Pon Holding Denmark A/S

c/o Kromann Reumert, Sundkrogsgade 5
2100 Copenhagen
Denmark

CVR no. 21 86 47 06

Annual report for the period 1 January – 31 December 2019

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

3 April 2020

Rudolf Hendrik Nieweg
chairman

Contents

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 Holding Denmark A/S for the financial year 1 January – 31 December 2019.

The annual report has been 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 Group's and the Parent Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2019.

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

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

Copenhagen, 3 April 2020
Executive Board:

Adrianus Johannes
Antonius den Boer

Board of Directors:

Rudolf Hendrik Nieweg Chairman	Patrick Petrus Johannes Dorothea van Alem	Adrianus Johannes Antonius den Boer

Independent auditor's report

To the shareholder of Pon Holding Denmark A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Pon Holding Denmark A/S for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. 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 Group's and the Parent Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2019 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" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these 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 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 that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 consolidated financial statements and parent company 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.

Independent auditor's report

We also

- identify and assess the risks of material misstatement of the consolidated financial statements and parent 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 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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.

Independent auditor's report

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 3 April 2020
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Martin Eiler
State Authorised
Public Accountant
mne32271

Management's review

Company details

Pon Holding Denmark A/S
c/o Kromann Reumert
Sundkrogsgade 5
2100 Copenhagen
Denmark

CVR no.:	21 86 47 06
Established:	1 July 1999
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Board of Directors

Rudolf Hendrik Nieweg, Chairman
Patrick Petrus Johannes Dorothea van Alem
Adrianus Johannes Antonius den Boer

Executive Board

Adrianus Johannes Antonius den Boer

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Management's review

Financial highlights for the Group

DKK'000	2019	2018
Key figures		
Revenue	1,004,485	918,877
Gross profit	306,583	167,283
Ordinary operating profit	138,548	6,357
Profit/loss from financial income and expenses	-11,941	-12,165
Profit for the year	115,778	-6,048
Current assets	149,351	337,226
Total assets	149,351	374,670
Equity	126,572	10,794
Investment in property, plant and equipment	927	14,275
Cash flows from operating activities	72,051	-47,813
Cash flows from investing activities	138,207	-2,208
Ratios		
Gross margin	30,5%	18,2%
Operating margin	13,8%	0,7%
Return on invested capital	0,9%	0,0%
Current ratio	655,7%	94,3%
Return on equity	168,6%	-43,8%
Solvency ratio	84,7%	2,9%
Average number of full-time employees	263	262

According to section 128(4) of the Danish Financial Statements Act, is Financial Highlights comprise only the last two financial years as 2019 is the first year with consolidated statements.

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

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

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

Return on invested capital $$\frac{\text{Operating profit/loss * 100}}{\text{Average invested capital}}$$

Current ratio $$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$$

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

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

Management's review

Operating review

The Group's principal activities

The Company acts as holding company for the Dutch Pon Group' activities in Denmark and Greenland. The subsidiaries comprise Pon Power A/S, Pon Equipment A/S, Sitech Denmark A/S, Pon Equipment and Pon Power Greenland ApS and Gazelle Denmark A/S.

The subsidiaries primary activities comprise rental, purchase, sale and service of Caterpillar construction machinery and sale and service of Caterpillar and MaK engines for the marine and Oil & Gas industry.

In December 2019 activities in Pon Equipement A/S, Pon Power A/S and Pon Equipment and Greenland ApS as well as shares in Gazelle Denmark A/S and Sitech Denmark A/S have been sold. As at 31 December 2019 the group has no activity.

Development in activities and financial position

Revenue in the group has increased to DKK 1,004.5 million in 2019 from DKK 918.9 million in 2018

Profit before financial income and expenses increased from DKK 6.4 million in 2018 to 138.5 million in 2019 primarily explained by divestment of the subsidiaries activities to Zeppelin which lead to a gain of DKK 126.6 million.

Equity including the profit for the year at 31 December 2019 amounted to DKK 126.6 million (2018: -10.8 million) corresponding to a solvency ratio of 84.7% (2018: 2.9%).

Corporate social responsibility

Consideration and accountability to the outside world, employees, customers, the environment and society are important at Pon. 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's business strategy, which means that we focus on our actions. Further, we are certified within several international CSR related standards which you can see more about on our website: https://www.pon-cat.com/dk/virksomheden/certifikater.

Pon's CSR strategy has the following focus areas:

- Working Environment, Social Conditions & Human Rights: Safety, health, work accidents and sickness absence, which is documented in our KPIs
- Ethics & Anti-Corruption: We do business in an ethical and responsible manner
- Social Responsibility: Equality and integration
- Environment & Climate Impact: We take responsibility for the environment seriously, and we are a considerate company in relation to the environment.

We have assessed the risk within Corporate Social Responsibility and have not found any material risks.

Management's review

Operating review

Working Environment, Social Conditions & Human Rights

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

At Pon, we ensure that all employees have a good health insurance and that a fruit scheme is provided.

Pon has a Social & Sustainability policy which we comply with. The Company keeps a strong focus on the working environment. We measure employee satisfaction twice a year. At year-end 2019, our score was 41.

We take workplace safety very seriously. Pon wants all employees to get home safely every day. In order to avoid accidents, rigorous requirements have been introduced on personnel in the field and in our workshops; mechanics are equipped with safety equipment which must be worn, e.g. gloves, glasses and safety clothing. All unsafe situations, unsafe acts, near-misses and accidents are fully recorded in a common database and investigated by Pon's safety officer to mitigate future risk. All employees have access to this database, which is under constant review.

During 2019, our RIF was 2.0. The two incidents that contributed to this figure were recorded and investigated thoroughly.

First-aid courses are held for employees, and the Company holds a defibrillator at each location.

Human rights are covered in our Code of Conduct policy, in which employees are trained to mitigate workplace risks. During 2019, we have not found any breaches to our code of conduct, including human rights.

Ethics & Anti-Corruption

Pon is an ethical and responsible company. In Pon's Code of Conduct and 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 concludes with a test: Code of Conduct, Competition Law, Pon Protector, Export Control and Compliance.

During 2019, we have not found any breaches to our policy.

Social Responsibility

The gender quotation on the Board of Directors reflects the underlying ownership structure, whereas the Management team is selected locally.

In 2019, Management consisted of five people, represented by two women and three men, why we are not required to prepare goals.

In 2019, the Company had three board members, of which none are female. The Company had as a target to hire one female before the end of 2022. However, since the company will not have any employees in FY20 due to managements plan of closing the company, this target will not be reached within the time frame.

Management's review

Operating review

Environmental & Climate Impact

As a supplier of engines and services, we are committed to having a high focus on the environment, as well as ensuring sustainability in our solutions both internally and externally. Energy consumption is monitored and trends in consumption are analysed. Pon A/S also holds an environmental approval, and environmental operational control is performed according to requirements in this approval and according to internal requirements.

Pon's Environmental and Climate goals :

- We are a 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 take into account energy consumption, extraction possibilities and other conditions
- We motivate ourselves to constantly reduce our environmental impact.

During 2019, we have not found any breaches to our policy.

Outlook

For 2020, Management expects to close the company.

Events after the balance sheet date

No subsequent events have occured requiring adjustment or disclosure.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

		Group		Parent Company	
DKK'000	Note	2019	2018	2019	2018
Revenue	2	1,004,485	918,877	0	0
Cost of goods sold		-742,217	-668,976	0	0
Other operating income	3	126,659	0	0	0
Other external costs		-82,344	-82,618	-299	-232
Gross profit		306,583	167,283	-299	-232
Staff costs	4	-159,863	-151,114	0	0
Depreciation, amortisation and impairment losses		-8,172	-9,812	0	0
Ordinary operating profit/loss		138,548	6,357	-299	-232
Other operating costs		-14	-1	0	0
Operating profit/loss		138,534	6,356	-299	-232
Income from equity investments in group entities	5	-564	0	119,920	4,019
Financial income	6	2,190	2,165	1,797	1,673
Financial expenses	7	-14,131	-14,330	-12,073	-12,433
Profit/loss before tax		126,029	-5,809	109,345	-6,973
Tax on profit/loss for the year	8	-10,251	-239	6,433	925
Share of profit/loss for the year	9	115,778	-6,048	115,778	-6,048

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent Company	
DKK'000	Note	31/12 2019	31/12 2018	31/12 2019	31/12 2018
ASSETS					
Fixed assets					
Intangible assets					
Goodwill		0	2,054	0	0
Property, plant and equipment	10				
Land and buildings		0	20,237	0	0
Fixtures and fittings, tools and equipment		0	12,919	0	0
Leasehold improvements		0	1,445	0	0
		0	34,601	0	0
Investments					
Equity investments in group entities	11	0	0	254,078	147,198
Deposits		0	789	0	0
		0	789	254,078	147,198
Total fixed assets		0	37,444	254,078	147,198
Current assets					
Inventories					
Raw materials and consumables		0	113,031	0	0
Work in progress		0	11,156	0	0
Finished goods and goods for resale		0	48,201	0	0
		0	172,388	0	0
Receivables					
Trade receivables		0	145,732	0	0
Receivables from group entities		135,199	5,466	11,150	66,844
Other receivables		1,152	4,627	2,242	154
Deferred tax asset	12	0	4,647	0	0
Corporation tax		0	0	7,515	2,015
Prepayments	13	0	1,735	0	0
		136,351	162,207	20,907	69,013
Cash at bank and in hand		13,000	2,631	0	0
Total current assets		149,351	337,226	20,907	69,013
TOTAL ASSETS		149,351	374,670	274,985	216,211

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent Company	
DKK'000	Note	31/12 2019	31/12 2018	31/12 2019	31/12 2018
EQUITY AND LIABILITIES					
Equity					
Contributed capital	14	50,000	50,000	50,000	50,000
Retained earnings		26,572	-39,206	26,572	-39,206
Proposed dividends for the financial year		50,000	0	50,000	0
Total equity		126,572	10,794	126,572	10,794
Provisions					
Provisions for negative equity investments in subsidiaries		0	0	4,062	1,671
Other provisions		0	6,394	0	0
Total provisions		0	6,394	4,062	1,671
Liabilities other than provisions					
Non-current liabilities other than provisions					
Payables to group entities		0	200,000	0	200,000
Current liabilities other than provisions					
Banks, current liabilities		1,521	1,410	1,521	1,410
Prepayments received from customers		0	692	0	0
Trade payables		213	53,081	114	82
Payables to group entities		9,476	32,291	142,711	2,254
Other payables		11,569	60,616	5	0
Deferred income		0	9,392	0	0
		22,779	157,482	144,351	3,746
Total liabilities other than provisions		22,779	357,482	144,351	203,746
TOTAL EQUITY AND LIABILITIES		149,351	374,670	274,985	216,211

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Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

	Group			
DKK'000	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2019	50,000	-39,206	0	10,794
Transferred over the profit appropriation	0	65,778	50,000	115,778
Equity at 31 December 2019	50,000	26,572	50,000	126,572

	Parent Company			
DKK'000	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2019	50,000	-39,206	0	10,794
Transferred over the profit appropriation	0	65,778	50,000	115,778
Equity at 31 December 2019	50,000	26,572	50,000	126,572

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	Group 2019	Group 2018
Profit for the year		115,778	-6,048
Depreciation, amortisation and impairment losses		8,172	9,812
Other adjustments	19	12,453	12,663
Cash flows from operations before changes in working capital		136,403	16,427
Changes in working capital	20	-52,411	-52,075
Cash flows from ordinary activities		83,992	-35,648
Interest income		2,190	2,165
Interest expense		-14,131	-14,330
Corporation tax paid		0	0
Cash flows from operating activities		72,051	-47,813
Acquisition of property, plant and equipment		-927	-14,275
Disposal of property, plant and equipment		0	12,014
Disposal of subsidiaries and activities		139,134	0
Disposal of deposit		0	53
Cash flows from investing activities		138,207	-2,208
Shareholders:			
Payments on debt to group entities		-200,000	0
Cash flows from financing activities		-200,000	0
Cash flows for the year		10,258	-50,021
Cash and cash equivalents and banks, current liabilities at the beginning of the year		1,221	51,242
Cash and cash equivalents and banks, current liabilities at year end		11,479	1,221

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies

Pursuant to section 78a of the Danish Financial Statements Act, the annual report of Pon Holding Denmark A/S for 2019 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

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

The comprising numbers has been changed, due to change in classification of assets.

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

Segment information

Segment information is provided on business segments and geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

Revenue from the sale of goods where delivery has been postponed at the buyer's request is recognised as revenue when ownership of the goods has been transferred to the buyer.

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

Revenue from the sale of services is recognised on a straight-line basis in the income statement as the services are provided.

Cost of goods sold

Expenses for cost of goods sold comprise costs to engines, spare parts and consumables.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, pensions, other social contribution and other payroll expenses.

Other operating costs

Other operating costs comprise items secondary to the activities of the entity, including losses on the disposal of intangible assets and property, plant and equipment.

Income from equity investments in group entities

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the Company's income statement after full elimination of intra-group gains/losses and amortisation of goodwill. Gain and losses from divestment of subsidiaries is also included.

Financial income and expenses

Financial income and expenses comprise interest income and expense, 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.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which 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.

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	25-40 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.

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 intangible assets and 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.

Equity investments in group entities

Equity investments in group entities are measured at the proportionate share of the entities' net asset value calculated in accordance with the Group's accounting policies plus or minus unrealised intra-group gains or losses and plus or minus the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

Equity investments in group entities with negative net asset values are measured at DKK 0, and any receivables from these entities are written down by an amount equivalent to the negative net asset value. To the extent that the negative net asset value exceeds the receivable, the residual amount is recognised as provisions.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Net revaluation of equity investments in group entities is tied as a net revaluation reserve under equity according to the equity method to the extent that the carrying amount exceeds cost. Dividends from group entities expected to be adopted in the group entities prior to the approval of the Company's annual report, are not tied up in the revaluation reserve.

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 costs necessary to make the sale and is determined by 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 portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on historical loss experience.

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.

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 loses). 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 measured on the planned use of the asset or settlement of the liability respectively. However, deferred tax is not recognised on temporary differences relating to office buildings non-deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

Provisions

Provisions comprise anticipated costs related to warranties, losses on work in progress, restructuring, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Warranties comprise obligations to make good any defects within the warranty period of one to two years. Provisions for warranties are measured at net realisable value and recognised based on past experience. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at the average bond interest rate.

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Liabilities other than provisions

Liabilities are measured at net realisable value, which usually corresponds to the nominal value.

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 divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

Cash flows from operating activities

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

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1 Accounting policies (continued)

Cash flows from investing activities

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

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's contributed capital and costs in this respect as well as raising of loans, installments on interest-bearing debt and distribution of dividends to owners.

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

2 Segment information

Information is provided on product types. Revenue has generally been achieved in Denmark or on other markets, which do not deviate from this.

	Group		Parent Company	
DKK'000	2019	2018	2019	2018
Engines	413,738	372,124	0	0
Machines	489,031	470,268	0	0
Other	101,716	76,485	0	0
	1,004,485	918,877	0	0

3 Other operating income

Income from asset deal	126,629	0	0	0
	126,629	0	0	0

4 Staff costs

Wages and salaries	139,812	129,590	0	0
Pensions	13,085	12,676	0	0
Other social security costs	6,966	8,848	0	0
	159,863	151,114	0	0
Average number of full-time employees	263	262	0	0

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5 Income from equity investments in group entities

	Group		Parent Company	
DKK'000	2019	2018	2019	2018
Profit for the year	0	0	121,168	4,703
Depreciation of goodwill	0	0	-684	-684
Loss from sold subsidiaries	-564	0	-564	0
	-564	0	119,920	4,019

6 Financial income

Interest income from group entities	1,797	1,673	1,797	1,673
Other financial income	393	492	0	0
	2,190	2,165	1,797	1,673

7 Financial expenses

Interest expense to group entities	13,847	13,724	12,012	12,111
Other financial costs	207	467	61	322
Exchange adjustments costs	77	139	0	0
	14,131	14,330	12,073	12,433

8 Tax on profit for the year

Current tax for the year	5,350	-109	-7,515	-925
Deferred tax for the year	4,647	423	0	0
Adjustment of tax concerning previous years	254	-75	1,082	0
	10,251	239	-6,433	-925

9 Proposed profit appropriation/distribution of loss

Proposed dividends for the year	50,000	0	50,000	0
Retained earnings	65,778	-6,048	65,778	-6,048
	115,778	-6,048	115,778	-6,048

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10 Property, plant and equipment

	Group			
DKK'000	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2019	40,209	49,944	4,567	94,720
Additions for the year	78	570	279	927
Disposals for the year	-40,287	-50,514	-4,846	-95,647
Cost at 31 December 2019	0	0	0	0
Depreciation and impairment losses at 1 January 2019	-19,972	-37,025	-3,122	-60,119
Depreciation for the year	-1,019	-4,951	-1,518	-7,488
Reversed depreciation and impairment losses on assets sold	20,991	41,976	4,640	67,607
Depreciation and impairment losses at 31 December 2019	0	0	0	0
Carrying amount at 31 December 2019	0	0	0	0

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11 Investments

DKK'000	Parent Company Equity investments in group entities
Cost at 1 January 2019	424,725
Disposals for the year	-12,800
Cost at 31 December 2019	411,925
Revaluations at 1 January 2019	-277,527
Disposals for the year	-3,195
Net profit/loss for the year	121,168
Depreciation of goodwill	-684
Adjustment for subsidiaries with negative equity	2,391
Revaluations 31 December 2019	-157,847
Carrying amount at 31 December 2019	254,078

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit/loss for the year
Subsidiaries:			DKK'000	DKK'000
Pon Power A/S	Copenhagen	100	206,165	94,263
Pon Equipment A/S	Copenhagen	100	47,920	24,202
Pon Equipment and Pon Power GreenlandApS	Nuuk,Greenland	100	-4,062	-2,389
Sitech Denmark A/S	Horsens	0	0	3,903
Gazelle Denmark A/S	Copenhagen	0	0	1,189
			250,023	121,168

Sitech Denmark A/S and Gazelle Denmark A/S has been sold in December 2019.

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12 Deferred tax asset

	Group		Parent Company	
DKK'000	2019	2018	2019	2018
Deferred tax asset at 1 January	4,647	5,070	0	0
Deferred tax asset adjustment for the year in the income statement	-4,647	-423	0	0
	0	4,647	0	0

Deferred tax from tax losses has not been recognised.

13 Prepayments

Prepayments consist of prepaid expenses related to the subsequent financial year.

14 Equity

The share capital consists of 50.000 shares of a nominal value of DKK 100 each. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

15 Provisions

	Group		Parent Company	
DKK'000	31/12 2019	31/12 2018	31/12 2019	31/12 2018
Balance at 1 January	6,394	5,896	0	0
Provisions for the year, net	-6,394	498	0	0
	0	6,394	0	0

16 Fees to auditor appointed at the general meeting

Statetory audit	523	566	27	27
Tax assistance	99	117	33	33
Other services	104	144	33	32
	726	827	93	92

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17 Contractual obligations, contingencies, etc.

Bank guarantees

Issued bank guarantees amounted to DKK 0 thousand at 31 December 2019 (2018: DKK 2,501 thousand).

Joint taxation

The Company is jointly taxed with the other Danish consolidated enterprises. As a consolidated enterprise, together with the other consolidated enterprises 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.

	Group		Parent Company	
DKK'000	2019	2018	2019	2018
Contingent liabilities				
Leases	0	20,258	0	0
Rent	0	5,059	0	0
Buy Back commitments	0	3,418	0	0
	0	28,735	0	0

18 Related party disclosures

Pon Holding Denmark A/S' related parties comprise the following:

Control

Pon Equipment + Power Systems B.V., immediate parent company. The Company's ultimate parent company that prepares a Group annual report in which the Company is included as a subsidiary is Pon Holdings B.V., The Netherlands.

Pon Holdings B.V., ultimate parent company. The Group annual report of the foreign parent company can be obtained at the following adress: Pon Holdings B.V., Stadionplein 28, 1076 CM Amsterdam, The Netherlands.

Related party transactions

DKK'000	2019	2018	2019	2018
Revenue	38,189	30,714	-	-
Other external expenses	24,241	19,326	-	-
Sale of subsidiary	4,627	-	-	-

Interest income and expenses are disclosed in note 6 and 7.
Payables to associates and subsidiaries are disclosed in the balance sheet.

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19 Other adjustments

	Group	
DKK'000	2019	2018
Other financial income	2,190	2,165
Finance costs	-14,131	-14,330
Provisions	-512	-498
	-12,453	-12,663

20 Change in working capital

	Group	
DKK'000	2019	2018
Change in inventories	95,401	-42,474
Change in receivables	-81,992	-3,961
Change in trade and other payables	-65,820	-5,640
	-52,411	-52,075