

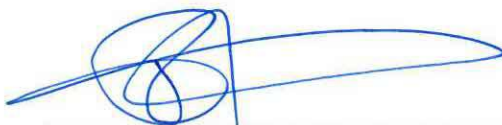
# **CNH Industrial Danmark A/S**

**Roholmsvej 19, 2620, Albertslund**

**CVR no. 56 09 88 28**

## **Annual report for 2017**

Adopted at the annual general meeting  
on 23 March 2018

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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 2017.

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 2017 and of the results of the company's operations and cash flows for the financial year 1 January - 31 December 2017.

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 at the annual general meeting.

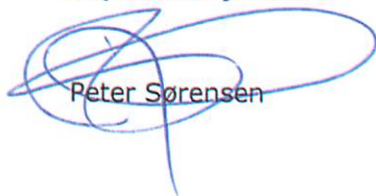
Copenhagen, 20 March 2018

### Executive board



Peter Friis  
Chief executive officer

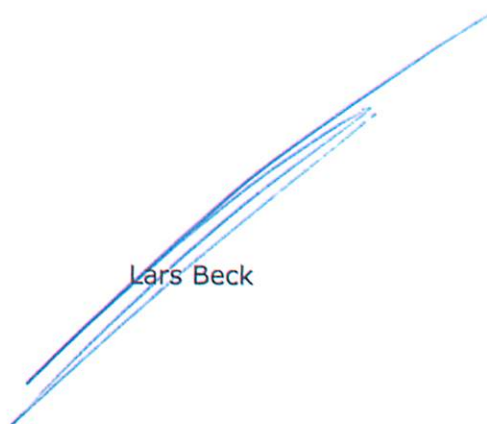
### Supervisory board



Peter Sørensen



Peter Friis



Lars Beck

## **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 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including 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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and 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 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 as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the financial statements.

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

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

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


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

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

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

Copenhagen, 20 March 2018

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 2017

Domicile: Albertslund

### Supervisory Board

Peter Sørensen  
Peter Friis  
Lars Beck

### Executive Board

Peter Friis, chief executive officer

### Ownership control

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  
Kalvebod Brygge 39-41  
DK-1560 Copenhagen

### Bankers

Danske Bank  
Holmens Kanal  
DK-1060 Copenhagen

## **Company details**

### **Consolidated financial statements**

The company is included in the group annual report of CNH Industrial N.V.

The group annual report of CNH Industrial N.V. may 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:

	2017	2016	2015	2014	2013
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
Revenue	1,363,280	1,228,866	896,253	821,229	902,881
Gross profit	167,211	101,679	89,446	96,620	88,710
Profit/loss before financial income and expenses	58,407	29,797	29,992	40,468	36,723
Net financials	-26,345	-25,789	-16,374	-17,162	-18,469
Profit/loss for the year	23,270	3,043	10,418	17,581	13,677
Balance sheet total	538,433	477,333	381,450	281,984	281,408
Investment in property, plant and equipment	576	217	2,076	853	382
Equity	123,408	98,152	93,812	83,396	65,817
Number of employees	75	43	40	40	35
<b>Financial ratios</b>					
Gross margin	12.3%	8.3%	10.0%	11.8%	9.8%
Solvency ratio	22.9%	20.6%	24.6%	29.6%	23.4%
Return on equity	21.0%	3.2%	11.8%	23.6%	23.2%

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 increasing activity level in 2018 mainly due to entering the Swedish market, the purchase of Kongskilde activity and expected growth in the agricultural sector.

### **Financing**

#### **Financial review**

The profit development in the financial year has been positive compared with previous years for both agricultural and construction machines. In 2016 the company established a dealer network in Sweden servicing the Swedish market. The effect of a full year in 2017 on the Swedish market has had a positive effect on the activity. Management has maintained the level of investment in optimizing our service and support of dealers and customers.

The group has in the beginning of the year acquired the agricultural Grass and Soil implement business of Kongskilde Industries, part of the Danish Group, Dansk Landbrugs Grovvarereselskab (DLG A.m.b.A.). Part of this business is placed in CNH Industrial Danmark A/S. The business will sell and service solutions for agricultural applications in the Tillage, Seeding and Hay & Foragesegments under various brands, including Kongskilde, Överum and JF. Expensed goodwill of tDKK 7,721 in connection with the acquisition is included in Distribution cost.

Profit for the year amounts to tDKK 23,269 after tax, against profit tDKK 3,043 in 2016.

### **Statutory report on corporate social responsibility**

CNH Industrial Danmark A/S does not have a local CSR policy, including human rights, environment and climate. The company is a subsidiary of CNH Industrial Group fully committed to CNH Industrial's CSR policy. Every year CNH Industrial Group publishes a full CSR report, which is published after the supervisory board's approval of the annual report of CNH Industrial Danmark A/S and will be available on:

[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).

## Management's review

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

CNH Industrial Danmark A/S strives to recruit the most suitable supervisory board members, managers and employees regardless of gender, race or religion. Our recruiting and employee policy reflects this practice.

The supervisory board has set a target of the underrepresented gender to be 1 member of the supervisory board. It is the aim of the supervisory board to achieve this target before end of 2023. There has been no replacement on the board in 2017. Currently the underrepresented gender is 0 board members

CNH Industrial Danmark A/S has a non-discrimination equal rights policy focusing on competencies in relation to job profiles on all managerial levels. Men and women have equal opportunities within the company. The policy sets the framework for the individual career development and guidelines of recruiting and retention of managers. Specifically this relates to:

- Support of individual career plans
- Mentor and sparring opportunities
- Employee policy that promotes equal career opportunities for both genders.
- Hiring policy and procedure that contributes to ensure the same recruitment opportunities for both genders

The proportions of the female/male managers has been unchanged in 2017, and females are underrepresented.

## Income statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
<b>Revenue</b>	1	<b>1,363,280</b>	<b>1,228,866</b>
Cost of sales		<u>-1,196,069</u>	<u>-1,127,187</u>
<b>Gross profit</b>		<b>167,211</b>	<b>101,679</b>
Distribution costs	2	-96,078	-66,378
Administrative expenses	2	<u>-12,726</u>	<u>-5,504</u>
<b>Profit/loss before financial income and expenses</b>		<b>58,407</b>	<b>29,797</b>
Financial income	3	8,149	8,024
Financial costs	4	<u>-34,494</u>	<u>-33,813</u>
<b>Profit/loss before tax</b>		<b>32,062</b>	<b>4,008</b>
Tax on profit/loss for the year	5	<u>-8,792</u>	<u>-965</u>
<b>Net profit/loss for the year</b>		<b><u>23,270</u></b>	<b><u>3,043</u></b>
Distribution of profit	6		

## Balance sheet 31 December

	Note	2017 TDKK	2016 TDKK
<b>Assets</b>			
IP rights		871	1,346
<b>Intangible assets</b>	7	<u>871</u>	<u>1,346</u>
Other fixtures and fittings, tools and equipment		1,783	2,349
<b>Tangible assets</b>	8	<u>1,783</u>	<u>2,349</u>
<b>Fixed assets total</b>		<u>2,654</u>	<u>3,695</u>
<b>Stocks</b>	9	<u>30,168</u>	<u>34,335</u>
Receivables from group entities		490,060	426,650
Other receivables		8,420	6,359
Prepayments	10	6,171	6,294
<b>Receivables</b>		<u>504,651</u>	<u>439,303</u>
<b>Cash at bank and in hand</b>		<u>960</u>	<u>0</u>
<b>Current assets total</b>		<u>535,779</u>	<u>473,638</u>
<b>Assets total</b>		<u><u>538,433</u></u>	<u><u>477,333</u></u>

## Balance sheet 31 December

	Note	2017 TDKK	2016 TDKK
<b>Liabilities and equity</b>			
Share capital		12,000	12,000
Other reserves	11	3,283	1,297
Retained earnings		108,125	84,855
<b>Equity</b>	12	<b>123,408</b>	<b>98,152</b>
Provision for deferred tax	13	30	202
Other provisions	14	28,339	20,875
<b>Provisions total</b>		<b>28,369</b>	<b>21,077</b>
Trade payables		142,249	134,415
Payables to group entities		182,153	170,446
Other payables	15	62,254	53,243
<b>Short-term debt</b>		<b>386,656</b>	<b>358,104</b>
<b>Debt total</b>		<b>386,656</b>	<b>358,104</b>
<b>Liabilities and equity total</b>		<b>538,433</b>	<b>477,333</b>
Financial instruments	11		
Subsequent events	16		
Rental agreements and lease commitments	17		
Contingent assets, liabilities and other financial obligations	18		
Related parties and ownership	19		
Fee to auditors appointed at the general meeting	20		

**Statement of changes in equity**

	<u>Share capital</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2017	12,000	1,297	84,855	98,152
Fair value adjustment of hedging instruments	0	1,986	0	1,986
Net profit/loss for the year	0	0	23,270	23,270
<b>Equity at 31 December 2017</b>	<b><u>12,000</u></b>	<b><u>3,283</u></b>	<b><u>108,125</u></b>	<b><u>123,408</u></b>

## Cash flow statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
Net profit/loss for the year		23,270	3,043
Adjustments	21	44,775	32,323
Change in working capital	22	-38,390	-7,913
<b>Cash flows from operating activities before financial income and expenses</b>		<b>29,655</b>	<b>27,453</b>
Interest income and similar income		10,136	9,686
Interest expenses and similar charges		-34,495	-33,813
<b>Cash flows from ordinary activities</b>		<b>5,296</b>	<b>3,326</b>
Corporation tax paid		-1,765	-3,109
<b>Cash flows from operating activities</b>		<b>3,531</b>	<b>217</b>
Purchase of property, plant and equipment		-576	-217
Purchase of business activity		-1,995	0
<b>Cash flows from investing activities</b>		<b>-2,571</b>	<b>-217</b>
<b>Change in cash and cash equivalents</b>		<b>960</b>	<b>0</b>
Cash and cash equivalents, beginning of the year		0	0
<b>Cash and cash equivalents, end of the year</b>		<b>960</b>	<b>0</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		960	0
<b>Cash and cash equivalents, end of the year</b>		<b>960</b>	<b>0</b>



## Notes

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
<b>1 Revenue</b>		
Resale to agriculture, Denmark	775,031	716,592
Resale to industry, Denmark	147,693	93,746
Resale to agriculture, Sweden	433,806	412,267
Resale to industry, Sweden	6,750	6,261
	<u><b>1,363,280</b></u>	<u><b>1,228,866</b></u>
<b>2 Staff costs</b>		
Wages and salaries	50,265	31,358
Pensions	4,090	2,971
Other social security costs	166	98
	<u><b>54,521</b></u>	<u><b>34,427</b></u>
<b>Staff costs are recognised in the following line items</b>		
Distribution costs	48,343	33,559
Administrative expenses	6,178	868
	<u><b>54,521</b></u>	<u><b>34,427</b></u>
<b>Including remuneration to the Executive</b>	<u><b>1,412</b></u>	<u><b>1,175</b></u>
Average number of employees	<u>75</u>	<u>43</u>

## Notes

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
<b>3 Financial income</b>		
Exchange gains	6,809	8,024
Currency forwards	<u>1,340</u>	<u>0</u>
	<b><u>8,149</u></b>	<b><u>8,024</u></b>
<b>4 Financial costs</b>		
Financial expenses, group entities	27,342	24,704
Other financial costs	264	95
Exchange loss	6,295	8,816
Currency forwards	<u>593</u>	<u>198</u>
	<b><u>34,494</u></b>	<b><u>33,813</u></b>
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	8,963	1,121
Adjustment of tax concerning previous years	0	43
Adjustment of deferred tax	<u>-171</u>	<u>-199</u>
	<b><u>8,792</u></b>	<b><u>965</u></b>
<b>6 Distribution of profit</b>		
Retained earnings	<u>23,270</u>	<u>3,043</u>
	<b><u>23,270</u></b>	<b><u>3,043</u></b>

## Notes

### 7 Intangible assets

	IP rights	Goodwill
Cost at 1 January 2017	5,690	0
Additions for the year	0	7,721
Cost at 31 December 2017	<u>5,690</u>	<u>7,721</u>
Impairment losses and amortisation at 1 January 2017	4,344	0
Amortisation and impairment for the year	475	7,721
Impairment losses and amortisation at 31 December 2017	<u>4,819</u>	<u>7,721</u>
<b>Carrying amount at 31 December 2017</b>	<b><u>871</u></b>	<b><u>0</u></b>

The management has considered the recoverable amount of goodwill to be lower than the carrying value and has therefore chosen to write down the goodwill to 0. The amount of tDKK 7,721 is included in distribution cost.

### 8 Tangible assets

	Other fixtures and fittings, tools and equipment
Cost at 1 January 2017	11,160
Additions for the year	576
Cost at 31 December 2017	<u>11,736</u>
Impairment losses and depreciation at 1 January 2017	8,811
Depreciation for the year	1,142
Impairment losses and depreciation at 31 December 2017	<u>9,953</u>
<b>Carrying amount at 31 December 2017</b>	<b><u>1,783</u></b>

## Notes

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
<b>9 Stocks</b>		
Finished goods and goods for resale	<u>30,168</u>	<u>34,335</u>
	<b><u>30,168</u></b>	<b><u>34,335</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 384.600. (2016: tSEK 399.000). The net fair value of these contracts were tDKK 3.283 at the year-end (2016: tDKK tDKK 1.297).

### 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>2017</u>	<u>2016</u>
	TDKK	TDKK
<b>13 Provision for deferred tax</b>		
Provision for deferred tax at 1 January	-202	-401
Adjustment for the year	<u>172</u>	<u>199</u>
<b>Provision for deferred tax at 31 December</b>	<b><u>-30</u></b>	<b><u>-202</u></b>
<b>Deferred tax liability</b>	<b><u>30</u></b>	<b><u>202</u></b>

## 14 Other provisions

Balance at beginning of year at 1 January	20,875	17,137
Adjustment	981	1,733
Provision in year	27,649	21,989
Applied in the year	<u>-21,166</u>	<u>-19,984</u>
<b>Balance at 31 December</b>	<b><u>28,339</u></b>	<b><u>20,875</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>2017</u>	<u>2016</u>
	TDKK	TDKK
<b>15 Other payables</b>		
VAT and other indirect taxes	49,245	42,552
Wages/salaries, salary taxes, social security contributions, etc.	3,031	2,616
Compensated absence	8,572	4,866
Other accrued expenses	<u>1,406</u>	<u>3,209</u>
	<b><u>62,254</u></b>	<b><u>53,243</u></b>

## 16 Subsequent events

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

## Notes

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
<b>17 Rental agreements and lease commitments</b>		
Operating lease commitments.		
Total future lease payments:		
	<u>3,513</u>	<u>3,514</u>
	<u><b>3,513</b></u>	<u><b>3,514</b></u>

## 18 Contingent assets, liabilities and other financial obligations

### 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

### 19 Related parties and ownership

#### 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>2017</u>	<u>2016</u>
	TDKK	TDKK
Purchase of goods from group companies	1,111,353	1,065,159
Purchase of services from group companies	26,597	18,335
Interest paid to group companies	27,341	24,704
Sale of goods to group companies	4,425	1,851
Sale of services to group companies	12,918	0
Receivables from group companies	490,061	426,650
Payables to group companies	181,911	170,447

## Notes

	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>20 Fee to auditors appointed at the general meeting</b>		
ERNST & YOUNG:		
Audit fee	<u>127</u>	<u>125</u>
	<u><b>127</b></u>	<u><b>125</b></u>
<b>21 Cash flow statement - adjustments</b>		
Financial income	-8,150	-8,024
Financial costs	34,494	33,813
Depreciation	1,617	1,830
Change in provisions	7,463	3,738
Change in deferred income taxes	-172	-199
Tax on profit/loss for the year	<u>9,523</u>	<u>1,165</u>
	<u><b>44,775</b></u>	<u><b>32,323</b></u>
<b>22 Cash flow statement - change in working capital</b>		
Inventory	4,166	-8,946
Group receivables/payables	-57,052	-60,589
Trade payables	7,836	56,554
Other receivables/payables	<u>6,660</u>	<u>5,068</u>
	<u><b>-38,390</b></u>	<u><b>-7,913</b></u>



## **Accounting policies**

The annual report of CNH Industrial Danmark A/S for 2017 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 2017 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 ex. 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 are indications 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 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 comprise 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 together with changes in the fair value 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 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 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, 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 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	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$