Caterpillar International Finance DAC

Consolidated Financial Statements

Financial Year Ended 31 December 2018

Registered Number: 241565

DIRECTORS AND OTHER INFORMATION

Board of Directors

Alvin E. Buck (USA)
Michael J. Curran (USA)
Jill Burns (USA)
Jill L. Harlan (USA)

Solicitors

McCann FitzGerald
Sir John Rogerson's Quay
Dublin 2

Secretary and Registered Office

HMP Secretarial Limited
Riverside One
Sir John Rogerson's Quay
Dublin 2

Bankers

Citibank NA
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Registered Number: 241565

Auditors

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1

CONTENTS

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the financial year ended 31 December 2018.

Directors' responsibilities for financial statements

The Directors are responsible for keeping adequate accounting records that are sufficient to correctly record and explain the transactions of the Company, enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy and enable the Directors to ensure that the financial statements comply with IFRS and the Companies Act 2014 and enable those financial statements to be audited.

In these financial statements, the Company refers to Caterpillar International Finance DAC and the Group refers to the Company together with its subsidiaries. The Group is subject to and complies with Irish Statute comprising the Companies Act 2014 and the Listing rules of the Luxembourg Stock Exchange. The Group does not apply additional requirements in addition to those required by the above. Each of the service providers, being Caterpillar Financial Services Corporation ('CFSC') and Caterpillar International Finance Luxembourg S.à r.l. ('CIF Lux') engaged by the Group are subject to their own corporate governance requirements.

Irish company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with IFRS and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS and Article 4 of the IAS Regulation and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Accounting records

The measures taken by the Directors to secure compliance with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard the Company's obligations to keep proper accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at 4a, rue Henri Schnadt, L-2530 Luxembourg and the financial statements can be obtained from McCann FitzGerald Solicitors, Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.

Principal activities and review of the business

The principal activity of the Group is that of a treasury centre for CFSC and in such capacity issues a variety of debt securities in the market, along with providing financial risk guarantees and intergroup financing through granting of loans for leasing, purchase and hire purchase of Caterpillar equipment and Power and Marine loans. In respect of its financing activities the Group operates in the power, marine and construction sectors.

DIRECTORS' REPORT (CONTINUED)

The principal activity of the subsidiaries are as follows:

Name	Principal activities	Country of Incorporation
Caterpillar International Finance Luxembourg S.à r.l.	Intergroup lending	Luxembourg
Caterpillar Financial Services Netherlands B.V.	Leasing, lending and hire purchase	Netherlands
Caterpillar International Luxembourg I S.à r.l.	Guarantee provider	Luxembourg
Caterpillar International Luxembourg II S.à r.l.	Guarantee provider	Luxembourg
Caterpillar International Finance Luxembourg Holding S.à r.l.	Investment acquisition	Luxembourg

The Group considers its key financial performance indicators to be its finance income, finance expense, and net assets; all of which are considered the most relevant for understanding the performance and position of the Group. These are monitored during the year and are considered to be satisfactory. These are monitored within the Group at an individual company level throughout the year.

The Group achieved a satisfactory result during the year. Profit before income tax was up by EUR 4,251,090 to EUR 27,429,350 (2017: EUR 23,178,260). The increase was primarily driven by EUR 21,168,073 increase in finance income to EUR 77,900,621 (2017: EUR 56,732,548), decrease in depreciation expense of EUR 4,437,020 to EUR 13,122,567 (2017: EUR 17,559,587) and by a decrease of EUR 1,835,061 in the loss allowances to a credit of EUR 141,229 (2017: EUR 1,693,832).

This was offset negatively by an increase in finance expense of EUR 11,328,730 to EUR 31,969,837 (2017: EUR 20,641,107), an increase in the net trading loss of EUR 5,912,987 to EUR 18,169,542 (2017: EUR 12,256,555), and a decrease in income from leased assets of EUR 5,302,449 to EUR 18,084,883 (2017: EUR 23,387,332).

The retained profit for the year of EUR 24,952,550 (2017: EUR 22,882,982) for the Group will be transferred to reserves. The Group had net assets at 31 December 2018 of EUR 481,985,991 (2017: EUR 457,602,768), which management considered satisfactory.

Management are satisfied with the performance of the Group during the year and consider the financial position at the year-end to be satisfactory.

DIRECTORS' REPORT (CONTINUED)

Principal risks and Uncertainties

The principal activity of the Group is that of a treasury centre for Caterpillar Financial Services Corporation ("CFSC") and in such capacity issues a variety of debt securities in the market, along with providing financial risk guarantees and intergroup financing through granting of loans for leasing, purchase and hire purchase of Caterpillar equipment and Power and Marine loans to certain Caterpillar dealers and end-customers.

The principal financial risks faced by the Group are credit risk, foreign exchange risk, liquidity risk and interest rate risk. The principal operational risk faced by the Group is the residual value risk in the leased asset portfolio.

Credit risks are managed by only granting loans to Caterpillar affiliated companies and a small number of dealers and end-customers after a credit analysis of their financial condition. Foreign exchange risks arise due to differences in the currency of the Company's funding and the currency in which loans are advanced. Foreign exchange risks are managed by the use of forward foreign exchange contracts and of cross currency swaps. Interest rate risks arise due to the differences in the nature of interest paid on funding and interest received on loans advanced. Interest rate risks are managed by the use of interest rate swaps.

Our earnings and cash flow are subject to fluctuations due to changes in foreign currency exchange rates and interest rates. Our "Risk Management Policy" (Policy) allows for the use of derivative financial instruments to prudently manage foreign currency exchange rate and interest rate exposure.

Our Policy specifies that derivatives are not to be used for speculative purposes. Derivatives that we use are primarily foreign currency forward, interest rate swaps, and cross currency swaps. Our derivative activities are subject to the management, direction, and control of our financial officers. Risk management practices, including the use of financial derivative instruments, are presented to the CFSC Board of Directors and the Audit Committee of the Caterpillar Inc. Board of Directors at least annually, and advised to the Directors of the Company on a regular basis.

(a) Risk Assessment

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify developments in accounting rules and to ensure that these changes are accurately and appropriately reflected in the Group's financial statements.

(b) Monitoring

The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures identified through its own processes or by other parties including the independent auditors.

The Board has concluded that the Company will utilise the Caterpillar Inc. Group's internal audit function in order for the board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process.

(c) Foreign Currency Exchange Rate Risk

In managing foreign currency risk, our objective is to minimize earnings volatility resulting from conversion and the re-measurement of net foreign currency statement of financial positions. Our Policy allows the use of foreign currency forwards and cross currency swaps to offset the risk of currency mismatch between our receivables and debt. The Company has used hedge accounting as defined by IAS 39 for foreign exchange derivative financial instruments. The cross currency swaps the Group have entered into for the purpose of hedging foreign currency exchange rate risk are designated as a cash flow hedge.

(d) Interest Rate Risk

Interest rate movements create a degree of risk to our operations by affecting the amount of our interest payments and the value of our fixed rate debt. Our practice is to use interest rate swap agreements to manage our exposure to interest rate changes and, in some cases, to lower the cost of borrowed funds.

We have a match funding policy that addresses interest rate risk by aligning the interest rate profile (fixed or floating rate) of our debt portfolio with the interest rate profile of our receivables portfolio within pre-determined ranges on an ongoing basis. In connection with that policy, we use interest rate derivative instruments to modify the debt structure to match assets within the receivables portfolio. This match funding reduces the volatility of margins between interest-bearing assets and interest-bearing liabilities, regardless of which direction interest rates move. This is accomplished by changing the characteristics of existing debt instruments or entering into new agreements in combination with the issuance of new debt.

Our Policy allows us to use floating-to-fixed, fixed-to-floating, fixed-to-fixed, and floating-to-floating interest rate swaps to meet our match-funding objective.

(e) ***Liquidity Risk***

The Group relies on a number of diversified global debt markets and funding programs to provide liquidity for its operations, including commercial paper, medium term notes and loans from its parent company.

Significant changes in market liquidity conditions could impact the Group's access to funding, increase the associated funding costs and reduce earnings and cash flows. All of the Group's borrowings have been derived from the medium term note and commercial paper markets, and loans from affiliated companies.

While the Group has maintained access to key global medium term note and commercial paper markets, there can be no assurance that such markets will continue to represent a reliable source of financing for the Group. Should global economic conditions deteriorate or access to debt markets be reduced, the Group could experience materially higher financing costs and become unable to access adequate funding to operate and grow its business and/or meet its debt service obligations as they mature, or it could be required to draw upon contractually committed lending agreements primarily provided by global banks and/or by seeking other funding sources. However, under extreme market conditions, there can be no assurance such agreements and other funding sources would be available or sufficient. Any of these events could negatively impact the Group's business, results of operations and financial condition.

The extent of any impact on our ability to meet funding or liquidity needs would depend on several factors, including our operating cash flows, the duration of any future market disruptions, the effects of governmental intervention in the financial markets including the effects of any programs or legislation designed to increase or restrict liquidity for certain areas of the market, general credit conditions, the volatility of equity and debt markets, our credit ratings and credit capacity and the cost of financing and other general economic and business conditions. This is managed by maintaining a broadly diversified funding program.

(f) ***Credit Risk***

Credit risk is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Caterpillar has stringent credit policies in place to ensure management carefully manages this risk. With Caterpillar Financial Services Netherlands B.V. the customer credit applications are reviewed to ensure compliance with corporate policy using financial analysis and reference to internal and external credit agencies. Rental invoices are provided subject to payment deadlines ranging between 10 and 30 days. Any amounts over these periods by 10 days are classified as past due and are reviewed and monitored regularly. Collection staff are responsible to collect accounts once they become 10 days past due until resolution of the account via payment, modification, repossession, or legal coding. In addition, for Marine contracts a key requirement is that a survey must be undertaken and conducted by a qualified marine surveyor. Management considers a number of factors, including the net investment in a customer, and the amount of residual values, when estimating a credit provision amount.

Credit risk is also minimised by ensuring that the Group is not exposed to credit risk on exposures to other affiliated companies by only granting loans to Caterpillar affiliated companies after a credit analysis of their financial condition. Management consider the financial positions and conditions of all affiliated companies regularly through reviews of financial information when considering the credit risk of group companies.

Money held on investment with third parties is a short-term facility and each subsequent facility is subject to creditworthiness checks through major credit rating agencies, also, the experience and expertise of the cash management team directly reduce the credit risk. For loans with third parties, their customer credit worthiness is also assessed in line with corporate policy using financial analysis and reference to internal and external credit agencies.

(g) ***Residual Value Risk***

Residual value risk is the risk that the Group incorrectly prices its operating leases by wrongly estimating residual values on its leased assets. This could result in end-of-lease assets being worth less than originally forecast, resulting in losses. The Group manages this risk through setting residual values based on its knowledge of the historic residual values experienced in its own lease portfolio as well as future predictions.

Profits, dividends and reserves

GROUP

The profit for the financial year amounted to EUR 24,952,550 (2017: EUR 22,882,982) all of which is retained in the Group, and the appropriation thereof are set out below. Total comprehensive income for the year amounted to EUR 25,528,787 (2017: EUR 22,524,570).

	EUR
Net profit for the year	24,952,550
IFRS 9 Remeasurement	(1,145,564)
Amended retained earnings at beginning of year	276,472,258
Retained earnings at end of year	**300,279,244**
Other reserves at beginning of year	181,093,010
Other comprehensive income	576,237
Other reserves at end of the year	**181,669,247**

COMPANY

The profit for the financial year amounted to EUR 15,087,265 (2017: 18,196,141) all of which is retained in the Company, and the appropriation thereof are set out below. Total comprehensive income for the year amounted to EUR 15,510,170 (2017: EUR 18,021,999).

	EUR
Net profit for the year	15,087,265
IFRS 9 Remeasurement	2,733,715
Amended retained earnings at beginning of year	248,929,164
Retained earnings at end of year	**266,750,144**
Other reserves at beginning of year	181,033,081
Other comprehensive income	422,905
Other reserves at end of the year	**181,455,986**

The Directors do not recommend the payment of a dividend. No dividend has been declared or paid during the year.

DIRECTORS' REPORT (CONTINUED)

Subsequent events

A Euro-denominated Floating Rate Note previously issued by the Company amounting to EUR 50 million matured on 8th May 2019, no other transactions with the listed debt has occurred.
Following a change in Luxembourg tax regulation in the financial year 2019, the Board of Directors of the Company have approved an amendment to the terms are conditions of PEC A and B which included change of the tenor of the instrument and its conversion option.
There have been no other significant events affecting these financial statements.

Future developments

The company is reviewing its current ownership structure to better align with the strategic interests of Caterpillar Finance. The company intends to continue its activities during the coming year.

Corporate Governance Statement

(a) ***Introduction***

The Company is subject to and complies with Irish Statute comprising the Companies Act 2014, and the Listing rules of the Luxembourg Stock Exchange. The Company is also subject to Caterpillar's corporate governance code/guidelines, which is available from the corporate governance section of the Company's web site, www.cat.com. All relevant information concerning corporate governance practices applied in respect of the Company which are additional to any statutory requirement is available for inspection by the public. Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

(b) ***Board of Directors***

The Board of Directors ("The Board") is responsible for managing the business affairs of the Company in accordance with the Articles of Association. The daily operations of the Company are performed by a related service provider, Caterpillar International Finance Luxembourg S.à r.l. The central management and control of the Company remains under the responsibility of the Board. The board is updated regularly for the services of the service provider during the reporting period. The Service Agreement between parties is reviewed and approved by the Board on an annual basis.
The composition of the Board is shown in the table below.

Members	**Role**	**Appointment Date**	**Committees of the Board**	**Other Appointments***	**Attendance**
Michael J. Curran	Non-Executive Director	March 2015	Audit Committee	Funding Manager, CFSC	2/4
Rebecca Bakanowski	Non-Executive Director	June 2009 until November 2018	Audit Committee	Tax Planning and Analysis Manager, CFSC	3/3
Jill Burns	Non-Executive Director	November 2018	Audit Committee	Tax Planning and Analysis Manager, CFSC	1/1
Alvin E. Buck	Chair of the Board Non-Executive Director	March 2015	None	Senior Corporate Counsel, CFSC	4/4
Jill L. Harlan	Non-Executive Director	August 2018	Audit Committee	Treasurer, CFSC	3/3
Patrick McCartan	Non-Executive Director	August 2015 until August 2018	Audit Committee	CFO, CFSC	2/2

*Caterpillar Financial Services Corporation (CFSC), a Caterpillar Inc. Group company

The Board delegates certain duties to its committees so that matters receive detailed consideration. An Audit Committee has been established and the duties and responsibilities of it can be found below.

Audit Committee

In March 2017, the Board established an Audit Committee primarily for the purpose of overseeing the accounting and financial reporting processes and the audit of the financial statements. The Audit Committee has been set up in line with the requirements of Statutory Instrument 312 of 2016 and section 167 of the 2014 Companies Act.
The role and responsibilities of the Audit Committee are:

- Coordinating and overseeing the integrity of the financial reporting process.
- Monitoring compliance with relevant regulations, industry codes and legal requirements.
- Reviewing and overseeing the effectiveness, impartiality and independence of the Company's internal and external auditors.
- Considering and recommending to the Board the appointment, reappointment, dismissal or resignation of the external auditor
- Monitoring the effectiveness of the systems of internal controls and risk management.
- Providing assurance to the Board on the effectiveness of the Company's financial and regulatory risk management arrangements.

The following Board members have been appointed as members of the Audit Committee:

Members	**Committee Role**	**Appointment Date**	**Other Appointments**	**Attendance**
Michael J. Curran	Chair	March 2017	Funding Manager, CFSC	2/3
Rebecca Bakanowski	Member	March 2017 until November 2018	Tax Planning and Analysis Manager, CFSC	2/3
Jill Burns	Member	November 2018	Tax Planning and Analysis Manager, CFSC	1/1
Jill L. Harlan	Member	August 2018	Treasurer, CFSC	1/2
Patrick McCartan	Member	March 2017 until August 2018	CFO, CFSC	1/2

The Board is satisfied that the Audit Committee has recent and relevant financial experience as required by the Companies Act. The Directors have considered the requirements for the Audit Committee in respect of independence. As the members of the Committee are considered by the Board to not hold any senior management executive positions in any of the Caterpillar Inc. Group of companies the Directors consider that the arrangements for the Committee are suitable for both the Company and the Group.

The members bring diverse knowledge, experience and skills, which collectively contributes to the effectiveness of the Audit Committee.

The Audit Committee meets at least twice a year. The Audit Committee reports the outcome of its work to the full Board on a regular basis, and the minutes of the Audit Committee meetings are distributed to the Board members.

(c) Financial Reporting Process

The Board is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include the appointment of a finance function to maintain the accounting records of the Company, the existence of an adequate system of internal controls and internal auditing.

The integrity of the Company's financial reports and accounting records is based on validity, accuracy, completeness, timeliness and understandability of basic information supporting entries to the Company's books of account. Each person at the Group – not just those in finance and accounting – has a role in ensuring our financial records are complete and accurate and internal controls are honoured. The same standards of integrity that apply to external financial reporting also apply to the financial statements that are used as internal management tools. Caterpillar supports this commitment by following the relevant financial reporting standards and other financial regulatory standards, as well as continual validation of the embedded COSO based internal control framework.

The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time, the Board also examines and evaluates the financial function's financial accounting and reporting routines and monitors and evaluates the external auditors' performance, qualifications and independence. The finance function has operating responsibility for internal control in relation to the financial reporting process and the finance function is responsible to the Board in this respect.

(d) Risk Assessment

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's financial statements.
The risk assessment procedures followed by the Company are in line with Caterpillar's risk management and internal control framework.

The Company has review procedures in place to ensure that if there are errors and omissions in the financial statements, they are identified and corrected on a timely basis. Regular training on accounting rules and recommendations are provided to the accountants employed by the appointed finance function. Regular training is also provided to the service provider's operational teams.

(e) Control Activities

The Board is responsible for internal controls and Audit Committee monitors the operational effectiveness of the internal control framework. The internal control framework comprises the plan of organization and all of the associated methods and measures adopted within the business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and assure adherence to prescribed managerial policies.

Business processes are designed to ensure that potential errors or deviations in the financial reporting are prevented, discovered and corrected by implementing control activities that correspond to the control objectives. Control activities range from review of outcome results in management group meetings to specific reconciliation of accounts and analyses of the ongoing processes for financial reporting.

DIRECTORS' REPORT (CONTINUED)

The Company is subject to external audits, to internal auditing by the Parent company's corporate internal audit function and is subject to quarterly Sarbanes-Oxley (SOX) testing performed by internal control coordinators independent from the management of the Company.

Internal auditing staff serves as a form of managerial control that functions by independently measuring and evaluating the effectiveness of other controls. They appraise systems of internal control, report weaknesses, departures or violations therefrom and recommend corrective measures to management.

The Board and Audit Committee monitors the operation of internal controls by reviewing external and internal audit reports. Any observations and recommendations identified are addressed by implementing an adequate remediation plan.

(f) ***Capital Structure***

No person has a significant direct or indirect holding of securities in the Company. No person has any special rights of control over the Company's share capital.
There are no restrictions on voting rights in the company.

(g) ***Appointment and replacement of directors and amendments in the Articles of Association***

The Board undertakes an assessment for appointments and re-elections against the requirements of the Companies Act. There is no set tenure for Directors. Directors are not required to retire by rotation and will continue in office.

The Company's Memorandum and Articles of Association set out the objects and powers of the Company. The Articles of Association detail the rights attaching to shares, the method by which the Company's shares can be purchased or re-issued, and the provisions which apply to the holding of and voting at general meetings and the rules relating to the Directors, including their appointment, retirement, re-election, duties and powers.

The Company's Articles of Association may be amended by a special resolution passed by the shareholders at an AGM of the Company.

(h) ***Shareholder Meetings***

Caterpillar Financial Services Corporation ("CFSC") is the sole shareholder of the Company and as such it dispenses with the requirement of holding the Annual General Meeting (AGM). The shareholder passes resolutions resolving all matters as would be required to be resolved at the AGM including acknowledging receipt of the financial statements, reviewing performance of the Board of Directors' management of the Company and authorising Directors to determine the remuneration of the external auditors.

Directors' and secretary's interests

The Directors and Secretary had no interest in the shares of the Company or any other CFSC Group company that are required by the Companies Act 2014 to be recorded in the register of interests or disclosed in the Directors' report.

None of the other Directors or the secretary held at any time during the year, either directly or indirectly through their spouses or minor children, any disclosable interest in the share capital of any other group company.

No Director or secretary had at any time during the year a material interest in any contract of significance in relation to the Company's business.

No gains made in the year by all Directors on the exercise of options in Caterpillar Inc. Group.

Political contributions

There were no political contributions that require disclosure under the Electoral Act, 1997 (as amended).

DIRECTORS' REPORT (CONTINUED)

Auditors

The auditors, PricewaterhouseCoopers, will be re-appointed in accordance with Section 383 (2) of the Companies Act 2014.

Disclosure of information to auditors

Each of the Directors individually confirm that:

- In so far as they are aware, there is no relevant audit information of which the Company's auditor are unaware; and
- That they have taken all the steps that they ought to have taken as a Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

Directors' compliance statement

The directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations within the meaning of section 225 of the Companies Act, 2014.
The directors confirm that;

1) A compliance policy statement setting out the company's policies, that in our opinion are appropriate to the company, respecting compliance by the company with its relevant obligations has been drawn up.
2) Appropriate arrangements or structures that are designed to secure material compliance with the company's relevant obligations have been put in place.
3) A review of the arrangements and structures referred to at 2 above was not conducted during the financial year ended 31 December 2018. The directors intend to perform the review in the future.

On behalf of the board

Jill L. Harlan

Director

Jill Burns

Director

25 November 2019

Independent auditors' report to the members of Caterpillar International Finance DAC

Report on the audit of the financial statements

Opinion

In our opinion, Caterpillar International Finance DAC's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the group's and the company's assets, liabilities and financial position as at 31 December 2018 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Consolidated Financial Statements (the "Annual Report"), which comprise:

- the Consolidated and Company Statement of Financial Position as at 31 December 2018;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statement of Cash Flows for the year then ended;
- the Group and Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' 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 remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the group or the company.

We have provided no non-audit services to the group or the company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview

Materiality

- €4.8 million (2017: €4.5 million) - Group financial statements
- Based on 1% of shareholder's equity.
- €4.4 million (2017:€4.2 million) - Company financial statements
- Based on 1% of shareholder's equity.

Audit scope

- We focused our Group audit scope primarily on the audit work in five of the Group's legal entities, all of which were subject to individual statutory audit work.
- These audits covered over 95% of the Group's total shareholder's equity and of the Group's total comprehensive income.
- Audit coverage for individual line items within the Consolidated income statement and Consolidated Statement of Financial Position falls in the range 95% to 100%; most line items have audit coverage above 95%.

Key audit matters

- Credit loss allowance under IFRS 9 for loans and advances to affiliated companies ("loans"), term notes receivables and lease receivables.

pwc

Independent auditors' report to the members of Caterpillar International Finance DAC (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Credit loss allowance under IFRS 9 for loans and advances to affiliated companies ("loans"), term notes receivables and lease receivables Refer to Note 2 "Summary of Significant Accounting Policies"; Note 3 "Financial risk management"", Note 5 "Critical accounting estimates and judgements". On 1 January 2018, the Group transitioned to IFRS 9 which replaced IAS 39. Under the new impairment model, losses on assets which are classified at amortised cost are recognised on an expected credit loss basis ("ECL"). The complexity involved in the calculation required Management to develop new methodologies involving the use of significant judgements. These judgements have been key in the development of the new IFRS 9 models which have been built and implemented to measure the ECL on financial assets at amortised cost. Loans and advances to affiliated companies, Lease receivables and Term notes receivables were identified as the material financial assets requiring assessment of ECL. The calculation of ECL uses complex and inherently judgemental modelling techniques. The most significant judgements include: • determining the criteria for a significant increase in credit risk, ("SICR") and for being classified as credit impaired as this criteria determines whether 12 month or lifetime ECL is recorded. • determining the key assumptions, including collateral valuation and cash flow timings used in discounted cash flows of credit impaired (stage 3) loans. The allowance disclosed in the notes referenced above, represents Management's best estimate of ECL.	Our audit included considering the appropriateness of accounting policies and key methodologies applied for the calculation of ECL by reference to the requirements of IFRS 9 "Financial instruments". A) For loans we have performed the following procedures: • We have assessed the criteria used for the determination of SICR and credit impaired classification of loans, and selected a sample of financial assets to determine whether the SICR criteria have been appropriately applied and that credit impaired loans have been appropriately identified. • Our procedures included examination of the borrowers' latest financial information, testing of repayments and amounts past due and consideration of other qualitative and quantitative factors for our selected sample. • In conjunction with our credit risk specialists, we performed, on a sample basis, testing of key inputs in the loan ECL model, including sensitivity stress-testing on the key inputs, such as Probability of default ("PD") and Loss given default ("LGD"). B) For term notes and lease receivables we have performed the following procedures: • We assessed management accounting paper outlining the model governance, relevant controls, sensitivity analysis and the level of credit allowance. • We have assessed the criteria used for the determination of SICR and credit impaired classification of term notes and lease receivables and selected a sample of financial assets to determine whether the SICR criteria have been appropriately applied and that credit impaired loans have been appropriately identified. Our procedures included testing of

Key audit matter	*How our audit addressed the key audit matter*
	controls as well as testing over qualitative and quantitative SICR criteria on a sample basis. • We evaluated the design and tested the operating effectiveness of internal controls, supporting IFRS 9 calculations. Such controls include monitoring of past dues, input data used in the impairment models, controls over the collateral values and monitoring of credit watch list. • We tested on a sample basis whether borrowers complied with the terms of repayment. In addition, for all of the above portfolios, we have performed the following procedures: • In conjunction with our credit risk specialists assessed the conceptual soundness of the ECL methodology, including approach to determination of key inputs, i.e. PD, LGD, SICR, discount rate). • We tested completeness and accuracy of key data inputs and reconciled to source systems, where appropriate; • We evaluated and challenged Management's assumptions used in determination of the ECL. • In conjunction with our credit risk specialists reperformed the ECL calculation. • For the credit-impaired loans, where relevant, we examined the forecasts of future cash flows prepared by Management to support the calculation of the allowance and challenged the assumptions through comparing estimates to external support where applicable. Based on the evidence obtained, we concluded that the credit loss allowance recognised in respect of loans, term notes receivables and lease receivables are within a range we consider to be reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates through six legal entities incorporated in Ireland, Luxembourg and The Netherlands.

In establishing our overall approach to audit the Group, we identified five of the six legal entities as components in the Group audit ('the components'). We considered the significance of these components to the consolidated financial statements, our assessment of risk within each component, the overall coverage across the Group achieved by our procedures, as well as the risk associated with less significant components not brought into the normal scope of our audit.

Independent auditors' report to the members of Caterpillar International Finance DAC (continued)

We determined that, for each component, an audit of the complete financial information needed to be performed by us or by other PwC network firms operating under our instructions ("component auditors"). Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group consolidated financial statements as a whole. We also visited component auditor (PwC Luxembourg) and reviewed extracts from the component auditor's audit file to corroborate that our audit plan was appropriately executed.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Company financial statements***
Overall materiality	€4.8 million (2017: €4.5 million).	€4.4 million (2017: €4.2 million).
How we determined it	1% of shareholder's equity.	1% of shareholder's equity.
Rationale for benchmark applied	We chose shareholder's equity as the benchmark for materiality calculation because principal activity of the group is the issuance of debt securities and provision of finance to other group companies. We believe that net assets is an important financial performance indicator as it reflects the Group's ability to repay its debt vis-a-vis the bond holders.	We chose shareholder's equity as the benchmark for materiality calculation because principal activity of the company is the issuance of debt securities and provision of finance to other group companies. We believe that shareholders equity is an important financial performance indicator as it reflects the Company's ability to repay its debt vis a vis the bond holders.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €240,000 (group audit) (2017: €225,000) and €220,000 (company audit) (2017: €205,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's or the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Consolidated Financial Statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

Independent auditors' report to the members of Caterpillar International Finance DAC (continued)

knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below.

Directors' Report

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- Based on our knowledge and understanding of the group and company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Corporate governance statement

- In our opinion, based on the work undertaken in the course of the audit of the financial statements, the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement, is consistent with the financial statements and have been prepared in accordance with section 1373(2)(c).
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities for financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine 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, the directors are responsible for assessing the group's and 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 unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 (Ireland) 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.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Independent auditors' report to the members of Caterpillar International Finance DAC (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the company financial statements to be readily and properly audited.
- The Company Statement of Financial Position is in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 29 November 1995 to audit the financial statements for the year ended 31 December 1996 and subsequent financial periods. The period of total uninterrupted engagement is 23 years, covering the years ended 31 December 1996 to 31 December 2018.

Ivan McLoughlin
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
25 November 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

GROUP	Notes	2018 EUR	2017 EUR
Assets			
Cash and cash equivalents	7	21,018,858	66,488,244
Inventories		1,320,154	787,000
Loans and advances to affiliated companies	8	3,065,847,426	2,337,393,615
Derivative financial instruments	9	51,320,295	12,286,531
Income tax receivable		67,155	3,012,757
Deferred tax asset		1,023,236	-
Lease receivables	10	45,787,900	52,692,309
Term notes receivables	12	107,196,827	147,584,492
Property, plant and equipment	13	39,155,097	62,277,213
Other assets	14	10,314,394	3,398,891
Total assets		**3,343,051,342**	**2,685,921,052**
Liabilities			
Loans and advances from affiliated companies	15	1,388,194,482	862,195,052
Derivative financial instruments	9	8,390,293	29,667,628
Debt securities in issue	16	1,448,032,649	1,318,374,342
Income tax payable		477,159	832,749
Deferred income	18	13,837,898	15,195,571
Other liabilities	17	2,132,870	2,052,942
Total liabilities		**2,861,065,351**	**2,228,318,284**
Shareholder's equity			
Share capital	19	37,500	37,500
Other reserves	20	181,669,247	181,093,010
Retained earnings		300,279,244	276,472,258
Total equity		**481,985,991**	**457,602,768**
Total equity and liabilities		**3,343,051,342**	**2,685,921,052**

Notes 1 to 31 are an integral part of these consolidated financial statements.

On behalf of the board

Jill L. Harlan Jill Harlan — **Jill Burns**

Director — **Director**

25 November 2019

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

COMPANY	**Notes**	**2018 EUR**	**2017 EUR**
Assets			
Cash and cash equivalents	7	605	1,921
Loans and advances to affiliated companies	8	458,289,760	4,465,684
Investment in Group debt securities	29	-	2,429,926,765
Investment in Group debt securities at FVTPL	29	2,447,475,182	-
Derivative financial instruments	9	41,459,249	3,448,358
Investment in subsidiaries	11	3,550,000	3,550,000
Income tax receivable		69,650	3,035,061
Deferred tax asset		1,023,236	-
Other assets	14	14,959	66,909
Total assets		**2,951,882,641**	**2,444,494,698**
Liabilities			
Loans and advances from affiliated companies	15	1,049,987,978	668,023,808
Derivative financial instruments	9	4,787,762	27,573,965
Debt securities in issue	16	1,448,032,649	1,318,374,342
Deferred tax liability		129,537	-
Other liabilities	17	701,084	522,838
Total liabilities		**2,503,639,010**	**2,014,494,953**
Shareholder's equity			
Share capital	19	37,500	37,500
Other reserves	20	181,455,986	181,033,081
Retained earnings		266,750,145	248,929,164
Total equity		**448,243,631**	**429,999,745**
Total equity and liabilities		**2,951,882,641**	**2,444,494,698**

Notes 1 to 31 are an integral part of these consolidated financial statements.

On behalf of the board

Jill L. Harlan
Director Jill Harlan

Jill Burns
Director

25 November 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Financial Year Ended 31 December 2018

GROUP	**Notes**	**2018**	**2017**
		EUR	**EUR**
Finance income	21	77,900,621	56,732,548
Income from leased assets	23	18,084,883	23,387,332
Other income	24	950,322	1,098,139
Total income		**96,935,826**	**81,218,019**
Finance expense	22	(31,969,837)	(20,641,107)
Credit loss allowance		141,229	(1,693,832)
Net trading loss	25	(18,169,542)	(12,256,555)
Other operating expenses	26	(6,385,759)	(5,888,678)
Depreciation expense	13	(13,122,567)	(17,559,587)
Operating expense		**(69,506,476)**	**(58,039,759)**
Profit before income tax		**27,429,350**	**23,178,260**
Income tax (expense) / benefit	27	(2,476,800)	(295,278)
Profit for the year		**24,952,550**	**22,882,982**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges	20	1,851,066	(537,629)
Related income tax	20	(1,274,829)	179,217
Total comprehensive income		**25,528,787**	**22,524,570**

The statement of comprehensive income for the Company, as permitted by Section 304 of the Companies Act 2014, is not presented in these financial statements.

Notes 1 to 31 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

GROUP	Notes	2018 EUR	2017 EUR
Profit before income tax		**27,429,350**	**23,178,260**
Adjustment for:			
Depreciation expense	13	13,122,567	17,559,587
Credit loss allowance		(141,229)	1,693,832
Finance expense	22	31,969,837	20,641,107
Finance income	21	(77,900,621)	(56,732,548)
Other non-cash items		15,694,856	9,580,524
Changes in operating assets and liabilities:			
Decrease/(increase) in inventories		(533,154)	(737,000)
Decrease/(increase) in loans and advances to affiliated companies		(715,060,991)	(6,867,230)
Decrease/(increase) in finance lease receivables		8,529,646	7,230,353
Decrease/(increase) in term notes receivables		40,498,236	(25,910,125)
Decrease/(increase) in property plant and equipment		9,999,549	896,846
Decrease/(increase) in other assets		(7,624,546)	42,075,543
Decrease/(increase) deferred income		9,175,822	7,716,768
Decrease/(increase) in other liabilities		79,928	(1,020,590)
Decrease/(increase) in derivative financial instruments		(24,602,367)	33,081,673
Cash generated from / (used in) operations		**(669,363,117)**	**72,387,000**
Interest received		62,288,211	38,731,768
Interest paid		(27,183,459)	(15,531,162)
Net income tax received		(1,339,620)	5,846,471
Net cash generated from / (used in) operating activities		**(635,597,985)**	**101,434,077**
Cash flows from financing activities	7		
Proceeds from loans from affiliated companies		461,947,277	369,678,701
Proceeds from issuance of debt securities in issue		2,625,015,870	2,717,301,356
Repayments of debt securities in issue		(2,496,856,797)	(3,120,522,136)
Net cash from / (used in) financing activities		**590,106,350**	**(33,542,079)**

Notes 1 to 31 are an integral part of these consolidated financial statements.

GROUP	Notes	2018 EUR	2017 EUR
Movements in cash, cash equivalents and bank overdrafts	7	**(45,491,635)**	**67,891,998**
Net foreign exchange movement on cash		**22,249**	**(1,461,446)**
Cash, cash equivalents and bank overdrafts at opening		66,488,244	57,692
Cash, cash equivalents and bank overdrafts at closing		**21,018,858**	**66,488,244**

Notes 1 to 31 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CASH FLOWS

	Notes	2018 EUR	2017 EUR
Profit/(loss) before income tax		**15,217,693**	**16,737,908**
Adjustment for:			
Finance expense		23,585,905	15,759,798
Finance income		(43,171,365)	(31,270,692)
Credit loss Allowance		3,238	-
Other non-cash items		3,850,634	(2,408,957)
Changes in operating assets and liabilities:			
Decrease/(increase) in loans and advances to affiliated companies		(453,778,475)	33,975,700
Decrease/(increase) in other assets		(323,745)	38,591
Decrease/(increase) in derivative financial instruments		3,563,042	(17,558,358)
Cash generated from / (used in) operations		**(451,053,073)**	**15,273,990**
Interest received		21,359,107	8,486,956
Interest paid		(19,968,637)	(12,614,698)
Income tax received		590,820	8,542,006
Net cash generated from / (used in) operating activities		**(449,071,783)**	**19,688,254**
Cash flows from financing activities			
Proceeds from loans from affiliated companies		320,911,392	383,533,623
Proceeds from issuance of debt securities in issue		2,625,015,870	2,717,301,356
Repayments of debt securities in issue		(2,496,856,797)	(3,120,522,136)
Net cash from / (used in) financing activities		**449,070,465**	**(19,687,157)**
Movements in cash, cash equivalents and bank overdrafts		**(1,316)**	**1,097**
Cash, cash equivalents and bank overdrafts at opening		1,921	824
Cash, cash equivalents and bank overdrafts at closing	7	**605**	**1,921**

Notes 1 to 31 are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

GROUP	Notes	Share Capital EUR	Other Reserves EUR	Retained Earnings EUR	Total Equity EUR
Balance as of 1 January 2017		**37,500**	**181,451,422**	**253,589,276**	**435,078,198**
Profit for the year		-	-	22,882,982	22,882,982
Other comprehensive income		-	(358,412)	-	(358,412)
Balance as of 31 December 2017		**37,500**	**181,093,010**	**276,472,258**	**457,602,768**
Balance as of 1 January 2018		**37,500**	**181,093,010**	**276,472,258**	**457,602,768**
Changes on initial application of IFRS 9 (see note 4)	4	-	-	(1,145,564)	(1,145,564)
Amended balance as of 1 January 2018		**37,500**	**181,093,010**	**275,326,694**	**456,457,204**
Profit for the year		-	-	24,952,550	24,952,550
Other comprehensive income	20	-	576,237	-	576,237
Balance as of 31 December 2018		**37,500**	**181,669,247**	**300,279,244**	**481,985,991**

COMPANY	Notes	Share Capital EUR	Other Reserves EUR	Retained Earnings EUR	Total Equity EUR
Balance as of 1 January 2017		**37,500**	**181,207,223**	**230,733,023**	**411,977,746**
Profit for the year		-	-	18,196,141	18,196,141
Other comprehensive income		-	(174,142)	-	(174,142)
Balance as of 31 December 2017		**37,500**	**181,033,081**	**248,929,164**	**429,999,745**
Balance as of 1 January 2018		**37,500**	**181,033,081**	**248,929,164**	**429,999,745**
Changes on initial application of IFRS 9 (see note 4)	4	-	-	2,733,715	2,733,715
Amended balance as of 1 January 2018		**37,500**	**181,033,081**	**251,662,879**	**432,733,460**
Profit for the year		-	-	15,087,266	15,087,266
Other comprehensive income	20	-	422,905	-	422,905
Balance as of 31 December 2018		**37,500**	**181,455,986**	**266,750,145**	**448,243,631**

Notes 1 to 31 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Caterpillar International Finance DAC (Designated Activity Company) ("the Company") and its subsidiaries (together 'the Group') is a treasury centre of Caterpillar Financial Services Corporation ("CFSC") and in such capacity, among other things, it grants loans, financial risk guarantees and provides related financial support services to the direct and indirect subsidiaries of CFSC as well as to certain Caterpillar dealers and end-customers and issues debt securities in the market.

The Company is a designated activity company incorporated and domiciled in Ireland. The address of its registered office is Riverside One, Sir John Rogerson's Quay in Dublin 2, Ireland.

These financial statements include both Group consolidated financial statements and Company standalone financial statements.

The Company is included in the consolidated financial statements of its parent company, CFSC, a company incorporated under Delaware laws, USA. The registered office of this company is 2120 West End Avenue, Nashville TN 37203. The Company is also included in the consolidated financial statements of Caterpillar Inc. Group, a company also incorporated under Delaware laws, USA. The registered office of this company is 510 Lake Cook Road, Deerfield, Illinois 60015 (USA). The consolidated financial statements for both these companies can be obtained at the registered office of the respective company or on the following web site www.cat.com.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared on the going concern basis and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and endorsed by the European Union (IFRS), and in accordance with Irish Law (Companies Act 2014). These financial statements have been prepared in accordance with IFRS and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and effective as at 31 December 2018.

The financial statements have been prepared on a historical cost basis, except for the following:

- Derivative financial instruments are measured at fair value.
- The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards and significant amendments to standards applicable to the Company

(a) Standards, amendments and interpretations that are effective for the Company's accounting period beginning on 1 January 2018

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 'Financial Instruments'. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 'Financial Instruments: Recognition and Measurement'.

The Company has adopted IFRS 9 with a date of initial application of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of the transition were recognised in the opening retained earnings and other reserves of the current period.

The Group has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives).

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 introduces a new model for the recognition of loss allowances – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, loss allowance is measured using lifetime ECL rather than 12 month ECL.

The changes in the accounting policies and presentation of financial statements as a result of adopting IFRS 9 are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 15 Revenue from contracts with customers

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. There is a limited impact from adopting IFRS 15 for the Group and company.

Clarifications to IFRS 15, Revenue from contracts with customers
In April 2016, the IASB issued amendments that comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The effective date of these amendments is 1 January 2018. There is no impact for the group on its consolidated financial statements.

The following new standards and interpretations became effective for the Group from 1 January 2018 but did not have a material impact on the Group:

- Amendment to IFRS 2, "Share based Payment", on clarifying how to account for certain types of share-based payment transactions.
- Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 12 and IAS 28); and
- IFRIC 22, "Foreign Currency Transactions and Advance Consideration".

(b) <u>Standards, amendments and interpretations issued but not yet effective for the Company's accounting period beginning on 1 January 2018 which have not been early adopted</u>

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods ending 31 December 2018 and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below:

IFRS 16 Leases
IFRS 16, 'Leases' introduces a single, on-balance lease sheet accounting model for leases. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The standard is effective for annual periods beginning on or after 1 January 2019. The group is assessing the impact of adopting IFRS 16. It is currently expected that there will be a limited impact for the group from adopting IFRS 16.

IFRIC 23, Uncertainty over income tax treatments
In June 2017, the IASB issued IFRIC 23 which clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The interpretation explains how to recognise, and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. This standard is effective for annual periods beginning on or after 1 January 2019. The group is currently assessing the impact of IFRIC 23. It is currently expected that there will be a limited impact for the group from adopting the standard.

Annual improvements 2015-2017 applicable for periods on or after 1 January 2019 (not yet endorsed by EU)
The annual improvements include minor amendments affecting IFRS 3, 'Business combinations', IFRS 11, 'Joint arrangements', IAS 12, 'Income taxes', and IAS 23, 'Borrowing costs'. The adoption of this amendment will not have any impact on the financial position and performance of the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amendments to IFRS 9: Prepayment Features with Negative Compensation 12 October 2017.

In October 2017 the IASB issued narrow-scope amendment to IFRS 9.

The narrow-scope amendments made to IFRS 9 Financial instruments in December 2018 enable entities to measure certain prepaid financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

To qualify for amortised cost measurement, the negative compensation must be "reasonable compensation for early termination of the contract" and the asset must be held within a "held to collect" business model.

The effective date of this amendment is 1 January 2019. The group is currently assessing the impact of the amendment.

Amendments to IAS 1 and IAS 8, Definition of material

In October 2018, the IASB issued the amendments to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and in the standards themselves. The effective date of the amendment is 1 January 2020. The amendment was not yet endorsed by the EU.

There are no other IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has the control. The Group controls an entity when the group is exposed to, or has a right to, variable returns from its involvement with the entity and has the ability to affect those returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of acquisition, the Group reassess the identification and measurement of the acquirer's identifiable assets, liabilities and contingent liabilities. After that reassessment, the Group recognises immediately in profit or loss any excess.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intercompany transactions and balances between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group had the following subsidiaries at 31 December 2018:

Name	Registered Office	Status	Principal activity	Proportion of ordinary shares held by the Group (%)	Share Capital EUR
Caterpillar International Finance Luxembourg S.à r.l.	Luxembourg	Direct subsidiary	Affiliate company lending	100	3,550,000
Caterpillar Financial Services Netherlands B.V.	Netherlands	Indirect subsidiary	Leasing, lending and factoring	100	23,500,000
Caterpillar International Luxembourg I S.à r.l.	Luxembourg	Indirect subsidiary	Guarantee provider	100	1,570,569
Caterpillar International Luxembourg II S.à r.l.	Luxembourg	Indirect subsidiary	Guarantee provider	100	1,620,605
Caterpillar International Finance Luxembourg Holding S.à r.l.	Luxembourg	Indirect subsidiary	Investment acquisition	100	319,968

All subsidiary undertakings are included in the consolidation.

2.3 Segment reporting

According to IFRS 8, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). Further information on segment reporting is disclosed in Note 6.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated Group and Company financial statements are presented in 'Euro' (EUR), which is their presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges. Non- monetary items are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the net trading fair value gain or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

Property, plant and equipment comprise of 'Machinery and equipment' and 'Fixtures, fittings and office equipment', and are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Machinery and Equipment: 3-5 years;
- Fixtures, fittings and office equipment: 3-5 years.

An operational lease is different from a finance lease and is classified as such if it does not transfer the entire substantial risk and rewards incidental to ownership. The Company as a lessor presents the assets subject to operational leases in the statement of financial position according to the nature of the asset. The operational lease instalments are recognised in their entirety on a straight-line basis over the lease term. The instalments are classified and presented in the statement of comprehensive income under income from leased assets.

Caterpillar Inc. Group's Remarketing division provides market specific information to the Group as to appropriate residual values along with advice on re-marketing. The residual values for leased assets, which are based upon the estimated wholesale market value of leased equipment at the time of the expiration of the lease, are based on a careful analysis of historical wholesale market sales prices, projected forward on a level trend line without consideration for inflation or possible future pricing action.

At the inception of the lease, residual values are derived from consideration of the following critical factors: market size and demand, any known significant market/product trends, total expected hours of usage, machine configuration, application, location, model changes, quantities and past re-marketing experience, third-party residual guarantees and contractual customer purchase options. During the term of the leases, residual amounts are monitored. If estimated market values reflect a non-temporary loss allowance due to economic factors, obsolescence or other adverse circumstances, the residual values are reviewed and adjusted as appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.6 Lease receivables

Leases where substantially all the risks and rewards incidental to ownership of an asset are transferred to the lessee are classified as finance leases.

The Group as a lessor records a finance lease receivable at the amount of its net investment which equals the present value of the future minimum lease payments receivable after any accumulated credit loss allowances. The finance lease receivables are presented within "lease receivables" in the consolidated statement of financial position.

The finance lease instalments can comprise various components each having its own revenue recognition. The instalments are classified and presented in "Income from leased assets" in consolidated statement of comprehensive income. The difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest rate method.

Recognition of income is suspended when management determines that collection of future income is not probable. Accrual is resumed, and previously suspended income is recognized, when the receivable becomes contractually current and/or collection doubts are removed. Cash receipts on impaired finance receivables are first recorded against the receivable and then to any unrecognized income. A finance receivable is considered credit impaired when it is classified as Stage 3 based on certain criteria that indicates the customer is in default and it is probable that the Group will be unable to collect all amounts due according to the contractual terms of the loan or finance lease. More details on credit loss allowance are given in Note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Inventories

Used equipment inventory is valued at the lower of cost and net realisable value, which is estimated by the Directors on the basis of available financial data. Net realisable value is estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped by category for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets and liabilities

Measurement methods

The amortised cost is the amount at which the financial asset and financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transactions costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

For purchased or originated credit-impaired ("POCI") financial assets - assets that are credit-impaired at initial recognition – The Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Financial assets classified at FVTPL are initially recognised at fair value and are subsequently carried at fair value with and re measurements going through profit and loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9.1.1 Financial assets - accounting policies under IFRS 9 (current period)

Interest income
Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset

(b) Financial assets that are not "POCI" but have subsequently become credit-impaired (or "stage 3"), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transactions costs that are incremental and directly attributable to the acquisition or issue of the financial assets or financial liabilities, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expenses in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measures at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

(i) **Classification and subsequent measurement**

From 1 January 2018, the Group has applied IFRS 9 classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- Those to be measured at amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and advances to affiliated companies, term notes receivables, trade receivables purchased from client in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depends on:

(j) The Group's business model for managing the asset; and
(ii) The cash flow characteristics of the asset.

Based on these factors, the Group classified its debt instruments into one of the following three measurement categories:

Classification of financial assets are determined based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. The Group classifies its financial assets in the following categories:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Amortised Cost

The assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest ("SPPI"), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 3.

Interest income from these financial assets is included in "finance income" using the effective interest rate method.

Financial assets including cash and cash equivalents, loans and advances to affiliated companies, term notes receivables and lease receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group holds these financial instruments to collect contractual cash flows of solely principal and Interest.

(b) Financial assets at fair value through profit or loss

Assets that do not meet criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented in the profit or loss statement within "net trading loss" in the period in which it arises. Interest income from these financial assets is included in the "Finance income".

The groups Derivatives are categorised as held for trading unless they are designated as hedges. Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. As the contractual cash flows of the instruments will not represent solely payment of principal and interest on the principal outstanding, the entire assets will have to be measured at FVTPL.

The company`s investment in group debt securities represents financial assets with an embedded derivative. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest. As the contractual cash flows of the instruments will not represent solely payment of principal and interest on the principal outstanding, the entire assets will have to be measured at FVTPL under IFRS 9.

(ii) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments assets carried at amortised cost and with its exposure from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date.

The impairment methodology applies depends on whether there has been a significant increase in credit risk.
Details of the ECL estimation are disclosed in the note 3.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. The Company should reclassify financial assets if the Company changes its business model for managing those financial assets. Such changes are expected to be very infrequent. Such changes are determined by the Company's senior management as a result of external or internal changes and must be significant to the Company's operations and demonstrable to external parties. Accordingly, a change in the Company's business model will occur only when the Company either begins or ceases to perform an activity that is significant to its operations; for example, when the Company has acquired, disposed of or terminated a business line. Financial liabilities are not reclassified subsequent to their initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indications or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition. The Company monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12 month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

The Group continues to monitor if there is a subsequent occurrence of significant increase in credit risk in relation to such assets through the evaluation of specific quantitative and qualitative criteria.

2.9.1.2 Financial assets – accounting policies under IAS 39 (comparative period)

Until 1 January 2018, the group classified its financial assets in the following categories under IAS 39:

- Financial assets at fair value through profit or loss,
- Loans and receivables.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are directly expensed in the statement of comprehensive income.

Loans and receivables initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate (“EIR”), the rate that exactly discounts estimated future cash payments or receipts through the expected life or, when appropriate, a shorter period, to the net carrying amount of the financial asset of the financial liability. When calculating the EIR, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Classification

The Group classifies its financial assets in the following categories: ‘at fair value through profit or loss’ and ‘loans and receivables’. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are categorised as held for trading unless they are designated as hedges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group's loans and receivables include 'trade and other receivables', 'loans and advances to affiliated companies,' and 'term notes receivables'. The company`s loans and receivables include "Investment in Group debt securities.

Recognition and measurement

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are directly expensed in the statement of comprehensive income.

Loans and receivables initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate ("EIR"), the rate that exactly discounts estimated future cash payments or receipts through the expected life or, when appropriate, a shorter period, to the net carrying amount of the financial asset of the financial liability. When calculating the EIR, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets.

Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Write-offs

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

2.9.2. Financial liabilities

In both the current and prior period, the measurement and recognition in the statement of comprehensive income depends on the classification of the financial liabilities being: (1) financial liabilities at fair value though profit or loss or (2) other financial liabilities measured at amortised cost using the Effective Interest Rate method ('EIR').

This classification determines the measurement and recognition in the statement of comprehensive income. The group has the following classes of financial liabilities.

1. Debt securities in issue

Debt securities in issue (borrowings) are classified as other financial liabilities measured at amortised cost using the EIR method and recognised initially at fair value, net of transaction costs incurred. Debt securities in issue are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the securities using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value though profit or loss include financial liabilities held for trading, derivative instruments and debt securities that the Group has irrevocably designated at initial recognition as held at fair value through profit or loss.

3. Other financial liabilities

Other financial liabilities are classified as other financial liabilities measured at amortised cost using the EIR method and initially recognised at fair value (net of transaction costs), and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the statement of comprehensive income.

4. Financial guarantees

The group provides financial Guarantees to group companies in connection with the portfolios as follows:

Guarantee fees are received or are under the guarantee contracts and are recognised at fair value.

The liability is initially measured at fair value and subsequently at the higher of:

the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments effective from 1 January 2018, or the amount determined in accordance with the incurred loss model (IAS 39), effective prior to 1 January 2018 and the amount initially recognised less amounts amortised to the consolidated statement of comprehensive income over the term of the guarantee contract or the life of the loans in the case of Financial Corporaciòn Financiera, S.A., E.F.C. (CFCF).

To the extent that a probable obligation required to settle any financial obligation arising as a result of the guarantees, the best estimate of the expected expenditure is recognised at the statement of financial position date.

Any increase in the liability relating to guarantees is taken to the statement of comprehensive income and recognised on the statement of financial position.

The group receives financial guarantees as follows:

i. Guarantees provided by the group to CFCF are backstopped by guarantees granted from CFSC to balance the above-mentioned guarantees granted to CFCF.

ii. All intercompany loans the group borrows are non-recourse and have a Caterpillar Financial Services Corporation (CFSC) guarantee.

iii. Guarantee provided by CFSC over the external debt of the Group.

Guarantee fees payable are recognised at fair value at the date of recognition and amortised over the period in use. Subsequent to initial recognition any increase in the liability relating to guarantees is taken to the statement of comprehensive income and recognised on the statement of financial position.

5. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised liabilities (fair value hedge);
- hedges of a highly probable forecast transaction or the variability of cash flow to be paid (cash flow hedge); or
- "undesignated" instrument.

The Group documents at the inception of the hedge relationships the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 9.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity if the hedged item continues to be recognised or is released to the consolidated statement of comprehensive income if the hedged item is derecognised.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within finance income or finance expense.

Amounts accumulated in equity are reclassified to the statement of comprehensive income in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings (debt securities in issue) is recognised in statement of comprehensive income within net trading gain or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. If a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments, including money market funds, commercial papers, bank deposits and marketable securities which all mature within three months from the date of purchase. Bank overdrafts are shown in other liabilities on the statement of financial position.

Money market investment funds which meet the following criteria; short term investments, highly liquid investment, readily convertible to known amounts of cash, subject to an insignificant risk of changes in value; are recorded under “cash and cash equivalents” at their latest official net asset values as provided by the relevant administrators.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 Deferred income

Deferred income includes income received during the financial period but relating to a subsequent financial period. The income includes upfront rentals on operating leases, unamortised dealer and manufacturing subsidy and unamortised guarantee fees.

2.15 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period`s taxable income based on the applicable income tax rate for each jurisdiction adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company’s subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Company was deregistered as Irish tax resident and became US tax resident as of 25 March 2008 for Irish tax purposes. The Company is not tax resident in the Republic of Ireland and is a tax resident in the USA for Irish tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.17 Finance income and income from leased assets

Finance lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return on the net investment amount outstanding on the finance leases.

Finance income and expense are recognised in the statement of comprehensive income for all instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the finance income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates the cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective rate, transaction costs and all other premiums and discounts.

Operating lease income is recognised on a straight-line basis over the lease term.

Other income is generally recognised on an accrual basis when the service has been provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Investment in Group debt securities

To finance its subsidiaries the Company has acquired Convertable Preferred Equity Certificates ("CPECs") when issued and holds these under Investments in Group debt securities in the statement of financial position at fair value through profit and loss as from 1 January 2018. The Changes in fair value are recognised in Statement of Comprehensive Income of the Company. Before 1 January 2018 the instruments were recognised at amortised cost.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The principal activity of the Group is the provision of financing to certain subsidiaries of the financial arm of the Caterpillar Inc. Group, as well as to certain Caterpillar dealers and end-customers.

The demand for the Group's financial services are influenced by a number of factors, including, among others:

- general economic and industry conditions at the level of mining, construction, marine and manufacturing activity;
- fluctuations in demand and prices for certain commodities;
- fluctuations in currency exchange rates and interest rates;
- changes and uncertainties in the monetary and fiscal policies of various governmental and regulatory entities;
- the ability of Caterpillar dealers to sell Caterpillar products and their practices regarding inventory control;
- Caterpillar's operating costs;
- the ability of Caterpillar to compete successfully;
- changes in pricing policies by Caterpillar or its competitors;
- political, economic and legislative changes; and
- natural disasters, wars, embargoes, acts of terrorism and other catastrophic events.

The Group's activities expose it to a variety of financial risks: credit risk, foreign exchange risk, interest rate risk and liquidity risk.

Credit risks are managed by only granting loans to Caterpillar affiliated companies, a small number of dealers and end-user customers after a credit analysis of their financial condition.

Foreign exchange risks arise mainly due to differences in the currency of the Company's funding and the currency in which loans are advanced. Foreign exchange risks are managed by the use of forward foreign exchange contracts and cross currency swaps and by hedging balance sheet asset and liability positions.

Interest rate risks arise mainly due to the differences in the nature of interest paid on funding and interest received on loans advanced. Interest rate risks are managed by the use of interest rate swaps.

Interest rate risk can be defined as the uncertainty that uncontrollable changes in market rates may result in a rise in interest expense on floating rate liabilities without a consequent rise in interest income on the fixed rate assets they are funding. The metric employed the group to quantify exposure to interest rate risk is the match funding level. The match funding level is defined as the ratio of Fixed Rate Debt to Fixed Rate Assets. It should be noted that for the purposes of calculating the match funding level, all equity is considered to be a source of fixed rate funding. As part of the match funding policy, target match funding ranges have been established by currency. The target ranges differ by currency and reflect the groups view on the likelihood, direction, and timing of interest rate movements by each currency's respective central banking institution. Currencies with strong expectations of imminent rate hikes will have target ranges closer to 100% to further limit exposure to interest rate risk given their relatively more volatile rate environments. Target ranges are reviewed on an ongoing basis by the group and adjusted with changes to market expectations.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Group earnings and cash flow are subject to fluctuations due to changes in foreign currency exchange rates and interest rates. Group "Risk Management Policy" (Policy) allows for the use of derivative financial instruments to prudently manage foreign currency exchange rate and interest rate exposure. The Policy specifies that derivatives are not to be used for speculative purposes. Derivatives used are primarily foreign currency forward, interest rate swaps, and cross currency swaps. The Group’s derivative activities are subject to the management, direction, and control of its financial officers. Risk management practices, including the use of financial derivative instruments, are presented to the Audit Committee of the CFSC Board of Directors at least annually.

3.2 Foreign exchange risk

In managing foreign currency risk, the Group’s objective is to minimize earnings volatility resulting from conversion and the re-measurement of net foreign currency in the statement of financial position. The Policy allows the use of foreign currency forward contracts and cross currency swaps to offset the risk of currency mismatch between the Group’s receivables and debt. None of these foreign currency forward contracts are designated as a hedge. The foreign currency cross currency swaps are designated as a cash flow hedge.

A 25% strengthening of the EUR against the following currencies at 31 December 2018 would have impacted equity and profit before taxation by the amounts set out below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
	Decrease / (Increase)		Decrease / (Increase)	
USD	179,591	(421,482)	(41,664)	-
GBP	22,104	13,987	-	-
Others	(107,502)	(33,539)	-	-

Exposure to foreign exchange rate risk

The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 2018. Included in the table are the Group and Company's assets and liabilities at carrying amounts, categorized by currency.

As at 31 December 2018 and 31 December 2017, after taking into account the effects of forward foreign exchange contracts, the Group and Company had no significant currency exposures.

All amounts stated below are the Euro equivalent of the related currency.

Group				
As at	**USD**	**GBP**	**Other**	**Total**
31 December 2018				
Net Asset / (Liability)	830,565,381	55,308,089	385,727,419	1,271,600,889
Hedging	(831,283,744)	(55,396,503)	(386,157,426)	(1,272,837,673)
Net exposure	**(718,363)**	**(88,414)**	**(430,007)**	**(1,236,784)**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at	USD	GBP	Other	Total
31 December 2017				
Net Asset / (Liability)	286,216,697	44,494,214	270,690,029	601,400,940
Hedging	(284,530,768)	(44,550,162)	(270,555,874)	(599,636,804)
Net exposure	**1,685,929**	**(55,948)**	**134,155**	**1,764,136**

Company

As at	USD
31 December 2018	
Net Asset / (Liability)	1,122,643,428
Hedging	(1,122,810,083)
Net exposure	**(166,655)**

As at	USD
31 December 2017	
Net Asset / (Liability)	688,274,309
Hedging	(688,274,309)
Net exposure	-

3.3 Interest rate risk

Interest rate movements create a degree of risk to the Group's operations by affecting the amount of its interest payments and the value of its fixed rate debt. Group's practice is to use interest rate swap agreements, when necessary, to manage its exposure to interest rate changes and in some cases to lower the cost of borrowed funds.

The Group has a match funding policy that addresses interest rate risk by aligning the interest rate profile (fixed or floating rate) of its debt portfolio with the interest rate profile of its receivables portfolio within pre-determined ranges on an ongoing basis. In connection with that policy, the Group uses interest rate derivative instruments to modify the debt structure to match assets within the receivables portfolio. This match funding reduces the volatility of margins between interest-bearing assets and interest-bearing liabilities, regardless of which direction interest rates move.

This is accomplished by changing the characteristics of existing debt instruments or entering into new agreements in combination with the issuance of new debt.

The Policy allows the Group to use floating-to-fixed, fixed-to-floating, fixed-to-fixed, and floating-to-floating interest rate swaps to meet its match-funding objective. To support hedge accounting, the Group designates fixed-to-floating interest rate swaps as fair value hedges of the fair value of its fixed rate debt at the inception of the contract. Floating-to-fixed interest rate swaps are designated as cash flow hedges to protect against the variability of cash flows due to changes in the benchmark interest rate.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The effect on Group net finance income, and therefore profit before tax, of a 50 basis points (bps) change, holding all other variables constant would be as follows:

Group	+50 bps 2018 EUR	-50 bps 2018 EUR	+50 bps 2017 EUR	-50 bps 2017 EUR
Finance Expense	(15,300,192)	15,300,192	(12,509,478)	12,509,478
Finance Income	27,218,816	(27,218,816)	19,951,643	(19,951,643)
Net Impact on Profit	**11,918,624**	**(11,918,624)**	**7,442,165**	**(7,442,165)**

3.4. Credit risk

The Group is exposed to counterparty credit risk on cash and cash equivalent, derivative financial instruments, financial lease receivables, loans to affiliated undertakings and other categories of receivables.

Credit applications in respect of the marine and leasing retail sectors for the leasing and lending activities are reviewed to ensure compliance with corporate policy using financial analysis and reference to internal and external credit agencies, except for those related to customers with a credit limit under a million USD. Management considers a number of factors, including the net investment in a customer, and the amount of residual values, where estimating a credit provision amount. Rental invoices are provided subject to payment deadlines ranging between 10 and 30 days. Any amounts over these periods by 10 days are classified as past due and are reviewed. Collection staff are responsible to collect accounts once they become 10 days past due until resolution of the account via payment, modification, repossession, or legal coding. Management consider the financial positions and conditions of all affiliated companies regularly through reviews of financial information when considering the credit risk of group companies for provisioning purposes.

The Group is exposed to potential loss if any party fails to pay amounts due to the Group under contractual terms (“credit risk”). In relation to the exposure, the Group only engages in activity with financial institutions, which have had prior approval by management. Individual risk limits are set based on internal and external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

In relation to amounts owed by affiliated entities, the Company has established policies and procedures for mitigating credit risk that include reviewing and establishing limits for credit exposure and continually assessing the creditworthiness of counterparties. Master agreements are used where appropriate.

No credit limits were exceeded during the reporting period, and management does not expect any credit losses from write offs from non-performance by their affiliated companies.

3.4.1. Expected credit loss measurement

IFRS 9 outlines a “three-stage” model for the impairment based in changed in credit quality since the initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified as “stage 1” and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit impaired. Please, refer to 3.4.1.1 for a description of how the Group determines when a significant increase in credit risk has occurred.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

- If financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3". Please, refer to 3.4.1.2 for a description how the Group defines credit-impaired and default.
- Financial instrument at Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from a default events possible within the next 12 month. Instruments in Stages 2 or 3 have their ECL measured based on the expected credit losses on a lifetime basis. Please, refer to the note 3.4.1.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 3.4.1.4 includes an explanation of how the Group has incorporated this in the ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a collective basis.

For all types of the Group portfolios – Loans and advances to affiliated companies, term notes and lease receivables, ECL is measured according to classification of the loan into one of three stages.

3.4.1.1. Significant increase in credit risk (SICR)

The Group determines whether there has been a significant increase in credit risk since initial recognition or a default event has occurred on any of its financial instruments.

The Group conducts an analysis of current financial instruments for signs of increase in credit risk with the subsequently distributes the instruments among the three impairment stages.

For the purposes of IFRS 9, Company uses the same criteria for impairment as it does for internal definition of default. The concepts of impairment and significant increase in credit risk shall be applied at the contract level (not the counterparty level) to reflect changes of credit risk of financial instruments according to the existing Credit Policy (CP).

The criteria of significant increase in credit risk, in accordance with the requirements of IFRS 9, include 3 main types of criteria:

- Quantitative criteria - change in Probability of Default;
- Qualitative factors / triggers;
- "Blocking" conditions / constraints (such as 30 days past due; accounted for at the level of the financial instrument).

The Group uses internal verification procedures for SICR criteria to ensure that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired.

If verification demonstrates ineffectiveness of existing parameters, these parameters must be adjusted according to internal procedures.

The Company has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group applies the same criterias to its main portfolios, i.e. Loans and advances to affiliated companies, term notes receivables and lease receivables. The framework aligns with the Company's internal credit risk management process. The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency.

The Company will deem the credit risk of a particular exposure to have increased significantly since initial recognition if, based on the Company's quantitative modelling, the remaining lifetime forward-looking PD is determined to have increased by a factor corresponding to the credit risk grade of this exposure since initial recognition. In measuring increases in credit risk, remaining lifetime ECLs are adjusted for changes in maturity.

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. As a backstop, and as required by IFRS 9, the Company will presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Company will determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The Company will monitor the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired.

If the instrument in Stage 2 no longer meets any of the SICR criteria, it shall be transferred back to Stage 1.

3.4.1.2. Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- Significant financial difficulty of the borrower or issuer;
- The borrower is unlikely to pay its credit obligations to the Company in full;
- A breach of contract such as a default or past due greater than 90 days;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or liquidation procedures or customer files protection under bankruptcy law, unless customer intends to continue payments;
- Undercapitalised companies or those experiencing cash flow problems (e.g. bankruptcy on-going or expected in the near future);
- A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of credit loss allowance;

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The set of criteria's are applied consistently across the main portfolios – Loans and advanced to affiliated companies, term notes receivables and lease receivables.
The assessment of SICR is performed on a quarterly basis at a portfolio level. For terms notes receivables and lease receivables, where watchlist is used to monitor credit risk, this assessment is performed at the counterpart level on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriatness by the independent Credit Risk team.

3.4.1.3. Measuring ECL – explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

Probability of default (PD)

PD estimates are evaluations for a specific date, calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. Depending on availability, external data may also be used to derive the PD for large corporate counterparties. Change of counterparty PD leads to a corresponding change of the rating grade.

Loans and advances to affiliates companies
For the loans and advances to affiliated companies, the probability of default is evaluated based on the external credit rating of CFSC and the sovereign rating of the country in which the subsidiary entity operates.

For determination of the sovereign rating of country of operation, the Group uses Moody's, S&P and Fitch county rating. Probability of default of the subsidiary shall be determined as the maximum of the corporate PD corresponding to the credit rating of CFSC minus 2 notches (due to subsidiaries'' distance in the organizational structure); and the respective Corporate PD for the sovereign rating of the country in which the subsidiary operates.

For the Stage 2, lifetimes PD shall be used in the ECL calculation. Lifetime PD is calculated as a sum of marginal PD's for each year from the reporting date to the maturity of the instrument. The lifetime PD will be estimated based on the Moody's default rates.

Term notes receivables and lease receivables

For the stage 1 for lease receivable and term notes receivables, 12-month PD, shall be calculated by using internal models for initial assessment and ongoing monitoring.

For the Stage 2 internal model 1-year and 5-year PD's on the reporting date shall be used to evaluate the cumulative PD profiles.

Loss given default (LGD)

LGD is a measure of the likely loss incurred by the Company in case of counterparty default. The Company will estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. LGD will be calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Loans and advances to affiliates companies

Due to lack of historical defaults and subsequent recoveries on loans and advances to affiliated companies, the Group does not have sufficient historical data to statistically evaluate LGD for this instrument. Therefore, the Group assumes the LGD measure on intercompany loans to equal 75%.
3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Lease receivables and term notes receivables

To estimate LGD on lease receivables, the Company uses the LGD report produced by Caterpillar, Inc. on a regular basis. To support the LGD analysis and as a cross reference, the Group uses analysis of historical sales of repossessed collateral by profit centre.

For the terms notes, which are mostly represented by marine loans portfolio, the cross reference is performed with the external industry benchmark values.

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Company will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation and prepayments. The EAD of a financial asset will be the gross carrying amount at default. For lending commitments and financial guarantees, the EAD will consider the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which will be estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company will measure ECLs considering the risk of default over the maximum contractual period (including any borrower extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

There has been no significant changes in estimation techniques or significant assumptions made during the reporting period.

3.4.1.4. Forward-looking information incorporated in the ECL models

In order to incorporate reasonable and supportable forward-looking information into the ECL model for lease receivables and term notes receivables, the Company calibrates the calculated PD profiles based on macroeconomic parameters, mainly - change in CPI (inflation).

For the loans and advances to affiliated companies, the macroeconomic adjustment is considered by management to be reflected in the counterparty PD's calculated based on external credit ratings, incorporates forward-looking macroeconomic information.

3.4.1.5. Grouping of instruments for loss measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes.

The Group applies collective basis of measurement for instruments with a similar characteristics – Terms notes receivables and lease receivables that are not credit impaired (Stage 3).

Loans and advances to affiliated companies and all exposures classified as credit impaired (stage 3) are individually assessed.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4.2. Credit risk exposure

The estimation of credit exposure for risk management purpose is complex and required the use of models, as the exposure varies with changes in the market conditions, expected cash flow and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

Credit loss allowance	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime** ECL	**Lifetime** ECL	**Total**
	EUR	EUR	EUR	EUR
Lease receivables	142,571	3,521	2,754	148,846
Term notes receivables	1,132,232	-	1,053,362	2,185,594
Unwind of discount*	-	-	(1,247)	(1,247)
Loans and advances to affiliated companies	253,584	-	-	253,584
Total as at 31 December 2018	1,528,387	3,521	1,054,869	2,586,777

* The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognised on the amortised cost (after deducting the ECL allowance)

Gross carrying amount	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime** ECL	**Lifetime** ECL	**Total**
	EUR	EUR	EUR	EUR
Lease receivables	45,395,985	501,426	39,335	45,936,746
Term notes receivables	98,989,059	-	10,393,362	109,382,421
Loans and advances to affiliated companies	3,066,101,010	-	-	3,066,101,010
Gross carrying amount as at 31 December 2018	3,210,486,054	501,426	10,432,697	3,221,420,177

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1	Stage 2	Stage 3	
	12-month ECL	**Lifetime** ECL	**Lifetime** ECL	**Total**
	EUR	EUR	EUR	EUR
Transfers:				
Lease receivables				
Opening balance as at 1 January 2018	146,856	16,242	15,420	178,518
Transfer from Stage 1 to Stage 2	(1,453)	1,453	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	13,522	(13,522)	-	-
Transfer from Stage 2 to Stage 3	-	(1,594)	1,594	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	9,029	(9,029)	-
Net new and further lending/(repayments)	(16,354)	(8,087)	(5,231)	(29,672)
Closing balance as at 31 December 2018	142,571	3,521	2,754	148,846
Term notes receivables				
Opening balance as at 1 January 2018	1,243,742	49,686	1,256,000	2,549,428
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	49,686	(49,686)	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Net new and further lending/(repayments)	(161,196)	-	(202,638)	(363,834)
Closing balance as at 31 December 2018	1,132,232	-	1,053,362	2,185,594
Unwind of discount*	-	-	(1,247)	(1,247)
Loans and advances to affiliated companies				
Opening balance as at 1 January 2018	194,336	-	-	194,336
Net new and further lending/(repayments)	59,248	-	-	59,248
Closing balance as at 31 December 2018	253,584	-	-	253,584
Total net balance sheet charge during the period	1,528,387	3,521	1,054,869	2,586,777

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

* The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognised on the amortised cost (after deducting the ECL allowance).

Gross carrying Investment	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month	**Lifetime**	**Lifetime**	**Total**
	ECL	ECL	ECL	
	EUR	EUR	EUR	EUR
Transfers:				
Lease receivables				
Opening balance as at 1 January 2018	51,200,270	2,403,474	220,287	53,824,031
Transfer from Stage 1 to Stage 2	(297,500)	297,500	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	1,299,128	(1,299,128)	-	-
Transfer from Stage 2 to Stage 3	-	(43,145)	43,145	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	128,987	(128,987)	-
Accrued interest	(268,877)	-	-	(268,877)
Net new and further lending/(repayments)	(6,537,037)	(900,420)	(180,952)	(7,618,409)
Closing balance as at 31 December 2018	45,395,984	501,426	39,335	45,936,745
Term notes receivables				
Opening balance as at 1 January 2018	133,622,475	2,511,638	10,371,978	146,506,091
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	2,511,638	(2,511,638)	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Accrued interest	1,408,715	-	-	1,408,715
Net new and further lending/(repayments)	(38,553,768)		21,384	(38,532,384)
Closing balance as at 31 December 2018	98,989,060	-	10,393,362	109,382,422
Loans and advances to affiliated companies				
Opening balance as at 1 January 2018	2,337,393,615	-	-	2,337,393,615
Net new and further lending/(repayments)	728,707395	-	-	728,707395
Closing balance as at 31 December 2018	3,066,101,010	-	-	3,066,101,010
Gross carrying amount as at 31 December 2018	3,210,486,054	501,426	10,432,697	3,221,420,177

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Collaterals and other credit enhancements

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross exposure	Loss allowances	Carrying amount	Fair value of collateral held
Credit-impaired assets	EUR	EUR	EUR	EUR
Term notes receivables and lease receivables	10,432,698	(1,054,869)	9,377,828	9,391,657
Total	**10,432,698**	(1,054,869)	**9,377,828**	**9,391,657**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available. The Group uses credit ratings of Moody`s:

Cash and cash equivalents by Moody's rating category

Group	**31 Dec 2018**	**31 Dec 2017**
Rating	**EUR**	**EUR**
A1	20,882,643	132
A2	-	49,950,110
Baa2	135,975	16,538,002
Ba1	240	-
	21,018,858	**66,488,244**

Company	**31 Dec 2018**	**31 Dec 2017**
Rating	**EUR**	**EUR**
A1	556	135
A2	-	-
Baa2	49	1,786
	605	**1,921**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Derivative financial assets by Moody's rating category

Group	**31 Dec 2018**	**31 Dec 2017**
Rating	**EUR**	**EUR**
A1	19,029,530	2,513,465
A2	93,608	872,244
Aa2	639,119	937,974
Aa3	25,418,282	4,308,887
A1	4,307,052	2,396,404
Baa2	1,390,481	1,257,557
Baa3	442,223	-
Ba1	-	-
	51,320,295	**12,286,531**
Derivatives financial assets	**51,320,295**	**12,286,531**

Derivative financial assets by Moody's rating category

Company	**31 Dec 2018**	**31 Dec 2017**
Rating	**EUR**	**EUR**
A1	13,594,893	172,801
A2	3,813	872,244
A3	-	14,199
Aa3	25,398,099	-
Aa2	629,741	-
Baa1	-	1,131,557
Baa2	1,390,481	1,257,557
Baa3	442,222	-
	41,459,249	**3,448,358**
Derivatives financial assets	**41,459,249**	**3,448,358**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Lease receivables by Caterpillar's internal credit rating category

Group

Caterpillar's Rating	**Equivalent Moody's public debt Rating**	**31 Dec 2018 EUR**	**31 Dec 2017 EUR**
A	Aaa – Baa2	527,330	791,772
B	Baa3 – Ba2	8,248,104	7,358,842
C	Ba3	6,685,923	7,960,298
D	B1	2,762,895	7,749,524
E	B2 – C	165,477	472,680
F	Caa1 – Caa3	2,302,760	-
Unrated		27,033,258	30,804,884
		47,725,747	**55,138,000**

Unearned finance income	(1,789,002)	(2,297,735)
Credit loss allowance	(148,845)	(147,956)
Total lease receivables	**45,787,900**	**52,692,309**

Caterpillar's internal credit rating system is based on Moody's 5yr expected default frequency (EDF). Rating bands are based on equivalent Moody's public debt ratings as above. Lease receivables and term notes receivables held by customers with a credit limit under a million USD are not internally rated by Caterpillar.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Term notes receivables by Caterpillar's internal credit rating category
Group

Caterpillar's Rating	Equivalent Moody's public debt Rating	31 Dec 2018 EUR	31 Dec 2017 EUR
A	Aaa - Baa2	11,989,983	17,760,218
B	Baa3 - Ba2	38,966,343	69,835,156
C	Ba4	1,741,044	1,940,070
D	B1	8,812,196	8,830,204
E	B2 - C	6,795,446	10,081,067
Unrated		40,004,139	40,360,671
		108,309,151	**148,807,386**
Accrued interest		1,073,269	405,868
Credit loss allowance/impairment		(2,185,593)	(1,628,762)
Total term notes receivables		**107,196,827**	**147,584,492**

Caterpillar's internal credit rating system is based on Moody's five year expected default frequency (EDF). Rating bands are based on equivalent Moody's public debt ratings as above. The amounts unrated, relate to customers who do not have financial statements or do not meet the internal exposure threshold required for being credit rated.

The majority of the unrated category above is secured on the marine vessels that the loans relate to. In addition, the Groups has charter income support guarantees and covenants on the customers to maintain minimum liquidity levels.

Credit risk from Guarantees:

The Group takes on exposure to credit risk on guarantees granted to other Group entities (see Note 28 and 29.3b). In relation to guarantees provide, the following presents the maximum credit exposure relating to guarantees:

- Pursuant to the terms of an agreement between Caterpillar International Luxembourg I S.à r.l. and Caterpillar Financial Services Germany GmbH ('CFS GmbH'), the maximum loss amount possible under the guarantee is EUR 853,744,948 (2017: EUR 772,528,793). The group shall not be liable to CFS GmbH for net losses exceeding the first loss amount ("First Loss Amount") of EUR 1,974,370 (2017: EUR 2,122,915) until the last day of the Guarantee Period. The First Loss Amount shall be a Euro amount, which must be borne by CFS GmbH before losses are reimbursed by the group. The liability is for a period of 1 year from date the guarantee is granted.

- Pursuant to the terms of an agreement between Caterpillar International Luxembourg II S.à r.l. and Caterpillar Financial Services (UK) Limited ('CFUL')., the maximum loss amount possible under the guarantee is EUR 406,334,730 (2017: EUR 402,749,226). The group shall not be liable to Caterpillar Financial service (UK) Ltd for net losses exceeding the first loss amount ("First Loss Amount") of EUR 962,313 (2017: EUR 905,212) until the last day of the Guarantee Period. The First Loss Amount shall be a Euro amount, which must be borne by CFUL before losses are reimbursed by the group. The liability is for a period of 1 year from date the guarantee is granted.

- Pursuant to the terms of the Contract of Deposit in Guarantee for the outstanding guarantees between Caterpillar International Finance Luxembourg S.à r.l. and Caterpillar Financial Corporaciòn Financiera, S.A., E.F.C. ("CFCF"), the maximum amount of the Company's obligation as guarantor is EUR 250,911,243 (2017: EUR 200,000,000). The guarantees granted to CFCF are offset by guarantees received from CFSC for the same covered risk amount.

The credit quality of the portfolios guaranteed in the agreements are monitored on a regular basis by the Group management.

There are no guarantees at the Company level.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk from finance lease receivables and term notes receivables:

The Group takes on exposure to credit risk on receivables that are generated from finance leases to external customers and term notes receivable. The accounting policy for loss allowances through un-collectability of finance receivables is set out in Note 2.9.

In relation to finance lease receivable assets, the following table presents the maximum credit exposure relating to assets included in the Group's statement of financial position at 31 December. There are no finance lease receivables at Company level.

In relation to term notes receivable assets, the following table presents the maximum credit exposure relating to assets included in the Group's statement of financial position at 31 December.

Credit risk from term lease receivables:

Group **At 31 December 2018**	**Gross Amount Receivable (net of unearned finance income)**	**IFRS 9** **Credit loss allowance**	**Net Amount Receivable**
	EUR	**EUR**	**EUR**
Not past due	45,869,935	(148,623)	45,721,312
Past due < 30 days	-	-	-
Past due 30 - 120 days	29,236	(95)	29,141
Past due > 120 days	37,574	(127)	37,447
Past due by more than one year	-	-	-
Total	**45,936,745**	**(148,845)**	**45,787,900**

Credit risk from term notes receivables

Group **At 31 December 2018**	**Gross Amount Receivable**	**IFRS 9** **Credit loss allowance**	**Net Amount Receivable**
	EUR	**EUR**	**EUR**
Not past due	98,989,058	(1,132,231)	97,856,827
Past due > 120 days	10,393,362	(1,053,362)	9,340,000
Total	**109,382,420**	**(2,185,593)**	**107,196,827**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk from loans and advances to affiliated companies:

Group At 31 December 2018	Gross Amount Receivable	IFRS 9 Credit loss allowance	Net Amount Receivable
	EUR	EUR	EUR
Not past due	3,066,101,010	(253,584)	3,065,847,426
Total	**3,066,101,010**	(253,584)	**3,065,847,426**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk from lease receivables:

Group **At 31 December 2017**	**Gross Amount Receivable (net of unearned finance income)**	**Allowance for impairment losses**	**Net Amount Receivable**
	EUR	**EUR**	**EUR**
Not past due	52,420,912	(146,782)	52,274,130
Past due < 30 days	-	-	-
Past due 30 - 120 days	242,631	(679)	241,952
Past due > 120 days	176,722	(495)	176,227
Past due by more than one year	-	-	-
Total	**52,840,265**	**(147,956)**	**52,692,309**

Credit risk from term notes receivables:

Group **At 31 December 2017**	**Gross Amount Receivable**	**Allowance for impairment losses**	**Net Amount Receivable**
	EUR	**EUR**	**EUR**
Not past due	138,739,891	(373,000)	138,366,891
Past due > 120 days	10,473,363	(1,255,762)	9,217,601
Total	**149,213,254**	**(1,628,762)**	**147,584,492**

Credit risk from loans and advances to affiliated companies:

Group **At 31 December 2017**	**Gross Amount Receivable**	**Allowance for impairment losses**	**Net Amount Receivable**
	EUR	**EUR**	**EUR**
Not past due	2,337,393,61 5	-	2,337,393,615
Total	**2,337,393,615**	**-**	**2,337,393,615**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

For all remaining financial assets, the amount reflected in the statement of financial position as at 31 December 2018 and 31 December 2017 represents the Group and Company's maximum exposure to credit risk. None of the financial assets owned by the Group or the Company have been pledged as collateral.

There have not been any loans renegotiated that would otherwise have been impaired or past due.

The Group has stringent credit policies in place to ensure management carefully manage this risk. Credit applications are reviewed to ensure compliance with corporate policy. Past dues are reviewed and monitored regularly, Management considers a number of factors, including the net investment in a customer, and the amount of residual values, where estimating a credit provision amount.

3.5. Liquidity risk

The table below and on the following page analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not considered significant. The nominal interest rate applicable to the contract at year end is used to calculate future cash flows.

Group - Non-Derivative financial instruments

At 31 December 2018	**Less than 1 year**	**1-5 years**	**5+ years**	**Total**
	EUR	**EUR**	**EUR**	**EUR**
Debt securities in issue	1,048,967,929	356,455,013	51,000,000	1,456,422,942
Loans and advances from affiliated companies	1,038,681,616	349,512,866	-	1,388,194,482
Total	**2,087,649,545**	**705,967,879**	**51,000,000**	**2,844,617,424**

Group - Non-Derivative financial instruments

At 31 December 2017	**Less than 1 year**	**1-5 years**	**5+ years**	**Total**
	EUR	**EUR**	**EUR**	**EUR**
Debt securities in issue	870,170,995	409,983,186	52,000,000	1,332,154,181
Loans and advances from affiliated companies	203,508,195	671,225,047	-	874,733,242
Total	**1,073,679,190**	**1,081,208,233**	**52,000,000**	**2,206,887,423**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Company - Non-Derivative financial instruments

At 31 December 2018	**Less than 1 year**	**1-5 years**	**5+ years**	**Total**
	EUR	**EUR**	**EUR**	**EUR**
Bank overdrafts	-	-	-	-
Debt securities in issue	1,048,864,528	356,455,013	51,000,000	1,456,319,541
Loans and advances from affiliated companies	700,475,112	349,512,866	-	1,049,987,978
Total Liabilities (contractual maturity dates)	**1,749,339,640**	**705,967,879**	**51,000,000**	**2,506,307,519**

At 31 December 2017	**Less than 1 year**	**1-5 years**	**5+ years**	**Total**
	EUR	**EUR**	**EUR**	**EUR**
Bank overdrafts	-	-	-	-
Debt securities in issue	870,170,995	409,983,186	52,000,000	1,332,154,181
Loans and advances from affiliated companies	9,336,951	671,225,047	-	680,561,998
Total Liabilities (contractual maturity dates)	**879,507,946**	**1,081,208,233**	**52,000,000**	**2,012,716,179**

Group - Derivative financial instruments

At 31 December 2018	**Less than 1 year**	**1-5 years**	**5+ years**	**Total**
EUR				
Forward foreign exchange contracts:				
Outflow	(981,088,702)	-	-	(981,088,702)
Inflow	980,864,435	-	-	980,864,435

Group - Derivative financial instruments

At 31 December 2017	**Less than 1 year**	**1-5 years**	**5+ years**	**Total**
EUR				
Forward foreign exchange contracts:				
Outflow	(867,207,115)	-	-	(867,207,115)
Inflow	866,659,921	-	-	866,659,921

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Company - Derivative financial instruments

At 31 December 2018	**Less than 1 year**	**1-5 years**	**5+ years**	**Total**
EUR				
Forward foreign exchange contracts:				
Outflow	(74,481,799)	-	-	(74,481,799)
Inflow	74,477,835	-	-	74,477,835

At 31 December 2017	**Less than 1 year**	**1-5 years**	**5+ years**	**Total**
EUR				
Forward foreign exchange contracts:				
Outflow	(22,181,849)	-	-	(22,181,849)
Inflow	21,907,540	-	-	21,907,540

The maturity groupings of interest rate swaps and cross currency swaps are follows:

Group

At 31 December 2018	**Less than 1 year**	**1-5 years**	**5+ years**	**Total**
EUR				
Interest Rate Swap				
Net cash inflows/(outflows)	717,629	2,871,276	788,836	4,377,741
Cross Currency Swap				
Gross settled derivative liabilities - outflows	(1,658,794)	(259,404)	-	(1,918,198)
Gross settled derivative liabilities - inflows	16,763,377	5,088,229	-	21,851,606
Principal - outflows	(740,936,994)	(338,345,233)	-	(1,079,282,227)
Principal - inflows	740,936,994	338,345,233	-	1,079,282,227

At 31 December 2017	**Less than 1 year**	**1-5 years**	**5+ years**	**Total**
EUR				
Interest Rate Swap				
Net cash inflows/(outflows)	640,026	1,576,668	940,623	3,157,317
Cross Currency Swap				
Gross settled derivative liabilities - outflows	(1,522,287)	-	-	(1,522,287)
Gross settled derivative liabilities - inflows	12,951,333	6,457,925	-	19,409,258
Principal - outflows	(32,784,429)	(688,526,761)	-	(721,311,190)
Principal - inflows	32,784,429	688,526,761	-	721,311,190

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Company

At 31 December 2018

	Less than 1 year	1-5 years	5+ years	Total
Interest Rate Swap				
(Inflows/(outflows)	717,629	2,871,276	788,836	4,377,741
Cross Currency Swap				
Gross settled derivative liabilities - outflows	-	(259,404)	-	(259,404)
Gross settled derivative liabilities - inflows	16,763,377	5,088,229	-	21,851,606
Principal – outflows	(688,526,761)	(324,438,316)	-	(1,012,965,077)
Principal – inflows	688,526,761	324,438,316	-	1,012,965,077

At 31 December 2017

	Less than 1 year	1-5 years	5+ years	Total
Interest Rate Swap				
(Inflows/(outflows)	640,026	1,576,668	940,623	3,157,317
Cross Currency Swap				
Gross settled derivative liabilities - outflows	-	-	-	-
Gross settled derivative liabilities - inflows	12,951,333	6,457,925	-	19,409,258
Principal – outflows	-	(688,526,761)	-	(688,526,761)
Principal – inflows	-	688,526,761	-	688,526,761

3.6 Capital risk management

Capital resources and liquidity provide the Group with the ability to meet its financial obligations on a timely basis. Maintaining and managing adequate capital and liquidity resources includes management of funding sources and their utilization based on current, future and contingent needs. The Group does not generate material funding through structured finance transactions.

Global economic conditions may cause volatility and disruptions in the capital and credit markets. Should global economic conditions deteriorate or access to credit markets be reduced, we could experience reduced levels of liquidity and increased credit spreads in the markets we serve. We have continued to maintain access to key global medium-term note and commercial paper markets, but there can be no assurance that such markets will continue to represent a reliable source of financing. If global economic conditions were to deteriorate, we could face materially higher financing costs, become unable to access adequate funding to operate and grow our business and/or meet our debt service obligations as they mature, and we could be required to draw upon contractually committed lending agreements primarily provided by global banks and/or by seeking other funding sources. However, under extreme market conditions, there can be no assurance that such agreements and other funding sources would be available or sufficient. Any of these events could negatively impact our business, results of operations and financial condition.

The extent of any impact on our ability to meet funding or liquidity needs would depend on several factors, including our operating cash flows, the duration of any market disruptions, changes in counterparty credit risk, the impact of government intervention in financial markets including the effects of any programs or legislation designed to increase or restrict liquidity for certain areas of the market, general credit conditions, the volatility of equity and debt markets, our credit ratings and credit capacity and the cost of financing and other general economic and business conditions.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

As the global liquidity situation evolves, the Group will continue to monitor and adapt its funding approach accordingly. Certain rating agencies have increased their focus on the extent to which the Group has cash and cash equivalents and unused credit lines available to meet short-term debt requirements. Although the Group has credit facilities to provide liquidity, any downgrades of our credit ratings could increase our cost of borrowing and could have an adverse effect on our access to the capital markets, including restricting, in whole or in part, our access to the commercial paper market. There can be no assurance that the commercial paper market will continue to be a reliable source of short-term financing for the Group. An inability to access the capital markets could have a material adverse effect on our cash flow, results of operations and financial condition.

3.7.1. Fair value estimation

Set out below is a comparison by category of book values and fair values of financial assets and liabilities not carried at fair value as at 31 December:

Group	**2018**		**2017**	
	Carrying amount	***Fair value***	***Carrying amount***	***Fair value***
Assets	**EUR**	**EUR**	**EUR**	**EUR**
Loans and advances to affiliated companies	3,065,847,426	3,065,847,426	2,337,393,615	2,337,393,615
Term notes receivable	107,196,827	107,196,827	147,584,492	147,584,492
Lease receivables	45,787,900	45,787,900	52,692,309	52,692,309
	3,218,832,153	**3,218,832,153**	**2,537,670,416**	**2,537,670,416**
Liabilities				
Loans and advances from affiliated companies	(1,388,194,482)	(1,388,194,482)	(862,195,052)	(862,195,052)
Debt securities in issue	(1,448,032,649)	(1,453,629,156)	(1,318,374,342)	(1,326,734,758)
	(2,836,227,131)	**(2,841,823,638)**	**(2,180,569,394)**	**(2,188,929,810)**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Company	**2018** *Carrying amount*	*Fair value*	**2017** *Carrying amount*	*Fair value*
Assets	**EUR**	**EUR**	**EUR**	**EUR**
Loans and advances to affiliated companies	458,289,760	458,289,760	4,465,684	4,465,684
	458,289,760	**458,289,760**	**4,465,684**	**4,465,684**
Liabilities				
Loans and advances from affiliated companies	(1,049,987,978)	(1,049,987,978)	(668,023,808)	(668,023,808)
Debt securities in issue	(1,448,032,649)	(1,453,629,156)	(1,318,374,342)	(1,326,734,758)
	(2,498,020,627)	**(2,503,617,134)**	**(1,986,398,150)**	**(1,994,758,566)**

The fair value of the debt securities in issue has been calculated using quoted market price.

3.7.2. Fair Value Hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchanges traded derivatives like futures (for example, Nasdaq, S&P 500).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity and debt securities investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The tables on the following pages disclose the fair value hierarchy of assets and liabilities.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value hierarchy for financial assets and liabilities

All financial assets and liability instruments for the Group and Company are considered Level 2 under the fair value hierarchy;

Group

At 31 December	**2018**	**2017**
	EUR	**EUR**
Loans and advances to affiliated companies	3,065,847,426	2,337,393,615
Derivative financial instruments	51,320,295	12,286,531
Lease receivables	45,787,900	52,692,309
Term notes receivables	107,196,827	147,584,492
Total Assets	**3,270,152,448**	**2,549,956,947**

At 31 December	**2018**	**2017**
	EUR	**EUR**
Loans and advances from affiliated companies	(1,388,194,482)	(862,195,052)
Debt securities in issue	(1,453,629,156)	(1,326,734,758)
Derivative financial instruments	(8,390,293)	(29,667,628)
Total Liabilities	**(2,850,213,931)**	**(2,218,597,438)**

Company

At 31 December 2018	**2018**	**2017**
	EUR	**EUR**
Loans and advances to affiliated companies	458,289,760	4,465,684
Derivative financial instruments	41,459,249	3,448,358
Investment in Group debt securities at FVTPL	2,447,475,182	-
Investment in Group debt securities	-	2,423,144,065
Total Assets	**2,947,224,191**	**2,431,058,107**

At 31 December 2018	**2018**	**2017**
	EUR	**EUR**
Loans and advances from affiliated companies	(1,049,987,978)	(668,023,808)
Debt securities in issue	(1,453,629,156)	(1,326,734,758)
Derivative financial instruments	(4,787,762)	(27,573,965)
Total Liabilities	**(2,508,404,896)**	**(2,022,332,531)**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and CPECs) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;

- The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows based on foreign exchange spot and forward rates, yield curves of the respective currencies, and currency basis spreads between the respective currencies;

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value;

- Other technique, such as discounted cash flow analysis

Note that all of the resulting fair value estimates are included in Level 2.

As no financial assets or liabilities held at fair value in the Statement of financial position are included in Level 3 of the fair value hierarchy, the reconciliation of level 3 items as prescribed under IFRS 7 is not required.

4. TRANSITION FROM IAS 39 TO IFRS 9

The Group has availed of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of the classification and measurement requirements of IFRS 9. Accordingly, differences in the carrying amount of financial instruments arising from the adoption of IFRS 9 are recognised in equity as at 1 January 2018.

A description of the IFRS 9 accounting policies is set out in note 2.

This note explains the impact of adoption of IFRS 9 “Financial instruments” on the financial statements.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings of the Group.

EUR	Impact of adopting IFRS 9 on 1 January 2018
Retained earnings	
Balance under IAS 39 as of 31 December 2017	276,472,258
Recognition of expected credit losses under IFRS 9	(1,145,564)
Opening balance at 1 January 2018	**275,326,694**

The following table summarises show the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings of the Company.

EUR	Impact of adopting IFRS 9 on 1 January 2018
Retained earnings	
Balance under IAS 39 as of 31 December 2017	248,929,164
Recognition of expected credit losses under IFRS 9	(199)
Reclassification of investment in Group debt securities at FVTPL	2,733,914
Opening balance at 1 January 2018	**251,662,879**

Classification and measurement of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company’s financial assets as at 1 January 2018.

The change in the measurement is cause by the expected credit loss allowance.

4. TRANSITION FROM IAS 39 TO IFRS 9 (CONTINUED)

Group

EUR	Original classification and measurement under IAS 39	New classification and measurement under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets			**31 December 2017**	**1 January 2018**
Loans and advances to affiliated companies	Amortised cost (Loans and receivables)	Amortised cost	2,337,393,615	2,337,199,279
Term notes receivables	Amortised cost (Loans and receivables)	Amortised cost	147,584,492	146,663,826
Cash and cash equivalents	Amortised cost (Loans and receivables)	Amortised cost	66,488,244	66,488,244
			2,551,466,351	**2,550,351,349**

Company

EUR	Original classification and measurement under IAS 39	New classification and measurement under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets			**31 December 2017**	**1 January 2018**
Loans and advances to affiliated companies	Amortised cost (Loans and receivables)	Amortised cost	4,465,684	4,465,485
Investment in Group debt securities /Investment in Group debt securities at FVTPL	Amortised cost (Loans and receivables)	Fair value through profit and loss (Mandatory)	2,429,926,765	2,432,660,679
Cash and cash equivalents	Amortised cost (Loans and receivables)	Amortised cost	1,921	1,921
			2,434,394,370	**2,437,128,085**

The Group and Company's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.

4 TRANSITION FROM IAS 39 TO IFRS 9 (CONTINUED)

The following table reconciles the ECL as at 31 December 2017 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018 for the Group.

Group **EUR**	**IAS 39 carrying amount 31 December 2017**	**Reclassification**	**Remeasurement**	**IFRS 9 carrying amount 1 January 2018**
Amortised cost				
Loans and advances to affiliated companies	2,337,393,615	-	(194,336)	2,337,199,279
Term notes receivables	147,584,492	-	(920,666)	146,663,826
Leases receivables	52,692,309	-	(30,562)	52,661,747
Cash and cash equivalents	66,488,244	-	-	66,488,244
	2,604,158,660	**-**	**(1,145,564)**	**2,603,013,096**

The following table reconciles the ECL as at 31 December 2017 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018 for the Company.

Company **EUR**	**IAS 39 carrying amount 31 December 2017**	**Reclassification**	**Remeasurement**	**IFRS 9 carrying amount 1 January 2018**
Amortised cost				
Loans and advances to affiliated companies	4,465,684	-	(199)	4,465,485
Cash and cash equivalents	1,921	-	-	1,921
Fair value through profit and loss				
Investment in Group debt securities	2,429,926,765	-	-	-
Investment in Group debt securities at FVTPL	-	2,429,926,765	2,733,914	2,432,660,680
	2,434,394,370	**2,429,926,765**	**2,733,715**	**2,437,128,086**

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

5.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purpose of measuring ECL.

Detailed information on judgement and estimates made by the Group in the above areas is set out in note 3.

The loss allowance of credit impaired financial assets as calculated by the ECL model may be overridden if management has credible evidence available related to specific attributable accounts which is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, management estimates the current fair market value of the collateral and factor in credit enhancements such as additional collateral and third party guarantees.

Under finance leases and long-term loans, uncollectible receivable balances, including accrued interest, are written off against the allowance for impairment losses when the underlying collateral is repossessed or when we determine that it is probable that the receivable balance is uncollectible. Subsequent recoveries, if any, are credited to the allowance for impairment losses when received.

While management believes it has exercised prudent judgment and applied reasonable assumptions, which have resulted in a loss allowance presented in accordance with IFRS, there can be no assurance that in the future, changes in economic conditions or other factors might cause changes in the financial health of our customers, which could change the timing and level of payments received, and thus result in losses greater than the estimated losses or necessitate a change to the management's estimated losses.

Under operating leases, uncollectible receivable balances or write downs caused from market valuation, are written off straight to the statement of comprehensive income when the underlying collateral is repossessed or when we determine that it is probable that the receivable balance is uncollectible. Subsequent recoveries, if any, are credited to the statement of comprehensive income when received.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the period ended 31 December 2018 is included as follows:

5.2 Loss Given Default (LGD)

LGD is a measure of the likely loss incurred by the Company in case of counterparty default. The Company will estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. LGD will be calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Below is the assessment of the Loss Given Default (LGD) on the measurement of ECL for the total portfolio:

Key assumptions: Impact on LGD movement	EUR
Sensitivity of LGD increased and decreased by 10%	1,610,310

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

CPI Sensitivity analysis (relevant for terms notes receivables and lease receivables)

The most significant assumptions affecting the ECL allowance are as follows:

Set out below are the changes to the ECL as at 31 December 2018 that would result from reasonably possible changes from the actual assumptions used in the Group's economic variable assumptions (for example, the impact on ECL of increasing the CPI sensitivity by +10% and decrease by -10%.

Below is the assessment of the Consumer Price Index (CPI) on the measurement of ECL**.**

Key assumptions: Impact on CPI movement	EUR
Sensitivity of CPI increased 10%	109,885
Sensitivity of CPI decreased 10%	111,598

5.3 Fair value

The fair value of interest rate swap derivatives is primarily based on models that utilize the appropriate market-based forward swap curves and zero-coupon interest rates to determine the discounted cash flows. The fair value of cross currency swap derivatives is determined by applying valuation techniques which includes forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, yield curves of the respective currencies, and currency basis spreads between the respective currencies. The fair value of foreign currency forward contracts is based on a valuation model that discounts cash flows resulting from the differential between the contract price and the market-based forward rate.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow

analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

In addition, the Group uses the following methods and assumptions to estimate the fair value of certain financial instruments not actively traded.

Loans and advances to affiliated companies – fair value is estimated by discounting the future cash flows using current rates, representative of receivables with similar remaining maturities. For short term loans, the carrying amount approximates fair value.

Debt securities current – carrying amount approximates fair value.

Debt securities non-current– fair value on fixed-rate debt was estimated based on quoted market prices. Floating-rate notes and commercial paper carrying amounts were considered a reasonable estimate of fair value. For deposit obligations, carrying value approximated fair value.

Investment in Group debt securities at FVTPL
The Company has determined that the fair value of class A PEC based on the proxy market interest rate.

6. SEGMENT REPORTING

6.1 Basis for segmentation

The Group is comprised of six legal entities which are grouped into five business units (or operating segments). These business units are categorised into three distinct business activities based on their nature to form the reportable segments. The reportable segments offer different products and services and are managed separately due to their different economic characteristics.
The following summary describes the operations of each reportable segment:

Reportable Segments	**Operations**
Treasury activity	Provision of treasury services to Caterpillar entities offering finance for leasing of Caterpillar equipment in Europe and the Middle East
Finance and lease activity	Provision of leasing and lending financing for Caterpillar equipment and other non-Caterpillar equipment financing activities from Netherlands
Guarantee activity	Provision of guarantees to mitigate the economic and financial risks of financing and leasing in other Caterpillar companies

The Board of Directors of the Company is chief operating decision maker (CODM). CODM reviews its internal management reports on a monthly basis and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The CODM primarily uses a measure of operating profit, income, finance expense, and other expenses to assess the performance of its operating segments.

There are varying levels of integration between the Treasury segments and the Guarantee and Finance & Lease segments. This integration includes transfers lending activity and service charges.

Several operating segments have been aggregated to form single reportable segments based on their similar economic characteristics, as well as similarities in nature of products, services, processes, customers, and regulatory environment. The Treasury segment presents the aggregation of two business units engaged in treasury activities with similar products and service offerings and processes. The Guarantee segment presents the aggregation of two business units engaged in guarantee activities with similar products and service offerings, processes and regulatory environment.

There are no other segments which do not meet the quantitative thresholds for reportable segments in 2018 or 2017.

6. SEGMENT REPORTING (CONTINUED)

6.2 Information about reportable segments

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

At 31 December 2018	**Treasury activity**	**Finance and lease activity**	**Guarantee activity**	**Total reportable segments**
	EUR	**EUR**	**EUR**	**EUR**
External revenues	61,442,989	24,959,342	10,533,495	96,935,826
Inter-segment revenues	30,756,963	-	-	30,756,963
Segment revenue	**92,199,952**	**24,959,342**	**10,533,495**	**127,692,789**
Finance expense	(14,559,366)	(1,080,421)	(10,250,370)	(25,890,157)
Expense*	(21,013,952)	(16,552,569)	(446,022)	(38,012,543)
Profit before income tax	**56,626,634**	**7,326,352**	**(162,897)**	**63,790,089**
Income tax income / (expense)	(525,634)	(1,924,005)	(27,161)	(2,476,800)
Profit for the year	**56,101,000**	**5,402,347**	**(190,058)**	**61,313,289**
Total assets	**4,147,140,625**	**266,448,613**	**432,194,535**	**4,845,783,773**
Total liabilities	**3,697,499,315**	**207,574,184**	**428,163,141**	**4,333,236,640**

*Includes credit loss allowances, Foreign exchange gain/loss, Other operating expenses, Depreciation and Fair value changes.

6. SEGMENT REPORTING (CONTINUED)

At 31 December 2017	Treasury activity	Finance and lease activity	Guarantee activity	Total reportable segments
	EUR	EUR	EUR	EUR
External revenues	37,450,346	29,664,127	14,103,546	81,218,019
Inter-segment revenues	35,280,222	-	-	35,280,222
Segment revenue	**72,730,568**	**29,664,127**	**14,103,546**	**116,498,241**
Finance expense	(20,712,158)	(1,017,050)	(12,739,110)	(34,468,318)
Expense*	(14,922,038)	(22,579,230)	(502,448)	(38,003,716)
Profit before income tax	**37,096,372**	**6,067,847**	**861,988**	**44,026,207**
Income tax income / (expense)	1,255,083	(1,516,642)	(33,719)	(295,278)
Profit for the year	**38,351,455**	**4,551,205**	**828,269**	**43,730,929**
Total assets	**3,031,832,578**	**332,991,530**	**385,245,240**	**3,750,069,348**
Total liabilities	**2,602,015,176**	**278,648,055**	**381,286,937**	**3,261,950,168**

6.3 Reconciliation of information on reportable segments to IFRS measures

At 31 December 2018	Total reportable segments	Elimination of inter-segment	Consolidated balance
	EUR	EUR	EUR
Segment revenue	**127,692,789**	**(30,756,963)**	**96,935,826**
Finance expense	(25,890,157)	(6,079,680)	(31,969,837)
Expense*	(38,012,543)	475,904	(37,536,639)
Profit before income tax	**63,790,089**	**(36,360,739)**	**27,429,350**
Income tax benefit / (expense)	(2,476,800)	-	(2,476,800)
Profit for the year	**61,313,289**	**(36,360,739)**	**24,952,550**
Total assets	**4,845,783,773**	**(1,502,732,431)**	**3,343,051,342**
Total liabilities	**4,333,236,640**	**(1,472,171,289)**	**2,861,065,351**

*Includes credit loss allowances, Foreign exchange gain/loss, Other operating expenses, Depreciation and Fair value changes.

6. SEGMENT REPORTING (CONTINUED)

At 31 December 2017	Total reportable segments EUR	Elimination of inter-segment EUR	Consolidated balance EUR
Segment revenue	**116,498,241**	**(35,280,222)**	**81,218,019**
Finance expense	(34,468,318)	13,827,211	(20,641,107)
Expense*	(38,003,716)	605,064	(37,398,652)
Profit before income tax	**44,026,207**	**(20,847,947)**	**23,178,260**
Income tax benefit / (expense)	(295,278)	-	(295,278)
Profit for the year	**43,730,929**	**(20,847,947)**	**22,882,982**
Total assets	**3,750,069,348**	**(1,064,148,296)**	**2,685,921,052**
Total liabilities	**3,261,950,168**	**(1,033,631,884)**	**2,228,318,284**

6.4 Geographic Information

The geographic information analyses the Group's revenue and non-current assets by the legal entities' country of domicile and other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of these assets.

The revenue from external customers attributed to an individual foreign country is shown below.

	2018 EUR	2017 EUR
Netherlands	25,552,671	29,664,128
UK	10,393,260	10,395,365
Germany	7,988,040	8,974,927
Russia	6,435,108	5,669,041
Luxembourg	24,587,315	8,459,038
Other countries	21,979,432	18,055,520
Revenue from external customers	**96,935,826**	**81,218,019**

6. SEGMENT REPORTING (CONTINUED)

The total of assets and liabilities, broken down by location, is shown in below.

	2018 Segment Assets total EUR	2018 Segment Liabilities total EUR	2017 Segment Assets total EUR	2017 Segment Liabilities total EUR
Treasury Activity				
Luxembourg	4,147,140,625	3,697,499,315	3,031,832,578	2,602,015,176
Finance and lease activity				
Netherlands	194,981,255	3,424,754	238,443,833	7,328,186
Germany	199,046	-	265,140	-
Gabon	-	-	24,854,648	-
Cyprus	1,697,057	-	3,825,281	-
Faroe Islands	2,330,421	-	3,268,386	-
Belgium	67,044,828	-	62,334,242	-
Luxembourg	-	204,149,430	-	271,319,869
Iceland	196,006	-	-	-
Guarantee activity				
Luxembourg	432,194,535	428,163,141	385,245,240	381,286,937
Total Segment Assets/Liabilities	**4,845,783,773**	**4,333,236,640**	**3,750,069,348**	**3,261,950,168**
Inter segment eliminations				
Loans and advances to/from Affiliated companies	(1,472,078,109)	(1,472,078,109)	(1,033,567,338)	(1,033,567,338)
Investments in Subsidiaries	(30,561,142)	-	(30,561,142)	-
Other assets	(93,180)	-	(19,816)	-
Other liabilities	**-**	(93,180)	**-**	(64,546)
Total Assets/Liabilities per balance sheet	**3,343,051,342**	**2,861,065,351**	**2,685,921,052**	**2,228,318,284**

6.5 Major Customer

Revenues from one customer, representing over 6.2% of the Group's external revenues amounts to approximately EUR 6,0 million (2017: EUR 10,2 million)

7. CASH AND CASH EQUIVALENTS

Cash, cash equivalents, money market funds and bank overdrafts include the following for the purposes of the cash flow statement:

GROUP	2018 EUR	2017 EUR
Cash at bank	21,018,811	66,488,244
Money market funds	47	-
	21,018,858	**66,488,244**

COMPANY	2018 EUR	2017 EUR
Cash at bank	605	1,921
Money market funds	-	-
	605	**1,921**

Total finance income on the money market investment funds during 2018 amounts to EUR 1,438 (2017: EUR 33,410) and is recorded in “Finance income”.

NET DEBT RECONCILIATION

	2018 EUR	2017 EUR
Loans and advances from affiliated companies	1,388,194,482	862,195,052
Debt securities in issue	1,448,032,649	1,318,374,342
Total borrowings	**2,836,227,131**	**2,180,569,394**
Less: cash and cash equivalents	(21,018,858)	(66,488,244)
Net debt	**2,815,208,273**	**2,114,081,150**

EUR	Cash and equivalents	Loans and advances from affiliated companies	Debt securities in issue	**Total**
Net Debt as at 1 January 2018	**66,488,244**	**(862,195,052)**	**(1,318,374,342)**	**(2,114,081,150)**
Cash flows (net)	(45,491,635)	(461,947,277)	(128,159,073)	(635,597,985)
Foreign exchange adjustments	22,249	(62,897,569)	(755,614)	(63,630,934)
Other non-cash movements	-	(1,154,584)	(743,620)	(1,898,204)
Net Debt as at 31 December 2018	**21,018,858**	**(1,388,194,482)**	**(1,448,032,649)**	**(2,815,208,273)**

7. CASH AND CASH EQUIVALENTS (CONTINUED)

EUR	Cash and equivalents	Loans and advances from affiliated companies	Debt securities in issue	Total
Net Debt as at 1 January 2017	57,692	(550,278,083)	(1,744,099,337)	(2,294,319,728)
Cash flows (net)	67,891,998	(369,678,701)	403,220,780	101,434,077
Foreign exchange adjustments	(1,461,446)	58,342,115	22,906,655	79,787,324
Other non-cash movements	-	(580,383)	(402,440)	(982,823)
Net Debt as at 31 December 2017	66,488,244	(862,195,052)	(1,318,374,342)	(2,114,081,150)

8. LOANS AND ADVANCES TO AFFILIATED COMPANIES

Loans and advances to affiliated companies are as follows:

GROUP		**2018 EUR**	**2017 EUR**
Intercompany Loans	*(refer to Note 29.1a)*		
Nominal		3,055,695,352	2,334,328,428
Accrued interest		2,917,780	1,865,681
Credit loss allowance		(253,490)	-
		3,058,359,642	**2,336,194,109**
Factoring	*(refer to Note 29.1b)*		
Nominal		7,515,222	1,204,112
Discount		(27,344)	(4,606)
Credit loss allowance		(94)	-
		7,487,784	**1,199,506**
Total		**3,065,847,426**	**2,337,393,615**

Interest rates are applied with normal terms and conditions with interest rates on average of 1.3548% (2017: 1.1219%).

8. LOANS AND ADVANCES TO AFFILIATED COMPANIES (CONTINUED)

COMPANY		**2018 EUR**	**2017 EUR**
Intercompany Loans	*(refer to Note 29.1a)*		
Nominal		458,243,275	4,464,800
Accrued interest		49,922	884
Loss allowance		(3,437)	-
		458,289,760	**4,465,684**

The remaining maturities of loans and advances to affiliated companies were as follows:

GROUP	**2018 EUR**	**2017 EUR**
Remaining Maturity:		
Less than three months	3,065,847,426	2,337,393,615
	3,065,847,426	**2,337,393,615**

COMPANY	**2018 EUR**	**2017 EUR**
Remaining Maturity:		
Less than 3 months	458,289,760	4,465,684
	458,289,760	**4,465,684**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security for loans and advances to affiliated companies.

9. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP	**2018**		
Derivative financial instruments	**Notional Amount EUR**	**Fair Value Asset EUR**	**Fair Value Liability EUR**
Foreign Exchange Contracts	981,088,702	7,994,732	(3,338,529)
Interest Rate Swaps	50,000,000	2,791,591	(36,507)
Cross Currency Swaps	1,317,538,022	40,533,972	(5,015,257)
	2,348,626,724	**51,320,295**	**(8,390,293)**

9. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	2017		
	Notional Amount EUR	**Fair Value Asset EUR**	**Fair Value Liability EUR**
Derivative financial instruments	867,207,115	8,852,714	(1,708,945)
Foreign Exchange Contracts	50,000,000	2,561,573	(81,155)
Interest Rate Swaps	721,311,190	872,244	(27,877,528)
Cross Currency Swaps	**1,638,518,305**	**12,286,531**	**(29,667,628)**

COMPANY

	2018		
Other Derivatives	**Notional Amount EUR**	**Fair Value Asset EUR**	**Fair Value Liability EUR**
Foreign Exchange Contracts	74,481,799	931,434	(4,278)
Interest Rate Swaps	50,000,000	2,791,591	(36,507)
Cross Currency Swaps	1,012,965,077	37,736,224	(4,746,977)
	1,137,446,876	**41,459,249**	**(4,787,762)**

	2017		
Other Derivatives	**Notional Amount EUR**	**Fair Value Asset EUR**	**Fair Value Liability EUR**
Foreign Exchange Contracts	22,195,317	14,541	(302,482)
Interest Rate Swaps	50,000,000	2,561,573	(35,658)
Cross Currency Swaps	688,526,761	872,244	(27,235,825)
	760,722,078	**3,448,358**	**(27,573,965)**

All fair value measurements for the Company and Group's financial instruments are classified under level 2.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

10. LEASE RECEIVABLES

The receivables under finance leases are as follows:

GROUP 2018	Within 1 year	Over 1 year up to 5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR
Total minimum lease payments receivable	19,611,137	27,938,820	175,790	47,725,747
Finance leases – gross receivables	19,611,137	27,938,820	175,790	47,725,747
Unearned finance income	(735,125)	(1,047,288)	(6,589)	(1,789,002)
Expected credit loss	(61,162)	(87,134)	(549)	(148,845)
Net investment in finance leases	**18,814,850**	**26,804,398**	**168,652**	**45,787,900**

GROUP 2017	Within 1 year	Over 1 year up to 5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR
Total minimum lease payments receivable	15,884,501	39,193,016	60,483	55,138,000
Finance leases – gross receivables	15,884,501	39,193,016	60,483	55,138,000
Unearned finance income	(661,946)	(1,633,269)	(2,520)	(2,297,735)
Loss allowance	(42,624)	(105,170)	(162)	(147,956)
Net investment in finance leases	**15,179,931**	**37,454,577**	**57,801**	**52,692,309**

Movements on the Group provision for loss allowance of lease receivables are as follows:

GROUP	2018 EUR	2017 EUR
As at 31 December 2017 under IAS 39	147,957	189,492
IFRS 9 transition	30,562	-
As at 1 January	178,519	189,492
Increase during year	87,254	-
Receivables written off during year as uncollectable	(116,928)	(14,319)
Unused amounts reversed	-	(27,217)
At 31 December 2018	**148,845**	**147,956**

11. INVESTMENTS IN SUBSIDIARIES

COMPANY	2018 EUR	2017 EUR
Investments in direct subsidiary undertakings (Caterpillar International Finance Luxembourg S.à r.l.)	3,550,000	3,550,000

See Note 2.2 for further information on the Group's subsidiaries.

12. TERM NOTES RECEIVABLES

GROUP	2018 EUR	2017 EUR
Nominal	108,292,461	148,807,386
Accrued interest	1,089,959	405,868
Expected credit loss/ Loss allowance	(2,185,593)	(1,628,762)
	107,196,827	**147,584,492**

GROUP	2018 EUR	2017 EUR
Remaining Maturity:		
Less than 1 year	32,779,558	16,824,698
2-5 years	42,642,995	68,645,389
Greater than 5 years	33,959,867	63,743,167
	109,382,420	**149,213,254**
Loss allowance	(2,185,593)	(1,628,762)
	107,196,827	**147,584,492**

GROUP	2018 EUR	2017 EUR
As at 31 December	1,628,762	-
IFRS 9 transition	920,666	-
As at 1 January	2,549,428	-
Movement during the year	(363,835)	1,628,762
At end of year	**2,185,593**	**1,628,762**

There are no term notes receivables at the company level.

13. PROPERTY, PLANT AND EQUIPMENT

The movements in Group's property, plant and equipment are as follows:

GROUP	Fixtures, fittings and office equipment EUR	Machinery and equipment* EUR	Total EUR
Year ended 31 December 2018			
Opening net book amount	474,893	61,802,320	62,277,213
Additions	230,133	15,839,442	16,069,575
Disposals	-	(26,069,124)	(26,069,124)
Depreciation charge	(166,741)	(12,955,826)	(13,122,567)
Closing net book amount	**538,285**	**38,616,812**	**39,155,097**
At 31 December 2018			
Cost	705,026	56,794,051	57,499,077
Accumulated depreciation	(166,741)	(18,177,239)	(18,343,980)
Net book amount	**538,285**	**38,616,812**	**39,155,097**

* All Machinery and Equipment is held under operating leases and is owned by Caterpillar Financial Services Netherlands B.V.

GROUP	Fixtures, fittings and office equipment EUR	Machinery and equipment* EUR	Total EUR
Year ended 31 December 2017			
Opening net book amount	156	80,733,489	80,733,645
Additions	474,893	14,426,512	14,901,405
Disposals	-	(15,798,250)	(15,798,250)
Depreciation charge	(156)	(17,559,431)	(17,559,587)
Closing net book amount	**474,893**	**61,802,320**	**62,277,213**
At 31 December 2017			
Cost	671,025	92,256,501	92,927,526
Accumulated depreciation	(196,132)	(30,454,181)	(30,650,313)
Net book amount	**474,893**	**61,802,320**	**62,277,213**

* All Machinery and Equipment is held under operating leases and is owned by Caterpillar Financial Services Netherlands B.V.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The group closely monitors the residual values of assets, leased under operating leases. Leased assets are subject to regular inspections to ensure their usage patterns and condition are appropriate to the terms of the lease agreement, and terms are renegotiated to recover the cost of any exceptional diminution in the value of the leased assets where there is evidence of a breach of the hire conditions.

The group has access to the services of the Caterpillar Group's Remarketing Division that provides market specific information as to appropriate residual values along with advice on re-marketing.

At each statement of financial position date, the Company tests whether there are any indications of assets being subject to loss allowance. If any such indications exist, the recoverable amount of the asset is determined. No loss allowance was identified.

The residual values (salvage values) of operational leases at the end of the reporting period can be specified as follows:

	2018 EUR	**2017 EUR**
Within one year	4,459,845	4,554,100
Between two and five years	10,509,437	18,117,832
Beyond five years	2,281,500	113,000
	17,250,782	**22,784,932**

The future minimum lease payments (future rental income) under non-cancellable operating leases not recognised in the financial statements are receivable as follows:

	2018 EUR	**2017 EUR**
Within one year	9,446,757	15,346,992
Between two and five years	12,446,508	22,829,330
Beyond five years	185,341	85,162
	22,078,606	**38,261,484**

14. OTHER ASSETS

GROUP	2018 EUR	2017 EUR
Prepaid guarantee fees	3,957,128	1,403,155
Trade receivables	1,596,809	1,687,085
Prepayments	19,009	160,891
Intercompany guarantee fee receivables	4,428,717	-
Other assets	312,731	147,760
	10,314,394	**3,398,891**

COMPANY	2018 EUR	2017 EUR
Other assets	14,959	66,909
	14,959	**66,909**

GROUP	2018 EUR	2017 EUR
Remaining Maturity:		
Less than 1 year	10,314,394	3,398,891
	10,314,394	**3,398,891**

COMPANY	2018 EUR	2017 EUR
Remaining Maturity:		
Less than 1 year	14,959	66,909
	14,959	**66,909**

15. LOANS AND ADVANCES FROM AFFILIATED COMPANIES

Loans and advance from affiliated companies were as follows:

GROUP		**2018 EUR**	**2017 EUR**
Intercompany Loans	*(refer to Note 29.4)*		
Nominal		1,386,038,542	861,360,009
Accrued interest		2,155,940	835,043
		1,388,194,482	**862,195,052**

Loans and advances from affiliated companies at Group level bear an average interest of 1.5989% annually (2017: 0.9188% annually).

COMPANY		**2018 EUR**	**2017 EUR**
Intercompany Loans	*(refer to Note 29.4)*		
Nominal		1,048,538,604	667,417,512
Accrued interest		1,449,374	606,296
		1,049,987,978	**668,023,808**

Loans and advances from affiliated companies at Company level bear an average interest of 1.6488% annually (2017: 1.1352% annually).

The remaining maturities of loans and advances from affiliated companies were as follows:

GROUP	**2018 EUR**	**2017 EUR**
Remaining Maturity:		
Less than 3 months	2,155,940	835,043
Greater than 3 months and less than 1 year	1,036,525,676	193,942,497
Greater than 1 year and less than 5 years	349,512,866	667,417,512
	1,388,194,482	**862,195,052**

COMPANY	**2018 EUR**	**2017 EUR**
Remaining Maturity:		
Less than 3 months	1,449,374	606,296
Greater than 3 months and less than 1 year	699,025,738	-
Greater than 1 year and less than 5 years	349,512,866	667,417,512
	1,049,987,978	**668,023,808**

16. DEBT SECURITIES IN ISSUE

GROUP and COMPANY	2018 EUR	2017 EUR
Commercial paper	995,467,028	566,689,821
Medium-term notes	49,931,007	299,367,437
Total current	**1,045,398,035**	**866,057,258**
Medium-term notes	402,634,614	452,317,084
Total non-current	**402,634,614**	**452,317,084**
Total debt securities	**1,448,032,649**	**1,318,374,342**

Debt securities are detailed as follows:

GROUP and COMPANY	2018 EUR	2017 EUR
Medium-term notes		
Nominal	450,000,000	750,000,000
Accrued interest	897,628	895,147
Unamortised amount	(966,621)	(1,527,710)
Hedge accounting adjustment	2,634,614	2,317,084
Total medium-term notes	**452,565,621**	**751,684,521**
-of which current	(49,931,007)	(299,367,437)
Non-current	**402,634,614**	**452,317,084**
Commercial paper		
Nominal	995,271,484	566,356,797
Amortisation	195,544	333,024
Total commercial paper	**995,467,028**	**566,689,821**
Total debt securities	**1,448,032,649**	**1,318,374,342**

Euro-denominated Medium-term notes bear an average interest of 0.607% annually (2017: 0.308%). Average interest rate range is minimum 0.00% maximum 2.00%.

Euro-denominated commercial paper bears an average interest of -0.300% annually (2017: -0.343%). Average interest rate range is minimum -0.360% maximum -0.270%.

USD-denominated commercial paper bears an average interest of 2.731% annually (2017: 1.171%). Average interest rate range is minimum 2.690% maximum 2.900%.

16. DEBT SECURITIES IN ISSUE (CONTINUED)

Debt securities outstanding as at 31 December 2018 mature as follows:

	2018 (undiscounted)		
	Medium-term notes (MTN) EUR	**Commercial paper (CP) EUR**	**Total Nominal EUR**
2019	50,000,000	995,271,484	1,045,271,484
2020	300,000,000	-	300,000,000
2021	50,000,000	-	50,000,000
2024	50,000,000	-	50,000,000
Total	**450,000,000**	**995,271,484**	**1,445,271,484**

Debt securities outstanding as at 31 December 2017, mature as follows:

	2017 (undiscounted)		
	Medium-term notes (MTN) EUR	**Commercial paper (CP) EUR**	**Total Nominal EUR**
2018	300,000,000	566,356,797	866,356,797
2019	50,000,000	-	50,000,000
2020	300,000,000	-	300,000,000
2021	50,000,000	-	50,000,000
2024	50,000,000	-	50,000,000
Total	**750,000,000**	**566,356,797**	**1,316,356,797**

16. DEBT SECURITIES IN ISSUE (CONTINUED)

Debt securities are denominated in the following currencies:	2018 EUR	2017 EUR
EUR	1,371,000,000	1,295,500,000
USD	74,271,484	20,856,797
Total nominal MTN and CP	**1,445,271,484**	**1,316,356,797**
MTN Accrued interest	897,628	895,147
MTN unamortised amount	(966,621)	(1,527,710)
MTN Hedge accounting adjustment	2,634,614	2,317,084
CP Amortisation	195,544	333,024
Total debt securities	**1,448,032,649**	**1,318,374,342**

Movements in nominal debt securities were as follows:	2018 EUR	2017 EUR
Opening	1,316,356,797	1,742,484,232
Issued	2,625,015,870	2,717,301,356
Matured	(2,496,856,797)	(3,120,522,136)
FX Translation	755,614	(22,906,655)
Closing	**1,445,271,484**	**1,316,356,797**

17. OTHER LIABILITIES

GROUP	2018 EUR	2017 EUR
Payable account to related parties (refer to Note 29.5)	976,258	545,032
Accrued expenses	1,156,612	1,507,910
	2,132,870	**2,052,942**

COMPANY	2018 EUR	2017 EUR
Payable account to related parties (refer to Note 29.5)	339,847	341,601
Accrued expenses	361,237	181,237
	701,084	**522,838**

18. DEFERRED INCOME

GROUP	2018 EUR	2017 EUR
Guarantee fees	11,443,711	9,714,801
Dealer and manufacturing incentives	693,781	819,890
Operating leases	1,700,406	4,660,880
	13,837,898	**15,195,571**

There is no deferred income at the company level.

The Caterpillar Inc. Group grants the Group's dealers financial assistance against interest rates offered to customers, the deferred income arising in respect of the financial assistance is amortised over the life of the related financial portfolio.

Deferred income on operating leases relates to rent received upfront.

19. SHARE CAPITAL

GROUP and COMPANY	2018 Number	2017 Number
Authorised		
Ordinary shares of Euro 1.25 each	30,000	30,000
Ordinary shares of US$1 each	100,000,000	100,000,000

19. SHARE CAPITAL (CONTINUED)

	2018 EUR	2017 EUR
Allotted, called up and fully paid – presented as equity		
30,000 ordinary shares of Euro 1.25 each	**37,500**	**37,500**

No specific rights are attached to the ordinary shares.

20. OTHER RESERVES

GROUP	2018 EUR	2017 EUR
Capital conversion reserve fund	592	592
Cash flow hedge reserve	(3,246,244)	(3,822,481)
Capital contribution	184,914,899	184,914,899
	181,669,247	**181,093,010**

GROUP	Capital conversion reserve fund EUR	Cash flow hedge reserve EUR	Capital contribution EUR	Total other reserve EUR
At 1 January 2018	592	(3,822,481)	184,914,899	181,093,010
Revaluation - gross	-	(63,358,843)	-	(63,358,843)
Income tax on revaluation	-	13,453,098	-	13,453,098
Reclassification to profit or loss - gross	-	65,209,909	-	65,209,909
Income tax on reclassification	-	(14,727,927)	-	(14,727,927)
At 31 December 2018	**592**	**(3,246,244)**	**184,914,899**	**181,669,247**

GROUP	Capital conversion reserve fund EUR	Cash flow hedge reserve EUR	Capital contribution EUR	Total other reserve EUR
At 1 January 2017	592	(3,464,069)	184,914,899	181,451,422
Revaluation - gross	-	(49,600,958)	-	(49,600,958)
Income tax on revaluation	-	18,214,788	-	18,214,788
Reclassification to profit or loss - gross	-	49,063,329	-	49,063,329
Income tax on reclassification	-	(18,035,571)	-	(18,035,571)
At 31 December 2017	**592**	**(3,822,481)**	**184,914,899**	**181,093,010**

20. OTHER RESERVES (CONTINUED)

COMPANY	2018 EUR	2017 EUR
Capital conversion reserve fund	592	592
Cash flow hedge reserve	(3,459,505)	(3,882,410)
Capital contribution	184,914,899	184,914,899
	181,455,986	**181,033,081**

COMPANY	Capital conversion reserve fund EUR	Cash flow hedge reserve EUR	Capital contribution EUR	Total other reserve EUR
At 1 January 2018	592	(3,882,410)	184,914,899	181,033,081
Revaluation - gross	-	(58,565,867)	-	(58,565,867)
Income tax on revaluation	-	12,522,618	-	12,522,618
Reclassification to profit or loss - gross	-	60,209,700	-	60,209,700
Income tax on reclassification	-	(13,743,546)	-	(13,743,546)
At 31 December 2018	**592**	**(3,459,505)**	**184,914,899**	**181,455,986**

COMPANY	Capital conversion reserve fund EUR	Cash flow hedge reserve EUR	Capital contribution EUR	Total other reserve EUR
At 1 January 2017	592	(3,708,268)	184,914,899	181,207,223
Revaluation - gross	-	(48,348,992)	-	(48,348,992)
Income tax on revaluation	-	17,710,236	-	17,710,236
Reclassification to profit or loss - gross	-	48,074,190	-	48,074,190
Income tax on reclassification	-	(17,609,576)	-	(17,609,576)
At 31 December 2017	**592**	**(3,882,410)**	**184,914,899**	**181,033,081**

(a) Capital conversion reserve fund

During 2001, in accordance with the Economic and Monetary Union Act, 1998, the share capital was redenominated into euro and the nominal value was renominalised to EUR 1.25. Consequently EUR 592 reduced the allotted and fully paid share capital and that amount was transferred to the capital conversion reserve fund.

20. OTHER RESERVES (CONTINUED)

(a) Cash flow hedge reserve

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. Cash flow hedges and the related income tax are reclassified to the statement of comprehensive income, net trading gain/loss, when the associated hedged transaction affects profit or loss.

(b) Capital contribution:

During 2001, CFSC made a capital contribution of EUR 161,414,899 to the Company. This capital contribution was credited to other reserves.

During 2008, CFSC made a contribution in kind to the Company of shares representing 100% of Caterpillar Financial Services Netherlands B.V. for an amount of EUR 23,500,000.

21. FINANCE INCOME

	2018 EUR	**2017 EUR**
Interest on loans to affiliated companies (refer to Note 29.1a)(*)	36,654,703	27,370,989
Guarantee income (refer to Note 29.3b)	10,533,495	14,103,546
Interest on term notes receivable(*)	6,089,876	4,746,786
Swap interest income	22,308,373	9,249,693
Income on factoring(*)	243,892	87,513
Interest – others(*)	1,438	33,410
Interest on commercial paper issued(*)	2,068,844	1,140,611
	77,900,621	**56,732,548**

(*) items are calculated using the effective interest rate method.

Guarantee income received in the financial year for guarantees granted were as follows:

- from Caterpillar Financial Corporaciòn Financiera, S.A. of EUR 710,481 (2017: EUR 1,938,385),
- from Caterpillar Financial Services Germany GmbH of EUR 5,355,527 (2017: EUR 6,148,881) and
- from Caterpillar Financial Services (UK) Limited EUR 4,467,487 (2017: EUR 6,016,280).
-

See Note 28 and Note 29.2 for further information.

22. FINANCE EXPENSE

	2018 EUR	2017 EUR
Expense on medium-term notes	4,030,367	4,428,172
Guarantee fees payable to affiliated companies	4,475,910	6,226,544
Expense on loans from affiliated companies (refer to Note 28)	19,513,266	6,714,573
Swap interest expense	2,881,684	1,207,638
Facility fees & other interest costs	646,623	470,723
Interest on commercial paper issued	421,987	1,593,457
	31,969,837	**20,641,107**

The guarantee fees expense during the year to CFSC for guarantees granted to the Group amounted to EUR 4,475,910 (2017: EUR 6,226,544). This is expensed by two group companies, Caterpillar International Finance Luxembourg S.à r.l. of EUR 2,047,989 (2017: EUR 3,007,733) and Caterpillar International Finance DAC EUR 2,427,921 (2017: EUR 3,218,811) see Note 2.13, Note 28, Note 29.2 and Note 29.6 for further information.

23. INCOME FROM LEASED ASSETS

Income from leased assets is as follows:

	2018 EUR	2017 EUR
Operating lease	16,342,718	20,711,301
Finance lease	1,742,165	2,676,031
	18,084,883	**23,387,332**

All operating and finance leases are issued by Caterpillar Financial Services Netherlands BV.

24. OTHER INCOME

	2018 EUR	2017 EUR
Intercompany service fee	838,186	548,202
Income from customers for providing lease and term note facilities	112,136	549,937
	950,322	**1,098,139**

25. NET TRADING LOSS

	2018 EUR	2017 EUR
Cash flow hedge instruments	65,209,909	(49,063,329)
Fair value movements on derivatives applying fair value hedge accounting	189,058	(942,480)
Gain / (loss) on the hedge items applying fair value hedge accounting	(210,190)	837,515
Ineffectiveness recognised in profit or loss that arises from cash flow hedges	(63,335)	(89,663)
Net foreign exchange translation losses	(50,913,019)	(1,399,878)
Net gains from foreign currency derivatives	(32,381,965)	38,401,280
	(18,169,542)	**(12,256,555)**

26. OTHER OPERATING EXPENSES

Other operating expenses are summarised as follows:

	2018 EUR	2017 EUR
Intercompany service fee	2,700,820	2,472,681
Staff costs	1,717,848	1,712,522
Repossession and repair costs	22,629	54,365
Legal, audit, consulting and tax fees	602,120	771,546
Miscellaneous charges	537,707	315,874
Rent office/cars	192,553	144,683
Bank charges	133,686	88,813
Travel and entertainment	76,392	45,551
Computer software	41,795	12,812
Office supplies	53,233	13,725
Communication tolls	11,460	6,822
Other	295,516	249,284
	6,385,759	**5,888,678**

Remuneration of the auditors excluding expenses and VAT for the statutory audit of the financial statements of the group is EUR 177,297 (2017: EUR 161,692), including audit of Company of EUR 25,000 (2017: EUR 27,000) are included in the above operating expense legal, audit, consulting and tax fees. No other services (tax, advisory, other services) have been rendered by the auditors.

Remuneration of the statutory auditor represents EUR 35,105.

26. OTHER OPERATING EXPENSES (CONTINUED)

Particulars of staff are detailed below:

	2018 EUR	2017 EUR
Wages and salaries	1,591,614	1,387,567
Social insurance costs	18,832	209,641
Other retirement costs for defined contribution plan	107,402	115,314
	1,717,848	**1,712,522**

The average number of persons employed by the Group during the year was 7 (2017: 7). The Company does not have employees in 2018 and 2017. The Group and Company have no significant exposure to any post-retirement benefit obligations.

27. INCOME TAX

(a) Analysis of charge in period

	2018 EUR	2017 EUR
Current income tax (charge) / benefit	(2,094,836)	(82,776)
Withholding tax charge	(381,964)	(212,502)
Total tax (charge) / benefit in income statement	**(2,476,800)**	**(295,278)**

All amounts relate to jurisdictions outside the Republic of Ireland.

The Company's results are included in the CFSC group taxation return filed in the USA. When the group tax affairs are finalised each year, the Company will receive any amounts due from CFSC when settlement is made with the US tax authorities.

27. INCOME TAX (CONTINUED)

(b) Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of tax in the United States of America.

The differences are explained below:

	2018 EUR	2017 EUR
Profit on ordinary activities before taxation	**27,429,350**	**23,178,260**
Profit on ordinary activities at the standard rate of corporation tax in the United States of America of 21% (2017 – 35%)	5,760,164	8,112,391
Difference arising through differing tax-rates in non-US jurisdiction companies.	260,610	(607,104)
Difference arising through income non-taxable in the US	(3,589,503)	(7,180,155)
Other	45,529	(29,854)
Total tax charge / (benefit) in income statement	**2,476,800**	**295,278**

The result of the individual entities included in the consolidated profit before tax amount are subject to tax in different jurisdictions that have different tax rates and different tax treatments related to items of income and expense.

28. COMMITMENTS

The Group and the Company had no outstanding commitments or contingent liabilities as at 31 December 2018 or 31 December 2017 other than those disclosed in the financial statements.

Group

The Group has granted loan facilities to Caterpillar Inc. Group undertakings. Amounts undrawn at the statement of financial position date amounted to EUR 3,474,228,494 at 31 December 2018 (2017: EUR 4,010,852,597).

The Group as guarantor provides a guarantee in accordance with the terms and conditions of the credit guarantee agreement with Caterpillar Financial Services Germany GmbH (CFS GmbH) and Caterpillar Financial Services (UK) Limited (CFUL). The financing and leasing CFS GmbH and CFUL provides has associated economic and financial risks. In view of these inherent and unforeseen risks associated with granting credit, a portion of the portfolio credit risk is transferred to the Guarantor to mitigate these risks and better manage their profit and loss position.

The guarantee fee is determined by the guaranteed portfolio granted by CFS GmbH and CFUL and specific terms associated within the credit guarantee agreement. The guarantee fee is amortized on a straight-line basis over the guarantee period which is applicable for 12 months, this is then reviewed and renewed on an annual basis thereafter.

The total guarantee fees amortized for the financial period for CFS GmbH amounts to EUR 5,355,527 (2017: EUR 6,148,881) and for CFUL EUR 4,467,487 (2017: EUR 6,016,280) and are included in the statement of comprehensive income under Finance income; “Guarantee fees”.

28. COMMITMENTS (CONTINUED)

The total guarantee fees amortized for the financial period amounts to EUR 10,533,495 (2017: EUR 14,103,546) and are included in the statement of comprehensive income under Finance income; “Guarantee fees”.

In case of triggering event for the Guarantee payment, the amount is measured by CFUL and CFS GmbH on the last day of the guarantee period in accordance with the policies and the provisions of the agreement.

The CFUL guarantee was exercised during the accounting period ended 31 December 2018 resulting in charges amounting to EUR 78,333 (2017: EUR 79,389). The charges are included in the profit and loss account under "Loss allowance".

Company

The Company has granted loan facilities to Caterpillar Inc. Group undertakings. Amounts undrawn at the statement of financial position date amounted to EUR 760,201,725 in 2018 (2017: EUR 704,103,172).

29. RELATED PARTY TRANSACTIONS

The Group is controlled by Caterpillar Financial Services Corporation (“CFSC”), incorporated in the United States of America, which owns 100% of the Company’s shares. The ultimate controlling party of the Group is Caterpillar Inc. Group (incorporated in United States of America).

During the financial year the Directors or connected persons of the Directors did not enter into any transactions with the Company and also did not receive any emoluments for services provided to the Company. All Directors were employed by and received all emoluments from other Caterpillar Group undertakings. The Directors perform directors’ duties for multiple entities in the Caterpillar Group, as well as their employment duties within Caterpillar Group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be feasible. Accordingly, no separate remuneration has been disclosed
Interest in subsidiaries are set out in Note 2.2.

29. RELATED PARTY TRANSACTIONS (CONTINUED)

29.1 Loans and advances to affiliated companies

The Group is a treasury centre of CFSC. In such capacity, among other things, it grants loans and provides related financial support services to the direct and indirect subsidiaries of CFSC (the "Intercompany Loans") pursuant to fixed and variable rate lending agreements and contracts of deposit in guaranty and deposit agreements with such subsidiaries.

Also, from time to time the Group Purchases Receivables from Caterpillar S.á.r.l. ("CSARL"), pursuant to a Factoring Agreement dated 1 January 1999. The Group obtains funds used to make the Intercompany Loans and purchase the Receivables from, among other sources, a loan from CFSC.

(a) Intercompany loans

Year-end balances arising from Intercompany Loans receivables are as follows:

GROUP **Description**	**2018** **EUR**	**2017** **EUR**
Loans to Other Group Companies	3,058,359,642	2,336,194,109
	3,058,359,642	**2,336,194,109**

COMPANY **Description**	**2018** **EUR**	**2017** **EUR**
Loans to Other Group Companies	458,289,760	4,465,684
	458,289,760	**4,465,684**

Income arising from Intercompany Loans to affiliated companies:

GROUP **Description**	**2018** **EUR**	**2017** **EUR**
Interest from Other Group Companies	36,654,703	27,370,989
	36,654,703	**27,370,989**

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Factoring

Pursuant to the Factoring agreement dated as of 1 January 1999 which has been assigned by CSARL to the Group on 1 April 2008, the Group agreed to purchase from CSARL certain eligible receivables payable to CSARL by certain Caterpillar authorized dealers, whereupon such dealers are obligated to make payments to the Group.

These receivables are purchased from CSARL at a discounted price that is amortized over the outstanding life of the receivables using the effective interest rate method. The gross wholesale factoring receivables (nominal amount less discount) outstanding at 31 December 2018 amounted to EUR 7,487,878 (2017: EUR 1,199,506).

The total finance income for the financial period amounts to EUR 243,892 (2017: EUR 87,513) and is included in the statement of comprehensive income under “Finance income on loans to affiliated companies”.

(c) CPECs

On the 1st April 2008 Caterpillar International Finance Luxembourg S.à r.l issued 203,253 Class A Convertable Preferred Equity Certificates (“CPECs”) each having a par value of EUR 10,000 and issued 2,347 Class B CPECs each having a par value of EUR 10,000. On 5th May 2008, the number of Class A CPECs issued on April 1, 2008 was adjusted to 203,181 and 1 Class B CPECs was issued each having a par value of EUR 10,000. There has been no change to the par value or number of CPECs issued.

Class A CPECs:

The Class A CPECs were used as consideration for the portion of the Loan Portfolio acquired from Caterpillar International Finance DAC. Class A CPECs accrues a fixed yield of 0.1% and a variable yield amounting to 100% of the carried forward Retained Earnings. Class A CPECs may be redeemed after the 21st anniversary of the date of issuance. At any time after the end of the 21year period, the Class A CPECs may be converted into Class A CPECs shares upon request of the holders.

Class B CPECs:

The Class B CPECs were used as consideration for the acquisition of Caterpillar Financial Services Netherlands B.V. The Yield for any accounting period shall be equal to the product of (a) the applicable rate times (b) the sum of the par value of all outstanding Class B CPECs. Class B CPECs may be redeemed after the 21st anniversary of the date of issuance. At any time after the end of the 21-year period, the Class B CPECs may be converted into Class B CPECs shares upon request of the holders.

This item is composed of Class A CPECs and Class B CPECs issued by the Company as from 1 April 2008 and 27 March 2008 respectively which may be detailed as follows:

29. RELATED PARTY TRANSACTIONS (CONTINUED))

COMPANY	Maturity date	Interest rate	Nominal value 2018 EUR	Nominal value 2017 EUR
Class A CPECs	31/03/2038	(*)	2,031,810,000	2,031,810,000
Class B CPECs	26/03/2038	4%	23,480,000	23,480,000

(*) variable interest calculated is determined based on the performance of the Caterpillar International Finance S.à r.l. accordance with the perform Terms and Conditions of the Class A CPECs

Interest payments on the CPECs is at the discretion of the Board of Directors.

Investment in group debt securities

COMPANY	IAS 39 carrying amount 31 December 2017	Remeasurement	IFRS 9 carrying amount 1 January 2018/31 December 2018
Closing balance under IAS 39	2,429,926,765		
Remeasurement from amortised cost to FVTPL on adoption of IFRS 9		2,733,715	
Opening balance under IFRS 9			2,432,660,480
Fair value movement		14,814,702	
Closing balance under IFRS 9			2,447,475,182

29. RELATED PARTY TRANSACTIONS (CONTINUED)

29.2 Other assets

The Group has been granted guarantees from CFSC in order to balance the below mentioned guarantee granted to CFCF. The guarantee fees paid to CFSC have been disclosed as part of the guarantee fees payables disclosed in Note 22.

Deferred charges are composed of the up-front fees which have been paid by the Group to CFSC in connection with the guarantee.

For the period January 1, 2011 to September 30, 2011 the guarantee fees correspond to 1% of the nominal amount of the external loans granted by CFCF and is amortized on a straight-line basis over the term of the loan as from their inception date. Effective October 1, 2011 the guarantee fees correspond to a percentage (determined by the credit information on the external customer provided by CFCF along with the structure and value of the transaction) of the nominal amount of the external loans granted by CFCF and are amortized on a straight-line basis over the term of the loan as from their inception date.

The carrying value of the deferred charges are composed of the up-front fees which have been paid by the Group to CFSC in connection with the guarantee as at 31 December 2018 is EUR 3,957,128 (31 December 2017: EUR 1,403,155) and is included in Note 14 as guarantee fees other assets (prepayments).

The total guarantee fees amortized for the financial period amount to EUR 710,481 (2017: EUR 1,939,651) and are included in the statement of comprehensive income under Finance expense "Guarantee fees payable to affiliated companies".

29.3 Deferred income

(a) Dealer and manufacturing incentives

CSARL grants Caterpillar Financial Services Netherlands B.V. dealer financial assistance against interest rates offered to customers, this is amortised over the life of the Netherlands portfolio.

(b) Guarantee fees

The group provides financial Guarantees to group companies in connection with the portfolios as follows:

The Group as guarantor provides a guarantee in accordance with the terms and conditions of the credit guarantee agreement with CFS GmbH. The Group as guarantor also provides a guarantee in accordance with the terms and conditions of the credit guarantee agreement with Caterpillar Financial Services (UK) Limited. Please refer to Note 28 for further information.

i) The provision of a guarantee by the group on a portfolio of retail loans/leases on construction equipment held by Caterpillar Financial Services Germany GmbH ('CFS GmbH'). The guarantee contract is reviewed and renewed annually

ii) The provision of a guarantee by the group on a portfolio of retail loans/leases on construction equipment (the "Core Portfolio") and on a portfolio of loans/leases of power supplies/marine vessels (the "Marine Portfolio") held by Caterpillar Financial Services (UK) Limited ('CFUL'). The guarantee contract is reviewed and renewed annually.

29. RELATED PARTY TRANSACTIONS (continued)

iii) The provision of a guarantee by the group on any loans granted by Caterpillar Financial Corporación Financiera S.A., E.F.C (‘CFCF’) a Spanish subsidiary of CFSC, above 25% of CFCF equity position. The guarantee fees correspond to 1% of the nominal amount of the external loans granted by CFCF and is amortized on a straight-line basis over the term of the loan as from their inception date. Effective October 1, 2011 the guarantee fees correspond to a percentage (determined by the credit information on the external customer provided by CFCF along with the structure and value of the transaction) of the nominal amount of the external loans granted by CFCF and are amortized on a straight-line basis over the term of the loan as from their inception date.

The carrying value of the up-front fees paid and included in Note 18 Deferred Income by the companies are as follows:

	31 December 2018	**31 December 2017**
	EUR	**EUR**
CFCF	3,957,127	1,403,155
CFS GmbH	4,059,658	4,986,468
CFUL	3,426,926	3,325,178
	11,443,711	**9,714,801**

29. RELATED PARTY TRANSACTIONS (continued)

The total guarantee fees amortized for the financial period included in the statement of comprehensive income under Finance income; "Guarantee income" and included in Note 21 is:

	31 December 2018	31 December 2017
	EUR	EUR
CFCF	710,481	1,938,385
CFS GmbH	5,355,527	6,148,881
CFUL	4,467,487	6,016,280
	10,533,495	**14,103,546**

The Company has been granted guarantees from CFSC in order to balance the above-mentioned guarantees granted to CFCF. Guarantee fees for the financial period and included in Note 22 'Finance expense' of EUR 4,475,910 (2017: EUR 6,226,544) were paid.

29.4 Loans and advances from affiliated companies

Year-end balances arising from Intercompany Loans payables are as follows:

GROUP Description	Country	2018 EUR	2017 EUR
Caterpillar Financial Acquisition Funding Partners	UK	113,094,018	113,203,140
CFSC	USA	1,256,222,710	732,389,287
Caterpillar Finance S.à r.l.	Switzerland	18,877,754	16,602,625
		1,388,194,482	**862,195,052**

COMPANY Description	Country	2018 EUR	2017 EUR
CFSC	USA	1,049,987,978	668,023,808
Caterpillar International Finance Luxembourg S.à r.l.	Luxembourg	-	-
		1,049,987,978	**668,023,808**

29. RELATED PARTY TRANSACTIONS (continued)

CFSC guarantees all internal loans from affiliated companies undertaken by the Group for a fee; the guarantee fee part of the finance expense disclosed in Note 22.

29.5 Other liabilities

This item includes intercompany accounts payable balances for outstanding invoices at year end.

29.6 Debt securities

Caterpillar Financial Services Corporation (CFSC) guarantees all external debt securities issued by the Group for a fee; the guarantee fees paid to CFSC have been disclosed as part of the guarantee fees payables disclosed in Note 22.

29.7 Key management compensation

Key management includes Directors. Remuneration and compensation for the provision of key management personnel services are borne by the Caterpillar Inc. Group in the USA and not by Caterpillar International Finance DAC or its subsidiaries.

During the financial year the Directors or connected persons of the Directors did not enter into any transactions with the Company and also did not receive any emoluments for services provided to the Company. All Directors were employed by and received all emoluments from other Caterpillar Group undertakings. The Directors perform directors' duties for multiple entities in the Caterpillar Group, as well as their employment duties within Caterpillar Group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be feasible. Accordingly, no separate remuneration has been disclosed.

None of the other Directors held at any time during the year, either directly or indirectly through their spouses or minor children, any interest in the share capital of any other Group company.

No Director had at any time during the year a material interest in any contract of significance in relation to the Company's business.

Total gains made in the year by all Directors on the exercise of options in Caterpillar Inc. Group amounted to nil.

Caterpillar International Finance Luxembourg S.à r.l. is a service provider to the Company overseeing its daily operations. The costs incurred by the Company for the provision of support services during 2018 amounted to EUR 407,755 (2017: EUR 396,662). The recharge between the entities are eliminated on consolidation.

30. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

A Euro-denominated Floating Rate Note previously issued by the Company amounting to EUR 50 million matured on 8th May 2019, no other transactions with the listed debt has occurred.

Following a change in Luxembourg tax regulation in the financial year 2019, the Board of Directors of the Company have approved an amendment to the terms and conditions of PEC A and B which included a change in the tenor of the instrument and its conversion option.

There have been no other significant events affecting these financial statements.

31. APPROVAL OF FINANCIAL STATEMENTS

The Directors approved the financial statements on 25 November 2019.