

Pon Equipment A/S

Park Allé 363
2605 Brøndby

CVR no. 13 71 14 45

Annual report for the period 1 January – 31 December 2018

The annual report was presented and approved at the
Company's annual general meeting on

14 May 2019

Daniel Bernard Green
chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Pon Equipment A/S for the financial year 1 January – 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

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

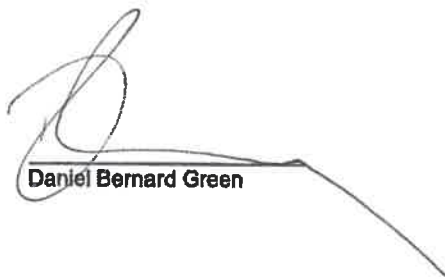
We recommend that the annual report be approved at the annual general meeting.

Brøndby, 14 May 2019

Executive Board:



Annette Birgit Jacobsen



Daniel Bernard Green

Board of Directors:



Patrick Petrus Johannes
Dorothea van Alem
Chairman



Annette Birgit Jacobsen



Daniel Bernard Green



Adrianus Johannes
Antonius den Boer



Michael Hinnerup Jensen
Employee representative



Henrik Kaarslev
Employee representative



Independent auditor's report

To the shareholder of Pon Equipment A/S

Opinion

We have audited the financial statements of Pon Equipment A/S for the financial year 1 January – 31 December 2018 comprising 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 Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibility 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 that 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company 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.

Independent auditor's report

- 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 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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 14 May 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Martin Eller
State Authorised
Public Accountant
mne32271

Pon Equipment A/S
Annual report 2018
CVR no. 13 71 14 45

Management's review

Company details

Pon Equipment A/S
Park Allé 363
2605 Brøndby

Telephone: 70 25 22 11
Fax: 70 25 22 10

CVR no.: 13 71 14 45
Established: 1 December 1989
Registered office: Brøndby
Financial year: 1 January – 31 December

Board of Directors

Patrick Petrus Johannes Dorothea van Alem, Chairman
Annette Birgit Jacobsen
Daniel Bernard Green
Adrianus Johannes Antonius den Boer
Michael Hinnerup Jensen, Employee representative
Henrik Kaarslev, Employee representative

Executive Board

Annette Birgit Jacobsen
Daniel Bernard Green

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Annual general meeting

The annual general meeting will be held on 14 May 2019.

Management's review

Financial highlights

DKK'000	2018	2017	2016	2015	2014
Key figures					
Revenue	468,297	474,772	403,536	450,779	444,757
Gross profit/loss	56,370	47,978	44,481	34,839	7,787
Ordinary operating profit/loss	-1,414	-9,932	-10,149	-19,794	-61,239
Profit/loss from financial income and expenses	-1,453	-1,126	-1,308	-1,968	-4,347
Profit/loss for the year	-2,769	-10,365	-5,258	-20,746	-61,859
Total assets					
Equity	185,354	149,539	168,527	160,156	215,566
Investment in property, plant and equipment	23,718	26,515	36,880	42,139	-2,115
Ratios					
Gross margin	12.0%	10.1%	11.0%	7.7%	1.8%
Operating margin	-0.3%	-2.1%	-2.5%	-4.4%	-13.8%
Return on equity	-5.5%	-18.6%	-13.8%	-214.7%	-142.4%
Solvency ratio	12.8%	17.7%	21.9%	26.3%	-1.0%
Average number of full-time employees					
	129	132	131	141	156

Financial ratios are calculated in accordance with the guidelines "Recommendations and Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Gross margin
$$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$$

Operating margin
$$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$$

Return on equity
$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio
$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review

Principal activities

The Company's activities comprise marketing and sales in Denmark, Greenland and the Faroe Islands of Caterpillar construction equipment and delivery of spare parts and services in relation thereto. In these areas, the Company is the sole trader of the entire Caterpillar product range. The machines are mainly sold to the Danish building contractor sector, and the customers comprise both public and private entities. Pon Equipment A/S is based in Brøndby with sales departments and service workshops in Brøndby and Skejby.

Development in activities and financial position

The financial crisis and its impact on the building and civil construction industry still have significant negative consequences for the construction equipment market. The continued low demand also influences the competition to a high degree and thereby the prices obtainable, especially regarding used machines.

Revenue in Pon Equipment A/S has decreased to DKK 468.3 million in 2018 from DKK 474.8 million in 2017

Operating loss amounted to DKK 1.4 million in 2018 against a loss of DKK 9.9 million in 2017.

Loss for the year amounted to DKK 2.8 million in 2018 against a loss of DKK 10.4 million in 2017.

Uncertainty regarding recognition and measurement

The Company's inventories have been recognised in the balance sheet at a value of DKK 113 million, and include new and used construction equipment and spare parts.

Inventories are recognised at the lower of cost or net realisable value. Management has based its assessment of the net realisable value on the fact that the inventory will be sold on the current market conditions.

As a consequence of the uncertainty related to the market development, similar uncertainties relate to the measurement of inventory.

Capital resources

At 31 December 2018, the Company's equity amounted to DKK 23.7 million against DKK 26.5 million in 2017, which is equivalent to a solvency ratio of 12,8% against 17,7% in 2017.

Pon Holdings B.V. has issued a letter of support stating that financial support will be provided to Pon Equipment A/S at least until 31 December 2019.

Outlook

Due to the continued difficult market conditions, the development on the Danish construction equipment market is difficult to predict. For 2019, the Company expects a small increase in revenue and a positive result before tax compared to those realised in 2018. Due to the extensive uncertainty related to the assessment of the development of the market, similar uncertainty must be expected in connection with the outlook.

Management's review

Operating review

General risks

As a supplier of equipment to the Danish construction industry, the Company's activities and performance are highly dependent on the level of private and public building and construction activities. This area is generally highly sensitive to cyclical fluctuations and the political climate.

Financial risks

As an import business, the Company is exposed to currency risks. In the short term, these risks are limited, as the Company's purchases and sales are largely in DKK. In the long term, however, the Company is exposed to the development in the USD rate, which has some impact on the pricing of and demand for used equipment.

The Company's financing is in the form of short-term variable-interest credits. In the short term, the Company is therefore exposed to fluctuations in the interest rate level. Also, the Company is exposed to credit risks, primarily in relation to private contractors.

Intellectual capital

As the Company markets highly advanced technical construction equipment, the Company has major intellectual capital resources at hand in connection with sales and servicing of this equipment. Continual staff training serves to maintain and develop these resources.

Environmental matters

As a distributor of construction equipment, the Company is not directly responsible for any general environmental impact. In the Company's service workshops and in connection with servicing in general, efforts are made to limit the environmental impact.

Pon Equipment A/S has prepared an environmental and safety policy and work environment guidelines. Pon Equipment A/S only uses materials, substances, methods, tools and machinery approved for use in Danish workplaces. The employees receive instructions in the handling of hazardous products and methods, including environmental and safety measures.

Management's review

Operating review

Corporate social responsibility, cf. section 99 of the Danish Financial Statements Act

Consideration and accountability to the outside world, employees, customers, the environment and society are important at Pon Equipment. Our CSR policy is integrated into all parts of the organization. Which means that we take social, ethical and environmental issues into account daily.

The CSR policy is incorporated into Pon Equipment's business strategy, which means that we focus on our actions.

Pon Equipment's CSR strategy has the following focus areas:

- Working environment and social conditions: Safety, health, work accidents and sickness absence, which is documented in our KPIs.
- Ethics & Anti-Corruption: We will appear as a company that does business in an ethical and responsible manner.
- Social responsibility: Equality, integration, students.
- Environment & climate impact: We take responsibility for the environment seriously, and we appear to be a considerate company in relation to the environment.

Working environment and social conditions

Safety and health are a part of our values, and having happy and satisfied employees in a good and safe working environment is important to Pon.

At Pon Equipment, we ensure all employees a good health insurance and fruit scheme.

Half yearly, an employee satisfaction analysis is performed as we know that we perform better with satisfied employees.

Workplace safety is taken very seriously. Pon Equipment wants all employees to come home safely every day. We ensure that everyone via an app registers if they see an action as possible. can lead to an accident and this is handled by Pon Equipment's safety officer. These actions are measured every month, just as if any. An accident is described and followed up.

First-aid courses are held for employees, and the company holds a defibrillator at each location. In order to ensure that accidents do not occur, rigorous demands have been introduced on traffic in our workshops, that our mechanics are equipped with safety equipment, eg gloves, glasses, helmet and clothing.

In 2018 there were 5 minor accidents with persons involved seeking medical treatment. These have been reported to the authorities

We strongly believe that with above mentioned actions and continued monitoring and follow up of unsafe situations, risk for serious injuries is significantly reduced.

Ethics and anti-corruption

Pon Equipment appears to be an ethical and responsible company. In Pon's Code of Conduct and special company policies, it is clear how the company expects its employees to behave internally and externally. To ensure that everyone is aware of the importance and understanding of this, there is ongoing compulsory e-learning in the following areas, which conclude with a test: Code of Conduct, Competition Law, Pon Protector, Export Control and Compliance.

Management's review

Operating review

During 2018, Pon Equipment did not find any breaches to our corporate social responsibility standards relating to Ethics or Corruption

Social responsibility

Pon Equipment is typically a very male-dominated company. Pon Equipment strives to bring more diversity into the organization in all departments, this both around gender, age, cultural minorities, religion, disability, and others including inclusion.

Pon Equipment estimates the risk of breaches to our Ethic's and Anti-corruption standards as minimal, due to the continual focus in this area.

Environment and Climate Influence

As a supplier of machines and services, we are committed to having a high focus on the environment, as well as ensuring sustainability in our solutions both internal and external.

Pon Equipment's Environmental and climate goals

- We strive to be considerate company in relation to the environment, which complies with all the environmental requirements imposed on us by the authorities.
- In our daily life, we will take into account energy consumption, extraction possibilities and other conditions.
- We will motivate ourselves to constantly reduce our environmental impact

Working with heavy machinery, is there an increased chance for risk relating to the environment. However Pon Equipment via procedures for handling machinery and waste products actively mitigates these risk to the extent we deem risks to be minimal.

Risks relating to Pon Equipment's CSR Standards

Pon Equipment has during 2018 conducted a risk assessment of all areas covered by CSR, and have found no material risks.

Statement on diversity in Management

The gender composition of the Board of Directors reflects the underlying ownership structure. The Company has six board members, one is female. The Company has a target to hire one female before the end of 2022. The completion of the target could be hindered, if a female candidate is not found within the defined time frame.

The policy for diversity at other management levels in the Company is to have the best qualified persons in the individual management positions, while at the same time, to have an inclusive work place, and we believe that equal representation of gender, race and religion strengthens the Company's development. We define the other management levels as the Executive Board and heads of function.

Currently, Management consists of five people, represented by two female and three male. Thus, the management structure of the Company is considered balanced, and this will continue to be a key focus of the Company going forward.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Revenue	2	468,297	474,772
Cost of goods sold		-376,909	-387,737
Other external costs	3	-35,018	-39,057
Gross profit		56,370	47,978
Staff costs	4	-50,702	-52,381
Depreciation, amortisation and impairment		-7,082	-5,529
Operating loss		-1,414	-9,932
Financial income		246	232
Financial expenses	5	-1,699	-1,358
Loss before tax		-2,867	-11,058
Tax on profit/loss for the year	6	98	693
Loss for the year	7	-2,769	-10,365

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Property, plant and equipment	8		
Land and buildings		8,396	9,359
Fixtures and fittings, tools and equipment		10,292	17,821
		<u>18,688</u>	<u>27,180</u>
Investments	9		
Deposits		701	701
Total fixed assets		<u>19,389</u>	<u>27,881</u>
Current assets			
Inventories			
Raw materials and consumables		113,031	70,138
Receivables			
Trade receivables		49,482	40,880
Receivables from group entities		1,125	1,782
Other receivables		2,024	2,370
Prepayments		282	6,473
		<u>52,913</u>	<u>51,505</u>
Cash at bank and in hand		21	15
Total current assets		<u>165,965</u>	<u>121,658</u>
TOTAL ASSETS		<u><u>185,354</u></u>	<u><u>149,539</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital	11	10,000	10,000
Retained earnings		13,718	16,515
Total equity		23,718	26,515
Provisions			
Other provisions	12	6,155	5,684
Total provisions		6,155	5,684
Liabilities other than provisions			
Current liabilities other than provisions			
Prepayments received from customers		692	1,612
Trade payables		25,984	19,366
Payables to group entities		88,915	60,425
Other payables		32,104	26,720
Deferred income		7,786	9,217
		155,481	117,340
Total liabilities other than provisions		155,481	117,340
TOTAL EQUITY AND LIABILITIES		185,354	149,539
Contractual obligations, contingencies, etc.	14		
Related party disclosures	15		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2018	10,000	16,487	26,487
Transferred over the distribution of loss	0	-2,769	-2,769
Equity at 31 December 2018	10,000	13,718	23,718

Financial statements 1 January – 31 December

Notes

1 Accounting policies

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

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

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Pon Holding B.V., the Netherlands.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates 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, payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or expenses.

Income statement

Revenue

Revenue 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 excluding VAT, taxes and discounts in relation to sale.

Cost of sales and wages to manufacturing staff

Cost of sales comprise machines, spare parts and consumables as well as wages to manufacturing staff engaged to generate the revenue for the year.

Other external costs

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

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc. to the Company's employees, excluding reimbursements from public authorities.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment losses on property, plant and equipment as well as gains and losses from replacement of non-current assets on an ongoing basis.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Land and buildings and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	25 years
Fixtures and fittings, tools and equipment	3-10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of fixed assets

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

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.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Machinery leased on short-term leases is included in inventories.

Investments

Deposits are measured at cost.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast 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.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Provisions

Provisions are recognised when, as a result of an event occurred before or on the balance sheet date, the Company has a legal or constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Provisions for work concerning services and warranties are recognised and measured on the basis of experience from warranty work and relate to equipment delivered before the balance sheet date.

Corporation tax and deferred tax

The Company is jointly taxed with other Danish companies in the Pon Group. The tax effect of the joint taxation with the Parent Company is allocated to Danish entities showing profits or losses in proportion to their taxable income (full allocation with credit for tax losses). The jointly taxed entities are included in the in-account tax scheme.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with 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. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity respectively.

Liabilities other than provisions

Liabilities are measured at net realisable value.

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Financial statements 1 January – 31 December

Notes

DKK'000	2018	2017
2 Revenue		
Machines	356,488	370,253
After-sales market	105,870	96,798
Other	<u>5,938</u>	<u>7,721</u>
	<u>468,296</u>	<u>474,772</u>
Revenue has generally been achieved in Denmark or on other markets, which do not deviate from this.		
3 Fees to auditor appointed at the general meeting		
Total fees to KPMG	<u>258</u>	<u>255</u>
Statutory audit	200	198
Tax assistance	26	26
Other services	<u>32</u>	<u>31</u>
	<u>258</u>	<u>255</u>
4 Staff costs		
Wages and salaries	45,823	47,409
Pensions	4,436	4,560
Other social security costs	<u>443</u>	<u>412</u>
	<u>50,702</u>	<u>52,381</u>
Average number of full-time employees	<u>129</u>	<u>132</u>
Staff costs include remuneration of the Executive Board of DKK 3,368 thousand (2017: DKK 3,675 thousand). No remuneration have been paid to the Board of Directors.		
5 Financial expenses		
Interest expense to group entities	1,554	1,332
Other financial costs	6	14
Exchange adjustments costs	<u>139</u>	<u>12</u>
	<u>1,699</u>	<u>1,358</u>

Financial statements 1 January – 31 December

Notes

DKK'000	2018	2017	
6 Tax on profit/loss for the year			
Current tax for the year	-70	-693	
Adjustment of deferred tax concerning previous years	-27	0	
	<u>-97</u>	<u>-693</u>	
7 Proposed distribution of loss			
Retained earnings	-2,769	-10,365	
	<u>-2,769</u>	<u>-10,365</u>	
8 Property, plant and equipment			
DKK'000	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2018	17,758	31,461	49,219
Additions for the year	0	10,409	10,409
Disposals for the year	0	-18,836	-18,836
Cost at 31 December 2018	<u>17,758</u>	<u>23,034</u>	<u>40,792</u>
Depreciation and impairment losses at 1 January 2018	-8,399	-13,640	-22,039
Depreciation for the year	-964	-6,119	-7,083
Reversed depreciation	0	7,017	7,017
Depreciation and impairment losses at 31 December 2018	<u>-9,363</u>	<u>-12,742</u>	<u>-22,105</u>
Carrying amount at 31 December 2018	<u>8,395</u>	<u>10,292</u>	<u>18,687</u>
9 Investments			
DKK'000		Deposits	
Cost at 1 January 2018		<u>701</u>	
Cost at 31 December 2018		<u>701</u>	
Carrying amount at 31 December 2018		<u>701</u>	
10 Prepayments			
Prepayments consist of prepaid expenses related to the subsequent financial year.			
11 Equity			
The contributed capital consists of 100,000 shares of a nominal value of DKK 100 each.			
All shares rank equally.			

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Notes

12 Provisions

The Company provides warranties of up to two years on some of its products and is thereby under an obligation to repair or replace goods, which are not working satisfactorily. Based on previous experience in respect of the quantity of repairs and returns, other provisions have been recognised for expected warranties.

13 Deferred income

Deferred income consists of prepayments related to service contracts and machines.

14 Contractual obligations, contingencies, etc.

DKK'000	2018	2017
Leases	10,113	9,314
Rent	5,059	3,443
Buy Back commitments	3,418	3,418

The Company is jointly taxed with the other Danish consolidated entities. As a consolidated entity, together with the other consolidated entities included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc. may entail that the Company's liability will increase.

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15 Related party disclosures

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

Control

Pon Holding B.V., ultimate parent company

Pon Holding Denmark A/S, immediate parent company

Other related parties

Pon Equipment A/S' related parties with significant influence comprise companies in the Pon Holding B.V. Group and the companies' Board of Directors, Executive Board and executive employees and their close family members. Further, related parties comprise companies in which the above persons have substantial interests.

Related party transactions

DKK'000	2018
Purchases of services from Parent Company	13
Purchases of services from Group Companies	8,763
Sale of services to Parent Company	3
Sale of services from Group Companies	14,724

Consolidated financial statements

The Company's ultimate parent company which prepares consolidated financial statements in which the Company is included as a subsidiary, is Pon Holding B.V., the Netherlands. The consolidated financial statements of the foreign parent company can be obtained at the following address:

Pon Holding B.V., Rondebeltweg 13, 1303 AB Almere, the Netherlands

