


## **CNH Industrial Danmark A/S**

**Roholmsvej 19, 2620, Albertslund**

**CVR no. 56 09 88 28**

### **Annual report for 2018**

Adopted at the annual general meeting  
on 3 April 2019



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Peter Sørensen  
chairman

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## Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of CNH Industrial Danmark A/S for the financial year 1 January - 31 December 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 company's financial position at 31 December 2018 and of the results of the company's operations and cash flows for the financial year 1 January - 31 December 2018.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

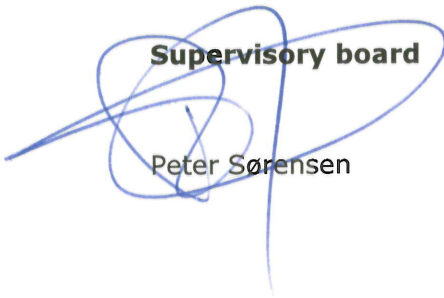
Copenhagen, 3 April 2019

### Executive board



Peter Friis  
Chief executive officer

### Supervisory board



Peter Sørensen



Peter Friis

Bjørn Gehlert

## **Independent auditor's report**

### ***To the shareholders of CNH Industrial Danmark A/S***

#### **Opinion**

We have audited the financial statements of CNH Industrial Danmark A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2018 and of the results of the company's operations and cash flows for the financial year 1 January - 31 December 2018 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 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 requirements.

#### **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 the 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.

## **Independent auditor's report**

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

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

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

## Independent auditor's report

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

### Statement on management's review

Management is responsible for management's review.

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

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

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

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

Copenhagen, 3 April 2019

ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

  
Mogens Andreasen  
state authorised public accountant  
MNE no. mne28603



Dennis Dupont  
state authorised public accountant  
MNE no. mne36192

## Company details

CNH Industrial Danmark A/S  
Roholmsvej 19  
2620  
Albertslund

CVR-no. 56 09 88 28

Financial year: 1 January - 31 December 2018

Domicile: Albertslund

### Supervisory Board

Peter Sørensen  
Peter Friis  
Bjørn Gehlert

### Executive Board

Peter Friis

### Group entities

CNH Industrial Europe Holding S.A.

### Auditors

ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
c/o Postboks 250, Osvald Helmuths Vej 4  
DK-2000 Frederiksberg

### Lawyers

Lund Elmer Sandager Advokatpartnerselskab  
Kalvebodbrygge 39-41  
DK-1560 Copenhagen

### Bankers

Danske Bank  
Holmens Kanal  
DK-1060 Copenhagen

## **Company details**

### **Consolidated financial statements**

The company is reflected in the group report as the parent company CNH Industrial N.V.

The group report of can be obtained at the following address:

Cranes Farm Road  
Basildon, Essex  
SS14 3AD  
Great Britain



## Financial highlights

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

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
Revenue	1,339,923	1,363,280	1,228,866	896,253	821,229
Gross profit	163,857	167,211	101,679	89,446	96,620
Profit/loss before net financials	65,914	58,407	29,797	29,992	40,468
Net financials	-28,842	-26,345	-25,789	-16,374	-17,162
Profit/loss for the year	28,620	23,270	3,043	10,418	17,581
Balance sheet total	519,502	538,433	477,333	381,450	281,984
Investment in property, plant and equipment	505	576	217	2,076	853
Equity	146,561	123,408	98,152	93,812	83,396
Number of employees	68	75	43	40	40
<b>Financial ratios</b>					
Gross margin	12.2%	12.3%	8.3%	10.0%	11.8%
Solvency ratio	28.2%	22.9%	20.6%	24.6%	29.6%
Return on equity	21.2%	21.0%	3.2%	11.8%	23.6%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

## Management's review

### **Business activities**

Via a dealer network in Denmark and Sweden, CNH Industrial Danmark A/S sells and services a product program comprising New Holland and Case IH tractors, harvesters, hay and forage machines, New Holland and Case construction equipment as well as Kongskilde implements and related spare parts program.

### **Business review**

#### Outlook

The company expect that the last years positive development in profit will continue in 2019 mainly due to increasing activity level on the Swedish market. Activities in digitalization is expected to lead to more efficient use of the recourses within the company and will benefit our customers within the area of precision farmer where new technology can support customers in having better performance and less use of fuel and fertilizer.

### **Financing**

#### **Financial review**

The profit development in the financial year has been positive compared to previous years forboth agricultural and construction machines. Management has maintained the level of investment in optimizing our service and support of dealers and customers. Profit for the year amounts to tDKK 28,620 after tax, against profit tDKK 23,270 in 2017.

### **Statutory report on corporate governance**

CNH Industrial Danmark A/S follows a local CSR policy in relation to human rights, environmental issues, climate issues, social & employee conditions, anticorruption and gender distribution management which are outlined below.

As a fully owned subsidiary of CNH Industrial N.V. CNH Industrial Danmark A/S is also committed to follow CNH Industrial's corporate CSR policy which as a supplementary information is available on the homepage of CNH Industrial ([http://www.cnhindustrial.com/en-us/sustainability/corporate\\_sustainability\\_reports/Pages/default.aspx](http://www.cnhindustrial.com/en-us/sustainability/corporate_sustainability_reports/Pages/default.aspx)).

CNH Industrial Danmark A/S has the following local CSR policy.

## Management's review

### Statutory report on corporate social responsibility

#### Policies on environment

##### Environmental issues

Due to the nature of the company as mainly a sales and distribution company, the environmental risks are limited to energy and water consumption. The company still has focus on precision farming and has in 2018 introduced additional technology in this area. The company has developed a core initial called AGXTEND™ offering five products which focus on: zero-chemical weed control. AGXTEND™ is also known as precision farming and the products have the potential to significantly enhance the sustainability of agribusinesses through the resultant reduction in fuel consumption as well as the targeting of and eventual reduction in both fertilizer and crop protection products. It is estimated that approximately 45-46% of the farmers in DK are using this technology and it is expected to grow in the coming years. The company has increased its customer portfolio by 15,5% compared to 2017 and for turnover there has been an increase of 16,9%.

##### Climate issues

The company is committed to act to combat the climate changes. Locally the risks and efforts are limited. The company has been investing in energy saving lightning (LED) in offices and work shop spaces in 2018 and will continue to do so. The effect on this has in 2018 been a substantial reduction in energy cost.

#### Policies on social conditions and labor practices

The company's performance relies on a stable, competent and healthy workforce, and therefore is committed to address the potential risk of accidents, physically as well as mental illness among the employees and the risk of insufficient access to the necessary knowledge and personal skills. The company will continue the focus on creating a more agile workforce structure to meet changing business needs and ensure a sustainable enhancement of the organizational performance. A core staff component will remain essential to ensure continuity of key functions for which technical and specialized knowledge are required. CNH Industrial Danmark A/S will continue to help young people with their education by keeping apprentices. It is the aim to have 2-4 apprentices at any given time. CNH Industrial Danmark A/S would like to emphasize the health of the employees, to the benefit of the company and the employees themselves. This is done through a constant focus on a safe work environment, and by offering free health insurance, stop smoking classes and providing a variety of healthy choices in the canteen. In 2018 there were no work-related injuries which is a reduction compared to the year before.

## Management's review

### **Policies on human rights**

The company supports the protection of fundamental human rights in all its operations, and seeks to promote respect for these principles by others where it has an influence, particularly contractors, suppliers, and all other entities and individuals with whom it has a business relationship. In fact, the company will not establish or continue a relationship with any entity or individual that refuses to respect the principles of its Code of Conduct. The main risk for the company is loss of reputation, which is not only a local risk, but can spread towards other markets and brands of the company. The company's commitment is stated in its Code of Conduct, and its principles are consistent with the spirit and intent of the United Nations' Universal Declaration of Human Rights, the OECD Guidelines for Multinational Companies, and the relevant Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO). Assessment is performed within the HR functions of the company, and in 2018 as in previous years, all employees are invited to participate in mandatory training to stay familiar with the company's human rights policy. For 2018 all 68 employees have completed the training.

### **Policies on anti-corruption and bribery**

The company advocates the Code of Conduct and the Supplier Code of Conduct as best practice standards in business ethics among the partners, suppliers, consultants, agents, dealers, and other third parties with whom it has long-term relationships. Company contracts include specific clauses relating to the recognition of, and adherence to, the fundamental principles of the Code of Conduct and related policies, as well as compliance with applicable laws, particularly those related to bribery and corruption, money laundering, antitrust/competition law, and other corporate criminal liabilities. In addition, compliance with the Supplier Code of Conduct is a requirement for continuing business relations with CNH Industrial. To avoid the risk of damaging the company's reputation and/or the financial performance both within sales and procurement, all relevant employees were trained in 2018 in relation to anticorruption and the related policies. The training is mandatory and assessed via a final test. Internal audit is performed to evaluate the processes, and all employees have anonymously access to the company's Compliance Helpline.

## Management's review

### **Statutory report on the underrepresented gender**

CNH Industrial Danmark A/S believes that diversity among employees, including equal gender representation, is contributing positively to the work environment of the company and enhances our performance and competitiveness. The workforce of the company consists of 64% men and 36% women. At management level (including all positions that have employees in reference) 19% are women. It is the company's ambition that the share of employees of the underrepresented gender at management level as a minimum equals the share of the underrepresented gender in the total staff. For this reason, CNH Industrial Danmark A/S will issue concrete policies, initiatives and action plans over the coming years to increase the number of female managers. So far, the company has set a concrete target to have 7 female managers before the end of 2021. The current board of directors consists of 3 men. During 2018 the board did have 1 female member, but due to her resignation, and not suitable candidate to replace her, the board now again consists of 3 men. The company has set as a target to change this composition, insofar as it is possible to find suitable candidates. The target for the company is to have 1 female board member by end of 2021.

### **Significant events occurring after end of reporting period**

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

## Income statement 1 January - 31 December

	<u>Note</u>	<u>2018</u> TDKK	<u>2017</u> TDKK
<b>Revenue</b>	1	<b>1,339,923</b>	<b>1,363,280</b>
Cost of sales		<u>-1,176,066</u>	<u>-1,196,069</u>
<b>Gross profit</b>		<b>163,857</b>	<b>167,211</b>
Distribution costs	2	-91,145	-96,078
Administrative expenses	2	<u>-6,798</u>	<u>-12,726</u>
<b>Profit/loss before net financials</b>		<b>65,914</b>	<b>58,407</b>
Financial income	3	19,298	8,149
Financial costs	4	<u>-48,140</u>	<u>-34,494</u>
<b>Profit/loss before tax</b>		<b>37,072</b>	<b>32,062</b>
Tax on profit/loss for the year	5	<u>-8,452</u>	<u>-8,792</u>
<b>Profit/loss for the year</b>		<b><u>28,620</u></b>	<b><u>23,270</u></b>
Distribution of profit	6		

## Balance sheet 31 December

	Note	2018 TDKK	2017 TDKK
<b>Assets</b>			
IP rights		396	871
<b>Intangible assets</b>	7	<b>396</b>	<b>871</b>
Other fixtures and fittings, tools and equipment		1,657	1,783
<b>Tangible assets</b>	8	<b>1,657</b>	<b>1,783</b>
<b>Total non-current assets</b>		<b>2,053</b>	<b>2,654</b>
<b>Stocks</b>	9	<b>54,288</b>	<b>30,168</b>
Receivables from group entities		451,116	490,060
Other receivables		4,317	8,420
Deferred tax asset	13	47	0
Prepayments	10	3,968	6,171
<b>Receivables</b>		<b>459,448</b>	<b>504,651</b>
<b>Cash at bank and in hand</b>		<b>3,713</b>	<b>960</b>
<b>Total current assets</b>		<b>517,449</b>	<b>535,779</b>
<b>Total assets</b>		<b>519,502</b>	<b>538,433</b>

## Balance sheet 31 December

	Note	2018 TDKK	2017 TDKK
<b>Equity and liabilities</b>			
Share capital		12,000	12,000
Other reserves	11	-2,184	3,283
Retained earnings		<u>136,745</u>	<u>108,125</u>
<b>Equity</b>	12	<b><u>146,561</u></b>	<b><u>123,408</u></b>
Provision for deferred tax	13	0	30
Other provisions	14	<u>25,539</u>	<u>28,339</u>
<b>Total provisions</b>		<b><u>25,539</u></b>	<b><u>28,369</u></b>
Trade payables		136,148	140,772
Payables to group entities		158,518	182,153
Other payables	15	49,730	62,254
Deferred income	16	<u>3,006</u>	<u>1,477</u>
<b>Total current liabilities</b>		<b><u>347,402</u></b>	<b><u>386,656</u></b>
<b>Total liabilities</b>		<b><u>347,402</u></b>	<b><u>386,656</u></b>
<b>Total equity and liabilities</b>		<b><u>519,502</u></b>	<b><u>538,433</u></b>
Financial instruments	11		
Subsequent events	17		
Rent and lease liabilities	18		
Contingencies, etc.	19		
Related parties and ownership structure	20		
Fee to auditors appointed at the general meeting	21		



## Statement of changes in equity

	<u>Share capital</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2018	12,000	3,283	108,125	123,408
Fair value adjustment of hedging instruments	0	-5,467	0	-5,467
Net profit/loss for the year	0	0	28,620	28,620
<b>Equity at 31 December 2018</b>	<b><u>12,000</u></b>	<b><u>-2,184</u></b>	<b><u>136,745</u></b>	<b><u>146,561</u></b>

## Cash flow statement 1 January - 31 December

	<u>Note</u>	<u>2018</u> TDKK	<u>2017</u> TDKK
Net profit/loss for the year		28,620	23,270
Adjustments	22	34,300	44,775
Change in working capital	23	<u>-16,128</u>	<u>-38,390</u>
<b>Cash flows from operating activities before financial income and expenses</b>		<b>46,792</b>	<b>29,655</b>
Interest income and similar income		13,832	10,136
Interest expenses and similar charges		<u>-48,139</u>	<u>-34,495</u>
<b>Cash flows from ordinary activities</b>		<b>12,485</b>	<b>5,296</b>
Corporation tax paid		<u>-9,227</u>	<u>-1,765</u>
<b>Cash flows from operating activities</b>		<b>3,258</b>	<b>3,531</b>
Purchase of property, plant and equipment		-505	-576
Purchase of business activity		<u>0</u>	<u>-1,995</u>
<b>Cash flows from investing activities</b>		<b>-505</b>	<b>-2,571</b>
<b>Change in cash and cash equivalents</b>		<b>2,753</b>	<b>960</b>
Cash and cash equivalents, beginning of the year		<u>960</u>	<u>0</u>
<b>Cash and cash equivalents, end of the year</b>		<b>3,713</b>	<b>960</b>
Analysis of cash and cash equivalents:			
Cash at bank and in hand		<u>3,713</u>	<u>960</u>
<b>Cash and cash equivalents, end of the year</b>		<b>3,713</b>	<b>960</b>

## Notes

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
<b>1 Revenue</b>		
Resale to agriculture, Denmark	674,597	775,031
Resale to industry, Denmark	169,810	147,693
Resale to agriculture, Sweden	485,307	433,806
Resale to industry, Sweden	10,209	6,750
	<b><u>1,339,923</u></b>	<b><u>1,363,280</u></b>
<b>2 Staff costs</b>		
Wages and salaries	46,473	50,265
Pensions	3,854	4,090
Other social security costs	129	166
	<b><u>50,456</u></b>	<b><u>54,521</u></b>
<b>Staff costs are recognised in the following line items</b>		
Distribution costs	44,258	48,343
Administrative expenses	6,198	6,178
	<b><u>50,456</u></b>	<b><u>54,521</u></b>
<b>Including remuneration to the Executive</b>	<b><u>1,824</u></b>	<b><u>1,412</u></b>
Average number of employees	<u>68</u>	<u>75</u>

## Notes

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
<b>3 Financial income</b>		
Exchange gains	19,298	6,809
Currency forwards	<u>0</u>	<u>1,340</u>
	<b><u>19,298</u></b>	<b><u>8,149</u></b>
<b>4 Financial costs</b>		
Financial expenses, group entities	28,012	27,342
Other financial costs	545	264
Exchange loss	19,328	6,295
Currency forwards	<u>255</u>	<u>593</u>
	<b><u>48,140</u></b>	<b><u>34,494</u></b>
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	8,301	8,963
Adjustment of tax concerning previous years	228	0
Adjustment of deferred tax	<u>-77</u>	<u>-171</u>
	<b><u>8,452</u></b>	<b><u>8,792</u></b>
<b>6 Distribution of profit</b>		
Retained earnings	<u>28,620</u>	<u>23,270</u>
	<b><u>28,620</u></b>	<b><u>23,270</u></b>

## Notes

### 7 Intangible assets

	<u>IP rights</u>	<u>Goodwill</u>
Cost at 1 January 2018	5,690	7,721
Cost at 31 December 2018	5,690	7,721
Impairment losses and amortisation at 1 January 2018	4,819	7,721
Amortisation for the year	475	0
Impairment losses and amortisation at 31 December 2018	5,294	7,721
<b>Carrying amount at 31 December 2018</b>	<b><u>396</u></b>	<b><u>0</u></b>

### 8 Tangible assets

	<u>Other fixtures and fittings, tools and equipment</u>
Cost at 1 January 2018	11,736
Additions for the year	505
Cost at 31 December 2018	12,241
Impairment losses and depreciation at 1 January 2018	9,953
Depreciation for the year	631
Impairment losses and depreciation at 31 December 2018	10,584
<b>Carrying amount at 31 December 2018</b>	<b><u>1,657</u></b>

## Notes

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
<b>9 Stocks</b>		
Finished goods and goods for resale	<u>54,288</u>	<u>30,168</u>
	<b><u>54,288</u></b>	<b><u>30,168</u></b>

### 10 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years and includes rent and lease liabilities, interest expenses and other prepayments.

### 11 Financial instruments

The company uses currency forward contracts for hedging purposes, in order to reduce currency risks for the sale in SEK for the next 12 months. At the year end there was open contracts for tSEK 510,050. (2017: tSEK 384,600). The net fair value of these contracts were tDKK -2,184 at the year-end (2017: tDKK 3,283).

### 12 Equity

The share capital consists of:

	Nominal value
12,000 shares of TDKK 1	<u>12,000</u>
	<b><u>12,000</u></b>

There have been no changes in the share capital during the last 5 years.  
None of the shares are special privileged.

## Notes

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
<b>13 Provision for deferred tax</b>		
Provision for deferred tax at 1 January	-30	-202
Adjustment for the year	<u>77</u>	<u>172</u>
<b>Provision for deferred tax at 31 December</b>	<b><u>47</u></b>	<b><u>-30</u></b>
<b>Deferred tax liability</b>	<b><u>0</u></b>	<b><u>30</u></b>
<b>Deferred tax assets</b>	<b><u>47</u></b>	<b><u>0</u></b>
<b>14 Other provisions</b>		
Balance at beginning of year at 1 January	28,339	20,875
Exchange adjustment	-3,337	981
Provision in year	21,282	27,649
Applied in the year	<u>-20,745</u>	<u>-21,166</u>
<b>Balance at 31 December</b>	<b><u>25,539</u></b>	<b><u>28,339</u></b>
Other provisions comprise provisions for warranty commitments. Warranty provisions relate to expected warranty expenses in accordance with usual guarantee commitments applicable to the sale of goods.		
	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
<b>15 Other payables</b>		
VAT and other indirect taxes	33,429	49,245
Wages/salaries, salary taxes, social security contributions, etc.	3,087	3,031
Compensated absence	7,253	8,572
Other accrued expenses	<u>5,961</u>	<u>1,406</u>
	<b><u>49,730</u></b>	<b><u>62,254</u></b>

## Notes

### 16 Deferred income

Deferred income include accrual of warranty income.

### 17 Subsequent events

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

### 18 Rent and lease liabilities

Operating lease liabilities.  
Total future lease payments:

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
	5,049	3,513
	<b><u>5,049</u></b>	<b><u>3,513</u></b>

### 19 Contingencies, etc.

#### Other financial obligations

The company is jointly taxed with Iveco Danmark A/S which acts as management company, and is jointly and severally with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.



## Notes

### 20 Related parties and ownership structure

#### Controlling interest

CNH Industrial N.V.  
Cranes Farm Road  
Basildon, Essex  
SS14 3AD  
Great Britain

#### Transactions

There has been no transactions with the parent company.  
Remunerations to executives are included in note 2.

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
Purchase of goods from group companies	1,147,148	1,111,353
Purchase of services from group companies	19,270	26,597
Interest paid to group companies	28,012	27,342
Sale of goods to group companies	9,519	4,425
Sale of services to group companies	11,832	12,918
Receivables from group companies	451,116	490,060
Payables to group companies	158,518	182,153

## Notes

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
<b>21 Fee to auditors appointed at the general meeting</b>		
ERNST & YOUNG:		
Audit fee	184	127
	<u><b>184</b></u>	<u><b>127</b></u>
<b>22 Cash flow statement - adjustments</b>		
Financial income	-19,299	-8,150
Financial costs	48,140	34,494
Depreciation/Amortisation	1,107	1,617
Change in provisions	-2,800	7,463
Change in deferred income taxes	-77	-172
Tax on profit/loss for the year	7,229	9,523
	<u><b>34,300</b></u>	<u><b>44,775</b></u>
<b>23 Cash flow statement - change in working capital</b>		
Inventory	-24,119	4,166
Group receivables/payables	17,307	-57,052
Trade payables	-3,097	7,836
Other receivables/payables	-6,219	6,660
	<u><b>-16,128</b></u>	<u><b>-38,390</b></u>

## Accounting policies

The annual report of CNH Industrial Danmark A/S for 2018 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 are consistent with those of last year.

The annual report for 2018 is presented in Danish kroner.

### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

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

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

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report are presented and which confirm or invalidate matters existing at the balance sheet date.

### Calculation of goodwill

The company uses the acquisition method when new business activities are purchased, after which the newly acquired business' identified assets and liabilities are measured at fair value at the time of acquisition.

Positive difference (goodwill) between cost and fair value of acquired identifiable assets and liabilities, incl. provisions for restructuring are recognized under intangible fixed assets and are depreciated systematically in the income statement after an individual assessment of the economic life. Goodwill from acquired business activities can be regulated until the end of the year after the acquisition.

## **Accounting policies**

### **Income statement**

#### **Segment information**

Information is provided on business segments and geographical markets. The segment information is provided in consideration of the company's accounting policies, risks and management control.

#### **Revenue**

Revenue from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. Revenue is net of all types of discounts granted.

#### **Cost of sales**

Cost of sales includes the cost of goods used in generating the year's revenue, adjusted for ordinary inventory write-downs.

#### **Distribution costs**

Distribution costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, including expenses related to sales staff etc.

#### **Administrative expenses**

Administrative expenses include expenses incurred in the year for purposes of managing and administering the company, including expenses relating to administrative staff, management, office premises/expenses as well as amortisation/depreciation of assets used for administrative purposes.

#### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of 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. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

## Accounting policies

### Tax on profit/loss for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity and its Danish Group entities are taxed on a joint basis. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

## Balance sheet

### Intangible assets

#### *Goodwill*

Acquired goodwill is measured at cost less accumulated depreciation and write-downs. Goodwill is amortized over the estimated economic life, which is determined on the basis of management's experience in the individual business areas. Goodwill is depreciated on a straight-line basis over the depreciation period, which is 5 years.

Intangible fixed assets are generally written down to the recoverable amount if this is lower than the carrying amount.

#### *IP rights*

Other intangible assets include software licenses.

IP rights are measured at cost less accumulated amortisation and impairment losses.

Software licenses are amortised on a straight-line basis over the estimated useful life. The amortisation period is five years.

### Tangible assets

Items of fixtures and fittings, tools and equipment 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 when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

## Accounting policies

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

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

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

### Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the company are classified as operational leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's aggregate liabilities relating to operating leases and other leases are disclosed under contingencies.

### Impairment of fixed assets

The carrying amount of fixed assets is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Where there is evidence of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

### Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The net realisable value of stocks is calculated as the selling price less costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

## Accounting policies

### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Receivables for which there is no objective indication of individual impairment are reviewed for impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the company's credit risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received, using the effective interest rate of individual receivables or portfolios of receivables as discount rate.

### Prepayments

Prepayments recognised comprises costs incurred concerning subsequent financial years.

### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

### Provisions

Provisions comprise expected expenses relating to guarantee commitments. Provisions are recognised when as a result of a past event the company's has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation concerned is expected to be settled far into the future.

Guarantee commitments comprise expected cost of repairs within the guarantee period and are recognised based on previous experience with work performed under guarantees.

### Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

## Accounting policies

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

### Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

### Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in 'Other receivables' or 'Other payables', respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the income statement xx together with fair value adjustments of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future cash flows are recognised in other receivables or other payables and in equity. If the future transaction results in recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or the liability, respectively. If the future transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

As for derivative financial instruments that do not qualify for hedge accounting, fair value adjustments are recognised in the income statement on a current basis.

### Cash flow statement

The cash flow statement shows the company's cash flows for the year, broken down under cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and the company's cash and cash equivalents at the beginning and at the end of the year.



## Accounting policies

### Cash flows from operating activities

Cash flows from operating activities are stated as the company's profit or loss for the year, adjusted for non-cash operating items, changes in working capital and paid income taxes.

### Cash flows from investing activities

Cash flows from investing activities comprise payments related to the acquisition and sale of entities and activities as well as intangible assets, property, plant and equipment and investments.

### Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the company's share capital and related costs, as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

### Financial highlights

Definitions of financial ratios.

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