FSN HoldCo ApS

Kongens Nytorv 26, 2., 1050 København K

CVR no. 39 21 18 82

Annual report 2018

(As of the establishment of the Company 2 January - 31 December 2018)

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

Chairman: Thomas Broe-Andersen

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Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of FSN HoldCo ApS for the financial year as of the establishment of the Company 2 January - 31 December 2018.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2018 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year as of the establishment of the Company 2 January - 31 December 2018.

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

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

Copenhagen, 21 June 2019
Executive Board:

Marcus Peer Østergaard
Winterso

Board of Directors:

Thomas Broe-Andersen Chairman	Kasper Sørensen	Nicolai Peter Norrbom

Independent auditor's report

To the shareholders of FSN HoldCo ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of FSN HoldCo ApS for the financial year as of the establishment of the Company 2 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year as of the establishment of the company 2 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent Company financial statements" (herinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Emphasis of matter in the financial statements

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

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

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:

- 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, 21 June 2019
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

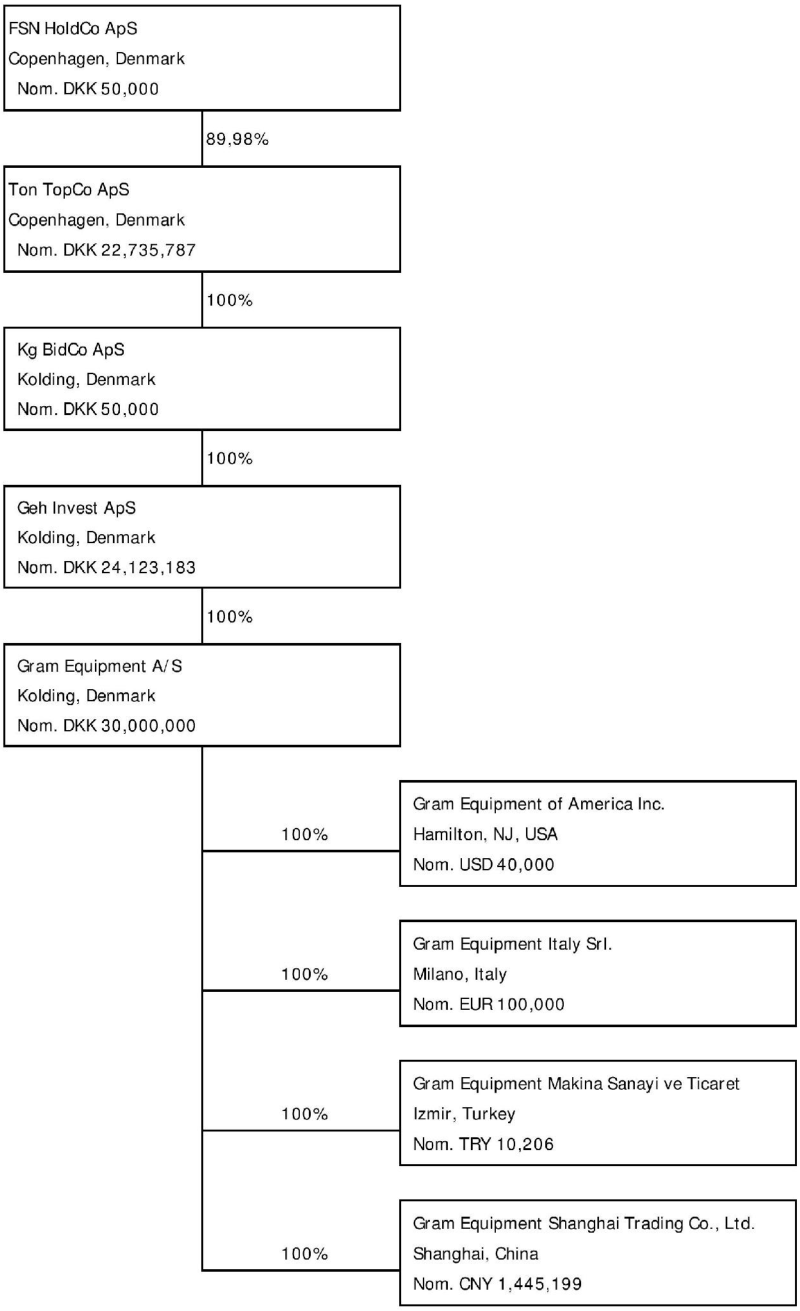
Management's review

Company details

Name	FSN HoldCo ApS
Address, Postal code, City	Kongens Nytorv 26, 2., 1050 København K
CVR no.	39 21 18 82
Established	2 January 2018
Registered office	København
Financial year	2 January - 31 December 2018
Board of Directors	Thomas Broe-Andersen, Chairman Kasper Sørensen Nicolai Peter Norrbom
Executive Board	Marcus Peer Østergaard Wintersø
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

DKK'000	2018
Key figures	
Revenue	549,392
Gross margin	472,231
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	222,199
Net financials	-47,559
Profit/loss for the year	-695,757
Total assets	905,655
Equity	-465,007
Cash flows from operating activities	-191,254
Total cash flows	43,321
Financial ratios	
Operating margin	-89.7%
Gross margin	86.0%
Equity ratio	-68.8%
Return on equity	N/A
Average number of employees	425

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

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

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

Equity ratio $$\frac{\text{Equity excl. non-controlling interests, year-end x 100}}{\text{Total equity and liabilities, year-end}}$$

Return on equity $$\frac{\text{Profit/loss excl. non-controlling interests x 100}}{\text{Average equity excl. non-controlling interests}}$$

Management's review

Business review

New management

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

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

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

Insurance cover

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

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

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

Business review

The subsidiary 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

This is the first year for FSN HoldCo ApS Group.

Revenue amounts to DKK 549 million. EBITDA amounts to a loss of DKK -222 million. Loss for the year after tax amounts to DKK -696 million. The result is highly unsatisfactory. The significant loss is a result of the severe operational issues present already in 2017, and uncovered during 2018, when the new owners and new top management took over the leadership of the Group.

Due to the long-term negative impact of these uncovered issues, the result for the year was negatively affected by an impairment write down on goodwill amounting to DKK 693 million.

Management's review

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

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

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

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

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

Group financing

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

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

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

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

The loans are subject to financial covenants.

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

Management's review

Risks

Credit risks

The primary credit risk for the Group is that the 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 trough letters of credit, prepayment and/or other security.

Currency risks

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

Project risks

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

Liquidity risks

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

Interest risks

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

Non-financial matters

With a new owner and new top management taking responsibility during 2018, the Gram Equipment Group'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.

Management's review

Knowledge resources

The Group's 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 maintain its position as global technology leader within the global ice cream industry.

Outlook

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

Statutory CSR report

The Group

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

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

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

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

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

Management's review

Code of Conduct

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

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

Human Rights and Business Ethics

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

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

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

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

Climate and environment

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

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

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

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

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

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

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

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

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

The Board of Directors is represented by no woman out of 4 members. In Gram Equipment A/S the Board of Directors is represented by one woman out of 4 members.Two new members representing the employees were elected for the next 4 years, both male. Female employees were encouraged to stand for election. The aim of having a more even gender representation in the new Board of Directors was not met in 2018 but improved clearly from 2017 with 100% Male representation. The goal is to have 2 female board members by 2022.

Events after the balance sheet date

As described under ‘Group Finance’ and in note 2, during 2019 the subsidiary, 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.

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Income statement

Note	DKK'000	Group 2018	Parent company 2018
4	Revenue	549,392	0
	Cost of sales	-275,733	0
	Other operating income	373,365	0
	Other external expenses	-174,793	-132
	Gross profit	472,231	-132
5	Staff costs	-250,032	0
	Amortisation/depreciation and impairment	-714,789	-410,157
	Profit/loss before net financials	-492,590	-410,289
	Loss from investments in group enterprises	-159,053	0
6	Financial income	3,811	9,849
7	Financial expenses	-51,370	-10,122
	Profit/loss before tax	-699,202	-410,562
8	Tax for the year	3,445	0
	Profit/loss for the year	-695,757	-410,562
	Specification of the Group's results of operations:		
	Shareholders in FSN HoldCo ApS	-626,017	
	Non-controlling interests	-69,740	
		-695,757	

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Balance sheet

Note	DKK'000	Group 2018	Parent company 2018
	ASSETS		
	Fixed assets		
9	Intangible assets		
	Acquired intangible assets	103,725	0
	Goodwill	0	0
	Development projects in progress and prepayments for intangible assets	2,803	0
		106,528	0
10	Property, plant and equipment		
	Plant and machinery	13,012	0
	Fixtures and fittings, other plant and equipment	5,999	0
	Leasehold improvements	5,500	0
		24,511	0
11	Investments		
	Investments in group enterprises	0	0
	Other receivables	2,291	0
		2,291	0
	Total fixed assets	133,330	0
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	33,934	0
	Work in progress	15,584	0
	Finished goods and goods for resale	49,165	0
		98,683	0
	Receivables		
	Trade receivables	126,018	0
12	Work in progress	72,184	0
	Receivables from group enterprises	0	69,049
	Other receivables	425,835	3,440
13	Prepayments	3,757	0
		627,794	72,489
	Cash	45,848	50
	Total non-fixed assets	772,325	72,539
	TOTAL ASSETS	905,655	72,539

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Balance sheet

Note	DKK'000	Group 2018	Parent company 2018
	EQUITY AND LIABILITIES		
	Equity		
14	Share capital	50	50
	Retained earnings	-623,094	-410,562
	Shareholder in FSN HoldCo ApS' share of equity	-623,044	-410,512
	Non-controlling interests	158,037	0
	Total equity	-465,007	-410,512
	Provisions		
17	Other provisions	25,257	0
	Total provisions	25,257	0
	Liabilities other than provisions		
16	Non-current liabilities other than provisions		
	Bank debt	344,596	0
	Lease liabilities	3,722	0
		348,318	0
	Current liabilities other than provisions		
16	Short-term part of long-term liabilities other than provisions	2,098	0
	Bank debt	745,204	483,051
	Prepayments received from customers	13,612	0
12	Work in progress	79,325	0
	Trade payables	98,405	0
	Corporation tax payable	1,395	0
	Other payables	57,048	0
		997,087	483,051
	Total liabilities other than provisions	1,345,405	483,051
	TOTAL EQUITY AND LIABILITIES	905,655	72,539

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Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Statement of changes in equity

Note	DKK'000	Group Share capital	Group Retained earnings	Group Total	Group Non-controlling interests	Group Total equity
	Cash payment concerning formation of enterprise	50	0	50	0	50
	Non-controlling interest contribution	0	0	0	227,777	227,777
	Transfer through appropriation of loss	0	-626,017	-626,017	-69,740	-695,757
	Adjustment of investments through forreign exchange adjustments	0	2,527	2,527	0	2,527
	Other value adjustments of equity	0	396	396	0	396
	Equity at 31 December 2018	50	-623,094	-623,044	158,037	-465,007

Note	DKK'000	Parent company Share capital	Parent company Retained earnings	Parent company Total
	Cash payment concerning formation of enterprise	50	0	50
23	Transfer, see "Appropriation of profit/loss"	0	-410,562	-410,562
	Equity at 31 December 2018	50	-410,562	-410,512

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Cash flow statement

Note	DKK'000	Group 2018
	Profit/loss for the year	-695,757
24	Adjustments	788,290
	Cash generated from operations (operating activities)	92,533
25	Changes in working capital	-289,535
	Cash generated from operations (operating activities)	-197,002
	Income taxes paid	5,748
	Cash flows from operating activities	-191,254
	Additions of intangible assets	-4,256
	Additions of property, plant and equipment	-8,659
	Disposals of property, plant and equipment	1,879
	Purchase of financial assets	-418
	Disposal of financial assets	1,520
26	Acquisition of companies and activities	-562,148
	Cash flows to investing activities	-572,082
	Proceeds of loan	1,029,755
	Repayments of loan	-584,214
	Operating net transactions	203,029
	Cash capital increase	50
	Cash capital increase from non-controlling interests	158,037
	Cash flows from financing activities	806,657
	Net cash flow	43,321
	Foreign exchange adjustments	2,527
27	Cash and cash equivalents at 31 December	45,848

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 for the period 2 January - 31 December 2018

Notes to the financial statements

1 Accounting policies

The annual report of FSN HoldCo ApS for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Reporting currency

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

Consolidated financial statements

The consolidated financial statements comprise the parent company, the Group, and subsidiaries in which FSN HoldCo - 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 for the period 2 January - 31 December 2018

Notes to the financial statements

1 Accounting policies (continued)

Leases

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

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

Income statement

Revenue

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

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

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

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

Other operating income

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

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

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

Amortisation/depreciation and impairment

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

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

Completed development projects	3-10 years
Goodwill	20 years

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

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

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

Profit from investments in subsidiaries

The item includes 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 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

The parent 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.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

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.

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Notes to the financial statements

1 Accounting policies (continued)

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

Intangible assets

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

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

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

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

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

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

Property, plant and equipment

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

Investments in subsidiaries

Investments in subsidiaries and associates are measured at cost, which includes the cost of acquisition calculated at fair value plus direct costs of acquisition. If there is evidence of impairment, an impairment test is conducted. Where the carrying amount exceeds the recoverable amount, a write-down is made to such lower value.

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).

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Notes to the financial statements

1 Accounting policies (continued)

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.

Work in progress

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.

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Notes to the financial statements

1 Accounting policies (continued)

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 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.

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.

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Notes to the financial statements

1 Accounting policies (continued)

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. 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 for the period 2 January - 31 December 2018

Notes to the financial statements

2 Group financial structure

Debt structure

During 2018 the Gram Equipment Group was refinanced as part of the acquisition by FSN HoldCo 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 19.

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, the subsidairy, 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 Group 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 Group’s line of credit. In connection with the debt repayment, the Group's line of credit was reduced by EUR 7.5 million (c. DKK 56.3 million).

The equity contribution in 2019 has rebalanced the solidity of the Group. 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.

Consolidated financial statements and parent company financial statements for the period 2 January - 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 Special items

Group

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

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

	Group	Parent company
DKK'000	2018	2018
Income		
Insurance compensation	373,365	0
	373,365	0
Expenses		
Change in accounting estimate for inventory obsolescence	-19,161	0
Inventory clean-up	-22,681	0
Restructuring cost - external advisors, consultants etc.	-81,258	0
Impairment from investments in group enterprises	-851,780	-410,157
	-974,880	-410,157
Special items are recognised in the below items of the financial statements		
Cost of sales	-41,842	0
Other external expense	-81,258	0
Impairment goodwill	-692,727	-410,157
Loss from investments in group enterprises	-159,053	0
Other operating income	373,365	0
Net profit/loss on special items	-601,515	-410,157

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Notes to the financial statements

	DKK'000	Group 2018	Parent company 2018
4	Segment information		
	Breakdown of revenue by geographical segment:		
	Denmark	1,228	0
	Export	548,164	0
		549,392	0
5	Staff costs and incentive programmes		
	Wages/salaries	223,301	0
	Pensions	15,222	0
	Other social security costs	8,704	0
	Other staff costs	2,805	0
		250,032	0
	Average number of full-time employees	425	0

Group

Total remuneration to the Executive Board: DKK 8,136 thousand.

Total remuneration to resigned Board of Directors: DKK 870 thousand.

Incentive programmes

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

	DKK'000	Group 2018	Parent company 2018
6	Financial income		
	Other financial income	3,811	9,849
		3,811	9,849
7	Financial expenses		
	Other financial expenses	51,370	10,122
		51,370	10,122

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Notes to the financial statements

		Group	Parent company
	DKK'000	2018	2018
8	**Tax for the year**		
	Estimated tax charge for the year	441	0
	Deferred tax adjustments in the year	-529	0
	Tax adjustments, prior years	-3,357	0
		-3,445	0

		Group			
9	**Intangible assets**				
	DKK'000	Acquired intangible assets	Goodwill	Development projects in progress and prepayments for intangible assets	Total
	Additions through mergers and business combinations	108,712	699,461	0	808,173
	Additions	1,453	0	2,803	4,256
	Cost at 31 December 2018	110,165	699,461	2,803	812,429
	Impairment losses for the year	0	692,727	0	692,727
	Amortisation for the year	6,440	6,734	0	13,174
	Impairment losses and amortisation at 31 December 2018	6,440	699,461	0	705,901
	Carrying amount at 31 December 2018	103,725	0	2,803	106,528

Completed development projects

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

Goodwill

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

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

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Notes to the financial statements

10 Property, plant and equipment

	Group			
DKK'000	Plant and machinery	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Additions on acquisition	16,299	2,873	4,201	23,373
Additions	1,550	5,178	1,970	8,698
Disposals	-1,483	-11	-86	-1,580
Cost at 31 December 2018	16,366	8,040	6,085	30,491
Impairment losses	299	0	0	299
Depreciation	3,055	2,041	585	5,681
Impairment losses and depreciation at 31 December 2018	3,354	2,041	585	5,980
Carrying amount at 31 December 2018	13,012	5,999	5,500	24,511

11 Investments

	Group
DKK'000	Other receivables
Cost at 2 January 2018	0
Additions on merger/corporate acquisition	3,393
Additions	418
Disposals	-1,520
Cost at 31 December 2018	2,291
Carrying amount at 31 December 2018	2,291

	Parent company
DKK'000	Investments in group enterprises
Cost at 2 January 2018	0
Additions	410,157
Cost at 31 December 2018	410,157
Impairment losses	-410,157
Value adjustments at 31 December 2018	-410,157
Carrying amount at 31 December 2018	0

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

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Notes to the financial statements

DKK'000	Group 2018	Parent company 2018
12 Work in progress		
Selling price of work performed	246,077	0
Progress billings	-253,218	0
	-7,141	0
recognised as follows:		
Work in progress(assets)	72,184	0
Work in progress(liabilities)	-79,325	0
	-7,141	0

13 Prepayments

Group

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

14 Share capital

Analysis of changes in the share capital over the past 2 years:

DKK'000	2018	Opening balance at 2 January 2018
Establishment	50	50
	50	50

15 Deferred tax

At 31 December 2018, the Group has a potential tax asset of approx. DKK 65 million. 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 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.

16 Non-current liabilities other than provisions

	Group			
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
Lease liabilities	5,820	2,098	3,722	0
	350,416	2,098	348,318	344,596

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Notes to the financial statements

17 Other provisions

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

18 Contractual obligations and contingencies, etc.

Other contingent liabilities

Group

A guarantee company and the Group's bank have issued guarantees amounting to DKK 38,370 thousand 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 Group's bank debt.

Other financial obligations

Other rent and lease liabilities:

	Group	Parent company
DKK'000	2018	2018
Rent and lease liabilities	70,956	0

Group

Rent and lease liabilities within 1 year amount to DKK 14,586 thousand.

Rent and lease liabilities falling due after 5 years amount to DKK 22,120 thousand.

Parent company

As management company, the Company is jointly taxed with other Danish group entities. The Company has joint and several liability with other jointly taxed group entities for all corporate taxes etc. in the joint taxation.

19 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, the subsidiary Kg BidCo ApS has suffered a loss of more than € 100 million. A series of legal proceedings have been initiated to recover the losses.

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Notes to the financial statements

20 Collateral

Group

As mentioned in note 2 Group financial structure, The Group, has a credit facility amounting to EUR 48 million respectively.

Further the Group has a joint credit facility amounting to EUR 40 million.

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

Refer to note 2 regarding changes in collateral etc. in 2019.

The Group has pledged property, plant and equipment, inventories and receivables with a carrying amount of approx. DKK 431 million (2017: DKK 390 million) as a floating charge amounting to DKK 38 million regarding bank debt. Further the Group has pledged the receivables with a carrying amount of DKK 281 million as a floating charge amounting to DKK 37 million regarding bank debt. The Group's lenders has a USD 16 million collateral in the Group's receivables from group enterprises, amounting to nominel DKK 63 million.

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

FSN HoldCo is guarantor for the groups bank loans amounting to EUR 15 million.

Gram Equipment A/S, GEH Invest Aps, Kg BidCo ApS, Ton TopCo ApS, the ultimate parent company, FSN HoldCo 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.

21 Related parties

Parent company

FSN HoldCo ApS' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
FSN Capital GP V Limited	Jersey, UK	Sole Shareholder

Transactions with related parties

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

Acquisition of dormant Holding company amounting to DKK 50 thousand.

		Group	Parent company
	DKK'000	2018	2018
22	Fee to the auditors appointed by the Company in general meeting		
	Statutory audit	832	35
	Assurance engagements	50	0
	Tax assistance	565	15
	Other assistance	1,588	45
		3,035	95

Consolidated financial statements and parent company financial statements for the period 2 January - 31 December 2018

Notes to the financial statements

		Parent company
	DKK'000	2018
23	Appropriation of profit/loss	
	Recommended appropriation of profit/loss	
	Retained earnings/accumulated loss	-410,562
		-410,562
24	Adjustments	
	Non-controlling interests	69,740
	Amortisation/depreciation and impairment losses	711,582
	Change in other provisions	11,850
	Tax for the year	-4,882
		788,290
25	Changes in working capital	
	Change in inventories	-11,514
	Change in receivables	-307,414
	Change in trade and other payables	29,393
		-289,535
26	Acquisition of enterprises and activities	
	Costumer relationships	78,183
	Brand	30,529
	Property, plant, equipment and inventories	129,559
	Receivables	225,345
	Work in progress	-18,978
	Prepayments	5,491
	Cash	3,628
	Provisions	-13,803
	Deferred tax	-529
	Bank debt	-450,678
	Payables	-126,060
		-137,313
	Goodwill	699,461
	Cost of acquisition paid in cash	562,148
27	Cash and cash equivalents at year-end	
	Cash according to the balance sheet	45,848
		45,848