KKC Management ApS

Smedievej 243, DK-3400 Hillerød

Annual Report for 1 January - 31 December 2018

CVR No 38 23 48 46

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 6 /7 2019

Kim Kronborg Christiansen
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board has today considered and adopted the Annual Report of KKC Management ApS for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In my opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2018.

In my opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

I recommend that the Annual Report be adopted at the Annual General Meeting.

Hillerød, 6 July 2019

Executive Board

Kim Kronborg Christiansen
Executive Officer

Independent Auditor's Report

To the Shareholder of KKC Management ApS

Opinion
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 the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of KKC Management ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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 Financial Statements" section of our report. 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

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 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 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 about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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 Company's and the Group'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 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

Independent Auditor's Report

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the 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.

Trekantområdet, 6 July 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Bunk Harbo Larsen	Lasse Berg
State Authorised Public Accountant	State Authorised Public Accountant
mne30224	mne35811

Company Information

The Company	KKC Management ApS Smedievej 243 DK-3400 Hillerød CVR No: 38 23 48 46 Financial period: 1 January - 31 December Municipality of reg. office: Hillerød
Executive Board	Kim Kronborg Christiansen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Financial Highlights

Seen over a two-year period, the development of the Group is described by the following financial highlights:

	Group	
	2018	2017
	TDKK	TDKK
Key figures		
Profit/loss		
Revenue	459.773	1.397
Operating profit/loss	-18.326	1.296
Profit/loss before financial income and expenses	-18.326	1.296
Net financials	-249	0
Net profit/loss for the year	-14.955	1.011
Balance sheet		
Balance sheet total	274.891	1.469
Equity	-13.943	1.061
Cash flows		
Cash flows from:		
- operating activities	-23.883	1.230
- investing activities	-5.132	-288
including investment in property, plant and equipment	-5.132	-38
- financing activities	12.053	50
Change in cash and cash equivalents for the year	-16.962	992
Number of employees	308	1
Ratios		
Gross margin	23,2%	94,1%
Profit margin	-4,0%	92,8%
Return on assets	-6,7%	88,2%
Solvency ratio	-5,1%	72,2%
Return on equity	-	190,6%

For definitions, see under accounting policies.

Management's Review

Consolidated and Parent Company Financial Statements of KKC Management ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Consolidated and Parent Company Financial Statements have been prepared under the same accounting policies as last year.

Key activities

AH Industries is a leading supplier of components, modules, systems and services to primarily the wind energy, cement and minerals as well as to offshore, marine and hydraulics customers. The company is specialised in machining of heavy metal components with high demands for precision and technical expertise.

Development in the year

The income statement of the Group for 2018 shows a loss of TDKK 14,955, and at 31 December 2018 the balance sheet of the Group shows negative equity of TDKK 13,943.

Capital resources

The Group has lost more than 50% of its share capital and is thus comprised by the rules on capital loss of the Danish Companies Act.

In July 2019 a restructuring of the Groups debt and equtity was agreed with final closing in Q3 2019. Hence when closed the equity of the Group will be positive with approximately DKK 100,000k.

To cover the capital and liquidity need of the AH Industries Group, credit facilities with shareholders totalling DKK 68,000k have been agreed. Of this amount, DKK 38,000k constitutes a revolving facility and DKK 30,000k is a bullet facilities with no amortisation during 2019. The budget for 2019 shows that the facilities are adequate to secure the planned operations.

The credit facilities is not subject to financial covenants and hence will be available from closing and through out 2019.

Please also refer to extended description of capital resources and ability to going concern in note 1 of the financial statements.

Operating risks

The Group is not assessed to have any special or extraordinary operational risks that do not similarly exist in other companies operating within the same business areas as the Group.

Management's Review

Market risks

The Group is not assessed to have any special market risks that do not similarly exist in other companies operating within the same business areas as the Group.

Foreign exchange risks

The Group is exposed to currency risks in connection with sales, purchase and borrowing in other currencies than the Group's functional currency (DKK). It is the Group's policy to protect itself against material currency risks by using derivative financial instruments and borrowing in other currencies than the Group's functional currency.

Interest rate risks

Due to its operations, investments and funding, the Group is exposed to risks relating to changes in the interest rate level. In order to minimise this interest rate risk, the interest-bearing debt carries a mix of fixed and floating rates of interest. The Group complies with group policy for the area.

Credit risks

The Group is exposed to credit risks on receivables. The Group has a policy for follow-up on receivables. If an uncertainty related to a customer's ability or willingness to pay an outstanding amount exists and it is deemed that the outstanding amount is at risk, the Group will make the necessary provision for bad debt. The Group's credit risk is sought minimised through the use of non-recourse factoring if possible.

Strategy and objectives

The Group's mission is to expand and strengthen our position as our customers' first choice and to be regarded as an outstanding supplier of products and services that genuinely improve solutions in cooperation with the customer.We strive continuously to fulfil our mission by developing our core competencies within technical sales, sourcing, value engineering, production, assembly, logistics and customer service. Our vision is to be the first choice of product, service and system provider. The Group has accumulated many years of experience in both specifying and sourcing raw materials, machining of components as well as planning and constructing system solutions. We think that we are the natural choice when suppliers of original equipment (OEM) select their partner for system integration and deliveries, and Management expects that outsourcing of assembly tasks from OEM suppliers will accelerate in the years to come.

Targets and expectations for the year ahead

Based on the structural measures taken during last year combined with the increasing sales efforts in all business entities, we expect a positive development during 2019.

Management's Review

Research and development

The Group wants to be a leading player within the parts of the value chain where the Group operates. Therefore, we invest in the newest production technology, tools for optimising as well as testing and measuring technologies. We cooperate with our customers in all areas of the value chain from sourcing of materials, through production to system integration. Finally, we offer our customers global logistics solutions.

External environment

Intellectual capital resources

Our most important intellectual capital resource is the combination of our employees and the accumulated knowledge and engineering resources as well as production equipment. Thus, we educate our employees within the newest technologies, logistics and sourcing as well as leadership.

Statement of corporate social responsibility

Business Model

As a sub-contractor, the Group provides sourcing, machining and assembly of products for metal structure solutions. Our customers operate primarily in Europe, Asia and the Middle East with a few orders going to the USA. Raw materials for machining and products for resale or assembly are sourced by the Group from China and Europe – including Eastern Europe and Turkey.

The Group has its head office in Ribe, Denmark and four production sites: three in Denmark (Ribe and Horsens) and one i China (Ningbo in the Zhejiang province).

At 1 February 2018, AH Industries changed owners from a German private equity fund to become an owner-managed enterprise with two owners.

Policies

All sites have the same values and policies. In Q4 2018, the Group updated its mission, vision, values and policies to match the ethical set of values of the new owners.

Consequently, instead of having separate policies for the working environment, environment and CSR, the Group's owners' ethical set of values has now been incorporated into the Group values Teamwork, Excellence and Caring as well as into the policies HSEE Policy, People Policy, Sourcing & Purchasing Policy. The values have been communicated to all employees via information meetings, and the policies will be rolled out during 2019. The owners consider this an important CSR achievement and a good starting point for the work to be done in the years ahead.

Social and staff matters

Health and safety:

All Group sites are certified under the international occupational health & safety standard OHSAS18001, and no sites have any unresolved issues with public authorities.

The safety of employees and visitors to the Group sites has top priority. Since 2013, the Group has registered and worked seriously with near misses, and the accident frequency has been calculated on an annual basis since 2015.

Both KPIs are stable over the years with minor up-and-down fluctuations. This is not satisfactory and, therefore, the new owners have focus on the safety culture and on reducing dangerous situations. At the end of 2018, a training programme was launched which is to develop Management's mindset with respect to safety.

Contribution to society:

The Group strategy is to train more skilled workmen in metal machining, and we therefore have a number of apprentices following the industrial engineering programme.

The Group is 3.58 apprentice points above target compared to the calculated AUB target (Employers' Training Contribution) for production enterprises (AH Industries) but 0.18 below target as regards apprentice points in the administration company (AH Industries Holding). This is a conscious prioritisation.

The Group respects trade unions and operates with collective agreements with a free choice of trade union on all Danish sites. All employees on the Chinese site are organised.

The Group complies with current environmental and energy legislation and moreover works continuously to improve its performance in the area. The Group also expects the same from its suppliers. This policy has been communicated to our employees via the HSEE Policy and to suppliers via the Supplier Code of Conduct.

All sites – both Danish and Chinese – have all the required environmental approvals and no unresolved issues with public authorities. The Group is ISO14001 certified. Since January 2018, the Danish sites have added section 4.4.3 of ISO50001 and, thus, meets the Danish requirements for energy audit of large enterprises.

The Group's primary environmental impact relates to:

- Metal scraps from production – We have focus on optimising and reducing scraps. When scraps cannot be avoided, they are sold for recycling through approved metal scrap buyers.

- Transport of raw materials and finished goods – We have constant focus on optimising transport; overseas transport is mainly taking place by ship.

- Consumption of electricity and gas (LNG and LPG) – This consumption goes towards production and heating of buildings and therefore varies according to operations. The sites are focused on having energy-efficient equipment when it has an impact on consumption.

In 2019, focus remains on our performance in the above mentioned areas.

The Group furthermore has hazardous waste in the form of cooling lubricants and other chemical remains. All chemical waste is collected and handled by approved environmental waste-disposal companies. All factories have taken precautionary measures to ensure that discharge will not have any impact on the surrounding nature.

In January 2018, the Danish sites were certified under section 4.4.3 of ISO50001. This was an important step which implies that the Group meets the Danish requirements for energy audit of large enterprises.

We monitor the consumption of electricity and gas on a monthly basis, and consumption has declined compared to 2017.

Anti-corruption and anti-bribery as well as respect for human rights

As we have a factory in China and a supplier base in China, Eastern Europe and Turkey combined with our customers' global footprint, the Group operates directly and indirectly in countries where there is a risk of human rights compliance issues as well as a risk of corruption and bribery.

The Group is very conscious about this risk and has a zero-tolerance policy in the areas. To ensure compliance, the following processes have been activated:

- Respect for human rights is communicated to our employees via the value Caring and the People Policy and to our suppliers via the Supplier Code of Conduct.

- Our approach to corruption and bribery is communicated to our employees via the Code of Conduct to our Chinese employees and to all employees via the Sourcing & Purchasing Policy and to our suppliers via the Supplier Code of Conduct.

- The Supplier Code of Conduct is sent for the signature of our suppliers at regular intervals.

- The situation is assessed in connection with routine visits to our suppliers. The routine visits are made by either AH Industries employees, inspectors working on behalf of the Groupand, in some cases, by customers.

Based on Transparency International's CPI2018, the risk of corruption and bribery is assessed to be highest in China, Turkey and Romania, and the risk in both China and Romania is assessed to be showing a declining trend.

Management's Review

The European suppliers (Turkey and Romania) trade exclusively with employees based in Denmark. The Chinese suppliers are handled by AH Industries' Chinese site. Upon employment, all employees in China are made familiar with the Group's CoC for employees, and they are therefore aware of the Group's zero tolerance in the area. The risk of corruption is assessed to be low, but we monitor the situation.

In 2018, focus has been on getting to know the business and our status on anti-corruption and anti-bribery as well as respect for human rights. Therefore, no specific results in the areas can be demonstrated this financial year.

Statement on gender composition

The supreme management body consists of the CEO in KKC Management. With reference to the most recent guidance in the area from the Danish Business Authority, KKC Management has not set a target for the gender representation in the supreme management body.

The new owners' policy is to have a more balanced gender representation at other management levels and in specialist roles while at the same time recruiting based on required skills.

In 2018, more resources were spent to better describe skills and to test candidates before employment. By focusing on skills, the owners expect that the Company will succeed in bringing more women on board.

The number of women at other management levels is increasing. At 31 December 2018, the Senior Management Team consisted of 25% women compared to 0% at the end of 2017. At 31 December 2018, the ratio of women in management roles was 25.8% compared to 18.5% at the end of 2017. From 2019, we will also measure the ratio of women employed in specialist roles.

Uncertainty relating to recognition and measurement

The computation of the carrying amount of certain assets and liabilities requires assements, estimates and assumptions regarding future events. The estimates used are based on historical experience and other factors which by Management are assessed to be reliable, but which by nature are associated with uncertainty. The assumptions may be incomplete or incorrect, and unexpected events or circumstances may arise.

Subsequent events

In July 2019 a restructuring of the Groups debt and equtity was agreed with final closing in Q3 2019. Hence when closed the equity of the Group will be positive with approximately DKK 100,000k.

Please also refer to extended description of capital resources and ability to going concern in note 1 of the financial statements.

Income Statement 1 January - 31 December

	Note	Group 2018 TDKK	Group 2017 TDKK	Parent 2018 TDKK	Parent 2017 TDKK
Revenue	4	**459.773**	**1.397**	**307**	**1.397**
Expenses for raw materials and consumables		-317.647	0	0	0
Other external expenses		-35.559	-83	-73	-83
Gross profit/loss		**106.567**	**1.314**	**234**	**1.314**
Staff expenses	5	-97.157	-15	-38	-15
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	6	-27.736	-3	-3	-3
Profit/loss before financial income and expenses		**-18.326**	**1.296**	**193**	**1.296**
Income from investments in subsidiaries		0	0	11	0
Financial income		1.013	0	0	0
Financial expenses	7	-1.262	0	-155	0
Profit/loss before tax		**-18.575**	**1.296**	**49**	**1.296**
Tax on profit/loss for the year	8	3.620	-285	-9	-285
Net profit/loss for the year		**-14.955**	**1.011**	**40**	**1.011**

Balance Sheet 31 December

Assets

		Group		Parent	
	Note	2018	2017	2018	2017
		TDKK	TDKK	TDKK	TDKK
Land and buildings		13.967	0	0	0
Plant and machinery		63.457	0	0	0
Other fixtures and fittings, tools and equipment		6.376	35	31	35
Leasehold improvements		4.472	0	0	0
Property, plant and equipment	9	**88.272**	**35**	**31**	**35**
Investments in subsidiaries	10	0	0	0	0
Other investments	11	100	250	100	250
Other receivables	11	2.608	0	0	0
Fixed asset investments		**2.708**	**250**	**100**	**250**
Fixed assets		**90.980**	**285**	**131**	**285**
Inventories	12	**76.362**	**0**	**0**	**0**
Trade receivables		98.911	173	0	173
Receivables from group enterprises		0	0	900	0
Other receivables		7.178	6	0	6
Prepayments	13	1.110	13	11	13
Receivables		**107.199**	**192**	**911**	**192**
Cash at bank and in hand		**350**	**992**	**306**	**992**
Currents assets		**183.911**	**1.184**	**1.217**	**1.184**
Assets		**274.891**	**1.469**	**1.348**	**1.469**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2018 TDKK	Group 2017 TDKK	Parent 2018 TDKK	Parent 2017 TDKK
Share capital		50	50	50	50
Retained earnings		-13.407	1.011	1.009	1.011
Equity attributable to shareholders of the Parent Company		**-13.357**	**1.061**	**1.059**	**1.061**
Minority interests		-586	0	0	0
Equity		**-13.943**	**1.061**	**1.059**	**1.061**
Provision for deferred tax	15	3.723	1	2	1
Provisions		**3.723**	**1**	**2**	**1**
Lease obligations		3.684	0	0	0
Long-term debt	16	**3.684**	**0**	**0**	**0**
Credit institutions		165.250	0	0	0
Lease obligations	16	5.305	0	0	0
Trade payables		80.754	15	25	15
Payables to owners and Management		253	248	253	248
Corporation tax		1.084	0	8	0
Other payables		28.781	144	1	144
Short-term debt		**281.427**	**407**	**287**	**407**
Debt		**285.111**	**407**	**287**	**407**
Liabilities and equity		**274.891**	**1.469**	**1.348**	**1.469**
Going concern	1				
Uncertainty on recognition and measurement	2				
Subsequent events	3				
Distribution of profit	14				
Contingent assets, liabilities and other financial obligations	19				
Related parties	20				
Fee to auditors appointed at the general meeting	21				
Accounting Policies	22				

Statement of Changes in Equity

Group

	Share capital	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	50	1.010	1.060	0	1.060
Additions	0	0	0	20	20
Exchange adjustments relating to foreign entities	0	-41	-41	-27	-68
Net profit/loss for the year	0	-14.376	-14.376	-579	-14.955
Equity at 31 December	**50**	**-13.407**	**-13.357**	**-586**	**-13.943**

Parent

	Share capital	Retained earnings	Equity excl. minority interests	Minority interests	Total
Equity at 1 January	50	1.010	1.060	0	1.060
Exchange adjustments relating to foreign entities	0	-41	-41	0	-41
Net profit/loss for the year	0	40	40	0	40
Equity at 31 December	**50**	**1.009**	**1.059**	**0**	**1.059**

Cash Flow Statement 1 January - 31 December

	Note	Group 2018	Group 2017
		TDKK	TDKK
Net profit/loss for the year		-14.955	1.011
Adjustments	17	24.297	288
Change in working capital	18	-41.403	216
Cash flows from operating activities before financial income and expenses		**-32.061**	**1.515**
Financial income		1.013	0
Financial expenses		-1.262	-1
Cash flows from ordinary activities		**-32.310**	**1.514**
Corporation tax paid		8.427	-284
Cash flows from operating activities		**-23.883**	**1.230**
Purchase of property, plant and equipment		-5.132	-38
Fixed asset investments made etc		0	-250
Cash flows from investing activities		**-5.132**	**-288**
Repayment of loans from credit institutions		16.757	0
Reduction of lease obligations		-4.724	0
Minority interests		20	0
Cash capital increase		0	50
Cash flows from financing activities		**12.053**	**50**
Change in cash and cash equivalents		**-16.962**	**992**
Cash and cash equivalents at 1 January		992	0
Cash and cash equivalents from business acquisition		16.320	0
Cash and cash equivalents at 31 December		**350**	**992**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		350	992
Cash and cash equivalents at 31 December		**350**	**992**

Notes to the Financial Statements

1 Going concern

The Annual Report for 2018 is prepared under the assumption of going concern. KKC Management ApS Group has in 2018 realised a loss of DKK 14.956k. Equity of the Company amounts to a negative DKK -13.945k at 31 December 2018.

In July 2019 a restructuring of the Groups debt and equtity was agreed with final closing in Q3 2019. Hence when closed the equity of the Group will be positive with approximately DKK 100,000k.

The budgeted figures for 2019, which shows expected loss of DKK 6.493k, have been prepared on the basis of several assumptions of positive developments, where improved profitability is the main target. As the assumptions rely on expectations for the future they may be subject to uncertainty.

To cover the capital and liquidity need of the Group, credit facilities with shareholders totalling DKK 68,000k have been agreed. Of this amount, DKK 38,000k constitutes a revolving facility and DKK 30,000k is a bullet facilities with no amortisation during 2019. The budget for 2019 shows that the facilities are adequate to secure the planned operations.

The credit facilities is not subject to financial covenants and hence will be available from closing and through out 2019.
Management expects that the budget will be realised and that the required financing is available. Consequently, the Financial Statements are prepared under the assumption of going concern.

2 Uncertainty on recognition and measurement

The computation of the carrying amount of certain assets and liabilities requires assements, estimates and assumptions regarding future events. The estimates used are based on historical experience and other factors which by Management are assessed to be reliable, but which by nature are associated with uncertainty. The assumptions may be incomplete or incorrect, and unexpected events or circumstances may arise.

3 Subsequent events

In July 2019 a restructuring of the Groups debt and equtity was agreed with final closing in Q3 2019. Hence when closed the equity of the Group will be positive with approximately DKK 100,000k.

Please also refer to extended description of capital resources and ability to going concern in note 1 of the financial statements.

Notes to the Financial Statements

		Group		Parent	
		2018	2017	2018	2017
		TDKK	TDKK	TDKK	TDKK
4	**Revenue**				
	Geographical segments				
	Revenue, Denmark	232.501	1.397	307	1.397
	Revenue, exports	227.272	0	0	0
		459.773	**1.397**	**307**	**1.397**

5	**Staff expenses**				
	Wages and salaries	85.346	11	19	11
	Pensions	9.049	3	4	3
	Other social security expenses	1.400	0	0	0
	Other staff expenses	1.362	1	15	1
		97.157	**15**	**38**	**15**
	Average number of employees	**308**	**1**	**1**	**1**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

6	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**				
	Amortisation of intangible assets	7.056	0	0	0
	Depreciation of property, plant and equipment	20.680	3	3	3
		27.736	**3**	**3**	**3**

Notes to the Financial Statements

	Group		Parent	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
7 Financial expenses				
Impairment losses on financial assets	150	0	150	0
Other financial expenses	1.112	0	5	0
	1.262	**0**	**155**	**0**

	Group		Parent	
	2018	2017	2018	2017
8 Tax on profit/loss for the year				
Current tax for the year	276	284	8	284
Deferred tax for the year	-87	1	1	1
Adjustment of tax concerning previous years	-3.809	0	0	0
	-3.620	**285**	**9**	**285**

Notes to the Financial Statements

9 Property, plant and equipment

Group

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	0	0	38	0
Net effect from merger and acquisition	55.740	283.472	21.296	19.094
Additions for the year	407	4.406	241	78
Disposals for the year	0	0	-178	0
Cost at 31 December	56.147	287.878	21.397	19.172
Impairment losses and depreciation at 1 January	0	0	4	0
Net effect from merger and acquisition	40.584	205.957	14.359	13.229
Depreciation for the year	1.596	18.464	829	1.471
Reversal of impairment and depreciation of sold assets	0	0	-171	0
Impairment losses and depreciation at 31 December	42.180	224.421	15.021	14.700
Carrying amount at 31 December	**13.967**	**63.457**	**6.376**	**4.472**
Including assets under finance leases amounting to	0	21.078.223	0	0

Notes to the Financial Statements

10 Investments in subsidiaries

	Parent	
	2018	2017
	TDKK	TDKK
Cost at 1 January	0	0
Additions for the year	30	0
Cost at 31 December	30	0
Value adjustments at 1 January	0	0
Exchange adjustment	-41	0
Net profit/loss for the year	11	0
Value adjustments at 31 December	-30	0
Carrying amount at 31 December	**0**	**0**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
AHI Holding ApS	Ribe, Denmark	50.000	60%	-1.466	-1.447

11 Other fixed asset investments

	Group		Parent
	Other investments	Other receiv-ables	Other investments
	TDKK	TDKK	TDKK
Cost at 1 January	250	0	250
Net effect from merger and acquisition	0	2.608	0
Cost at 31 December	250	2.608	250
Impairment losses at 1 January	0	0	0
Impairment losses for the year	150	0	150
Impairment losses at 31 December	150	0	150
Carrying amount at 31 December	**100**	**2.608**	**100**

Notes to the Financial Statements

	Group		Parent	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
12 Inventories				
Raw materials and consumables	52.493	0	0	0
Work in progress	22.414	0	0	0
Finished goods and goods for resale	1.455	0	0	0
	76.362	**0**	**0**	**0**

13 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

14 Distribution of profit

	Group 2018 TDKK	Group 2017 TDKK	Parent 2018 TDKK	Parent 2017 TDKK
Minority interests' share of net profit/loss of subsidiaries	-579	0	0	0
Retained earnings	-14.376	1.011	40	1.011
	-14.955	**1.011**	**40**	**1.011**

15 Provision for deferred tax

	Group 2018 TDKK	Group 2017 TDKK	Parent 2018 TDKK	Parent 2017 TDKK
Provision for deferred tax at 1 January	1	0	1	0
Amounts recognised in the income statement for the year	-87	1	1	1
Amounts recognised in equity for the year	3.809	0	0	0
Provision for deferred tax at 31 December	**3.723**	**1**	**2**	**1**

Notes to the Financial Statements

16 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Lease obligations

Between 1 and 5 years	3.684	0	0	0
Long-term part	3.684	0	0	0
Within 1 year	5.305	0	0	0
	8.989	**0**	**0**	**0**

17 Cash flow statement - adjustments

	Group	
	2018	2017
	TDKK	TDKK
Financial income	-1.013	0
Financial expenses	1.262	0
Depreciation, amortisation and impairment losses, including losses and gains on sales	27.736	3
Tax on profit/loss for the year	-3.620	285
Exchange adjustment	-68	0
	24.297	**288**

18 Cash flow statement - change in working capital

Change in inventories	490	0
Change in receivables	-24.230	-191
Change in other provisions	1	0
Change in trade payables, etc	-17.664	407
	-41.403	**216**

	Group		Parent	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK

19 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

Land and buildings	13.967	0	0	0

Contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

20 Related parties

	Basis
Controlling interest	
Kim Kronborg Christiansen	Shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Notes to the Financial Statements

	Group		Parent	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
21 Fee to auditors appointed at the general meeting				
PricewaterhouseCoopers				
Audit fee	327	0	17	0
Tax advisory services	28	0	3	0
Non-audit services	399	0	5	0
	754	**0**	**25**	**0**

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of KKC Management ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2018 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, KKC Management ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

22 Accounting Policies (continued)

Business combinations

Acquisitions

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). Cost comprises the fair value of the consideration paid as well as expenses for consultants etc directly related to the acquisition. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life. Any remaining negative differences are recognised as income in the income statement at the date of acquisition.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made. Moreover, any change in contingent consideration is adjusted in the value of goodwill or negative goodwill.

Amortisation of goodwill is recognised in “Amortisation, depreciation and impairment losses”.

Minority interests

Minority interests form part of the Group’s total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in

Notes to the Financial Statements

22 Accounting Policies (continued)

the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Revenue

Information on geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Notes to the Financial Statements

22 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish owned subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other buildings	3-10	years
Plant and machinery	2,5-20	years
Other fixtures and fittings, tools and equipment	3-5	years

Notes to the Financial Statements

22 Accounting Policies (continued)

Leasehold improvements	5-10 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Notes to the Financial Statements

22 Accounting Policies (continued)

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Current asset investments

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Notes to the Financial Statements

22 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Notes to the Financial Statements

22 Accounting Policies (continued)

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$