Gram Equipment A/S

Nordager 6, 6000 Kolding

CVR no. 21 27 42 08

Annual report 2018

Approved at the Company's annual general meeting on 8 May 2019

Chairman:

Martin Flagg

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Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Gram Equipment A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2018 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Kolding, 8 May 2019
Executive Board:

Tom Niels Wrensted

Hans Viggaard

Anders Torbensen

Martin Flaga

Board of Directors:

Thomas Broe-Andersen
Chairman

Adeline Anna Nicole Jennische

Nicolai Peter Norrbom

Kurt Overgaard Pedersen

Nils Wesenberg Jensen

Independent auditor's report

To the shareholder of Gram Equipment A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Gram Equipment A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 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 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 consolidated financial statements and the parent Company financial statements" (herinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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 rules and requirements.

Emphasis of matter in the financial statements

We draw attention to note 2 in the consolidated and parent company financial statements where Management has described the Group financial structure, covenants test during 2019 and additional equity contribution in 2019.

We have not modified our opinion in respect of this matter.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 as to 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 the 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 of the Management's review.

Kolding, 8 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Steen Skorstengaard	Michael Vakker Maass
State Authorised Public Accountant	State Authorized Public Accountant
mne19709	MNE no.: mne32772

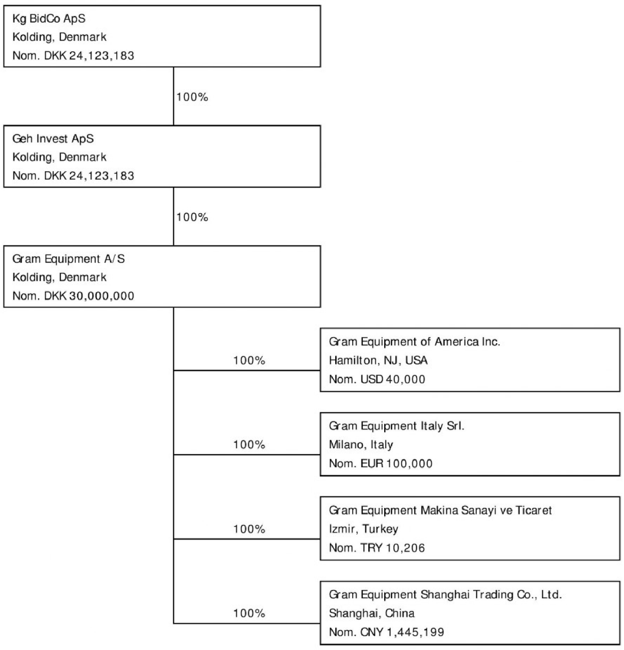
Management's review

Company details

Name	Gram Equipment A/S
Address, Postal code, City	Nordager 6, 6000 Kolding
CVR no.	21 27 42 08
Established	1 November 1998
Registered office	Kolding
Financial year	1 January - 31 December
Website	www.gram-equipment.com
E-mail	info@gram-equipment.com
Telephone	+45 73 20 17 00
Board of Directors	Thomas Broe-Andersen, Chairman Adeline Anna Nicole Jennische Nicolai Peter Norrbom Kurt Overgaard Pedersen Nils Wesenberg Jensen
Executive Board	Tom Niels Wrensted Hans Viggaard Anders Torbensen Martin Flaga
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Kolding Åpark 1, 3. sal, 6000 Kolding, Denmark

Management's review

Group chart



Management's review

Financial highlights for the Group

DKKm	2018	2017	2016	2015	2014
Key figures					
Revenue	565	701	636	545	385
Gross margin	40	137	239	226	145
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-230	-89	38	27	13
Operating profit/loss	-269	-178	24	16	7
Net financials	-18	-21	-12	-8	-1
Profit/loss for the year	**-285**	**-183**	**8**	**4**	**3**
Total assets	498	617	603	586	515
Equity	**-20**	**-49**	**162**	**144**	**103**
Investment in property, plant and equipment	-9	-14	0	-10	-4
Total cash flows	**35**	**-3**	**-24**	**1**	**-25**
Financial ratios					
Operating margin	-47.7%	-25.4%	3.8%	2.9 %	1.8 %
Gross margin	7.1%	19.5%	37.6%	41.5%	37.7%
Equity ratio	-4.0%	-7.9%	26.9%	24.6%	20.0%
Return on equity	N/A	N/A	5.2%	3.2%	4.1%
Average number of employees	**425**	**360**	**346**	**312**	**331**

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin $$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$$

Gross margin ratio $$\frac{\text{Gross margin x 100}}{\text{Revenue}}$$

Equity ratio $$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$$

Return on equity $$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$$

Regarding negative equity in 2018 we refer to "Group financing" in the Management's review for a description of the substantial equity recapitalization amounting to DKK 135 million implemented by the new owners after the balance sheet date.

Management's review

New management

When the current top management and members of the Board of Directors elected by the general meeting took over the leadership of the Group during 2018, they inherited a business in severe distress.

Prior to the change of leadership, an aggressive attempt to scale the business beyond its means had resulted in, inter alia, delivery delays, quality issues, productivity loss, unwarranted cost increase and liquidity constraints. On top of these operational issues, a very large portfolio of severely mismanaged and loss-making projects had been accumulated. Significant misstatements in the management accounts of the Group were also uncovered following the change of leadership.

As described under "Group Financing", the new owner injected and secured additional capital to the Group in 2018 to enable continued operations, mitigate losses and allow new top management to implement a turnaround of operations. While the turnaround has progressed significantly, the severe operational distress existing prior to the change in leadership has left considerable losses in 2017 and 2018.

Insurance cover

In connection with its acquisition of the Group, Kg BidCo ApS, the Group's new parent company, took out a warranty & indemnity insurance policy. The insurance policy covers Kg BidCo ApS' losses up to a limit of € 50 million (c. DKK 373 million) in the event the seller of the Group fails to meet its obligations set out in the seller's warranties in the share purchase agreement.

In June 2018, shortly after its acquisition of the Group earlier the same year, Kg BidCo ApS filed a claim under the insurance policy claiming the seller had breached several of the warranties in the share purchase agreement numerous times, including warranties on the seller's duty of loyal disclosure and accounting material, by providing false and misleading information during the sales process.

Following extensive legal investigations, the insurance consortium acknowledged policy cover under the warranty & indemnity insurance policy and agreed to pay the full limit of € 50 million (c. DKK 373 million). Payment was received in 2019 and the full amount has been used to reduce the Group's and parent company's debt, which has significantly improved the Group's financial position.

Business review

Gram Equipment is an engineering company delivering design and installation of equipment and production lines, as well as spare parts and services to the global ice cream industry.

The mission of Gram Equipment is to ensure our customers' success in the ice cream industry by providing know-how, innovative solutions and global service. Gram Equipment's portfolio is sold worldwide directly to the customers through Gram Equipment's own sales and service organization, and through a network of agents.

Financial review

Revenue for 2018 amounts to DKK 565 million against DKK 701 million last year. EBITDA amounts to a loss of DKK -230 million against a loss of DKK -89 million last year. Loss for the year after tax amounts to DKK -285 million against a loss of DKK -183 million last year. The result is highly unsatisfactory. The significant loss is a result of the severe operational issues present already in 2017, and uncovered during 2018, when the new owners and new top management took over the leadership of the Group.

Due to the long-term negative impact of these uncovered issues, the result for the year was negatively affected by an impairment write down on goodwill amounting to DKK -26 million. In addition, due to former leadership's mismanagement of inventory, new top management performed a full clean-up of inventory and a full stock count end of 2018 with negative deviations affecting the result by DKK -23 million. Obsolescence was also reassessed, which negatively affected the result by DKK -19 million. The result was also negatively affected by restructuring costs of DKK -31 million and by prior period cut off issues of DKK -8 million.

Management's review

Adjusting for the above write-downs, write-offs, restructuring costs and prior period cut off issues, EBITDA for 2018 amounts to a loss of DKK -123 million.

The EBITDA was negatively affected by the large portfolio of severely mismanaged and loss-making projects, signed by previous leadership before or at 31 December 2017, which had a combined negative gross profit of DKK -60 million. Several of these old mismanaged projects only drove costs in 2018, not revenues, but they still required significant manpower to be completed, which together with the conversion of temps to own staff described below explains the rise in staff costs despite decline in revenues.

While delivering this large portfolio of old loss-making projects, new top management also managed to reduce the total number of FTEs, measured as all the Group's own employees, temporary workers, and consultants combined, by 10% over the year. In parallel, several temporary workers were converted to own employees to secure a more cost-efficient and stable work force.

As mentioned under "Group financing" below, the new owner has injected in total DKK 312 million of new equity into the Company during 2018 and another DKK 135 million in connection with the insurance payment after the balance sheet date, thereby significantly re-balancing the solidity of the Company.

Compared to the outlook for 2018 given in the 2017 Annual Report, the full year 2018 performance was below expectations on both revenues and EBITDA. The main reason for this is that it has taken longer than expected to remedy the severe operational issues inherited from previous leadership and thus to turn the business around. That said, we have seen quarter by quarter improvements during 2018 as a result of the many initiatives implemented by new top management during 2018. We expect this improvement journey to continue into 2019 as mentioned under "Outlook" below.

Focus for the Group in 2018 has been on ‘fixing the basics’ to regain the ‘right to play’. This focus will continue into 2019 as new top management continues the ongoing turnaround and returning Gram Equipment to delivering quality machinery and process solutions in a timely manner to our valued customers, to paying suppliers on time, and to offering an attractive work environment for our employees.

Group Financing

On 29 January 2018, the Group was acquired by its new parent company, Kg BidCo ApS, and in that connection the Group was refinanced. The following financing structure was put in place for the coming 6-7 years:

- A bank loan in the amount of € 48 million (c. DKK 357 million)
- A line of credit in the amount of € 25 million (c. DKK 186 million)

Because of the severe operational issues uncovered, and the ensuing significant losses, the Group’s liquidity suffered in 2017 as well as into 2018. To secure sufficient liquidity, the new owner and the banks negotiated the following additional long-term funding to the Group after the initial acquisition:

- Additional lines of credit in the amount of € 15 million (c. DKK 112 million)
- A Tax-exempt equity contribution to the Company in the amount of € 8 million (c. DKK 60 million)

The loans are subject to financial covenants.

Through the above refinancing, the new owner injected in total DKK 312 million new equity into the Company during 2018. As described under “Insurance cover” above, during 2019, the Group’s new parent company, Kg BidCo ApS, received payment of the full € 50 million limit under a warranty & indemnity insurance policy taken out in connection with its acquisition of the Group. The full insurance payment has been used to reduce the Group’s and parent company’s debt, which has significantly improved the Group’s financial position.

Following receipt of the insurance proceeds, Kg BidCo ApS made a Tax-exempt equity contribution to Gram Equipment A/S of € 18 million (c. DKK 135 million) to rebalance the solidity of the Company. Had this equity contribution occurred on 31 December 2018, Gram Equipment A/S’ equity would amount to c. DKK 115 and its solidity would be c. 23% everything else equal.

Management's review

Despite the significant losses for 2018, the new funding provided by the new owner in 2018 and the insurance proceeds received in 2019 will, based on the current budgets and forecasts, provide the Group with sufficient liquidity for 2019 and a foundation for the new top management to continue the ongoing turnaround of the Group.

Risks

Credit risks

The primary credit risk for the Group is that customers fail to pay the amounts they owe for products and services delivered to them by the Group. The Group's customers are predominantly large, international blue-chip producers of ice cream with high solvency ratios, spread across several geographical markets. This provides for a natural hedge of credit risks.

To limit its credit risks further, the Group's credit policies contain guidelines and regulations for assessing credit risk of new customers, payment terms and procedures and processes for handling outstanding claims. All sales orders, where a certain credit risk is expected, will be covered through letters of credit, prepayments and/or other security.

Currency risks

The Group sells its products and services globally and invoices predominantly in EUR and USD. Further, the Group has significant receivables and payables in both currencies. Consequently, the Group is exposed to currency development between EUR/DKK and USD. The Group benefits to some extent from natural hedges due to EUR and USD denominated costs and given its establishment in the US. Management assesses hedging of foreign exchange exposure on a case by case basis.

Project risks

A significant part of the Group's revenues relates to delivery of larger turnkey projects (equipment machinery for production of ice cream). Therefore, it is important that the Group has controls and procedures in place to ensure proper project governance and financial control. New top management started to implement proper project governance and financial control procedures in 2018, which has significantly reduced project risks within the Group.

Liquidity Risks

Several of the Group's larger turnkey projects incorporate customer prepayments and milestone payments when certain agreed milestones are met. The Group's ability to manage such customer contracts, including by ensuring timely fulfillment of milestone conditions and collection of payments, is important to manage the Group's liquidity. The new top management has started to implement new control procedures to improve project liquidity and forecasting to reduce such risks within the Group.

Interest risk

The Group's financial debt is denominated in euro with a EURIBOR floating rate. The floating rate is currently not hedged. Gram Equipement's interest rate risk is moderate. Interest rates in Europe are negative and no hikes are expected in the near future.

Non-financial matters

With a new owner and new top management taking responsibility during 2018, Gram Equipment's strategy is to be ice cream producers' preferred supplier of equipment and process solutions, with emphasis on quality, efficiency, on-time delivery and value-added services. At the same time, Gram Equipment wants to be an attractive employer, as well as a fair and good customer of its suppliers.

Knowledge resources

Our highly skilled employees are our most valuable assets. They combine know-how with the newest developments in automation, design, and machinery technology. Through their knowledge, skill, and experience, we customize our machinery, enabling our customers to manufacture unique products.

We employ our own staff with specialized engineering and technical backgrounds in both sales, design, purchase, assembly, project management, service, and installation. In peaks, additional staff is hired in on fixed-term arrangements.

Management's review

Research and development activities

Gram Equipment continuously works on improvements of existing platforms and technologies and develops new features to maintain its position as global technology leader within the global ice cream industry.

Outlook

The operational issues inherited from previous leadership have had a severe negative impact on performance and competitiveness in 2017 and 2018. New top management initiated a turnaround of operations when taking over the leadership of the Group in 2018 and have seen quarter by quarter improvements as a result. However, due to the severity of the issues created before the change in leadership, there are still many internal issues that need to be further resolved, and these issues are being addressed on a daily basis. 2019 will therefore also be a year of operational change and improvement. New top management expects moderate revenue growth and an EBITDA roughly around breakeven level for 2019.

Statutory CSR report

The Company

Gram Equipment is a global market leader in food processing equipment to leading ice cream manufacturers. The company is headquartered in Denmark where most of production also takes place. In addition, Gram has production in Turkey and Italy. Parts for the equipment are produced by sub suppliers and the assembling is done by Gram Equipment. Therefore, environmental impact is dominated by the sourcing of steel and components for the machinery. To encourage continuous improvement on environmental footprint, there is an increased collaborative effort with suppliers and plans for intensifying audits, but also reducing the number of suppliers.

Social and climate, environmental responsibility is important to Gram Equipment. Gram Equipment is a member of the Supplier Ethical Exchange - SEDEX and is certified according to the URSA standard. Gram Equipment is committed to respecting human rights, and has developed policies and procedures to guide employees, suppliers, partners and local communities. Due to the changes in location and management, Gram Equipment is initiating a recertification in 2019 in accordance with the updated SMETA 4 pillar standards, which are labor standards, health & safety, environment, business ethics.

The working condition and safety of employees are central. With reference to the workplace survey (APV) in 2018 and the SMETA re-audit in 2019, the dialogue on work place safety and well-being will continue. The APV has initiated action logs within the different teams and the improvements run in 2019. Having employees working on customer premises and on a global scale in many different environments is also a risk.

Dash board with KPI's for absenteeism and accidents were introduced in 2018 to emphasize the importance of a healthy work environment for all employees. The scores have been updated monthly. With the exception of the assembly employees in Kolding, who for a period were above national average of absenteeism, the results at the other entities were acceptable. The average global average rate for both short-term and long-term illness was 2,96% in 2018. Every entity has set local targets to improve the 2019 result.

Some of the initiatives taken are: Roles and responsibility of team leaders in the production groups, LEAN in production, improved team meetings, updated procedures, improvement of facility lay-out, and regular information meetings.

Gram Equipment has also implemented a senior program making it possible to work part time and stay active for a longer time. Furthermore, a decision has been made to increase the number of apprentices in Denmark to take responsibility of young people's education. Four apprentices will finish the education this year and will be replaced by 7 new ones.

Code of Conduct

Management's review

In the onboarding process the new employees go through the company code of conduct. It has been decided that the training will be yearly to update and remind everyone of the importance of knowing the details of the code of conduct content from 2019. The central subjects are anti-discrimination, confidentiality, anti-corruption, anti-labor exploitation, respect for law and fellow human being. All details on policies and the code of conduct as well as governance procedures, e.g. GDPR, and Delegation of Authority (DoA) describing role and responsibility, are available on the intranet for all employees. All managers and key employees have signed the DoA to emphasize the importance of correct governance and the potential disciplinary consequences of violation.

For an example IT security is essential to the business. The updated policy was implemented in late 2018 and required signature from all employees to emphasize the importance of safe behavior. Documentation for signing is filed in the employee folders. The policy has also supported by a mandatory virtual training program which has been finalized with a test.

Human Rights and Business Ethics

Gram Equipment has pledged to respect inalienable human rights, equal opportunities and non-discrimination, freedom of association for workers, the prohibition of child labor and forced labor, as well as fair wages and working conditions. The company operates a zero-tolerance policy towards unethical behavior in commercial practice, in particular with respect to bribery, corruption or forced labor, and expects its suppliers to follow suit.

Therefore, Gram Equipment developed in 2016 a Supplier Code of Conduct, which is based on the eight core conventions of the ILO, and the ten principles of the UN Global Compact.

Suppliers, representing 80% of the Group turnover, have signed the Supplier Code of Conduct. In addition, the company website encourages to report any grievance or violation in relation to stakeholders. The VP Human Resources monitors the inbox.

Gram Equipment is not aware of any human rights violations or any breach of the Supplier Code of Conduct in 2018, but the full transparency is still not in place. Without regular audits amongst the more than 1600 suppliers located all over the world there is a risk that violations of human rights or corruption will not come to our attention. Systematic audits will be implemented in 2019.

Climate and environment

Parts for the equipment are produced by sub suppliers and the assembling is done by Gram Equipment. Therefore, environmental and climate impact is dominated by the sourcing of steel and components for the machinery. To encourage continuous improvement on environmental footprint, there is an increasing collaborative effort with suppliers and plans for intensifying audits, but also reducing the number of suppliers.

Since the closing of external warehousing and moving all activities to one site in Denmark, this has reduced the energy usage of transportation. The warehouse in Vojens was closed by the end of 2018. As many redundant parts and tools as possible were sold on auction for reuse and the scrap was handed correctly for recycling or destruction.

Lighting has been exchanged to LED in production in Kolding successively to reduce cost and GHG emission in late 2017 and 2018. There are now very few non-LED lights left to replace. The impact has not been measured.

A project to clean water with UV light and recycle the water without bacterial risk for testing tanks for the food industry is an example of initiatives taken to improve the environmental foot print.

The "as-is" situation and the improvement rate for GHG emission has not been measured in 2018.

On the global Gram Equipment sites there have not been any new initiatives in 2018 in terms of environmental consideration.

Gram Equipment does not have any specific environmental policy or KPIs set up for GHG emission and will not have until 2020.

Account of gender composition of management

Gram Equipment strives to be an attractive workplace and business partner for our customers through innovative solutions. Gram Equipment believes that diversity helps to ensure access to the most talented potential employees and at the same time it contributes to develop the business positively with different competencies and perspectives.

Management's review

Globally, 15% of all employees are women. 21% of all managers are female. The goal for 2019 is that at least 16% will be female employees.

Diversity including gender composition is among others will be emphasized in the recruitment process, both for internal as well as external hires, as an important selection criterion to set the right team and fill positions with the best-suited candidates.

The Board of Directors is represented by one woman out of 4 members. Two new members representing the employees were elected for the next 4 years, both male. Female employees were encouraged to stand for election. The aim of having a more even gender representation in the new Board of Directors was not met in 2018 but improved clearly from 2017 with 100% Male representation. The goal is to have 2 female board members by 2022.

Events after the balance sheet date

As described under 'Group Finance' and in note 2, during 2019 the Group's new parent company, Kg BidCo ApS, received payment of the full € 50 million limit under a warranty & indemnity insurance policy taken out in connection with its acquisition of the Group. The full amount has been used to reduce the Group's and new parent company KgBidCo ApS' debt, which has significantly improved the Group's financial position.

Besides the events mentioned above, no events have occurred after year-end, which would significantly affect the evaluation of this annual report.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

		Group		Parent company	
Note	DKK'000	2018	2017	2018	2017
4	**Revenue**	564,540	700,935	521,995	639,960
	Cost of sales	-396,132	-445,558	-405,894	-464,556
	Other external expenses	-128,891	-117,883	-102,748	-79,325
	Gross profit	39,517	137,494	13,353	96,079
5	Staff costs	-269,151	-226,717	-206,645	-165,710
	Amortisation/depreciation and impairment	-39,840	-88,794	-10,100	-28,264
	Profit/loss before net financials	-269,474	-178,017	-203,392	-97,895
	Income from investments in group enterprises	0	0	-81,684	-91,858
6	Financial income	6,480	14,471	20,747	28,627
7	Financial expenses	-24,721	-35,802	-24,300	-31,058
	Profit/loss before tax	-287,715	-199,348	-288,629	-192,184
8	Tax for the year	2,916	16,699	3,830	9,535
	Profit/loss for the year	-284,799	-182,649	-284,799	-182,649

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

		Group		Parent company	
Note	DKK'000	2018	2017	2018	2017
	ASSETS				
	Fixed assets				
9	**Intangible assets**				
	Completed development projects	24,584	29,678	24,584	29,678
	Software	1,190	0	1,190	0
	Goodwill	0	26,604	0	0
	Development projects in progress and prepayments for intangible assets	2,803	0	2,803	0
		28,577	56,282	28,577	29,678
10	**Property, plant and equipment**				
	Plant and machinery	13,012	16,539	4,701	5,647
	Fixtures and fittings, other plant and equipment	5,999	3,059	5,999	3,059
	Leasehold improvements	5,500	4,254	5,500	4,254
		24,511	23,852	16,200	12,960
11	**Investments**				
	Investments in group enterprises	0	0	16,683	18,451
	Receivables from group enterprises	0	0	21,037	71,073
	Other receivables	2,291	3,393	2,291	3,393
		2,291	3,393	40,011	92,917
	Total fixed assets	55,379	83,527	84,788	135,555
	to be carried forward	55,379	83,527	84,788	135,555

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet (continued)

		Group		Parent company	
Note	DKK'000	2018	2017	2018	2017
	brought forward	55,379	83,527	84,788	135,555
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	33,934	43,610	19,322	39,034
	Work in progress	15,584	50,960	8,325	44,629
	Finished goods and goods for resale	49,165	71,118	40,202	40,669
		98,683	165,688	67,849	124,332
	Receivables				
	Trade receivables	126,018	101,842	102,500	71,308
12	Work in progress for third parties	72,184	108,991	72,184	105,363
	Receivables from group enterprises	84,102	123,114	178,998	262,228
	Corporation tax receivable	0	8,294	0	0
	Other receivables	12,776	12,612	4,023	3,494
13	Prepayments	3,757	3,163	2,912	2,064
		298,837	358,016	360,617	444,457
	Cash	45,748	9,226	785	608
	Total non-fixed assets	443,268	532,930	429,251	569,397
	TOTAL ASSETS	498,647	616,457	514,039	704,952

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

		Group		Parent company	
Note	DKK'000	2018	2017	2018	2017
	EQUITY AND LIABILITIES				
	Equity				
14	Share capital	30,000	30,000	30,000	30,000
	Reserve for development costs	0	0	16,715	17,742
	Retained earnings	-49,535	-78,640	-66,250	-96,382
	Total equity	-19,535	-48,640	-19,535	-48,640
	Provisions				
17	Other provisions	25,257	23,427	25,257	23,427
	Total provisions	25,257	23,427	25,257	23,427
	Liabilities other than provisions				
16	**Non-current liabilities other than provisions**				
	Lease liabilities	3,722	2,000	3,722	2,000
		3,722	2,000	3,722	2,000
	Current liabilities other than provisions				
16	Short-term part of long-term liabilities other than provisions	2,098	209,727	2,098	209,727
	Bank debt	262,150	139,289	261,515	137,855
	Prepayments received from customers	13,612	18,725	9,935	14,039
12	Work in progress for third parties	79,325	38,820	47,917	38,820
	Trade payables	81,267	159,571	73,160	135,213
	Payables to group enterprises	0	0	66,750	126,713
	Corporation tax payable	1,395	1,014	1,004	863
	Other payables	49,356	72,524	42,216	64,935
		489,203	639,670	504,595	728,165
	Total liabilities other than provisions	492,925	641,670	508,317	730,165
	TOTAL EQUITY AND LIABILITIES	498,647	616,457	514,039	704,952

1 Accounting policies
2 Group financial structure
3 Special items
18 Contractual obligations and contingencies, etc.
19 Collateral
20 Related parties
21 Fee to the auditors appointed by the Company in general meeting

Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

		Group		
Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2018	30,000	-78,640	-48,640
	Capital contribution	0	311,466	311,466
	Transfer through appropriation of loss	0	-284,799	-284,799
	Adjustment of investments through foreign exchange adjustments	0	2,042	2,042
	Other value adjustments of equity	0	396	396
	Equity at 31 December 2018	30,000	-49,535	-19,535

		Parent company			
Note	DKK'000	Share capital	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2018	30,000	17,742	-96,382	-48,640
	Capital contribution	0	0	311,466	311,466
22	Transfer, see "Appropriation of profit/loss"	0	-1,027	-283,772	-284,799
	Adjustment of investments through foreign exchange adjustments	0	0	2,042	2,042
	Other value adjustments of equity	0	0	396	396
	Equity at 31 December 2018	30,000	16,715	-66,250	-19,535

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	Group 2018	Group 2017
	Profit/loss for the year	-284,799	-182,649
23	Adjustments	44,195	87,264
	Cash generated from operations (operating activities)	-240,604	-95,385
24	Changes in working capital	51,693	23,417
	Cash generated from operations (operating activities)	-188,911	-71,968
	Income taxes paid	5,748	-4,189
	Cash flows from operating activities	-183,163	-76,157
	Additions of intangible assets	-4,256	-11,754
	Additions of property, plant and equipment	-8,696	-14,220
	Disposals of property, plant and equipment	1,879	896
	Purchase of financial assets	-418	0
	Disposal of financial assets	1,520	0
	Loans, paid	0	-2,142
	Repayments received, loans	0	178
	Cash flows to investing activities	-9,971	-27,042
	Proceeds of loans	302,108	165,119
	Repayments of loans	-584,214	-146,700
	Cash capital increase	311,466	0
	Operating net transactions	199,060	81,235
	Cash flows from financing activities	228,420	99,654
	Net cash flow	35,286	-3,545
	Cash and cash equivalents at 1 January	9,226	30,306
	Foreign exchange adjustments	1,236	-17,535
	Cash and cash equivalents at 31 December	45,748	9,226

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Gram Equipment A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year exept for the following interpretation:

The company has in the financial year due to a precised interpretation reclassified short-term bank facilities in the cash flow statement. Short-term bank facilities were previously presented as a part of the company's cash and cash equivalents.

From 2018 short-term bank facilities will be presented as a part of the financing activity. The comparative figures for 2017 have been adjusted accordingly. The company's short-term bank facility amounts to DKK 5,725 thousand as of 31 December 2018 and DKK 139,289 thousand as of 31 December 2017.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Consolidated financial statements

The consolidated financial statements comprise the parent company, Gram Equipment A/S, and subsidiaries in which Gram Equipment A/S - directly or indirectly - holds more than 50% of the voting rights or otherwise has a controlling interest.

The existence and impact of potential voting rights that are actually exercisable or convertible are taken into account when assessing whether control exists.

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the group's profit/loss and equity, respectively, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

Investments in associates and joint ventures are recognised in the consolidated financial statements using the equity method.

The group's activities in joint operations are recognised on a line-by-line basis.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties. Some major sales orders are split into partial deliveries as per agreement with the customers. Revenue recognition takes place when each individual component of the order is completed and delivered to the customer.

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and expenses and the degree of completion of the contract can be measured reliably.

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only in so far as it is probable that such expenses will be recoverable from the counterparty.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labor costs and indirect production costs such as maintenance and depreciation, etc., as well as operation and administration of technical, assembly, purchase and service departments.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	3-10 years
Goodwill	20 years

The useful life of goodwill is based upon the Company's assesment of product technology and access to clients.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Plant and machinery	4-6 years
Fixtures and fittings, other plant and equipment	3-10 years
Leasehold improvements	8 years

Profit from investments in subsidiaries

The item includes the Company's proportionate share of the profit/loss for the year in subsidiaries after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of aquisition.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Intangible fixed assets comprises goodwill and development projects. Intangible fixed assets are valued at cost less depreciation. Impairment write-downs is made when deemed necessary.

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 20 years.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities areidentifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is 3-10 years.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Investments in subsidiaries

Equity investments in subsidiaries are measured according to the equity method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in group enterprises is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Work in progress for third parties

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Cash flow statement

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

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

2 Group financial structure

Debt structure

As described in the financial statement for 2017, Gram Equipment A/S (the "Company") has during 2018 refinanced the capital structure as part of the acquisition by Kg BidCo ApS on January 29, 2018 and additionally in June 2018.

As part of this, the Company has received an equity contribution amounting to EUR 42 million (c. DKK 311.4 million) during the year and has, together with the overlying parent companies, GEH Invest ApS and Kg BidCo ApS, the following financing structure per December 31, 2018:

- A bank loan obtained by Kg BidCo ApS amounting to EUR 48 million (c. DKK 357 million) used as part of funding the acquisition.
- A shareholder loan of EUR 8 million (c. DKK 60 million) to Kg BidCo ApS
- A line of credit allocated to the Company in the amount of EUR 25 million (c. DKK 186 million)
- An additional credit line to the Company amounting to EUR 15 million (c. DKK 112 million)

Of the total line of credit to the Company (EUR 40 million), the Company has utilized EUR 29.1 million (DKK 216.5 million) as of December 31, 2018.

The debt structure is subject to general conditions as well as financial covenants measured quarterly, with the first measurement beginning at 30 June 2019.

Collaterals relating to the debt structure are reported under note 19.

Further, the Company has a DKK 60 million guarantee facility, to be used for customer prepayments via third-party guarantee lines under customary business terms and termination periods.

Subsequent development in 2019

During 2019, the parent company, Kg BidCo ApS, received a payout of the full insurance limit amounting to EUR 50 million (c. DKK 373 million) as part of the ongoing dispute with the seller. The full insurance amount has been used to repay part of the group's debt. As part of this insurance cover, the Company received EUR 18 million (c. DKK 135 million) in equity capital contribution, of which EUR 7.5 million (c. DKK 56,3 million) was applied to repay banks, EUR 7.5 million (c. DKK 56,3 million) was applied through a debt transfer to Kg BidCo ApS, and EUR 3 million (c. DKK 22.5 million) was applied as a cash deposit on the Company's line of credit. In connection with the debt repayment, the Company's line of credit was reduced by EUR 7.5 million (c. DKK 56.3 million).

The equity contribution in 2019 has rebalanced the solidity of Gram Equipment A/S. Had the equity contribution taken place at 31 December 2018 instead of during 2019, the equity per 31 December 2018 would have been c. DKK 115 million and the equity ratio of Gram Equipment A/S would have been c. 23% and the bank debt would have been reduced to c. DKK 128 million, everything else equal.

Test of Financial covenants

As stated above the funding structure includes financial covenant tests on a quarterly basis starting June 30, 2019. Based on the current budgets, management does not expect to pass the covenant tests throughout 2019. However, Kg BidCo ApS and the management are negotiating with the banks in order to refinance or waive the current financial covenants. Based on the development in 2019 with a significant pay-out from the insurance company allowing the group to reduce the group's debt to c. DKK 225 million in total (here-of c DKK 128 million in the Company), combined with a good and constructive dialogue with the banks, management expects to reach an agreement with the banks to waive the financial covenants before the first financial covenant test in 2019.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

Cash-flow in 2019

As described in the Management's review, the group has encountered several operational issues in 2017 and 2018 due to historical performance and orders already committed when the new management took over in 2018. Management has in 2018 allocated significant resources to turn around the business and to implement new processes and procedures to improve performance. However, the effect from these improvement initiatives will not have full impact on 2019. The mentioned operational issues will therefor continue to have a negative effect on performance and competitiveness in 2019.

The group is dependent on the above-mentioned improvement initiatives as well as achieving the expected order in-take for 2019.

With due considerations given to the uncertainty of the operations in 2019, and the expectations for the resolution of the test of financial covenants, the new additional equity and the repayment of debt resulting from above-mentioned insurance payout has been determined to provide the group with the necessary liquidity to carry out planned operations based on current updated budgets and forecasts reflecting Management's assessment of reasonable operational and liquidity assumptions given the above. Accordingly, Management has concluded that the Company has sufficient liquidity resources and continuous support from the banks to carry out its operations and solve the potential breach of financial covenants during 2019. Therefore, the financial statements for 2018 have been prepared on a going concern basis.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

3 Special items

Special items comprise significant income and expense of a special nature relative to the Parent and Group's operating activities.

Special items for the year are specified below just as are the items under which they are recognised in the income statement.

	Group		Parent company	
DKK'000	2018	2017	2018	2017
Expenses				
Write-down, Goodwill	-26,204	-72,510	-1,943	-18,418
Cut-off errors regarding 2017	-7,756	0	-5,355	0
Change in accounting estimate for inventory obsolescence	-19,161	0	-13,219	0
Inventory clean-up	-22,681	0	-20,672	0
Restructuring cost - external advisors, consultants etc.	-31,144	0	-32,713	0
	-106,946	-72,510	-73,902	-18,418
Special items are recognised in the below items of the financial statements				
Revenue	-7,756	0	-5,355	0
Cost of sales	-41,842	0	-33,891	0
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	-26,204	-72,510	0	-18,418
Other external expense	-31,144	0	-32,713	0
Income from investments in group enterprises	0	0	-1,943	0
Net loss on special items	-106,946	-72,510	-73,902	-18,418

In addition to the above mentioned. 2018 is negatively affected by loss making projects, as disclosed in the Management's review.

	Group		Parent company	
DKK'000	2018	2017	2018	2017
4 Segment information				
Breakdown of revenue by geographical segment:				
Denmark	1,228	8,608	1,228	8,608
Exports	563,312	692,327	520,767	631,352
	564,540	700,935	521,995	639,960

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

		Group		Parent company	
	DKK'000	2018	2017	2018	2017
5	**Staff costs and incentive programmes**				
	Wages/salaries	240,072	201,860	186,438	148,782
	Pensions	16,557	13,086	11,267	9,036
	Other social security costs	9,482	8,421	6,358	4,981
	Other staff costs	3,040	3,350	2,582	2,911
		269,151	226,717	206,645	165,710
	Average number of full-time employees	425	360	297	245

Total remuneration to the Executive Board: DKK 8,136 thousand (2017: DKK 5,824 thousand).

Total remuneration to resigned Board of Directors: DKK 870 thousand (2017: DKK 400 thousand).

Incentive programmes

In 2018 the Board of directors and other Management were granted a Management Investment Program. Under the Management Investment Program the Board of Directors and other Management were eligible to buy shares in the acquiring company at fair value, at the same time as the new shareholders took over in late January 2018. There is no other ongoing Management Investment Programs. In addition Board of directors are eligible to a bonus scheme under normal marked conditions.

		Group		Parent company	
	DKK'000	2018	2017	2018	2017
6	**Financial income**				
	Interest receivable, group entities	1,866	13,158	16,160	28,316
	Exchange adjustments	4,587	298	4,587	2,243
	Other financial income	27	1,015	0	-1,932
		6,480	14,471	20,747	28,627
7	**Financial expenses**				
	Exchange adjustments	4,574	14,442	4,544	9,176
	Other financial expenses	20,147	21,360	19,756	21,882
		24,721	35,802	24,300	31,058
8	**Tax for the year**				
	Estimated tax charge for the year	441	-4,654	0	0
	Deferred tax adjustments in the year	0	-9,535	0	-9,535
	Tax adjustments, prior years	-3,357	-2,510	-3,830	0
		-2,916	-16,699	-3,830	-9,535

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Notes to the financial statements

9 Intangible assets

	Group				
DKK'000	Completed development projects	Software	Goodwill	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2018	43,755	0	134,569	0	178,324
Forreign currency exchange rate adjustments	0	0	3,996	0	3,996
Additions	0	1,453	0	2,803	4,256
Cost at 31 December 2018	43,755	1,453	138,565	2,803	186,576
Impairment losses and amortisation at 1 January 2018	14,077	0	107,965	0	122,042
Forreign currency exchange rate adjustments	0	0	2,957	0	2,957
Impairment losses for the year	0	0	26,204	0	26,204
Amortisation for the year	5,094	263	1,439	0	6,796
Impairment losses and amortisation at 31 December 2018	19,171	263	138,565	0	157,999
Carrying amount at 31 December 2018	24,584	1,190	0	2,803	28,577

Completed development projects

Completed development projects include development and test of new products that will further strengthen the Company's full line offering, enabling it to offer turn-key solutions and total contract-ownership.

Goodwill

The Company's investments are considered to be strategically important to the Company. The amortization periods for goodwill is based upon the Company's assessment of access to clients, a strong market position and long-term earnings profiles.

The carrying amount of goodwill and other intangibles have been subject to impairment tests at year-end. The impairment tests were based on the expected net cash flows from the available budgets and forecasts for the period 2019-2024, and a discount factor post tax of 15%. Discount factor for each CGU vary from 13,0% to 15,0%.

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9 Intangible assets (continued)

	Parent company				
DKK'000	Completed development projects	Software	Goodwill	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2018	43,755	0	35,826	0	79,581
Additions	0	1,453	0	2,803	4,256
Cost at 31 December 2018	43,755	1,453	35,826	2,803	83,837
Impairment losses and amortisation at 1 January 2018	14,077	0	35,826	0	49,903
Amortisation for the year	5,094	263	0	0	5,357
Impairment losses and amortisation at 31 December 2018	19,171	263	35,826	0	55,260
Carrying amount at 31 December 2018	24,584	1,190	0	2,803	28,577

Completed development projects

Completed development projects include development and test of new products that will further strengthen the Company's full line offering, enabling it to offer turn-key solutions and total contract-ownership.

Goodwill

The Company's investments in the subsidiaries and mergers are considered to be strategically important to the Company. The amortization periods for goodwill is based upon the Company's assessment of access to clients, a strong market position and long-term earnings profiles.

The carrying amount of goodwill and other intangibles have been subject to impairment tests at year-end. The impairment tests were based on the expected net cash flows from the available budgets and forecasts for the period 2019-2024, and a discount factor post tax of 15%. Discount factor for each CGU vary from 13,0% to 15,0%.

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Notes to the financial statements

10 Property, plant and equipment

	Group			
DKK'000	Plant and machinery	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2018	59,608	10,069	4,440	74,117
Foreign exchange adjustments	354	0	0	354
Additions	1,550	5,178	1,970	8,698
Disposals	-20,955	-6,811	-155	-27,921
Cost at 31 December 2018	40,557	8,436	6,255	55,248
Impairment losses and depreciation at 1 January 2018	43,069	7,010	186	50,265
Foreign exchange adjustments	316	0	0	316
Impairment losses	299	0	0	299
Depreciation	3,333	2,227	638	6,198
Reversal of accumulated depreciation and impairment of assets disposed	-19,472	-6,800	-69	-26,341
Impairment losses and depreciation at 31 December 2018	27,545	2,437	755	30,737
Carrying amount at 31 December 2018	13,012	5,999	5,500	24,511
Property, plant and equipment include finance leases with a carrying amount totalling	2,400	4,142	0	6,542

	Parent company			
DKK'000	Plant and machinery	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2018	26,797	10,069	4,440	41,306
Additions	926	5,178	1,970	8,074
Disposals	-19,705	-6,811	-155	-26,671
Cost at 31 December 2018	8,018	8,436	6,255	22,709
Impairment losses and depreciation at 1 January 2018	21,150	7,010	186	28,346
Depreciation	1,369	2,227	638	4,234
Reversal of accumulated depreciation and impairment of assets disposed	-19,202	-6,800	-69	-26,071
Impairment losses and depreciation at 31 December 2018	3,317	2,437	755	6,509
Carrying amount at 31 December 2018	4,701	5,999	5,500	16,200
Property, plant and equipment include finance leases with a carrying amount totalling	2,400	4,142	0	6,542

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Notes to the financial statements

11 Investments

DKK'000	Group Other receivables
Cost at 1 January 2018	3,393
Additions	418
Disposals on demerger and sale of other enterprise	-1,520
Cost at 31 December 2018	2,291
Carrying amount at 31 December 2018	**2,291**

	Parent company			
DKK'000	Investments in group enterprises	Receivables from group enterprises	Other receivables	Total
Cost at 1 January 2018	42,444	131,775	3,393	177,612
Foreign exchange adjustments	0	5,940	0	5,940
Additions	0	7,698	418	8,116
Disposals on demerger and sale of other enterprise	0	0	-1,520	-1,520
Cost at 31 December 2018	42,444	145,413	2,291	190,148
Value adjustments at 1 January 2018	-23,993	-60,702	0	-84,695
Foreign exchange adjustments	-6,521	0	0	-6,521
Profit/loss for the year	-79,742	0	0	-79,742
Changes in equity	1,088	0	0	1,088
Value adjustments for the year	-1,943	0	0	-1,943
Investments with a negative net asset value written down over receiveables	85,350	-63,674	0	21,676
Value adjustments at 31 December 2018	-25,761	-124,376	0	-150,137
Carrying amount at 31 December 2018	**16,683**	**21,037**	**2,291**	**40,011**

Investments in group entities of DKK 16,982 thousand, include goodwill with a carrying amount of DKK 0 thousand at 31 December 2018 (2017: DKK 1,943 thousand).

Investments in group enterprises are illustrated in the group chart on page 7.

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DKK'000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
12 Work in progress for third parties				
Selling price of work performed	246,077	120,527	246,078	116,899
Progress billings	-253,218	-50,356	-221,811	-50,356
	-7,141	70,171	24,267	66,543
recognised as follows:				
Work in progress for third parties (assets)	72,184	108,991	72,184	105,363
Work in progress for third parties (liabilities)	-79,325	-38,820	-47,917	-38,820
	-7,141	70,171	24,267	66,543

13 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent, insurance policies and IT-subscriptions.

DKK'000	Parent company 2018	Parent company 2017
14 Share capital		
Analysis of the share capital:		
60 shares of DKK 500,000.00 nominal value each	30,000	30,000
	30,000	30,000

The parent's share capital has remained DKK 30,000 thousand over the past 5 years.

DKK'000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
15 Deferred tax				
Deferred tax at 1 January	0	9,535	0	9,535
Deferred tax adjustment for the year	0	-9,535	0	-9,535
Deferred tax recognised in equity	0	0	0	0
Deferred tax at 31 December	0	0	0	0

At 31 December 2018, the Group has a potential tax asset of approx. DKK 55,000 thousand. The tax asset consists of tax-loss carry-forwards and non-utilised tax deductions in the form of timing differences. Based on available budgets, it is uncertain if all of these tax losses can be utilised within the coming 3-5 years. Based thereon, the carrying amount has not been recognised in the financial statements.

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16 Non-current liabilities other than provisions

DKK'000	Group			
	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	5,820	2,098	3,722	0
	5,820	2,098	3,722	0

DKK'000	Parent company			
	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	5,820	2,098	3,722	0
	5,820	2,098	3,722	0

Short term bank debt relates to credit facilitiies that expires in 2021 and 2024.

17 Other provisions

Other provisions comprise provisions for warranty commitments and expected losses on work in progress for third parties. Warranty provisions cover expected warranty costs for guarantee commitments, claims, complaints, etc. relating to the sale of goods, which is common in this nature of business. Other provisions are expected to be settled within 5 years.

18 Contractual obligations and contingencies, etc.

Other contingent liabilities

Group

A guarantee company and the Group's bank have issued guarantees amounting to DKK 38,370 thousand (2017: DKK 46,112 thousand) primarily regarding pending and finished customer orders.

A guarantee company has provided a guarantee to the Group's bank amounting to EUR 0.5 million, regarding the Parent Company's bank debt.

Other financial obligations

Other rent and lease liabilities:

	Group		Parent company	
DKK'000	2018	2017	2018	2017
Rent and lease liabilities	70,956	83,783	57,355	67,643

Rent and lease liabilities within 1 year amount to DKK 14,586 thousand for the group and DKK 10,066 thousand for the parent company.

Rent and lease liabilities falling due after 5 years amount to DKK 22,120 thousand for the group and DKK 22,120 thousand for the parent company.

Parent company

The Company is jointly taxed with other Danish group entities. As a wholly-owned subsidiary, the Company is liable together with other companies in the joint taxation for all corporate taxes, etc. in the joint taxation.

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Notes to the financial statements

A guarantee company and the Group's bank have issued guarantees amounting to DKK 38,370 thousand (2017: DKK 46,112 thousand) primarily regarding pending and finished customer orders.

A guarantee company has provided a guarantee to the Group's Bank amounting to EUR 0.5 million, regarding the Parent Company's bank debt.

The parent company supports the normal course of business of Gram Equipment of America Inc. until 1 January 2019.

19 Collateral

As mentioned in note 2 Group financial structure, The Company, has a joint credit facility with the parent companies Kg BidCo ApS, GEH Invest ApS as well as the subsidiary Gram Equipment Makina Sanayi ve Ticaret Izmir, amounting to EUR 48 million respectively.

Further the Company has a joint credit facility with the parent company Kg BidCo ApS amounting to EUR 40 million.

The credit facilities are subject to the following collaterals, pledges etc.:

Gram Equipment A/S has pledged property, plant and equipment, inventories and receivables with a carrying amount of approx. DKK 431 million (2017: DKK 390 million) as a floating charge amounting to DKK 38 million regarding bank debt. Further Gram Equipment A/S has pledged the receivables with a carrying amount of DKK 281 million as a floating charge amounting to DKK 37 million regarding bank debt.

The Group's lenders has a USD 16 million collateral in Gram Equipment A/S's receivables from group enterprises, amounting to nominel DKK 63 million.

Gram Equipment A/S has pledged investments in two subsidiaries (Gram Equipment of America Inc. and Gram Equipment Makina Sanayi ve Ticaret Izmir), with a carrying amount of DKK -123 million and DKK 10 million respectively.

The Group's ultimative parent company is guarantor for bank loans amounting to EUR 15 million.

There is a cross guarantee regarding the EUR 48 million credit facility, including the Company, the parent companies GEH Invest ApS and Kg BidCo ApS as well as the subsidiaries Gram Equipment of America Inc. and Gram Equipment Makina Sanayi ve Ticaret Izmir.

Gram Equipment A/S, the parent companies GEH Invest ApS and Kg BidCo ApS as well as the subsidiaries Gram Equipment of America Inc. and Gram Equipment Makina Sanayi ve Ticaret Izmir are all obligors under an intercreditor agreement towards the lenders.

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20 Related parties

Group

Gram Equipment A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Geh Invest ApS	Kolding, Denmark	Sole shareholder

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Geh Invest ApS	Kolding, Denmark	www.cvr.dk
FSN Holdco ApS	Copenhagen K, Denmark	www.cvr.dk

Related party transactions

DKK'000	2018	2017
Group		
Receivables from overlying parent company	84,102	123,114
Interest income from overlying parent company	1,867	13,158
Intra-group payables	0	7,353
Interest expense	0	77
Parent Company		
Sale of goods and services to subsidiaries	88,861	139,520
Purchase of goods and services from subsidiaries	111,733	122,859
Receivables from overlying parent company	84,102	123,114
Interest income from overlying parent company	1,867	13,158
Interest income from group enterprises	14,294	28,316
Receivables from group enterprises, long-term	22,051	71,073
Receivables from group enterprises	200,167	262,228
Payables to group enterprises	66,750	126,716
Management fee to overlying parent company	3,396	0

Remuneration/fees to members of the Executive Board and the Board of Directors of the Parent Company are reflected in note 5.

	Group		Parent company	
DKK'000	2018	2017	2018	2017
21 **Fee to the auditors appointed by the Company in general meeting**				
Statutory audit	700	400	700	400
Assurance engagements	0	200	0	200
Tax assistance	499	1,201	376	878
Other assistance	1,388	466	1,388	466
	2,587	2,267	2,464	1,944

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		Parent company	
	DKK'000	2018	2017
22	**Appropriation of profit/loss**		
	Recommended appropriation of profit/loss		
	Net revaluation reserve according to the equity method	0	-6,160
	Reserve for development costs	-1,027	7,608
	Retained earnings/accumulated loss	-283,772	-184,097
		-284,799	-182,649

		Group	
	DKK'000	2018	2017
23	**Adjustments**		
	Amortisation/depreciation and impairment losses	39,042	88,794
	Tax for the year	2,927	-16,699
	Change in other provisions	2,226	15,169
		44,195	87,264
24	**Changes in working capital**		
	Change in inventories and work in progress	139,204	-110,112
	Change in receivables	14,078	-11,833
	Change in trade and other payables	-101,589	145,362
		51,693	23,417