Gram Equipment A/S

Nordager 6, 6000 Kolding

CVR no. 21 27 42 08

Annual report 2019

Approved at the Company's annual general meeting on 23 June 2020

Chairman:

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Niels Erik Olsen

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 2019.

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 2019 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 2019.

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, 29 May 2020
Executive Board:

Tom Niels Wrensted	Hans Viggaard	Anders Torbensen
Martin Flaga		

Board of Directors.

Niels Erik Olsen Chairman	Thomas Broe-Andersen Vice Chairman	Nicolai Peter Norrbom
Marcus Peer Østergaard Winterso	John Nielsen	Per Valdemar Braad Hansen

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 2019, 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 2019, 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 2019 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.

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.

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:

Independent auditor's report

- 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, 29 May 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Steen Skorstengaard	Michael Vakker Maass
State Authorised Public Accountant	State Authorised Public Accountant
mne19709	mne32772

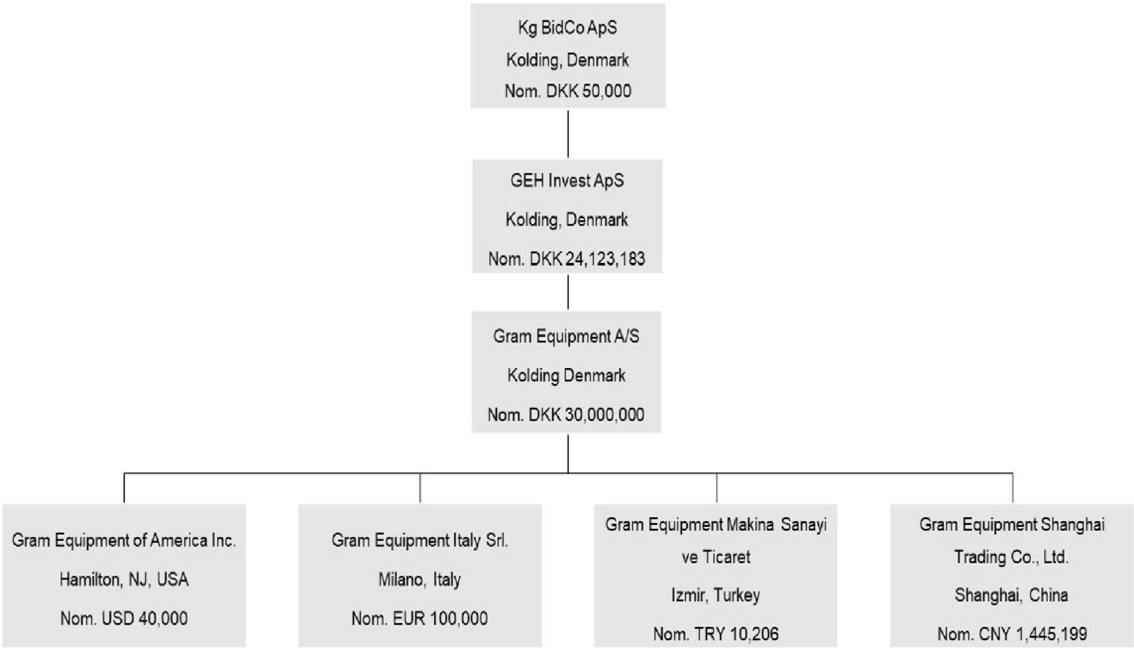
Management's review

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	Niels Erik Olsen, Chairman Thomas Broe-Andersen, Vice Chairman Nicolai Peter Norrbom Marcus Peer Østergaard Wintersø John Nielsen Per Valdemar Braad Hansen
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	2019	2018	2017	2016	2015
Key figures					
Revenue	591	565	701	636	545
Gross profit	238	40	137	239	226
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-17	-230	-89	38	27
Operating profit/loss	-29	-269	-178	24	16
Net financials	-12	-18	-21	-12	-8
Profit/loss for the year	-41	-285	-183	8	4
Total assets	510	498	617	603	586
Equity	73	-20	-49	162	144
Investment in property, plant and equipment	-1	-9	-14	0	-10
Total cash flows	8	35	-3	-24	1
Financial ratios					
Operating margin	-4.9%	-47.7%	-25.4%	3.8 %	2.9 %
Gross margin	40.3%	7.1%	19.5%	37.6%	41.5%
Equity ratio	14.3%	-4.0%	-7.9%	26.9%	24.6%
Return on equity	-154.5%	825.5%	-323.9%	5.2%	3.2%
Average number of employees	416	425	360	346	312

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

Ordinary operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
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	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

Management's review

Business review

Turnaround

Following the change of top management and members of the board of directors during 2018, a turnaround of the business was initiated to alter the course of the company following the prior leadership's attempt to scale the business beyond its means. This turnaround continued during 2019 where it progressed in line with the revised business case that was implemented when the new owners and new top management took over the leadership of the Group in 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 March 2019 and the full amount has been used to reduce the Group's and parent company's debt.

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 2019 amounts to DKK 591 million against DKK 565 million last year. EBITDA amounts to a loss of DKK -17 million against a loss of DKK -230 million last year. Loss for the year after tax amounts to DKK -41 million against a loss of DKK -285 million last year. The loss is in line with the revised business case that was implemented when the new owners and new top management took over the leadership of the Group.

Management's objective during 2019 has been to turn around the business and continue resolving the operational and financial issues uncovered in connection with the closing of the annual reports for 2017 and 2018. Management has met its objectives for 2019 and no new issues were uncovered in 2019 as also stated in the special items note.

The improved EBITDA in 2019 compared to 2018 was a result of several turnaround initiatives implemented by management to remediate the operational deficiencies stemming from the previous leadership, including, but not limited to, a proper project approval process ensuring only the right projects are taken on, proper project execution processes ensuring that projects are delivered on the agreed time, budget and quality, proper quality assurance and testing of equipment before shipping to customers, systematic monthly project reviews to follow up on project performance, lean transformation in assembly and supplier consolidation.

During 2019 management continued its focus on finalizing and closing all the old projects taken by previous leadership before or at 31 December 2017. This delivery effort has been successful, and by the end of 2019 only few of these old projects are still open, and no further financial impact is anticipated from them.

Management's review

In 2019, the new owner has injected € 18 million (c. DKK 135 million) in connection with the insurance payment as a tax-exempt equity contribution to the Company, in addition to the DKK 312 million injected by the new owner in 2018.

Compared to the outlook for 2019 given in the 2018 Annual Report, the full year 2019 performance was roughly in line with expectations on revenues and EBITDA. We continued to see quarter-by-quarter improvements during 2019 as a result of the many turnaround initiatives implemented by new top management during 2018 and 2019. As mentioned under “Outlook” below, we expect this improvement journey to steadily continue into 2020 in line with the revised business case that was implemented when the new owners and new top management took over the leadership of the Group in 2018.

The insurance proceeds received, and management’s continued operational turnaround measures will provide the Group with sufficient liquidity for 2020 based on the current forecast.

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, CNY and USD. Further, the Group has significant receivables and payables in both currencies. Consequently, the Group is exposed to currency development between EUR/DKK, CNY/DKK and USD/DKK. 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. Proper project governance and financial control procedures have been implemented in the organization in 2018 and have been further enhanced during 2019, 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. Also, strict inventory management to reduce inventory turn time and reduce cash tied up in equipment pieces and spare parts is important to manage the Group’s liquidity. Management has implemented procedures to manage such risks.

Interest risks

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

Management's review

Special risks

The ongoing virus outbreak of Covid-19 could potentially have an impact on the company's order Intake following the consumer uncertainty, which could in turn affect the revenue. In addition, the security of supply from the company's subcontractors may be affected. The potential effect on the company's profit and financial position will naturally depend on the duration and extent of the virus outbreak, which is unknown at the time of the financial reporting.

Non-financial matters

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.

Research and development activities

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

To meet and understand customer demand for product innovation through close cooperation with the individual customer. There is an on-going product development to improve safety, reduce waste and resources, optimize productivity and experiment with new ingrediencies. R&D investments for 2020 are increased for continued end-product resource efficiency.

Outlook

During 2019 the Company has seen an uplift in line with the expectations in its operating performance as a result of the implemented turnaround initiatives. This improvement is projected to continue in 2020 and management expects moderate revenue growth and a positive EBITDA in the range DKK 0-15 million for 2020 in line with the revised business case.

At the beginning of March 2020, management noted an adverse effect of the Covid-19 virus outbreak in the form of delayed Equipment order intake and lower service and spare parts sales. Currently, it is uncertain how this develops, and it is therefore not possible to estimate expectations for the future more accurately, but it is management's expectation at the time of the financial reporting that if the repercussions of the virus outbreak are prolonged, a decrease in revenue and profit compared to the revised business case for 2020 can be expected.

Statutory CSR report

The Company

Gram Equipment has a global market leading position delivering food processing equipment and services to predominant ice cream manufacturers. The company is founded and headquartered in Denmark and has long tradition of product development and assembly of complex production lines and equipment. During the latest years engineering and assembly on company site in Turkey has grown to ensure growth and flexibility. All parts are produced by sub suppliers, except for ice cream molds which are manufactured by Gram Equipment Italy. Sales Offices are situated in China and US.

Management's review

Human Rights

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. Gram Equipment realizes that having global activities generates a risk of unintentionally violating human rights and anti-corruption and bribery legislations.

Business Ethics

In Q4 2019 Gram Equipment was SMETA re-audited and thereby met again the ethical 4-pillar supplier standards: Labor Standards, Health and Safety, Business Ethics and Environment. SMETA embraces the Ten Principles of the UN Global Compact. The audit took place in Italy, Turkey and Denmark and was conducted by Bureau Veritas. By having a membership of Sedex and executing the SMETA audit, Gram Equipment is supporting one of the world's leading ethical trade service providers, working to improve working conditions in global supply chains.

Code of Conduct

It is an implemented procedure that new employees go through the company code of conduct. The central subjects are anti-discrimination, confidentiality, anti-corruption, anti-labor exploitation, respect for law and fellow human being. To emphasize the importance all current employees signed in 2019 that they have read and understood the CoC. 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.

Code of Conduct for supplieres

Supplier Code of Conduct was relaunched in 2019 to update the signatures of current suppliers and to encourage new suppliers to sign. 64% suppliers of total spend had signed the supplier Code of Conduct by end 2019. In 2020, 70% of the strategic suppliers will be audited on their ethical principles.

Employees well-being

The employees are the most important asset to the company, and their health and well-being is of great importance to the company.

To enrich the dialogue and the welfare of employees, a global employee survey was accomplished. The roll-out of actions to enhance company culture and employee engagement is on-going beginning 2020. The global eNPS = -8, and the ambition for 2020 eNPS = 0.

An important non-monetary KPI is absenteeism as this poses a risk to the company. All except assembly/warehouse in DK met the goal for short-term absenteeism. In 2019, DK/BC employees have as part of the salary negotiation all received a health insurance to insure fast treatment, but also team and individual actions have been taken to reduce absenteeism such as individual plans for return to work in cooperation with the local job center.

Absence sickness % < 4 weeks

Site/ group	2019 target	2019 result	2020 Target
DK/BC:	3.5	5.3	3.5
DK/WC	1.8	0.9	1.5
IT/BC	2.4	1.2	2.0
IT/WC	1.5	0.8	1.5
TY/BC	1.8	1.6	1.6
TY/WC	1.2	1.1	1.0
US/BC	2.0	1.0	1.5
US/WC	1.5	1.0	1.5

Management's review

Training program for apprentices

Gram Equipment has responded to encouragement from official side for training of the young generation by recruiting apprentices and has end 2019 13 young employees in training. A special company club for apprentices has been formed and is supported by the top management. The initiative will eliminate the risk of underrepresentation of the young generation in the work force and is positive for the local community at large. There is a strategic plan to further enlarge the number of apprentices in Denmark. The average personnel age in Denmark is 46 years.

Improvement and training

Production in Turkey and Denmark are working with lean elements to improve working condition and cooperation in order to minimize work injuries. A competence matrix has also been implemented to ensure professional and personal development. “IceHouse” has been established as a portal for quality management and is the visual overview of company procedures and instructions to ensure transparency and direction and reduce the risk of quality failure.

The first Senior learning and Development Facilitator has been employed by the end of 2019 to focus on product training to enhance knowledge sharing and reduce risk of failure.

Climate and environment

Customers and employees are fully aware of the climate change and potential impacts and risks. Management has conducted the first environmental and climate risk assessment and will include environmental and climate risks and opportunities in the strategic work going forward. The main risk identified are our Greenhouse Gas (GHG) emissions from our operations and travelling together with waste from our production.

Furthermore, 2019 was the first year in which Gram measured its GHG emissions – although not complete and only in DK. GHG emissions will be fully implemented and reported in 2020. Strategic actions will be implemented to eliminate risks and to reduce carbon footprint. Gram Equipment strives to act responsibly and protect the environment and climate in every way possible.

As a result of on-going activities in 2019 the food waste was reduced by monitoring the number of employees at work in the time registration system and from the portions sold for home-bringing. The number of various chemical products in the workshop went from more than 120 to 65, and more have been replaced to non-toxic products. The recycling of waste is ~71% in 2019 in DK.

Product innovation

To meet and understand customer demand for green products through close cooperation with the individual customer. There is an on-going product development to improve safety, reduce waste and resources, optimize productivity and experiment with new ingrediencies. R&D investments for 2020 is increased for continued end-product resource efficiency.

Management's review

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.

Globally, 17% of all employees are women which is 2 %-point increase from last year also impacting the part of women managers to 25% from 21%.

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.

There is no women representation in the Board of Directors. The goal is to have 2 female board members by 2022. In 2019, there was a change in the Board of Directors, where one male member was replaced by another male member. While there was an attempt to increase the diversity of the Board in the appointment of a new member, the choice of this candidate was made, as he was best suited candidate for the position.

Events after the balance sheet date

As of the beginning of March 2020, management has noted that the worldwide COVID-19 outbreak will potentially affect the Company's performance and financial position by 2020. The primary impacts are discussed further in the "Special risks" section. However, it is not possible for the Company's management at the time of reporting to quantify the effect further, as it will depend on the duration and extent of the virus outbreak. With the current knowledge, Management does not expect COVID-19 to significantly impact the liquidity of the company.

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

Income statement

		Group		Parent company	
Note	DKK'000	2019	2018	2019	2018
4	Revenue	591,000	564,540	559,069	521,995
	Cost of sales	-266,295	-396,132	-312,973	-405,894
	Other external expenses	-87,125	-128,891	-58,895	-102,748
	Gross profit	237,580	39,517	187,201	13,353
5	Staff costs	-254,907	-269,151	-187,528	-206,645
	Amortisation/depreci-ation and impairment	-11,913	-39,840	-10,322	-10,100
	Profit/loss before net financials	-29,240	-269,474	-10,649	-203,392
	Income from investments in group enterprises	0	0	-34,636	-81,684
6	Financial income	3,972	6,480	19,130	20,747
7	Financial expenses	-15,924	-24,721	-15,191	-24,300
	Profit/loss before tax	-41,192	-287,715	-41,346	-288,629
8	Tax for the year	239	2,916	393	3,830
	Profit/loss for the year	-40,953	-284,799	-40,953	-284,799

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

Balance sheet

		Group		Parent company	
Note	DKK'000	2019	2018	2019	2018
	ASSETS				
	Fixed assets				
9	Intangible assets				
	Completed development projects	22,702	24,584	22,702	24,584
	Software	5,250	1,190	5,250	1,190
	Goodwill	0	0	0	0
	Development projects in progress and prepayments for intangible assets	6,373	2,803	6,373	2,803
		34,325	28,577	34,325	28,577
10	Property, plant and equipment				
	Plant and machinery	10,472	13,012	3,317	4,701
	Fixtures and fittings, other plant and equipment	3,902	5,999	3,902	5,999
	Leasehold improvements	5,025	5,500	5,025	5,500
		19,399	24,511	12,244	16,200
11	Investments				
	Investments in group enterprises	0	0	19,992	16,683
	Receivables from group enterprises	0	0	20,536	21,037
	Other receivables	2,291	2,291	2,291	2,291
		2,291	2,291	42,819	40,011
	Total fixed assets	56,015	55,379	89,388	84,788
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	16,906	33,934	13,989	19,322
	Work in progress	5,691	15,584	5,691	8,325
	Finished goods and goods for resale	26,027	49,165	21,400	40,202
		48,624	98,683	41,080	67,849
	Receivables				
	Trade receivables	120,828	126,018	89,627	102,500
12	Work in progress for third parties	78,176	72,184	58,057	72,184
	Receivables from group enterprises	136,340	84,102	223,213	178,998
	Corporation tax receivable	393	0	393	0
	Other receivables	9,895	12,776	4,797	4,023
13	Prepayments	5,654	3,757	3,488	2,912
		351,286	298,837	379,575	360,617
	Cash	53,647	45,748	2,795	785
	Total non-fixed assets	453,557	443,268	423,450	429,251
	TOTAL ASSETS	509,572	498,647	512,838	514,039

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

Balance sheet

		Group		Parent company	
Note	DKK'000	2019	2018	2019	2018
	EQUITY AND LIABILITIES				
	Equity				
14	Share capital	30,000	30,000	30,000	30,000
	Reserve for development costs	0	0	29,075	16,715
	Retained earnings	43,497	-49,535	14,422	-66,250
	Total equity	73,497	-19,535	73,497	-19,535
	Provisions				
17	Other provisions	12,650	25,257	11,097	25,257
	Total provisions	12,650	25,257	11,097	25,257
	Liabilities other than provisions				
16	Non-current liabilities other than provisions				
	Lease liabilities	1,225	3,722	1,225	3,722
	Other payables	5,728	0	5,728	0
		6,953	3,722	6,953	3,722
	Current liabilities other than provisions				
16	Short-term part of long-term liabilities other than provisions	2,579	2,098	2,579	2,098
	Bank debt	156,464	262,150	156,252	261,515
	Prepayments received from customers	20,789	13,612	11,090	9,935
12	Work in progress for third parties	105,284	79,325	58,525	47,917
	Trade payables	79,192	81,267	67,787	73,160
	Payables to group enterprises	2,441	0	82,982	66,750
	Corporation tax payable	867	1,395	0	1,004
	Other payables	48,856	49,356	42,076	42,216
		416,472	489,203	421,291	504,595
	Total liabilities other than provisions	423,425	492,925	428,244	508,317
	TOTAL EQUITY AND LIABILITIES	509,572	498,647	512,838	514,039

1 Accounting policies
2 Group financial structure
3 Special items
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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 2019	30,000	-49,535	-19,535
	Capital contribution	0	134,374	134,374
	Transfer through appropriation of loss	0	-40,953	-40,953
	Adjustment of investments through foreign exchange adjustments	0	-389	-389
	Equity at 31 December 2019	30,000	43,497	73,497

		Parent company			
Note	DKK'000	Share capital	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2019	30,000	16,715	-66,250	-19,535
	Capital contribution	0	0	134,374	134,374
22	Transfer, see "Appropriation of profit/loss"	0	12,360	-53,313	-40,953
	Adjustment of investments through foreign exchange adjustments	0	0	-389	-389
	Equity at 31 December 2019	30,000	29,075	14,422	73,497

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Cash flow statement

Note	DKK'000	Group 2019	Group 2018
	Profit/loss for the year	-40,953	-284,799
23	Adjustments	-793	44,195
	Cash generated from operations (operating activities)	-41,746	-240,604
24	Changes in working capital	36,927	51,693
	Cash generated from operations (operating activities)	-4,819	-188,911
	Income taxes paid	-877	5,748
	Cash flows from operating activities	-5,696	-183,163
	Additions of intangible assets	-11,982	-4,256
	Additions of property, plant and equipment	-893	-8,696
	Disposals of property, plant and equipment	202	1,879
	Purchase of financial assets	0	-418
	Disposal of financial assets	0	1,520
	Cash flows to investing activities	-12,673	-9,971
	Proceeds of loans	-56,250	302,108
	Repayments of loans	-2,016	-584,214
	Cash capital increase	134,374	311,466
	Operating net transactions	-49,436	199,060
	Cash flows from financing activities	26,672	228,420
	Net cash flow	8,303	35,286
	Cash and cash equivalents at 1 January	45,748	9,226
	Foreign exchange adjustments	-404	1,236
	Cash and cash equivalents at 31 December	53,647	45,748

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 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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

The item comprises amortisation/depreciation 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

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Notes to the financial statements

1 Accounting policies (continued)

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/loss 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).

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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 Management review, 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 total debt structure.

As part of this debt restructure, 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, one of the Company's line of credits was reduced by EUR 7.5 million (c. DKK 56.3 million).

Following the debt restructure in 2019, the Company has, together with the overlying parent companies, GEH Invest ApS and Kg BidCo ApS, the following financing structure as per December 31, 2019:

•A bank loan obtained by Kg BidCo ApS amounting to EUR 5.5 million (c. DKK 41 million) used as part of funding the acquisition.

• A shareholder loan of EUR 8 million (c. DKK 60 million) to Kg BidCo ApS.

•Total lines of credit in the amount of EUR 17.5 million (c. DKK 130.7 million). Of the total line of credit, the Company has utilized EUR 6.6 million (net) (DKK 49.2 million) as of December 31 2019.

•Two additional credit lines of EUR 7.5 million each (EUR 15 million in total) in Gram Equipment A/S and Kg Bidco respectively.

The debt structure is subject to general conditions as well as financial covenants measured quarterly, with the first measurement beginning at 30 June 2019. However, during 2019, the Company renegotiated the financial covenants for 2019 and subsequently meet all covenant tests during 2019.

For 2020, the financial covenants are measured as last twelve months EBITDA quarterly. Based on the current budgets and cash flow forecasts, management expects to pass the covenant tests throughout 2020.

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

Further, the Company has a DKK 85 million (2018: DKK 60 million) guarantee facility, to be used for customer prepayments via third-party guarantee lines under customary business terms and termination periods.

Based on the current budgets and current expectation as to the estimated impacts from COVID-19, the Management has concluded that the Company has sufficient liquidity resources to carry out its operations during 2020. Therefore, the financial statements for 2019 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	2019	2018	2019	2018
Expenses				
Write-down, Goodwill	0	-26,204	0	-1,943
Cut-off errors regarding 2017	0	-7,756	0	-5,355
Change in accounting estimate for inventory obsolescence	0	-19,161	0	-13,219
Inventory clean-up	0	-22,681	0	-20,672
Restructuring cost - external advisors, consultants etc.	0	-31,144	0	-32,713
	0	-106,946	0	-73,902
Special items are recognised in the below items of the financial statements				
Revenue	0	-7,756	0	-5,355
Cost of sales	0	-41,842	0	-33,891
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	0	-26,204	0	0
Other external expense	0	-31,144	0	-32,713
Income from investments in group enterprises	0	0	0	-1,943
Net profit/loss on special items	0	-106,946	0	-73,902

In 2018 the company and group were effected by special items relating to severe operational issues uncovered by new management in 2018.

In 2019, no additional material costs occurred on the special items from 2018 and there was no basis for any reversal of any of the special items provided for in 2018. Further, no new types of material special items were identified.

	Group		Parent company	
DKK'000	2019	2018	2019	2018
4 Segment information				
Breakdown of revenue by geographical segment:				
Denmark	2,268	1,228	2,268	1,228
Exports	588,732	563,312	556,801	520,767
	591,000	564,540	559,069	521,995

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

Notes to the financial statements

		Group		Parent company	
	DKK'000	2019	2018	2019	2018
5	Staff costs and incentive programmes				
	Wages/salaries	225,840	240,072	169,395	186,438
	Pensions	13,255	16,557	10,324	11,267
	Other social security costs	10,394	9,482	6,047	6,358
	Other staff costs	5,418	3,040	1,762	2,582
		254,907	269,151	187,528	206,645
	Average number of full-time employees	416	425	289	297

Total remuneration to the Executive Board: DKK 14,210 thousand (2018: DKK 8,136 thousand).

Total remuneration to Board of Directors: DKK 227 thousand (2018: DKK 870 thousand).

Incentive programmes

Board of directors are eligible to a bonus scheme under normal marked conditions.

		Group		Parent company	
	DKK'000	2019	2018	2019	2018
6	Financial income				
	Interest receivable, group entities	1,764	1,866	17,417	16,160
	Exchange adjustments	2,025	4,587	1,575	4,587
	Other financial income	183	27	138	0
		3,972	6,480	19,130	20,747
7	Financial expenses				
	Exchange adjustments	339	4,574	0	4,544
	Other financial expenses	15,585	20,147	15,191	19,756
		15,924	24,721	15,191	24,300
8	Tax for the year				
	Estimated tax charge for the year	292	441	0	0
	Deferred tax adjustments in the year	-21	0	0	0
	Tax adjustments, prior years	-510	-3,357	-393	-3,830
		-239	-2,916	-393	-3,830

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

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 2019	43,755	1,453	138,565	2,803	186,576
Forreign currency exchange rate adjustments	0	0	1,997	0	1,997
Additions	0	4,571	0	7,411	11,982
Disposals	-6,094	0	0	0	-6,094
Transferred	3,841	0	0	-3,841	0
Cost at 31 December 2019	41,502	6,024	140,562	6,373	194,461
Impairment losses and amortisation at 1 January 2019	19,171	263	138,565	0	157,999
Forreign currency exchange rate adjustments	0	0	1,997	0	1,997
Amortisation for the year	5,723	511	0	0	6,234
Reversal of accumulated amortisation and impairment of assets disposed	-6,094	0	0	0	-6,094
Impairment losses and amortisation at 31 December 2019	18,800	774	140,562	0	160,136
Carrying amount at 31 December 2019	22,702	5,250	0	6,373	34,325

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.

The carrying amount of 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 2020-2024. Discount factor for each CGU vary from 12.5% to 16.5%.

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

Notes to the financial statements

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 2019	43,755	1,453	35,826	2,803	83,837
Additions	0	4,571	0	7,411	11,982
Disposals	-6,094	0	0	0	-6,094
Transferred	3,841	0	0	-3,841	0
Cost at 31 December 2019	41,502	6,024	35,826	6,373	89,725
Impairment losses and amortisation at 1 January 2019	19,171	263	35,826	0	55,260
Amortisation for the year	5,723	511	0	0	6,234
Reversal of accumulated amortisation and impairment of assets disposed	-6,094	0	0	0	-6,094
Impairment losses and amortisation at 31 December 2019	18,800	774	35,826	0	55,400
Carrying amount at 31 December 2019	22,702	5,250	0	6,373	34,325

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.

The carrying amount of 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 2020-2024, and a discount factor post tax of 16.5%.

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

Notes to the financial statements

10 Property, plant and equipment

DKK'000	Group: Plant and machinery	Group: Fixtures and fittings, other plant and equipment	Group: Leasehold improvements	Group: Total
Cost at 1 January 2019	40,557	8,436	6,255	55,248
Foreign exchange adjustments	150	0	0	150
Additions	746	0	146	892
Disposals	-3,189	-909	0	-4,098
Transferred	210	69	197	476
Cost at 31 December 2019	38,474	7,596	6,598	52,668
Impairment losses and depreciation at 1 January 2019	27,545	2,437	755	30,737
Foreign exchange adjustments	134	0	0	134
Depreciation	2,917	2,084	818	5,819
Reversal of accumulated depreciation and impairment of assets disposed	-3,006	-890	0	-3,896
Transferred	412	63	0	475
Impairment losses and depreciation at 31 December 2019	28,002	3,694	1,573	33,269
Carrying amount at 31 December 2019	10,472	3,902	5,025	19,399
Property, plant and equipment include finance leases with a carrying amount totalling	1,817	3,106	0	4,923

DKK'000	Parent company: Plant and machinery	Parent company: Fixtures and fittings, other plant and equipment	Parent company: Leasehold improvements	Parent company: Total
Cost at 1 January 2019	8,018	8,436	6,255	22,709
Additions	0	0	146	146
Disposals	-1,069	-909	0	-1,978
Transferred	210	69	197	476
Cost at 31 December 2019	7,159	7,596	6,598	21,353
Impairment losses and depreciation at 1 January 2019	3,317	2,437	755	6,509
Depreciation	1,182	2,084	818	4,084
Reversal of accumulated depreciation and impairment of assets disposed	-1,069	-890	0	-1,959
Transferred	412	63	0	475
Impairment losses and depreciation at 31 December 2019	3,842	3,694	1,573	9,109
Carrying amount at 31 December 2019	3,317	3,902	5,025	12,244
Property, plant and equipment include finance leases with a carrying amount totalling	1,817	3,106	0	4,923

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Notes to the financial statements

11 Investments

DKK'000	Group Other receivables
Cost at 1 January 2019	2,291
Cost at 31 December 2019	2,291
Carrying amount at 31 December 2019	2,291

	Parent company			
DKK'000	Investments in group enterprises	Receivables from group enterprises	Other receivables	Total
Cost at 1 January 2019	42,444	145,413	2,291	190,148
Foreign exchange adjustments	0	2,879	0	2,879
Additions	0	8,907	0	8,907
Cost at 31 December 2019	42,444	157,199	2,291	201,934
Value adjustments at 1 January 2019	-25,761	-124,376	0	-150,137
Foreign exchange adjustments	-3,262	0	0	-3,262
Profit/loss for the year	-34,636	0	0	-34,636
Investments with a negative net asset value written down over receiveables	41,207	-12,287	0	28,920
Value adjustments at 31 December 2019	-22,452	-136,663	0	-159,115
Carrying amount at 31 December 2019	19,992	20,536	2,291	42,819

Investments in group entities of DKK 19,992 thousand, include goodwill with a carrying amount of DKK 0 thousand at 31 December 2019 (2018: DKK 0 thousand).

Investments in group enterprises are illustrated in the group chart on page 4.

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		Group		Parent company	
	DKK'000	2019	2018	2019	2018
12	Work in progress for third parties				
	Selling price of work performed	470,267	246,077	450,148	246,078
	Progress billings	-497,375	-253,218	-450,616	-221,811
		-27,108	-7,141	-468	24,267
	recognised as follows:				
	Work in progress for third parties(assets)	78,176	72,184	58,057	72,184
	Work in progress for third parties(liabilities)	-105,284	-79,325	-58,525	-47,917
		-27,108	-7,141	-468	24,267

13 Prepayments

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

		Parent company	
	DKK'000	2019	2018
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.

15 Deferred tax

At 31 December 2019, the Group has a potential tax asset of approx. DKK 62,000 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 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	3,804	2,579	1,225	0
Other payables	5,728	0	5,728	0
	9,532	2,579	6,953	0

DKK'000	Parent company Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	3,804	2,579	1,225	0
Other payables	5,728	0	5,728	0
	9,532	2,579	6,953	0

Short term bank debt relates to revolving credit facilities 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 37,211 thousand (2018: DKK 38,370 thousand) primarily regarding pending and finished customer orders.

A guarantee company has provided a guarantee to the Group's bank amounting to EUR 0,3 million, regarding the Parent Company’s bank debt.

Other financial obligations

Other rent and lease liabilities:

	Group		Parent company	
DKK'000	2019	2018	2019	2018
Rent and lease liabilities	72,856	70,956	56,234	57,355

The Group has from its normal course of business common commitments for goods and services towards vendors. As of 31 December 2019 these commitments amounts to approx. DKK 8,845 thousands

Rent and lease liabilities due within 1 year amount to DKK 17,846 thousand for the group and DKK 11,945 thousand for the parent company.

Rent and lease liabilities falling due after 5 years amount to DKK 17,442 thousand (2018: DKK 22,120 thousand) for the group and DKK 17,442 thousand (2018: DKK 22,120 thousand) for the parent company.

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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.

A guarantee company and the Group's bank have issued guarantees amounting to DKK 37,211 thousand (2018: DKK 38,370 thousand) primarily regarding pending and finished customer orders.

A guarantee company has provided a guarantee to the Group's Bank amounting to EUR 0.3 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 2021.

19 Collateral

As mentioned in note 2 Group financial structure, The Company, has a term loan 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 5.5 million respectively.

Further the Company has a joint credit facility with the parent company Kg BidCo ApS amounting to EUR 32.5 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 420 million (2018: DKK 431 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 312 million (2018: 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 212 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 -177 million and DKK 10 million respectively.

The Group's ultimative parent company is guarantor for bank loans amounting to EUR 7.5 million.

There is a cross guarantee regarding the EUR 5.5 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	2019	2018
Group		
Receivables from overlying parent company	136,340	84,102
Interest income from overlying parent company	1,764	1,867
Payables to overlying parent company	2,441	0
Parent Company		
Sale of goods and services to subsidiaries	120,086	138,831
Purchase of goods and services from subsidiaries	95,846	111,733
Receivables from overlying parent company	136,340	84,102
Interest income from overlying parent company	1,764	1,867
Interest income from group enterprises	15,656	14,294
Receivables from group enterprises, long-term	20,536	22,051
Receivables from group enterprises	211,891	200,167
Payables to group enterprises	18,299	66,750
Payables to overlying parent company	2,441	0
Management fee to overlying parent company	11,567	3,396

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	2019	2018	2019	2018
21 Fee to the auditors appointed by the Company in general meeting				
Statutory audit	642	700	556	700
Tax assistance	679	499	432	376
Other assistance	396	1,388	396	1,388
	1,717	2,587	1,384	2,464

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		Parent company	
	DKK'000	2019	2018
22	Appropriation of profit/loss		
	Recommended appropriation of profit/loss		
	Reserve for development costs	12,360	-1,027
	Retained earnings/accumulated loss	-53,313	-283,772
		-40,953	-284,799

		Group	
	DKK'000	2019	2018
23	Adjustments		
	Amortisation/depreciation and impairment losses	12,053	39,042
	Tax for the year	-239	2,927
	Change in other provisions	-12,607	2,226
		-793	44,195
24	Changes in working capital		
	Change in inventories and work in progress	77,202	139,204
	Change in receivables	-46,064	14,078
	Change in trade and other payables	5,789	-101,589
		36,927	51,693