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PNO Holding A/S

Wildersgade 10 B, 3.
1408 København K
CVR No. 26101409

Annual report 2023

The Annual General Meeting adopted the annual report on 25.06.2024

Jacob Nelson Lee Ørnstrand
Chairman of the General Meeting

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Entity details

Entity

PNO Holding A/S
Wildersgade 10 B, 3.
1408 København K

Business Registration No.: 26101409
Registered office: København
Financial year: 01.01.2023 - 31.12.2023

Statutory reports on the Entity's website

Statutory report on corporate governance: http://pnorental.com/about/#sustainability

Board of Directors

Gajakarnan Vibushanan Kandiah, Chairman
Jacob Nelson Lee Ørnstrand
Ibrahim Gokcen

Executive Board

Jacob Nelson Lee Ørnstrand, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of PNO Holding A/S for the financial year 01.01.2023 - 31.12.2023.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 25.06.2024

Executive Board

Jacob Nelson Lee Ørnstrand
CEO

Board of Directors

Gajakarnan Vibushanan Kandiah
Chairman

Jacob Nelson Lee Ørnstrand

Ibrahim Gokcen

Independent auditor's report

To the shareholder of PNO Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of PNO Holding A/S for the financial year 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023 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 financial statements" section of this auditor’s report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity’s ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Entity 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 financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in

Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Entity'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 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 Entity'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 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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 commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required by relevant law and regulations.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Copenhagen, 25.06.2024

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bjørn Winkler Jakobsen
State Authorised Public Accountant
Identification No (MNE) mne32127

Henrik Hartmann Olesen
State Authorised Public Accountant
Identification No (MNE) mne34143

Management commentary

Financial highlights

	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000
Key figures					
Revenue	918,428	807,712	687,383	630,878	652,415
Gross profit/loss	652,525	582,093	492,717	469,900	499,684
Operating profit/loss	116,605	131,214	113,502	112,708	90,580
Net financials	(80,913)	(25,117)	(23,700)	(39,117)	(33,010)
Profit/loss for the year	25,188	78,257	73,642	57,719	45,471
Profit for the year excl. minority interests	23,037	75,578	71,704	56,417	44,577
Balance sheet total	2,608,890	2,355,530	1,971,034	1,892,510	1,990,013
Investments in property, plant and equipment	900,143	843,795	528,522	346,178	575,082
Equity	388,664	403,755	370,134	379,383	395,654
Equity excl. minority interests	379,482	396,724	365,782	376,969	394,542
Cash flows from operating activities	508,363	525,919	396,244	415,531	301,604
Cash flows from investing activities	(780,154)	(730,485)	(417,184)	(238,407)	(401,455)
Cash flows from financing activities	212,108	241,445	(2,135)	(185,420)	120,517
Average number of employees	79	77	69	76	87
Ratios					
Gross margin (%)	71.05	72.07	71.68	74.48	76.59
Net margin (%)	2.74	9.69	10.71	9.15	6.97
Return on equity (%)	5.94	19.82	19.31	14.63	11.68
Equity ratio (%)	14.55	16.84	18.56	19.92	19.83
Equity incl. minority interests	14.91	17.14	18.78	20.05	19.88
Revenue per employee	11,626	10,490	9,962	8,301	7,499

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

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

Net margin (%):

$$\frac{\text{Profit/loss for the year * 100}}{\text{Revenue}}$$

Return on equity (%):

$$\frac{\text{Profit/loss for the year excl. minority interests * 100}}{\text{Average equity excl. minority interests}}$$

Equity ratio (%):

$$\frac{\text{Equity excl. minority interests * 100}}{\text{Balance sheet total}}$$

Equity incl. minority interests (%):

$$\frac{\text{Equity incl. minority interests * 100}}{\text{Balance sheet total}}$$

Revenue per employee:

$$\frac{\text{Revenue}}{\text{Average number of employees}}$$

Primary activities

The key activities of the Company are to hold shares of group enterprises and to carry on investment activities. The activities are carried out through the subsidiaries in Denmark, Sweden, Norway, Finland, Netherland, Germany and Poland. As in previous years, the Group's business comprised the rental of trailers to the transport sector.

Foreword:
"We are committed to delivering sustainable growth in line with our purpose to lead the transition to sustainable freight. We have a clear ambition to create financial and sustainable impact through People, Planet and Profit via customer centric and competitive solutions through all our business interactions." Group CEO, Jacob Lee Ørnstrand.

The world is constantly changing, and this brings new expectations and opportunities for our business. In the changing business environment, we constantly strive to adapt by delivering the most cost-efficient and smart rental solutions to our customers.

We have always been agile in our way of conducting business, and therefore we are not afraid of choosing the road less travelled to ensure that we deliver the right solution. We are in this for the long haul and never compromise on service or quality.

We have always delivered pragmatic rental solutions, personal touch points and offered a wide product portfolio, and this approach continues to be a core asset in our competitive offering. To focus even more on the long-term person relationships, our way of working is based on pragmatic commercial set-ups, which ensures a more focused presence.

We have carefully listened to our customers and the market to understand the needs for digital innovation. We invest in new digital solutions that enable us to bring a new degree of flexibility, transparency and insights to our customers and ourselves. This supports our purpose of leading the transition to sustainable freight and unlocking the potential of sustainable growth.

Our 79 employees contributed to reach the year's. PNO has a strong and dedicated leadership and team in place, and we are prepared for our ambitious growth plan.

Development in activities and finances

Profit for the year amounts to DKK 25,1 million compared to a profit on DKK 78,2 million in 2022. Profit for the year before financial income and expenses at DKK 116,6 million against DKK 131,1 million in 2022. Revenue amounts to DKK 918,4 million compared to 809,4 million in 2022, corresponding to an increase of 12 %.

The result of the year is below expectations and is considered to be dissatisfactory.

For further information, reference is made to the following income statement, cash flow statement and balance sheet with related notes.

Profit/loss for the year in relation to expected developments

In 2023 our business was still impacted by the war between Ukraine and Russia. The uncertainties in the market and the overall inflation creating cost pressure and hesitation among PNOs customers. We went in to 2023 with a belief that things would be better than it turned out to be. Our rental revenue shows growth compared to 2022, but fall somewhat short of our higher expectations to 2023. This is due to a significant slowdown in market demand compared to expectations. We have sold more trailers in 2023 than anticipated in order to adjust our fleet to the decreased demand on rental trailers. We have reacted fast on the new market situation and with success been adjusting our fleet. However, our utilization has been under pressure as more trailers have been standing in our yard for too long. As the supply of used (and new) trailers in Europe has been steadily increasing the time of sale has also increased and of course also affecting the sale prices on used trailers. These circumstances have had a negative impact on our result for 2023.

Uncertainty relating to recognition and measurement

There are no specific uncertainties in recognition and measurement in the annual report.

Particular risks

As mentioned above the war between Ukraine and Russia has created significant uncertainty in some of the markets PNO operates in. Looking towards our customers there is a significant market uncertainty in the transport sector including risk of a general market downturn. If the transport market experiences a significant adverse development this will impact our sales potential. PNOs business model is long term resilient as we can adjust our fleet to match demand. However short term impact on profit will be difficult to avoid.

Moreover, the Group depends on the procurement of necessary funding on terms that match market demands for leasing terms. Despite the economic environment we are not experiencing difficulties raising funds for asset financing.

Outlook

After a difficult 2023 with a sudden market shift, we see 2024 as a year to recover and strengthen our business. 2024 marks a transition year for PNO, a period of strategic recalibration and operational refinement. Different new initiatives have been put into place. These initiatives are not just about navigating the immediate challenges but are foundational to our long-term purpose of leading the transition to sustainable freight. The year 2024 is about building resilience, getting back on track, and ensuring that every step we take is a stride towards a more sustainable and profitable future. The implementation of these initiatives is expected to bring us back to an acceptable EBT, leading to a more profitable 2025, where we will continue the improvements and sustain the momentum of change. We expect a positive result for 2024 which is higher than the result in 2023.

Knowledge resources

Over several years in the trailer industry, the Group's employees have accumulated considerable and unique knowledge within the industry, as well as a good technical understanding of the company's products.

Ongoing training of employees, as well as annual measurement of employee satisfaction continuously monitors job satisfaction and improve the employee's skills in relation to existing and future work tasks. During 2023 we implemented a new employee platform - Officevibe - to access and analyze the employee satisfaction level on a weekly basis.

Environmental performance

Impact covering People and Planet at PNO resonates with our purpose to lead the transition to sustainable freight. As the first in our industry globally, PNO became a B Corp in 2019 and in 2022 embarked on the recertification B Corp journey. We measure and manage our Scope 1-2 for all our office operations, and we measure and manage our Scope 3 business travels. Since 2021, we have started the work to understand and map the emissions related to our suppliers and thereby measure and manage our Scope 3. In 2023, we obtained our B Corp recertification with a score of 101,1 which is a significant score increase for PNO as a company and industry. This is significant as it testifies the People and Planet work and actions carried out by PNO.

PNO's Impact Reports: https://pnorental.com/impact-overview/ B Corp and impact:https://pnorental.com/impact/

Statutory report on corporate social responsibility

The statutory statement is available on the company's website:
https://pnorental.com/impact-overview/

Statutory report on the underrepresented gender

In the PNO Group, it is only PNO Holding NS that is subject to the disclosure requirements pursuant to section 99b of the Danish Financial Statements Act. PNO Holding NS's Board of Directors is the supreme governing body of the Company.

Group considers gender diversity in the Management Group a strength.

We have actively worked to improve gender balance through a number of concrete initiatives. We have set new targets for diversity, and we have established a workgroup that focused on DEI (diversity, equity and inclusion) to ensure that we see concrete progress on our targets set.

PNO's commitment to DEI in 2023 is demonstrated through a series of structured initiatives and programs, reflecting PNO's core values of responsibility, inclusivity, and pragmatism. These initiatives are detailed as follows:

"Know Your Bias" Course: This foundational training is designed to assist PNO employees in recognizing and addressing unconscious biases. It emphasizes the importance of understanding personal biases as a critical step towards fostering an inclusive workplace. The course is structured to empower employees to become better allies to marginalized groups and to contribute actively to creating a supportive environment for everyone.

"Being Comfortable and Uncomfortable" Coaching Sessions: These sessions offer a safe space for engaging in conversations about difficult topics such as biases, values, beliefs, blind spots, and attitudes. The goal is to deepen participants' understanding of their own perspectives and how these influence their communication styles, thereby enhancing inclusivity in daily interactions.

Ongoing DEI Training: PNO prioritizes regular training sessions on DEI subjects. These sessions are an integral part of the company's commitment to continuous learning and adaptation in the field of DEI. They underscore the need for ongoing efforts and dedication to effectuate enduring changes within the organization.

Cultivation of an Inclusive Culture: PNO's dedication to inclusivity is evident in its company culture. The organization endeavors to create an environment where all employees feel welcomed, accepted, and valued. This approach is rooted in a conscious effort to understand and address any existing blind spots related to inclusivity.

These DEI initiatives align with PNO's broader objective to establish a healthy, supportive, and dynamic work environment. The company recognizes that fostering diversity, equity, and inclusion is not only a moral imperative but also a strategic advantage, contributing to a more robust and innovative organizational culture.

Read more: https://pnorental.com/wp-content/uploads/2023/10/DEI-Presentation.pdf

Statutory report on data ethics policy

IT is a crucial part of our business, because of the increased digitization of our business, where data on employees, customers, trailers, and IT security are in focus. Data is collected mainly by our employees, and only to a limited extent via third parties.

We continuously ensure that our employees are aware of data ethics, GDPR legislation, IT security through internal awareness.

At present, we have not formulated format policies regarding data ethics, but these are under preparation and the project is rooted in the organization. The final policies are expected to be implemented within the coming financial year

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Revenue	1	918,428	807,712
Own work capitalised		5,400	4,778
Cost of sales		(226,006)	(190,336)
Other external expenses	2	(45,297)	(40,061)
Gross profit/loss		**652,525**	**582,093**
Staff costs	3	(70,065)	(59,611)
Depreciation, amortisation and impairment losses	4	(465,855)	(391,268)
Operating profit/loss		**116,605**	**131,214**
Other financial income	5	159	6,980
Other financial expenses	6	(81,072)	(32,097)
Profit/loss before tax		**35,692**	**106,097**
Tax on profit/loss for the year	7	(10,504)	(27,840)
Profit/loss for the year	8	**25,188**	**78,257**

Consolidated balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Completed development projects	10	15,413	12,328
Acquired intangible assets		0	0
Development projects in progress	10	3,092	2,714
Intangible assets	9	**18,505**	**15,042**
Land and buildings		32,792	32,760
Other fixtures and fittings, tools and equipment		2,316,552	2,023,743
Property, plant and equipment	11	**2,349,344**	**2,056,503**
Fixed assets		**2,367,849**	**2,071,545**
Manufactured goods and goods for resale		2,394	407
Inventories		**2,394**	**407**
Trade receivables		166,736	135,614
Other receivables		8,097	6,210
Tax receivable		1,452	6,874
Prepayments	12	12,017	24,852
Receivables		**188,302**	**173,550**
Cash		**50,345**	**110,028**
Current assets		**241,041**	**283,985**
Assets		**2,608,890**	**2,355,530**

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital	13	625	625
Revaluation reserve		15,007	14,393
Retained earnings		363,850	381,706
Equity belonging to Parent's shareholders		**379,482**	**396,724**
Equity belonging to minority interests		**9,182**	**7,031**
Equity		**388,664**	**403,755**
Deferred tax	14	104,792	116,941
Provisions		**104,792**	**116,941**
Lease liabilities		1,466,544	1,208,901
Non-current liabilities other than provisions	15	**1,466,544**	**1,208,901**
Current portion of non-current liabilities other than provisions	15	499,639	495,174
Prepayments received from customers		0	749
Trade payables		117,344	88,820
Other payables		20,754	28,389
Deferred income	16	11,153	12,801
Current liabilities other than provisions		**648,890**	**625,933**
Liabilities other than provisions		**2,115,434**	**1,834,834**
Equity and liabilities		**2,608,890**	**2,355,530**
Unrecognised rental and lease commitments	18		
Assets charged and collateral	19		
Transactions with related parties	20		
Subsidiaries	21		

Consolidated statement of changes in equity for 2023

	Contributed capital DKK'000	Revaluation reserve DKK'000	Retained earnings DKK'000	Equity belonging to Parent's shareholders DKK'000	Equity belonging to minority interests DKK'000
Equity beginning of year	625	0	381,706	382,331	7,031
Changes in accounting policies	0	14,393	0	14,393	0
Adjusted equity, beginning of year	**625**	**14,393**	**381,706**	**396,724**	**7,031**
Extraordinary dividend paid	0	0	(50,000)	(50,000)	0
Exchange rate adjustments	0	0	9,107	9,107	0
Revaluations for the year	0	614	0	614	0
Profit/loss for the year	0	0	23,037	23,037	2,151
Equity end of year	**625**	**15,007**	**363,850**	**379,482**	**9,182**

	Total DKK'000
Equity beginning of year	389,362
Changes in accounting policies	14,393
Adjusted equity, beginning of year	**403,755**
Extraordinary dividend paid	(50,000)
Exchange rate adjustments	9,107
Revaluations for the year	614
Profit/loss for the year	25,188
Equity end of year	**388,664**

Consolidated cash flow statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Operating profit/loss		116,605	131,214
Amortisation, depreciation and impairment losses		465,855	391,268
Working capital changes	17	(3,568)	44,095
Currency adjustment		15,554	7,857
Cash flow from ordinary operating activities		**594,446**	**574,434**
Financial income received		159	12,562
Financial expenses paid		(81,072)	(38,544)
Taxes refunded/(paid)		(5,170)	(22,533)
Cash flows from operating activities		**508,363**	**525,919**
Acquisition etc. of intangible assets		(7,517)	(5,635)
Acquisition etc. of property, plant and equipment		(900,143)	(843,795)
Sale of property, plant and equipment (trailers) (net)		127,506	118,945
Cash flows from investing activities		**(780,154)**	**(730,485)**
Free cash flows generated from operations and investments before financing		**(271,791)**	**(204,566)**
Loans raised		262,108	284,445
Dividend paid		(50,000)	(43,000)
Cash flows from financing activities		**212,108**	**241,445**
Increase/decrease in cash and cash equivalents		**(59,683)**	**36,879**
Cash and cash equivalents beginning of year		110,028	73,149
Cash and cash equivalents end of year		**50,345**	**110,028**
Cash and cash equivalents at year-end are composed of:			
Cash		50,345	110,028
Cash and cash equivalents end of year		**50,345**	**110,028**

Notes to consolidated financial statements

1 Revenue

	2023 DKK'000	2022 DKK'000
Denmark	128,889	110,509
Other EU-Countries	789,539	697,203
Total revenue by geographical market	**918,428**	**807,712**
Rental sales	785,916	709,099
Divestments	82,615	58,349
Workshop Sales	49,897	40,264
Total revenue by activity	**918,428**	**807,712**

2 Fees to the auditor appointed by the Annual General Meeting

	2023 DKK'000	2022 DKK'000
Statutory audit services	494	472
Other assurance engagements	162	160
Tax services	91	91
	747	**723**

3 Staff costs

	2023 DKK'000	2022 DKK'000
Wages and salaries	58,647	48,096
Pension costs	4,010	4,153
Other social security costs	3,576	2,929
Other staff costs	3,832	4,433
	70,065	**59,611**

Average number of full-time employees	**79**	**84**

	Remuneration of management 2023 DKK'000	Remuneration of management 2022 DKK'000
Total amount for management categories	7,077	7,396
	7,077	**7,396**

With reference to ÅRL § 98b, remuneration to the Company's Executive Board and the Board of Directors is shown together.

4 Depreciation, amortisation and impairment losses

	2023 DKK'000	2022 DKK'000
Amortisation of intangible assets	3,398	1,805
Depreciation on property, plant and equipment	461,800	389,835
Profit/loss from sale of intangible assets and property, plant and equipment	657	(372)
	465,855	**391,268**

5 Other financial income

	2023 DKK'000	2022 DKK'000
Other interest income	159	642
Exchange rate adjustments	0	6,305
Other financial income	0	33
	159	**6,980**

6 Other financial expenses

	2023 DKK'000	2022 DKK'000
Other interest expenses	74,163	31,893
Exchange rate adjustments	6,873	0
Other financial expenses	36	204
	81,072	**32,097**

7 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Current tax	14,023	19,643
Change in deferred tax	(3,519)	7,263
Adjustment concerning previous years	0	934
	10,504	**27,840**

8 Proposed distribution of profit/loss

	2023 DKK'000	2022 DKK'000
Retained earnings	23,037	75,578
Minority interests' share of profit/loss	2,151	2,679
	25,188	**78,257**

9 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Development projects in progress DKK'000
Cost beginning of year	15,590	418	2,714
Transfers	2,714	0	(2,714)
Additions	3,769	0	3,748
Disposals	0	0	(656)
Cost end of year	**22,073**	**418**	**3,092**
Amortisation and impairment losses beginning of year	(3,262)	(418)	0
Amortisation for the year	(3,398)	0	0
Amortisation and impairment losses end of year	**(6,660)**	**(418)**	**0**
Carrying amount end of year	**15,413**	**0**	**3,092**

10 Development projects

Due to the rising need for digital innovation across all industries, the PNO Group has started developing technological solutions to help the PNO Group best serve its customers. PNO Group has established an inhouse tech-hub called “PNO Ventures” which purpose is to strengthen our digital offering and develop new products. We want to build a standalone “Software-as-a-service” platform that connects trailer owners, operators and service providers. In this platform, you shall be able to service and share your trailer fleet to secure the highest possible time on the road. In 2023 we focused on further developing our digital capabilities by building integrations with key data providers (telematics, tires) to enhance our operational workflows. For customers, we built capabilities to strengthen our customers ease of use to be rental customers with PNO and to widen the use of PNO's digital applications to include the customers owned fleet assets, and not just PNO assets. The cost associated with the development of these assets is on a running basis recognised as intangible assets. The amortization period is set to 5 years.

11 Property, plant and equipment

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	36,903	3,590,787
Exchange rate adjustments	81	(6,513)
Additions	0	900,143
Disposals	0	(413,440)
Cost end of year	**36,984**	**4,070,977**
Changes in accounting policies	18,311	0
Revaluations for the year	781	0
Revaluations end of year	**19,092**	**0**
Depreciation and impairment losses beginning of year	(22,454)	(1,567,044)
Exchange rate adjustments	(49)	(1,808)
Depreciation for the year	(781)	(461,019)
Reversal regarding disposals	0	275,446
Depreciation and impairment losses end of year	**(23,284)**	**(1,754,425)**
Carrying amount end of year	**32,792**	**2,316,552**
Recognised assets not owned by Entity	0	**1,165,156**

The company's investment property, which is primarily used for logistics, is located at Keravantie 503-507, 04150 Sipoo, Finland.

According to the description of the accounting practices used, the investment property is measured at fair value using the discounted cash flow method.

The property's rent-bearing area is 2,674 net floor m2 + trailer park ca. areas 95,000 sqm.

Central assumptions used in the measurement are:
• Rate of return of 8.9%
• Market rent of Eur 27,246 and operating costs of Eur 2,3 per m2.

An external expert was used to determine the fair value

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

13 Contributed capital

	Number	Par value DKK'000	Nominal value DKK'000
A-shares	50	1	50
B-shares	575	1	575
	625		**625**

14 Deferred tax

Changes during the year	2023 DKK'000	2022 DKK'000
Beginning of year	113,022	111,620
Recognised in the income statement	(3,519)	7,263
Recognised directly in equity	167	3,919
Other adjustments	(4,878)	(5,861)
End of year	**104,792**	**116,941**

Deferred tax relates to intangible assets, property, plant and equipment and other provisions.

15 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK'000	Due within 12 months 2022 DKK'000	Due after more than 12 months 2023 DKK'000	Outstanding after 5 years 2023 DKK'000
Lease liabilities	499,639	495,174	1,466,544	26,674
	499,639	**495,174**	**1,466,544**	**26,674**

16 Deferred income

Deferred income consists of grants from a german subsidy scheme for environmentally friendly assets recognized to other fixtures and fittings, tools and equipment in subsequent years .

17 Changes in working capital

	2023 DKK'000	2022 DKK'000
Increase/decrease in inventories	(1,987)	441
Increase/decrease in receivables	(20,174)	(24,500)
Increase/decrease in trade payables etc.	18,593	68,154
	(3,568)	**44,095**

18 Unrecognised rental and lease commitments

	2023 DKK'000	2022 DKK'000
Total liabilities under rental or lease agreements until maturity	**11,757**	**10,160**

For the liabilities under rental or lease agreements DKK 1,8M due 5 years after the balance date.

19 Assets charged and collateral

As security for contract debt and trade payables, retention of title has been provided in machinery and equipment (trailers).

The Company has provided jointly and several guarantee of payment in respect of a part the Group's debt to credit institution.

The Group participates in a cash pool with the Group at Danske Bank.
Participants in the cash pool are jointly and severally liable for the total debt in the cash pool. As of 31st December 2023, the total cash pool balance amounts to DKK 50 million,

20 Transactions with related parties

It is only required to report on transaction with retaled parties which has not been on marked conditions. All transaction with related parties in the fiscal year has been on marked conditions.

21 Subsidiaries

	Registered in	Corporate form	Ownership %
PNO Danmark A/S	Horsens, Denmark	A/S	100.00
PNO Sverige AB	Helsingborg, Sweden	AB	100.00
PNO Norge AS	Oslo, Norway	AS	100.00
PNO Finland OY	Helsinki, Finland	OY	100.00
PNO Netherlands B.V.	Venlo, Netherlands	B.V.	75.00
PNO Deutschland GmbH	Hamburg, Germany	GmbH	100.00
PNO Polska Sp. z o. o.	Poznan, Polska	Sp. z o. o.	100.00

Parent income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Own work capitalised		5,400	4,778
Other operating income		52,733	39,668
Other external expenses		(13,843)	(11,715)
Gross profit/loss		**44,290**	**32,731**
Staff costs	2	(41,861)	(34,094)
Depreciation, amortisation and impairment losses	3	(4,427)	(2,272)
Operating profit/loss		**(1,998)**	**(3,635)**
Income from investments in group enterprises		27,733	81,536
Other financial income	4	332	90
Other financial expenses	5	(3,650)	(1,478)
Profit/loss before tax		**22,417**	**76,513**
Tax on profit/loss for the year		620	(934)
Profit/loss for the year	6	**23,037**	**75,579**

Parent balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Completed development projects	8	15,413	12,328
Development projects in progress	8	3,092	2,714
Intangible assets	7	**18,505**	**15,042**
Other fixtures and fittings, tools and equipment		699	1,071
Property, plant and equipment	9	**699**	**1,071**
Investments in group enterprises		459,815	444,981
Financial assets	10	**459,815**	**444,981**
Fixed assets		**479,019**	**461,094**
Receivables from group enterprises		29,787	5,741
Other receivables		1,711	740
Joint taxation contribution receivable		1,671	1,050
Prepayments	11	1,193	1,149
Receivables		**34,362**	**8,680**
Cash		**0**	**261**
Current assets		**34,362**	**8,941**
Assets		**513,381**	**470,035**

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital		625	625
Reserve for net revaluation according to equity method		370,628	392,704
Reserve for development costs		14,433	11,734
Retained earnings		(6,204)	(8,339)
Equity		**379,482**	**396,724**
Payables to group enterprises		65,902	65,754
Non-current liabilities other than provisions	12	**65,902**	**65,754**
Bank loans	13	49,251	0
Trade payables		2,116	2,004
Payables to group enterprises		8,773	0
Other payables		7,857	5,553
Current liabilities other than provisions		**67,997**	**7,557**
Liabilities other than provisions		**133,899**	**73,311**
Equity and liabilities		**513,381**	**470,035**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Assets charged and collateral	16		
Related parties with controlling interest	17		

Parent statement of changes in equity for 2023

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development costs DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	625	378,311	11,734	(8,339)	382,331
Changes in accounting policies	0	14,393	0	0	14,393
Adjusted equity, beginning of year	**625**	**392,704**	**11,734**	**(8,339)**	**396,724**
Extraordinary dividend paid	0	0	0	(50,000)	(50,000)
Exchange rate adjustments	0	9,107	0	0	9,107
Other entries on equity	0	614	0	0	614
Dividends from group enterprises	0	(59,530)	0	59,530	0
Transfer to reserves	0	0	2,699	(2,699)	0
Profit/loss for the year	0	27,733	0	(4,696)	23,037
Equity end of year	**625**	**370,628**	**14,433**	**(6,204)**	**379,482**

Notes to parent financial statements

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Staff costs

	2023 DKK'000	2022 DKK'000
Wages and salaries	36,301	29,469
Pension costs	3,241	2,860
Other social security costs	313	256
Other staff costs	2,006	1,509
	41,861	**34,094**

Average number of full-time employees	**34**	**26**

	Remuneration of Management 2023 DKK'000	Remuneration of Management 2022 DKK'000
Total amount for management categories	7,077	7,396
	7,077	**7,396**

With reference to ÅRL § 98b, remuneration to the Company's Executive Board and the Board of Directors is shown together.

3 Depreciation, amortisation and impairment losses

	2023 DKK'000	2022 DKK'000
Amortisation of intangible assets	3,398	1,801
Depreciation on property, plant and equipment	372	471
Profit/loss from sale of intangible assets and property, plant and equipment	657	0
	4,427	**2,272**

4 Other financial income

	2023 DKK'000	2022 DKK'000
Financial income from group enterprises	299	4
Other interest income	33	86
	332	**90**

5 Other financial expenses

	2023 DKK'000	2022 DKK'000
Financial expenses from group enterprises	3,177	1,378
Other interest expenses	370	99
Exchange rate adjustments	103	1
	3,650	**1,478**

6 Proposed distribution of profit and loss

	2023 DKK'000	2022 DKK'000
Extraordinary dividend distributed in the financial year	0	43,000
Retained earnings	23,037	32,579
	23,037	**75,579**

7 Intangible assets

	Completed development projects DKK'000	Development projects in progress DKK'000
Cost beginning of year	15,590	2,714
Transfers	2,714	(2,714)
Additions	3,769	3,748
Disposals	0	(656)
Cost end of year	**22,073**	**3,092**
Amortisation and impairment losses beginning of year	(3,262)	0
Amortisation for the year	(3,398)	0
Amortisation and impairment losses end of year	**(6,660)**	**0**
Carrying amount end of year	**15,413**	**3,092**

8 Development projects

Due to the rising need for digital innovation across all industries, the PNO Group has started developing technological solutions to help the PNO Group best serve its customers. PNO Group has established an inhouse tech-hub called “PNO Ventures” which purpose is to strengthen our digital offering and develop new products. We want to build a standalone “Software-as-a-service” platform that connects trailer owners, operators and service providers. In this platform, you shall be able to service and share your trailer fleet to secure the highest possible time on the road. In 2023 we focused on further developing our digital capabilities by building integrations with key data providers (telematics, tires) to enhance our operational workflows. For customers, we built capabilities to strengthen our customers ease of use to be rental customers with PNO and to widen the use of PNO's digital applications to include the customers owned fleet assets, and not just PNO assets. The cost associated with the development of these assets is on a running basis recognised as intangible assets. The amortization period is set to 5 years.

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	3,388
Cost end of year	**3,388**
Depreciation and impairment losses beginning of year	(2,317)
Depreciation for the year	(372)
Depreciation and impairment losses end of year	**(2,689)**
Carrying amount end of year	**699**

10 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	52,277
Additions	36,910
Cost end of year	**89,187**
Revaluations beginning of year	378,311
Changes in accounting policies	14,393
Exchange rate adjustments	9,107
Share of profit/loss for the year	26,435
Adjustment of intra-group profits	1,298
Dividend	(59,530)
Other adjustments	614
Revaluations end of year	**370,628**
Carrying amount end of year	**459,815**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

11 Prepayments

Deferred income consists of payments received in respect of income in subsequent years.

12 Non-current liabilities other than provisions

	Due after more than 12 months 2023 DKK'000
Payables to group enterprises	65,902
	65,902

13 Bank loans

The company is part of a group that uses a cash pool arrangement as part of its overall liquidity management.

14 Unrecognised rental and lease commitments

	2023 DKK'000	2022 DKK'000
Total liabilities under rental or lease agreements until maturity	**838**	**1,429**

15 Contingent liabilities

The Entity has issued a letter of support to one of the Group's subsidiaries by which the Parent is irrevocably obligated to support the entities in fulfilling all obligations until 1 January 2025.

The Entity participates in a Danish joint taxation arrangement in which Jacob Lee Ørnstrand Holding A/S, Central Business Registration No 34619530, serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from establishment of joint taxation for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements

16 Assets charged and collateral

As security for contract debt and trade payables, retention of title has been provided in trade receviables. The Company has provided a guarantee in respect of PNO NEDERLAND B.V.

Collateral provided for group enterprises

The Company participates in a cash pool with the Group at Danske Bank.
Participants in the cash pool are jointly and severally liable for the total debt in the cash pool. As of 31st December 2023, the total cash pool balance amounts to DKK 50 million,

17 Related parties with controlling interest

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:
Jacob PNO Holding A/S, Strandgade 26, 1., DK-1401 København K

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

Changes in accounting policies

The Group and parent have changed their accounting policies with regard to recognition and measurement for Land and buildings. Domicile properties are then recognized at fair value. Previously, domicile properties were recognized at cost price.

For the Group, the change in accounting policies has led to an inrease in land and buildings of DKK 18.331 thousand. respectively. Consequently, the changes in the accounting policies have no effect on the profit and loss for the Group. For the Group, tax for the year incumbent on the change in accounting policies, consisting of an adjustment of deferred tax, amounts to DKK 3,919 thousand. The Group's balance sheet total increases by DKK 18,311 thousand, while its equity increases by DKK 14,393 thousand at the begining of the year.

For the Parent, the change in accounting policies has led to an inrease in investments in group enterprises of DKK 14,393 thousand. respectively. Consequently, the changes in the accounting policies have no effect on the profit and loss.The Parents balance sheet total increases by DKK 14,393 thousand, while its equity increases by DKK 14,393 thousand at the begining of the year.

The comparative figures have been restated following the change in accounting policies.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistently with last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.
Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.
Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Public grants

Public grants are recognised when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised as income in the income statement as earned. Grants awarded for acquisition of assets are recognised as deferred income in the balance sheet, which is taken to income on a straight-line basis over the useful life of the asset.

Income statement

Revenue

Revenue from the sale of rental services, divestment of trailers and related service is recognised in the income statement when delivery is made and risk has passed to the buyer.

Revenue can be divided into three categories. Rental sales, divestment sales and workshop sales. All revenue categories are recognised in the income statement when: Delivery has been made before year end:

- Delivery to customer has taken place before balance date

- A binding agreement has been signed

- The value of the contract has been determined

- Payment has been received or is highly likely to be received in the future

Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed. Net profit from sales and divestment of trailers are recognised as net revenue.

Own work capitalised

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for proprietary intangible assets and property, plant and equipment.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including profit from the sale of intangible assets and property, plant and equipment.

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for normal inventory writedowns.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises
Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year.

Other financial income
Other financial income comprises of interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

The Parent is jointly taxed with all of its Danish group enterprises and other Danish consolidated companies. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc.

Intellectual property rights etc comprise development projects in progress.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

The amortization period used for development costs are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings are measured at fair value with revaluation on a restricted reserve under equity and with deductions for depreciation (in accordance with Section 41 of the Danish Financial Statements Act). Negative fair value adjustments that exceed previous revaluations are treated as an impairment, which is recognized in the income statement.

Plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost plus revaluation and minus estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement. The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Buildings	10-40 years
Other fixtures and fittings, tools and equipment	3-10 years
Own Trailers	8 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Assets held under finance leases
For assets held under finance leases, cost is measured at the lower of fair value and present value of future lease payments. At the calculation of the present value, the lease agreements' rate of return is applied. Assets held under finance leases are amortised and written down according to the same policies as established for the Company's other fixed assets.

The capitalised remaining lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is charged to the income statement on a current basis.

All other leases are considered as being operational leases. Payments made in connection with operational leases are recognised on a straight-line basis in the income statement over the term of the lease.

Investments in group enterprises
In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Minority interests
On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Lease liabilities
Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Deferred income
Deferred income comprises income received grants they are recognised when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised as income in the income statement as earned.
Grants awarded for acquisition of assets are recognised as deferred income in the balance sheet, which is taken to income on a straight-line basis over the useful life of the asset.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.