

Divestment of the HVAC and Telecom EMEA business segments

Today, Dantherm has completed the divestment of the HVAC business segment and the EMEA part of the Telecom business segment to the private equity fund Procuritas Capital Investors V. The divestment was undertaken in response to a demand from Dantherm's credit institutions to reduce the interest-bearing debt owed to them as a result of continued failing results in Telecom, the sale of which has yet to be closed.

Back in 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, the analysis comprised, among other factors, a separate analysis of the two business segments Telecom and HVAC, with Handelsbanken Capital Markets as Dantherm's financial advisor.

As a result of this, in 2014, Dantherm entered into a binding agreement with the parent company of China Technologies Holdings Group Co., Ltd., (Hong Kong) (CTHG) on the divestment of the Telecom business segment. Contrary to expectations, the buyer has not yet been able to complete the transaction. However, Dantherm maintains a close dialogue with the buyer on the possibility of completing the transaction, see below.

In March 2015, Dantherm renegotiated the agreement with its primary credit institutions on committed facilities. In that connection, the credit institutions undertook to extend the facilities until January 2016, subject to certain conditions. Dantherm's liquidity situation was negatively impacted by the delay in the Telecom divestment and the current operating situation within this segment.

Due to the postponed closing of the divestment of the Telecom business and the group's general financing situation, Dantherm's management continued to step up its efforts to further strengthen the group's capital base, as called for by the credit institutions.

As a result, the business segment HVAC and Telecom EMEA have now been sold to Procuritas, which has completed more than 30 acquisitions in the Nordic countries, representing a total investment of approx. DKK 10bn, since its foundation in 1986.

The divested activities include the HVAC companies in Denmark, Norway, the UK and Poland as well as the Telecom companies in Denmark, Sweden and Germany. Telecom EMEA adds important activities and earnings to HVAC in Denmark, which is why this business is included in the transaction. In 2015, the divested activities generated a revenue of approx. DKK 310m, and it has around 240 employees.

Due to the divestment of the Telecom EMEA companies, Dantherm today terminated its agreement with CTHG, but Dantherm's agreement with Procuritas allows CTHG to re-enter into the agreement and complete the previously agreed closing by the end of February 2016, including the Telecom EMEA companies.

If the closing with CTHG is not completed, the valuation of the remaining part of the Telecom business for Dantherm will have to be assessed separately without having regard to this and based on an updated business plan. As a consequence, considerable write-downs for impairment, including goodwill, will have to be made, which in this case will cause Dantherm to move into significant negative equity and to suffer a capital loss under the provisions of the Danish Companies Act.

Based on the operating situation of the continuing activities after the divestment of HVAC and Telecom EMEA and the remaining debt to the group's credit institutions, the Board of Directors has decided to attempt to phase out the rest of the activities by divesting the individual companies and other assets. In this connection, the credit institutions have made credit facilities available for the process, which is expected to span over the first six months of 2016.

The sales price for the business segment HVAC and Telecom EMEA is DKK 164m on a debt-free basis, which is expected to result in an accounting loss in 2015 in the region of DKK 20m, including sales costs. The sale will reduce the net interest-bearing debt owed to the credit institutions to around DKK 80m (end of Q3 2015: DKK 214m). Only in the best-case scenario are the net proceeds of a sale of the remaining assets expected to exceed the interest-bearing debt.

Organisation

After the divestment, Dantherm will comprise the wholly-owned companies in China, with approx. 100 employees, in the US, with approx. 50 employees, and the parent companies in Denmark with only a few employees. In addition, Dantherm has an ownership share of 43% in Dantherm Power.

Following the divestment, the employee representatives on Dantherm A/S's Board of Directors will resign, leaving the four members elected by the general meeting as members of the Board.

President & CEO Torben Duer will resign his position to become CEO of the companies divested to Procuritas. Deputy Chairman of the Board Preben Tolstrup has been appointed new President & CEO of Dantherm A/S on an interim basis.

Financial statements

The 2015 financial statements will be finalised and audited in accordance with the previously issued financial calendar.

Any enquiries concerning this announcement can be directed to Chairman of Dantherm's Board of Directors Jørgen Møller-Rasmussen on tel. +45 23 20 50 50.

In case of doubt the Danish version of this announcement is applicable