
Toyota Material Handling Danmark A/S

Industrivej 3, DK-3550 Slangerup

Annual Report for 1 April 2017 - 31 March 2018

CVR No 62 65 70 14

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
25/5 2018

Thomas Vang Christensen
Chairman

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 April - 31 March	11
Balance Sheet 31 March	12
Statement of Changes in Equity	14
Notes to the Financial Statements	15

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Toyota Material Handling Danmark A/S for the financial year 1 April 2017 - 31 March 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 March 2018 of the Company and of the results of the Company operations for 2017/18.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Slangerup, 25 May 2018

Executive Board

Troels Christensen

Board of Directors

Samuel Coles
Chairman

Eva Åsa Marita Hammarström Torben Toft

Mette Fink-Jensen

Independent Auditor's Report

To the Shareholder of Toyota Material Handling Danmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2018 and of the results of the Company's operations for the financial year 1 April 2017 - 31 March 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Toyota Material Handling Danmark A/S for the financial year 1 April 2017 - 31 March 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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.

Independent Auditor's Report

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

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

Hellerup, 25 May 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jan Boje Andreassen
State Authorised Public Accountant
mne2338

Ferass Hamade
State Authorised Public Accountant
mne35441

Company Information

The Company

Toyota Material Handling Danmark A/S
Industrivej 3
DK-3550 Slangerup

Telephone: + 45 +45 70 22 02 60
Facsimile: + 45 +45 70 22 02 61
E-mail: info@dk.toyota-industries.com
Website: www.toyota-forklifts.dk

CVR No: 62 65 70 14
Financial period: 1 April - 31 March
Incorporated: 29 May 1964
Financial year: 55th financial year
Municipality of reg. office: Frederikssund

Board of Directors

Samuel Coles, Chairman
Eva Åsa Marita Hammarström
Torben Toft
Mette Fink-Jensen

Executive Board

Troels Christensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Lawyers

ADVODAN Hillerød
Carlsbergvej 32 D
DK-3400 Hillerød

Bankers

SEB Bank Danmark
Bernstorffsgade 50
DK-1577 København V

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2017/18	2016/17	2015/16	2014/15	2013/14
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Profit/loss					
Revenue	674,926	655,282	587,584	557,868	555,776
Gross profit/loss	220,352	217,806	194,592	187,014	187,280
Profit/loss before financial income and expenses	4,269	9,027	16,246	17,100	24,707
Net financials	17,500	14,815	12,892	12,990	12,347
Net profit/loss for the year	16,713	18,647	22,392	22,745	27,769
Balance sheet					
Balance sheet total	856,606	819,488	751,407	689,178	615,597
Equity	181,918	165,205	146,558	124,166	101,421
Investment in property, plant and equipment	42,014	21,388	27,325	-47,684	25,371
Number of employees	303	297	259	251	252
Ratios					
Gross margin	32.6%	33.2%	33.1%	33.5%	33.7%
Profit margin	0.6%	1.4%	2.8%	3.1%	4.4%
Return on assets	0.5%	1.1%	2.2%	2.5%	4.0%
Solvency ratio	21.2%	20.2%	19.5%	18.0%	16.5%
Return on equity	9.6%	12.0%	16.5%	20.2%	31.7%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

The Company deals in all aspects of stackers and forklifts and hires out and provides service support on these.

Development in the year

The income statement of the Company for 2017/18 shows a profit of DKK 16,713, and at 31 March 2018 the balance sheet of the Company shows equity of DKK 181,918.

Toyota Material Handling Denmark is a strong, market-leading enterprise within the forklift truck segment.

We offer our customers a full-range product portfolio in the forklift truck segment in addition to various forms of financing and hire. Moreover, our service organization is represented nationwide, which enables us to react quickly in all parts of Denmark when our customers need our assistance. We offer a high level of competencies within fleet management, automation products, logistics consulting and other similar products.

We believe that our customers' needs in this area are developing these years and, therefore, we consider it one of our key areas which we want to maintain and where our product development will take place. The total truck market has realized a continuous increase in orders since the spring of 2014, but the market has been flat in 2017/18.

We see the continuously low interest rate as a contributor to the positive macroeconomic trends. Toyota Material Handling Denmark A/S is continuously improving sustainable processes adjusting costs and resources in order to ensure the optimal level for any given level of activity. Toyota Material Handling A/S has launched a number of projects on the basis of TPS and its concepts of Lean with the aim of reducing costs, strengthening delivery on time and improving quality and productivity. It is the absolute commitment of Toyota Material Handling Denmark A/S to further its capabilities and competences within this area in the coming years.

Compared to last year, we have increased our revenue (from DKK 655.3 M in 2016/2017 to DKK 674.9 M in 2017/2018). Our net profit has decreased from DKK 18.6 M in 2016/2017 to DKK 16.7 M in 2017/2018 - the main reason why we see only the decrease in the profit is the extraordinary negative effect of losses on debtors totalling DKK 8.7 M. All in all, the primary business has shown a satisfying trend in 2017/2018.

Management's Review

Special risks - operating risks and financial risks

Operating risks

Like most markets, the forklift truck market is seeing increased focus on prices. Only through continued consolidation of the Company's high quality level, continued improvement of our service level and continued focus on the direction of changes in the customers' needs as well as constant focus on the development in costs, will it be possible to maintain a satisfactory price level. We still need to be able to anticipate our customers' needs and deliver solutions for sufficient material handling.

Market risks

Foreign exchange risks

Toyota Material Handling Danmark A/S is not exposed to any significant foreign exchange or interest rate risks.

Raw material prices

Raw material prices have remained relatively stable. The present level is under control; however, if significant increases are seen, it may affect the result for the coming years.

Bad debts

We have continuous focus on bad debts, but we have seen major losses on debtors this year. We will continue maintaining a strong focus on the development of our processes in this area to ensure that losses on debtors will decrease over the coming years.

Environmental issues

Toyota Material Handling Danmark A/S is environmentally conscious and makes continuous efforts to reduce environmental impact from the Company's operations. In this connection, it should be noted that most of the Company's products consist of electric-powered forklift trucks, which are the optimum kind of engines for environmental purposes. Most of our range is available with lithium-ion and fuel cell technology for low carbon solutions. Sustainability has been a high-priority area, and projects have been carried out both internally and together with our customers in order to optimize the effort and minimize environmental impact. Moreover, it should be noted that Toyota Material Handling's production companies have obtained ISO 14001 environmental certification and that Toyota Material Handling Danmark obtained a Silver Ecovadis certification in both 2016 and 2018. The Ecovadis silver level ranking reflects our commitment to sustainable development and our ambition to contribute to societies and the environment in which we operate.

Management's Review

Intellectual capital resources

It is material to the continued growth of Toyota Material Handling Danmark A/S that the Company is able to continue attracting and retaining qualified employees.

The Company offers a comprehensive course program which ensures and maintains a high knowledge level. This is moreover maintained and developed through our TLLP program, ISO 9001 and Ecovadis certifications.

Corporate social responsibility

For a statement on corporate social responsibility, we refer to our ultimate Parent Company Toyota Industries Corporation, which prepares consolidated financial statements.

Gender representation

A balanced gender representation and antidiscrimination in general are central topics in the TMHE code of conduct.

TMHE is committed to equal opportunity and follows recruitment and selection practices that comply with all applicable employment laws. As such, TMHE promotes equal opportunities in employment, regardless of gender, age, marital status, race, color, ethnic origin, sexual orientation, disability, and religious and political affiliation.

It is the aim to ensure that the gender representation of the Board of Directors is in line with the rest of the Company.

The gender representation of the present Board of Directors is fifty/fifty. Gender representation is also an integral part of the TMHE Recruitment policy giving guidelines for the recruitment of Senior Management positions.

In FY2016, our new remuneration policy embeds fairness, transparency and equal opportunities for all. We aim for 30% female participants in all our HR programmes, such as TALENT, LEAD, GROW, MANAGEMENT TRAINEE, as well as a wide diversity in geography and skills. In FY 2017, we consolidated gender and age data for 28 entities, as compared to 14 in the 2015 report. For FY2019 we aim to have 14% female managers, while 17% of our workforce is female. Currently (FY18) 3 out of 29 managers in TMHDK are women.

Management's Review

Expected development

The coming year will be a year of increasing profitability. Our main strategic initiatives will be focused around five defined Hoshin areas:

1. Increase business profit
2. Strengthen markets position
3. Raise quality in flows and processes
4. Develop leadership according to Toyota values and behavior codex
5. Secure high degree of management and execution

In the coming years, we will continue to develop our capabilities to deliver better and more customized logistic solution and consultancy services taking a step closer to the customer.

We are fully committed to building on our internal capabilities and competencies within TPS and its concepts of Lean making our processes even more cost-efficient, keeping our OPEX cost base constant, delivering on time, and providing better products and solutions to the market.

Throughout the coming year, we expect to realize higher revenue at higher margins with a constant OPEX, yielding better results.

A significant condition of realizing the expectations is that the international turmoil, politically as well as financially, does not deteriorate further.

Income Statement 1 April - 31 March

	Note	2017/18 DKK '000	2016/17 DKK '000
Revenue	1	674,926	655,282
Other operating income		9,289	7,860
Cost of sales		-390,603	-374,933
Other external expenses		<u>-73,260</u>	<u>-70,403</u>
Gross profit/loss		220,352	217,806
Staff expenses	2	-173,589	-166,853
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	<u>-42,494</u>	<u>-41,926</u>
Profit/loss before financial income and expenses		4,269	9,027
Financial income	4	28,931	26,800
Financial expenses	5	<u>-11,431</u>	<u>-11,985</u>
Profit/loss before tax		21,769	23,842
Tax on profit/loss for the year	6	<u>-5,056</u>	<u>-5,195</u>
Net profit/loss for the year		<u>16,713</u>	<u>18,647</u>

Balance Sheet 31 March

Assets

	Note	2017/18 DKK '000	2016/17 DKK '000
Goodwill		7,682	10,242
Development projects in progress		0	9
Intangible assets	7	7,682	10,251
Demo and rental trucks		170,787	148,657
Fixtures and fittings, tools and equipment		1,952	1,182
Leasehold improvements		1,007	1,578
Property, plant and equipment	8	173,746	151,417
Receivables leases		301,849	303,382
Fixed asset investments	9	301,849	303,382
Fixed assets		483,277	465,050
Inventories		58,802	73,702
Trade receivables		273,494	263,001
Receivables from group enterprises		33,251	9,195
Other receivables		4,885	4,672
Corporation tax		0	2,335
Prepayments	10	2,755	1,496
Receivables		314,385	280,699
Cash at bank and in hand		142	37
Currents assets		373,329	354,438
Assets		856,606	819,488

Balance Sheet 31 March

Liabilities and equity

	Note	2017/18 DKK '000	2016/17 DKK '000
Share capital		2,500	2,500
Retained earnings		179,418	162,705
Equity	11	181,918	165,205
Provision for deferred tax	13	6,082	7,769
Other provisions	14	7,875	2,882
Provisions		13,957	10,651
Lease obligations		308,846	306,799
Payables to group enterprises		96,478	67,781
Long-term debt	15	405,324	374,580
Lease obligations	15	122,342	116,457
Prepayments received from customers		21,571	23,383
Trade payables		19,694	23,957
Payables to group enterprises	15	40,482	54,184
Corporation tax		419	0
Other payables		48,952	49,128
Deferred income	16	1,947	1,943
Short-term debt		255,407	269,052
Debt		660,731	643,632
Liabilities and equity		856,606	819,488
Subsequent events	18		
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	19		
Related parties	20		
Fee to auditors appointed at the general meeting	17		
Accounting Policies	21		

Statement of Changes in Equity

	<u>Share capital</u> DKK '000	<u>Retained earnings</u> DKK '000	<u>Total</u> DKK '000
Equity at 1 April	2,500	162,705	165,205
Net profit/loss for the year	0	16,713	16,713
Equity at 31 March	<u>2,500</u>	<u>179,418</u>	<u>181,918</u>

Notes to the Financial Statements

	2017/18 DKK '000	2016/17 DKK '000
1 Revenue		
Business segments		
Truck sales	425,397	408,507
After-sales market	249,529	246,775
	674,926	655,282
Geographical segments		
The Company operates on the markets for stackers and forklift trucks in Denmark.		
2 Staff expenses		
Wages and salaries	160,222	153,364
Pensions	11,446	10,821
Other staff expenses	1,921	2,668
	173,589	166,853
Average number of employees	303	297
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	2,569	2,596
Depreciation of property, plant and equipment	39,926	39,352
Gain and loss on disposal	-1	-22
	42,494	41,926
Which is specified as follows:		
Development projects	9	36
Goodwill	2,560	2,560
Demo and rental trucks	38,432	38,361
Fixtures and fittings, tools and equipment	923	779
Leasehold improvements	571	212
Loss/(profit) on sale of property, plant and equipment	-1	-22
	42,494	41,926

Notes to the Financial Statements

	2017/18 DKK '000	2016/17 DKK '000
4 Financial income		
Other financial income	28,931	26,800
	28,931	26,800
5 Financial expenses		
Interest paid to group enterprises	160	1,271
Other financial expenses	11,179	10,634
Exchange adjustments, expenses	92	80
	11,431	11,985
6 Tax on profit/loss for the year		
Current tax for the year	6,686	2,932
Deferred tax for the year	-1,687	2,263
Current tax last year	57	0
	5,056	5,195
7 Intangible assets		
	Goodwill	Development projects in progress
	DKK '000	DKK '000
Cost at 1 April	12,802	185
Cost at 31 March	12,802	185
Impairment losses and amortisation at 1 April	2,560	176
Amortisation for the year	2,560	9
Impairment losses and amortisation at 31 March	5,120	185
Carrying amount at 31 March	7,682	0
Amortised over	5 years	5 years

Notes to the Financial Statements

8 Property, plant and equipment

	Demo and rental trucks DKK '000	Fixtures and fittings, tools and equipment DKK '000	Leasehold improvements DKK '000
Cost at 1 April	189,504	10,493	6,576
Additions for the year	89,067	1,702	0
Disposals for the year	-48,747	-8	0
Transfers for the year	6,376	-62	0
Cost at 31 March	<u>236,200</u>	<u>12,125</u>	<u>6,576</u>
Impairment losses and depreciation at 1 April	40,847	9,311	4,998
Impairment losses for the year	9,084	0	0
Depreciation for the year	29,348	923	571
Reversal of impairment and depreciation of sold assets	-14,185	0	0
Transfers for the year	319	-61	0
Impairment losses and depreciation at 31 March	<u>65,413</u>	<u>10,173</u>	<u>5,569</u>
Carrying amount at 31 March	<u>170,787</u>	<u>1,952</u>	<u>1,007</u>
Depreciated over	<u>3-6 years</u>	<u>3-5 years</u>	<u>6-10 years</u>

9 Fixed asset investments

	Receivables leases DKK '000
Cost at 1 April	303,382
Additions for the year	153,071
Disposals for the year	-148,547
Transfers for the year	-6,057
Cost at 31 March	<u>301,849</u>
Carrying amount at 31 March	<u>301,849</u>

The total receivables relating to leases amount to DKK 418,934k, of which short-term receivables amount to DKK 117,085k, which are presented in trade receivables.

Notes to the Financial Statements

10 Prepayments

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

11 Equity

The share capital consists of 2,500 shares of a nominal value of DKK 1,000. No shares carry any special rights.

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

	<u>2017/18</u> DKK '000	<u>2016/17</u> DKK '000
12 Distribution of profit		
Retained earnings	16,713	18,647
	<u>16,713</u>	<u>18,647</u>
13 Provision for deferred tax		
Provision for deferred tax at 1 April	7,769	5,506
Amounts recognised in the income statement for the year	-1,687	2,263
Provision for deferred tax at 31 March	<u>6,082</u>	<u>7,769</u>
Intangible assets	-322	-159
Property, plant and equipment	7,722	7,991
Provisions	-1,677	-530
Others	359	467
	<u>6,082</u>	<u>7,769</u>

14 Other provisions

Other provisions contains provision for warranty, provision for leaseholds and provision for losses on LTR contracts.

Other provisions	<u>7,875</u>	<u>2,882</u>
	<u>7,875</u>	<u>2,882</u>

Notes to the Financial Statements

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2017/18</u> DKK '000	<u>2016/17</u> DKK '000
Lease obligations		
Between 1 and 5 years	308,846	306,799
Long-term part	<u>308,846</u>	<u>306,799</u>
Within 1 year	<u>122,342</u>	<u>116,457</u>
	<u>431,188</u>	<u>423,256</u>
Payables to group enterprises		
Between 1 and 5 years	96,478	67,781
Long-term part	<u>96,478</u>	<u>67,781</u>
Within 1 year	<u>40,482</u>	<u>54,184</u>
	<u>136,960</u>	<u>121,965</u>

16 Deferred income

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

17 Fee to auditors appointed at the general meeting

Audit fee to PricewaterhouseCoopers	308	292
Other services	<u>60</u>	<u>58</u>
	<u>368</u>	<u>350</u>

18 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

	2017/18 DKK '000	2016/17 DKK '000
19 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	10,885	10,948
Between 1 and 5 years	21,616	18,074
	32,501	29,022
Rental liabilities, non-terminable until 31 December 2020	10,276	15,337

Other contingent liabilities

The Company has no securities or contingent liabilities at 31 March 2018.

20 Related parties

Basis

Controlling interest

Toyota Material Handling Europe AB	Parent
------------------------------------	--------

Consolidated Financial Statements

The Company is included in the Consolidated Annual Report of the ultimate Parent Company

Name	Place of registered office
------	----------------------------

Toyota Industries Corporation	
-------------------------------	--

The Group Annual Report of Toyota Industries Corporation may be obtained at the following address:

Toyota Industries Corporation
2-1 Toyoda-cho
Kariya-shi
Aichi 448-8671
Japan

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of Toyota Material Handling Danmark A/S for 2017/18 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017/18 are presented in DKK.

Cash flow statement

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

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Notes to the Financial Statements

21 Accounting Policies (continued)

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Segment reporting

Segment information is presented in respect of business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments. In compliance with the Danish Executive Order on exemptions from the Danish Financial Statements Act, reporting on geographical segments comprises revenue only.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Notes to the Financial Statements

21 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

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

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Notes to the Financial Statements

21 Accounting Policies (continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Demo and rental trucks	3-6 years
Other buildings	3-5 years
Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	6-10 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Fixed asset investments

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

Notes to the Financial Statements

21 Accounting Policies (continued)

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

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

Lease obligations

Lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of . Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Notes to the Financial Statements

21 Accounting Policies (continued)

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$