



intertrust
GROUP

CNH Industrial Danmark A/S

Roholmsvej 19, DK-2620 Albertslund
CVR no. 56 09 88 28

Annual report for 2021

Adopted at the annual general meeting
on 5 May 2022

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Peter Sørensen
chairman

Table of contents

	Page
Statements	
Statement by management on the annual report	1
Independent auditor's report	2
Management's review	
Company details	5
Financial highlights	7
Management's review	8
Financial statements	
Income statement 1 January - 31 December	13
Balance sheet 31 December	14
Statement of changes in equity	16
Cash flow statement 1 January - 31 December	17
Notes	18
Accounting policies	26

Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of CNH Industrial Danmark A/S for the financial year 1 January - 31 December 2021.

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 2021 and of the results of the company's operations and cash flows for the financial year 1 January - 31 December 2021.

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.

Albertslund, 5 May 2022

Executive board



Peter Friis
Chief Executive Officer

Supervisory board



Peter Sørensen
chairman



Peter Friis



Lars Møller

Independent auditor's report

To the shareholder 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 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. 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 2021 and of the results of the company's operations and cash flows for the financial year 1 January - 31 December 2021 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 and the IESBA Code.

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 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 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.

Frderiksberg, 5 May 2022

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Peter Jensen
State Authorised Public Accountant
MNE no. mne33246



Allan Nørgaard
State Authorised Public Accountant
MNE no. mne35501

Company details

CNH Industrial Danmark A/S
Roholmsvej 19
DK-2620 Albertslund

CVR-no. 56 09 88 28

Financial year: 1 January - 31 December 2021

Domicile: Albertslund

Supervisory Board

Peter Sørensen, chairman
Peter Friis
Lars Møller

Executive Board

Peter Friis

Group entities

CNH Industrial Europe Holding S.A.

Auditors

EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
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 reflected in the group report as the parent company CNH Industrial N.V.

The group report of CNH Industrial N.V. 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:

	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Revenue	1,680,458	1,637,835	1,456,884	1,339,923	1,363,280
Gross profit	171,057	152,355	140,538	163,857	167,211
Profit/loss before net financials	92,149	72,118	56,966	65,914	58,407
Net financials	-25,418	-23,656	-20,456	-28,842	-26,345
Profit/loss for the year	51,966	37,781	28,427	28,620	23,270
Balance sheet total	866,332	725,590	595,920	519,502	538,433
Investment in property, plant and equipment	0	489	254	505	576
Equity	268,832	206,517	170,770	146,561	123,408
Number of employees	57	62	65	68	75
Financial ratios					
Gross margin	10.2%	9.3%	9.6%	12.2%	12.3%
Solvency ratio	31.0%	28.5%	28.7%	28.2%	22.9%
Return on equity	21.9%	20.0%	17.9%	21.2%	21.0%

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 review

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.

Financial review

The profit development in the financial year has been positive compared to previous years for agricultural machines, as well as for 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 51,966 after tax, against profit TDKK 37,781 in 2020. The result is in line with the positive expectations from last year.

Significant events occurring after the end of the financial year

No material events have occurred after the balance sheet date, that affect the assessment of the annual report.

Expected development of the company, including specific prerequisites and uncertainties

The company expect a neutral development in profit compared to last year, based on the uncertainties mentioned below.

Activities in digitalization is expected to lead to more efficient use of the resources 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.

Uncertainty remains about the future COVID-19 impacts on CNH Industrial Danmark A/S' end-markets and operations of renewed restrictions on social interactions and business operations.

CNH Industrial Danmark A/S is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business and the company's results of operations, financial condition and cash flows in 2022, which may also be significantly negatively impacted by other things such as, further increases in component prices, rising energy and freight prices, product availability (because of component shortage at the factories – machines are not finished in time) as well as further restructuring actions and other non-cash asset impairments, difficulty in collecting financial receivables and subsequent increased allowances for credit losses.

The war in Ukraine is not affecting the business of CNH Danmark A/S as they do not have any sales to or purchase from this market.

Management's review

Statutory corporate governance report

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).

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

Statutory corporate social responsibility report

Description of the company's corporate social responsibility policies

Policies on the environment

Description of the company's corporate social responsibility standards, guidelines and principles:

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 recently 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.

Climate issues

The company is committed to act to combat the climate changes. Locally the risks and efforts are limited.

The company is continuing to investing in energy saving lightning (LED) in all locations and has improved the heating system during 2021 to become more effective.

Management's review

Policies on social conditions and labour practices

Description of the company's corporate social responsibility standards, guidelines and principles:

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 2-3 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 2021 there were no work-related injuries for the 3th consecutive year.

Policies on human rights

Description of the company's corporate social responsibility standards, guidelines and principles:

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 2021 as in previous years, all employees were invited to participate in mandatory training to stay familiar with the company's human rights policy.

In 2021 all 57 employees have completed the training and the training will continue in the coming years for all new employees as well as for all the remaining employees.

Management's review

Anti-corruption and bribery policies

Description of the company's corporate social responsibility standards, guidelines and principles:

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 Danmark A/S.

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 2021 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. In 2022 focus will be the same and relevant training will be conducted for all relevant people.

COVID-19:

In 2021, the Covid-19 pandemic has put further strain on the physical and mental work environment as a result of health risks and repatriations. CNH Industrial Danmark A/S has placed great focus on protecting the employees during this period by inserting guidelines, providing protective equipment and giving the employees the possibility to work remotely to a very large extend. After returning to a more frequent on-site working pattern the company have supplied self-tests for all employees to reduce the risk of spreading the virus at the workplace.

Management's review

Policies on the underrepresented gender

Description of policies for the underrepresented gender

Policies for 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 84% men and 16% women. At management level (including all positions that have employees in reference) 8% 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. In 2021 there were 1 female manager in CNH Industrial Danmark A/S and the company has set a concrete target to have 2 female managers before the end of 2022.

The current board of directors consists of 3 men. During 2018 the board did have 1 female member, but due to her resignation, and no 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 2023.

Statement of policy for data ethics

Description of the entity's work with and policy for data ethical questions

CNH Industrial Danmark A/S does not consider it relevant to draw up a policy for data ethics. In this connection, the company attaches importance to the fact that the company only to a limited extent collects and processes data and does not use new technologies as part of the company's main activity, and does not itself or through external suppliers carry out specific data analyses, evaluations or segmentations.

Income statement 1 January - 31 December

	<u>Note</u>	<u>2021</u> TDKK	<u>2020</u> TDKK
Revenue	1	1,680,458	1,637,835
Cost of sales		<u>-1,509,401</u>	<u>-1,485,480</u>
Gross profit		171,057	152,355
Distribution costs	2	-65,519	-65,822
Administrative expenses	2	<u>-13,389</u>	<u>-14,415</u>
Profit/loss before net financials		92,149	72,118
Financial income	3	5,105	9,307
Financial costs	4	<u>-30,523</u>	<u>-32,963</u>
Profit/loss before tax		66,731	48,462
Tax on profit/loss for the year	5	<u>-14,765</u>	<u>-10,681</u>
Profit/loss for the year		<u>51,966</u>	<u>37,781</u>
Distribution of profit	6		

Balance sheet 31 December

	<u>Note</u>	<u>2021</u> TDKK	<u>2020</u> TDKK
Assets			
IP rights		0	0
Intangible assets	7	<u>0</u>	<u>0</u>
Other fixtures and fittings, tools and equipment		1,498	1,834
Tangible assets	8	<u>1,498</u>	<u>1,834</u>
Total non-current assets		<u>1,498</u>	<u>1,834</u>
Finished goods and goods for resale		14,935	52,465
Stocks	9	<u>14,935</u>	<u>52,465</u>
Receivables from group entities		835,380	655,134
Other receivables		3,102	4,719
Prepayments	10	6,930	7,465
Receivables		<u>845,412</u>	<u>667,318</u>
Cash at bank and in hand		<u>4,487</u>	<u>3,973</u>
Total current assets		<u>864,834</u>	<u>723,756</u>
Total assets		<u><u>866,332</u></u>	<u><u>725,590</u></u>

Balance sheet 31 December

	<u>Note</u>	<u>2021</u> TDKK	<u>2020</u> TDKK
Equity and liabilities			
Share capital		12,000	12,000
Other reserves		1,913	-8,436
Retained earnings		<u>254,919</u>	<u>202,953</u>
Equity	11	<u>268,832</u>	<u>206,517</u>
Provision for deferred tax	12	35	11
Other provisions	13	<u>48,837</u>	<u>42,225</u>
Total provisions		<u>48,872</u>	<u>42,236</u>
Trade payables		176,990	138,896
Payables to group entities		282,656	234,010
Corporation tax		10,729	7,075
Other payables	14	75,338	92,295
Deferred income	15	<u>2,915</u>	<u>4,561</u>
Total current liabilities		<u>548,628</u>	<u>476,837</u>
Total liabilities		<u>548,628</u>	<u>476,837</u>
Total equity and liabilities		<u>866,332</u>	<u>725,590</u>
Rent and lease liabilities	16		
Contingent liabilities	17		
Financial instruments	18		
Related parties and ownership structure	19		
Fee to auditors appointed at the general meeting	20		

Statement of changes in equity

	Share capital	Other reserves	Retained earnings	Total
Equity at 1 January 2021	12,000	-8,436	202,953	206,517
Fair value adjustment of hedging instruments	0	10,349	0	10,349
Net profit/loss for the year	0	0	51,966	51,966
Equity at 31 December 2021	12,000	1,913	254,919	268,832

Cash flow statement 1 January - 31 December

	<u>Note</u>	<u>2021</u> TDKK	<u>2020</u> TDKK
Net profit/loss for the year		51,966	37,781
Adjustments	21	42,973	43,244
Change in working capital	22	<u>-72,426</u>	<u>-48,434</u>
Cash flows from operating activities before financial income and expenses		22,513	32,591
Financial income		15,456	7,268
Financial costs		<u>-30,524</u>	<u>-32,957</u>
Cash flows from ordinary activities		7,445	6,902
Corporation tax paid		<u>-6,931</u>	<u>-4,510</u>
Cash flows from operating activities		514	2,392
Purchase of property, plant and equipment		<u>0</u>	<u>-489</u>
Cash flows from investing activities		0	-489
Change in cash and cash equivalents		514	1,903
Cash and cash equivalents at 1 January		<u>3,973</u>	<u>2,070</u>
Cash and cash equivalents at 31 December		<u>4,487</u>	<u>3,973</u>
Analysis of cash and cash equivalents:			
Cash at bank and in hand		<u>4,487</u>	<u>3,973</u>
Cash and cash equivalents at 31 December		<u>4,487</u>	<u>3,973</u>

Notes

	2021 TDKK	2020 TDKK
1 Revenue		
Resale to agriculture, Denmark	903,761	944,728
Resale to industry, Denmark	194,427	139,093
Resale to agriculture, Sweden	563,103	541,962
Resale to industry, Sweden	19,167	12,052
Total revenue	<u>1,680,458</u>	<u>1,637,835</u>
2 Staff costs		
Wages and salaries	49,989	47,075
Pensions	4,113	4,166
Other social security costs	104	128
	<u>54,206</u>	<u>51,369</u>
Staff costs are recognised in the following line items		
Distribution costs	44,756	42,554
Administrative expenses	9,450	8,815
	<u>54,206</u>	<u>51,369</u>
Including remuneration to Executive	<u>2,442</u>	<u>1,395</u>
Average number of employees	<u>57</u>	<u>62</u>

Notes

	<u>2021</u> TDKK	<u>2020</u> TDKK
3 Financial income		
Interest received, group entities	32	62
Exchange gains	5,073	9,240
Currency forwards	<u>0</u>	<u>5</u>
	<u>5,105</u>	<u>9,307</u>
4 Financial costs		
Financial expenses, group entities	24,541	22,989
Other financial costs	581	564
Exchange loss	<u>5,401</u>	<u>9,410</u>
	<u>30,523</u>	<u>32,963</u>
5 Tax on profit/loss for the year		
Current tax for the year	14,741	10,616
Adjustment of deferred tax	<u>24</u>	<u>65</u>
	<u>14,765</u>	<u>10,681</u>
6 Distribution of profit		
Retained earnings	<u>51,966</u>	<u>37,781</u>
	<u>51,966</u>	<u>37,781</u>

Notes

7 Intangible assets

	<u>IP rights</u>
Cost at 1 January 2021	<u>5,690</u>
Cost at 31 December 2021	<u>5,690</u>
Impairment losses and amortisation at 1 January 2021	<u>5,690</u>
Impairment losses and amortisation at 31 December 2021	<u>5,690</u>
Carrying amount at 31 December 2021	<u><u>0</u></u>

8 Tangible assets

	<u>Other fixtures and fittings, tools and equipment</u>
Cost at 1 January 2021	<u>12,984</u>
Cost at 31 December 2021	<u>12,984</u>
Impairment losses and depreciation at 1 January 2021	<u>11,150</u>
Depreciation for the year	<u>336</u>
Impairment losses and depreciation at 31 December 2021	<u>11,486</u>
Carrying amount at 31 December 2021	<u><u>1,498</u></u>

Notes

	<u>2021</u> TDKK	<u>2020</u> TDKK
9 Stocks		
Finished goods and goods for resale	14,935	52,465
	<u>14,935</u>	<u>52,465</u>

10 Prepayments

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

11 Equity

The share capital consists of:

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

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

None of the shares are special privileged.

	<u>2021</u> TDKK	<u>2020</u> TDKK
12 Provision for deferred tax		
Provision for deferred tax at 1 January 2021	-11	54
Adjustment for the year	-24	-65
Provision for deferred tax at 31 December 2021	<u>-35</u>	<u>-11</u>

Notes

	<u>2021</u>	<u>2020</u>
	TDKK	TDKK
13 Other provisions		
Balance at 1 January 2021	42,226	30,080
Exchange adjustment	-551	0
Provision in year	32,127	35,118
Applied in the year	<u>-24,965</u>	<u>-22,973</u>
Balance at 31 December 2021	<u>48,837</u>	<u>42,225</u>

Other provisions consists of warranty commitments. Provision are expected to be utilized within 5 years.

	<u>2021</u>	<u>2020</u>
	TDKK	TDKK
14 Other payables		
VAT and other indirect taxes	61,762	61,750
Wages/salaries, salary taxes, social security contributions, etc.	7,272	8,670
Compensated absence	2,995	7,492
Other accrued expenses	3,205	3,568
Derivative financial instruments liabilities	<u>104</u>	<u>10,815</u>
	<u>75,338</u>	<u>92,295</u>

15 Deferred income

Deferred income include accrual of warranty income.

Notes

	<u>2021</u>	<u>2020</u>
	TDKK	TDKK
16 Rent and lease liabilities		
Operating lease liabilities	4,595	3,039
	<u>4,595</u>	<u>3,039</u>

17 Contingent liabilities

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 for as well as withholding taxes for as well as withholding taxes on interest, royalties and dividends.

18 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 -409.900. (2020: TSEK -402,000). The net fair value of these contracts were TDKK 2,454 at the year-end (2020: TDKK -10,815).

19 Related parties and ownership structure

Controlling interest

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

Notes

19 Related parties and ownership structure (continued) Transactions

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

	<u>2021</u> TDKK	<u>2020</u> TDKK
Purchase of goods from group companies	1.346.506	1.336.365
Purchase of services from group companies	22.618	23.038
Interest received from group companies	32	62
Interest paid to group companies	24.541	22.989
Sale of goods to group companies	23.129	15.043
Sale of services to group companies	5.246	5.558
Receivables from group companies	835.380	655.134
Payables to group companies	282.656	234.010

	<u>2021</u> TDKK	<u>2020</u> TDKK
20 Fee to auditors appointed at the general meeting		
EY Godkendt Revisionspartnerselskab:		
Audit fee	180	127
	<u>180</u>	<u>127</u>

21 Cash flow statement - adjustments

Financial income	-5,105	-9,307
Financial costs	30,523	32,963
Depreciation/Amortisation	336	298
Change in provisions	6,611	12,145
Change in deferred income taxes	24	65
Tax on profit/loss for the year	10,584	7,080
	<u>42,973</u>	<u>43,244</u>

Notes

	<u>2021</u>	<u>2020</u>
	TDKK	TDKK
22 Cash flow statement - change in working capital		
Inventory	37,530	1,206
Group receivables/payables	-131,597	-73,002
Trade payables	38,094	4,580
Other receivables/payables	-16,453	18,782
	<u><u>-72,426</u></u>	<u><u>-48,434</u></u>

Accounting policies

The annual report of CNH Industrial Danmark A/S for 2021 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 2021 is presented in TDKK.

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 installments 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 that relate 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, liabilities and foreign currency transactions, amortisation of financial assets and liabilities and surcharges and allowances under the Danish Tax Prepayment 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.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Accounting policies

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.

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

	Useful life
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. Write-down is made to the lower of the recoverable amount and the carrying 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.

Accounting policies

The net realisable value of stocks is calculated as the expected selling price less direct 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.

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 deposits at banks.

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.

Accounting policies

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.

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. Deferred tax is measured at net realisable value.

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 instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under '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 or liabilities are recognised in the income statement 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 the fair value reserve under '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.

Accounting policies

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.

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. Dividend income from investments is recognised under 'Interest income and dividend received'.

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	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$