Arval A/S

Annual report 2022

Approved at the Company's annual general meeting on 26 May 2023

Chairman: Tero Tapala

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CVR no. 33 74 79 85
017190 / Annual report 2022

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 Arval A/S for the financial year 1 January - 31 December 2022.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

Further, in our opinion, the Management's review fairly presents the matters described in the review.

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

Herlev, 26 May 2023
Executive Board:

Michael Scott Curtis

Board of Directors:

Tero Alexander Tapala Chairman	Ulrik Ross Petersen	Jean-Marc Muller

Independent auditors' report

To the shareholder of Arval A/S

Opinion

We have audited the financial statements of Arval A/S for the financial year 1 January - 31 December 2022, which comprise an income statement, balance sheet, statement of change in equity and notes, including a summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company´s financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the “Auditor’s Responsibilities for the Audit of the financial statements” section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditors' report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 26 May 2023
MAZARS
Statsautoriseret revisionspartnerselskab
CVR-no. 31 06 17 41

Karsten Vedel
Statsautoriseret revisor
(state-authorised public accountant)
MNE-no. 47841

Management's Review

Company details

Arval A/S
Lyskær 1, 1. tv.
P.O. Box 78
DK-2730 Herlev
Denmark

Telephone:	+45 70 26 50 60
Website:	www.arval.dk
E-mail:	info@arval.dk

CVR no.:	33 74 79 85
Established:	18 May 2011
Registered office:	Herlev, Denmark
Financial year:	1 January - 31 December

Board of Directors

Tero Alexander Tapala, Chairman
Ulrik Ross Petersen
Jean-Marc Muller

Executive Board

Michael Scott Curtis

Management's Review

Operating review

Financial highlights

mDKK	2022	2021	2020	2019	2018
Income relating to lease assets	382	347	306	272	217
Operating result	38	5	-8	5	-4
Financial expenses	0	0	0	0	0
Result for the year	20	4	-8	4	-3
Total assets	1,081	1,062	965	893	735
Investment in Property, plant and equipment	309	385	364	378	352
Equity	27	7	3	12	8
Financial ratios					
Gross margin	23 %	15 %	12 %	15 %	11 %
Solvency ratio	2 %	1 %	0 %	1 %	1 %
Average number of full-time employees	38	36	35	29	22

Principal activities

Arval A/S is the Danish part of the Arval Group, which was founded in 1989 and fully owned by BNP Paribas. Arval specialises in full service vehicle leasing and offers its customers – large international corporates, SMEs and professionals – tailored solutions that optimise their employees' mobility and outsource the risks associated with fleet management. Expert advice and service quality, which are the foundations of Arval's customer promise, are delivered in 30 countries by more than 8,000 employees. Arval's total leased fleet adds up to 1,592,024 vehicles throughout in 29 countries (December 2022).

Arval is a founding member of the Element-Arval Global Alliance, a worldwide leader in the fleet management industry, with more than 4 million vehicles in 55 countries. Within the Group, Arval belongs to the Retail Banking & Services field of activity.

Events after the balance sheet date

No specific event have occurred after the balance sheet date 31 December 2022.

Management's Review

Development in activities and financial matters

As in previous years, has Arval A/S acquired additional market share in Denmark. Despite challenging environment in the automotive sector, Arval A/S continued to grow in 2022 combined with a record high orderbook. This growth was achieved despite longer new-vehicle delivery times due to the semi-conductors shortage and logistics issues affecting the automotive sector, and also from a strong focus on contract extensions.

In 2022, Arval A/S' Income relating to lease assets rose by 10.1%, to DKK 382 million (DKK 347 million in 2021). Including a underlying growth in used cars sales of DKK 11 million, due to a very strong used car marked.

Operating result came to DKK 38 million, up by 620.1% compared to 2021, due to the good trend in business activity and the high level of used-vehicle prices.

Net income increased by 404.0% to DKK 20 million (DKK 4 million in 2021), mainly due to a favourable used car market, but also a stable cost base.

Expectations for future years

The mobility sector is expected to continue its transformation in 2023 in a changing environment. In 2023, Arval will remain at its customers' sides through: strategic partnerships and organic growth with our solid foundation, agility and the fact that we are part of BNP Paribas Group as main leavers.

The investment in acquisition of market share is expected to continue, short term growth in 2023 is expected increase during 2023, but still to be impacted by the current supply situation from car manufactures and net result is expected to be on level with 2022. The used car marked are anticipated to remain strong through most of 2023.

As at the date of preparation of this financial statement, the Management Board believes that the existing supply chain disruption and current geopolitical challenges limit the visibility, but overall does not threaten the Entity's ability to continue as a going concern in the future but only as a limitation in short term growth. The Management monitor other potential impact on the Entity's business operations on an on-going basis and will take all appropriate steps to mitigate any negative effects.

Risk Management

The Company is not exposed to risks, which is not common within its industry.

Arval's parent company, BNP Paribas, is seen as one of the most stable banks in Europe. This is confirmed by its good credit rating, its ability to increase equity quickly to meet the new international capital requirements, and the fact that BNP Paribas was able to report robust results and profit performance from ordinary activities again in 2023.

General Risk

Management's Review

The general risks for Arval A/S mainly relate to managing the residual value guarantees on the leased vehicles. On an ongoing basis we monitor, benchmark and adjust our residual values with current market expectations: Another general risk relate to the credit risk that originates from the company's customer portfolio.

Special risks

Arval A/S's activities are highly influenced by the direct and indirect tax policy that are pursuant within the mobility area by the Danish government. Registration tax, green owner tax, and taxation of company cars are all decisive for the development of the market and can influence the value of the company's assets.

Operational risks

Arval A/S is using uniform Group tools to assess the risk of the residual value guarantee and the maintenance of leased vehicles respectively on a current basis. We are therefore able adjust future contracts for possible changed trends that can influence the company's profit.

Interest risks

Arval A/S in the main enters into fixed-interest leasing agreements and funding is matched on a total portfolio basis so that changes in in interests do not influence the company's financial result.

Credit risks

Arval A/S only enters into agreements with companies and individuals, which have been credit rated and accepted in advance based on predefined Group rules. The running credit risks are monitored on an ongoing basis for each customer at least annually.

As a result of this, repossession and legal actions required in case of bankruptcies have been quite low and without any material impact on the credit risk figures.

Corporate social responsibility

Pursuant to section 99 a(7) of the Danish Financial Statement Act, no separate reporting on Corporate social responsibility have been prepared.

Reference is made to the CSR report of Arval Group, which can be found at
https://secure.webpublication.fr/198442/.CSR_REPORT_2022_COP

Sustainability is a recurring theme within all aspects of Arval's services. Arval involves individual drivers in the management of their vehicle to the greatest extent possible, thus increasing awareness of the costs and environmental impact of operating that vehicle.

Management's Review

Goals and policies for the underrepresented gender

The current Board of Directors consist of three members, all men. The company has set a target that the Board should have one female included by 2025.

Arval is overall committed to achieving a more equal gender balance in the workplace, as well as enhancing the proportion of diverse talents in its management layers.. We will achieve this by ensuring diverse talents are equally represented in the recruitment processes. In Arval Group we are promoting diversity and inclusion in the workplace through many different actions, for example the Arval Talent Care Programme and Women in the Workplace initiatives.

In 2022, we achieved 33% female representation in the management layers. A new target of 40% by 2023 has been established.

Reporting on data ethics

Pursuant to section 99 d(3) of the Danish Financial Statement Act, no separate reporting on Corporate social responsibility have been prepared.

Reference is made to the CSR report of Arval Group, which can be found at
https://secure.webpublication.fr/198442/.CSR_REPORT_2022_COP

Financial statements 1 January - 31 December

Income statement

DKK'000	Note	2022	2021
Income relating to lease assets	1, 13	382,309	346,950
Expenses relating to lease assets	2, 13	-296,208	-296,200
Profit from leasing activities		86,101	50,750
Selling costs and administrative expenses	2, 3	-48,543	-45,534
Operating loss/profit		37,558	5,216
Financial income		0	11
Financial expenses		-459	-241
Profit/loss before tax		37,099	4,986
Tax on profit/loss for the year	5	-17,479	-1,097
Profit/Loss for the year		19,620	3,889

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	2		
Lease assets		947,608	930,772
Leasehold improvements		104	188
Tools and equipment		2,827	3,310
Total non-current assets		950,539	934,270
Current assets			
Receivables			
Trade receivables		114,073	101,476
Receivables from group entities	13	0	0
Corporate income tax	10	2,223	2,467
Other receivables		14,494	19,581
Prepayments	7	1,573	1,375
		132,363	124,869
Cash at bank and in hand	8	0	2,741
Total current assets		132,363	127,610
TOTAL ASSETS		1,082,902	1,061,880

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2022	2021
EQUITY AND LIABILITIES			
Equity			
Share capital	9	10,000	10,000
Retained earnings		16,903	-2,717
Total equity		26,903	7,283
Provisions			
Deferred tax	10	36,023	17,944
Liabilities other than provisions			
Non-current liabilities other than provisions			
Debt to group enterprises	11	561,074	615,655
Current liabilities other than provisions	11		
Debt to group enterprises		325,035	299,878
Trade payables		46,325	45,351
Other payables		31,641	21,575
Deferred income		55,901	54,194
		458,902	420,998
Total liabilities other than provisions		1,019,976	1,036,653
TOTAL EQUITY AND LIABILITIES		1,082,902	1,061,880

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Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Balance at 1 January 2022	10,000	-2,717	7,283
Transferred, cf. the proposed distribution of profit	0	19,620	19,620
Balance at 31 December 2022	10,000	16,903	26,903

Financial statements 1 January – 31 December

Notes

1 Income relating to lease assets

DKK'000

Segmentation of revenue on geographical area:	2022	2021
Denmark	382,309	346,950

Segmentation of revenue on activity:		
Income from lease agreements	349,335	325,421
Net profit/loss from sales of used cars	32,974	21,529
	382,309	346,950

2 Property, plant and equipment

DKK'000	Lease assets	Leasehold improve-ments	Tools and equip-ment
Cost at 1 January 2022	1,497,570	969	5,006
Additions	308,179	0	1,229
Disposals	-246,303	0	-1,167
Cost at 31 December 2022	1,559,446	969	5,006
Impairment losses and depreciation at 1 January 2022	566,789	781	1,696
Depreciation	222,429	84	1,134
Disposals	-177,380	0	-589
Impairment losses and depreciation at 31 December 2022	611,838	865	2,241
Carrying amount at 31 December 2022	947,608	104	2,827

DKK'000	2022	2021
Depreciation is recognised as follows:		
Expenses relating to lease assets	222,429	239,088
Selling costs and administrative expenses	1,218	742
	223,647	239,830

Financial statements 1 January – 31 December

Notes

3 Staff costs

DKK'000	2022	2021
Wages and salaries	27,152	24,764
Pension costs	2,113	1,897
Other social security costs	288	235
	29,553	26,896
Average number of employees	38	36

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Staff costs are recognised as selling costs and administrative expenses.

4 Fees to auditor appointed at the general meeting

Pursuant to section 96(3) of the Danish Financial Statement Act, fee information is omitted

5 Tax on profit for the year

DKK'000	2022	2021
Computed tax on the taxable income	2,223	2,467
Adjustment prior years	-1.623	0
Deferred tax adjustment	-18,079	-3,729
	-17,479	-1,097

6 Proposed distribution of profit/loss

DKK'000	2022	2021
Dividend for the financial year	0	0
Retained earnings	19,620	3,889
	19,620	3,889

Financial statements 1 January – 31 December

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7 Prepayments

DKK'000	2022	2021
Insurance premiums, road tax and roadside assistance	175	175
Other	1,398	1,200
	1,573	1,375

8 Cash at bank and in hand

The Company's cash at bank and in hand is held with group enterprises.

Financial statements 1 January – 31 December

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9 Share capital

The share capital consists of nominal 10,000 shares of DKK 1,000 each. All shares rank equally.

Changes in the share capital are specified as follows:

	2022	2021	2020	2019	2018
Balance at 1 January	10,000	10,000	10,000	10,000	10,000
Capital reduction to cover loss	0	0	0	0	0
Cash capital increase	0	0	0	0	0
	10,000	10,000	10,000	10,000	10,000

10 Deferred tax

DKK'000	2022	2021
Deferred tax at 1 January	17,944	14,215
Deferred tax adjustments for the year	18,079	3,729
	36,023	17,944

11 Liabilities other than provision

DKK'000	2022	2021
Debt to group enterprises		
Within 1 year	325,035	299,878
Between 1 and 5 years	561,074	611,631
After 5 years	0	4,024
	886,109	915,533
Other payables		
Within 1 year	133,867	121,120
	133,867	121,120
Total liabilities other than provisions	1,019,976	1,036,653

Financial statements 1 January – 31 December

Notes

12 Contractual obligations and contingencies, etc.

The Company is subject to the Danish rules on mandatory joint taxation of the BNP Paribas Group's Danish companies and branches. The companies and branches included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase.

Contingencies

At 31 December 2022, the Company has provided bank guarantees in the amount of DKK 8,498 thousand.

Contractual obligations

At 31 December 2022, the Company has assumed rental and lease obligations totalling DKK 788.702 thousand in the non-cancellable period. The contracts have a non-cancellable period of up to 7 months.

Financial statements 1 January – 31 December

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13 Related party disclosure

Arval A/S' related parties comprise the following:

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Arval Service Lease SA
1, boulevard Haussmann
FR-75009 Paris
France

The Company's ultimate parent company is BNP Paribas SA with head office in Paris, France. The Company is included in the consolidated financial statements of BNP Paribas SA, which are available on http://www.bnpparibas.com.

Transactions with related parties

DKK'000	2022	2021
Bonus income in relation to international procurement agreements	435	680
Commission income from distribution of insurance agreements	1,416	1,230
Sale of ICT-services	951	1,187
Total income	2,803	3,098
Group Contributions	5,976	5,370
Purchase of ICT-services	4,471	4,238
Interest expenses	5,952	3,700
Bonus in relation to international customer agreements	601	1,439
Other	1,281	1,521
Total cost	18,281	16,269

Jf. § 98 c.7 Transactions with related parties has been made on market terms.

Interest paid on debt to group enterprises is recognised as expenses relating to lease assets.

14 Mortgages and collateral

The Company's assets are not mortgaged or used for collateral.

Financial statements 1 January – 31 December

Accounting policies

The annual report of Arval A/S for 2022 has been prepared in accordance with the provisions applying to reporting class C (large) enterprises under the Danish Financial Statements Act.

The format of the income statement and balance sheet has been adapted to the conditions of the Company.

Change in accounting policies

The accounting policies applied remain unchanged from previous years.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

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 at the date of payment are recognised in the income statement as financial income or financial expenses.

Financial statements 1 January – 31 December

Accounting policies

Receivables and 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 at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Income relating to lease assets

Income relating to lease assets comprises lease payments from operating leases, management and administration fees and payments for service elements subject to risks.

Income relating to lease assets is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties as well as all discounts granted.

Expenses relating to lease assets

Expenses relating to lease assets comprise interest expenses in relation to funding of the lease assets, depreciation of lease assets, costs related to service elements subject to risks and loss on exposures.

Selling costs and administrative expenses

Selling costs and administrative expenses comprise costs incurred during the year for sales campaigns, management and administration of the Company, including staff costs, management, advertising, administration, office premises and depreciation, etc.

Financial income and expenses

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

Tax on profit/loss for the year

The Company is subject to the Danish rules on mandatory joint taxation of the BNP Paribas Group's Danish companies and branches. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

BNP Paribas Factor A/S is the administrative company under the joint taxation and accordingly pays all corporation taxes to the tax authorities.

Financial statements 1 January – 31 December

Accounting policies

On payment of joint taxation contributions, the current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. Companies with tax losses receive joint taxation contributions from other companies that have used the tax losses to reduce their own taxable profit. Tax for the year comprises joint taxation contributions and changes in deferred tax for the year, including changes as a result of a change in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity.

Balance sheet

Non-current assets

Lease assets

Lease assets are measured at cost less accumulated depreciation and impairment losses.

The basis of depreciation is cost less expected residual value after end use.

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

Depreciation is made on a straight-line basis over the term of the lease.

Depreciation is recognised in the income statement as expenses relating to lease assets.

Gains and losses on the disposal of lease assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as expenses relating to lease assets.

Leasehold improvements and tools and equipment

Leasehold improvements and tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The basis of depreciation is cost less expected residual value after end use.

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

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

Depreciation is made on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Leasehold improvements	10 years
Tools and equipment	2-5 years

Financial statements 1 January – 31 December

Accounting policies

Depreciation is recognised in the income statement as selling costs and administrative expenses.

Gains and losses on the disposal of leasehold improvements and tools and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as selling costs and administrative expenses.

Impairment of non-current assets

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

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 expected net cash flows from the use of the asset or the group of assets.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired.

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.

Equity – dividends

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

Corporation tax and deferred tax

Joint taxation contributions payable and receivable are 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 under payables to/receivables from affiliates.

In accordance with the joint taxation rules, in its capacity as the administrative company, BNP Paribas Factor A/S is liable for the Company's corporation taxes towards the tax authorities concurrently with the payment of joint taxation contribution.

Financial statements 1 January – 31 December

Accounting policies

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

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. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Liabilities other than provisions

Financial liabilities comprising payables to credit institutions, trade payables and payables to affiliates are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of BNP Paribas SA, the Company has not prepared a cash flow statement.

Financial ratios

The financial ratios stated in Managements's review have been calculated as follows:

Gross margin $$\frac{Profit\ from\ leasing\ activities\ x\ 100}{Income\ relating\ to\ lease\ assets}$$

Solvency ratio $$\frac{Equity\ at\ year\ end\ x\ 100}{Total\ equity\ and\ liabilities\ at\ year\ end}$$