

Divestment of Telecom business segment

Today, Dantherm has entered into an agreement with the parent company of China Technologies Holdings Group Co., Ltd. (Hong Kong) on the divestment of its Telecom business segment. The reason for the divestment is to improve the capital structure and to focus Dantherm on the HVAC business segment with the product areas dehumidification, ventilation and mobile heating and cooling.

As stated in company announcement no. 13/2013, Dantherm's Board of Directors initiated an analysis of the strategic opportunities for strengthening Dantherm's business development and capital base. To maximise the shareholder value of Dantherm, this analysis comprised, among other factors, a separate analysis of the Telecom and HVAC business segments.

In accordance with this assessment, Dantherm A/S has today signed a binding agreement with the parent company of China Technologies Holdings Group Co., Ltd. (Hong Kong) on the divestment of the Telecom business segment. The sale comprises Dantherm Air Handling Holding A/S and its subsidiaries in China, the USA, Sweden, Germany and Denmark (with carved out Telecom activities).

Handelsbanken Capital Markets has been financial advisers to Dantherm on the divestment, while CITIC Securities has been financial adviser to the buyer.

Following the divestment, Dantherm will focus solely on the HVAC (Heating, Ventilation, Air Conditioning) business segment with subsidiaries in Denmark, Norway, the UK and Poland. As part of the divestment, a manufacturing license agreement has been made with the buyer on the production and sale of Dantherm's HVAC products in China, Hong Kong, Macau, Taiwan and Mongolia.

On a debt-free basis, the sales price is approx. DKK 130m, which is expected to lead to an accounting loss in 2014 of approx. DKK 10m., including costs relating to the sales process. The sale improves Dantherm's equity ratio to the level of 30% (year-end 2013: 21%) and reduces its net interest-bearing debt to approx. DKK 80m (year-end 2013: DKK 203m) associated only with property financing in Denmark and Norway.

The share transfer agreement contains customary conditions for the completion of Closing; for example the transaction is conditional upon the buyer obtaining regulatory approvals under Chinese rules on foreign investments. Closing is expected by the end of May 2014.

In connection with the divestment, Torben Duer, President & CEO of Dantherm, says:

"Dantherm's activities comprise the two segments Telecom and HVAC with few synergies between products and customers. The divestment of Telecom will significantly improve Dantherm's capital structure and potential for focusing its business development within HVAC, Dantherm's historical core. An analysis of how best to further develop Dantherm's HVAC activities will be conducted in the time to come."

The divested activities

The Telecom activities comprise products and solutions for energy-efficient climate control of electronics and batteries in radio base stations. Customers include network suppliers and operators.

In 2013, the divested activities generated revenue of DKK 190m and profit before depreciation and amortisation (EBITDA) of DKK 1m. The average number of employees was 212, most of whom were employed by the Chinese company.

Strategy for Dantherm

Following the divestment, Dantherm will focus on the HVAC business segment, comprising the dehumidification, ventilation and mobile heating and cooling product areas. These product areas are to a great extent niche markets in which Dantherm holds a strong market position in Europe. Dantherm also holds a 38.7% stake in Dantherm Power.

The continuing activities had in 2013 a turnover of DKK 329m and an operating profit (EBIT) of DKK 8m and the average number of employees was 279, most of whom are employed by the Danish company.

A number of business development opportunities are open to Dantherm within the HVAC area, and in the time to come Dantherm will analyse how best to strengthen these activities, backed by its significantly improved capital structure and with a view to maximising the shareholder value of Dantherm.

Outlook

For the continuing activities, Dantherm expects revenue in the region of DKK 300–325m and an operating profit (EBIT) of DKK 5–10m in 2014.

The impact on results relating to the analysis commissioned in October 2013 and the divestment of the Telecom business segment is not included in the expectations for operating profit (EBIT).

Any enquiries concerning this announcement can be directed to Chairman Jørgen Møller-Rasmussen on tel. +45 23 20 50 50 or President & CEO Torben Duer on tel. +45 99 14 90 14.