
Volvo Entreprenørmaskiner A/S

Amerikavej 2, Taulov, DK-7000 Fredericia

Annual Report for 2024

CVR No. 20 00 14 88

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 28/5 2025

Henrik Torp Kristensen
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Volvo Entreprenørmaskiner A/S for the financial year 1 January - 31 December 2024.

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 December 2024 of the Company and of the results of the Company operations for 2024.

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.

Fredericia, 28 May 2025

Executive Board

Henrik Torp Kristensen
Executive Officer

Board of Directors

Valentine Patrick Ledden
Chairman

Anne Maria Bast

Lars Johan Mattsson

Henrik Torp Kristensen

Independent Auditor's report

To the shareholder of Volvo Entreprenørmaskiner A/S

Opinion

We have audited the Financial Statements of Volvo Entreprenørmaskiner A/S for the financial year 1 January - 31 December 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are 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 of the Company at 31 December 2024 and of the results of the Company's operations for the financial year 1 January - 31 December 2024 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Management's responsibilities for the 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.

Independent Auditor's report

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

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, 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.

Copenhagen, 28 May 2025

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Jens Sejer Pedersen

State Authorised Public Accountant

mne14986

Henrik Wolff Mikkelsen

State Authorised Public Accountant

mne33747

Company information

The Company	Volvo Entreprenørmaskiner A/S Amerikavej 2, Taulov DK-7000 Fredericia Telephone: + 45 70 22 27 28 Website: www.volvoce.com CVR No: 20 00 14 88 Financial period: 1 January - 31 December Municipality of reg. office: Fredericia
Board of Directors	Valentine Patrick Ledden, chairman Anne Maria Bast Lars Johan Mattsson Henrik Torp Kristensen
Executive Board	Henrik Torp Kristensen
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 DK-2300 København S
Lawyers	Advokatfirmaet Vingaardshus Vingaardsgade 22 DK-9000 Aalborg
Bankers	SEB Bank Postboks 100 DK-0900 København C

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2024	2023	2022	2021	2020
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	654,073	640,775	596,049	575,517	461,140
Gross profit	183,565	177,761	179,440	168,133	142,075
Profit/loss of primary operations	30,330	36,587	41,748	30,561	21,902
Profit/loss of financial income and expenses	-7,598	-4,643	-3,260	-2,761	-2,708
Net profit/loss for the year	17,807	24,742	29,801	21,504	14,931
Balance sheet					
Balance sheet total	446,946	465,076	460,419	450,404	394,181
Investment in property, plant and equipment	99,681	113,033	86,844	120,778	-56,454
Equity	99,911	122,104	97,362	72,561	66,057
Number of employees	126	121	116	112	106
Ratios					
Gross margin	28.1%	27.7%	30.1%	29.2%	30.8%
Profit margin	4.6%	5.7%	7.0%	5.3%	4.7%
Return on assets	6.8%	7.9%	9.1%	6.8%	5.6%
Solvency ratio	22.4%	26.3%	21.1%	16.1%	16.8%
Return on equity	16.0%	22.5%	35.1%	31.0%	21.8%

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 objective of Volvo Entreprenørmaskiner A/S is to handle sales and service of Volvo construction equipment in Denmark. This is done from the company's headquarter in Taulov and sales offices in Aalborg and Ringsted.

Market overview

In 2024, the Danish construction and contracting industry has faced significant challenges, primarily due to economic uncertainty and high interest rates, leading to a significant decline in construction activity to the lowest level since 2020.

Despite the challenges in the industry the utilization of construction machinery has thus also been high in 2024.

Despite the downturn in 2024, major construction projects are planned for 2025, particularly in energy and infrastructure. This indicates an expected recovery in construction activity in the coming years.

Regarding attracting qualified labor, we are working in, like previous years, a competitive market.

There is a shortage of competent employees, which we predict will continue in 2025. However, we invest significantly in training and developing our own employees, which helps to retain our skilled employees and means that we are considered an attractive workplace.

Development in the year

The income statement of the Company for 2024 shows a profit of TDKK 17,807, and at 31 December 2024 the balance sheet of the Company shows a positive equity of TDKK 99,911.

The past year and follow-up on development expectations from last year

Both the activity and cost levels have been realized in accordance with the company's expectations for 2024, which means that the result has been realized at the expected level.

Capital resources

The Company's financial resources are handled by AB Volvo, Sweden.

Special risks - operating risks and financial risks

Operating risks

The Company's most material operating risk relates to marked opportunities for sale of new and used equipment.

Credit risks

The Company's credit risks relate primarily to financial asset investments recognised in the balance sheet. According to the Company's policy for assuming credit rated.

Trade with customers outside Denmark is always effected in net cash, by means of a letter of credit or similar.

At 31 December 2024, the Company has provided for repurchase guarantees totaling TDKK 47,105. The guarantees are assessed quarterly, and provision is made as needed for bad debts on these.

Targets and expectations for the year ahead

Expectations for 2025 are based on intensified competition with a normalization of order intake and delivery situation. We expect a turnover between DKK 630-680 million and a profit between DKK 28-33 million.

Management's review

External environment

The Company is environmentally conscious and currently works on reducing environmental impacts from the operations of the Company.

The Company as a minimum complies with current legislation in the area. The local authorities have issued environmental permits for operation of workshops in Taulov.

Current working environment legislation is complied with, and work is goal oriented towards improving the working environment in our offices, warehouses and workshops.

Intellectual capital resources

The employees are the most important resource of the Company. The focus is still on the development of professional as well as commercial skills at all levels.

Statement of corporate social responsibility, cf. section 99a of the Financial Statements Act

Over several years, the Volvo Group has established several CSR policies and processes in this area, including impacts on climate, environment, and human rights. Volvo Entreprenørmaskiner A/S is governed by these, and reference is made to the Group's consolidated Annual report 2024, where these policies and processes available at:

<https://www.volvogroup.com/content/dam/volvo-group/markets/master/events/2025/annual-reports/volvo-group-annual-report-2024.pdf>

Statement on gender composition, cf. section 99b of the Financial Statements Act

The Company generally works with several measures to promote equality at different management levels.

The Board has a target for the underrepresented gender of 20%. The composition of the Board fulfills this target as it consists of 4 members, of which 1 member is the underrepresented gender. The underrepresented gender makes up to 25%.

Given the number of board members, the objective for the Board, with reference to the applicable interpretation of equal gender distribution, is considered to have been met and a policy in this area has therefore not been drawn up.

Volvo Entreprenørmaskiner A/S will maintain its focus on implementing measures promoting equality. No discrimination will take place, and the requirements for the skills required for this position will not be lowered. In case of equally skilled applicants, the Company will promote the underrepresented gender.

Statement on data ethics

The statutory statement is available on the Company's website.

Volvo Entreprenørmaskiner A/S has a policy that includes how we work with and collect data. What type of data we use and how we train our employees in data collection and ethics.

The company believes that privacy is fundamental to achieving our vision as it is part of the driving force in the new processes and technologies that can increase our knowledge and improve our services to customers, colleagues and other partners.

For Volvo Entreprenørmaskiner A/S, a key parameter in running a business is that our partners can trust us and be confident in our handling of data. We are committed to protecting personal information and have effective processes in place to ensure that we act in a correct and responsible manner.

Every year, we review and strengthen our internal competencies, partly through key Volvo data protection measures and partly through local initiatives. Data security is an area of great importance, and Volvo Entreprenørmaskiner A/S is obliged to always take appropriate data protection measures.

Management's review

Unusual events

The financial position at 31 December 2024 of the Company and the results of the activities and cash flows of the Company for the financial year for 2024 have not been affected by any unusual events.

Subsequent events

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

Income statement 1 January - 31 December

	Note	2024	2023
		TDKK	TDKK
Revenue	1	654,073	640,775
Cost of goods sold		-433,993	-421,354
Other external expenses		-36,515	-41,660
Gross profit		183,565	177,761
Staff expenses	2	-95,928	-84,209
Depreciation and impairment losses of property, plant and equipment		-57,307	-56,965
Profit/loss before financial income and expenses		30,330	36,587
Financial income	3	440	2,157
Financial expenses	4	-8,038	-6,800
Profit/loss before tax		22,732	31,944
Tax on profit/loss for the year	5	-4,925	-7,202
Net profit/loss for the year	6	17,807	24,742

Balance sheet 31 December

Assets

	Note	2024	2023
		TDKK	TDKK
Land and buildings		5,972	7,680
Other fixtures and fittings, tools and equipment		33,419	36,009
Rental trailers		161,399	138,125
Operationally leased assets		59,789	75,468
Leasehold improvements		1,292	862
Property, plant and equipment	7	261,871	258,144
Deposits	8	137	144
Fixed asset investments		137	144
Fixed assets		262,008	258,288
Finished goods and goods for resale		131,064	119,686
Inventories		131,064	119,686
Trade receivables		50,889	36,969
Receivables from group enterprises		1,021	40,566
Other receivables		327	0
Corporation tax		120	7,190
Prepayments	9	1,517	2,377
Receivables		53,874	87,102
Current assets		184,938	206,788
Assets		446,946	465,076

Balance sheet 31 December

Liabilities and equity

	Note	2024	2023
		TDKK	TDKK
Share capital		5,000	5,000
Retained earnings		84,911	97,104
Proposed dividend for the year		10,000	20,000
Equity		99,911	122,104
Provision for deferred tax	10	776	1,698
Other provisions	11	50,562	59,787
Provisions		51,338	61,485
Lease obligations		19,284	26,531
Prepayments received from customers		34,999	30,449
Payables to group enterprises		29,694	69,136
Long-term debt	12	83,977	126,116
Lease obligations	12	6,492	7,101
Prepayments received from customers	12	21,071	15,088
Trade payables		42,494	29,067
Payables to group enterprises	12,13	121,823	83,406
Other payables		19,840	20,709
Short-term debt		211,720	155,371
Debt		295,697	281,487
Liabilities and equity		446,946	465,076
Contingent assets, liabilities and other financial obligations	14		
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Statement of changes in equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	5,000	97,104	20,000	122,104
Ordinary dividend paid	0	0	-20,000	-20,000
Extraordinary dividend paid	0	-20,000	0	-20,000
Net profit/loss for the year	0	7,807	10,000	17,807
Equity at 31 December	5,000	84,911	10,000	99,911

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
1. Revenue		
Geographical segments		
Revenue, Denmark	654,073	640,775
	654,073	640,775
Business segments		
Sale of equipments, ect	451,416	445,319
Workshop and spare parts	165,676	166,979
Rental of equipments	36,981	28,477
	654,073	640,775
	2024	2023
	TDKK	TDKK
2. Staff expenses		
Wages and salaries	86,683	73,709
Pensions	8,558	9,862
Other social security expenses	687	638
	95,928	84,209
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
Average number of employees	126	121
	2024	2023
	TDKK	TDKK
3. Financial income		
Interest received from group enterprises	0	1,560
Other financial income	210	260
Exchange gains	230	337
	440	2,157

Notes to the Financial Statements

7. Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Rental trailers	Operationally leased assets	Leasehold improvements
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	14,478	70,537	170,690	150,733	4,998
Additions for the year	0	5,494	78,726	14,764	697
Disposals for the year	0	-10,620	-30,670	-55,675	-3,203
Cost at 31 December	14,478	65,411	218,746	109,822	2,492
Impairment losses and depreciation at 1 January	6,800	34,530	32,564	75,265	4,137
Depreciation for the year	1,706	7,876	32,166	15,331	227
Reversal of impairment and depreciation of sold assets	0	-10,414	-7,383	-40,563	-3,164
Impairment losses and depreciation at 31 December	8,506	31,992	57,347	50,033	1,200
Carrying amount at 31 December	5,972	33,419	161,399	59,789	1,292
Including assets under finance leases amounting to	5,972	19,530	64,132	59,789	0

8. Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	144
Disposals for the year	-7
Cost at 31 December	137
Carrying amount at 31 December	137

9. Prepayments

Prepayments consist of prepaid costs relating to rent, insurance premiums, subscriptions and interest.

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
10. Provision for deferred tax		
Deferred tax liabilities at 1 January	1,698	5,359
Amounts recognised in the income statement for the year	-922	-7,057
Amounts recognised in equity for the year	0	3,396
Deferred tax liabilities at 31 December	776	1,698

	2024	2023
	TDKK	TDKK
11. Other provisions		
Provisions concerning repurchase obligations	47,105	55,143
Provisions concerning warranty repairs	2,357	3,594
Onerous contracts	1,100	1,050
	50,562	59,787

The provisions are expected to mature as follows:

Provisions falling due after 5 years	0	0
	0	0

	2024	2023
	TDKK	TDKK
12. 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:

Lease obligations		
After 5 years	3,052	4,718
Between 1 and 5 years	16,232	21,813
Long-term part	19,284	26,531
Within 1 year	6,492	7,101
	25,776	33,632

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
12. Long-term debt		
Prepayments received from customers		
After 5 years	5,092	4,247
Between 1 and 5 years	29,907	26,202
Long-term part	34,999	30,449
Within 1 year	21,071	15,088
	56,070	45,537
Payables to group enterprises		
After 5 years	0	0
Between 1 and 5 years	29,694	69,136
Long-term part	29,694	69,136
Other short-term debt to group enterprises	121,823	83,406
	151,517	152,542

Debt to affiliated companies includes ordinary leasing contracts entered into with group companies and recognized under IFRS 16. Group leasing contracts amount to DKK 36,763k (2023: DKK 87,210k), of which 29,694k (2023: 69,136k) are long-term.

	2024	2023
	TDKK	TDKK
13. Payables to group enterprises		
Cash pool	82,158	0
Other payables	39,665	83,406
	121,823	83,406

14. Contingent assets, liabilities and other financial obligations

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Volvo Danmark A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

15. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
AB Volvo, Sverige	Ultimate parent company

Transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
AB Volvo, Sverige	Göteborg, Sverige

The Group Annual Report of AB Volvo, Sverige may be obtained at the following address:

Gropegårdsgatan 2
417 15 Göteborg
Sweden

16. Fee to auditors appointed at the general meeting

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
Deloitte		
Audit fee	330	311
Other assurance engagements	88	0
	<u>418</u>	<u>311</u>

17. Subsequent events

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

Notes to the Financial Statements

18. Accounting policies

The Annual Report of Volvo Entreprenørmaskiner A/S for 2024 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C with selection of rules from IFRS 9, 15 and 16.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2024 are presented in TDKK.

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 Volvo AB, 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, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been 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.

Leases

The company leases offices, equipment and vehicles. Rental contracts are typically made for fixed periods of six months to eight years but may have extension options as described below. Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received
- uses a build-up approach that starts with a riskfree interest rate adjusted for credit risk for leases held by Volvo Entreprenørmaskiner A/S, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Notes to the Financial Statements

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture. Extension and termination options are included in a number of property and equipment leases across the company. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the company and not by the respective lessor.

Translation policies

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.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

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

Segment information on revenue

Information on business segments and geographical segments is based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

The sales price of construction equipments sold to lease companies, in which respect Volvo Entreprenørmaskiner A/S as part of the sale has assumed a repurchase obligation is at the time of delivery recognised as cut-off of leasing income in liabilities. The sales amount less the expected repurchase value is recognised over the term of the contracts in the income statement as lease income.

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

Cost of goods sold

Cost of sales comprise cost consumed to achieve revenue for the year.

Notes to the Financial Statements

Other external expenses

Other external expenses comprise 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.

Amortisation, depreciation and impairment losses

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

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

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

The Company is jointly taxed with Volvo Danmark A/S. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

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.

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:

Production buildings	8-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	10 years

The fixed assets' residual values are determined at nil.

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.

Notes to the Financial Statements

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Other fixed asset investments

Fixed asset investments consist of deposits. Deposits are measured at cost.

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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

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. Provisions are measured and recognised based on experience with guarantee work.

Buy-back obligations on sold machines are accrued corresponding to the expected buy-back amount.

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

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 liabilities

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

The sales sum received for sales contracts with repurchase obligations not recognized as income is recognized as accrued leasing income.

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit/loss of primary operations} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit/loss of primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$