Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56
Egtved Allé 4
6000 Kolding
Denmark
Phone +45 75530000
Fax +45 75530038
www.deloitte.dk

Gram Commercial A/S

Central Business Registration No 12 00 66 32
Aage Grams Vej 1
6500 Vojens

Annual report 2018

The Annual General Meeting adopted the annual report on 29.05.2019

Chairman of the General Meeting

Name: Katsuhiro Kurimoto

Contents

Entity details

Entity

Gram Commercial A/S
Aage Gramsvej 1
6500 Vojens

Central Business Registration No: 12 00 66 32
Registered in: Vojens, Denmark
Financial year: 01.01.2018 – 31.12.2018

Phone: +45 73 20 12 00
Fax: +45 73 20 12 07
Website: www.gram-commercial.com
E-mail: info@gram-commercial.com

Board of Directors

Katsuhiro Kurimoto, Chairman
Ole Brandorff-Lund
Tomoo Shimizu
Anders Sjøgaard
Jacob Nielsen, Employee Representative
Thomas Kruse, Employee Representative

Executive Board

Ole Brandorff-Lund
Anders Sjøgaard

Company auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Egtved Allé 4
6000 Kolding

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Gram Commercial A/S for the financial year 1 January to 31 December 2018.

The annual report was prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2018 and of their financial performance as well as the cash flow for the financial year 1 January to 31 December 2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Vojens, 29.05.2019

Executive Board

Ole Brandorff-Lund
Chief Executive Officer

Anders Sjøgaard
Director

Board of Directors

Katsuhiro Kurimoto
Chairman

Ole Brandorff-Lund

Anders Sjøgaard

Jacob Nielsen

Thomas Kruse

Tomoo Shimizu

Independent auditor's report

To the shareholders of Gram Commercial A/S

Opinion

We have audited the financial statements of Gram Commercial A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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.

Independent auditor's report

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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditor's report

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Kolding, 29.05.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Suzette Demediuk Steen Nielsen
State-Authorised
Public Accountant
Identification No (MNE) mne32207

Management commentary

	2014 DKK'000	2015 DKK'000	2016 DKK'000	2017 DKK'000	2018 DKK'000
Financial highlights					
Key figures*					
Revenue	294,270	310,165	327,661	300,275	273,788
Gross profit/loss	55,369	57,637	47,346	26,070	28,551
Operating profit/loss	6,277	5,577	-7,329	55,280	-5,144
Net financials	5,046	5,712	79,551	-1,975	-1,043
Profit/loss for the year	9,291	9,842	74,571	41,503	-4,875
Total assets	276,170	283,196	274,497	201,563	178,447
Investments in property, plant and equipment	8,040	5,270	4,625	2,323	6,132
Equity	183,126	192,968	179,477	130,967	126,182
Ratios*					
Gross margin (%)	18.8%	18.6%	14.4%	8.7%	10.4%
Net margin (%)	3.2%	3.2%	22.8%	13.8%	-1.7%
Return on equity (%)	5.2%	5.2%	40.0%	26.7%	-3.7%
Equity ratio (%)	66.3%	68.1%	65.4%	65.0%	70.7%

*The preparation of the financial statements has in 2018 changed from being prepared in accordance with the International Financial Reporting Standards to being prepared in accordance with the provisions of the Danish Financial Statements Act. Therefore, the financial highlights for 2017 and 2018 are prepared in accordance with the provisions of the Danish Financial Statements Act. The financial highlights for 2014, 2015 and 2016 have not been changed according to S 4 of the Executive Order on transition to preparation in accordance with the provisions of the Danish Financial Statements Act.

Management commentary

Financial highlights are defined and calculated in accordance with current "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios		Calculation formula	Calculation formula reflects
Gross margin (%)	=	Gross profit/loss x 100 / Revenue	The entity's operating gearing.
Net margin (%)	=	Profit/loss for the year x 100 / Revenue	The entity's operating profitability
Return on equity (%)	=	Profit/loss for the year x 100 / Average equity	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	=	Equity x 100 / Total assets	The financial strength of the entity

Management commentary

Primary activities

The Gram Commercial produces and sells refrigerators and freezers, refrigerated counters and blast chillers for the professional market and the biomedical and pharmaceutical market. In the biomedical and pharmaceutical market costumers mainly consist of hospitals, laboratories, medical companies and pharmacies.

The Company operates in more than 30 countries with sales representatives in Denmark, Germany, UK, the Netherlands and France.

Development in activities and finances

Revenue for the year amounts to DKK 273.8 million against DKK 300.3 million the previous year. Profit/loss on ordinary activities before tax amounts to DKK -6.2 million against 53.3 million the previous year.

The development in the Company's financial performance in 2018 is still heavily affected by the restructuring process launched in 2017. During 2018, improvements have been implemented in many areas, and in 2019 the improvement process will continue.

Throughout the year, the Company has worked actively with adjusting the activity and cost level to the changed market circumstances and has implemented a number of internal improvements and investments. These initiatives are taken to secure the growth of the Company.

The financial development does not comply with the expectations of the Company.

Unusual circumstances affecting recognition and measurement

Profit for the year is not affected by unusual circumstances.

Outlook for 2019

Gram Commercial expects to deliver increased revenues and OP in 2019, based on the above described improvements from synergies in the sales organisation generated through the integration process.

Environment

The Company is working actively on optimisation of the external and internal environment. This is done through development of low energy products, use of natural refrigerants and reusable materials where technically possible. Several countries have introduced product energy classification, where the Company is the market leader.

Product development

The Company carries out current product development and optimisation of the business areas. Expenses in this respect are recognised in the income statement on a current basis and are considered immaterial, however, are expected to increase considerably after the restructuring mentioned above.

Management commentary

Particular risks

The Company's risk management policy

Due to its operations, investments and financing the Company is exposed to changes in exchange rates and interest level. It is the Company's policy not to enter into financial risks for speculative purposes. The Company's financial management is therefore directed solely towards managing the financial risks following directly from the Company's operations and financing.

For a description of the accounting policies and methods applied, including recognition and measurement criteria, we refer to the accounting policies.

Optimisation of capital structure

The Company's Management regularly assesses whether the Company's capital structure is consistent with the Company`s and shareholders` interest. The overall goal is to ensure a capital structure that supports a long-term economic growth while maximising returns to the Company's stakeholders by optimising the relationship between equity and debt. No particular ratios etc. have been set. The Company's overall strategy is unchanged from last year.

Foreign exchange risks

The Company 's foreign enterprises are not considerably affected by exchange rate fluctuations as both income and expenses are settled in local currencies. Activities carried out by the Danish enterprise are affected by exchange rate changes as revenue is primarily generated in foreign currencies, whereas expenses, including salaries, are paid in DKK.

The Company 's foreign exchange risks are primarily hedged by income and expenses being in the same currency and through placing of excess liquidity in local currency to the extent this is considered advantageous.

Interest rate risks

The Company 's interest-bearing debt carries variable interest and current interest adjustment is made. No derivative financial instruments are applied to hedge interest rate risks.

The Company is not particularly exposed to interest rate risks as the Company has no non-current liabilities.

Liquidity risks

It is the Company's objective to have sufficient liquidity resources to be able to carry out expedient transactions in case of unforeseen fluctuations in liquidity.

The Company has no interest-bearing debt or financial assets which fall due beyond 12 months from the balance sheet date and the Company expects no major interest payments. Thus, the values included in the balance sheet express the liquidity risk within 12 months.

Management commentary

Credit risks

The Company is exposed to credit risks in respect of receivables and deposits in banks. The maximum credit risk corresponds to the carrying amount. There is considered to be no credit risk in respect of cash holdings, as the other party is banks with an "A-credit" rating. Trade receivables are materially hedged through debtor insurance. There is much spread in debtors so that the Company is not dependent on a few customers. There is current central follow-up on outstanding receivables in accordance with the Company's debtor policy. In case of uncertainty in respect of the customer's ability or will to pay, and it is estimated that the receivable is subject to risk, a provision is made to cover this risk.

Report on corporate social responsibility (CSR)

Pursuant to S 99a of the Danish Financial Statements Act

Business model

For a further description of the business model, please refer to the section primary activites.

Gram Commercial's most significant contribution to society relates to the Company's development, manufacturing and sale of environmentally friendly cooling and freezing products to commercial, biomedical and pharmaceutical markets. By purchasing and installing energy efficient products, it is possible to reduce the customers' energy consumption and hence the environmental impact. The Company's basic values focus on environmental friendliness and energy efficiency, and the Company aspires to be a global leader in this respect.

Below, Gram Commercial's CSR efforts are outlined, including policies and guidelines governing such efforts and specific CSR activities and performance. Our CSR efforts mainly fall within four overall categories: ethics, environmental and climate matters, labour and supply chain management.

Code of Ethics

The primary risk related to corruption is the risk that employees may use gifts, payments or other means to illegally influence clients and business partners or vice versa. This may impact our reputation, as stakeholders may perceive that we use illegal means in our business. Gram Commercial's Code of Ethics forms the basis of the Company's CSR efforts. The Code specifies Gram Commercial's approach to social responsibility, including behavioural rules, working environment, customer relations, sustainable marketing, whistleblowing policy and anti-corruption.. This includes a zero-tolerance policy towards bribery and corruption. All staff members receive annual training in the Code of Ethics. The staff's participation in training is registered with and reported to Management to ensure integration of the ethical guidelines. We plan to further integrate the ethical guidelines by developing specific scenarios and dilemmas to be discussed in smaller groups. We are not aware of any breaches regarding bribery and corruption in Gram Commercial in 2018.

Management commentary

Environmental and climate matters

Gram Commercial's environmental policy forms an integral part of the Company's quality control system. This policy and the control system ensure that the Company regularly improves its manufacturing processes, enabling the Company to provide highly energy efficient and environmentally friendly products in addition to managing the environmental impact of its activities.

The strongest environmental impact of the Company's activities and its most significant risk relate to heating and electricity consumed in manufacturing and the use of refrigerants in finished products. This may impact the local environment and it may also impact our reputation as stakeholders may perceive that we are not doing enough to limit our impact on the environment. The Company monitors and implements current progress that may help to reduce its consumption of resources. The use of compressed air and lighting at the factories represent an area in which we would be able to reduce our energy consumption by managing and reorganising the manufacturing process, and it will be a continuous optimisation process. As regards refrigerants, we aim to use natural refrigerants such as propane for all our products instead of so-called greenhouse gases. We are well on our way to accomplishing this with a usage rate of more than 75%. As for refrigerants, we seek to influence the market to take a more environmentally friendly and energy efficient approach by actively engaging in a dialogue with its customers and through product development. Also, we primarily use the natural gas, cyclopentane as propellant for insulating refrigerator and upright freezer cabinets.

Gram Commercial's product development and sales is well reputed for presenting the most environmental choice in the European market. Pioneering the replacement of the strong greenhouse gasses HFC with natural gasses HC in the beginning of the century.

Replacing old refrigerators and upright freezers by energy efficient Gram Commercial products often result in a considerable positive environmental impact in the form of reduced energy consumption of up to 75% or more compared with cabinets based on traditional HFC technology.

Gram Commercial has brought a new generation of refrigerators and upright freezers named Gram Superior, hence early adopting the energy-labelling system to govern professional refrigerators and upright freezers. We believe that our efforts have contributed positively to environment and climate in 2018.

Labour

The primary risk related to labour is the risk of accidents and work-related illness. This may impact our ability to attract and retain employees. Ensuring a healthy and safe environment for the staff of Gram Commercial is about guaranteeing physical safety and psychological well-being. We base our work on the basic approach that all staff want to perform their duties and that Management wants all staff to be happy working at Gram Commercial. A psychologically healthy environment is ensured, for example, by having behavioural and communication guidelines in place. Gram Commercial's Safety Committee and regular workstation assessments ensure follow-up on accidents and similar incidents that call for a special effort. Gram Commercial in addition reim-

Management commentary

burses part of any expense incurred by a staff member for treatment by a physiotherapist or chiropractor, should the member require such treatment. We conduct regular follow-up to ensure our employees' safety. We believe that our efforts have contributed positively to labour conditions in 2018.

The primary risk related to human rights is the risk that employees are discriminated and are not treated equally and fair. This may impact our ability to retain and attract employees as well as impact our reputation among stakeholders. We believe that the risk is low as Gram Commercial operates in Denmark and follows existing rules, practices and laws in this area. Therefore, Gram Commercial has no formal and separate human rights policy in place, but relevant matters such as employment, safety and the Gram Commercial staff handbook cover collective agreements. Furthermore, we are not aware of any breaches concerning human rights in 2018.

Supply chain management

The primary risk related to supplier management is the risk that suppliers may not be compliant in relation to environmental and working conditions, which may cause harm to suppliers' employees and their communities as well as potential disruption and reputational damage for us . Gram Commercial aims to improve its suppliers' awareness about accountability. When selecting new suppliers, importance is attached to actively integrating considerations of environmental matters and working conditions in the suppliers' manufacturing process and products. We visit new suppliers considered to be key to production or to involve a risk in terms of the environment and working conditions. For major suppliers, we also visit their sub-suppliers. Gram Commercial is aware that the Company may have both a positive and a negative effect by way of its supply chain.

Diversity – statement regarding the underrepresented gender pursuant to S 99b of the Danish Financial Statements Act

For this financial year, there are four AGM-elected members of Gram Commercial's Board of Directors, all of them men. Gram Commercial has set a target rate of representation for the underrepresented gender of 25%, meaning that the Board of Directors must include at least one woman by 2022. There was an election for the Board of Directors in 2018, when a male candidate was appointed.

Gram Commercial is in the process of formulating and implementing a policy to govern the representation of the underrepresented gender at other management levels. At 1 January 2018, Gram Commercial has 16 managers and middle managers, of whom 4 are women. Gram Commercial would like a higher representation of women at management level, and therefore we have reviewed employment terms to evaluate opportunities and challenges in relation to promoting the underrepresented gender. Furthermore, we will be focusing on increasing recognition of managerial talents among our female staff and encouraging them to apply for positions at the various management levels of Gram Commercial.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue	2	273,788	300,275
Production cost	4,5	-245,237	-274,205
Gross profit/loss		**28,551**	**26,070**
Sales and distribution costs	4,5	-17,768	-16,809
Administrative costs	3,4,5	-16,010	-15,080
Other operating income		83	61,099
Operating profit/loss		**-5,144**	**55,280**
Other financial income	6	10	138
Other financial expenses	7	-1,053	-2,113
Profit/loss before tax		**-6,187**	**53,305**
Tax on profit/loss for the year	8	1,402	-11,802
Profit/loss for the year	9	**-4,785**	**41,503**

Balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Licences and software		1,048	1,081
Intangible assets	10	**1,048**	**1,081**
Plant and machinery		12,994	7,334
Other fixtures, fittings, tools and equipment		1,187	8,621
Leasehold improvements		1,633	371
Property, plant and equipment	11	**15,814**	**16,326**
Deposits		1,038	1,035
Fixed asset investments		**1,038**	**1,035**
Fixed assets		**17,900**	**18,442**
Inventories	12	**57,545**	**57,429**
Trade receivables		16,729	9,508
Receivables from group enterprises		34,384	40,294
Deferred tax asset	13	1,744	406
Corporation tax		476	1,149
Other receivables		1,622	1,623
Prepayments		1,964	1,675
Receivables		**56,919**	**54,655**
Cash		**46,083**	**71,037**
Current assets		**160,547**	**183,121**
Total assets		**178,447**	**201,563**

Balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital	14	50,000	50,000
Retained earnings		76,182	80,967
Equity		**126,182**	**130,967**
Warranty obligations	15	6,740	9,140
Provisions		**6,740**	**9,140**
Trade payables		20,003	37,937
Payables to group enterprises		5,335	3,015
Other payables	16	20,187	20,504
Current liabilities other than provisions		**45,525**	**61,456**
Liabilities other than provisions		**45,525**	**61,456**
Equity and liabilities		**178,447**	**201,563**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Related parties with controlling interest	20		

Statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity at 1 January 2017	**50,000**	**129,477**	**179,477**
Changes in applied accounting policies	0	(28,584)	(28,584)
Equity at 1 January 2017, corrected	**50,000**	**100,893**	**150,893**
Profit/loss for the year	0	41,503	41,503
Comprehensive income	**0**	**41,503**	**41,503**
Extraordinary dividend	**0**	**-61,429**	**-61,429**
Equity at 31 December 2017	**50,000**	**80,967**	**130,967**
Profit/loss for the year	0	-4,785	-4,785
Comprehensive income	**0**	**-4,785**	**-4,785**
Equity at 31 December 2018	**50,000**	**76,182**	**126,182**

Cash flow statement for the year 2018

	Notes	2018 DKK'000	2017 DKK'000
Net profit/loss for the year		-4,785	41,503
Adjustments		2,939	17,535
Working capital changes	17	-17,646	5,581
Cash flows from operating activities before financial income and expenses		-19,492	64,619
Financial income received		10	138
Financial expenses paid		-276	-346
Cash flows from ordinary activities before tax		-19,758	64,411
Corporation tax paid		738	-11,562
Cash flows from operating activities		**-19,020**	**52,849**
Sale of property, plant and equipment		201	0
Purchase of property, plant and equipment and intangible assets		-6,132	-2,323
Capital reduction Graminoks		0	329
Other non-current asssets		-3	-10
Cash flows from investing activities		**-5,934**	**-2,004**
Extraordinary dividend		0	-61,429
Cash flows from financing activities		**0**	**-61,429**
Increase/decrease in cash and cash equivalents		**-24,954**	**-10,584**
Cash and cash equivalents 01.01.2018		71,037	81,621
Cash and cash equivalents end of year		**46,083**	**71,037**
Cash and cash equivalents end of year are composed of:			
Cash		46,083	71,037
Short-term debt to banks		0	0
Cash and cash equivalents end of year		**46,083**	**71,037**

Notes

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

	2018 DKK'000	2017 DKK'000
2. Revenue		
Denmark	72,983	90,495
Other countries	164,805	209,780
	237,788	**300,275**

For competitive reasons the Company does not wish to disclose how revenue is distributed by activity, cf. S 96(1) of the Danish Financial Statements Act.

The Company`s markets are characterised by strong competition and few players, and disclosure of such above information may have financial effects on the Company and thereby damaging the Company.

3. Fee to auditors appointed by the Annual General Meeting

	2018 DKK'000	2017 DKK'000
Statutory audit services	290	285
Tax services	32	47
Other services	873	167
	1,195	**499**

4. Staff costs

	2018 DKK'000	2017 DKK'000
Wages and salaries	77,645	75,061
Pension costs	5,366	5,200
Other social security costs	3,289	3,325
	86,300	**83,586**
Cost of sales	64,099	62,213
Sales and distribution costs	14,191	12,788
Administrative costs	8,010	8,585
	86,300	**83,586**
Average number of employees	**191**	**190**

Notes

	2018 DKK'000	2017 DKK'000
Remuneration of the Board of Directors and the Executive Board		
Executive Board members and members of the Board of Directors have been remunerated as follows:		
Executive Board	**2,670**	**2,716**
Board of Directors	**60**	**60**

5. Depreciation, amortisation and impairment losses

Amortisation of intangible assets	300	361
Depreciation of plant and machinery, equipment and leasehold improvements	5,622	8,164
	5,922	**8,525**

6. Other financial income

Other interest income etc.	10	0
Interest income, group companies	0	138
	10	**138**

7. Other financial expenses

Other interest expenses etc	276	346
Exchange losses and adjustments	777	1,767
	1,053	**2,113**

8. Tax on profit/loss for the year

Current tax	0	12.345
Change in deferred tax	-1.338	-548
Adjustments concerning previous years	-64	5
	-1,402	**11,802**

9. Proposed distribution of profit/loss

Extraordinary dividend distributed in the financial year	0	61,429
Retained earnings	-4,785	-19,926
	-4,785	**41,503**

Notes

	Licences & software total DKK'000
10. Intangible assets	
Cost at 1 January 2018	11,242
External additions	267
Disposals	-4,964
Cost at 31 December 2018	**6,545**
Amortisation at 1 January 2018	10,161
Amortisation for the year	300
Reversals regarding disposals	-4,964
Amortisation at 31 December 2018	**5,497**
Carrying amount at 31 December 2018	**1,048**

	Plant and machinery DKK'000	Leasehold improve-ment DKK'000	Fixtures, fittings etc DKK'000	Total DKK'000
11. Plant, equipment, leasehold improvements				
Cost at 1 January 2018	70,325	4,145	36,066	110,536
Reclassification	21,949	803	-22,752	0
External additions	4,138	889	838	5,865
Disposals	-12,334	0	-9,391	-21,725
Cost at 31 December 2018	**84,078**	**5,837**	**4,761**	**94,676**
Depreciation and impairment losses at 1 January 2018	62,991	3,774	27,445	94,210
Reclassification	15,689	135	-15,824	0
Depreciation for the year	4,677	295	650	5,622
Reversals regarding disposals	-12,273	0	-8,697	-20,970
Depreciation and impairment losses at 31 December 2018	**71,084**	**4,204**	**3,574**	**78,862**
Carrying amount at 31 December 2018	**12,994**	**1,633**	**1,187**	**15,814**

Notes

	2018 DKK'000	2017 DKK'000
12. Inventories		
Raw materials and consumables	37,519	39,502
Work in progress	2,933	2,347
Manufactured goods and goods for resale	17,093	15,580
	57,545	**57,429**
13. Deferred tax asset		
Fixed assets	-220	-338
Current assets	11	84
Liabilities	1,953	660
	1,744	**406**
Changes during the year		
Deferred tax asset at 1 January 2018	406	-142
Deferred tax recognised in profit for the year	1,338	548
Deferred tax at 31 December 2018	**1,744**	**406**

The value of the Company's deferred tax asset primarily relates tax losses carried forward that are expected to be realised within the next three years.

14. Contributed capital

The contributed capital consists of 50,000 shares at DKK 1,000.

The shares have not been divided into classes, and no shares carry any special rights.

There have not been any changes in the share capital for the past five financial years.

Notes

15. Warranty obligations

	2018 DKK'000	2017 DKK'000
Provision at 1 January	9,140	12,140
Used in the year	-6,786	-10,546
Provided in the year	4,386	7,546
Provision for warranty obligations at 31 December	**6,740**	**9,140**

A general warranty of usually 1-5 years is granted to all customers, according to which the customer may under certain circumstances demand that the Company repair the product. Expenses for repairs are expected paid degressively over the 1-5 year warranty period.

A provision is made for this warranty on the Company's products assessed on the basis of realised revenue and the currently realised warranty expense percentage at market level.

The development in the warranty obligations is negatively affected by reservations for a preventive service action on a major product line and has by far the largest impact.

16. Other payables

	2018 DKK'000	2017 DKK'000
Accrued staff expenses	10,130	9,666
Accrued taxes and duties	0	2,233
Other short-term liabilities	10,057	8,605
Other short-term liabilities at 31 December 2018	**20,187**	**20,504**

17. Working capital changes

	2018 DKK'000	2017 DKK'000
Change in inventories	-116	16,281
Change in receivables	-1,599	2,520
Change in trade payables, etc	-15,931	-13,220
	-17,646	**5,581**

Notes

	2018 DKK'000	2017 DKK'000

18. Unrecognised rental and lease commitments

Operating lease commitments

The Company leases part of its fixtures and fittings according to contracts that are irrevocable for up to 4 years.

The contracts – minimum payments – are specified as follows:

	2018 DKK'000	2017 DKK'000
Within 1 year	599	459
Between 1 and 5 years	500	622
	1,099	**1,081**
Expenses for leases	**634**	**409**

The Company has entered into lease agreements for properties which according to the contracts are irrevocable for up to 5 years.

	2018 DKK'000	2017 DKK'000
Within 1 year	5,460	5,560
Between 1 and 5 years	655	585
	6,115	**6,145**
Expenses for leases	**6,305**	**6,110**

19. Contingent liabilities

	2018 DKK'000	2017 DKK'000
The Company provided bank guarantees of totally	**0**	**10**

The bank guarantees are in favour of a sister company.

Notes

20. Related parties with controlling interest

Related parties with a controlling interest

The following related parties have a controlling interest in the Company Gram Commercial A/S:

Name	Registered office	Basis of influence
Hoshizaki Europe Holding B.V.	The Netherlands	Parent Company
Hoshizaki Corporation	Japan	Ultimate Parent Company

Gram Commercial A/S is wholly owned by Hoshizaki Europe Holding B.V., The Netherlands. Hoshizaki Europe Holding B.V. is subject to the controlling interest of Hoshizaki Corporation, Japan, the ultimate company of the Group.

21. Transactions with related parties

The Company has had the following transactions with related parties:

	Group enter-prises DKK'000
2018	
Sales of machines, parts and SLA fee	214,808
Purchase of services, management fee	5,164
Receivables from group enterprises	34,384
Payables to group enterprises	5,335
2017	
Sales of machines, parts and SLA fee	246,227
Purchase of services, management fee	6,047
Receivables from group enterprises	40,294
Payables to group enterprises	3,015

In the financial year, there have been no other transactions with members of the Board of Directors and the Executive Board of Gram Commercial A/S than what appears from note 4.

Accounting policies

Reporting class

The annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

In 2018 the preparation of the annual report has been changed from being prepared in accordance with International Financial Reporting Standards to being prepared in accordance with the provisions of the Danish Financial Statements Act. The transition has affected the accounting policies described below.

Changes in accounting policies

Accounting policies have been changed in the following areas:

Goodwill

Goodwill is measured at cost less accumulated amortisation. Previously, the carrying amount of goodwill was tested for impairment once a year and in case of decisive events and was written down over the income statement to the lower of recoverable amount and carrying amount. The change is due to the transition from International Financial Reporting Standards to the Danish Financial Statements Act. The change is incorporated directly on the equity at 1 January 2017. Goodwill is reduced by DKK 36,646k, while the deferred tax liabilities are reduced by DKK 8,062k and equity by DKK 28,584k.

The figures for 2017 have also been changed as described. The financial highlights have not been changed according to S 4 of the Executive Order on transition to preparation in accordance with the provisions of the Danish Financial Statements Act.

No further changes have been made in the accounting policies.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Accounting policies

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise costs incurred to earn revenue for the financial period. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Sales and distribution costs

Sales and distribution costs comprise costs for sales staff, advertising and exhibitions, amortisation, depreciation, etc.

Administrative costs

Administrative costs comprise costs for administrative staff, Management, office premises, office supplies, amortisation, depreciation, etc.

Other financial income and expenses

Financial income and expenses comprise interest income and expenses, exchange gains and losses relating to transactions as well as receivables and payables in foreign currencies.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity participates in a Danish joint taxation arrangement in which Gram Commercial A/S serves as the administration company. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intangible assets

Licences and software are measured at cost less accumulated amortisation and impairment losses and are amortised on a straight-line basis over the estimated useful lives of the assets.

Licences and software are amortised over periods of 3 years.

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 as well as costs directly attributable to the acquisition up until the time when the asset is ready for use. The cost of self-constructed assets comprises direct costs of labour, materials, purchased parts and services delivered by subsuppliers. Interest is not included in cost.

Depreciation is stated considering the residual value of the asset and is reduced by any impairment losses. The residual value is currently reassessed. If the residual value exceeds the carrying amount of the asset, depreciation ceases. Depreciation is made on a straight-line basis over the estimated useful lives of the assets. The most material periods of depreciation are:

Leasehold improvements	5-10 years
Plant and machinery	3-10 years
Fixtures, fittings, tools and equipment	3-7 years

Fixed assets which are sold or abandoned are deducted from accumulated cost and in accumulated depreciation. Gains or losses on the sale of property, plant and equipment are measured as the difference between the selling price less sales expenses and the carrying amount at the time of sale.

Estimated useful lives and residual values are reassessed annually.

Accounting policies

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Lease agreements

Lease agreements in respect of which the most material part of the risks and rewards of the asset remains with the lessor are classified as operating leases. Lease payments concerning operating leases are recognised in the income statement on a straight-line basis over the term of the lease periods. All leases at the balance sheet date are classified as operating leases.

Inventories

Inventories are measured at standard cost and FIFO.

The cost of work in progress and finished goods comprises direct production costs such as raw materials and consumables with addition of energy and direct labour in the production and indirect production costs such as staff expenses, maintenance and depreciation of production plant.

Inventories with an expected sales price less any expenses for completion and expenses for carrying through the sale (net realisable value) which is lower than cost are written down to net realisable value.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Accounting policies

Provisions

Provisions are recognised when as a result of a prior event occurred before or on the balance sheet date the Company has a legal or constructive obligation, where it is probable that economic benefits must be given up to settle the obligation and the amount relating to the liability can be measured reliably.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.