

Iveco Danmark A/S
Roholmsvej 19, DK-2620 Albertslund
CVR no. 56 57 78 15

Annual report for 2017

Adopted at the annual general meeting
on 8 June 2018



Hans Peter Sørensen
chairman

Contents

	Page
Statements	
Statement by management on the annual report	1
Independent auditor's report	2
Management's review	
Company details	5
Financial highlights	6
Management's review	7
Financial statements	
Income statement 1 January - 31 December	10
Balance sheet 31 December	11
Statement of changes in equity	13
Cash flow statement 1 January - 31 December	14
Notes to the annual report	15
Accounting policies	24

Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of Iveco 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.

Albertslund, 8 June 2018

Executive board



Bjørn Gehlert
chief executive officer

Supervisory board



Hans Peter Sørensen
chairman



Bjørn Gehlert



Maja Henriette Granborg

Independent auditor's report

To the shareholder of Iveco Danmark A/S

Opinion

We have audited the financial statements of Iveco 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, 8 June 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

The company	Iveco Danmark A/S Roholmsvej 19 DK-2620 Albertslund CVR no.: 56 57 78 15 Reporting period: 1 January - 31 December 2017 Incorporated: 30. January 1976 Domicile: Albertslund
Supervisory board	Hans Peter Sørensen, chairman Bjørn Gehlert Maja Henriette Granborg
Executive board	Bjørn Gehlert, chief executive officer
Ownership control	CNH Industrial N. V.
Auditors	ERNST & YOUNG Godkendt Revisionspartnerselskab c/o Postboks 250, Osvald Helmuths Vej 4 DK-2000 Frederiksberg
Lawyers	Lund Elmer Sandager Kalvebod Brygge 39-41 DK-1560 Copenhagen
Bankers	Danske Bank Holmens Kanal 2 DK-1092 Copenhagen
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 SS143AD United Kingdom

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
Key figures					
Revenue	604,604	537,509	574,917	609,046	444,048
Gross profit	160,960	132,080	109,132	116,808	120,999
Profit/loss before financial income and expenses	12,167	5,220	6,055	6,262	4,807
Net financials	-7,695	-6,644	-8,175	-2,825	-1,042
Profit/loss for the year	18,388	-17,593	-4,640	-7,291	2,430
Balance sheet total	642,136	534,810	432,510	359,377	370,401
Investment in property, plant and equipment	146,663	184,793	125,432	3,039	23,607
Equity	85,487	67,099	84,692	138,041	145,331
Number of employees	86	132	158	182	189
Financial ratios					
Gross margin	26.6%	24.6%	19.0%	19.2%	27.2%
Solvency ratio	13.3%	12.5%	19.6%	38.4%	39.2%
Return on equity	24.1%	-23.2%	-4.2%	-5.1%	1.7%

The financial ratios are calculated in accordance with accounting policies.

Management's review

Business activities

The primary activity for the company is import, sales and services of vans, trucks and related spare parts on the Danish market. Distribution and marketing is handled via the Danish dealer network and one owned branch in Odense.

Business review

The company has posted a result for 2017 of 18.4 mill. DKK (vs. -17.6 mill. DKK in 2016). The equity in the company increased from 67.1 mill. DKK (2016) to 85.5 mill. DKK (2017), due to the result of the year.

Outlook

The result in 2017 was improved compared to the year before. The development in IVECO market share has been satisfactory except for the Heavy truck segment. It is the goal for 2018 to further increase the market shares in the key segment Light and improve the market share in the Heavy segment.

Financial review

The Light Market: 3.5 - 7 Tons

IVECO's core market 2017 finished with an increase of 7.3 % in volume compared to 2016. IVECO finished the year with a MS of 18.9 % which was at the same level as in 2016.

The Medium Market: 7.01 - 15.99 Tons

The medium market declining in 2017 by 13 % compared to 2016. IVECO finished the year with a MS of 16.0 % which was at the same level as in 2016.

The Heavy Market: + 16 Tons

The heavy market decreased by 0.8 % compared to 2016. IVECO achieved a MS 5.1 % which was an decrease compared to 2016 of 1.9 %.

Aftersales Market

Spare part sales and Services decreased by 10.9 % compared to 2016. The increased competition from suppliers and unauthorized aftermarket services remain to be a challenge.

Knowledge resources

The company is solely engaged in sales and service. Intellectual capital resources within research and development are placed within the parent company, but available for the subsidiaries of IVECO, and will as such influence the development of the company within this area.

Management's review

Special risks apart from generally occurring risks in industry

Operating risks

The activity of the company is strongly related to the general economic development, especially the development within the transport sector. The industry is highly competitive and the market mature.

Financial risks

The company performs its activities in local currency and has only limited exchange rate exposure. Credit risk is also limited due to the retention of title on sales of vehicles. The main credit risk is related to the aftermarket sales.

Statutory report on corporate social responsibility

Iveco Danmark A/S has no local CSR policy regarding respect of human rights, reduction of environmental pollution and impact on climate change from the company's activities. Iveco Danmark A/S is as a subsidiary of CNH Industrial Group fully committed to CNH Industrial's corporate CSR policy, however this is not published until after Iveco Denmark's annual report.

The corporate sustainability report will be available on the homepage of CNH Industrial (http://www.cnhindustrial.com/en-us/sustainability/corporate_sustainability_reports/Pages/default.aspx).

Human resource

Organization

We will continue the focus on the need for a more agile workforce structure to meet changing business needs in order to ensure organizational performance. A core staff component will remain essential to ensure continuity of key functions for which technical and specialized knowledge are required. Iveco Danmark A/S will continue to help young people with their education by keeping apprentices. It is the aim to have 2-4 apprentices at any given time. In 2017 2 apprentices graduated and were replaced by 2 new apprentices. The graduated apprentices continued as employees in the company after their graduation.

Health

Iveco 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 by having constant focus on a safe work environment, and by offering health insurance and stop smoking classes. In 2017 there were 2 work related injuries which is a reduction compared to the year before, and also in 2017 the health insurance has been used to the benefit of the employees. In 2017 no one has participated in the stop smoking classes, but there has been requests that are expected to result in participants in 2018.

Management's review

Statutory report on the underrepresented gender

Iveco Denmark strives to recruit the most suitable supervisory board members, managers and employees regardless of gender, race or religion. Our recruiting and personal policy reflects this practice. The supervisory board has set a target of the underrepresented gender to be 20 % of board. It is the aim of the supervisory board to achieve this target before end of 2023. In 2017 the underrepresented gender was 0 % of the board. Due to retirement a new chairman of the board has been elected in 2017. The new chairman was elected based on his previous knowledge of the business. There were no qualified candidates among the underrepresented gender.

Iveco Denmark 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 share of the underrepresented gender on the managerial level has decreased in 2017 and is currently 8 %. The share is expected to increase in the coming years.

Significant events occurring after end of reporting period

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

As of 28 February 2017 managing director Lars Beck has resigned. CFO Bjørn Gehlert replaced him in an interim position.

In the board of directors HR-manager Maja Granborg has been elected as new member replacing Lars Beck.

Income statement 1 January - 31 December

	<u>Note</u>	<u>2017</u> TDKK	<u>2016</u> TDKK
Revenue	2	604,604	537,509
Other operating income	3	31,212	24,683
Raw materials and consumables		-422,879	-373,334
Other external costs		-51,977	-56,778
Gross profit		160,960	132,080
Staff expenses	4	-58,297	-78,637
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-90,496	-48,223
Profit/loss from ordinary operating activities before gains/losses from fair value adjustments		12,167	5,220
Financial income	5	624	787
Financial costs	6	-8,319	-7,431
Profit/loss before tax		4,472	-1,424
Tax on profit/loss for the year	7	13,916	-16,169
Net profit/loss for the year		18,388	-17,593
Distribution of profit	8		

Balance sheet 31 December

	Note	2017 TDKK	2016 TDKK
Assets			
Land and buildings		20,795	24,372
Plant and machinery		337,415	312,401
Other fixtures and fittings, tools and equipment		680	706
Leasehold improvements		<u>2,547</u>	<u>1,560</u>
Tangible assets	9	<u>361,437</u>	<u>339,039</u>
Deposits	10	<u>1,129</u>	<u>2,776</u>
Fixed asset investments		<u>1,129</u>	<u>2,776</u>
Fixed assets total		<u>362,566</u>	<u>341,815</u>
Stocks	11	<u>106,703</u>	<u>100,430</u>
Trade receivables		6,301	5,663
Receivables from group companies		136,179	74,061
Other receivables		1,079	2,988
Deferred tax asset	12	26,920	6,447
Prepayments	13	<u>2,288</u>	<u>3,386</u>
Receivables		<u>172,767</u>	<u>92,545</u>
Cash at bank and in hand		<u>100</u>	<u>20</u>
Current assets total		<u>279,570</u>	<u>192,995</u>
Assets total		<u>642,136</u>	<u>534,810</u>

Balance sheet 31 December

	Note	2017 TDKK	2016 TDKK
Liabilities and equity			
Share capital		501	501
Retained earnings		84,986	66,598
Equity	14	85,487	67,099
Other provisions	15	72,483	67,825
Provisions total		72,483	67,825
Other payables		233,564	222,794
Long-term debt	16	233,564	222,794
Short-term part of long-term debt	16	102,361	70,993
Trade payables		40,587	39,542
Payables to group companies		36,396	686
Corporation tax		5,828	6,724
Other payables	17	21,663	18,501
Deferred income		43,767	40,646
Short-term debt		250,602	177,092
Debt total		484,166	399,886
Liabilities and equity total		642,136	534,810
Uncertainty in the recognition and measurement	1		
Subsequent events	18		
Contingent assets, liabilities and other financial obligations	19		
Charges and securities	20		
Related parties and ownership	21		
Fee to auditors appointed at the general meeting	22		

Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2017	501	66,598	67,099
Net profit/loss for the year	0	18,388	18,388
Equity at 31 December 2017	501	84,986	85,487

Cash flow statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
Net profit/loss for the year		18,388	-17,593
Adjustments	23	90,412	52,162
Change in working capital	24	-24,230	21,326
Cash flows from operating activities before financial income and expenses		84,570	55,895
Interest income and similar income		624	787
Interest expenses and similar charges		-8,322	-7,431
Cash flows from ordinary activities		76,872	49,251
Change in short term assets and liabilities		34,718	158,350
Corporation tax paid		-8,044	-2,376
Cash flows from operating activities		103,546	205,225
Purchase of property, plant and equipment		-146,660	-211,576
Deposit		1,647	-19
Sale of property, plant and equipment		41,547	6,349
Cash flows from investing activities		-103,466	-205,246
Change in cash and cash equivalents		80	-21
Cash and cash equivalents, beginning of the year		20	41
Cash and cash equivalents, end of the year		100	20
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		100	20
Cash and cash equivalents, end of the year		100	20

Notes

1 Uncertainty in the recognition and measurement

There is uncertainty associated with buy-back obligations on trucks. The uncertainty refers to the guaranteed repurchase price and the assessment of the market value of the trucks at the time of repurchase. Expected buy-back values are continuously assessed throughout the lifetime of the contracts. The company's repair and service contracts run for a number of years, where the risk factor is related to loss on these contracts. An ongoing assessment of the expected cost level is done compared to the actual cost development of the contracts.

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
2 Revenue		
Business segmentation of revenue:		
New vehicles	386,204	314,053
Used vehicles	73,956	55,594
Spare parts	108,642	120,082
Workshops	4,671	18,531
Service contracts	19,156	18,789
Other services	<u>11,975</u>	<u>10,460</u>
Total revenue	<u>604,604</u>	<u>537,509</u>

The company only has activity in one business area and in one geographical market as mentioned in the section "Business activities" in the management's review.

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
3 Other operating income		
Gain/loss on sale of assets on buy-back	5,382	1,068
Reinvoiced Group costs	16,055	16,910
Other	<u>9,775</u>	<u>6,705</u>
	<u>31,212</u>	<u>24,683</u>

Notes

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
4 Staff expenses		
Wages and salaries	51,163	65,540
Pensions	4,434	5,992
Other staff costs	<u>2,700</u>	<u>7,105</u>
	<u>58,297</u>	<u>78,637</u>
Average number of employees	<u>86</u>	<u>132</u>

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the executive board has not been disclosed.

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
5 Financial income		
Other financial income	62	224
Exchange adjustments	384	263
Other interest income	<u>178</u>	<u>300</u>
	<u>624</u>	<u>787</u>
6 Financial costs		
Financial costs, group companies	7,774	7,135
Other financial costs	376	126
Exchange adjustments costs	<u>169</u>	<u>170</u>
	<u>8,319</u>	<u>7,431</u>

Notes

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
7 Tax on profit/loss for the year		
Current tax for the year	6,557	7,660
Deferred tax for the year	-20,473	7,622
Adjustment of tax concerning previous years	0	887
	<u>-13,916</u>	<u>16,169</u>
8 Distribution of profit		
Retained earnings	<u>18,388</u>	<u>-17,593</u>
	<u>18,388</u>	<u>-17,593</u>

Notes

9 Tangible assets

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improve- ments	Total
Cost at 1 January 2017	35,558	348,178	15,047	3,815	402,598
Additions for the year	316	145,593	307	447	146,663
Disposals for the year	-7,460	-50,816	-3,241	-951	-62,468
Reclass Opening	0	41,517	0	0	41,517
Cost at 31 December 2017	28,414	484,472	12,113	3,311	528,310
Impairment losses and depreciation at 1 January 2017	11,186	54,155	14,341	2,255	81,937
Impairment losses for the year	0	51,462	0	0	51,462
Depreciation for the year	689	38,098	161	87	39,035
Reversal of Impairment and depreciation of sold assets	-5,564	-19,796	-3,081	-252	-28,693
Reclass Opening	1,308	23,138	12	-1,326	23,132
Impairment losses and depreciation at 31 December 2017	7,619	147,057	11,433	764	166,873
Carrying amount at 31 December 2017	20,795	337,415	680	2,547	361,437
Tangible fixed assets include financial leasing assets with total carrying amount	0	337,415	0	0	337,415

Notes

10 Fixed asset investments

	<u>Deposits</u>
Cost at 1 January 2017	2,776
Disposals for the year	<u>-1,647</u>
Cost at 31 December 2017	<u>1,129</u>
Carrying amount at 31 December 2017	<u><u>1,129</u></u>

11 Stocks

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
Vehicles and vans	105,226	99,080
Spare parts	<u>1,477</u>	<u>1,350</u>
	<u><u>106,703</u></u>	<u><u>100,430</u></u>

12 Provision for deferred tax

Provision for deferred tax at 1 January 2017	-6,447	-14,069
Adjustment in the year	<u>-20,473</u>	<u>7,622</u>
Provision for deferred tax at 31 December 2017	<u><u>-26,920</u></u>	<u><u>-6,447</u></u>
Deferred tax liability	<u><u>0</u></u>	<u><u>0</u></u>
Deferred tax asset		
Calculated tax asset	<u>26,920</u>	<u>6,447</u>
Carrying amount	<u><u>26,920</u></u>	<u><u>6,447</u></u>

13 Prepayments

Prepayments recognised under "Assets" comprise prepaid costs regarding subsequent financial reporting years.

Notes

14 Equity

The share capital consists of the following:

1 share of DKK 500,000.00

1 share DKK 1,000.00

All shares rank equally.

The company's share capital has remained TDKK 501 over the past 5 years.

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
15 Other provisions		
Balance at beginning of year at 1 January 2017	67,825	53,263
Provision in year	24,340	19,845
Applied in the year	<u>-19,682</u>	<u>-5,283</u>
Balance at 31 December 2017	<u>72,483</u>	<u>67,825</u>

Other provisions comprise provisions for warranty commitments, TDKK 47,684 (2016: TDKK 42,473) and repair and maintenance provisions, TDKK 24,799 (2016: TDKK 25,352).

16 Long term debt

	Debt at 31 December 2016	Debt at 31 December 2017	Payment within 1 year	Debt after 5 years
Other payables	<u>222,794</u>	<u>233,564</u>	<u>102,361</u>	<u>0</u>
	<u>222,794</u>	<u>233,564</u>	<u>102,361</u>	<u>0</u>

Notes

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
17 Other payables		
VAT and other indirect taxes	11,887	6,957
Wages/salaries, salary taxes, social security contributions, etc.	1,335	1,634
Holiday allowance	6,494	6,931
Other accrued expenses	<u>1,947</u>	<u>2,979</u>
	<u>21,663</u>	<u>18,501</u>

18 Subsequent events

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

As of 28 February managing director Lars Beck has resigned. CFO Bjørn Gehlert replaced him in an interim position.

In the board of directors HR-manager Maja Granborg has been elected as new member replacing Lars Beck.

19 Contingent assets, liabilities and other financial obligations

Other contingent liabilities

As management company, the company is jointly taxed with other Danish group entities and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

Other financial obligations

Other rent and lease liabilities include a rent and lease obligation totalling TDKK 25,555 (2016: TDKK 21,229).

20 Charges and securities

The company has provided security for third parties including group enterprises of TDKK 1,800 (2016: TDKK 1,800).

Notes

21 Related parties and ownership

Controlling interest

CNH Industrial N.V.
Cranes Farm Road, Basildon
Essex SS143AD
United Kingdom

Transactions

Iveco Danmark A/S had the following transactions with related parties in TDKK:

Sale of goods to parent company 3,647 (2016: 2,556)
Purchase of goods from parent company 331,355 (2016: 314,017)
Sale of good to group companies 46,667 (2016: 36,859)
Purchase of goods from group companies 64,579 (2016: 63,854)
Cost of management fee to parent company 3,858 (2016: 2,364)
Receivables from parent company 1,524 (2016: 1,817)
Payables to parent company 26,035 (2016: 9,359)
Receivables from group companies 134,655 (2016: 72,244)
Payables to group companies 10,361 (2016: 10,045)

Apart from the above, there have been no transactions with the supervisory board, the executive board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Ownership

According to the company's register of shareholders, the following shareholders hold a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

CNH Industrial N.V.

22 Fee to auditors appointed at the general meeting

ERNST & YOUNG:

Audit fee

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
	158	136
	<u>158</u>	<u>136</u>

Notes

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
23 Cash flow statement - adjustments		
Financial costs	8,319	7,431
Depreciation, amortisation and impairment losses	90,496	48,224
Financial income	-624	-787
Other adjustments of non-cash operating income	<u>-7,779</u>	<u>-2,706</u>
	<u>90,412</u>	<u>52,162</u>
24 Cash flow statement - change in working capital		
Change in inventories	-6,273	40,529
Change in receivables	-54,712	14,744
Change in trade payables, etc.	<u>36,755</u>	<u>-33,947</u>
	<u>-24,230</u>	<u>21,326</u>

Accounting policies

The annual report of Iveco 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 as well as selected provisions as regards larger entities.

The accounting policies applied are consistent with those of last year. There has been a reclassification of 18.6 mill. DKK in the 2016 numbers regarding "tangible assets" and "stocks".

The annual report for 2017 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 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 is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Segment information

Segment information as provided on business segments and geographical markets. The segment information is based on the company's internal financial management.

Accounting policies

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.

Raw materials and consumables

Expenses for raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and property, plant and equipment.

Other external costs

Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and 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.

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.

Accounting policies

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 paid too little tax pay, as a minimum, a surcharge according to the current rates applicable to interest surcharges to the management company.

Balance sheet

Tangible assets

Items of property, plant 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.

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.

Vehicles sold with a buy-back obligation are considered operating leases and are recognised in the balance sheet as property, plant and equipment.

For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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

Buildings	33-40 years
Plant and machinery	2-6 years
Other fixtures and fittings, tools and equipment	4-8 years
Leasehold improvements	5-8 years

Accounting policies

Land is not depreciated.

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

Gains or losses are made up as the difference between the selling price less selling costs and the carrying amount of the date of the disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating costs.

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

Every year, intangible assets and property, plant and equipment are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. 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. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

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 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.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

Accounting policies

Receivables

Receivables are measured at amortised cost.

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

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

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

Prepayments

Prepayments recognised under 'Assets' comprise prepaid costs regarding subsequent financial reporting 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.

Equity

Dividend

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

Provisions

Provisions comprise expected expenses relating to warranty, repair and maintenance, etc. Provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date.

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

Warranty commitments include expected costs of repairs within the guarantee period and are recognised based on previous experience with work performed under guarantees.

Accounting policies

Repair and maintenance include anticipated costs of service repair and maintenance and similar provisions.

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

Deferred tax assets, including the tax base of tax loss allowed for carry forward 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.

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.

Other payables in 'long-term liabilities' include buy-back obligations. Vehicles sold with buy-back obligations are considered operating leases and the operating leases and the related obligation is recognised in the balance sheet under liabilities other than provisions at amortised cost.

Deferred income

Deferred income comprises payments received concerning income in subsequent reporting years.

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.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Accounting policies

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

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 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$