**

		2017	2016
21	**Cash flow statement - change in working capital**		
	Change in inventories	24.109	-9.311
	Change in receivables	2.078	39.013
	Change in trade payables, etc	-24.824	-1.738
		1.363	**27.964**

22 Contingent assets, liabilities and other financial obligations

Contingent assets

The company has not recognized a deferred tax asset value of TDKK 3.818 regarding its unutilised tax losses per 31 December 2017.

Rental and lease obligations

	2017	2016
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	693	1.079
Between 1 and 5 years	499	1.097
	1.192	**2.176**

Notes to the Financial Statements

	2017	2016
	TDKK	TDKK

22 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 Conaxess Trade Denmark A/S, 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.

23 Related parties

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

Transactions

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

Consolidated Financial Statements

'The company is included in the Group Annual report off the ultimate parent company

Name	Place of registered office
AURELIUS Equity Opportunities SE & Co KGaA	Grünwald, Germany

Notes to the Financial Statements

23 Related parties (continued)

The Group Annual Report of AURELIUS Equity Opportunities SE & Co KGaA may be obtained at the following address:

Ludwig-Ganghofer-Straße 6
82031 Grünwald
Germany

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

24 Fee to auditors appointed at the general meeting

	2017 TDKK	2016 TDKK
Audit fee to PricewaterhouseCoopers	158	158
Other assurance engagements	25	25
Tax advisory services	10	10
Other services	350	221
	543	**414**

25 Subsequent events

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

Notes to the Financial Statements

26 Accounting Policies

The Annual Report of AH Industries A/S for 2017 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 2017 are presented in TDKK.

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.

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.

Notes to the Financial Statements

26 Accounting Policies (continued)

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 Companys 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.

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.

Notes to the Financial Statements

26 Accounting Policies (continued)

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.

Extra ordi nary income and ex pen ses

Extra ordi nary income and ex pen ses comprise income and ex pen ses 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.

Notes to the Financial Statements

26 Accounting Policies (continued)

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.

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.

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

Notes to the Financial Statements

26 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

26 Accounting Policies (continued)

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.

Cash Flow Statement

The cash flow statement shows the Company´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Notes to the Financial Statements

26 Accounting Policies (continued)

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

26 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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