

AEES Inc.
Financial Statements
December 31, 2018

Handwritten signature
7/22/19

AEES Inc.
Balance Sheet
(Dollars in Thousands, Unaudited)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 14,983	\$ 68,834
Accounts Receivable - Trade	60,021	45,376
Accounts Receivable - Affiliates	3,773	1,044
Inventories, Net	54,441	46,928
Prepaid and Other Current Assets	2,232	5,300
Total Current Assets	<u>\$ 135,449</u>	<u>\$ 167,481</u>
PROPERTY, PLANT AND EQUIPMENT:		
Structures	\$ -	\$ -
Equipment	82,192	75,082
Construction Work In Process	1,978	604
Property, plant and equipment	<u>\$ 84,170</u>	<u>\$ 75,686</u>
Accumulated Depreciation	(63,053)	(56,203)
Total property, plant and equipment - Net	<u>\$ 21,117</u>	<u>\$ 19,483</u>
OTHER ASSETS:		
Goodwill	\$ 4,815	\$ 4,815
Intangible Assets, Net	14,850	20,587
Other Noncurrent Assets	6,920	5,809
Total other assets	<u>\$ 36,120</u>	<u>\$ 40,746</u>
TOTAL ASSETS	<u><u>\$ 192,687</u></u>	<u><u>\$ 227,711</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts Payable - Trade	\$ 55,912	\$ 63,961
Accounts Payable - Affiliates	24,010	26,333
Taxes Payable	3,305	(4,156)
Accrued Compensation and Retirement Cost	2,768	4,349
Other Current Liabilities	1,740	4,628
Total Current Liabilities	<u>\$ 87,735</u>	<u>\$ 95,115</u>
LONG TERM LIABILITIES:		
Long Term Debt - Affiliate	\$ (25,319)	\$ 40,457
Deferred Income Taxes	2,437	3,961
Other Noncurrent Liabilities and Reserves	1,758	1,245
Total Long-term Liabilities	<u>\$ (21,124)</u>	<u>\$ 45,662</u>
SHAREHOLDERS' EQUITY:		
Common Stock	\$ -	\$ -
Additional Paid In Capital	(3,440)	(3,440)
Retained Earnings	130,003	93,998
Accumulated Other Comprehensive Income / (Loss)	(486)	(3,624)
Total Shareholders Equity	<u>\$ 126,076</u>	<u>\$ 86,933</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 192,687</u></u>	<u><u>\$ 227,711</u></u>

AEES Inc.
Statement of Income
(Dollars in Thousands, Unaudited)

	Twelve Months Ended	
	December 31,	
	2018	2017
Net Sales and Operating Revenue	\$ 602,997	\$ 538,637
Cost of Sales	<u>533,012</u>	<u>491,612</u>
Gross Profit	\$ 69,985	\$ 47,025
General Admin and Selling Expense	<u>24,329</u>	<u>23,330</u>
NET MARGIN	\$ 45,656	\$ 23,695
Taxes	\$ 6,333	\$ (3,203)
Interest Expense	2,727	4,562
Non-Operating Expense / (Income), Net	<u>592</u>	<u>5,282</u>
INCOME AFTER TAXES	\$ 36,004	\$ 17,054

AEES Inc.
Statement of Cash Flow
(Dollars in Thousands, Unaudited)

	Twelve Months
	December 31
	2018
Operating Activities	
Net income	\$ 36,004
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	1,900
Amortization of long-lived assets	1,307
Deferred taxes	(2,439)
Restructuring	
Changes in assets and liabilities:	
Accounts receivable - trade	(14,645)
Accounts receivable - affiliates	(2,729)
Inventory	(7,512)
Prepaid expenses and other	3,068
Other assets	(1,111)
Accounts payable - trade	(8,050)
Accounts payable - affiliates	(2,324)
Other current liabilities	(414)
Taxes payable	7,461
Noncurrent liabilities	512
Other	-
Net cash provided by operating activities	\$ 11,028
Investing Activities	
Purchases of property, plant and equipment and intangible assets	\$ 896
Proceeds from sale of property, plant and equipment	-
Purchase of Fortitude Industries, Inc.	-
Net cash used in investing activities	\$ 896
Financing Activities	
Debt Repayment	\$ (65,775)
Dividends paid	-
Net cash used by financing activities	\$ (65,775)
Net (decrease) increase in cash and cash equivalents	\$ (53,851)
Cash and cash equivalents at beginning of period	68,834
Cash and cash equivalents at end of period	\$ 14,983

AEES Inc.

(Dollars in Thousands, Unaudited)

PROPERTY, PLANT AND EQUIPMENT

Total US

\$(000's)

Dec 31, 2017 - Property, Plant and Equipment & Intangibles				40,070
Expenditures for property and equipment & Intangibles				(896)
Depreciation				(1,900)
Amortization				(1,307)
Dec 31, 2018 - Property, Plant and Equipment and Intangibles	\$	-		<u>35,967</u>

Statement of Equity - December 31, 2018

	Preferred Stock	Common Stock	Additional Paid-in Capital	Other Comprehensive Income	Retained Earnings	Total Shareholders Equity
Balance at December 31, 2017	\$ -	\$ 0	\$(3,440)	\$(3,624)	\$ 93,998	\$ 86,933
Net Income					36,004	36,004
3rd party Cash Flow Hedge Income				3,138		3,138
	<u>\$ -</u>	<u>\$ 0</u>	<u>\$(3,440)</u>	<u>\$(486)</u>	<u>\$ 130,003</u>	<u>\$ 126,076</u>
Balance at December 31 2018	<u>\$ -</u>	<u>\$ 0</u>	<u>\$(3,440)</u>	<u>\$(486)</u>	<u>\$ 130,003</u>	<u>\$ 126,076</u>

Notes to the financial statements

Basis of Preparation and Accounting Policies

Basis of preparation

The financial statements of AEES Inc. are prepared in accordance with the International Financial Reporting Standards (IFRS) in force at December 31, 2018.

The financial statements have been prepared on a historical cost basis unless otherwise indicated.

The financial statements are presented in USD and all values are rounded to the nearest thousand (\$000), except when otherwise indicated.

Accounting policies for the financial statements

(i) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

(ii) Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent assets and liabilities and the recognition of income and expenses in profit or loss. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates.

The most important items, which require management estimates and assumptions and which may include uncertainty, are impairment testing of goodwill, deferred tax assets of unused tax losses and net realisable value of inventories. Detailed descriptions of decisions based on management's judgement and management's use of estimates are presented later at each item of the financial statements.

The Company's management makes judgements concerning the adoption and application of the accounting policies for the financial statements. The management has used its judgement in selecting and applying the accounting policies.

(iii) Foreign currencies

The Company's functional currency is United States Dollar (USD) and the financial statements are presented in USD.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

(iv) Cash and cash equivalents

Cash and cash equivalent includes cash on hand, cash at banks and short term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(v) Events after the Financial Year

The Company's management is not aware of any significant events occurring after 31 December 2018.