

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

**Annual report for 2018**

Adopted at the annual general meeting  
on 24 June 2019



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Hans Peter Sørensen  
chairman

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## Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of Iveco Danmark A/S for the financial year 1 January - 31 December 2018.

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

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

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

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

Albertslund, 24 June 2019

### Executive board

John Per Håkan Jönsson  
chief executive officer

### Supervisory board

Hans Peter Sørensen  
chairman

John Per Håkan Jönsson

Bjørn Gehlert

## **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 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

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

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Management's responsibilities for the financial statements**

Management is responsible for the preparation of financial statements, that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

## Independent auditor's report

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

## Independent auditor's report

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

### Statement on management's review

Management is responsible for management's review.

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


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

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

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

Copenhagen, 24 June 2019

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

  
Mogens Andreasen  
state authorised public accountant  
MNE no. mne28603



Dennis Dupont  
state authorised public accountant  
MNE no. mne36192

## Company details

<b>The company</b>	Iveco Danmark A/S Roholmsvej 19 DK-2620 Albertslund  CVR no.: 56 57 78 15  Reporting period: 1 January - 31 December 2018 Incorporated: 30. January 1976  Domicile: Albertslund
<b>Supervisory board</b>	Hans Peter Sørensen, chairman John Per Håkan Jönsson Bjørn Gehlert
<b>Executive board</b>	John Per Håkan Jönsson
<b>Ownership control</b>	CNH Industrial N. V.
<b>Auditors</b>	ERNST & YOUNG Godkendt Revisionspartnerselskab c/o Postboks 250, Osvald Helmuths Vej 4 DK-2000 Frederiksberg
<b>Lawyers</b>	Lund Elmer Sandager Kalvebod Brygge 39-41 DK-1560 Copenhagen
<b>Bankers</b>	Danske Bank Holmens Kanal 2 DK-1092 Copenhagen
<b>Consolidated financial statements</b>	The company is included in the group annual report of CNH Industrial N. V.  The group report of CNH Industrial N. V. can 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:

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
Revenue	527,185	604,604	537,509	574,917	609,046
Gross profit	136,413	160,960	132,080	109,132	116,808
Profit/loss before net financials	14,140	12,167	5,220	6,055	6,262
Net financials	-7,308	-7,695	-6,644	-8,175	-2,825
Profit/loss for the year	7,351	18,388	-17,593	-4,640	-7,291
Balance sheet total	565,384	642,136	534,810	432,510	359,377
Investment in property, plant and equipment	104,020	146,663	184,793	125,432	3,039
Equity	92,838	85,487	67,099	84,692	138,041
Number of employees	90	86	132	158	182
<b>Financial ratios</b>					
Gross margin	25.9%	26.6%	24.6%	19.0%	19.2%
Solvency ratio	16.4%	13.3%	12.5%	19.6%	38.4%
Return on equity	8.2%	24.1%	-23.2%	-4.2%	-5.1%

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 2018 of 7.3 mill. DKK (vs. 18.4 mill. DKK in 2017). The equity in the company increased from 85.5 mill. DKK (2017) to 94.8 mill. DKK (2018).

### Outlook

The result in 2018 decreased compared to the year before. However EBIT for 2018 was above 2017. The development in IVECO market share has not been satisfactory in 2018. The negative development was driven by price increases and change in the strategy for the heavy segment compared to 2017. It is the goal for 2019 to regain the market share based on the new pricing and strategy. The company expects to increase the revenue in 2019 and realize a EBIT result in line with 2018.

### Financial review

The Light Market: 3.5 - 7 Tons

IVECO's core market 2018 finished with an increase of 2 % in volume compared to 2017. IVECO finished the year with a MS of 13.9 % which was 5 % lower than in 2017.

The Medium Market: 7.01 - 15.99 Tons

The medium market declining in 2018 by 12 % compared to 2017. IVECO finished the year with a MS of 22.2 % which was 6.2% higher than in 2017.

The Heavy Market: + 16 Tons

The heavy market increased by 1 % compared to 2017. IVECO achieved a MS 2 % which was a decrease compared to 2017 of 3.1 %.

Aftersales Market

Spare part sales and Services increased by 1 % compared to 2017.

### 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 governance**

As a fully owned subsidiary of CNH Industrial N.V. Iveco Denmark A/S is committed to follow CNH Industrial's corporate CSR policy including the corporate policies in relation to human rights, environmental issues, climate issues, social & employee conditions, anticorruption and gender distribution management. The complete 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](http://www.cnhindustrial.com/en-us/sustainability/corporate_sustainability_reports/Pages/default.aspx)).

## Management's review

### Statutory report on corporate social responsibility

#### Policies on environment

##### Environmental issues

Due to the nature of the company as mainly a sales and distribution company, the environmental risks are limited to energy and water consumption and potential environmental issues related to the operation of the workshop in Odense. To mitigate the risks the company is dedicated to address any issues that are identified in this area. The company has a continuous surveillance of potential pollution for the workshop activities, and is using the needed tools to handle waste products in a safe manner. For 2018 all waste has been handled and sorted at the source enabling us to have more than 90% of the waste in a safe manner.

##### Climate issues

The company is committed to act to combat the climate changes. Locally the risks and efforts are limited, but leveraging on the strong product portfolio of natural powered (NP) vehicles (LNG & CNG) the sales strategy is defined to take advantage of this to the highest possible extend. In 2018 the company has actively engaged both in selling NP products and in supporting promotion of these types of products. The market is still young and infrastructure limited, but to avoid the risk of losing market share due to increasing demand from customers for more environmental friendly products, the company put big effort in staying ahead on this. For 2018 the NP products are below 1% of the sales, but aggressive targets are set for the sales in the coming years. In addition, the company has been investing in energy saving lightning (LED) in offices and work shop spaces in 2018 and will continue to do so. The effect on this has in 2018 been a substantial reduction in energy cost.

## Management's review

### Policies on human rights

#### Human rights

The company supports the protection of fundamental human rights in all its operations, and seeks to promote respect for these principles by others where it has an influence, particularly contractors, suppliers, and all other entities and individuals with whom it has a business relationship. In fact, the company will not establish or continue a relationship with any entity or individual that refuses to respect the principles of its Code of Conduct. The main risk for the company is loss of reputation, which is not only a local risk, but can spread towards other markets and brands of the company. The company's commitment is stated in its Code of Conduct, and its principles are consistent with the spirit and intent of the United Nations' Universal Declaration of Human Rights, the OECD Guidelines for Multinational Companies, and the relevant Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO). Assessment is performed within the HR functions of the company, and in 2018 as in previous years, all employees are invited to participate in mandatory training to stay familiar with the company's human rights policy. For 2018 all 90 employees have completed the training.

#### Social and employee conditions

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. 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.

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 through a constant focus on a safe work environment, and by offering free health insurance, stop smoking classes and providing a variety of healthy choices in the canteen. In 2018 there were no work-related injuries which is a reduction compared to the year before.

## Management's review

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

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

### **Gender distribution in management**

Iveco Denmark 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 74% men and 26% women. At management level (including all positions that have employees in reference) 7% 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, Iveco Denmark will issue concrete policies, initiatives and action plans over the coming years to increase the number of female managers. So far, the company has set a concrete target to have 7 female managers before the end of 2021. The current board of directors consists of 3 men. During 2018 the board did have 1 female member, but due to her resignation, and not suitable candidate to replace her, the board now again consists of 3 men. The company has set as a target to change this composition, insofar as it is possible to find suitable candidates. The target for the company is to have 1 female board member by end of 2021.

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

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

## Income statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
<b>Revenue</b>	2	<b>527,185</b>	<b>604,604</b>
Other operating income	3	28,764	28,716
Raw materials and consumables		-370,493	-422,879
Other external costs		-49,043	-49,481
<b>Gross profit</b>		<b>136,413</b>	<b>160,960</b>
Staff expenses	4	-63,016	-58,297
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-59,257	-90,496
<b>Profit/loss on ordinary activities before fair value adjustments</b>		<b>14,140</b>	<b>12,167</b>
Financial income	5	409	624
Financial costs	6	-7,717	-8,319
<b>Profit/loss before tax</b>		<b>6,832</b>	<b>4,472</b>
Tax on profit/loss for the year	7	519	13,916
<b>Profit/loss for the year</b>		<b>7,351</b>	<b>18,388</b>
Distribution of profit	8		

## Balance sheet 31 December

	Note	2018 <u>TDKK</u>	2017 <u>TDKK</u>
<b>Assets</b>			
Land and buildings		20,097	20,795
Plant and machinery		262,272	337,415
Other fixtures and fittings, tools and equipment		1,117	680
Leasehold improvements		<u>1,518</u>	<u>2,547</u>
<b>Tangible assets</b>	9	<b><u>285,004</u></b>	<b><u>361,437</u></b>
Deposits	10	<u>757</u>	<u>1,129</u>
<b>Fixed asset investments</b>		<b><u>757</u></b>	<b><u>1,129</u></b>
<b>Total non-current assets</b>		<b><u>285,761</u></b>	<b><u>362,566</u></b>
<b>Stocks</b>	11	<b><u>112,359</u></b>	<b><u>106,703</u></b>
Trade receivables		2,312	6,301
Receivables from group companies		127,601	136,179
Other receivables		643	1,079
Deferred tax asset	12	27,776	26,920
Corporation tax		8,156	0
Prepayments	13	<u>773</u>	<u>2,288</u>
<b>Receivables</b>		<b><u>167,261</u></b>	<b><u>172,767</u></b>
<b>Cash at bank and in hand</b>		<b><u>3</u></b>	<b><u>100</u></b>
<b>Total current assets</b>		<b><u>279,623</u></b>	<b><u>279,570</u></b>
<b>Total assets</b>		<b><u>565,384</u></b>	<b><u>642,136</u></b>

## Balance sheet 31. December

	Note	2018 TDKK	2017 TDKK
<b>Equity and liabilities</b>			
Share capital		501	501
Retained earnings		92,337	84,986
<b>Equity</b>	14	<b>92,838</b>	<b>85,487</b>
Other provisions	15	65,502	72,483
<b>Total provisions</b>		<b>65,502</b>	<b>72,483</b>
Other payables		96,374	193,260
Deferred income		19,714	40,304
<b>Total non-current liabilities</b>	16	<b>116,088</b>	<b>233,564</b>
Short-term part of long-term debt	16	160,157	102,361
Trade payables		24,155	40,587
Payables to group companies		51,122	36,396
Corporation tax		0	5,828
Other payables	17	20,794	21,663
Deferred income	16	34,728	43,767
<b>Total current liabilities</b>		<b>290,956</b>	<b>250,602</b>
<b>Total liabilities</b>		<b>407,044</b>	<b>484,166</b>
<b>Total equity and liabilities</b>		<b>565,384</b>	<b>642,136</b>
Uncertainty in the recognition and measurement	1		
Subsequent events	18		
Contingencies, etc.	19		
Mortgages and collateral	20		
Related parties and ownership structure	21		
Fee to auditors appointed at the general meeting	22		



**Statement of changes in equity**

	Share capital	Retained earnings	Total
Equity at 1 January 2018	501	84,986	85,487
Net profit/loss for the year	0	7,351	7,351
<b>Equity at 31 December 2018</b>	<b>501</b>	<b>92,337</b>	<b>92,838</b>

## Cash flow statement 1 January - 31 December

	<u>Note</u>	<u>2018</u> TDKK	<u>2017</u> TDKK
Net profit/loss for the year		7,351	18,388
Adjustments	23	62,521	90,412
Change in working capital	24	5,204	-24,230
<b>Cash flows from operating activities before financial income and expenses</b>		<b>75,076</b>	<b>84,570</b>
Interest income and similar income		409	624
Interest expenses and similar charges		-7,717	-8,322
<b>Cash flows from ordinary activities</b>		<b>67,768</b>	<b>76,872</b>
Change in short term assets and liabilities		-74,662	34,718
Corporation tax paid		-14,275	-8,044
<b>Cash flows from operating activities</b>		<b>-21,169</b>	<b>103,546</b>
Purchase of property, plant and equipment		-104,020	-146,660
Deposit		372	1,647
Sale of property, plant and equipment		124,720	41,547
<b>Cash flows from investing activities</b>		<b>21,072</b>	<b>-103,466</b>
<b>Change in cash and cash equivalents</b>		<b>-97</b>	<b>80</b>
Cash and cash equivalents, beginning of the year		100	20
<b>Cash and cash equivalents, end of the year</b>		<b>3</b>	<b>100</b>
Analysis of cash and cash equivalents:			
Cash at bank and in hand		3	100
<b>Cash and cash equivalents, end of the year</b>		<b>3</b>	<b>100</b>

## 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>2018</u>	<u>2017</u>
	TDKK	TDKK
<b>2 Revenue</b>		
Business segmentation of revenue:		
New vehicles	314,138	386,204
Used vehicles	67,391	73,956
Spare parts	109,274	108,642
Workshops	4,768	4,671
Service contracts	19,741	19,156
Other services	11,873	11,975
<b>Total revenue</b>	<b><u>527,185</u></b>	<b><u>604,604</u></b>

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

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
<b>3 Other operating income</b>		
Gain/loss on sale of assets on Plant and Machinery	4,515	5,382
Reinvoiced Group costs	19,984	16,056
Other	4,265	7,278
	<b><u>28,764</u></b>	<b><u>28,716</u></b>

## Notes

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
<b>4 Staff expenses</b>		
Wages and salaries	54,849	51,163
Pensions	4,909	4,434
Other staff costs	3,258	2,700
	<u><b>63,016</b></u>	<u><b>58,297</b></u>

Average number of employees	<u>90</u>	<u>86</u>
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Total remuneration to Executive Board and Supervisory Board amounts to TDKK 2,460.

With reference to section 98 B(3) of the Danish Financial Statements Act, no comparative figures are disclosed.

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
<b>5 Financial income</b>		
Financial income, group companies	67	119
Other financial income	245	121
Exchange adjustments	97	384
	<u><b>409</b></u>	<u><b>624</b></u>

<b>6 Financial costs</b>		
Financial costs, group companies	7,304	7,774
Other financial costs	353	376
Exchange adjustments costs	60	169
	<u><b>7,717</b></u>	<u><b>8,319</b></u>

## Notes

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
<b>7 Tax on profit/loss for the year</b>		
Current tax for the year	-276	6,557
Deferred tax for the year	-211	-20,473
Adjustment of tax concerning previous years	-1,099	0
Adjustment of deferred tax concerning previous years	1,067	0
	<u><b>-519</b></u>	<u><b>-13,916</b></u>
<b>8 Distribution of profit</b>		
Retained earnings	<u>7,351</u>	<u>18,388</u>
	<u><b>7,351</b></u>	<u><b>18,388</b></u>

## Notes

### 9 Tangible assets

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2018	28,414	484,472	12,113	3,311	528,310
Additions for the year	0	103,440	579	0	104,019
Disposals for the year	0	-162,517	-8,346	-1,395	-172,258
Cost at 31 December 2018	28,414	425,395	4,346	1,916	460,071
Impairment losses and depreciation at 1 January 2018	7,619	147,057	11,433	764	166,873
Impairment losses for the year	0	7,055	0	0	7,055
Depreciation for the year	699	51,338	108	57	52,202
Reversal of impairment and depreciation of sold assets	-1	-42,327	-8,312	-423	-51,063
Impairment losses and depreciation at 31 December 2018	8,317	163,123	3,229	398	175,067
<b>Carrying amount at 31 December 2018</b>	<b>20,097</b>	<b>262,272</b>	<b>1,117</b>	<b>1,518</b>	<b>285,004</b>
Tangible fixed assets include financial leasing assets with total carrying amount	0	262,272	0	0	262,272

## Notes

### 10 Fixed asset investments

	<u>Deposits</u>
Cost at 1 January 2018	1,129
Disposals for the year	<u>-372</u>
Cost at 31 December 2018	<u>757</u>
<b>Carrying amount at 31 December 2018</b>	<b><u>757</u></b>

### 11 Stocks

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
Vehicles and vans	111,570	105,226
Spare parts	<u>789</u>	<u>1,477</u>
	<b><u>112,359</u></b>	<b><u>106,703</u></b>

Stock value comprises write-down of tDKK 49,361 (2017: tDKK 53,977).

### 12 Provision for deferred tax

Provision for deferred tax at 1 January	-26,920	-6,447
Adjustment prior years	-1,067	0
Adjustment in the year	<u>211</u>	<u>-20,473</u>
<b>Provision for deferred tax at 31 December</b>	<b><u>-27,776</u></b>	<b><u>-26,920</u></b>

#### Deferred tax asset

Calculated tax asset	<u>27,776</u>	<u>26,920</u>
<b>Carrying amount</b>	<b><u>27,776</u></b>	<b><u>26,920</u></b>

## Notes

### 13 Prepayments

Prepayments recognised under Assets comprise prepaid costs related to campaigns regarding subsequent financial reporting years.

### 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.

### 15 Other provisions

	2018	2017
	TDKK	TDKK
Balance at beginning of year at 1 January	72,483	67,825
Provision in year	38,371	24,340
Applied in the year	-45,352	-19,682
<b>Balance at 31 December</b>	<b>65,502</b>	<b>72,483</b>

Other provisions comprise provisions for warranty commitments, TDKK 40,140 (2017: TDKK 47,684), repair and maintenance provisions, TDKK 22,090 (2017: TDKK 23,556) and other provisions, TDKK 3,272 (2017: TDKK 1,243) .

### 16 Long term debt

	Debt at 1 January 2018	Debt at 31 Decem- ber 2018	Instalment next year	Debt outstan- ding after 5 years
Other payables	193,260	96,374	160,157	0
Deferred income	40,304	19,714	34,728	0
	<b>233,564</b>	<b>116,088</b>	<b>194,885</b>	<b>0</b>



## Notes

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
<b>17 Other payables</b>		
VAT and other indirect taxes	7,190	11,887
Wages/salaries, salary taxes, social security contributions, etc.	2,724	1,335
Holiday allowance	7,220	6,494
Other accrued expenses	3,660	1,947
	<u><b>20,794</b></u>	<u><b>21,663</b></u>

## 18 Subsequent events

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

## 19 Contingencies, etc.

### 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.

The company is evaluating the risk associated with pending claim cases. The company has booked a reserve to reflect this risk.

### Other financial obligations

Other rent and lease liabilities include a rent and lease obligation totalling MDKK 16.5 (2017: MDKK 25.6).

## 20 Mortgages and collateral

The company has provided security for third parties including group enterprises of MDKK 1.8 (2017: MDKK 1.8).

## Notes

### 21 Related parties and ownership structure

#### Controlling interest

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

#### Transactions

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

Sale of goods to parent company 15,612 (2017: 3,647)  
Purchase of goods from parent company 160,953 (2017: 331,355)  
Sale of good to group companies 37,370 (2017: 46,667)  
Purchase of goods from group companies 58,181 (2017: 64,579)  
Cost of management fee to parent company 3,649 (2017: 3,858)  
Interest to group companies 67 (2017: 119)  
Interest from group companies 7,304 (2017: 7,774)  
Receivables from parent company 4,692 (2017: 1,524)  
Payables to parent company 41,339 (2017: 26,035)  
Receivables from group companies 122,909 (2017: 134,655)  
Payables to group companies 9,783 (2017: 10,361)

Besides the above listed transactions, no other transactions were carried through with shareholders or other group companies in the year.

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
<b>22 Fee to auditors appointed at the general meeting</b>		
ERNST & YOUNG:		
Audit fee	165	158
	<u><b>165</b></u>	<u><b>158</b></u>

## Notes

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
<b>23 Cash flow statement - adjustments</b>		
Financial income	-409	-624
Financial costs	7,717	8,319
Depreciation, amortisation and impairment losses	59,257	90,496
Tax on profit/loss for the year	-519	0
Other adjustments of non-cash operating income	-3,525	-7,779
	<u><b>62,521</b></u>	<u><b>90,412</b></u>
<b>24 Cash flow statement - change in working capital</b>		
Change in inventories	-5,656	-6,273
Change in receivables	12,567	-54,712
Change in trade payables, etc.	-1,707	36,755
	<u><b>5,204</b></u>	<u><b>-24,230</b></u>

## Accounting policies

The annual report of Iveco Danmark A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C as well as selected provisions as regards larger entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2018 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.

### Revenue

Income from the sale of goods for resale and finished goods is recognised in accordance with IAS 18 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.

## **Accounting policies**

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.

### **Raw materials and consumables**

Costs of 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.

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).

## Accounting policies

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, in accordance with IAS 17.

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

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.

## Accounting policies

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

In accordance with IAS 17, 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 at cost 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.

### Receivables

Receivables are measured at amortised cost in accordance with IAS 39.

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.

## Accounting policies

Receivables for which there is no objective evidence of individual impairment are tested for impairment on a portfolio basis. The portfolios are primarily based on 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 comprise cash.

### Equity

#### Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

### 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.

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.



## 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 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 accordance with IAS 17 in the balance sheet under liabilities other than provisions at amortised cost.

### Deferred income

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial 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.

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.

## Accounting policies

### Cash flows from operating activities

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

### Cash flows from investing activities

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

### Cash flows from financing activities

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

### Cash and cash equivalents

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

### Financial highlights

Definitions of financial ratios.

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