

**CNH INDUSTRIAL
FINANCIAL SERVICES A/S**
Roholmsvej 19
2620 Albertslund
Central Business Registration No
20950137

Annual report 2018

The Annual General Meeting adopted the annual report on ²⁵22.03.2019


Chairman of the General Meeting

Name: Hans Peter Sørensen

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Entity details

Entity

CNH INDUSTRIAL FINANCIAL SERVICES A/S
Roholmsvej 19
2620 Albertslund

Central Business Registration No: 20950137
Registered In: Albertslund
Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Hans Peter Sørensen, Chairman
Francis Thierry Millot
Frans Alpaert

Executive Board

Stefano Izzo

Entity auditors

Ernst & Young Godkendt Revisionsaktieselskab
Osvald Helmuths Vej 4
2000 Frederiksberg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of CNH INDUSTRIAL FINANCIAL SERVICES A/S for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Albertslund, 22.03.2019

Executive Board

Stefano Izzo

Board of Directors

Hans Peter Sørensen
Chairman

François Thierry Millot

Franis Alpaert

By PROXY signed
by Peter SØRENSEN

Independent auditor's report

To the shareholders of CNH INDUSTRIAL FINANCIAL SERVICES A/S

Opinion

We have audited the financial statements of CNH INDUSTRIAL FINANCIAL SERVICES A/S for the financial year 1 January - 31 December 2018, which comprise Income statement, balance sheet, statement of changes in equity 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 2018 and of the results of the Company's operations 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 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 those 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.

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.

Independent auditor's report

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.

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 the 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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 22.03.2018

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28


Mogens Andreasen
State Authorised
Public Accountant
mne28603


Dennis Dupont
State Authorised
Public Accountant
mne36192

Management commentary

Primary activities

The company's activity is mainly financing of agricultural and construction machines as well as commercial vehicles, in cooperation with consolidated enterprise, including retail financing of purchase contracts and lease contracts as well as stock financing for consolidated enterprise and dealers.

It is the opinion of Management that all material information for the assessment of the Company's financial position and the profit for the year appears from the annual report and this management commentary.

Development in activities and finances

During 2018 the retail lending business decreased slightly in Denmark. The good performance of the Commercial Vehicles market has been overcompensated by the weak performance of the agriculture market, mainly during the second half of the year. In Sweden however we could realize a further growth of the retail lending originations, fully driven by the agriculture market. A similar trend we could notice on the commercial lending business: a lower performance in Denmark, driven by the agriculture market, and a slight increase in Sweden. This results in a decrease of the total commercial lending business.

Particular risks

For its retail financing activities the company is working on the Danish market through a vendor program with Société Générale and on the Swedish market through a vendor program with Nordea. This allows the company to cope with potential future financial risks.

Events after the balance sheet date

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

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Gross profit	1	20.581.974	20.916.968
Staff costs	2	(5.544.536)	(5.212.497)
Depreciation, amortisation and Impairment losses	3	<u>(1.416)</u>	<u>(1.416)</u>
Operating profit/loss		15.036.022	15.703.055
Profit/loss before tax		<u>15.036.022</u>	<u>15.703.055</u>
Tax on profit/loss for the year	4	<u>(3.408.850)</u>	<u>(3.539.529)</u>
Profit/loss for the year		<u>11.627.164</u>	<u>12.163.526</u>
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		7.500.000	7.500.000
Retained earnings		<u>4.127.164</u>	<u>4.663.526</u>
		<u>11.627.164</u>	<u>12.163.526</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018</u> <u>DKK</u>	<u>2017</u> <u>DKK</u>
Other fixtures and fittings, tools and equipment		<u>10,268</u>	<u>11,684</u>
Property, plant and equipment	5	<u>10,268</u>	<u>11,684</u>
Fixed assets		<u>10,268</u>	<u>11,684</u>
Receivables from group enterprises	6	12.605,080	58.702.115
Deferred tax		259,942	268,929
Other receivables		87,832,555	14,023,949
Prepayments		<u>1.211,553</u>	<u>1,817,731</u>
Receivables		<u>101.909,930</u>	<u>74,812,724</u>
Current assets		<u>101.909,930</u>	<u>74,812,724</u>
Assets		<u>101.920.198</u>	<u>74,824,408</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018</u> DKK	<u>2017</u> DKK
Contributed capital	7	500.000	500.000
Retained earnings		33.254.432	29.127.268
Proposed dividend		<u>7.500.000</u>	<u>7.500.000</u>
Equity		<u>41.254.432</u>	<u>37.127.268</u>
Trade payables		736.604	633.155
Payables to group enterprises		51.862.497	24.648.944
Income tax payable		2.419.580	2.776.281
Other payables		2.463.173	5.418.738
Deferred Income	8	<u>3.183.912</u>	<u>4.220.022</u>
Current liabilities other than provisions		<u>60.665.766</u>	<u>37.697.140</u>
Liabilities other than provisions		<u>60.665.766</u>	<u>37.697.140</u>
Equity and liabilities		<u>101.920.198</u>	<u>74.824.408</u>
Contingent liabilities	9		
Mortgages and securities	10		
Related parties with controlling interest	11		

Statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500.000	29.127.268	7.500.000	37.127.268
Ordinary dividend paid	0	0	(7.500.000)	(7.500.000)
Profit/loss for the year	0	4.127.164	7.500.000	11.627.164
Equity end of year	500.000	33.254.432	7.500.000	41.254.432

Notes

1. Gross profit

	2018 DKK	2017 DKK
Interest Income	14.040.112	12.374.809
Interest Income from group enterprises	22.632.435	25.490.864
Sundry	(1.635.018)	(1.071.908)
Amortization, Interest expenses on sold portfolio	0	(41.516)
Interest expenses to group enterprises	(9.273.347)	(9.768.417)
Losses and provisions for loss	(269.949)	(18.998)
Other external expenses	(4.912.259)	(6.047.866)
	<u>20.581.974</u>	<u>20.916.968</u>

	2018 DKK	2017 DKK
2. Staff costs		
Wages and salaries	4.362.046	4.467.176
Pension costs	424.909	397.522
Other social security costs	301.325	294.222
Other staff costs	456.256	53.577
	<u>5.544.536</u>	<u>5.212.497</u>

Average number of employees	<u>5</u>	<u>5</u>
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	2018 DKK	2017 DKK
3. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	1.416	1.416
	<u>1.416</u>	<u>1.416</u>

Notes

	<u>2018</u> DKK	<u>2017</u> DKK
4. Tax on profit/loss for the year		
Tax on current year taxable income	3,310,582	3,373,281
Change in deferred tax for the year	8,988	84,615
Adjustment concerning previous years	<u>89,288</u>	<u>81,633</u>
	<u>3,408,858</u>	<u>3,539,529</u>

The Company is jointly taxed with all Danish consolidated companies, with IVECO Denmark A/S as the administration company, and is jointly and severally liable with other jointly taxed companies to pay any income taxes as of the accounting year 2015 as well as for tax at source regarding interest, royalties and dividends due for payment 1 July 2012 or later.

	<u>Other fixtures and fittings, tools and equipment DKK</u>
5. Property, plant and equipment	
Cost beginning of year	<u>571,955</u>
Cost end of year	<u>571,955</u>
Depreciation and impairment losses beginning of the year	(560,271)
Depreciation for the year	<u>(1,416)</u>
Depreciation and impairment losses end of the year	<u>(561,687)</u>
Carrying amount end of year	<u>10,268</u>

6. Receivables from group enterprises

The item comprises short-term finance receivables from group enterprises.

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
7. Contributed capital			
Ordinary shares	<u>500</u>	1,000	<u>500,000</u>
	<u>500</u>		<u>500,000</u>

The share capital of the company has remained unchanged for an amount of DKK 500,000 during the last 5 years.

Notes

8. Deferred income

Deferred income comprises income received to be recognised in the subsequent financial year.

9. Contingent liabilities

The company has entered into lease agreements on company cars with a total value of DKK 61 thousand.

10. Mortgages and securities

No mortgages and securities.

11. Related parties with controlling interest

Consolidated financial statements for the foreign parent companies can be ordered from the following addresses:

CNH Industrial NV
Cranes Farm Road
Basildon
Essex SS14 3AD
U.K

Accounting policies

Reporting class

The annual report of CNH INDUSTRIAL FINANCIAL SERVICES A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprise revenue, cost of sales and external expenses.

Revenue

The finance income is recognised in the income statement concurrently with interest being earned according to contracts.

Cost of sales

Cost of sales is finance cost recognized at cost.

Accounting policies

Other external expenses

Other external expenses comprise losses on receivables and expenses for running the company other than wages and cost for personnel, and depreciation on fixed assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	4-5 years
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An impairment test is made for property, plant and equipment if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax

Accounting policies

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net assets are measured at net realisable values.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognized in the income statement.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

