

# G.S.V. Materieludlejning A/S

Baldersbuen 5  
Baldersbrønde  
2640 Hedehusene

CVR-no. 51 45 75 28

**Annual Report 2019**

*The annual report was presented and approved at  
the Company's annual general meeting on 19 March 2020*



*Chairman of the annual general meeting  
Peter Ryttergaard*

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## Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of G.S.V. Materieludlejning A/S for the financial year 1 January - 31 December 2019.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements according to the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year, cash flows and of the Company's financial position and a description of the most significant risks and uncertainties that G.S.V. Materieludlejning A/S faces.

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

Hedehusene, 21 February 2020

### Executive Board:



Dan Vorsholt



Jesper Bramming



Frank Olesen

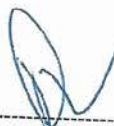
### Board of Directors:



Carsten Nygaard Knudsen  
Chairman of the Board



Peter Ryttergaard  
Deputy chairman



Dan Vorsholt



Vilhelm Eigil Hahn-Petersen



## Independent auditor's report

To the shareholder of G.S.V. Materieludlejning A/S

### Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

### *Audited financial statements*

G.S.V. Materieludlejning A/S' financial statements for the financial year 1 January – 31 December 2019 comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including summary of significant accounting policies (the financial statements). The financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

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

### Management's responsibility for the financial statements

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



## Independent auditor's report

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 unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users 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 judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting 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.

Copenhagen, 21 February 2020

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR-no 25 57 81 98

Henrik O. Larsen  
State Authorised Public Accountant  
mne 15839

Klaus Rytz  
State Authorised Public Accountant  
mne 33205

**G.S.V. Materieludlejning A/S**

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**Company Details**

G.S.V. Materieludlejning A/S

Baldersbuen 5

Baldersbrønde

2640 Hedehusene

Telephone: +45 70 12 13 15

Website: [www.gsv.dk](http://www.gsv.dk)E-mail: [info@gsv.dk](mailto:info@gsv.dk)

CVR-no.: 51 45 75 28

Established: 30 December 1964

Municipality of residence: Høje Taastrup

Financial year: 1 January – 31 December

**Board of Directors**

Carsten Nygaard Knudsen, Chairman of the board

Peter Ryttergaard, Deputy Chairman

Vilhelm Eigil Hahn-Petersen

Dan Vorsholt

**Executive Board**

Dan Vorsholt

Frank Olesen

Jesper Bramming

**Auditor**

KPMG

Statsautoriseret Revisionspartnerselskab

Dampfærgevej 28

2100 København Ø

## Letter from the CEO

Our People First approach is well reflected in our recognition of our responsibilities in society. We have a constant focus on contributing to construction companies that are safe for personnel, reasonable for neighbours and sustainable for the climate and environment. We also contribute to a well-educated work force by training our employees in the highest safety and quality standards and by establishing an increasing number of apprenticeships.

When we look at GSV today, we see a strong, market leading and customer focused company that has evolved in recent years, especially due to this focus on the employee aspects of our business.

### Creating a market leading and focused company

For years, it has been our vision to set new and higher standards for our industry – to be the preferred partner to our customers by meeting the exact needs of each and everyone whether it is a small craft business or the biggest construction companies on the market.

Within the last years, GSV has grown significantly. It has been a strategic priority to develop the business through acquisitions, most recently by the acquisition in 2018 of Ramirent Denmark, to serve our customers better. The authorities approved the merger in March 2019. The merger of GSV and Ramirent Denmark has been completed and Ramirent Denmark is now fully integrated into GSV. We also in 2019, decided to divest our Scaffolding and Pavilion business units in order to sharpen focus on our core rental business. Both the Scaffolding and Pavilion business units are good profitable units, which can develop their full potential with their new owners. We wish our former employees and the new owners all the best with their ventures.

GSV are now even more focused, and the largest player in the rental equipment industry for the engineering, building and construction industries in Denmark and offer an exciting line of services.

The main benefits for our customers are:

- **Broad and deep product offering** – We are the preferred one-stop shop for more than 7,000 large, mid-sized and small customers by having the industry's highest quality and widest variety of products. Our customers know that no matter what type of equipment they need, they can get it from us.
- **Competent workforce** – We provide customized and specialized service with a high level of professionalism.
- **A local partner** – Our country-wide network of service centres ensure local engagement and customer proximity offering dedicated service, fast delivery and local on-shelf availability of most equipment.
- **Site management solution** – We offer construction site management for our customers, which includes service management and consulting, waste management and sorting, logistics and design of construction site, help securing a safe environmental friendly and efficient work environment.
- **Digital solutions** – Our new app platform for renting and returning equipment was successfully launched during 2019. We have already seen a solid customer uptake and expect this to increase when as we continue to grow our digital footprint in 2020. The GSV App gives the users a convenient platform to rent equipment, secure an overview of rented equipment and expediently return the equipment at the end of usage.

### Mixed market conditions in 2019

In 2019, the market for building constructions was growing while being more challenging for major civil construction projects. The growth in the building industry was mainly observed in larger cities, where GSV has a strong presence.

Among the major projects benefitting from GSV services in 2019 were Metro Copenhagen, Storstrøm Bridge, data centres, railway projects in Denmark, Norway and Sweden as well as preparation activities to the Fehmarn project for which GSV offer to deliver all solutions and services to the winning construction companies.

Financial performance did not meet the expectations.

Revenue 2019 was DKK 998m compared to DKK 834m in 2018.

Despite the growth of 20%, this was lower than planned. The combined business of GSV and Ramirent Denmark should have produced a higher revenue line. Consequently, we saw a decline in EBITDA margins from 36% to 29% – among other factors caused by acquisition of Ramirent.

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The subsequent lower EBIT Margin exclusive of Special Items of 9% led to a Return on Invested Capital (before special items, tax and goodwill) of 8.0%.

At the end of 2019, we completed the sale of Scaffolding and Pavilion Activities. Together with a strong free cash flow, this allowed us to repay all bank debt at year end and build a health cash balance of DKK 110m. Our funding at year-end 2019 is composed only of asset based leases at a suitable level.

To address the unsatisfactory result we decided at the end of 2019 to adjust the organization putting a strong focus on local representation and service.

### **Continued strong Leadership**

With the fast pace of the rental equipment industry, we have maintained a high level of employee development during 2019, we have strengthened the leadership throughout the company by empowering local departments. We have also hired strong management profiles such as our new CFO. Our emphasis on employee development and leadership has been crucial in ensuring faster decision making in operations, providing high quality customer service and obtaining high employee satisfaction.

### **GSV – A great place to be involved**

We will continue to develop GSV as a great partner to our employees, customers, partners, investors and society. 'People first' is at the core of our business and with our new operational model, we provide better development opportunities for our employees as well as better products and services for our customers. In 2020 we will also continue to invest in sustainable products with less climate impact and have committed the majority of our capex investments for battery or electrically driven equipment in order to support ours and our customers' contribution to the UN Sustainable Development Goals and climate goals set by the local and national authorities.

Thus, I look back on 2019 with great pride and welcome 2020 with enthusiasm and confidence – there are many exciting opportunities for GSV, and we have the right strategy to further advance our market leading position.

CEO, Dan O. Vorsholt



## Financial Highlights

### Key figures

DKK mill	2019	2018	2017	2016	2015*
<b>Income statement</b>					
Revenue	998	834	844	863	644
Gross profit	553	491	487	473	282
<b>EBITDA before special items</b>	<b>293</b>	<b>304</b>	<b>300</b>	<b>297</b>	<b>190</b>
Depreciation, amortisation and impairment losses	-195	-187	-183	-199	-120
Special items	119	-7	-20	-9	-16
<b>EBIT</b>	<b>216</b>	<b>109</b>	<b>97</b>	<b>90</b>	<b>54</b>
Finance income and finance costs	-26	-21	-23	-23	-14
<b>Profit/loss for the year</b>	<b>155</b>	<b>71</b>	<b>49</b>	<b>55</b>	<b>30</b>
<b>Balance sheet</b>					
Total assets	1,532	1,313	1,312	1,395	791
Investments in property, plant and equipment	232	216	192	246	176
Equity	487	332	261	282	183
<b>Cash flow statement</b>					
Cash flow from operating activities	247	224	244	226	
Cash flow from investing activities	343	-45	25	-314	
Cash flow from financing activities	-483	-181	-332	138	
Cash flows for the year	107	-2	-64	49	
<b>Financial Ratios</b>					
Gross margin	55%	59%	58%	55%	44%
EBITDA margin	29%	36%	36%	34%	30%
Operating margin before special items	10%	14%	14%	11%	11%
Operating margin	22%	13%	11%	10%	8%
Return on invested capital excl. goodwill	19%	13%	11%	9%	5%
Current ratio	83%	43%	47%	83%	75%
Return on equity	32%	21%	19%	20%	16%

\*) The company merged with Pitzner Materiel A/S retroactively from 1 Januar 2015.

Financial highlight for 2016-2019 are prepared in accordance with IFRS. The comparative figures for 2015 have not been restated to reflect the change in accounting policies, but have been prepared in accordance with the previous accounting policies based on the provisions of the Danish Financial Statements Act.

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts guidelines on the calculation of financial ratios "Recommendations and Ratios". For definitions of financial ratios please see note 1, Accounting policies.

## Financial Review

### Comments on the 2019 Financial Performance

G.S.V. Materieludlejning (GSV) is the market leader within equipment rental for building and construction and offers a one-stop-shop rental concept with a wide range of rental and service solutions for construction, developers, industrial companies and the public sector.

The rental fleet includes lifts, platforms, sheds/modules in addition to the market's broadest portfolio of construction equipment.

GSV services more than 7,000 customers from 21 departments throughout Denmark with the largest product range in the equipment rental industry.

The average number of employees increased during the year from 382 in 2018 to 467 in 2019 mainly as a result of the Ramirent acquisition.

### *Income statement*

The year's total revenue amounts to DKK 998m compared to revenue of DKK 834m in 2018. The increase in revenue is due to the acquisition of Ramirent in March 2019.

Profit for the year before depreciation, amortisation and interest (EBITDA) amounted to DKK 293m compared to DKK 304m in 2018.

The EBIT for the year is impacted by non-recurring 1income associated with acquisitions and other non-recurring costs totalling an income of DKK 119m (2018: DKK - 7m).

In 2019, GSV had a cash conversion of 97% compared to 80% in 2018.

### *Balance and equity*

GSV's total balance was increased by DKK 219m during the year and totalled at year-end DKK 1,532m.

The Company repaid all acquisition financing totalling DKK 221m during the year.

GSV supports our customers with a modern and updated fleet of rental equipment to continue to be their preferred rental partner. In 2019, GSV made investments of DKK 169m in rental equipment.

Equity at year-end amounted to DKK 487m compared to DKK 332m at year-end 2018.

### *Outlook 2020*

We expect to increase revenue in 2020 through organic growth compared to the equivalent 2019 business.

The 2020 EBITDA margin is expected to increase. Synergies from the acquisition of Ramirent are expected to increase as we move into a full year of ownership.

The focus on continued operational improvement in 2020 will continue.

## Our strategy

In 2019 we continued to develop the company towards our goal of becoming a world class rental equipment business. Following the completion of the integration of Ramirent, we have commenced a new strategic plan based on four areas of development.

### New solutions

We want to deliver top service by developing and offering new solutions that meet or exceed customer expectations. For example, we will offer to take over responsibility for construction site management to free up our customers' resources to focus on their core business. We will also support our customers to deliver ambitious CO2 reductions by providing electric or battery driven solutions across our equipment portfolio. Finally, we will continue to enhance digital platforms to provide efficient user experiences and support customer business processes by providing comprehensive and timely information on equipment and customers' transactions.

### Local business

We want our customers to experience the unique, combined support from the national GSV organization and the local centers – because ultimately, the rental business is a local business. Our local centers are equipped to support and cater for both the local, small and mid-sized customers and larger, national entrepreneurs. We offer management support and custom made services adapted to local needs as we believe that first hand, local knowledge is vital in servicing our many customers irrespective of size.

### Market share

We want to increase our market share by taking over responsibility for a larger share of the customers' equipment, through offering of digital solutions, and by offering sustainable alternatives. We believe in scale and we are certain that many smaller equipment portfolios could be managed more efficiently if acquired by GSV and rented back to the customer. The result will be lower costs and better quality to our customers. In addition, through digital offerings and focus on sustainability, we are convinced, that we are on the forefront of market developments, supporting our continued growth.

### Getting it right the first time

Getting it right the first time is always best. We want to improve the quality of our administrative services by investing in technology and process improvements. We want our customers to receive the right equipment – the right service – the right invoice on time – the first time. We will use our scale to develop world class processes servicing our customers and deliver efficiencies.

## Our Markets

**The vast majority of GSV's activities are performed in Denmark for Danish and international companies, organizations and public customers.**

The Danish market for rental equipment to the engineering, building and construction industries amounts to approximately DKK 4.4 billion and is, according to the European Rental Association, expected to grow by 2-4% over the coming years. Following a long period of high growth in most of the market, the next years are expected to provide a more varied picture with stable to slowly growing activity in the civil engineering, renovation and industrial areas when excluding effects of the Fehmarn Belt connection, expected to initiate in 2021. New buildings in the housing market are expected to decline slightly, according to the Danish Construction Association.

### Market opportunities

In general, the development in the equipment rental industry follows the activity level in the engineering, building and construction industries. However, despite a slightly less favourable outlook for the whole market, several trends support continued growth in the equipment rental industry, e.g. sustainability and digitalization.

### Sustainability

There is an increasing recognition among contractors and constructors to the possibility of reducing the industry's environmental footprint by renting equipment rather than owning. Some of the key sustainability benefits include higher utilization of equipment, efficiency gains, and continued renewal of the fleet facilitating quick uptake of new, more environmentally friendly technologies such as electric or battery-driven solutions. Finally, regular maintenance as conducted by professional rental companies prolongs the expected lifetime of equipment to the benefit of both environment and business.

It is estimated that companies in the Construction Industry have a utilization rate of 15-25% for own equipment while GSV has a utilization of more than 60%. In a broader perspective, this high utilization rate – and our strong focus on high quality maintenance – is in line with the increasing global focus on creating a circular economy. This means increased reuse, recycle, repair and sharing of resources – right at the core of our business.

### Digitalization

The equipment rental industry is generally reluctant to change and use of new technology, and very few rental companies in the Danish market have digitalized their processes. We believe that businesses at the forefront of the digitalization agenda will gain competitive edge by being able to provide personalized, efficient and sophisticated services to their customers.

GSV is dedicated to providing the best service in the industry and are leading the digitalization agenda. In 2019, we launched the One-stop app, which provides the customer with a full overview and placement of rented equipment, order and return possibility, online catalogue and other customer service functions. The digital customer experience is a key driver in the optimization of both the customers' and GSV's business processes.

### Our customers

GSV is the market leading one-stop shop for more than 7,000 large, mid-sized and small customers in the public and private markets providing the company with a resilient position with many levers for growth and profitability under changing market conditions. Our customers know, that no matter what type of equipment they need, they can get it from us.

Sales to large, key customers, constituting 49% of our revenue, increased by 3% in 2019. A dedicated key account sales team services these country-wide customers individually, who often request a wide range of equipment. In 2019, we had specific focus on identification of upcoming large-scale projects and lead generation. In addition, we have increased our local presence on construction sites to enrol new customers once the construction project is up and running.

Small and mid-sized customers are more local in nature. They employ up to 50 employees. The mid-sized customers have requirements similarly to large customers, but in smaller scale. The smallest customers often request single equipment in short periods of time and will pick-up and return the equipment by themselves. These customer units require personalised, local service, flexibility and immediate availability of equipment. In 2019, following the acquisition of Ramirent, we have had specific focus on advancing our services and establishing a standard equipment range in local offices to service small and mid-sized customers.

## **Our Products**

We always strive to deliver the optimal solutions and best customer service. As a one-stop shop, we offer a broad and deep range of the newest equipment. During 2019, our portfolio has been adjusted due to the divestments of the scaffolding and pavilion products and more significantly following the acquisition of Ramirent Denmark's business.

With those transactions complete, GSV's product portfolio is more streamlined, focused and attractive to our core customers in the engineering, building and construction industries.

GSV's fleet now amounts to more than 26,000 pieces of equipment. This is by far the largest and most diversified fleet in Denmark and we can fulfil the needs of many specific industries. For example, we have a sizeable fleet fitted for working under the particular conditions of rail construction.

Our heavy equipment covers construction equipment weighing above 15 tons. Very often our service related to heavy equipment also includes highly skilled and experienced operators.

Light equipment includes non-handheld construction and building equipment up to 15 tons, and our small equipment is generally handheld equipment and tools.

With our modular space units we can fulfil significant and varied customer needs in temporary spacing on constructions sites. Platform equipment covers work platforms, cranes and loading units to serve requirements at construction sites.

## **Fleet investments**

Continuous investments ensure that our fleet is always renewed and living up to the latest quality, safety and environmental standards. The investments are made based on overall market outlook as well as individual customer needs. Careful return on invested capital and total cost of ownership considerations are made to optimize investments based on quality, service and handling costs, equipment lifetime and investment size. In 2019, GSV invested 232 mDKK in its fleet to maintain an attractive, reliable and updated fleet. Our fleet currently has an average age of 4 years.

GSV is consolidating the numbers of manufacturers within the fleet to a level where each main product line only includes 2-3 major brands. While the manufacturers need to be cost competitive, our focus when selecting brands for our fleet is based on (in priority):

- 1 market demand,
- 2 quality,
- 3 availability and
- 4 service options included.

In 2019, GSV achieved average rental period of 18 days compared to 28 days in 2018. The shorter average rental period in 2019 was mainly due to shorter construction project timelines in the market, more efficient rental processes and higher customer awareness around idle equipment.

## **Corporate Social Responsibility**

### **Our approach and policies**

GSV has a long-standing commitment to act responsibly. As a market leading partner for the engineering, construction and building industries, we have for decades been devoted to putting people first meaning that our focus is on creating value for our key stakeholders – our customers, employees, partners, shareholders and society. We put people before machines.

Our industry is heavily intertwined with society, be it e.g. large, transformational infrastructure projects, as job creator for thousands of smaller and medium sized business or via the impacts it has on the environment. We are committed to contributing to society, and strongly prioritize training and education of our employees and increase the number of apprentices in the organization.

The bulk of social and environmental impacts in our value chain happens outside the scope of our company, specifically in the manufacture of the equipment, usage phase and disposal. Therefore, we work actively to partner with our stakeholders to create sustainable solutions, as most recently witnessed by our hosting of the conference, "The future of construction" in Copenhagen, October 2019. In GSV we are committed to take our share of the responsibility. Our policies for social and environmental responsibility is integrated in our certified quality management system (QMS) and guided by the ten principles of the United Nations Global Compact. In addition, we have described how we expect our employees to conduct their business in a Code of Conduct. We have also implemented a code of conduct for our suppliers.

### **Materiality assessment and risk management**

The engineering, building and construction industries today account for up to 50% of global energy consumption, 50% of global water consumption, 60% of material consumption and 50% of waste for landfill. In Denmark alone, 40% of all waste comes from these industries, and they account for up to 40% of CO2 emissions.

GSV is primarily involved in the establishment and operation of engineering and construction sites and rental of equipment. We have no direct control of the equipment during use. We believe that the following social and environmental aspects are particularly important for us and our stakeholders:

- Health and safety of our employees
- Equipment quality and level of maintenance
- Energy consumption
- Use and handling of chemicals
- Waste handling
- Fraud and bribery

### **Organization**

The responsibility for GSV's CSR policies is vested in the Executive Board, while overall operational responsibility is placed with the Director for Health, Safety, Environment and Quality (HSEQ). Execution of activities with respect to environment, health and safety is placed with the Director for HSEQ. Execution of activities with respect to labour conditions, diversity, fraud, bribery and anti-competitive behaviour is placed with the Director for HR.

### **Anti-corruption**

We are against corruption in all its forms, including extortion and bribery. GSV has a zero tolerance towards fraud or bribery. Our obligation to fight corruption is governed by the code of conduct, and any violation should be reported to our CEO, Human Resources and quality manager. During 2019, we did not observe any incidents or violations of our anti-corruption policies, and we have conducted follow-up training of relevant employees.

GSV is primarily operating in Denmark and the majority of our suppliers are premium branded equipment manufacturers. The main risks related to our business is fraud and certain forms of bribery, namely related to invoicing and gift-giving. Our personnel are trained in handling invoices correctly and know what to look for to identify possible fraud. In 2019, we continued training of personnel and implemented an updated code of conduct for our suppliers, which they are obliged to sign as part of entering a business contract with GSV.

### **Labour**

We want to maintain a working environment that is free from harassment and discrimination and respects diversity. We do not employ people under 18 years of age to perform work that has health and safety risks. In order to ensure that our

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human rights policy is also followed by our suppliers, we openly communicate the Danish law and perform compliance inspection of their documentation. We recognise the right of employees to be members of a trade union and negotiate pay and working conditions.

Our commitment is furthermore expressed in our policy on gender equality, which is applicable to Board and management levels, according to § 139c in the Danish Companies Act. Please refer to section on gender diversity.

The main risks related to our activities include non-adherence to GSV's principle of preventing discriminatory practices and securing equal opportunities and potential legal, financial and personnel-related consequences hereof.

### *Gender diversity*

GSV has a zero tolerance to discrimination and provide equal opportunities for both male and female employees with respect to salary and promotion and ensuring a good working environment for all employees to best utilize their skills and gain management responsibilities. But we operate in an industry with few female workers, and we are experiencing difficulties in recruiting female employees at all levels of the organization.

During 2019, there were female managers in marketing, procurement, finance and HR functions as well as in one of our rental departments. In 2019, we have worked to expand the female candidate field for open management roles by requesting from our external recruitment partners that they always present their strongest female candidate for the interview rounds. We declined one female candidate and accepted one in 2019, as in the end, employees, managers and Board members are always selected and employed based on experience and competences.

Currently, the total number of Board members is six and there are no female representatives.

### **Human rights**

GSV recognizes internationally accepted human rights, including the right to a healthy and safe workplace. The main risks related to our activities include unintended incidents at our sites potentially leading to injuries.

Our QMS provides stringent procedures for handling of chemicals, personal protective equipment and work processes, as we don't accept work accidents. We work diligently with contingency planning and registration of deviations to stop accidents before they happen. An independent monitoring body audits the QMS through unannounced inspections throughout the year as well as an annual in-depth review.

In 2019, we have had specific focus on reporting of safety observations that can be defined as close calls with the potential for injury or property loss as well as unsafe working conditions. In order to raise awareness among employees of safety observations and their importance for avoiding accidents to happen a campaign was launched resulting in a significant increase in the number of reported safety observations.

We also strengthened the health and safety organization in 2019 by greatly increasing the local and functional representation, assigning accountability directly to line managers, and working in smaller groups with frequent meeting schedules and focus on specific issues.

We measure and monitor our health and safety work by the number of work-related accidents per million working hours (LTIF) and by the number of registered safety observations. In 2019, the development has not been satisfactorily despite an increase in the number of safety observations from 2 in 2018 to 113 in 2019 as the LTIF increased from 21.6 in 2018 to 32.0 in 2019. The higher LTIF can be partly explained by increasing awareness and improved reporting throughout the organization. This is also evident from the 338% increase in safety observation per accident. GSV regards the more conscious safety culture as a strong and necessary foundation for the future health and safety work.

### **Environment**

It is our ambition to continuously reduce the environmental impact of our business and we therefore constantly strive to reduce our resource consumption, such as energy and water, and increase our materials efficiency and limit waste amounts. Recognizing that a large part of our environmental footprint lies outside of our control, we encourage the development and diffusion of environmental and climate-friendly technologies, e.g. equipment based on electricity and batteries rather than fossil fuels, and we have included environmental considerations in our supplier code of conduct.

Our activities are subject to environmental laws and regulations governing, among other things, noise, wastewater, and waste disposal. The main environmental risks related to our activities include unintended fuel spill and leakage, as well as excessive energy consumption and incorrect waste handling. Risks are monitored locally to prevent, remedy or minimize any adverse effect on the environment. In 2019, there were no unintended environmental impacts.

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Our main water and chemicals consumption relate to the washing and cleaning of equipment upon return delivery. In 2019, we have conducted extensive training of our employees in wash facilities in a joint effort with our primary cleaning agent supplier. Best practice regarding dosing and application as well as water temperature and consumption have been implemented throughout the organization.

Due to our large in- and outdoor facilities and full day and night work activity, we continuously implement the newest and most effective lighting. In 2019, we have replaced fluorescent lighting with LED in most indoor fixtures, a work that continues in 2020 with the installation of passive infrared sensors in certain areas.



## **Risk Management**

### **Risk governance structure**

GSV is constantly seeking to manage the risks inherent in the business activities and reduce the potential financial impact of these to an acceptable level.

Central to our risk management strategy is a regular data collection from several internal systems, which provides a solid basis for management's decisions.

This process is supported by fast information flows, thorough root cause analyses and short response times accommodated by our flat organizational structure.

Our risk management approach therefore scales with our activities, enabling a timely response to issues that may have a material impact on the company's earnings, financial position and the achievement of other financial targets. The Board of Directors has the final responsibility for GSV's risk management and determines the overall framework for identifying and mitigating risks.

The Executive Board is responsible for the day-to-day compliance with the risk management framework as well as the continuous development of GSV's risk management activities.

### *Operating risks*

The majority of our customers operate in the engineering, building and construction industries, where the level of activity is dependent on economic macro trends, which may thus affect GSV's sales potential and thus earnings. Moreover, GSV depends on the procurement of necessary funding on market terms.

Our Executive Board and Board of Directors continuously address the development of the business in respect of customers and market to identify potential risks and to secure that GSV has adequate resources allocated to adapt to the macroeconomic trends.

### *Financial risks*

GSV's financing structure is common for private equity-owned groups. The Executive Board and the Board of Directors regularly evaluate whether the capital structure supports the achievements of overall strategic goals and long-term growth.

GSV is financed by its equity and long-term loan facilities. At 31 December 2019 the solvency ratio was 32%.

We have not taken advantage of financial transactions or used financial instruments that do not support the underlying business.

At the balance sheet date, the net interest-bearing debt was DKK 611m, which is considered an appropriate level.

## Annual report 1 January – 31 December

### Statement of comprehensive income

DKK'000	Note	2019	2018
<b>Revenue</b>	3	<b>997,799</b>	<b>834,021</b>
Direct costs	4	-408,812	-328,082
Other operating income		24,314	28,611
Other external costs	5	-60,560	-43,980
<b>Gross profit/loss</b>		<b>552,741</b>	<b>490,570</b>
Staff costs	6	-260,163	-186,515
<b>Profit/loss before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>292,578</b>	<b>304,055</b>
Depreciation, amortisation and impairment losses	7	-195,155	-187,355
Special items	8	118,995	-7,332
<b>Operating profit (EBIT)</b>		<b>216,418</b>	<b>109,368</b>
Finance income		520	182
Finance costs	9	-26,290	-20,798
<b>Profit/loss before tax</b>		<b>190,648</b>	<b>88,752</b>
Tax on profit/loss for the year	10	-35,825	-17,795
<b>Profit/loss for the year/total comprehensive income</b>		<b>154,823</b>	<b>70,957</b>
<b>Profit/loss for the year/total comprehensive income is attributable to:</b>			
Shareholders in G.S.V. Materieludlejning A/S		154,823	70,957
<b>Profit/loss for the year/total comprehensive income</b>		<b>154,823</b>	<b>70,957</b>

## Annual report 1 January – 31 December

### Balance sheet

DKK'000	Note	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Property, plant and equipment	11	45,878	72,948
Deposits	12,17	1,158,123	1,064,793
Receivables from Parent Company	13	7,545	7,958
		22,261	13,172
<b>Total non-current assets</b>		<b><u>1,233,807</u></b>	<b><u>1,158,871</u></b>
<b>Current assets</b>			
Finished goods for resale and spare parts		15,105	14,569
Trade receivables	14	168,371	116,105
Other receivables		2	300
Prepaid costs	14	5,942	20,288
Cash and cash equivalents		109,252	2,527
<b>Total current assets</b>		<b><u>298,672</u></b>	<b><u>153,789</u></b>
<b>Total assets</b>		<b><u>1,532,479</u></b>	<b><u>1,312,660</u></b>

## Annual report 1 January – 31 December

### Balance sheet

DKK'000	Note	2019	2018
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	15	15,329	15,329
Share premium		46,800	46,800
Retained earnings		424,800	269,977
<b>Total equity</b>		<b>486,929</b>	<b>332,106</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax	16	138,216	103,175
Loans from credit institutions	24	0	171,100
Lease liabilities	24	546,580	344,630
<b>Total non-current liabilities</b>		<b>684,796</b>	<b>618,905</b>
<b>Current liabilities</b>			
Loans from credit institutions	24	0	50,369
Lease liabilities	24	173,997	126,789
Banks		0	39,023
Trade payables	24	100,394	107,916
Current tax payable		27,043	5,103
Other payables		59,320	32,449
<b>Total current liabilities</b>		<b>360,754</b>	<b>361,649</b>
<b>Total liabilities</b>		<b>1,045,550</b>	<b>980,554</b>
<b>Total equity and liabilities</b>		<b>1,532,479</b>	<b>1,312,660</b>



## Annual report 1 January – 31 December

### Statement of changes in equity

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**Equity at 1 January 2018**

**Total comprehensive income for 2018**

Profit/loss for the year/other comprehensive income

**Total comprehensive income for the year**

**Equity at 1 January 2019**

**Total comprehensive income for 2019**

Profit/loss for the year/other comprehensive income

**Total comprehensive income for the year**

**Equity at 31 December 2019**

Share ca- pital	Retained earnings	Share premium	Total equity
15,329	199,020	46,800	261,149
0	70,957	0	70,957
0	70,957	0	70,957
15,329	269,977	46,800	332,106
0	154,823	0	154,823
0	154,823	0	154,823
15,329	424,800	46,800	486,929

## Annual report 1 January – 31 December

### Cash flow statement

DKK'000	Note	2019	2018
Profit/loss for the year		154,823	70,957
Depreciation, amortisation and impairment losses		195,155	187,355
Other adjustments of non-cash operating items	20	-70,460	17,892
<b>Cash flow from operations before changes in working capital</b>		<b>279,518</b>	<b>276,204</b>
Changes in working capital	21	3,544	-14,374
<b>Cash flow from operations</b>		<b>283,062</b>	<b>261,830</b>
Interest income received		138	182
Interest expense paid		-25,908	-20,798
Income taxes paid		-10,089	-17,409
<b>Cash flow from operating activities</b>		<b>247,203</b>	<b>223,805</b>
Purchase of intangible assets	11	-7,052	-2,282
Purchase of property, plant and equipment	12,22	-23,745	-101,447
Proceeds from sale of property, plant and equipment	12	614,578	59,042
Acquisition of subsidiaries and activities	19	-240,938	0
<b>Cash flow from investing activities</b>		<b>342,843</b>	<b>-44,687</b>
Payment of debt to credit institutions		-260,492	-26,431
Proceeds from debt to credit institutions		0	5,536
Payment of lease liabilities		-213,740	-122,039
Payment of debt to Parent company		-9,089	-37,925
<b>Cash flow from financing activities</b>		<b>-483,321</b>	<b>-180,859</b>
<b>Cash flow for the year</b>		<b>106,725</b>	<b>-1,741</b>
Cash and cash equivalents at beginning of year		2,527	4,268
<b>Cash and cash equivalents at year end</b>		<b>109,252</b>	<b>2,527</b>
<b>Unutilised credit facilities at year end</b>		<b>155,762</b>	<b>23,625</b>

## Annual report 1 January – 31 December

### Notes

#### 1 Applied accounting policies

##### *General*

G.S.V. Materieludlejning A/S is a public limited company incorporated in Denmark.

The financial statements for the period 1 January to 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements in the Danish Financial Statements Act for reporting class C (large) entities.

The financial statements are presented in Danish kroner (DKK).

The financial statements are prepared on a going concern basis and in accordance with the historical cost convention, except where IFRS explicitly requires use of other values. Otherwise, the accounting policies are as described below.

GSV. has implemented all relevant new or revised International financial Reporting Standards and IFRIC Interpretations with effective date 1 January 2019 or earlier. The accounting policies applied are unchanged from those applied in the Annual Report 2018.

Effective from 1 January 2019 GSV has reassessed the useful lives on rental equipment and in the process changed the range for useful lives from 5-15 years to 5–20 years. Generally this has increased the estimated useful lives for assets grouped as rental equipment. The reassessment have reduced depreciations in 2019 with app. DKK 60 million and the reduction in depreciations for 2020 is expected to be a little higher.

##### *Business combinations*

When acquiring new entities, the acquisition method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs that are already recognised by the acquiree at the acquisition date and that are not a part of the acquisition are included in the acquisition balance sheet and thus the determination of goodwill. Restructuring that is recognised by the acquirer at or after the date of acquisition is recognised in the income statement. The tax effect of revaluations is recognised as deferred tax.

Positive differences (goodwill) between the purchase consideration and the fair value of identifiable assets and liabilities acquired, including contingent liabilities, are recognised as intangible assets. Goodwill is not amortised but tested for impairment at least once a year. The initial impairment test is conducted before the end of the year of acquisition. Negative goodwill is recognised as income in the income statement at the acquisition date.

Goodwill and negative goodwill from acquired entities may be adjusted until 12 months after the acquisition date. Newly acquired or newly established entities are recognised in the financial statements from the date of acquisition. Sold or discontinued entities are recognised until the date of disposal. Comparative figures are not adjusted to reflect newly acquired entities.

For business combinations such as purchases and sales of equity, mergers, divisions, asset transfers and share exchanges, etc. between companies under the control of G.S.V. Materieludlejning A/S, the aggregation method is used. The aggregation is considered as completed at the date of acquisition retroactively until the beginning of the financial year without adjusting comparative figures. Differences between the agreed consideration and the acquired Company's carrying amount are recognised in equity.

##### *Materiality in presentation*

In connection with the preparation of the annual report Management provides the disclosures required by IFRS unless the information is considered irrelevant or immaterial to the users of the annual report.



## Annual report 1 January – 31 December

### Notes

#### 1 Applied accounting policies (continued)

##### *Foreign currency translation*

GSV uses DKK as functional currency.

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as finance income or finance costs.

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 the date at which the receivable or payable arose or was recognized in the latest financial statements is recognised in the income statement as finance income or finance costs.

#### STATEMENT OF COMPREHENSIVE INCOME

##### **Revenue**

Revenue consist of rental income from construction equipment, related services and goods. Rental income from short-term rental agreements and operating leases is recognised straight-line in the income statement according to the agreed term of the contract, during which the customer has the right to use the underlying asset. Revenue from the sale of goods and services is recognised when control over a good or service has been transferred to the customer. Revenue is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties, i.e. excluding VAT and other taxes charged. All discounts granted are deducted from revenue.

##### **Direct costs**

Direct costs include costs which are directly related to the activity such as purchase of equipment, rental expenses, fleet preparation costs and transportation costs.

##### **Other operating income**

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

##### **Other external costs**

Other external costs include costs relating to operating and maintaining equipment and property as well as sales and administrative expenses.

##### **Staff costs**

Staff costs comprise wages and salaries, including holiday allowance and pensions as well as other social security costs, etc. for the Company's employees. Refunds from public authorities have been deducted from staff costs.

##### **Depreciation, amortisation and impairment losses**

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets, rental equipment, other fixtures and fittings, tools and equipment and leasehold improvements.

##### **Special items**

Special items are used in connection with the presentation of profit or loss for the year to distinguish consolidated operating profit from exceptional items, which by their nature are not related to GSV's ordinary operations or investments in future activities.

Special items comprise:

- Restructuring costs, impairment costs, etc. relating to fundamental structural, procedural and managerial reorganizations as well as any related gains or losses on disposals
- Transaction and restructuring costs relating to acquisition and divestment of enterprises

## Annual report 1 January – 31 December

### Notes

#### 1 Applied accounting policies (continued)

##### Finance income and costs

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Finance income and costs comprise interest income and expense including the interest element of finance lease payments, payables and transactions in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

##### Tax on profit/loss for the year

Tax for the year, which comprises current tax for the year, adjustments to prior years and changes in deferred tax, including changes in tax rates. Tax is recognised in the income statement except for tax related to items recognised in other comprehensive income or directly to equity.

#### BALANCE SHEET

##### Intangible assets

###### Goodwill

Goodwill from business combinations is measured at cost less impairment losses. Goodwill is not amortised. Goodwill is tested for impairment at least once a year. The value is written down to the recoverable amount if the carrying amount exceeds the recoverable amount of the cash-generating unit alias total GSV Materieludlejning A/S.

###### Software

Acquired software is measured at cost less accumulated amortisation. Acquired software is amortised on a straight-line basis after entry into service over the estimated useful life, which is 3 to 7 years.

##### Property, plant and equipment

Rental equipment and fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Moreover, cost includes the initial estimate of the costs of dismantling and removing the asset as well as restoring the site at which the asset has been used.

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

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

Rental equipment	5-20 years
Leasehold improvements	5-15 years
Fixtures and fittings, tools and equipment	5-15 years

The depreciation period and residual value are determined at the date of acquisition and reassessed annually.

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

## Annual report 1 January – 31 December

### Notes

#### 1 Applied accounting policies (continued)

##### Leases

###### *As lessee*

GSV recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

GSV don't recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. GSV recognizes the lease payments associated with such leases as an expense on a straight-line basis over the lease term.

###### *As lessor*

GSV determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease GSV makes an overall assessment based on certain indicators of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

##### Deposits

Deposits are measured at fair value at initial recognition and subsequently measured at amortised cost.

##### Impairment of non-current assets

###### *Goodwill*

Goodwill is tested for impairment at least annually, initially before the end of the year of acquisition.

The carrying amount of goodwill is allocated to GSV's cash-generating unit at the acquisition date. Management assesses that the smallest cash-generating units to which the carrying amount of goodwill can be allocated is GSV. Goodwill is tested for impairment together with other non-current assets and written down to the recoverable amount in the income statement if the carrying amount is higher.

Generally, the recoverable amount is calculated as the present value of projected net cash flows (value in use) from the cash-generating unit to which goodwill is allocated.

###### *Other non-current assets*

The carrying amount of other non-current assets is assessed annually to determine whether there is any indication of impairment. When indication of impairment exists, the recoverable amount of the asset is calculated. The recoverable amount is the higher of an asset's fair value less costs of disposal or its value in use. The value in use is determined as the present value of the forecast net cash flows from the asset or the cash-generating unit to which the asset belongs.

## Annual report 1 January – 31 December

### Notes

#### 1 Applied accounting policies (continued)

##### *Recognition of impairment losses in the income statement*

An impairment loss is recognised when the carrying amount of the asset or the cash-generating unit is higher than the recoverable amount of the asset or the cash-generating unit. The impairment loss is recognised as depreciation/amortisation of property, plant and equipment and intangible assets in the income statement.

Impairment losses on goodwill are recognised directly in profit for the year and are not subsequently reversed.

Impairment losses on other assets are reversed in case of changes in the assumptions and estimates that brought about the impairment loss. Impairment losses are only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount that the asset would have had less depreciation/amortisation if the asset had not been subject to an impairment write-down.

##### **Inventories**

Inventories are measured at cost in accordance with the FIFO method. Where the net realizable value is lower than cost, inventories are written down to this lower value.

Goods for resale and spare parts are measured at cost, comprising purchase price plus delivery costs.

##### **Receivables**

Receivables are measured at amortised cost.

Write-down is made for bad debt losses based on the simplified expected credit loss model.

Financial assets are continually monitored in accordance with the company's risk policy. Impairment losses are recorded based on the projected loss percentage. The loss percentage is determined based on historical data for losses adjusted with the estimated effect of changes in the relevant loss-making parameters, such as economic growth, interest rates, unemployment, etc. in Denmark. The total losses are recognised in the income statement based on the expected loss throughout the duration of the receivable.

##### **Prepaid costs**

Prepaid costs are measured at cost.

##### **Equity**

###### *Dividends*

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

###### *Other reserves*

Other reserves consist of premium on capital increase.

##### **Income taxes and deferred tax**

G.S.V. Materieludlejning A/S is jointly taxed with G.S.V. Holding and CC Tool Invest ApS.

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively.

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

## Annual report 1 January – 31 December

### Notes

#### 1 Applied accounting policies (continued)

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the reporting date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

##### Provisions

Provisions are recognised when the Company, as a result of a past event has a present legal or constructive obligation, and it is probable that there will be an outflow of economic benefits to settle the liability.

Provisions are measured at Management's best estimate of the amount at which the liability is expected to be settled. On measurement of provisions, the costs necessary to settle the provision is discounted to net present value if it has a material effect on the measurement of the provision. A pre-tax discount rate is used which reflects the current market assessment of the time value of money and the risks specific to the liability. The un-winding of discount is recognised as finance costs.

##### Liabilities

At initial recognition, financial liabilities are measured at fair value less transaction costs. Subsequently, the financial liabilities are measured at amortised cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at amortised cost.

##### Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Lease payments, included in the measurement of the lease liability comprise:

- fixed payments
- variable lease payments that depend on an index or a rate and initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that G.S.V. Materieludlejning A/S is reasonably certain to exercise
- lease payments in an optional renewal period if G.S.V. Materieludlejning A/S is reasonably certain to exercise an extension option
- penalties for early termination of a lease unless G.S.V. Materieludlejning A/S is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortised cost using the effective interest method.

##### Prepayments from customers

Prepayments from customers recognised as liabilities comprise advance invoicing regarding income in subsequent years.

##### Fair value measurement

G.S.V. Materieludlejning A/S uses the fair value concept for certain disclosure requirements and the recognition of deposits.

### CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method based on profit/loss for the year. The statement of cash flow shows the cash flow from operating activities, investing activities and financing activities for the year, and the years changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Investing and financing transactions that do not require the use of cash or cash equivalents are excluded from the cash flow statement. Cash flows relating to assets held under leases are recognized as payment of interest and repayment of debt. Non-cash transactions are disclosed in the notes.

## Annual report 1 January – 31 December

### Notes

#### 1 Applied accounting policies (continued)

The impact on liquidity from acquisition and sale of entities is recognised as a separate line item under cash flows from investing activities. In the cash flow statement, cash flows from entities acquired are recognised in the cash flow statement from the date of acquisition, and entities divested up to the date of divestment.

Cash flow from operating activities are determined as profit for the year adjusted for non-cash operating items, changes in working capital and corporation tax.

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

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

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

#### *Financial ratios*

Financial ratios have been calculated in accordance with the guidelines from the Danish Society of Financial Analysts, and supplemented by certain key ratios for G.S.V. Materieludlejning A/S.

Financial ratios are described below and in the section "Non-IFRS financial measures".

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
EBITDA margin*	$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$
Operating margin before Special items*	$\frac{(\text{EBIT} - \text{Special items}) \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit} \times 100}{\text{Average invested capital}}$
Invested capital	Operational intangible assets and property, plant and equipment as well as net working capital
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Short-term debt}}$
Return on equity	$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity ex.non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$

\* **Non-IFRS financial measures.** G.S.V. Materieludlejning A/S presents financial measures in the Annual Report that are not defined in IFRS. The company believes these non-GAAP measures provide valuable information to management when evaluating performance. Since other companies may calculate these differently from G.S.V. Materieludlejning A/S, they may not be comparable to the measures used by other companies. These financial measures should therefore not be considered to be a replacement for measures defined under IFRS.

## Annual report 1 January – 31 December

### Notes

#### 2 Significant accounting estimates, assumptions and judgements

##### *Significant estimation uncertainties and assumptions*

The calculation of the carrying amount of certain assets and liabilities requires estimates and assumptions about the future.

The estimates and assumptions made are, among others, based on historical experience and other factors, which Management considers appropriate according to the circumstances, but which by nature are uncertain and unpredictable. Prerequisites may be incomplete or inaccurate, and unexpected events or circumstances may occur. Due to the risks and uncertainties to which the Company is subject, actual outcomes may deviate from the estimates made.

It may be necessary to change past estimates due to changes in the circumstances that were the basis of the previous estimates or due to new knowledge or subsequent events.

Estimates that are particularly significant for the financial reporting are made i.a. upon business combinations in connection with purchase price allocation, upon impairment test of goodwill and upon determination of lease terms for property leases.

In December 2018 GSV entered an agreement to buy Ramirent Denmark and in March 2019 the Danish Competition and Consumer Authority approved the transaction. The purchase is recognised and measured as a business combination.

Upon business combinations, the assets, liabilities and contingent liabilities of the acquiree must be identified and valued at fair value. Typically, there are no active markets for these assets and liabilities that can be used for fair value measurement, thus valuation models with input of variables are used. The fair value may therefore be subject to uncertainty and may be subject to subsequent adjustments.

The annual impairment test of goodwill is estimated by i.a. expected future cash flows, discount rate, etc. These estimates may be subject to uncertainty and may change the calculation if the parameters change. However, Management has estimated that there is no impairment of goodwill and no need for the preparation of sensitive analyses as Management has assessed that any reasonably possible change in the key assumptions will not lead to impairment. The matter is described in further detail in note 11.

The Company's property leases allow for extension at the discretion of the Company. The determination of the lease term is significant to the calculation of lease liabilities and right-of-use assets, and consequently, due to discounting, to depreciation and interest costs of the year. Management has assessed the probable lease term for individual leases in relation to the Company's strategic goals and current plans. If these goals and plans are changed, the lease liabilities and right-of-use assets are revised. The matter is described in further detail in note 17.

##### *Significant accounting judgements in applying the accounting policies*

In the process of applying the Company's accounting policies, Management makes judgements, apart from those involving estimations, which may have a significant effect on the amounts recognised in the financial statements.

Based on historical experience and expectations concerning the future use of property, plant and equipment, Management has reassessed the expected useful lives. The reassessment have reduced depreciations in 2019 with app. DKK 60 million and the reduction in depreciations for 2020 is expected to be a little higher.

Special items imply management judgement in the separation from other items in the income statement to ensure correct distinction from operating activity.

## Annual report 1 January – 31 December

### Notes

#### 3 Revenue

DKK'000	2019	2018
Machinery and equipment	711,199	589,317
Pavilion and modular space	286,600	244,704
	<b>997,799</b>	<b>834,021</b>
Portions related to lease income	<b>711,152</b>	<b>618,841</b>

#### 4 Direct costs

DKK'000	2019	2018
Rental cost	109,232	91,215
Fleet preparation cost	18,632	13,329
Transport cost	77,060	58,484
Cost of goods consumed	74,468	70,545
Write-down of inventories	3,342	-676
Other service cost	126,078	95,185
	<b>408,812</b>	<b>328,082</b>

#### 5 Fees to auditor appointed at the general meeting

The Company's fees to the auditors are a part of the consolidated note disclosure for the parent company G.S.V. Holding A/S.

#### 6 Staff costs

DKK'000	2019	2018
Payroll costs	216,852	155,466
Defined-contribution pension plans	19,227	15,273
Other social security costs	4,501	3,021
Other staff costs	19,583	12,755
	<b>260,163</b>	<b>186,515</b>
Average number of full-time employees	467	382



## Annual report 1 January – 31 December

### Notes

#### 6 Staff costs (continued)

Portion relating to remuneration of the Executive Board and the Board of Directors:

	Board of Di- rectors	Executive Board	Total
<b>2019</b>			
Salaries and fees	800	9,075	9,875
Pensions	0	501	501
	<b>800</b>	<b>9,576</b>	<b>10,376</b>
<b>2018</b>			
Salaries and fees	800	3,461	4,261
Pensions	0	163	163
	<b>800</b>	<b>3,624</b>	<b>4,424</b>

The above figure shows management remuneration in the companies merged.

The Board of Directors and the executive Board are employed in the parent company G.S.V. Holding.

The Executive Board and other executives have bonus schemes based on the Company's financial performance during the financial year and individual goals.

The executive Board increased from two to three members during 2018.

The contract with the former CFO will expire 30 April 2020. Salary during the notice period is included in Remuneration to executive Board in 2019.

#### 7 Depreciation, amortisation and impairment losses

DKK'000	2019	2018
<b>Intangible assets</b>		
Amortisation	2,107	1,780
<b>Tangible assets</b>		
Depreciations	193,048	185,575
	<b>195,155</b>	<b>187,355</b>

#### 8 Special items

DKK'000	2019	2018
Merger cost	0	-294
Badwill from acquisition less acquisition costs	33,917	-3,224
Restructuring costs	-6,037	-3,621
Prep of ownership change	0	-193
Profit/Loss from disposal of business unit	91,115	0
	<b>118,995</b>	<b>-7,332</b>

## Annual report 1 January – 31 December

### Notes

#### 9 Finance income and finance costs

##### Finance income

DKK'000

Finance income from parent company  
 Other finance income

	2019	2018
	382	0
	138	182
	<b>520</b>	<b>182</b>

##### Finance costs

DKK'000

Interest element, discounted lease obligations  
 Credit institutions  
 Finance costs to parent company

	2019	2018
	15,004	11,066
	11,286	9,613
		119
	<b>26,290</b>	<b>20,798</b>

**Total interest cost related to financial liabilities  
 measured at amortised cost**

	<b>26,290</b>	<b>20,798</b>
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#### 10 Tax on profit/loss for the year

DKK'000

**Tax for the year can be divided as follows:**

Tax on profit/loss for the year  
 Deferred tax adjustment for the year  
 Adjustment of tax relating to previous years  
 Adjustment of deferred tax relating to previous years

	2019	2018
	32,856	11,399
	2,377	8,233
	-1,303	-2,058
	1,895	221
	<b>35,825</b>	<b>17,795</b>

**Tax for the year can be accounted for as follows:**

Estimated 22% tax on profit before tax  
 Other costs not deductible and non-taxable income  
 Adjustment relating to previous years

	41,943	19,525
	-6,710	107
	592	-1,837
	<b>35,825</b>	<b>17,795</b>
	<b>19%</b>	<b>20%</b>

**Effective tax rate**

## Annual report 1 January – 31 December

### Notes

#### 11 Intangible assets

DKK'000	Software	Goodwill	Total
Cost at 1 January 2019	15,845	63,696	79,541
Additions	7,052	0	7,052
Disposals	0	-32,015	-32,015
Cost at 31 December 2019	22,897	31,681	54,578
Amortisation and impairment losses at 1 January 2019	-6,593	0	-6,593
Amortisation	-2,107	0	-2,107
Amortisation and impairment losses at 31 December 2019	-8,700	0	-8,700
<b>Carrying amount at 31 December 2019</b>	<b>14,197</b>	<b>31,681</b>	<b>45,878</b>

DKK'000	Software	Goodwill	Total
Cost at 1 January 2018	13,563	63,696	77,259
Additions	2,282	0	2,282
Cost at 31 December 2018	15,845	63,696	79,541
Amortisation and impairment losses at 1 January 2018	-4,813	0	-4,813
Amortisation	-1,780	0	-1,780
Amortisation and impairment losses at 31 December 2018	-6,593	0	-6,593
<b>Carrying amount at 31 December 2018</b>	<b>9,252</b>	<b>63,696</b>	<b>72,948</b>

## Annual report 1 January – 31 December

### Notes

#### 11 Intangible assets (continued)

##### Impairment tests

An impairment test has been prepared of total goodwill allocated to the cash-generating unit, G.S.V. Materieludlejning A/S. Goodwill is tested for impairment at least once a year and more frequent if there are indicators of impairment. The annual impairment test is made at 31 December.

The recoverable amount is calculated based on the cash-generating unit's value in use.

The main assumptions are discount factors and growth rates in the terminal period as well as expected changes in revenue, market shares, sales prices and operating costs in the budget, forecast and terminal periods.

The discount factor reflects market assessments of the time value of money calculated based on a risk-free interest rate and the specific risks associated with the cash-generating unit. Discount factors are calculated on an 'after tax' basis using Weighted Average Cost of Capital (WACC).

For the purpose of calculating the cash-generating unit's value in use, the cash flows from the Board-approved budget for 2020 are used. After 2020 a 4 year forecast period are used. For financial years after the budget and forecast period (terminal period), cash flows of the last forecast period of 5 years adjusted for a conservative estimate of market growth and expected additional market shares.

The growth rate used in the forecast period (2.5%) and the terminal period (0.0%) respectively is based on industry forecasts.

G.S.V. Materieludlejning A/S's budgets and forecasts, and thus the calculation of the recoverable amount (value in use), are significantly influenced by Management's expectations of G.S.V. Materieludlejning A/S's growth up until 2024. G.S.V. Materieludlejning A/S's expected market shares are thus calculated on the basis of the current market share at the end of 2019 adjusted for a conservative estimate of expected additional market shares.

Management considers the growth rates used, including increases in market shares and thus budgets and forecasts, to be realistic. Even a significant reduction in budgeted growth rates of up to 2.5% will not lead to impairment.

Estimated changes in selling prices and operating costs in the budget and terminal periods are based on historical experience and expectations of future market changes.

The impairment test does not lead to impairment.

The key assumptions used to calculate the recoverable amount are as follows:

<b>2019</b>	<b>23%</b>	<b>998</b>	<b>55%</b>	<b>6.50%</b>	<b>6.00%</b>
2018	22%	834	59%	6.50%	6.00%

## Annual report 1. January – 31 December

### Notes

#### 12 Property, plant and equipment

DKK'000	Rental equipment	Fixtures and fit- tings, tools and equip- ment	Lease-hold improve- ments	Total
Cost at 1 January 2019	1,875,241	221,354	31,697	2,128,292
Additions	168,663	55,590	8216	232,469
Additions from acquisition	557,759	49,257	4337	611,353
Disposals	-650,990	-64,211	-4,826	-720,027
Cost at 31 December 2019	1,950,673	261,990	39,424	2,252,087
Depreciation and impairment losses at 1 January 2019	-932,588	-113,256	-17,655	-1,063,499
Depreciation	-142,734	-48,073	-2,242	-193,049
Additions from acquisition	-254,129	-2,415	-3,736	-260,280
Depreciation on disposals	390,484	29,749	2631	422,864
Depreciation and impairment losses at 31 December 2019	-938,967	-133,995	-21,002	-1,093,964
<b>Carrying amount at 31 December 2019</b>	<b>1,011,706</b>	<b>127,995</b>	<b>18,422</b>	<b>1,158,123</b>
<b>Portion related to assets held under leases</b>	<b>441,481</b>	<b>123,818</b>	<b>0</b>	<b>565,299</b>

G.S.V. Materieludlejning A/S has signed contracts for delivery of rental equipment in 2020 for a total of DKK 40 million (2019: DKK 44 million).

Included in additions to leasehold improvement 2019 is refurbishments in progress with DKK 8 million (2018: DKK 0 million).

DKK'000	Rental equipment	Fixtures and fit- tings, tools and equip- ment	Lease-hold improve- ments	Total
Cost at 1 January 2018	1,831,170	196,339	34,707	2,062,216
Additions	177,821	37,716	458	215,995
Disposals	-133,750	-12,701	-3,468	-149,919
Cost at 31 December 2018	1,875,241	221,354	31,697	2,128,292
Depreciation and impairment losses at 1 January 2018	-886,653	-96,205	-14,529	-997,387
Depreciation	-154,194	-28,810	-2,570	-185,574
Depreciation on disposals	108,259	11,759	-556	119,462
Depreciation and impairment losses at 31 December 2018	-932,588	-113,256	-17,655	-1,063,499
<b>Carrying amount at 31 December 2018</b>	<b>942,653</b>	<b>108,098</b>	<b>14,042</b>	<b>1,064,793</b>
<b>Portion related to assets held under leases</b>	<b>444,214</b>	<b>101,332</b>	<b>0</b>	<b>545,546</b>

## Annual report 1 January – 31 December

### Notes

#### 13 Deposits

DKK'000	2019	2018
Cost at 1 January	7,958	6,724
Additions	0	1,610
Disposals	-413	-376
Cost at 31 December	7,545	7,958
<b>Carrying amount at 31 December</b>	<b>7,545</b>	<b>7,958</b>

#### 14 Trade receivables

Risks related to trade receivables arise upon sale. It is group policy to credit rate all customers prior to contracting and daily trading activities and to determine a credit maximum. Credit exposure on customers and counterparties are monitored on a monthly basis. If the credit rating of a given customer proves unsatisfactory, separate guarantees are required for the sale. If the credit maximum on a customer is reached, additional sales will be blocked.

G.S.V. Materieludlejning A/S does not have a past record of major bad debts seen in proportion to industry standards.

In 2019 actual loss on bad debt was DKK 4 million and bad debt provision was DKK 1 million (2018: was DKK 6 million and DKK -2 million).

Prepayments form part of the assessment of required write-down for bad debts. G.S.V. Materieludlejning A/S has entered into a 'Non-Recourse Factoring' agreement with BNP Paribas, where future benefits and risk of receivables from selected costumers are transferred from G.S.V. Materieludlejning A/S to BNP Paribas. At 31 December 2019 DKK 53 million was received in connection with this agreement (2018: DKK 43 million). Apart from the above, G.S.V. Materieludlejning A/S has not taken any additional measures to reduce credit risks.

Trade receivables not written down are solely attributable to debtors in Denmark.

Trade receivables at 31 December, of which none has been written down, can be specified as follows:

DKK'000	2019	2018
<b>Maturity</b>		
Current	76,682	54,066
Up to 30 days	67,983	52,686
Between 30 and 90 days	13,527	4,394
More than 90 days	10,179	4,959
<b>Total trade receivables</b>	<b>168,371</b>	<b>116,105</b>

## Annual report 1 January – 31 December Notes

### 14 Trade receivables (continued)

Expected loss on trade receivables can be specified as follows:

DKK'000	Loss pro- cent	Receiva- bles	Expected loss	Total
<b>Maturity 2019</b>				
Current	0%	76,736	-54	76,682
Up to 30 days	1%	68,348	-365	67,983
Between 30 and 90 days	10%	15,030	-1,503	13,527
More than 90 days	63%	27,478	-17,299	10,179
<b>Total trade receivables</b>	<b>10%</b>	<b>187,592</b>	<b>-19,221</b>	<b>168,371</b>

DKK'000	Loss pro- cent	Receiva- bles	Expected loss	Total
<b>Maturity 2018</b>				
Current	0%	54,199	-133	54,066
Up to 30 days	1%	53,066	-380	52,686
Between 30 and 90 days	19%	5,399	-1,005	4,394
More than 90 days	57%	11,441	-6,482	4,959
<b>Total trade receivables</b>	<b>6%</b>	<b>124,105</b>	<b>-8,000</b>	<b>116,105</b>

#### Prepaid costs

Prepaid costs are attributable to prepaid costs regarding rent, insurance premium, subscriptions and interest.

### 15 Equity

#### Share capital

	Numbers of shares of 500 DKK	Nominal value DKK'000
1 January 2018	30,658	15,329
<b>31 December 2018</b>	<b>30,658</b>	<b>15,329</b>
<b>31 December 2019</b>	<b>30,658</b>	<b>15,329</b>

All shares are fully paid.

## Annual report 1 January – 31 December

### Notes

#### 16 Deferred tax

DKK'000	2019	2018
Deferred tax at 1 January	103,175	94,722
Deferred tax for the year recognised in profit/loss for the year	35,041	8,453
<b>Deferred tax at 31 December</b>	<b>138,216</b>	<b>103,175</b>

Deferred tax is recognised in the balance sheet as follows:

Deferred tax (liability)	138,216	103,175
<b>Deferred tax at 31 December, net</b>	<b>138,216</b>	<b>103,175</b>

Deferred tax relates to:

Intangible assets	3,123	2,024
Property, plant and equipment	293,620	205,615
Leases	-158,527	-104,464
<b>Deferred tax at 31 December, net</b>	<b>138,216</b>	<b>103,175</b>

#### 17 Right-of-use asset and lease liabilities

##### G.S.V. Materieludlejning A/S as lessee

G.S.V. Materieludlejning A/S leases rental equipment, fixtures and fittings, tools and equipment, etc. The lease period is typically between 3 and 6 years. For trucks it is up to 7 years with the option of renewal after the end of the period and rentals up to 10 years. None of the lease agreements contain conditional leasing services.

The amounts capitalized in the balance comprise both purchased and leased assets.

DKK'000	Rental equipment	Fixtures and fittings, tools and equipment	Total
Carrying amount at 1 January 2019	444,214	101,332	545,546
Additions, net	-36,798	47,740	10,942
Amortisation	34,065	-25,253	8,811
<b>Carrying amount at 31 December 2019</b>	<b>441,481</b>	<b>123,818</b>	<b>565,299</b>

DKK'000	Rental equipment	Fixtures and fittings, tools and equipment	Total
Carrying amount at 1 January 2018	457,707	93,283	550,990
Additions, net	-54,862	18,277	-36,585
Amortisation	41,369	-10,228	31,141
<b>Carrying amount at 31 December 2018</b>	<b>444,214</b>	<b>101,332</b>	<b>545,546</b>

DKK'000	2019	2018
Income from subleasing right-of-use assets	244,218	197,701



## Annual report 1 January – 31 December

### Notes

#### 17 Right-of-use asset and lease liabilities (continued)

##### G.S.V. Materieludlejning A/S as lessor

G.S.V. Materieludlejning A/S leases equipment under operating leases.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

DKK'000	2019	2018
<1 year	0	23,490
1-2 years	0	11,851
2-3 years	0	876
3-4 years	0	836
4-5 years	0	0
<b>Total undiscounted lease payments</b>	<b>0</b>	<b>37,053</b>
Revenue from lease	<b>23,490</b>	<b>22,019</b>

#### 18 Mortgages and collateral

Security has been given with a net carrying amount of DKK 140 million (2018: DKK 140 million) for G.S.V. Materieludlejning A/S's bank facility at Jyske Bank.

## Annual report 1 January – 31 December

### Notes

#### 19 Business combinations

In December 2018 it was announced that GSV had agreed to buy the Danish activities of the international rental group Ramirent. On 20 March 2019 the Danish competition authorities approved the acquisition of Ramirent and the acquisition was closed. Immediately after closing the two companies were merged with GSV Materieludlejning A/S as the continuing company.

With this important acquisition, GSV continues the strategic path of consolidating the Danish market for rental of equipment. This acquisition provides GSV with larger, broader and better fleet to service all our customers and gives access to service more local markets from the complementary geographic coverage acquired.

#### Recognised assets acquired and liabilities assumed at the date of acquisition

DKK'000	2019	2018
Property, plant and equipment	351,073	0
Inventories	5,721	0
Trade receivables	30,744	0
Cash and cash equivalents	19,506	0
Deferred tax liabilities	-31,007	0
Credit institutions	-46,487	0
Other payables	-35,190	0
<b>Net assets, preliminary purchase price allocation</b>	<b>294,360</b>	<b>0</b>
Badwill	-67,151	0
<b>Consideration transferred</b>	<b>227,209</b>	<b>0</b>
Adjustments for cash and cash equivalents acquired	-19,506	0
Transaction costs related to acquisitions	33,235	0
<b>Cash consideration for acquisitions</b>	<b>240,938</b>	<b>0</b>

The badwill is mainly attributable to Property, plant and equipment. Badwill is recognised in the statement of comprehensive income as special items.

Consideration transferred amounted to DKK 227.2 million, of which DKK 227.2 million was paid in cash.

For the purpose of the acquisition, assets, liabilities and contingent liabilities were identified and recognised in the acquisition balance sheet at fair value.

G.S.V. Materieludlejning A/S incurred transaction costs arising from the acquisition and merger including legal costs at an amount of DKK 33.2 million. The amount is recognised in the statement of comprehensive as special items.

Upon the acquisition and with accounting effect from March 2019 the entities were merged with GSV Materieludlejning A/S as the continuing entity.

There were no acquisitions in the year ending 31 December 2018.

## Annual report 1 January – 31 December

### Notes

#### 20 Other adjustments

DKK'000	2019	2018
Other finance income	-520	-182
Finance costs	26,290	20,798
Incomes taxes	8,128	17,409
Gain on sale of PP&E	-24,314	-28,586
Provisions	37,348	8,453
Addition by merged companies	-110,135	0
Other	-7,257	0
	<b>-70,460</b>	<b>17,892</b>

#### 21 Changes to the working capital

DKK'000	2019	2018
Changes in inventory	-536	-21
Changes in accounts receivable	-37,209	11,248
Changes in trade payables and other payables	41,289	-25,601
	<b>3,544</b>	<b>-14,374</b>

#### 22 Non-cash transactions

DKK'000	2019	2018
Acquisition of property, plant and equipment (see note 12)	232,469	215,995
Portion relating to leased assets	-208,724	-114,548
<b>Paid regarding acquisition of property, plant and equipment</b>	<b>23,745</b>	<b>101,447</b>
Additions of financial liabilities	208,724	114,548
Portion relating to lease obligations	-208,724	-114,548
<b>Cash proceeds from the raising of financial liabilities</b>	<b>0</b>	<b>0</b>

## Annual report 1 January – 31 December

### Notes

#### 23 Liabilities from financing activities

DKK'000

Loan from credit institutions

Leasing liabilities

Loan from Parent company

**Non-current liabilities**

Loan from credit institutions

Leasing liabilities

Banks

**Current liabilities**

**Liabilities from financing activities for 2019**

	01/jan	Cash flow	31/dec
Loan from credit institutions	171,100	-171,100	0
Leasing liabilities	344,630	201,950	546,580
Loan from Parent company	0	0	0
<b>Non-current liabilities</b>	<b>515,730</b>	<b>30,850</b>	<b>546,580</b>
Loan from credit institutions	50,369	-50,369	0
Leasing liabilities	126,789	47,208	173,997
Banks	39,023	-39,023	0
<b>Current liabilities</b>	<b>216,181</b>	<b>-42,184</b>	<b>173,997</b>
<b>Liabilities from financing activities for 2019</b>	<b>731,911</b>	<b>-11,334</b>	<b>720,577</b>

DKK'000

Loan from credit institutions

Leasing liabilities

Loan from Parent company

**Non-current liabilities**

Loan from credit institutions

Leasing liabilities

Banks

**Current liabilities**

**Liabilities from financing activities for 2018**

	01/jan	Cash flow	31/dec
Loan from credit institutions	219,900	-48,800	171,100
Leasing liabilities	352,142	-7,512	344,630
Loan from Parent company	24,753	-24,753	0
<b>Non-current liabilities</b>	<b>596,795</b>	<b>-81,065</b>	<b>515,730</b>
Loan from credit institutions	28,000	22,369	50,369
Leasing liabilities	126,768	21	126,789
Banks	33,487	5,536	39,023
<b>Current liabilities</b>	<b>188,255</b>	<b>27,926</b>	<b>216,181</b>
<b>Liabilities from financing activities for 2018</b>	<b>785,050</b>	<b>-53,139</b>	<b>731,911</b>

## Annual report 1 January – 31 December

### Notes

#### 24 Financial risks and financial instruments

G.S.V. Materieludlejning A/S is, to a limited extent, exposed to financial risks, including market risks (interest rate risks), credit risks and liquidity risks. The disclosures in the note only address the most predominant risks. G.S.V. Materieludlejning A/S's credit risks are described in note 14.

The overall framework for the financial risk management has been set out in G.S.V. Materieludlejning A/S's finance policy. The finance policy is updated yearly and approved by the Board of Directors.

Centralised financial risk management is conducted by Management. On a monthly basis, Management monitors G.S.V. Materieludlejning A/S's risk concentration within different areas such as customers, etc. Additionally, Management monitors any changes in G.S.V. Materieludlejning A/S's risk concentration.

The finance policy governs G.S.V. Materieludlejning A/S's investment policy, financing policy and credit risk policy in relation to financial counterparties. In addition, it describes the approved risk framework.

It is G.S.V. Materieludlejning A/S's policy not to speculate in financial risks. G.S.V. Materieludlejning A/S's financial strategy only sets out to manage and reduce financial risks directly attributable to G.S.V. Materieludlejning A/S's operations, investments and financing.

G.S.V. Materieludlejning A/S's key interest rate risks relate to financial and operating leases where G.S.V. Materieludlejning A/S has mixed both variable and fixed interest rates in the leases.

In terms of interest rate sensitivity, an increase in interest rate level of 1% point p.a. relative to the interest rate level of the Company's floating-rate bank deposits and bank loans for a full year at the balance sheet date will have a negative impact on results for the year of DKK 4.7 million. A decrease in interest rate level of 1% point will have a corresponding positive impact on results for the year and equity.

G.S.V. Materieludlejning A/S does not make use of hedging and is not exposed to changes in exchange rates as G.S.V. Materieludlejning A/S does not engage in foreign currency transactions.

The financing structure is a standard set-up for a private equity-owned business. On a quarterly basis, G.S.V. Materieludlejning A/S tests financial covenants against target.

The Executive Board and Board of Directors regularly evaluate whether the capital structure supports G.S.V. Materieludlejning A/S's fulfilment of the overall targets and the realisation of long-term sustainable economic growth. G.S.V. Materieludlejning A/S is financed over equity with a solvency ratio above 30% at group level, drawing facilities, trade credit, etc. The duration and interest risks for G.S.V. Materieludlejning A/S are assessed to the extent necessary. At the balance sheet date, net interest-bearing debt was DKK 611 million (2018: DKK 729 million), which is deemed appropriate in relation to the balance sheet total (capital structure).

There are covenants attached to G.S.V. Materieludlejning A/S's interest-bearing debt. During the year, G.S.V. Materieludlejning A/S has renegotiated the agreement with adjusted covenants and amended repayment profile to better cater for the business needs of G.S.V. Materieludlejning A/S. Management expects compliance with the measurement points in the banking agreement.

G.S.V. Materieludlejning A/S's risk exposure and risk management for 2019 was unchanged compared to that for 2018.

## Annual report 1 January – 31 December

### Notes

#### 24 Financial risks and financial instruments (continued)

Loan from credit institutions and lease liabilities:

DKK'000	Average nominal interest rate	Average effective interest rate	Interest period	Carrying amount
Fixed interest-bearing debt to credit institutions	3%	3%	3 months	0
Variable interest-bearing lease liabilities (note 17)	1.75%	2.50%	1 month	720,577
<b>Loan from credit institutions and lease liabilities for 2019 in total</b>				<b>720,577</b>
Fixed interest-bearing debt to credit institutions	3%	3%	3 months	221,469
Variable interest-bearing lease liabilities (note 17)	1.75%	2.50%	1 month	471,419
<b>Loan from credit institutions and lease liabilities for 2018 in total</b>				<b>692,888</b>

#### 2019

DKK'000

#### Non-derivative financial instruments

	Contractual cash flows	Within 1 year	1 to 5 years	After 5 years
Credit institutions and banks	0	0	0	0
Lease liabilities	754,366	186,967	536,324	31,075
Trade payables	100,394	100,394	0	0
<b>31 December</b>	<b>854,760</b>	<b>287,361</b>	<b>536,324</b>	<b>31,075</b>

#### 2018

DKK'000

#### Non-derivative financial instruments

	Contractual cash flows	Within 1 year	1 to 5 years	After 5 years
Credit institutions and banks	270,975	91,138	179,837	0
Lease liabilities	494,878	135,672	331,924	27,282
Trade payables	107,916	107,916	0	0
<b>31 December</b>	<b>873,769</b>	<b>334,726</b>	<b>511,761</b>	<b>27,282</b>

Contractual cash flows are undiscounted contractual cash flow including interests.

#### Total lease expenses recognized in the income statement

	2019	2018
Interest expense on lease liabilities	15,004	11,066
Expenses relating to short-term leases and leases of low value	0	0
	<b>15,004</b>	<b>11,066</b>

## Annual report 1 January – 31 December

### Notes

#### 25 Financial instruments categories

##### Methods and assumptions for the determination of fair value

The methods and assumptions used for calculating fair value of financial instruments are described per class of financial instruments.

Other financial instruments (measured at amortised cost in the balance sheet).

Receivables, suppliers with a short credit and other liabilities are estimated to have a fair value equal to the carrying amount.

Deposits and debt to credit institutions with interest rate are estimated to have a fair value that is approximately equal to the carrying amount.

The fair value of leases is calculated based on expected cash flows for the individual contract discounted using interest rate curves. At the balance sheet date leases was DKK 754 million (2018: DKK 495 million).

DKK'000	2019	2018
<b>Loans and receivables</b>		
Trade receivables	168,371	116,105
Other receivables	2	300
Receivables from Parent Company	22,261	13,172
Prepaid costs	5,942	20,288
Cash and cash equivalents	109,252	2,527
<b>Total loans and receivables</b>	<b>305,828</b>	<b>152,392</b>
<b>Financial liabilities are measured at amortised cost</b>		
Loans to credit institutions	0	221,469
Banks	0	39,023
Trade payables	100,394	107,916
Other payables	59,320	32,449
<b>Total financial liabilities are measured at amortised cost</b>	<b>159,714</b>	<b>400,857</b>

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### Notes

#### 26 Related parties

G.S.V. Materieludlejning A/S' related parties include the following:

##### *Control*

G.S.V. Holding A/S, Baldersbuen 5, 2640 Hedehusene

G.S.V. Holding A/S controls the majority of the shares in the company. CC Tool Invest ApS, Baldersbuen 5, 2640 Hedehusene has through a shareholders agreement a controlling influence in G.S.V. Holding A/S.

The company is a part of the consolidated financial statements of G.S.V. Holding A/S, Hedehusene, and the financial statements for Catacap I K/S, København, which is the smallest relatively largest Group where the company is a subsidiary.

The consolidated financial statements of G.S.V. Holding A/S and financial statements of Catacap I K/S can be obtained through inquiry at the above addresses.

##### *Other related parties*

In addition, G.S.V. Materieludlejning A/S's related parties comprise G.S.V. Materieludlejning A/S's Board of Directors and Executive Board, executive employees and their family members. Further, related parties comprise companies in which above persons have substantial interests.

##### *Transaction with related parties*

Remuneration of the Executive and Board of Directors has been disclosed in note 4. The Executive and Board of Directors are made available free of charge from the Parent Company.

G.S.V. Materieludlejning A/S has an interest bearing intercompany account with the Parent Company. The balance and the interest are disclosed in the balance sheet and note 9 respectively.

In 2019, G.S.V. Materieludlejning A/S was charged a fee of DKK 4.3 million from related parties. The fee covers Commitment letter towards Jyske Bank A/S and was charged by parent companies with DKK 2.5 million, other companies with a substantial ownership share with DKK 1 million and DKK 0.7 million from members of the Executive Board in the parent company. Apart from this, G.S.V. Materieludlejning A/S has not been a party to any related party transactions. Related party transactions has been carried out on an arm's length basis

#### 27 Events after the balance sheet date

No events have occurred after the balance sheet date that materially affects the Company's financial position.

#### 28 New financial reporting regulation

At the time of the publication of this annual report a number of new or changed standards and interpretations have not yet become obligatory and have therefore not been included in this report. The new standards and interpretations will be implemented as they become obligatory. It is the management's assessment that the new standards and interpretations will not have material impact on the annual reports in the coming years.