

# Kg BidCo ApS

Kongens Nytorv 26, 2., 1050 København K


CVR no. 39 14 77 34

## Annual report 2017/18

(As of the establishment of the Company 8 December 2017 - 31 December 2018)

Approved at the Company's annual general meeting on 21 June 2019

Chairman: Thomas Broe-Andersen



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### 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 Kg BidCo ApS for the financial year as of the establishment of the Company 8 December 2017 - 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year as of the establishment of the Company 8 December 2017 - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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


Copenhagen, 21 June 2019  
Executive Board:

  
Tom Niels Wrensted


  
Martin Jørgen Flaga

  
Nicholas Nehmzow Hjorth

Board of Directors:

  
Thomas Broe-Andersen  
Chairman

  
Adeline Anna Nicole  
Jennische

  
Nicolai Peter Norrbom

## Independent auditor's report

To the shareholders of Kg BidCo ApS

### Opinion

We have audited the financial statements of Kg BidCo ApS for the financial year as of the establishment of the Company 8 December 2017 - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year as of the establishment of the company 8 December 2017 - 31 December 2018 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### Emphasis of matter in the financial statements

We draw attention to note 2 in the financial statement where Management has described the financial structure.

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

### Management's responsibilities for the financial statements

Management is responsible for the preparation of 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 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 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 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 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 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the Management'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 Statement Act. We did not identify any material misstatement of the Management's review.

Kolding, 21 June 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Steen Skorstengaard  
State Authorised Public Accountant  
mne19709



Michael Vakker Maass  
State Authorised Public Accountant  
mne32772

## Management's review

### Company details

Name	Kg BidCo ApS
Address, Postal code, City	Kongens Nytorv 26, 2., 1050 København K
CVR no.	39 14 77 34
Established	8 December 2017
Registered office	København
Financial year	8 December 2017 - 31 December 2018
Board of Directors	Thomas Broe-Andersen, Chairman Adeline Anna Nicole Jennische Nicolai Peter Norrbom
Executive Board	Tom Niels Wrensted Martin Jørgen Flaga Nicholas Nehmzow Hjorth
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Kolding Åpark 1, 3. sal, 6000 Kolding, Denmark

## Management's review

### Business review

Kg BidCo ApS is the holding company of GEH Invest ApS and the Gram Equipment Group. The company's objective is to invest in shares with the view to make a return and to provide management services in respect of strategic, managerial and business development matters.

### Unusual matters having affected the financial statements

For a detailed account of unusual and special, non-recurring matters that affected the financial statements presented herein, reference is made to the annual report of Gram Equipment A/S.

### Financial review

The income statement for 2017/18 shows a loss of DKK 743,495 thousand, and the balance sheet at 31 December 2018 shows a negative equity of DKK 104,522 thousand.

### Special risks

For a detailed account of risks associated with the Group's operations, reference is made to the annual report of Gram Equipment A/S.

### Events after the balance sheet date

In March 2019 the company received a payout of the full W&I insurance limit amounting to EUR 50 million (c. DKK 373 million) as part of the ongoing dispute with the seller of the Gram Equipment Group. For more details on the dispute, reference is made to Note 11.

## Financial statements for the period 8 December 2017 - 31 December 2018

### Income statement

Note	DKK'000	2017/18 13 months
	Gross profit	323,251
5	Staff costs	-3,120
	Profit before net financials	320,131
	Impairment from investments in group enterprises	-1,033,221
	Financial income	1
6	Financial expenses	-30,406
	Profit/loss before tax	-743,495
	Tax for the year	0
	Profit/loss for the year	-743,495
	Recommended appropriation of profit/loss	-743,495
	Retained earnings/accumulated loss	-743,495



## Financial statements for the period 8 December 2017 - 31 December 2018

### Balance sheet

Note	DKK'000	2017/18
	ASSETS	
	Fixed assets	
7	Investments	
	Investments in group enterprises	0
		0
	Total fixed assets	0
	Non-fixed assets	
	Receivables	
	Receivables from group enterprises	87
8	Other receivables	409,531
		409,618
	Cash	50
	Total non-fixed assets	409,668
	TOTAL ASSETS	409,668

## Financial statements for the period 8 December 2017 - 31 December 2018

### Balance sheet

Note	DKK'000	2017/18
	EQUITY AND LIABILITIES	
	Equity	
9	Share capital	50
	Retained earnings	-104,572
	Total equity	-104,522
	Liabilities other than provisions	
10	Non-current liabilities other than provisions	
	Bank debt	344,596
		344,596
	Current liabilities other than provisions	
	Bank debt	3
	Trade payables	17,136
	Payables to group enterprises	144,871
	Other payables	7,584
		169,594
	Total liabilities other than provisions	514,190
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>409,668</b>

- 1 Accounting policies
- 2 Group financial structure
- 3 Events after the balance sheet date
- 4 Special items
- 11 Contractual obligations and contingencies, etc.
- 12 Contingent assets
- 13 Collateral
- 14 Related parties

Financial statements for the period 8 December 2017 - 31 December 2018

Statement of changes in equity

DKK'000	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Cash payments concerning formation of enterprise	50	0	50
Capital increase	0	638,923	638,923
Transfer through appropriation of loss	0	-743,495	-743,495
Equity at 31 December 2018	<u>50</u>	<u>-104,572</u>	<u>-104,522</u>

## Financial statements for the period 8 December 2017 - 31 December 2018

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Kg BidCo ApS for 2017/18 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 112 of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

#### Reporting currency

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

#### 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.

#### Income statement

##### Other operating income

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

##### 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.

##### Profit from investments in subsidiaries

The item includes dividend received from subsidiaries in so far as the dividend does not exceed the accumulated earnings in the subsidiary in the period of ownership.

##### 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 realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

## Financial statements for the period 8 December 2017 - 31 December 2018

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Tax

The company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

##### Balance sheet

##### 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.

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.

##### Cash

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

##### 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".

##### 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.

## Financial statements for the period 8 December 2017 - 31 December 2018

### Notes to the financial statements

#### 1 Accounting policies (continued)

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.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

#### 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.

Other liabilities are measured at net realisable value.

## Financial statements for the period 8 December 2017 - 31 December 2018

### Notes to the financial statements

#### 2 Group financial structure

##### Debt structure

During 2018 the Group refinanced as part of the acquisition of GEH Invest ApS on January 29, 2018 and additionally in June 2018.

As part of this, the Group has received an equity contribution amounting to EUR 42 million (c. DKK 311.4 million) during the year and has the following financing structure per December 31, 2018:

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

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

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

Collaterals relating to the debt structure are reported under note 9.

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

##### Subsequent development in 2019

During 2019 Kg BidCo ApS received a payout of the full insurance limit amounting to EUR 50 million (c. DKK 373 million) as part of the ongoing dispute with the seller. The full insurance amount has been used to repay part of the Group's debt. As part of this insurance cover, the subsidiary GEH Invest ApS 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 subsidiaries line of credit. In connection with the debt repayment, the subsidiaries line of credit was reduced by EUR 7.5 million (c. DKK 56.3 million).

The equity contribution in 2019 has rebalanced the solidity of the subsidiary. Had the equity contribution taken place at 31 December 2018 instead of during 2019, the equity per 31 December 2018 would have been c. DKK 107 million and the equity ratio of the Group would have been c. 22% and the bank debt would have been reduced to c. DKK 128 million, everything else equal.

##### Test of Financial covenants

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

## Financial statements for the period 8 December 2017 - 31 December 2018

### Notes to the financial statements

#### Cash-flow in 2019

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

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

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

#### 3 Events after the balance sheet date

Kg BidCo ApS, received payment of the full € 50 million limit under a warranty & indemnity insurance policy taken out in connection with its acquisition of the Gram Equipment Group. The full amount has been used to reduce the Group's debt, which has significantly improved the Group's financial position. Besides the events mentioned above, no events have occurred after year-end, which would significantly affect the evaluation of this annual report.

#### 4 Special items

	2017/18 13 months
DKK'000	
Income	
Insurance compensation	373,365
	373,365
Expenses	
Expense related to subsequens claims	-50,114
Impairment from investmens in group enterprises	-1,033,221
	-1,083,335
Special items are recognised in the below items of the financial statements	
Other operating income	373,365
Other external expense	-50,114
Impairment from investments in group enterprises	-1,033,221
	-709,970
5 Staff costs	
Wages/salaries	3,088
Other staff costs	32
	3,120



## Financial statements for the period 8 December 2017 - 31 December 2018

### Notes to the financial statements

	DKK'000			2017/18 13 months	
6	Financial expenses				
	Interest expenses, group entities			11,476	
	Other financial expenses			18,930	
				<u>30,406</u>	
7	Investments				
	DKK'000			Investments in group enterprises	
	Cost at 8 December 2017			0	
	Additions			874,168	
	Cost at 31 December 2018			874,168	
	Impairment losses			-874,168	
	Value adjustments at 31 December 2018			-874,168	
	Carrying amount at 31 December 2018			<u>0</u>	
	DKK'000			2017/18	
8	Other receivables				
	Insurance compensation			373,365	
	Other receivables			36,166	
				<u>409,531</u>	
9	Share capital				
	Analysis of changes in the share capital over the past 2 years:				
	DKK'000		2017/18	Opening balance at 8 December 2017	
	Establishment		50	50	
			50	50	
10	Non-current liabilities other than provisions				
	DKK'000	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
	Bank debt	344,596	0	344,596	344,596
		<u>344,596</u>	<u>0</u>	<u>344,596</u>	<u>344,596</u>

## Financial statements for the period 8 December 2017 - 31 December 2018

### Notes to the financial statements

#### 11 Contractual obligations and contingencies, etc.

##### Other contingent liabilities

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

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

#### 12 Contingent assets

In connection with its acquisition of the Gram Equipment Group, and as a direct result of the actions taken by the former top management and owners of the Gram Equipment Group, Kg BidCo ApS has suffered a loss of more than € 100 million. A series of legal proceedings have been initiated to recover the losses.

#### 13 Collateral

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

Further Kg BidCo ApS has a joint credit facility amounting to EUR 40 million.

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

Property, plant and equipment, inventories and receivables with a carrying amount of approx. DKK 431 million (2017: DKK 390 million) have been pledged as a floating charge amounting to DKK 38 million regarding bank debt. Further GEH Invest ApS has pledged the receivables with a carrying amount of DKK 281 million as a floating charge amounting to DKK 37 million regarding bank debt.

Lenders has a USD 16 million collateral in GEH Invest ApS' receivables from group enterprises, amounting to nominal DKK 63 million.

Investments in two subsidiaries (Gram Equipment of America Inc. and Gram Equipment Makina Sanayi ve Ticaret Izmir), with a carrying amount of DKK -123 million and DKK 10 million respectively have been pledged.

The company's and subsidiaries ultimate parent company is guarantor for bank loans amounting to EUR 15 million.

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

Gram Equipment A/S, GEH Invest Aps, 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.

#### 14 Related parties

##### Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
FSN HoldCo ApS	Copenhagen K, Denmark	www.cvr.dk