Krone ScanBalt A/S

Kilen 5, Bovmark, 6330 Padborg

CVR no. 20 00 32 86

Annual report 2017/18

for the year ended 31 July 2018

Approved at the Company´s annual general meeting on

Chairman:

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Aloysius Schnelte

Building a better working world

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Statement by the Management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of Krone ScanBalt A/S for the financial year 1 August 2017 - 31 July 2018.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 July 2018 and of the results of the Group's and the Company's operations and the consolidated cash flows for the financial year 1 August 2017 - 31 July 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.

Padborg, 20 September 2018
Executive Board:

Jan Theodor Knudsen

Ole Randum Nielsen

Board of Directors:

Aloysius Schnelte

Gero Schulze Isfort

Johannes Hennewig

Independent auditors' report

To the shareholders of Krone ScanBalt A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Krone ScanBalt A/S for the financial year 1 August 2017 - 31 July 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for both 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 July 2018 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 August 2017 - 31 July 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 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" (hereinafter 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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the consolidated financial statements and the parent company financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company 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 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 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.

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.

Aabenraa, 20 September 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jon Midtgaard
State Authorised
Public Accountant
MNE no.: mne28657

Management's review

Company details

Name	Krone ScanBalt A/S
Address	Kilen 5
zip code, city	DK 6330 Padborg
CVR no.	20 00 32 86
Established	1 April 1997
Registered office	Aabenraa
Financial year	1 August- 31 July
Board of Directors	Aloysius Schnelte, Chairman Gero Schulze Isfort Johannes Hennewig
Executive Board	Jan Theodor Knudsen Ole Randum Nielsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Skibbroen 16 6200 Aabenraa

Management's review

Financial highlights for the Group

DKK'000	2017/18	2016/17	2015/16	2014/15	2013/14
Key figures					
Revenue	732,794	664,628	664,563	565,742	575,129
Operating profit/loss	32,520	20,513	3,308	-9,298	-21,543
Loss from financial income and expense	-4,279	-503	-8,384	-20,650	-14,933
Profit/loss for the year	**25,296**	**16,900**	**-4,121**	**-28,288**	**-31,948**
Non-current assets	248,868	187,606	163,179	139,803	127,260
Current assets	273,940	246,302	231,264	294,051	309,535
Total assets	**522,808**	**433,908**	**394,443**	**433,854**	**436,795**
Portion relating to investments in items of property, plant and equipment	104,501	47,144	68,870	49,814	38,468
Total equity	**102,603**	**77,437**	**59,919**	**67,251**	**89,220**
Provisions	378	1,103	4,201	4,330	2,632
Non-current liabilities other than provisions	45,699	35,315	43,801	36,130	29,842
Current liabilities other than provisions	374,128	320,053	286,522	326,143	315,101
Financial ratios					
Operation margin	4.4%	3.1%	0.5%	-1.6%	-3.8%
Return on invested capital	6.2%	4.7%	0.8%	-2.1%	-4.9%
Equity ratio	19.6%	17.9%	15.2%	15.5%	20.4%
Return on equity	28.1%	24.6%	-6.5%	-36.2%	-45.2%
Average number of full-time employees	**75**	**73**	**72**	**69**	**96**

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

The financial ratios stated under "Financial highlights" have been calculated as follows:

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

Return on invested capital $\dfrac{\text{Operating profit x 100}}{\text{Total assets}}$

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

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

Management's review

Operating review

Principal activities

As in previous years, the Group has engaged in the acquisition, sale and lease of transportation equipment and related activities, mainly new trailers, used trailers and spare parts etc.

The parent company holds investments in companies abroad with the same principal activities.

Uncertainties upon measurement and recognition

Refer to note 20.

Development in activities and financial position

The 2017/18 financial statements shows a profit of DKK 25,296 thousand. The profit is in line with expectations and considered satisfactory.

The market for the sale of transport equipment improved in the year under review.

Capital resources

The Group's equity totalled DKK 102,603 thousand at 31 July 2018, corresponding to a solvency ratio of 19.6%.

The Group is primarily financed by its parent company, and the Group's cash at bank and in hand totalled DKK 62,160 thousand at 31 July 2018.

Capital resources are assessed to be adequate for activities budgeted for 2018/19.

Outlook

Management is of the opinion that activities and earnings for the 2018/19 financial year will be on the same level than financial year 2017/18.

Post balance sheet events

No events have occurred after the balance sheet date affecting considerably the financial position of the Group.

Risks

Currency risks

The Group is exposed to currency risks due to its international activities and due to the parent company´s investments and balances with subsidiaries abroad. The Group does not make use of any hedging instruments to hedge such risks but follows the development on the foreign exchange market on a regular basis.

Management's review

Operating review

Price risks

The Group is exposed to price risks as to their inventory of trailers and other equipment. Price risks on used trailers on stock have affected results in the financial year 2017/18 due to write down of trailers not sold.

Debtor risks

It is common Group policy to hand out trailers to customers abroad once payment has taken place. Thereby, bad debt losses are reduced to an acceptable level.

Interest risk

A considerable part of the Group's financing carry variable interest. The Group has not made use of any hedging instruments to hedge such interest risks. Changes in interest may therefore have an impact on the Group's earnings, however the impact is not considered material.

Intellectual capital etc.

The employees are considered to possess solid market knowledge and professional qualifications within the individual fields of activity.

The Group does not carry out research and development activities.

Environmental issues

The Group's primary activities only have a limited impact on the environment. The sale of used transportation equipment, and thereby recycling, is in many ways environmentally sound.

Corporate social responsibility

The Company does not have any particular policies for CSR and, accordingly, does not account for CSR in accordance with section 99a of the Danish Financial Statements Act. Thus, the group does not have policies for human rights, climate and environment.

Goals and policies for the underrepresented gender

It is the company´s goal that the Board of Directors is composed in such a way that it is effectively able to perform its tasks related to strategy development, management and control. The company will seek to nominate candidates whose profiles and skills are best suited for the company, as it is considered best for the company in the long run. When candidates for the Board of Directors are to be nominated, gender is considered with due regard to the company's other recruitment criteria, including requirements for professional qualifications, industry experience, educational background, etc.

Krone Scanbalt A/S' goal is that one of the three members of the Board of Directors appointed by the general meeting is to be a woman, corresponding to 33% before 2020. At present, none of the members are women. In 2017/18 it has not been possible to nominate female candidates, therefore the goal was not reached. Other management positions comprise the Executive Board, middle managers and department managers, a total of 15 persons within the Krone Scanbalt Group. Of these 15 persons, 8 are women and 7 are men, and consequently, there is no underrepresented gender in other layers of management today.

Consolidated financial statements and parent company financial statements for the period 1 August - 31 July

Income statement

Note	DKK'000	Consolidated 2017/18	Consolidated 2016/17	Parent company 2017/18	Parent company 2016/17
2	**Revenue**	732,794	664,628	617,832	527,378
	Other operation income	680	1,408	676	787
	Cost of goods	-622,790	-579,035	-580,858	-498,806
16	Other external costs	-17,320	-14,625	-7,426	-7,111
	Gross profit	93,364	72,376	30,224	22,248
3	Staff costs	-29,919	-28,138	-15,762	-15,102
7	Depreciation, amortisation and impairment losses	-30,886	-23,688	-4,996	-1,945
	Other operation costs	-39	-37	0	-38
	Operating profit	32,520	20,513	9,466	5,163
8	Share of profit/loss in subsidiaries after tax	0	0	23,122	13,426
4	Financial income	6,220	5,543	1,755	2,955
5	Financial expenses	-10,499	-6,046	-8,427	-3,653
	Profit before tax	28,241	20,010	25,916	17,891
6	Tax on profit for the year	-2,945	-3,110	-620	-991
	Profit for the year	25,296	16,900	25,296	16,900

	2017/18	2016/17
Breakdown of the consolidated results:		
Shareholders, Krone Scanbalt A/S	25,296	16,900
Non-controlling interests	0	0
	25,296	16,900

Consolidated financial statements and parent company financial statements for the period 1 August – 31 July

Balance sheet

Note	DKK'000	Consolidated 2017/18	Consolidated 2016/17	Parent company 2017/18	Parent company 2016/17
	ASSETS				
	Non-current assets				
7	**Intangible assets**				
	Goodwill	621	745	0	0
	Patents and licences	8	10	0	0
		629	755	0	0
7	**Property, plant and equipment**				
	Land and buildings	45,993	46,471	31,471	31,922
	Fixtures and fittings, other plant and equipment	148,441	96,633	15,626	4,669
		194,434	143,104	47,097	36,591
	Investments				
8	Investments in subsidiaries	0	0	116,900	95,400
9	Lease payments receivable	53,805	43,747	0	0
		53,805	43,747	116,900	95,400
	Total non-current assets	248,868	187,606	163,997	131,991
	Current assets				
	Inventories				
	Goods for resale	139,585	161,832	63,884	116,876
	Receivables				
10	Trade receivables	55,987	32,184	45,918	20,324
	Amounts owed by affiliates	381	246	105,560	70,179
11	Deferred tax asset	417	6	199	0
	Corporation tax asset	4,018	3,953	3.638	3,947
	Prepayments	1,948	541	260	284
	Other receivables	9,444	12,046	21	818
		72,195	48,976	155,596	95,552
	Cash at bank and in hand	62,160	35,494	56,596	24,607
	Total current assets	273,940	246,302	276,076	237,035
	TOTAL ASSETS	522,808	433,908	440,073	369,026

Consolidated financial statements and parent company financial statements for the period 1 August – 31 July

Balance sheet

Note	DKK'000	Consolidated 2017/18	Consolidated 2016/17	Parent company 2017/18	Parent company 2016/17
	EQUITY AND LIABILITIES				
	Equity				
	Share capital	71,000	71,000	71,000	71,000
	Reserve for net revaluation according to the equity method	0	0	3,494	0
	Retained earnings	31,603	6,437	28,109	6,437
	Equity holders' share of equity, Krone Scanbalt A/S	102,603	77,437	102,603	77,437
	Non-controlling interests	0	0	0	0
	Total equity	102,603	77,437	102,603	77,437
	Provisions				
11	Deferred tax	0	653	0	144
	Other provisions	378	450	0	0
	Total provisions	378	1,103	0	144
	Liabilities other than provisions				
12	**Non-current liabilities other than provisions**				
	Lease obligations	371	1,737	0	0
	Loan from affiliates	45,328	33,578	0	0
		45,699	35,315	0	0
	Current liabilities other than provisions				
12	Current portion of non-current liabilities	16,723	12,169	0	0
	Trade payables	10,540	16,724	6,150	14,576
	Amounts owed to affiliates	310,059	266,481	303,180	261,373
	Corporation tax	6,970	10,869	4,587	8,555
	Other payables	14,003	8,785	10,105	5,519
	Deferred income and prepayments	15,833	5,025	13,448	1,422
		374,128	320,053	337,470	291,445
	Total liabilities other than provisions	419,827	355,368	337,470	286,445
	TOTAL EQUITY AND LIABILITIES	522,808	433,908	440,073	369,026

1 **Accounting policies**
13 **Contractual obligations and contingencies**
14 **Mortgages and collateral**
15 **Currency and interest rate risks and use of derivative financial instruments**
16 **Fees to auditors appointed at the annual general meeting**
18 **Related parties**
20 **Uncertainties upon recognition and measurement etc.**

Consolidated financial statements and parent company financial statements for the period 1 August – 31 July

Statement of changes in equity

	Consolidated			
DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 August 2017	71,000	6,437	0	77,437
Profit for the year	0	25,296	0	25,296
Exchange rate adjustments, foreign subsidiaries	0	-130	0	-130
Equity at 31 July 2018	71,000	31,603	0	102,603

	Parent company				
DKK'000	Share capital	Retained earnings	Reserve for net revaluation according to the equity method	Proposed dividends	Total
Equity at 1 August 2017	71,000	6,437	0	0	77,437
Profit for the year	0	21,802	3.494	0	25,296
Exchange rate adjustments, foreign subsidiaries	0	-130	0	0	-130
Equity at 31 July 2018	71,000	28,145	3,494	0	102,603

Changes in share capital

DKK'000	2017/18	2016/17	2015/16	2014/15	2013/14
Share capital 1 August	71,000	71,000	71,000	66,000	66,000
Capital increase	0	0	0	5,000	0
Share capital at 31 July	71,000	71,000	71,000	71,000	66,000

Share capital

The share capital consists of 1,000 A-shares of nominal DKK 1,000 and 70,000 B-shares of nominal DKK 1,000. No shares carry special rights.

Consolidated financial statements and parent company financial statements 1 August 2017 - 31 July 2018

Cash flow statement

Note	DKK'000	Consolidated 2017/18	Consolidated 2016/17
	Profit before net financials	32,520	20,513
	Amortisation/depreciation charges	30,886	23,688
	Cash generated from operations before changes in working capital	63,406	44,201
19	Changes in working capital	43,265	-10,217
	Cash generated from operations	106,671	33,984
	Interest received	6,220	5,543
	Interest paid	-10,499	-6,046
	Income taxes paid	-7,973	4,190
	Cash flows from operating activities	94,419	37,671
	Acquisition of property, plant and equipment	-104,501	-47,144
	Disposal of property, plant and equipment	21,810	24,396
	Cash flows from investing activities	-82,691	-22,748
	Loan financing:		
	Repayment of non-current liabilities	14,938	-11,907
	Net cash flows	26,666	3,016
	Cash and cash equivalents, beginning of year	35,494	32,478
	Cash and cash equivalents, year-end	62,160	35,494

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 1 August - 31 July

Notes

1 **Accounting policies**

The annual report of Krone ScanBalt A/S for 2017/18 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

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

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Krone ScanBalt A/S , and subsidiaries in which Krone ScanBalt A/S directly or indirectly holds more than 50% of the voting rights or over which it otherwise exercises control. Entities in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates.

The consolidated financial statements have been 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 in so far as they do not reflect impairment.

In the consolidated financial statements, the 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.

Business combinations

Recently acquired or formed entities are recognised in the consolidated financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated in respect of recently acquired or sold entities.

Gains or losses on disposal of subsidiaries and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated selling costs.

Consolidated financial statements and parent company financial statements for the period 1 August - 31 July

Notes

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquired entity before the date of acquisition and not agreed as part of the acquisition are part of the acquisition balance sheet and, hence, the calculation of goodwill. Costs relating to restructuring decided by the acquiring entity must be recognised in the income statement. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset.

Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition when the general revenue recognition criteria are met.

Goodwill and negative goodwill from acquired entities may be adjusted until 12 months after the year of acquisition.

Non-controlling interests

On initial recognition, non-controlling interests are measured at the fair value of the non-controlling interests' ownership share or at the non-controlling interests' proportionate share of the fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities.

In the former scenario, goodwill relating to the non-controlling interests' ownership share in the acquired entity is thus recognised, while, in the latter scenario, goodwill relating to the non-controlling interests' ownership share is not recognised. Measurement of non-controlling interests is chosen on a transaction-by-transaction basis and is stated in the notes in connection with the description of acquired entities.

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 rate at the transaction date and the rate at 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 closing rates. 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 financial expenses.

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at average exchange rates for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign entities to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Consolidated financial statements and parent company financial statements for the period 1 August - 31 July

Notes

Income statement

Revenue

Income from the sale of goods, which comprise sale of new and used trailers, spare parts, operating lease payments and interest element of lease payment receivables (finance lease), is recognised in the income statement provided that delivery and transfer of risk to the buyer has taken place and that the income can be reliably measured and is expected to be received.

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

Other operating income

Other operating income, comprise items secondary to the principal activities of the enterprises.

Cost of goods

Cost of goods comprise costs incurred in generating the year's revenue.

External costs

External costs comprise distribution costs, sales costs, marketing costs, administrative costs, loss on receivables, operational leasing etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for employees. Refunds received from public authorities are deducted from staff costs.

Profits/losses from investments in subsidiaries (parent company)

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/ losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, 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

The parent company is covered by the Danish rules on compulsory joint taxation of the Krone ScanBalt Group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

The parent company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carry forwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Consolidated financial statements and parent company financial statements for the period 1 August - 31 July

Notes

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year - due to changes in the tax rate. 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

Intangible assets

On initial recognition, intangible assets are measured at cost.

Acquired goodwill is subsequently measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the estimated useful life, which is 10 years.

Patents and licences are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over the remaining term of the patent, and licences are amortised over the term of the licence, however not exceeding 10 years.

Property, plant and equipment

Land and buildings, fixtures and fittings and other plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

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.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	10-50 years
Fixtures and fittings, other plant and equipment	3-10 years

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement under separate item.

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

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing

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rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Group's other non-current assets.

The capitalised residual lease obligation 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.

All other leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Group's total obligation relating to operating leases and other leases is disclosed in the notes to the financial statements.

Investments in subsidiaries (parent company)

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Krone ScanBalt A/S are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the purchase method is applied.

Impairment of assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is tested annually for impairment.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net 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.

Lease payments receivable

Lease receivable held by the Group but which transfer substantially all the risks and rewards incident to ownership to the Lessor (finance leases) are initially recognised in the balance sheet as receivables. Receivables are measured at the capitalised residual obligation on lease payments receivables.

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 are measured at cost, comprising purchase price plus delivery costs.

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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.

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 receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis.

Write-downs are calculated as the difference between the carrying amount of 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.

Prepayments

Prepayments comprise costs incurred in relation to subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of equity investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve can be eliminated in case of losses, realisation of equity investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

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. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry forwards, 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 and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

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Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the 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 obligation on finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Cash flow statement

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

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from corporate acquisitions are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and financial assets.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to only minor risks of changes in value.

Segment information

Revenue is disclosed by activity and geographical market. Segment information follows the Group's accounting policies, risks and internal financial management.

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DKK'000	Consolidated 2017/18	Consolidated 2016/17	Parent company 2017/18	Parent company 2016/17
2 Revenue				
Geographical:				
Denmark	196,739	149,254	198,387	149,011
EU	386,478	373,063	365,674	293,657
Rest of the world	149,577	142,311	53,771	84,710
	732,794	664,628	617,832	527,378
Activities:				
New	412,610	344,065	463,533	347,928
Used	212,818	228,103	128,865	158,704
Rent	63,333	45,686	4,974	870
Spareparts	44,033	46,774	20,460	19,876
	732,794	664,628	617,832	527,378
3 Staff costs				
Wages and salaries	25,276	23,706	13,948	13,490
Pensions	1,184	909	1,104	909
Other social security costs	2,848	2,619	160	162
Other costs	611	904	549	541
	29,919	28,138	15,762	15,102
Remuneration of the Board of Directors	0	0	0	0
Remuneration of the Executive Board	3,418	3,264	3,418	3,264
Average number of full-time employees	75	73	26	25

Incentive plans

Members of the Executive Board and other executive officers in the Group have bonus plans depending on the economic performance in the financial year.

DKK'000	Consolidated 2017/18	Consolidated 2016/17	Parent company 2017/18	Parent company 2016/17
4 Financial income				
Interest income from subsidiaries	0	0	175	59
Other financial income	6,220	5,543	1,580	2,896
	6,220	5,543	1,755	2,955
5 Financial expenses				
Interest expense to affiliates	4,754	4,616	3,531	3,464
Other financial expenses	5,745	1,430	4,896	189
	10,499	6,046	8,427	3,653

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DKK'000	Consolidated 2017/18	Consolidated 2016/17	Parent company 2017/18	Parent company 2016/17
6 Tax on the profit for the year				
Current tax for the year/joint taxation contribution	-4,009	-5,946	-963	-4,308
Adjustment of deferred tax	1,064	2,966	343	3,317
Prior year adjustment	0	-130	0	0
	-2,945	-3,110	-620	-991

7 Intangible assets and property, plant and equipment

	Consolidated				
DKK'000	Goodwill	Patents and licences	Land and buildings	Fixtures and fittings, other plant and equipment	Total
Cost at 1 August 2017	1,241	29	48,914	145,845	196,029
Foreign currency translation adjustments, foreign entities	0	-1	-20	-665	-686
Additions	0	0	0	104,501	104,501
Disposals	0	0	0	-39,300	-39,300
Cost at 31 July 2018	1,241	28	48,894	210,381	260,544
Depreciation at 1 August 2017	496	19	2,443	49,212	52,170
Foreign currency translation adjustments, foreign entities	0	0	0	-92	-92
Depreciation and amortisation	124	1	458	30,310	30,893
Disposals	0	0	0	-17,490	-17,490
Depreciation at 31 July 2018	620	20	2,901	61,940	65,481
Carrying amount at 31 July 2018	621	8	45,993	148,441	195,063
Depreciated over	10 years	5-7 years	10-50 years	3-10 years	

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DKK'000	Parent company Land and buildings	Parent company Fixtures and fittings, other plant and equipment	Parent company Total
Cost at 1 August 2017	34,358	7,366	41,724
Additions	0	21,281	21,281
Disposals	0	-7,699	-7,699
Cost at 31 July 2018	34,358	20,948	55,306
Depreciation at 1 August 2017	2,436	2,697	5,133
Disposals	0	-1,920	-1,920
Depreciation	451	4,545	4,996
Depreciation at 31 July 2018	2,887	5,322	8,209
Carrying amount at 31 July 2018	31,471	15,626	47,097
Depreciated over	50 years	3-10 years	

	DKK'000	Parent company 2017/18	Parent company 2016/17
8	**Investments in subsidiaries**		
	Cost at 1 August 2017	111,050	111,050
	Additions during the year	0	0
	Cost at 31 July 2018	111,050	111,050
	Adjustments at 1 August 2017	-19,498	-33,541
	Profit for the year	23,122	13,426
	Foreign exchange adjustment in foreign enterprises	-130	617
	Adjustments at 31 July 2018	3,494	-19,498
	Carrying amount at 31 July 2018	114,544	91,552
	Hereof included under non-current assets	116,900	95,400
	Hereof set-off against receivables	-2,356	-3,848

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Name and registered office	Owner-ship	Share capital	Equity	Profit/loss for the year	Carrying amount
		DKK'000	DKK'000	DKK'000	DKK'000
UAB Krone ScanBalt, Lithuania	100%	53,534	61,770	7,731	61,770
OÜ Krone ScanBalt, Estonia	100%	19	15,311	1,436	15,311
SIA Krone ScanBalt, Latvia	100%	106	26,519	5,563	26,519
OOO Krone ScanBalt Kaliningrad	99%	15,256	8,518	7,142	8,518
OOO Krone ScanBalt, Moscow	99%	10,533	4,577	-12	4,577
Scanbalt International ApS, Padborg	100%	100	179	73	179
LLC Krone ScanBalt, Ukraine	99%	26	-2,380	1,339	-2,380
			114,494	23,272	114,494
Goodwill			0	0	744
Amortisation, goodwill			0	-124	-124
Intra-group profits			0	59	-463
Minority shareholders adjustments			0	-85	-107
Carrying amount at 31 July 2018			114,494	23,122	114,544

9 Lease payments receivable

Of lease payments receivable, DKK 28,378 thousand (DKK 24,138 thousand in 2016/17) falls due more than one year after the balance sheet date.

10 Trade receivables

Of trade receivables, DKK 2,674 thousand (DKK 6,616 thousand in 2016/17) falls due more than one year after the balance sheet date. As to the parent company, the figure is DKK 30,533 thousand (DKK 42,571 thousand in 2016/17).

DKK'000	Consolidated		Parent company	
	2017/18	2016/17	2017/18	2016/17
11 Deferred tax				
Deferred tax at 1 August 2017	647	3,613	144	3,461
Adjustment of the deferred tax charge for the year	-1,064	-2,966	-343	-3,317
Deferred tax at 31 July 2018	-417	647	-199	144
The deferred tax relates to:				
Property, plant and equipment	-294	1,045	-294	176
Current assets	59	-36	95	-31
Liabilities	-182	-362	0	0
	-417	647	-199	144

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12 Non-current liabilities

	Consolidated				
	Total liabilities at 31/7 2017	Total liabilities at 31/7 2018	Instalment next year	Long-term portion	Remaining debt after 5 years
Loan from affiliates	44,035	61,661	16,333	45,328	0
Lease obligations	3,449	761	390	371	0
	47,484	62,422	16,723	45,699	0

Lease obligations include lease from group enterprises with DKK 371 thousand (2016/17 DKK 1,918 thousand).

13 Contractual obligations and contingencies

Contractual obligations

The Group has issued buy-back guarantees for DKK 1.3 million over the next 1 year. Same amount for the parent company is DKK 0 thousand.

Contingent liabilities

The Group has operations located in the Russian Federation and Ukraine. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation and Ukraine which display characteristics of an emerging market. These circumstances may create tax risks in the Russian Federation and Ukraine that are substantially more significant than in other countries. The financial statements reflect management's assessment of the impact of the Russian and Ukraine business environment. The future business environment may differ from this assessment.

The Group is a party to a few ongoing lawsuits. Management is of the opinion that the outcome of these cases will not further affect the Group's financial position other than the receivables and liabilities recognised in the balance sheet at 31 July 2018.

The company is jointly taxed with other Danish group enterprises. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes etc. Any subsequent corrections of the taxable income subject to joint taxation etc. may entail that the companies' liability will increase.

Operating lease obligations

The Group's companies have entered into operating leases with future payments amounting to approx DKK 3.6 million. Same amount for the parent company is DKK 2.9 million.

14 Mortgages and collateral

None.

15 Currency and interest rate risks and use of derivative financial instruments

The Group does not uses forward exchange contracts to hedge expected currency risk. However, the group monitors currency exposure and currency development, and transfers to main currency (DKK/EUR) on a regular basis in order to reduce currency risk. The main currency risks are related to subsidiaries operations in Russia and Ukraine.

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The Group's financial liabilities carry floating interest payments. The group does not uses interest rate swaps.

16 Fees to auditors appointed at the annual general meeting

DKK'000	Consolidated 2017/18	Consolidated 2016/17	Parent company 2017/18	Parent company 2016/17
Total fees to EY:				
Fee regarding statutory audit	319	245	252	242
Tax assistance	79	122	78	121
Other assistance	442	173	437	168
	840	540	767	531

17 Appropriation of profit

DKK'000	Parent 2017/18	Parent 2016/17
Recommended appropriation of profit		
Transferred to reserves under equity		
	25,296	16,900

18 Related parties

Krone Scanbalt A/S' related parties comprise the following:

Parties exercising control

Farhzeugwerk Krone Beteiligungs-GmbH, Spelle, Germany holds the majority of the share capital in the Company. Ultimate parent company is Bernard Krone Holding SE & Co. KG.

Consolidated financial statements

Krone Scanbalt A/S is included in the consolidated financial statements of Bernard Krone Holding SE & Co. KG., Heinrich-Krone-Straße 10, D-48480 Spelle.

Related party transactions

DKK'000	2017/18	2016/17
Group		
Sale of goods to affiliates	24,997	22,258
Purchase of goods from affiliates	29,144	22,757
Interest expenses to affiliates	4,754	4,616
Receivables from affiliates	381	246
Payables to affiliates	310,059	266,481
Parent		
Sale of goods to subsidiaries	275,137	225,725
Purchase of goods from affiliates	410,790	405,040
Interest income from subsidiaries	175	59
Interest expenses to affiliates	3,531	3,464
Receivables from subsidiaries	105,560	70,179
Payables to affiliates	303,180	261,373

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Remuneration/fees to members of the Executive Board and the Board of Directors of the Parent Company are reflected in note 3.

DKK'000	Consolidated 2017/18	Consolidated 2016/17
19 Changes in working capital		
Change in inventories	22,247	-19,749
Change in receivables	-32,801	-17,894
Change in trade and other payables	53,819	27,426
	43,265	-10,217

20 Uncertainties upon recognition and measurement, etc.

The Group has considerable inventories and is therefore subject to price risks regarding inventories of trailers and other equipment. Management is of the opinion that inventories are measured in accordance with the accounting policies of the Group.

Trade receivables are subject to uncertainty attributable to the contracting parties' ability to pay. A write-down for bad debts has been made based on a assessment of the contracting parties' ability to pay.

The Company has subsidiaries in and transactions and balances with group enterprises in Russia, Ukraine and Eastern Europe and, consequently, the Group has currency exposure and is affected by the business environment in these countries. Conducting business in especially Russia and Ukraine is subject to increased risk considering the political climate. Trading and measurement of balances with these companies may thus entail an increased risk. The financial statements reflects managements assessments of the impact of the business environments in Russia and Ukraine on the operations and financial position of the Group. The future business environment may differ from this assessment.