

CNH Industrial N.V.
Form 20-F
March 02, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTIONS 12(b) OR (g) OF THE SECURITIES EXCHANGE
ACT OF 1934
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934
OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934
Commission File Number 001-36085

CNH INDUSTRIAL N.V.

(Exact name of registrant as specified in its charter)

The Netherlands

(Jurisdiction of incorporation or organization)

25 St. James's Street

London

SW1A 1HA

United Kingdom

(Address of principal executive offices)

Michael P. Going

Secretary

6900 Veterans Blvd. Burr Ridge, IL 60527 Telephone: +1 630-887-3766

FAX: +1 630-887-2344

Email: michael.going@cnhind.com

(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Shares, par value €0.01	New York Stock Exchange
4.50% Notes due 2023	New York Stock Exchange
3.850% Notes due 2027	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 1,363,592,506 common shares, par value €0.01 per share, and 388,906,690 special voting shares, par value €0.01 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Act of 1934. Yes ☐ No ☐

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer
Emerging Growth Company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

[†] The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If “Other” has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow: Item 17 or Item 18 .

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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Certain Defined Terms

CNH Industrial N.V. is the company formed by the mergers of Fiat Industrial S.p.A. (“Fiat Industrial”) and its majority owned subsidiary, CNH Global N.V. (“CNH Global”) into CNH Industrial N.V. (the “Merger”). CNH Industrial is incorporated in, and under the laws of, the Netherlands. CNH Industrial has its corporate seat in Amsterdam, the Netherlands, and its principal office in London, England. Unless otherwise indicated or the context otherwise requires, as used in this annual report, the terms “CNH Industrial”, “we”, “us”, “our” or “the Company” refer to CNH Industrial, together with its consolidated subsidiaries.

Presentation of Financial and Certain Other Information

We have prepared our annual consolidated financial statements presented in this annual report in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Our consolidated financial statements are expressed in U.S. dollars and, unless otherwise indicated, all financial data set forth in this annual report are expressed in U.S. dollars.

Certain financial information in this report has been presented by geographic area. Our geographic regions are: (1) NAFTA; (2) EMEA; (3) LATAM; and (4) APAC. The geographic designations have the following meanings:

• **NAFTA**—United States, Canada and Mexico;

• **EMEA**—member countries of the European Union, member countries of the European Free Trade Association (“EFTA”), Ukraine, Balkans, African continent and the Middle East (excluding Turkey);

• **LATAM**—Central and South America, and the Caribbean Islands; and

• **APAC**—Continental Asia (including Turkey and Russia), Oceania and member countries of the Commonwealth of Independent States (excluding Ukraine).

Certain industry and market share information in this annual report has been presented on a worldwide basis which includes all countries. In this annual report, management estimates of market share information are generally based on retail unit sales data in North America, on registrations of equipment in most of Europe, Brazil, and various APAC markets, and on retail and shipment unit data collected by a central information bureau appointed by equipment manufacturers associations, including the Association of Equipment Manufacturers in North America, the Committee for European Construction Equipment in Europe, the Associação Nacional dos Fabricantes de Veículos Automotores (“ANFAVEA”) in Brazil, the Japan Construction Equipment Manufacturers Association, and the Korea Construction Equipment Manufacturers Association, as well as on other shipment data collected by independent service bureaus. Not all agricultural or construction equipment is registered, and registration data may thus underestimate, perhaps substantially, actual retail industry unit sales demand, particularly for local manufacturers in China, Southeast Asia, Eastern Europe, Russia, Turkey, Brazil, and any country where local shipments are not reported. For Commercial Vehicles, regions are defined for both market share and total industry volume (“TIV”) as: Europe (the 27 countries where Commercial Vehicles competes excluding United Kingdom and Ireland in 2016 for market share and TIV reporting purposes), LATAM (Brazil, Argentina and Venezuela) and APAC (Russia, Turkey, South East Asia, Australia and New Zealand). In addition, there may be a period of time between the shipment, delivery, sale and/or registration of a unit, which must be estimated, in making any adjustments to the shipment, delivery, sale, or registration data to determine our estimates of retail unit data in any period.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements and the related notes included in “Item 18. Financial Statements” and the information contained in “Item 5. Operating and Financial Review and Prospects.”

The following table contains our selected historical financial data as of and for each of the five years ended December 31, 2017, 2016, 2015, 2014 and 2013.

	For the Years Ended December 31,				
	2017	2016	2015	2014	2013
	(in millions, except per share data)				
Consolidated Statement of Operations Data:					
Revenues:					
Net sales	\$26,168	\$23,669	\$24,677	\$31,196	\$32,632
Finance and interest income	1,193	1,203	1,235	1,359	1,204
Total Revenues	27,361	24,872	25,912	32,555	33,836
Net (loss) income	\$313	\$(249)	\$248	\$708	\$828
Net (loss) income attributable to CNH Industrial N.V.	\$295	\$(252)	\$253	\$710	\$677
Earnings per share attributable to CNH Industrial N.V.:					
Basic earnings per common share	\$0.22	\$(0.18)	\$0.19	\$0.52	\$0.54
Diluted earnings per common share	\$0.22	\$(0.18)	\$0.19	\$0.52	\$0.54
Cash dividends declared per common share(1)	\$0.118	\$0.148	\$0.214	\$0.277	\$0.293

	As of December 31,				
	2017	2016	2015	2014	2013
	(in millions)				
Consolidated Balance Sheet Data:					
Total Assets	\$48,275	\$45,547	\$46,677	\$51,824	\$53,739
Share capital	\$25	\$25	\$25	\$25	\$25
Common shares outstanding	1,364	1,362	1,362	1,355	1,350
Special voting shares outstanding	389	412	413	415	469
Equity	\$4,400	\$4,451	\$4,843	\$4,961	\$4,955

(1) On March 2, 2018, the Board of Directors recommended to the Company’s shareholders a dividend of €0.14 per common share, totaling approximately €191 million (equivalent to approximately \$235 million, translated at the exchange rate reported by the European Central Bank on February 27, 2018). The proposal is subject to the

approval of the Company's shareholders at the Annual General Meeting of shareholders to be held on April 13, 2018. For 2017, CNH Industrial declared and paid a dividend of €0.11 per common share. For 2016, CNH Industrial declared and paid a dividend of €0.13 per common share. For 2015 and 2014, CNH Industrial declared and paid a dividend of €0.20 per common share. For 2013, Fiat Industrial declared and paid a dividend of €0.225 per ordinary share. The cash dividends for 2017, 2016, 2015, and 2014 were paid on May 2, 2017, May 3, 2016, April 29, 2015, and April 30, 2014, respectively, and shareholders who held common shares on the record date traded on the NYSE received the dividend in U.S. dollars at

the USD/EUR exchange rate reported by the European Central Bank on April 20, 2017 (\$.1182) April 21, 2016 (\$.1476), April 16, 2015 (\$.02142), and April 17, 2014 (\$.02771), respectively. The cash dividend declared for 2013 was paid in euro on April 25, 2013, and has been translated into U.S. dollars at the noon buying rate in the City of New York for cable transfers in euros as certified by the Federal Reserve Bank of New York for customs purposes on the payment date.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

The following risks should be considered in conjunction with “Item 5. Operating and Financial Review and Prospects” beginning on page 31, the other risks described in the Safe Harbor Statement beginning on page 59 and notes to the consolidated financial statements beginning on page F-9. These risks may affect our operating results and, individually or in the aggregate, could cause our actual results to differ materially from past and projected future results. Some of these risks and uncertainties could affect particular lines of business, while others could affect all of our businesses. Although risks are discussed separately, many are interrelated. The following discussion of risks may contain forward-looking statements that are intended to be covered by the Safe Harbor Statement beginning on page 59. Except as may be required by law, we undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events, or otherwise. It is impossible to predict or identify all risk factors and, consequently, you should not consider the following factors to be a complete discussion of risks and uncertainties that may affect us. We invite you to consult any further related disclosures we make from time to time in materials filed with or furnished to the United States Securities and Exchange Commission (“SEC”).

Risks Related to Our Business, Strategy and Operations

Global economic conditions impact our businesses. Our results of operations and financial position are and will continue to be influenced by macroeconomic factors - including changes in gross domestic product, the level of consumer and business confidence, changes in interest rates or the availability of credit, inflation and deflation, energy prices, and the cost of commodities or other raw materials - which exist in the countries in which we operate. Such macroeconomic factors vary from time to time and their effect on our results of operations and financial position cannot be specifically and singularly assessed and/or isolated.

Economic conditions vary across regions and countries, and demand for our products and services generally increases in those regions and countries experiencing economic growth and investment. Slower economic growth or a change in global mix of regions and countries experiencing economic growth and investment could have an adverse impact on our business, results of operations and financial condition. In slower economic times, some dealers and customers may delay or cancel plans to purchase our products and services and may not be able to fulfill their obligations to us in a timely fashion. Our suppliers may also be impacted by economic pressures, which may adversely affect their ability to fulfill their obligations to us. These factors could result in product delays, increased accounts receivable, defaults and inventory challenges. In addition, demand for our products and services can be significantly impacted by concerns regarding the diverse economic and political circumstances in the European Union, the debt burden of several countries in the European Union, the risk that one or more European Union countries could come under increasing

pressure to leave the European Union and the long term stability of the euro as a single common currency. These concerns, along with the significant fiscal adjustments carried out in several countries, intended to manage actual or perceived sovereign credit risk, have led to further pressure on economic growth and may lead to new periods of economic volatility and recession in the European Union. Similarly, in Brazil, macroeconomic conditions remain volatile. Moreover, some governments may implement measures designed to slow the economic growth rate in those countries (e.g., higher interest rates, reduced bank lending and other anti-inflation measures). If there is significant deterioration in the global economy or the economies of key countries or regions, the demand for our products and services would likely decrease and our results of operations, financial position and cash flows could be materially and adversely affected.

In addition, the continuation of adverse market conditions in certain businesses in which we participate could cause many companies, including us, to carefully evaluate whether certain of our intangible assets have become impaired. The factors that we would evaluate to determine whether an impairment charge is necessary require management judgment and estimates. The estimates are impacted by a number of factors, including, but not limited to, worldwide economic factors and technological changes. Any of these factors, or other unexpected factors, may require us to consider whether we need to record an impairment charge. In the event

we are required to record an impairment charge with respect to certain of our intangible assets, it would have an adverse impact on our financial position and results of operations.

We are exposed to political, economic and other risks beyond our control as a result of operating a global business. We manufacture and sell products and offer services in several continents and numerous countries around the world including those experiencing varying degrees of political and economic instability. Given the global nature of our activities, we are exposed to risks associated with international business activities that may increase our costs, impact our ability to manufacture and sell our products and require significant management attention. These risks include:

- changes in laws, regulations and policies that affect, among other things:
 - import and export duties and quotas;
 - currency restrictions;
 - the design, manufacture and sale of our products, including, for example, engine emissions regulations;
 - interest rates and the availability of credit to our dealers and customers;
 - property, contract rights and intellectual property;
 - where and to whom products may be sold, including new or additional trade or economic sanctions imposed by the U.S., EU or other governmental authorities and supranational organizations (e.g., the United Nations); and
 - taxes;
- regulations from changing world organization initiatives and agreements;
- changes in the dynamics of the industries and markets in which we operate;
- labor disruptions;
- disruption in the supply of raw materials and components;
- changes in governmental debt relief and subsidy program policies in certain significant markets such as Argentina and Brazil, including the Brazilian government discontinuing programs subsidizing interest rates on equipment loans;
- changes in trade agreements or trade terms, including any unilateral withdrawal from, or material modification of, the North American Free Trade Agreement; and
- war, civil unrest and terrorism.

In recent years, terrorist attacks have occurred around the world, leading to personal safety anxieties and political instability in many countries and, ultimately, an impact on consumers' confidence. More recently, growing populist political movements in several major developed countries and other unanticipated changes to the previous geopolitical order may have negative effects on the global economy.

There can be no guarantee that we will be able to quickly and completely adapt our business model to changes that could result from the foregoing, and any such changes may have an adverse effect on our business, results of operations and financial condition.

Reduced demand for equipment would reduce our sales and profitability. The performance of the agricultural equipment market is influenced, in particular, by factors such as:

- the price of agricultural commodities and the relative level of inventories;
- the profitability of agricultural enterprises, farmers' income and their capitalization;
- the demand for food products; and
- agricultural policies, including aid and subsidies to agricultural enterprises provided by governments and/or supranational organizations as well as alternative fuel mandates.

In addition, unfavorable climatic conditions, especially during the spring, a particularly important period for generating sales orders, could have a negative impact on decisions to buy agricultural equipment and, consequently, on our revenues.

The performance of the construction equipment market is influenced, in particular, by factors such as:

public infrastructure spending; and

new residential and non-residential construction; and
capital spending in oil and gas and, to a lesser extent, in mining.

The performance of the commercial vehicles market is influenced, in particular, by factors such as:

changes in global market conditions, including the level of interest rates;
changes in levels of business investment, including timing of fleet renewals; and
public infrastructure spending.

The above factors can significantly influence the demand for agricultural and construction equipment, as well as for commercial vehicles, and consequently, our financial results. Additionally, if demand for our products is less than we expect, we may experience excess inventories and be forced to incur additional charges and our profitability will suffer, including higher fixed costs associated with lower production levels at our plants. Our business may be negatively impacted if we experience excess inventories or we are unable to adjust our production schedules or our purchases from suppliers to reflect changes in customer demand and market fluctuations on a timely basis.

We depend on suppliers for raw materials, parts and components. We rely upon suppliers for raw materials, parts and components that we require to manufacture our products. We cannot guarantee that we will be able to maintain access to raw materials, parts and components, and in some cases, this access may be affected by factors outside of our control and the control of our suppliers. Certain components and parts used in our products are available from a single supplier and cannot be quickly sourced from other suppliers. Increasing demand for certain products has resulted in challenges in obtaining parts and components due to supplier constraints. Supply chain disruptions, including those due to supplier financial distress, capacity constraints, labor shortages, business continuity, delivery or disruptions due to weather-related or natural disaster events, could negatively impact our business, results of operations and financial condition.

We use a variety of raw materials in our businesses, including steel, aluminum, lead, resin and copper, and precious metals such as platinum, palladium and rhodium. The prices of these raw materials fluctuate, and while we seek to manage this exposure, we may not be successful in mitigating these risks. Further, increases in the prices for raw materials can significantly increase our costs of production, which could have a material adverse effect on our business, results of operations and financial condition, particularly if we are unable to offset the increased costs through an increase in product pricing.

Competitive activity, or failure by us to respond to actions by our competitors, could adversely affect our results of operations. We operate in highly competitive global and regional markets. Depending on the particular country, we compete with other international, regional and local manufacturers and distributors of agricultural and construction equipment, commercial vehicles, and powertrains. Certain of our global competitors have substantial resources and may be able to provide products and services at little or no profit or even at a loss to compete with certain of our product offerings. We compete on the basis of product performance, innovation, quality, distribution, customer service and price. Aggressive pricing or other strategies pursued by competitors, unanticipated product or manufacturing delays or our failure to price our products competitively could adversely affect our business, results of operations and financial position. Additionally, there has been a trend towards consolidation in the trucks and construction equipment industries that has resulted in larger and potentially stronger competitors in those markets. The markets in which we compete are highly competitive in terms of product quality, innovation, pricing, fuel economy, reliability, safety, customer service and financial services offered. Competition, particularly on pricing, has increased significantly in the markets in which we compete in recent years. Should we be unable to adapt effectively to market conditions, this could have an adverse effect on our business, results of operations and financial condition.

Costs of ongoing compliance with, or failure to comply with, increasingly stringent environmental, health and safety laws could have an adverse effect on our results of operations. We are subject to comprehensive and constantly evolving laws, regulations and policies in numerous jurisdictions around the world. We expect the extent of legal

requirements affecting our businesses and our costs of compliance to continue to increase in the future. Such laws govern, among other things, products - with requirements on emissions of polluting gases and particulate matter, increased fuel efficiency and safety becoming increasingly strict - and industrial plants - with requirements for reduced emissions, treatment of waste and water and prohibitions on soil contamination also becoming increasingly strict. To comply with such laws, we make significant investments in research and development and capital expenditures and expect to continue to incur substantial costs in the future. Failure to comply with such laws could limit or prohibit our ability to sell our goods in a particular jurisdiction, expose us to penalties or clean-up costs, civil or criminal liability and sanctions on certain of our activities, as well as damage to property or natural resources. Liabilities, sanctions, damages and remediation efforts related to any non-compliance with such laws, including those that may be adopted or imposed in the future, could negatively impact our ability to conduct our operations and our results of operations and financial condition. In addition, there can be

no assurances that we will not be adversely affected by costs, liabilities or claims with respect to any subsequently acquired operations.

Further, environmental, health and safety regulations change from time to time, as may related interpretations and other guidance. For example, changes in environmental and climate change laws, including laws relating to engine and vehicle emissions, safety regulations, fuel requirements, restricted substances, or greenhouse gas emissions, could lead to new or additional investments in product designs and could increase environmental compliance expenditures. If these laws are either changed or adopted and impose significant operational restrictions and compliance requirements on us or our products, they could result in higher capital expenditures and negatively impact our business, results of operations, financial position and competitive position.

A decrease in government incentives may adversely affect our results. Government initiatives that are intended to stimulate demand for products sold by us, such as changes in tax treatment or purchase incentives for new equipment, can substantially influence the timing and level of our revenues. The terms, size and duration of such government actions are unpredictable and outside of our control. Any adverse change in government policy relating to those initiatives could have a material adverse effect on our business, results of operations and financial condition.

Our future performance depends on our ability to innovate and on market acceptance of new or existing products. The success of our businesses depends on our ability to maintain or increase our market share in existing markets and to expand into new markets through the development of innovative, high-quality products that provide adequate profitability. In particular, the failure to develop and offer innovative products that compare favorably to those of our principal competitors in terms of price, quality, functionality and features, or delays in bringing strategic new products to market, or the inability to adequately protect our intellectual property rights or supply products that meet regulatory requirements, including engine exhaust emissions requirements, could result in reduced market share, which could have a material adverse effect on our business, results of operations and financial condition.

Our existing operations and expansion plans in emerging markets could entail significant risks. Our ability to grow our businesses depends to an increasing degree on our ability to increase market share and operate profitably worldwide and in particular in emerging market countries, such as Brazil, Russia, India, China, Argentina, Turkey, and South Africa. In addition, we could increase our use of suppliers located in such countries. Our implementation of these strategies will involve a significant investment of capital and other resources and exposes us to multiple and potentially conflicting cultural practices, business practices and legal requirements that are subject to change, including those related to tariffs, trade barriers, investments, property ownership rights, taxation and sanction requirements. For example, we may encounter difficulties in obtaining necessary governmental approvals in a timely manner. In addition, we may experience delays and incur significant costs in constructing facilities, establishing supply channels, and commencing manufacturing operations. Further, customers in these markets may not readily accept our products as opposed to products manufactured and commercialized by our competitors. The emerging market countries may also be subject to a greater degree of economic and political volatility that could adversely affect our financial position, results of operations and cash flows. Many emerging market economies have experienced slower growth and other economic challenges in recent periods and may be subject to a further slowdown in gross domestic product expansion and/or be impacted by domestic political or currency volatility, potential hyperinflationary conditions and/or increase of public debt.

We are subject to extensive anti-corruption and antitrust laws and regulations. Due to the global scope of our operations, we are subject to a number of laws and regulations that apply to our operations around the world, including the U.S. Foreign Corrupt Practices Act, and the U.K. Bribery Act, as well as a range of national anti-corruption and antitrust or competition laws that apply to conduct in a particular jurisdiction. These anti-corruption laws prohibit improper payments in cash or anything of value to improperly influence government officials or other persons to obtain or retain business or gain a business advantage. These laws tend to apply whether

or not those practices are legal or culturally acceptable in a particular jurisdiction. Over the past several years there has been a substantial increase in the enforcement of anti-corruption and antitrust or competition laws both globally and in particular jurisdictions and we have from time to time been subject to investigations and charges claiming violations of anti-corruption or antitrust or competition laws, including our settlement of the EU antitrust investigation announced on July 19, 2016. Following this settlement, the Company has been named as defendant in current private litigation commenced in various European jurisdictions and Israel that remains at an early stage. The Company expects to face further claims in various jurisdictions, the extent and outcome of which cannot be predicted at this time. We are committed to operating in compliance with all applicable laws, in particular anti-corruption and antitrust or competition laws. We have implemented a program to promote compliance with these laws and to reduce the likelihood of potential violations. Our compliance program, however, may not in every instance protect us from acts committed by our employees, agents, contractors, or collaborators that may violate the applicable laws or regulations of the jurisdictions in which we operate. Such improper actions could subject us to civil or criminal investigations and monetary, injunctive and other penalties as well as damage claims. Investigations of alleged violations of these laws tend to be expensive and require significant management time and attention, and these investigations of purported violations, as well as any publicity regarding potential violations, could harm our

reputation and have a material adverse effect on our business, results of operations and financial position. For further information, see Note 13 “Commitments and Contingencies” to the consolidated financial statements at December 31, 2017.

We may be adversely affected by the U.K. vote to leave the European Union (Brexit). In a June 23, 2016 referendum, the United Kingdom (“U.K.”) voted to terminate the U.K.’s membership in the European Union (“Brexit”). Negotiations will determine the terms of the U.K.’s future relationship with the European Union and its member states, including the terms of trade. The terms of trade between the U.K. and non-EU member states may also be affected. The timing of Brexit negotiations is currently unclear. Any effect of Brexit is expected to depend on the agreements negotiated between the U.K. and the EU with respect to reciprocal market access and other matters, either during a transitional period or more permanently.

Brexit could adversely affect U.K., European or worldwide economic and market conditions more broadly and could contribute to instability in global financial markets. We have operations in the U.K., but do not believe that our global operations would be affected materially by Brexit. However, any adverse effect of Brexit on us or on global or regional economic or market conditions could adversely affect our business, results of operations, and financial condition as customers may reduce or delay spending decisions with respect to our products. Any uncertainty related to Brexit could also affect trading in our shares.

We are organized as a Dutch company but we are considered resident in the U.K. for U.K. tax purposes. This determination is based on the U.K. as the location of management and control which has been confirmed through a mutual agreement procedure with the relevant tax authorities (as to which see “Other Risks – CNH Industrial operates and will continue to operate, as a company that is resident in the U.K. for tax purposes; other tax authorities may treat CNH Industrial as being tax resident elsewhere.”). We do not expect Brexit to affect our tax residency in the U.K.; however, we are unable to predict with certainty whether the discussions to implement Brexit will ultimately have any impact on this matter.

Dealer equipment sourcing and inventory management decisions could adversely affect our sales. We sell our products primarily through independent dealer networks and are subject to risks relating to their inventory management decisions and operating and sourcing practices. Our dealers carry inventories of finished products and parts as part of ongoing operations and adjust those inventories based on their assessment of future sales opportunities and market conditions, including the level of used equipment inventory. If the inventory levels of our dealers are higher than they desire, they may postpone product purchases from us, which could cause our sales to be lower than the end-user demand for our products and negatively impact our results. Similarly, our sales could be negatively impacted through the loss of time-sensitive sales if our dealers do not maintain inventory sufficient to meet customer demand. Further, dealers who carry other products that compete with our products may focus their inventory purchases and sales efforts on goods provided by other suppliers due to industry demand or profitability. Such inventory adjustments and sourcing decisions can adversely impact our sales, results of operations and financial condition.

We may not be able to realize anticipated benefits from any acquisitions and, further, challenges associated with strategic alliances may have an adverse impact on our results of operations. We have engaged in the past, and may engage in the future, in mergers and acquisitions or enter into, expand or exit from strategic alliances and joint ventures that could involve risks that could prevent us from realizing the expected benefits of the transactions or the achievement of strategic objectives or could divert management’s time and attention. Such risks, many of which are outside our control, include:

- technological and product synergies, economies of scale and cost reductions not occurring as expected;
- unexpected liabilities;

- incompatibility of operating, information or other systems;
- unexpected changes in laws;
- inability to retain key employees;
- protecting intellectual property rights;
- inability to source certain products or components (or the cost thereof);
- significant costs associated with terminating or modifying alliances; and
- problems in retaining customers and integrating operations, services, personnel, and customer bases.

If problems or issues were to arise among the parties to one or more strategic alliances for managerial, financial, or other reasons, or if such strategic alliances or other relationships were terminated, our product lines, businesses, results of operations and financial condition could be adversely affected.

Our results of operations may be adversely impacted by various types of claims, lawsuits, and other contingent obligations. We are involved in pending litigation and investigations on a wide range of topics, including dealer and supplier litigation, intellectual property right disputes, product warranty and defective product claims, product performance, asbestos, personal injury, emissions and/or fuel economy regulatory and contract issues, and environmental claims that arise in the ordinary course of our business. The industries in which we operate are also periodically reviewed or investigated by regulators, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims. The ultimate outcome of these legal matters pending against us is uncertain, and although such legal matters are not expected individually to have a material adverse effect on our financial position or profitability, such legal matters could, in the aggregate, in the event of unfavorable resolutions thereof, have a material adverse effect on our results of operations and financial condition. Furthermore, we could in the future be subject to judgments or enter into settlements of lawsuits and claims that could have a material adverse effect on our results of operations in any particular period. In addition, while we maintain insurance coverage with respect to certain risks, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against claims under such policies. As required by U.S. GAAP, we establish reserves based on our assessment of contingencies, including contingencies related to legal claims asserted against us. Subsequent developments in legal proceedings may affect our assessment and estimates of the loss contingency recorded as a reserve and require us to make payments in excess of our reserves, which could have a material adverse effect on our results of operations and/or financial position. For further information see “Note 13: Commitments and Contingencies” to the consolidated financial statements for the year ended December 31, 2017 for additional information.

A cybersecurity breach could interfere with our operations, compromise confidential information, negatively impact our corporate reputation and expose us to liability. We rely upon information technology systems and networks in connection with a variety of business activities, some of which are managed by third parties, to operate our business. These systems include supply chain, manufacturing, distribution, invoicing and collection of payments from dealers or other purchasers of our products and from customers of our financial services business. We use information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. Additionally, we collect and store sensitive data, including intellectual property, proprietary business information and the proprietary information of our suppliers and dealers, as well as personally identifiable information of our dealers, customers of our financial services business and our employees, in data centers and on information technology networks. Operating these information technology systems and networks, and processing and maintaining this data, in a secure manner, are critical to our business operations and strategy. Increased information technology security threats and more sophisticated computer crime pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. Cybersecurity attacks could also include attacks targeting customer data or the security, integrity and/or reliability of the hardware and software installed in our products.

While we actively manage information technology security risks within our control through security measures, business continuity plans and employee training around phishing and other cyber risks, there can be no assurance that such actions will be sufficient to mitigate all potential risks to our systems, networks and data.

A failure or breach in security could expose us and our customers, dealers and suppliers to risks of misuse of information or systems, the compromising of confidential information, loss of financial resources, manipulation and destruction of data, defective products, production downtimes and operations disruptions, which in turn could adversely affect our reputation, competitive position, businesses and results of operations. Security breaches could also result in litigation, regulatory action, unauthorized release of confidential or otherwise protected information and corruption of data, as well as higher operational and other costs of implementing further data protection measures. In addition, as security threats continue to evolve we may need to invest additional resources to protect the security of our systems. The amount of insurance coverage we maintain may be inadequate to cover claims or liabilities relating

to a cybersecurity attack.

Changes in privacy laws could disrupt our business. The regulatory framework for privacy and cybersecurity issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. In May 2016, the European Union adopted the General Data Protection Regulation (“GDPR”) that will impose more stringent data protection requirements and will provide for greater penalties for noncompliance beginning in May 2018. We may be required to incur significant costs to comply with privacy and data security laws, rules and regulations, including the GDPR. Any inability to adequately address privacy and security concerns or comply with applicable privacy and data security laws, rules and regulations could have an adverse effect on our business prospects, results of operations and/or financial position.

We face risks associated with our employment relationships. In many countries where we operate, our employees are protected by laws and/or collective labor agreements that guarantee them, through local and national representatives, the right of consultation on specific matters, including downsizing or closure of production facilities, activities and reductions in personnel. Laws and/or collective labor agreements applicable to us could impair our flexibility in reshaping and/or strategically repositioning our business activities. Therefore, our ability to reduce personnel or implement other permanent or temporary redundancy measures is subject to government approvals and/or the agreement of labor unions where such laws and agreements are applicable. Furthermore,

we are at greater risk of work interruptions or stoppages than non-unionized companies and any work interruption or stoppage could significantly impact the volume of products we manufacture and sell, which could have a material adverse effect on our business, results of operations and financial condition.

The loss of members of senior management could have an adverse effect on our business. Our success largely depends on the ability of our senior executives and other members of management to effectively manage our organization and individual areas of our businesses. We have developed succession plans that we believe are appropriate in the circumstances, although it is difficult to predict with any certainty that we will be able to replace these individuals with persons of equivalent experience and capabilities quickly. The loss of any senior executive, manager or other key employee without an adequate replacement, or the inability to attract and retain new, qualified personnel could therefore have an adverse effect on our business, results of operations and financial condition.

Our business may be affected by unfavorable weather conditions, climate change or other calamities. Poor, severe or unusual weather conditions caused by climate change or other factors, particularly during the planting and early growing season, can significantly affect the purchasing decisions of our agricultural equipment customers. The timing and quantity of rainfall are two of the most important factors in agricultural production. Insufficient levels of rain prevent farmers from planting crops or may cause growing crops to die, resulting in lower yields. Excessive rain or flooding can also prevent planting or harvesting from occurring at optimal times and may cause crop loss through increased disease or mold growth. Temperature affects the rate of growth, crop maturity, crop quality and yield. Temperatures outside normal ranges can cause crop failure or decreased yields, and may also affect disease incidence. Natural disasters such as floods, hurricanes, storms and droughts can have a negative impact on agricultural production. The resulting negative impact on farm income can strongly affect demand for our agricultural equipment in any given period.

In addition, natural disasters, pandemic illness, terrorist attacks or violence, equipment failures, power outages, disruptions to our information technology systems and networks or other unexpected events could result in physical damage to and complete or partial closure of one or more of our manufacturing facilities or distribution centers, temporary or long-term disruption in the supply of parts or component products, disruption in the transport of our products to dealers and customers and delay in delivery of products to distribution centers. In the event such events occur, our financial results might be negatively impacted. Our existing insurance arrangements may not protect against all costs that may arise from such events.

Furthermore, the potential physical impacts of climate change on our facilities, suppliers and customers and therefore on our operations are highly uncertain and will be particular to the circumstances developing in various geographical regions. These may include long-term changes in temperature levels and water availability. These potential physical effects may adversely impact the demand for our products and the cost, production, sales and financial performance of our operations.

Changes in demand for food and alternate energy sources could impact our revenues. Changing worldwide demand for farm outputs to meet the world's growing food and alternative energy demands, driven in part by government policies and a growing world population, are likely to result in fluctuating agricultural commodity prices, which affect sales of agricultural equipment. While higher commodity prices will benefit our crop producing agricultural equipment customers, higher commodity prices also result in greater feed costs for livestock and poultry producers, which in turn may result in lower levels of equipment purchased by these customers. Lower commodity prices directly affect farm income, which could negatively affect sales of agricultural equipment. Moreover, changing alternative energy demands may cause farmers to change the types or quantities of the crops they grow, with corresponding changes in equipment demands. Finally, changes in governmental policies regulating bio-fuel utilization could affect demand for our equipment and result in higher research and development costs related to equipment fuel standards.

International trade policies may impact demand for our products and our competitive position. Government policies on international trade and investment such as sanctions, import quotas, capital controls or tariffs, whether adopted by non-governmental bodies, individual governments or addressed by regional trade blocs, may affect the demand for our products and services, impact the competitive position of our products or prevent us from being able to sell products in certain countries. The implementation of more protectionist trade policies, such as more detailed inspections, higher tariffs, or new barriers to entry, in countries where we sell products and provide services could negatively impact our business, results of operations and financial position. For example, a government's adoption of trade sanctions or "buy national" policies or retaliation by another government against such policies could have a negative impact on our results of operations.

Financial Risks

Difficulty in obtaining financing or refinancing existing debt could impact our financial performance. Our future performance will depend on, among other things, our ability to finance debt repayment obligations and planned investments from operating cash flow, available liquidity, the renewal or refinancing of existing bank loans and/or facilities and access to capital markets or other sources of financing. A decline in revenues could have a negative impact on the cash-generating capacity of our operations. Consequently, we could find ourselves in the position of having to seek additional financing and/or having to refinance existing debt, including in unfavorable market conditions with limited availability of funding and a general increase in funding costs. Instability in global capital markets, including market disruptions, limited liquidity and interest rate and exchange rate volatility, could reduce our access to capital markets or increase the cost of our short and long-term financing. Any difficulty in obtaining financing could have a material adverse effect on our business, results of operations and financial position.

Our ability to access the capital markets or other forms of financing and related costs are highly dependent on, among other things, the credit ratings of CNH Industrial N.V., its subsidiaries, asset-backed securities (“ABS”) and other debt instruments. Rating agencies may review and revise their ratings from time to time, and any downgrade or other negative action with respect to our credit ratings by one or more rating agencies may increase our cost of capital, potentially limit our access to sources of financing and have a material adverse effect on our business, results of operations and financial condition.

We are subject to exchange rate fluctuations, interest rate changes and other market risks. We operate in numerous markets worldwide and are exposed to market risks stemming from fluctuations in currency and interest rates, including as a result of changes in monetary or fiscal policies of governmental authorities from time to time. We are subject to currency exchange risk to the extent that our costs are denominated in currencies other than those in which we earn revenues. In addition, the reporting currency for the consolidated financial statements is the U.S. dollar. Certain of our assets, liabilities, expenses and revenues are denominated in other currencies. Those assets, liabilities, expenses and revenues are translated into the U.S. dollar at the applicable exchange rates to prepare the consolidated financial statements. Therefore, increases or decreases in exchange rates between the U.S. dollar and those other currencies affect the value of those items reflected in the consolidated financial statements, even if their value remains unchanged in their original currency. Changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our results of operations and financial condition.

We use various forms of financing to cover the funding requirements of our Industrial Activities and for financing offered to customers and dealers. Financial Services normally implements a matching policy to offset the impact of differences in interest rates on the financed portfolio and related liabilities. Nevertheless, any future changes in interest rates can result in increases or decreases in revenues, finance costs and margins.

Although we seek to manage our currency risk and interest rate risk, including through hedging activities, there can be no assurance that we will be able to do so successfully, and our business, results of operations and financial position could be adversely affected. In addition, by utilizing these instruments, we potentially forego the benefits that may result from favorable fluctuations in currency exchange and interest rates. For further information see “Item 11. Quantitative and Qualitative Disclosures About Market Risk.” to the consolidated financial statements at December 31, 2017.

We also face risks from currency devaluations. Currency devaluations result in a diminished value of funds denominated in the currency of the country instituting the devaluation.

Because Financial Services provides financing for a significant portion of our sales worldwide, our operations and financial results could be impacted materially should negative economic conditions affect the financial industry.

Negative economic conditions can have an adverse effect on the financial industry in which Financial Services operates. Financial Services, through wholly-owned financial services companies and joint ventures, provides financing for a significant portion of our sales worldwide. Financial Services may experience credit losses that exceed its expectations and adversely affect its financial condition and results of operations. Financial Services' inability to access funds at cost-effective rates to support its financing activities could have a material adverse effect on our business. Financial Services' liquidity and ongoing profitability depend largely on timely access to capital in order to meet future cash flow requirements and to fund operations and costs associated with engaging in diversified funding activities. Additionally, negative market conditions could reduce customer confidence levels, resulting in declines in credit applications and increases in delinquencies and default rates, which could materially impact Financial Services' write-offs and provision for credit losses. Financial Services may also experience residual value losses that exceed its expectations caused by lower pricing for used equipment and higher than expected equipment returns at lease maturity.

An increase in delinquencies or repossessions could adversely affect the results of Financial Services. Fundamental in the operation of Financial Services is the credit risk associated with its customers/borrowers. The creditworthiness of each customer, rates of delinquency and default, repossessions and net losses on loans to customers are impacted by many factors, including: relevant

industry and general economic conditions; the availability of capital; the terms and conditions applicable to extensions of credit; the experience and skills of the customer's management team; commodity prices; political events; weather; and the value of the collateral securing the extension of credit. An increase in delinquencies or defaults, or a reduction in repossessions could have an adverse impact on the performance of Financial Services and our earnings and cash flows. In addition, although Financial Services evaluates and adjusts its allowance for credit losses related to past due or non-performing receivables on a regular basis, adverse economic conditions or other factors that might cause deterioration of the financial health of customers could change the timing and level of payments received and thus necessitate an increase in Financial Services' estimated losses, which could have a material adverse effect on Financial Services' and our results of operations and cash flows.

Potential Impact of the Dodd-Frank Act and other regulations. The various requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"), including its many implementing regulations, may substantially affect Financial Services' origination, servicing and securitization programs. For example, the Dodd-Frank Act strengthens the regulatory oversight of these securities and related capital market activities by the SEC and increases the regulation of the ABS markets through, among other things, a mandated risk retention requirement for securitizers and a direction to regulate credit rating agencies. Other future regulations may affect our ability to engage in funding these capital market activities or increase the effective cost of such transactions, which could adversely affect our financial position, results of operations and cash flows. Moreover, Financial Services and treasury activities may also be impacted by EU and other non-U.S. regulatory reforms being implemented to further regulate relevant financial institutions and markets.

We may be exposed to shortfalls in our pension plans. At December 31, 2017, the funded status for our defined benefit pension, healthcare and other postemployment benefit plans was a deficit of \$2,254 million. This amount included obligations of \$932 million for plans that we are currently not required to fund. The funded status is subject to many factors, as discussed in "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Application of Critical Accounting Estimates—Pension and Other Postemployment Benefits," as well as "Note 11: Employee Benefit Plans and Postretirement Benefits" to the consolidated financial statements for the year ended December 31, 2017.

To the extent that our obligations under a plan are unfunded or underfunded, we will have to use cash flows from operations and other sources to pay our obligations as they become due. In addition, since the assets that currently fund these obligations are primarily invested in debt instruments and equity securities, the value of these assets is subject to changes due to market fluctuations. In recent years, these fluctuations have been significant and adverse and there is no assurance that they will not be significant and adverse in the future.

We have significant outstanding indebtedness, which may limit our ability to obtain additional funding and may limit our financial and operating flexibility. As of December 31, 2017, we had an aggregate of \$25,895 million (including \$21,075 million relating to Financial Services' activities) of consolidated gross indebtedness, and our equity was \$4,400 million, including noncontrolling interests. The extent of our indebtedness could have important consequences on our operations and financial results, including:

- we may not be able to secure additional funds for working capital, capital expenditures, debt service requirements or general corporate purposes;
- we may need to use a portion of our projected future cash flow from operations to pay principal and interest on our indebtedness, which may reduce the amount of funds available to us for other purposes;
- we may be more financially leveraged than some of our competitors, which could put us at a competitive disadvantage;
- we may not be able to invest in the development or introduction of new products or new business opportunities;
-

we may not be able to adjust rapidly to changing market conditions, which may make us more vulnerable to a downturn in general economic conditions; and

- we may not be able to access the capital markets on favorable terms, which may adversely affect our ability to provide competitive retail and wholesale financing programs.

These risks are exacerbated by the ongoing volatility in the financial markets, in part resulting from perceived strains on the finances and creditworthiness of several governments and financial institutions, particularly in the Eurozone and Latin America, and from continued concerns about global economic growth, particularly in emerging markets.

Restrictive covenants in our debt agreements could limit our financial and operating flexibility. The agreements governing our outstanding debt securities and other credit agreements to which we are a party from time to time contain, or may contain, covenants that restrict our ability to, among other things:

- incur additional indebtedness by certain subsidiaries;
- make certain investments;
- enter into certain types of transactions with affiliates;
- sell or acquire certain assets or merge with or into other companies; and/or
- use assets as security in other transactions.

Although we do not believe any of these covenants materially restrict our operations currently, a breach of one or more of the covenants could result in adverse consequences that could negatively impact our businesses, results of operations and financial position. These consequences may include the acceleration of amounts outstanding under certain of our credit facilities, triggering an obligation to redeem certain debt securities, termination of existing unused commitments by our lenders, refusal by our lenders to extend further credit under one or more of the facilities or to enter into new facilities or the lowering or modification of CNH Industrial's credit ratings or those of one or more of its subsidiaries. For further information see "Note 9: Debt" to the consolidated financial statements for the year ended December 31, 2017 for additional information.

Other Risks

CNH Industrial operates and will continue to operate, as a company that is resident in the U.K. for tax purposes; other tax authorities may treat CNH Industrial as being tax resident elsewhere. CNH Industrial is not incorporated in the U.K.; therefore, in order to be resident in the U.K. for tax purposes, CNH Industrial's central management and control must be located (in whole or in part) in the U.K. The test of central management and control is largely a question of fact based on all the circumstances. The decisions of the U.K. courts and the published practice of Her Majesty's Revenue & Customs, or HMRC, suggest that CNH Industrial should be regarded as being U.K.-resident on this basis. The competent authority ruling referred to below supports this analysis. Although CNH Industrial's "central management and control" is in the U.K., it would not be treated as U.K.-resident if (a) CNH Industrial were concurrently resident in another jurisdiction (applying the tax residence rules of that jurisdiction) which has a double tax treaty with the U.K.; and (b) that tax treaty allocates exclusive residence to that other jurisdiction.

Although CNH Industrial's central management and control is in the U.K., CNH Industrial is considered to be resident in the Netherlands for Dutch corporate income tax and Dutch dividend withholding tax purposes because CNH Industrial is incorporated in the Netherlands. The U.K. and Dutch competent authorities have agreed, following a mutual agreement procedure (as contemplated by the Netherlands-U.K. tax treaty), that CNH Industrial will be regarded as solely resident in the U.K. for purposes of the application of the Netherlands-U.K. tax treaty provided that CNH Industrial operates as planned and provides appropriate required evidence to the U.K. and Dutch competent tax authorities. If the facts upon which the competent authorities issued this ruling change over time, this ruling may be withdrawn or cease to apply and in that case the Netherlands may levy corporate income tax on CNH Industrial and impose withholding taxes on dividends distributed by CNH Industrial.

We do not expect Brexit to affect our tax residency in the U.K.; however, we are unable to predict with certainty whether the discussions to implement Brexit will ultimately have any impact on this matter.

CNH Industrial's residence for Italian tax purposes is also largely a question of fact based on all the circumstances. For Italian tax purposes, a rebuttable presumption of CNH Industrial's residence in Italy may apply under Italian legislation. However, CNH Industrial has a management and organizational structure such that CNH Industrial should be deemed resident in the U.K. from the date of its incorporation for purposes of the Italy-U.K. tax treaty. Because this analysis is highly factual and may depend on future changes in CNH Industrial's management and organizational

structure, there can be no assurance that CNH Industrial's determination of its tax residence will be respected by all relevant tax authorities. Should CNH Industrial be treated as an Italian tax resident, CNH Industrial would be subject to corporate income tax in Italy on its worldwide income and may be required to comply with withholding tax on dividends and other distributions and/or reporting obligations under Italian law, which could result in additional costs and expenses.

Tax may be required to be withheld from dividend payments. Although the U.K. and Dutch competent authorities have ruled that we should be treated as solely resident in the U.K. for the purposes of the Netherlands-U.K. double tax treaty, under Dutch domestic law dividend payments made by us to Dutch residents are still subject to Dutch dividend withholding tax and we would have no obligation to pay additional amounts in respect of such payments.

Should withholding taxes be imposed on future dividends or distributions with respect to our common shares, whether such withholding taxes are creditable against a tax liability to which a shareholder is otherwise subject depends on the laws of such shareholder's jurisdiction and such shareholder's particular circumstances. Shareholders are urged to consult their tax advisors in respect of the consequences of the potential imposition of withholding taxes.

We may incur additional tax expense or become subject to additional tax exposure. We are subject to income taxes in many jurisdictions around the world. Our tax liabilities are dependent upon the location of earnings among these different jurisdictions. Our future results of operations could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in our overall profitability, changes in tax legislation and rates, changes in generally accepted accounting principles and changes in the valuation of deferred tax assets and liabilities. If our effective tax rates were to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued or paid, our operating results, cash flows and financial position could be adversely affected. For further information see "Item 10. Additional Information -E. Taxation." to the consolidated financial statements for the year ended December 31, 2017.

CNH Industrial, as successor to Fiat Industrial, is jointly liable with FCA for certain obligations. CNH Industrial is successor to Fiat Industrial S.p.A. ("Fiat Industrial"), a company formed as a result of the demerger of Fiat S.p.A. ("Fiat", which, effective October 12, 2014, was merged into Fiat Chrysler Automobiles N.V. ("FCA")) in favor of Fiat Industrial. As such, CNH Industrial continues to be liable jointly with FCA for the liabilities of FCA that arose prior to the effective date of the Demerger (January 1, 2011) and were still outstanding at that date (the "Liabilities"). This statutory provision is limited to the value of the net assets transferred to Fiat Industrial in the Demerger and survives until the Liabilities are satisfied in full. Furthermore, CNH Industrial may be responsible jointly with FCA in relation to tax liabilities, even if such tax liabilities exceed the value of the net assets transferred to Fiat Industrial in the Demerger. At December 31, 2017, the outstanding Liabilities amounted to approximately \$0.2 billion. CNH Industrial believes the risk of FCA's insolvency is extremely remote, and therefore, no specific provision has been accrued in respect of the above-mentioned potential joint liability.

Our maintenance of two exchange listings may adversely affect liquidity in the market for our common shares and could result in pricing differentials of our common shares between the two exchanges. The dual listing of our common shares on the NYSE and the MTA may split trading between the two markets and adversely affect the liquidity of the shares in one or both markets and the development of an active trading market for our common shares on the NYSE, and may result in price differentials between the exchanges. Differences in the trading schedules, trading volume and investor bases, as well as volatility in the exchange rate between the two trading currencies, among other factors, may result in different trading prices for our common shares on the two exchanges or otherwise adversely affect liquidity and trading prices of our shares.

The loyalty voting structure may affect the liquidity of our common shares and reduce our share price. CNH Industrial's loyalty voting structure is intended to reward shareholders for maintaining long-term share ownership by granting initial shareholders and persons holding shares continuously for at least three years at any time following the effectiveness of the Merger the option to elect to receive special voting shares. Special voting shares cannot be traded and, immediately prior to the transfer of our common shares from the CNH Industrial Loyalty Register, any corresponding special voting shares shall be transferred to CNH Industrial for no consideration (om niet). This loyalty voting structure is designed to encourage a stable shareholder base and, conversely, it may deter trading by those shareholders who are interested in gaining or retaining special voting shares. Therefore, the loyalty voting structure may reduce liquidity in our common shares and adversely affect their trading price.

The loyalty voting structure may prevent or frustrate attempts by our shareholders to change our management and hinder efforts to acquire a controlling interest in us, and the market price of our common shares may be lower as a result. The provisions of our Articles of Association establishing the loyalty voting structure may make it more

difficult for a third party to acquire, or attempt to acquire, control of us, even if a change of control is considered favorably by shareholders holding a majority of our common shares. As a result of the loyalty voting structure, a relatively large proportion of the voting power of our common shares could be concentrated in a relatively small number of shareholders who would have significant influence over us. As of January 31, 2018, EXOR N.V. had a voting interest in CNH Industrial of approximately 41.9%. For further information see “Item 7. Major Shareholders and Related Party Transactions” to the consolidated financial statements at December 31, 2017. Such shareholders participating in the loyalty voting structure could effectively prevent change of control transactions that may otherwise benefit our shareholders.

The loyalty voting structure may also prevent or discourage shareholders’ initiatives aimed at changes in our management.

Item 4. Information on the Company

A. History and Development of the Company

CNH Industrial is the company formed by the business combination transaction, completed on September 29, 2013, between Fiat Industrial and its subsidiary CNH Global. CNH Industrial is incorporated in, and under the laws of, the Netherlands, with its principal office at 25 St. James's Street, London, England, United Kingdom (telephone number: +44-207-7660-346). CNH Industrial's agent for U.S. federal securities law purposes is Michael P. Going, c/o CNH Industrial America LLC, 6900 Veterans Boulevard, Burr Ridge, Illinois 60527 (telephone number +1-630-887-3766).

The deeds of merger for the mergers of Fiat Industrial and CNH Global with and into CNH Industrial (the "Merger") were executed, respectively, on September 27 and 28, 2013. The effective date of the Merger was on September 29, 2013. A primary objective of the Merger was to simplify the capital structure of Fiat Industrial (CNH Industrial subsequent to the Merger) by creating a single class of liquid stock listed on the NYSE and on the MTA. The principal steps in the Merger transaction were:

- the cross-border merger of Fiat Netherlands Holding N.V. ("FNH") with and into Fiat Industrial (the "FNH Merger"), which occurred on August 1, 2013;
- the cross-border reverse merger of Fiat Industrial with and into FI CBM Holdings N.V. (CNH Industrial after the Merger) (the "FI Merger"); and
- the Dutch merger of CNH Global with and into FI CBM Holdings N.V. (the "CNH Merger").

All the companies (i.e., Fiat Industrial, FI CBM Holdings N.V., FNH and CNH Global) involved in the Merger were part of Fiat Industrial; in particular: (i) FNH was a wholly-owned direct subsidiary of Fiat Industrial; (ii) FI CBM Holdings N.V. was a wholly-owned direct subsidiary of Fiat Industrial; and (iii) CNH Global was an indirect subsidiary of Fiat Industrial (controlled through FNH which owned approximately 87% of CNH Global's capital stock).

In connection with the FI Merger, Fiat Industrial shareholders received one newly issued common share in CNH Industrial (having a nominal value of €0.01 each) for each ordinary share held in Fiat Industrial (having a nominal value of €1.57 each). In connection with the CNH Merger, CNH Global shareholders received 3.828 newly issued CNH Industrial common shares (having a nominal value of €0.01 each) for each common share held in CNH Global (having a nominal value of €2.25 each).

In connection with the closing of the Merger, CNH Industrial issued 1,348,867,772 common shares to Fiat Industrial and CNH Global shareholders on the basis of the established exchange ratios described above. CNH Industrial also issued special voting shares (non-tradable) to eligible Fiat Industrial and CNH Global shareholders who maintained their ownership of the shares through the closing of the Merger and elected to receive special voting shares. On the basis of the requests received, CNH Industrial issued a total of 474,474,276 special voting shares in connection with the closing of the Merger. On September 30, 2013, CNH Industrial common shares began trading on the NYSE and the MTA. For information on our share capital, see "Item 10. Additional Information—B. Memorandum and Articles of Association."

We make capital expenditures in the regions in which we operate principally related to initiatives to introduce new products, enhance manufacturing efficiency and increase capacity, and for maintenance and engineering. We continually analyze the allocation of our industrial resources, taking into account such things as relative currency values, existing and anticipated industry and product demand, the location of customers and suppliers, the cost of goods and labor, and plant utilization levels. See "Item 4. Information on the Company—D. Property, Plant and Equipment" for additional information.

B. Business Overview

General

We are a leading global capital goods company engaged in the design, production, marketing, sale and financing of agricultural and construction equipment, trucks, commercial vehicles, buses and specialty vehicles for firefighting, defense and other uses, as well as engines, transmissions and axles for those vehicles and engines for marine and power generation applications. We have industrial and financial services companies located in 45 countries and a commercial presence in approximately 180 countries around the world.

CNH Industrial has five operating segments:

Agricultural Equipment designs, manufactures and distributes a full line of farm machinery and implements, including two-wheel and four-wheel drive tractors, crawler tractors (Quadtrac®), combines, cotton pickers, grape and sugar cane harvesters, hay and forage equipment, planting and seeding equipment, soil preparation and cultivation implements and material handling equipment. Agricultural equipment is sold under the New Holland Agriculture and Case IH Agriculture brands, as well as the Steyr brand in Europe and the Miller brand, primarily in North America and Australia. Following the acquisition of the grass and soil implement business of Kongskilde Industries in February 2017, certain agricultural equipment products have been sold under the Kongskilde, Överum, and JF brands.

Construction Equipment designs, manufactures and distributes a full line of construction equipment including excavators, crawler dozers, graders, wheel loaders, backhoe loaders, skid steer loaders, compact track loaders and telehandlers. Construction equipment is sold under the Case Construction and New Holland Construction Equipment brands.

Commercial Vehicles designs, manufactures and distributes a full range of light, medium, and heavy vehicles for the transportation and distribution of goods under the Iveco brand, commuter buses and touring coaches under the Iveco Bus (previously Iveco Irisbus) and Heuliez Bus brands, quarry and mining equipment under the Iveco Astra brand, firefighting vehicles under the Magirus brand, and vehicles for civil defense and peace-keeping missions under the Iveco Defence Vehicles brand.

Powertrain designs, manufactures, and offers a range of engines, transmission systems and axles for on- and off-road applications, as well as for marine and power generation under the FPT Industrial brand.

Financial Services offers a range of financial services to dealers and customers. Financial Services provides and administers retail financing to customers for the purchase or lease of new and used industrial equipment or vehicles and other equipment sold by CNH Industrial dealers. In addition, Financial Services provides wholesale financing to CNH Industrial dealers. Wholesale financing consists primarily of floor plan financing and allows the dealers to purchase and maintain a representative inventory of products.

Net revenues by segment in the years ended December 31, 2017, 2016 and 2015 were as follows:

	2017	2016	2015
	(in millions)		
Revenues:			
Agricultural Equipment	\$ 11,130	\$ 10,120	\$ 11,025
Construction Equipment	2,626	2,304	2,542
Commercial Vehicles	10,415	9,553	9,542
Powertrain	4,372	3,707	3,560
Eliminations and other	(2,375)	(2,015)	(1,992)
Total Net sales of Industrial Activities	26,168	23,669	24,677
Financial Services	1,625	1,570	1,603
Eliminations and other	(432)	(367)	(368)
Total Revenues	\$27,361	\$24,872	\$25,912

Net revenues by region in the years ended December 31, 2017, 2016 and 2015 were as follows:

	2017		2016		2015	
	(in	(%)	(in	(%)	(in	(%)
	millions)		millions)		millions)	
Revenues:						
EMEA	\$ 14,380	52.6 %	\$ 13,320	53.5 %	\$ 13,122	50.7 %
NAFTA	5,977	21.8	5,895	23.7	6,869	26.5
LATAM	3,139	11.5	2,558	10.3	2,882	11.1
APAC	3,865	14.1	3,099	12.5	3,039	11.7
Total Revenues	\$27,361	100.0	\$24,872	100.0	\$25,912	100.0

Industry Overview

Agricultural Equipment

The operators of dairy, livestock and row crop producing farms, as well as independent contractors that provide services to such farms, purchase most agricultural equipment. Row crop farmers typically purchase tractors at the mid-to-upper end of the horsepower range, combines and harvesting equipment and crop production equipment. Dairy and livestock farmers typically utilize tractors with mid-to-lower horsepower range and crop preparation and crop packaging implements. The key factors influencing sales of agricultural equipment are the level of net farm income and, to a lesser extent, general economic conditions, interest rates and the availability of financing and related subsidy programs, farm land prices and farm debt levels. Net farm income is primarily impacted by the volume of acreage planted, commodity and/or livestock prices and stock levels, the impacts of fuel ethanol demand, crop yields, farm operating expenses (including fuel and fertilizer costs), fluctuations in currency exchange rates, government subsidies and tax incentives. Farmers tend to postpone the purchase of equipment when the farm economy is declining and to increase their purchases when economic conditions improve. The availability, quality, and cost of used equipment for sale also affect the level of new equipment sales. Weather conditions are a major determinant of crop yields and therefore affect equipment-buying decisions. In addition, geographical variations in weather from season to season may affect sales volumes differently in different markets.

Government policies may affect the market for agricultural equipment by regulating the levels of acreage planted, with direct subsidies affecting specific commodity prices, or with other payments made directly to farmers. Global organization initiatives, such as those of the World Trade Organization, also can affect the market with demands for changes in governmental policies and practices regarding agricultural subsidies, tariffs and acceptance of genetically modified organisms such as seed, feed and animals.

Demand for agricultural equipment also varies seasonally by region and product, primarily due to differing climates and farming calendars. Peak retail demand for tractors and planting, seeding, and application equipment typically occurs in March through June in the Northern hemisphere and in September through December in the Southern hemisphere. Dealers order equipment year-round, but harvesting equipment orders in the Northern hemisphere generally increase in the late fall and winter so that the dealers can receive inventory prior to the peak retail selling season, which generally extends from March through June. In the Southern hemisphere, dealers generally order between August and October so they can receive inventory prior to the peak retail-selling season, which extends from November through February. The production levels of Agricultural Equipment are based upon estimated retail demand, which takes into account, among other things, the timing of dealer shipments (which occur in advance of retail demand), dealer and Company inventory levels, the need to retool manufacturing facilities to produce new or different models and the efficient use of labor and facilities. Production levels are adjusted to reflect changes in estimated demand and dealer inventory levels. However, because production and wholesale shipments adjust throughout the year to take into account the factors described above, wholesale sales of agricultural equipment products in any given period may not reflect the timing of dealer orders and retail demand for that period.

Customer preferences regarding farming practices, and thus product types and features, vary by region. In North America, Australia and other areas where soil conditions, climate, economic factors and population density allow for intensive mechanized agriculture, farmers demand high capacity, sophisticated machines equipped with the most advanced technology. In Europe, where farms are generally smaller in size than those in North America and Australia, there is greater demand for somewhat smaller, yet equally sophisticated, machines. In the developing regions of the world where labor is more abundant and infrastructure, soil conditions and/or climate are not conducive to intensive agriculture, customers generally prefer simple, robust and durable machines with relatively lower acquisition and operating costs. In many developing countries, tractors are the primary, if not the sole, type of agricultural equipment used, and much of the agricultural work in such countries that cannot be performed by tractors is carried out by hand. A growing number of part-time farmers, hobby farmers and customers engaged in landscaping, municipality and park maintenance, golf course and roadside mowing in Western Europe and North America prefer relatively simple, low-cost agricultural equipment. Our position as a geographically diversified manufacturer of agricultural equipment and our broad geographic network of dealers allows us to provide customers in each significant market with equipment that meets their specific requirements.

Major trends in the North American and Western European agricultural industries include a reduction in number but growth in size of farms, supporting increased demand for higher capacity agricultural equipment. In addition, we believe that the use of technology and other precision farming solutions (including the development of autonomously operated equipment) to enhance productivity and profitability are becoming more important in the buyers' purchasing decision. Failure to design, develop and implement this technology may affect the prospects of our Company. In Latin America and in other emerging markets, the number of farms is growing and mechanization is replacing manual labor. In APAC, long term demographic trends, increasing urbanization, and low level of farm mechanization represent the key drivers of demand for agricultural equipment. Government farm programs, including the amount and timing of government payments, are a key income driver for farmers raising certain commodity crops in the United States and the European Union. The existence of a high level of subsidies in these markets for agricultural equipment reduces the effects of cyclicity in the agricultural equipment business. The effect of these subsidies on agricultural equipment demand depends largely on the U.S. Farm Bill and programs administered by the United States Department of Agriculture, the Common Agricultural Policy of the European Union and World Trade Organization negotiations.

Additionally, the Brazilian government subsidizes the purchase of agricultural equipment through low-rate financing programs administered by the Banco Nacional de Desenvolvimento Economico e Social (“BNDES”). These programs have a significant influence on sales.

Agricultural equipment manufacturers are subject to continuous changes in engine emission regulations and restrictions. These changes require frequent changes in engine technology, which can involve significant research and development investments. Manufacturers generally attempt to pass these incremental costs to their customers, but these price increases must be balanced with the affordability of the equipment. Each market may have its own unique regulations, which adds a level of complexity required to meet global product needs.

Global demand for renewable fuels increased considerably in recent years driven by consumer preference, government renewable fuel mandates, renewable fuel tax and production incentives. Biofuels, which include fuels such as ethanol and biodiesel, have become one of the most prevalent types of renewable fuels. The primary type of biofuel supported by government mandates and incentives varies somewhat by region. North America and Brazil are promoting ethanol first and then biodiesel, while Europe is primarily focused on biodiesel.

The demand for biofuels has created an associated demand for agriculturally based feedstocks, which are used to produce biofuels. Currently, most of the ethanol in the U.S. and Europe is extracted from corn, while in Brazil it is extracted from sugar cane. Biodiesel is typically extracted from soybeans and rapeseed oil in the U.S. and Brazil, and from rapeseed and other oil seeds as well as food waste by-products in Europe. The use of corn and soybeans for biofuel has been one of the main factors affecting the supply and

demand relationships for these crops, resulting in higher crop prices. The economic feasibility of biofuels is significantly impacted by the price of oil. As the price of oil falls, biofuels become a less attractive alternative energy source. This relationship will, however, be impacted by government policy and mandates as governments around the world consider ways to combat global warming and avoid potential energy resource issues in the future.

The increase in crop production for biofuels has also driven changes in the type of crops grown and in crop rotations. The most significant change in U.S. crop production was the increase in acreage devoted to corn, typically using land previously planted with soybeans and cotton. In addition, a change in crop rotation resulted in more acres of corn being planted. As a result, agricultural producers are faced with new challenges for managing crop residues and are changing the type of equipment they use and how they use it.

Although the demand for new agricultural equipment tends to decrease during periods of economic stagnation or recession, the aftersales market is historically less volatile than the new equipment market and, therefore, helps limit the impact of declines in new equipment sales on the operating results of full-line manufacturers, such as Agricultural Equipment.

Construction Equipment

The construction equipment market consists of two principal businesses: heavy construction equipment (excluding the mining and the specialized forestry equipment markets in which we do not participate), with equipment generally weighing more than 12 metric tons, and light construction equipment, with equipment generally weighing less than 12 metric tons.

In developed markets, customers tend to prefer more sophisticated machines equipped with the latest technology and features to improve operator productivity. In developing markets, customers tend to prefer equipment that is relatively less costly and has greater perceived durability. In North America and Europe, where the cost of machine operators is higher relative to fuel costs and machine depreciation, customers typically emphasize productivity, performance and reliability. In other markets, where the relative costs for machine operators is lower, customers often continue to use equipment after its performance and efficiency have begun to diminish.

Customer demand for power and operating capacity does not vary significantly from market to market. However, in many countries, restrictions on equipment weight or dimensions, as well as road regulations or job site constraints can limit demand for larger machines.

Although the demand for new construction equipment tends to decrease during periods of economic stagnation or recession, the aftersales market is historically less volatile than the new equipment market and, therefore, helps limit the impact of declines in new equipment sales on the operating results of full-line manufacturers, such as Construction Equipment.

Heavy Construction Equipment

Heavy construction equipment typically includes large wheel loaders and excavators, graders, compactors and dozers. Purchasers of heavy construction equipment include construction companies, municipalities, local governments, rental fleet owners, quarrying and mining companies, waste management companies and forestry-related concerns.

Sales of heavy construction equipment depend particularly on the expected volume of major infrastructure construction and repair projects such as highway, tunnel, dam and harbor projects, which depend on government spending and economic growth. Demand for aggregate mining and quarrying equipment is more closely linked to the general economy and commodity prices, while growing demand for environmental equipment is becoming less

sensitive to the economic cycle. In North America, a portion of heavy equipment demand has historically been linked to the development of new housing subdivisions, where the entire infrastructure needs to be created, thus linking demand for both heavy and light construction equipment. The heavy equipment industry generally follows macroeconomic cyclicalities, linked to growth in gross domestic product.

Light Construction Equipment

Light construction equipment includes skid-steer loaders, compact track loaders, tractor loaders, rough terrain forklifts, backhoe loaders, telehandlers and small wheel loaders and excavators. Purchasers of light construction equipment include contractors, residential builders, utilities, road construction companies, rental fleet owners, landscapers, logistics companies and farmers. The principal factor influencing sales of light construction equipment is the level of residential and commercial construction, remodeling and renovation, which is influenced by interest rates and the availability of financing. Other major factors include the construction of light infrastructure, such as utilities, cabling and piping and maintenance expenditures. The principal use of light construction equipment is to replace relatively high-cost, slower manual work. Product demand in the United States and Europe has generally tended to mirror housing starts, but with lags of six to twelve months. In areas where labor is abundant and the cost of labor is inexpensive relative to other inputs, such as in Africa and Latin America, the light construction equipment market is generally smaller.

These regions represent potential areas of growth for light construction equipment in the medium to long-term as labor costs rise relative to the cost of equipment.

Equipment rental is a significant element of the construction equipment market. Compared to the United Kingdom and Japan, where there is an established market for long-term equipment rentals as a result of favorable tax treatment, the rental market in North America and Western Europe (except for U.K.) consists mainly of short-term rentals of light construction equipment to individuals or small contractors for which the purchase of equipment is not cost effective or that need specialized equipment for specific jobs. In North America, the main rental product has traditionally been the backhoe loader and, in Western Europe, it has been the mini-excavator. As the market has evolved, a greater variety of light and heavy equipment products have become available to rent. In addition, rental companies have allowed contractors to rent machines for longer periods instead of purchasing the equipment, enabling contractors to complete specific job requirements with greater flexibility and cost control. Large, national rental companies can significantly impact the construction equipment market, with purchase volumes being driven by their decisions to increase or decrease the sizes of their rental fleets based on rental utilization rates.

Seasonal demand for construction equipment fluctuates somewhat less than for agricultural equipment. Nevertheless, in North America and Western Europe, housing construction generally slows during the winter months. North American and European industry retail demand for construction equipment is generally strongest in the second and fourth quarters.

In markets outside of North America, Western Europe and Japan, equipment demand may also be partially satisfied by importing used equipment. Used heavy construction equipment from North America may fulfill demand in the Latin American market and equipment from Western Europe may be sold to Central and Eastern European, North African and Middle Eastern markets. Used heavy and light equipment from Japan is mostly sold to other Southeast Asian markets, while used excavators from Japan are sold to almost every other market in the world. This flow of used equipment is highly influenced by exchange rates, the weight and dimensions of the equipment and the different local regulations in terms of safety and/or engine emissions.

The construction equipment industry has seen an increase in the use of hydraulic excavators and wheel loaders in earth-moving and material handling applications. In addition, the light equipment sector has grown as more manual labor is being replaced on construction sites by machines with a variety of attachments for specialized applications, such as skid steer loaders, compact track loaders, mini-crawler excavators and telehandlers.

General economic conditions, infrastructure spending rates, housing starts, commercial construction and governmental policies on taxes, spending on roads, utilities and construction projects can have a dramatic effect on sales of construction equipment.

Commercial Vehicles

Trucks and Commercial Vehicles

The world truck market is generally divided into two segments: Light Commercial Vehicles (“LCV”) market (gross vehicle weight (“GVW”) 3.5-7.49 metric tons) and Medium and Heavy (“M&H”) truck market (GVW above 7.5 metric tons). The medium and heavy segment is characterized by a higher level of engineering specialization due to the technologies and production systems utilized, while the light-duty segment has many engineering and design characteristics in common with the automobile industry. In addition, operators of medium and heavy trucks often require vehicles with a higher degree of customization than the more standardized products that serve the light commercial vehicle market. Customers generally purchase heavy trucks for one of three primary uses: long distance haulage, construction haulage and/or distribution.

The regional variation in demand for commercial vehicles is influenced by differing economic conditions, levels of infrastructure development and geographical region, all of which lead to differing transport requirements.

Medium and heavy truck demand tends to be closely aligned with the general economic cycle and the capital investment cycle including the general level of interest rates and, in certain countries, governmental subsidy programs, particularly in more developed markets such as Europe, North America and Japan, as economic growth provides increased demand for haulage services and an incentive for transporters to invest in higher capacity vehicles and renew vehicle fleets. The product life cycle for medium and heavy trucks typically covers a seven to ten-year period.

Although economic cycles have a significant influence on demand for medium and heavy vehicles in emerging economies, the processes of industrialization and infrastructure development have generally driven long-term growth trends in these countries. As a country's economy becomes more industrialized and its infrastructure develops, transport needs tend to grow in response to increases in production and consumption. Developing economies, however, tend to display volatility in short-term demand resulting from government intervention, changes in the availability of financial resources and protectionist trade policies. In developing markets, demand for medium and heavy trucks increases when it becomes more cost-effective to transport heavier loads, especially as the infrastructure, primarily roads and bridges, becomes capable of supporting heavier trucks. At the same time, the need to transport tends to increase in these markets, resulting in increased demand for light vehicles.

Industry forecasts indicate that transportation of goods by road, currently the predominant mode of transport, will remain so in the future. Demand for services and service-related products, including parts, is a function of the number of vehicles in use. Although the demand for new commercial vehicles tends to decrease during periods of economic stagnation or recession, the aftersales market is historically less volatile than the new vehicle market and, therefore, helps limit the impact of declines in new vehicle sales on the operating results of full-line manufacturers, such as Commercial Vehicles.

Commercial vehicles markets are subject to intense competition based on initial sales price, cost and performance of vehicles over their life cycle (i.e., purchase price, operating and maintenance costs and residual value of the vehicle at the end of its useful life), services and service-related products and the availability of financing options. High reliability and low variable costs contribute to customer profitability over the life of the vehicle, and are important factors in an operator's purchase decision. Additional competitive factors include the manufacturer's ability to address customer transport requirements, driver safety, comfort and brand loyalty through vehicle design.

Demand for trucks varies seasonally by region and by product class. In Europe, the peak retail demand occurs in the second and fourth quarters due to key fleet customer demands and customer budgetary cycles. In LATAM, demand is relatively stable throughout the year aside from increased demand for heavy truck products in the first and fourth quarters from customers who transport foodstuffs. In APAC, sales tend to be higher in the second and fourth quarters due to local holiday periods.

Although we believe that diesel remains for the foreseeable future the primary fuel source for commercial vehicles and industrial equipment in general, the adoption of new engine technological solutions and a growing public opinion in favor of more environmentally friendly solutions are pushing for a rapidly increased penetration of both alternative and renewable fuels (such as compressed natural gas ("CNG"), liquefied natural gas ("LNG"), methane) and fully electric vehicles.

The car industry is leading the autonomous vehicle development, but commercial vehicles are also making advances in platooning and autonomous technologies. We expect this development to intensify. We believe that the growing automation in transportation and infrastructure solutions through the use of self-driving vehicles will also allow the industry to provide greater safety, fuel savings, and transport efficiency.

Buses

The global bus business is organized by mission, from city and intercity transport to tourism purposes, with a capacity ranging from 7 up to 150 seating/standing passengers. The Iveco Bus (previously Iveco Irisbus) and Heuliez Bus target markets include urban, intercity buses and long-distance touring coaches. Operators in this industry include three types of manufacturers: those specialized in providing chassis to bodybuilders, those that build bodies on chassis produced by third parties, and those like Iveco Bus that produce the entire vehicle.

The principal customers of the bus segment are tour and intercity bus service operators, while the principal customers of the city bus segment are the transport authorities in urban areas.

Deregulation and privatization of transport services in many markets has favored concentration towards large private companies operating in one country, in more than one neighboring country or at an international level. Demand has increased for highly standardized, high-use products for large fleets, with financing and maintenance agreements or kilometric pricing. Deregulation and privatization have also increased competition between large transport service companies, raising the level of vehicle use and increasing the choice of brands for operators in the market.

Sales for urban and intercity buses are generally higher in the second half of the year, due to public entities budgeting processes, tender rules and buses production lead-time.

Powertrain

The dynamics of the industrial powertrain business vary across the different market segments in which the various propulsion systems are used. For vehicle and equipment applications, product development is driven by regulatory requirements (i.e., legislation on emissions and, increasingly, CO2 emissions), as well as the need to reduce total operating costs: customers are seeking more efficient propulsion systems that enable lower total cost of ownership and higher productivity.

For on-road applications in fully developed markets, where economy and infrastructure drive demand for local and haulage transportation, demand for engines is driven by general economic conditions, capital investment, industrialization and infrastructure developments.

In the bus market, engine demand is increasingly influenced by the environmental policies of governments and local authorities (i.e., requirements for natural gas, hybrid and electric solutions).

Demand for off-road applications in the agricultural business is influenced by a number of factors, including the price of agricultural commodities and the relative level of new and used inventories, the profitability of agricultural enterprises, net farm income, the demand for food products, agricultural policies, as well as climatic conditions. At the same time, the heavy construction equipment business is driven by general economic factors and the level of public investment in infrastructure, which affects the need for replacement of old equipment and investment in more innovative solutions to boost productivity.

Increasingly stringent emission regulations in Europe, the U.S. and Asia represents an opportunity for Powertrain to gain a competitive advantage through technological solutions developed for engines and after-treatment systems (such as our High Efficiency SCR technology). Alternative fuel engines have become an attractive alternative solution to diesel for transport vehicles, as they are perceived as more environmentally friendly and offer better fuel economy than diesel while performing comparably to diesel engines (e.g. LNG for Buses and Commercial Vehicles). Increasing demand for alternative propulsion systems (such as electrified powertrain or fuel cell) is expected to continue, as related technologies are growing fast and will offer business potential in the industrial sector. The increasing trend among mid-sized OEMs (“Original Equipment Manufacturers”) to outsource engine development, as a result of the significant research and development expenditures required to meet the new emission requirements, presents an opportunity for Powertrain to increase sales to third party customers.

The Company believes that FPT Industrial provides the Company, as a whole, with strategic independence in a key area where competition is particularly intense and further challenges, driven by increasingly stringent regulations, are expected.

Competition

The industries in which we operate are highly competitive. We believe that we have a number of competitive strengths that will enable us to improve our position in markets where we are already well established while we direct additional resources to markets and products with high growth potential.

We compete with: (i) large global full-line suppliers with a presence in every market and a broad range of products that cover most customer needs, (ii) manufacturers who are product specialists focused on particular industry segments on either a global or regional basis, (iii) regional full-line manufacturers, some of which are expanding worldwide to build a global presence, and (iv) local, low-cost manufacturers in individual markets, particularly in emerging markets such as Eastern Europe, India and China.

Our competitive strengths include well-recognized brands, a full range of competitive products and features, and a strong global presence and distribution and customer service network. There are multiple factors that influence a buyer’s choice of industrial equipment. These factors include the strength and quality of the distribution network, brand loyalty, product features and performance, availability of a full product range, the quality and pricing of products, technological innovations, product availability, financing terms, parts and warranty programs, resale value and customer service and satisfaction. The ability to meet or exceed applicable emissions standards as they take effect is also a key competitive factor, particularly in those markets where such standards are the subject of frequent legislative or regulatory scrutiny and change, such as Europe and North America. We continually seek to improve in each of these areas, but focus primarily on providing high-quality and high-value products and supporting those products through our dealer networks. Buyers tend to favor brands based on experience with the product and the dealer. Customers’ perceptions of product value in terms of productivity, reliability, resale value and dealer support are formed over many years.

The efficiency of our manufacturing, logistic and scheduling systems are dependent on forecasts of industry volumes and our anticipated share of industry sales, which is predicated on our ability to compete successfully with others in the marketplace. We compete based on product performance, customer service, quality and price. The environment remains competitive from a pricing standpoint, but actions taken to maintain our competitive position in the current difficult economic environment could result in lower than anticipated price realization.

Our principal competitors in the agricultural equipment market are John Deere, AGCO (including the Massey Ferguson, Fendt, Valtra and Challenger brands), Claas, the Argo Group (including the Landini, McCormick and Valpadana brands), the Same Deutz Fahr Group (including the Same, Lamborghini, Hurlimann and Deutz brands) and Kubota.

Our principal competitors in the construction equipment market are Caterpillar, Komatsu, JCB, Hitachi, Volvo, Liebherr, Doosan, Kubota and John Deere.

Our principal competitors in the commercial vehicles market are Daimler (including the Mercedes-Benz, Mitsubishi Fuso, Freightliner, Western Star, Setra and Bharat-Benz (India) brands); Volkswagen (including the MAN and Scania brands); Paccar (including the DAF, Kenworth, Ken Mex and Peterbilt brands); the Volvo Group (including Volvo, Renault, MACK and UD Trucks brands); Rosenbauer International AG; Rheinmetall; Oshkosh; Nexter; General Dynamics; BAE Systems; Caterpillar; and Navistar.

The principal competitors of Powertrain include Cummins, Daimler, Deutz, Perkins, John Deere, Volvo, and Yanmar.

Products and Markets

Agricultural Equipment

Agricultural Equipment's product lines are sold primarily under the Case IH and New Holland brands as well as the Steyr brand in Europe and the Miller brand, primarily in North America and Australia. Following our acquisition of the grass and soil implement business of Kongskilde Industries in February 2017, certain agricultural equipment products are sold under the Kongskilde, Överum, and JF brands. In order to capitalize on customer loyalty to dealers and the segment's brands, relative distribution strengths and historical brand identities, we sell our agricultural equipment products under the Case IH (and Steyr for tractors in Europe only) and New Holland brands. We believe that these brands enjoy high levels of brand identification and loyalty among both customers and dealers.

Although newer generation tractors have a high percentage of common mechanical components, each brand and product remains differentiated by features, color, interior and exterior styling and model designation. Flagship products such as row crop tractors and large combine harvesters may have significantly greater differentiation.

Distinctive features that are specific to a particular brand such as the Supersteer® tractor axle or Twin Rotor combine threshing technology for New Holland, the Case IH tracked four wheel drive tractor, Quadtrac®, and the front axle mounted hitch for Steyr remain an important part of each brand's unique identity.

Our Agricultural Equipment's product lines include tractors, combine harvesters, hay and forage equipment, seeding and planting equipment, and sprayers. Our Agricultural Equipment business also specializes in other key market segments like cotton picker packagers and sugar cane harvesters, where Case IH is a worldwide leader, and in self-propelled grape harvesters, where New Holland is a worldwide leader. These brands each offer parts and support services for all of their product lines. Our agricultural equipment is sold with a limited warranty that typically runs from one (1) to three (3) years.

Construction Equipment

Construction Equipment's product lines are sold primarily under the Case and New Holland Construction brands. Case provides a wide range of products on a global scale, including a crawler excavator that utilizes technology from Sumitomo (S.H.I.) Construction Machinery Co. Ltd. and mini-excavators that use technology from Hyundai Construction Equipment, Inc. The New Holland Construction brand family also markets a full product line of construction equipment in Latin America and focusses on light equipment in the other regions.

Construction Equipment products often share common components to achieve economies of scale in manufacturing, purchasing and development. Construction Equipment differentiates these products based on the relative product value and volume in areas such as technology, design concept, productivity, product serviceability, color and styling to preserve the unique identity of each brand.

Heavy construction equipment product lines include crawler and wheeled excavators, wheel loaders, compactors, graders and dozers for all applications. Light construction equipment product lines include backhoe loaders, skid steer and tracked loaders, mini- and midi- excavators, compact wheel loaders and telehandlers. The brands each offer parts and support services for all of their product lines. Our construction equipment is generally sold with a limited warranty that typically runs from one (1) to two (2) years.

We continue to evaluate our Construction Equipment business with a view toward increasing efficiencies and profitability as well as evaluating its strategic alliances to leverage its position in key markets.

Commercial Vehicles

Trucks and Commercial Vehicles (Iveco)

Under the Iveco brand, we produce a range of light, medium, and heavy trucks and commercial vehicles for both on-road and off-road use. Our key products include the Daily, a vehicle that covers the 2.8 – 7 ton vehicle weight range, the Eurocargo, a vehicle that covers the 6 – 16 tons range, the Trakker, a vehicle dedicated to off-road transport, and the Stralis, a vehicle dedicated to the over 16 tons range. The product offering is complemented by a series of aftersales and used vehicle assistance services.

Light vehicles include on-road vans and chassis cabs used for short and medium distance transportation and distribution of goods, and off-road trucks for use in quarries and other work sites. We also offer shuttle vehicles used by public transportation authorities, tourist operators, hotels and sports clubs and campers for holiday travel.

The medium and heavy vehicles product lines include on-road chassis cabs designed for medium and long distance hauling and distribution. Medium GVW off-road models are typically used for building roads, winter road maintenance, construction, transportation, maintenance of power lines and other installations in off-road areas, civil protection and roadside emergency service. Heavy GVW off-road models are designed to operate in any climate and on any terrain and are typically used to transport construction plant materials, transport and mix concrete, maintain roads in winter and transport exceptionally heavy loads.

We offer ecological diesel and natural gas engines on our entire range of vehicles, developing engines with specific components and configurations optimized for use with CNG and LNG.

Under the Iveco Astra brand, we build vehicles that can enter otherwise inaccessible quarries and mines and move large quantities of material, such as rock or mud, and perform heavy-duty tasks in extreme climatic conditions. Our product range for Iveco Astra includes mining and construction vehicles, rigid and articulated dump trucks and other special vehicles.

Buses (Iveco Bus and Heuliez Bus)

Under the Iveco Bus and Heuliez Bus brands, we offer local and inter-city commuter buses, minibuses, school buses and tourism coaches. Iveco Bus is one of the major European manufacturers in the passenger transport sector and is expanding its activities globally. Heuliez Bus produces city buses for public transportation, and is a leader in France for the urban bus market.

Specialty Vehicles (Magirus and Iveco Defence Vehicles)

Under the Magirus brand, we manufacture vehicles designed to respond to natural disasters and civil emergencies, such as fires, floods, earthquakes and explosions. Iveco Defence Vehicles develops and manufactures specialized vehicles for defense missions and civil protection.

Powertrain

Powertrain is dedicated to the design, development, manufacture and sale of engines, transmissions and axles under the FPT Industrial brand.

Our product range features engines ranging from 2.2 to 20 liters with an output of 42 to 1,006 hp. Our product portfolio includes engines for buses and for light, medium and heavy commercial vehicles, engines for industrial machinery including construction, agricultural and irrigation equipment, engines for special-purpose vehicles and engines for power generation units and marine applications.

FPT Industrial's line-up is completed by versions that use alternative fuels, including those running on natural gas and engines compatible with biodiesel and hydrotreated vegetable oil (HVO). With more than 20 years of experience in the research, development and production of natural gas engine technologies for industrial applications, FPT Industrial is an industry leader in this field. With the launch in 2017 of the Cursor 13 NG, the first purely natural gas engine on the market specially developed for long-haul missions, the Brand has now the most complete natural gas product line, with the same robustness and reliability as its diesel product offering. FPT Industrial is a pioneer in natural gas technologies in the agriculture field as well: in 2017, it presented the new NEF cylinder natural gas engine, which is a market leading clean power solution specifically designed for agriculture applications, capable of delivering the same performance as diesel engines while reducing polluting emissions.

While meeting the strict emission regulations for both on-road (Euro VI and EPA 13) and off-road vehicles (Stage IV and Tier 4B), Powertrain's technological solutions aim to provide enhanced results in terms of cost, packaging and fuel consumption for each segment of the market. For example, depending on customer needs, for light-duty commercial vehicles, Powertrain offers an external cooled exhaust gas recirculation system coupled with two tailpipe after-treatment solutions; diesel particulate filter and NOx storage catalyst (NSC), for customers that are looking to a maximized vehicle payload or diesel particulate filter and a selective catalyst reduction (SCR) system to reduce the total cost of ownership. For heavy-duty commercial applications, Powertrain has developed a high efficiency selective catalyst reduction system (HI-eSCR), that processes exhaust gases using a catalyzing liquid, lowering operating and

maintenance costs. This unique SCR-only solution is designed to meet required emissions levels without the cost and bulk of an exhaust gas recirculation valve, and, in particular, for the off-road market, this solution does not require a diesel particulate filter. Moreover, FPT Industrial has already presented the HI-eSCR2, its sixth generation patented and exclusive after-treatment technology. This new after-treatment system (ATS) solution is designed to meet Stage V requirements.

Additionally, FPT Industrial produces six speed manual transmissions for light commercial vehicles, with input torque up to 500 Nm. and completes its product lineup with front and rear axles reaching 32 ton gross axle weight designated to cover Commercial Vehicles' demand, including specialty vehicles (military and fire-fighting).

Sales and Distribution

Agricultural Equipment and Construction Equipment

Agricultural Equipment sells and distributes products through approximately 2,300 full-line dealers and distributors with over 5,600 points of sale. Construction Equipment sells and distributes products through over 400 full-line dealers and distributors with approximately 1,200 points of sale. Agricultural Equipment's and Construction Equipment's dealers are almost all independently

owned and operated. Some Agricultural Equipment dealers also sell construction equipment. In the United States, Canada, Mexico, most of Western Europe, Brazil, India, China, Russia and Australia, products are generally distributed directly through the independent dealer network. In the rest of the world, products are either sold to independent distributors who then resell to dealers, or to importers who have their own branches to sell retail product to customers. In both cases, the importers/distributors can take advantage of their size and knowledge of the market to minimize their marketing costs.

Consistent with our brand promotion program, we generally seek to have dealers sell a full range of our products. Typically, greater market penetration is achieved where each dealer sells the full line of products from only one of the brands. Although appointing dealers to sell more than one brand is not part of our business model, some joint dealers exist, either for historic reasons or in limited markets where it is not feasible to have a separate dealer for each brand. In some cases, dealerships are operated under common ownership but with separate points of sale for each brand. In each region, we seek to optimize our distribution strategy in order to reduce structural costs, while maximizing sales and customer satisfaction. For example, we combined the dealer network in the US and Europe between our two New Holland brands in the agricultural and construction equipment business.

In North America and Australia, a trade-in of used equipment typically accompanies the sale of new equipment to end-users. We often provide marketing assistance to our dealers to support the sale of used, trade-in equipment through subsidized financing incentives, inventory carrying cost defrayment, or other methodologies.

Exclusive, dedicated dealers generally provide a higher level of market penetration. Some dealers may sell complementary products manufactured by other suppliers in order to complete their product offerings or to satisfy local demand for a particular specialty application or segment.

A strong dealer network with wide geographic coverage is a critical element in the success of Agricultural Equipment and Construction Equipment. We work to enhance our dealer network through the expansion of our product lines and customer services, including enhanced financial services offerings, and an increased focus on dealer support. To assist dealers in building rewarding relationships with their customers, focused customer satisfaction programs have been introduced and they are expected to incorporate customer input into the relevant product development and service delivery processes.

As the equipment rental business becomes a more significant factor in both the agricultural and construction equipment markets, Agricultural Equipment and Construction Equipment are continuing to support their dealer network by facilitating sales of equipment to the local, regional and national rental companies through their dealers as well as by encouraging dealers to develop their own rental activities. A strong dealer service network is required to maintain the rental equipment, and to help ensure that the equipment remains at peak performance levels both during its life as rental equipment and afterward when resold into the used equipment market. Agricultural Equipment and Construction Equipment have launched several programs to support their dealer service and rental operations, including training, improved dealer standards, financing, and advertising. As the rental market is a capital-intensive sector and sensitive to cyclical variations, we expand such activities gradually, with special attention to managing the resale of rental units into the used equipment market by our dealers, who can utilize this opportunity to improve their customer base and generate additional parts business.

We believe that it is generally more cost-effective to distribute our agricultural and construction equipment products through independent dealers, although Agricultural Equipment and Construction Equipment maintain a limited number of company-owned dealerships in some markets. As of December 31, 2017, we operated two and six company-owned Agricultural Equipment and Construction Equipment dealerships, respectively, primarily in North America and Europe. We also operate a selective dealer development program in territories with growth potential but underdeveloped representation by our agricultural and construction equipment brands that typically involve a transfer

of ownership to a qualified operator through a buy-out or private investment after a few years.

Commercial Vehicles

Commercial Vehicles' worldwide distribution strategy is based on a network of independent dealers, in addition to its own dealerships and branches. As of December 31, 2017, Commercial Vehicles had approximately 700 dealers globally (of which 22 were directly owned by us and 13 were branches). All of these dealers sell spare parts for the relevant vehicles. Commercial Vehicles bolsters its distribution strategy by offering incentives to its dealers based on target achievements for sales of new vehicles and parts and providing high quality aftersales services.

A key element of Commercial Vehicles' growth strategy is its distribution network. In Western Europe, Eastern Europe, Turkey, Russia, Australia and Latin America, continued consolidation of the distribution network is aimed at improving service to customers, increasing profitability and reducing overall distribution costs. In Africa and the Middle East, the distribution network is being expanded in order to fully exploit growth in these markets.

In the United Kingdom, Commercial Vehicles is one of the few OEMs that sells trucks and other commercial vehicles to companies which offer commercial vehicle rental solutions, such as Ryder, Fraikin and Burntree, among others.

In accordance with European legislation, Commercial Vehicles' dealers have a specific sales territory. Additionally, European law allows our Commercial Vehicles' dealers to carry multiple brands.

Powertrain

Powertrain provides propulsion solution products for Agricultural Equipment, Construction Equipment and Commercial Vehicles. Additionally, Powertrain's commercial strategy and business model are focused on the development of a portfolio of medium-to-large OEM customers. Powertrain has entered into long-term supply agreements with several third party customers.

Powertrain has a network of approximately 100 dealers and 900 service points in 100 countries that cover its entire product range and related market sectors. Large OEMs use their own internal networks to obtain parts and services for purchased equipment, while small OEMs frequently rely on us for delivery of parts and services through Powertrain's worldwide network.

Pricing and Promotion

The retail price of any particular piece of equipment and vehicle is determined by the individual dealer or distributor and generally depends on market conditions, features, options and, potentially, regulatory requirements. Retail sale prices may differ from the manufacturer-suggested list prices. We sell equipment and vehicles to our dealers and distributors at wholesale prices that reflect a discount from the manufacturer-suggested list price. In the ordinary course of business, we engage in promotional campaigns that may include price incentives or preferential financing terms with respect to the purchase of certain products in certain areas.

We regularly advertise our products to the community of farmers, builders, transporters and agricultural and construction contractors, as well as to distributors and dealers in each of our major markets. To reach our target audience, we use a combination of general media, specialized design and trade magazines, the Internet and direct mail. We also regularly participate in major international and national trade shows and engage in co-operative advertising programs with distributors and dealers. The promotion strategy for each brand varies according to the target customers for that brand.

Parts and Services

The quality and timely availability of parts and services are important competitive factors for each of our businesses, as they are significant elements in overall dealer and customer satisfaction and important considerations in a customer's original equipment purchase decision. We supply parts, many of which are proprietary, to support items in the current product line as well as for products we have sold in the past. In certain markets, we also offer personalized aftersales customer assistance programs that provide a wide range of modular and flexible maintenance and repair contracts, as well as warranty extension services, to meet a variety of customers' needs and to support the vehicle's value over time. Many of our products can have economically productive lives of up to 20 years when properly maintained, and each unit has the potential to produce a long-term parts and services revenue stream for us and our dealers.

As of December 31, 2017, we operated and administered 56 parts depots worldwide either directly, through a joint venture, or through arrangements with warehouse service providers. This network includes 10 parts depots in NAFTA, 20 in EMEA, 5 in LATAM, and 21 in APAC. The network includes 34 parts depots that support Agricultural Equipment, 26 that support Construction Equipment, 23 that support Commercial Vehicles and 3 that support Powertrain. These depots supply parts to dealers and distributors, which are responsible for sales to retail customers. Our parts depots and parts delivery systems provide customers with access to substantially all of the parts required to

support our products.

As of December 31, 2017, Commercial Vehicles had approximately 5,100 service outlets. In addition to Commercial Vehicles standard one-year full vehicle warranty and two-year powertrain warranty which are extended in certain jurisdictions including the U.K. and Germany to match competitors' practices, Commercial Vehicles offers personalized aftersales customer assistance programs.

Joint Ventures

As part of a strategy to enter and expand in new markets, we are also involved in several commercial and/or manufacturing joint ventures, including the following:

- in Japan, we own 50.0% of New Holland HFT Japan Inc. ("HFT"), which distributes its products in Japan. HFT imports and sells the full range of New Holland agricultural equipment;
- in Pakistan, we own 43.2% of Al Ghazi Tractors Ltd., which manufactures and distributes New Holland tractors;
- in Turkey, we own 37.5% of Turk Traktor ve Ziraat Makineleri A.S., which manufactures and distributes various models of both New Holland and Case IH tractors;

- in Mexico, we own 50.0% of CNH de Mexico S.A. de C.V., which manufactures New Holland agricultural equipment and distributes our agricultural equipment through one or more of its wholly-owned subsidiaries;
- in China, we own 50.0% of Naveco (Nanjing Iveco Motor Co.) Ltd, a company that manufactures light and other commercial vehicles in China
- in China, we control 60.0% of SAIC Fiat Powertrain Hongyan Ltd (“SFH”), a manufacturing company located in Chongqing, which produces diesel engines under license from us to be sold in the Chinese market and to be exported to Europe, the U.S. and Latin America; and
- in South Africa, we own 60.0% of Iveco South Africa Works (Pty) Ltd., which manufactures medium and heavy duty commercial vehicles and buses.

Suppliers

We purchase materials, parts, and components from third party suppliers. We had approximately 5,162 global direct suppliers for Industrial Activities at December 31, 2017. Our focus on quality improvement, cost reduction, product innovation and production flexibility requires us to rely upon suppliers with a focus on quality, reliability and the ability to provide cost reductions. We view our relationships with suppliers as critical to our operational effectiveness, and in recent years, we have established closer ties with a significantly reduced number of suppliers, selecting those that enjoy a leading position in the relevant markets.

Management believes that adequate supplies and alternate sources of our principal raw materials are available and does not believe that the prices of these raw materials are especially volatile at this time.

We rely on numerous suppliers. Certain components and parts used in our products are available from a single supplier and cannot be sourced quickly otherwise. The sudden or unexpected interruption in the availability of certain of our suppliers’ raw materials, parts and components could result in delays or in increases in the costs of production.

Financial Services

Financial Services offers a range of financial products and services to dealers and customers in the various regions in which it operates. The principal products offered are retail loan and lease financing for the purchase or lease of new and used equipment and vehicles and wholesale financing to dealers. Wholesale financing consists primarily of dealer floor plan financing and gives the dealers the ability to maintain a representative inventory of new products. In addition, Financial Services provides financing to dealers for used equipment and vehicles taken in trade, equipment utilized in dealer-owned rental yards, parts inventory, working capital and other financing needs. As a captive finance business, Financial Services is reliant on the operations of Agricultural Equipment, Construction Equipment and Commercial Vehicles, their dealers, and customers.

The Financial Services segment supports the growth of Industrial Activities by developing and structuring financial products with the objective of increasing equipment and vehicle sales as well as profitability and customer loyalty. Financial Services’ strategy is to grow a core financing business to support the sale of our equipment and vehicles while at the same time maintaining its portfolio credit quality, service levels, operational effectiveness and customer satisfaction. Financial Services also offers products to finance third party equipment and vehicles sold through our dealer network or within our core businesses. Financed third party equipment and vehicles include used equipment and vehicles taken in trade on our products or equipment used in conjunction with or attached to our products.

In North America, customer and dealer financing activities, which support the sales of Agricultural Equipment and Construction Equipment, are managed through our wholly-owned financial services companies.

In EMEA, there are two joint ventures that provide customer financing of Agricultural Equipment, Construction Equipment and Commercial Vehicles, depending on the country of origin. CNH Industrial Capital Europe S.a.S., a

joint venture with BNP Paribas Group, is 49.9% owned by CNH Industrial N.V. and accounted for under the equity method. Transolver Finance Establecimiento Financiero de Credito S.A. (“Transolver Finance”), a joint venture with the Santander Group, is 49% owned by CNH Industrial N.V. and accounted for under the equity method. Transolver Finance also provides dealer financing. Additionally, there are vendor programs with banking partners that provide customer financing of Agricultural Equipment, Construction Equipment, and Commercial Vehicles, depending on the country of origin. Customer and dealer financing activities not included in the joint ventures or vendor programs are managed through our wholly-owned financial services companies.

For the LATAM region, customer and dealer financing activities in Brazil, which support the sales of Agricultural Equipment, Construction Equipment and Commercial Vehicles, are managed through our wholly-owned financial services company, Banco CNH Industrial Capital S.A. (“Banco CNH Industrial Capital”). For customer financing, Banco CNH Industrial Capital mainly serves as intermediary for funding provided by BNDES, a federally-owned financial institution linked to the Brazilian Ministry of Development, Industry and Foreign Trade. In Argentina, customer and dealer financing activities, which support the sales of

Agricultural Equipment, Construction Equipment and Commercial Vehicles, are managed through a wholly-owned financial services company. Vendor programs with banking partners are also in place in both Brazil and Argentina.

For the APAC region, customer and dealer financing activities in Australia, which support the sales of Agricultural Equipment, Construction Equipment and Commercial Vehicles, are managed through a wholly-owned financial services company. In China, dealer financing activities, which support the sales of Agricultural Equipment and Construction Equipment, are managed through a wholly-owned financial services company.

Customer Financing

Financial Services has certain retail underwriting and portfolio management policies and procedures that are specific to Agricultural Equipment, Construction Equipment and Commercial Vehicles. This distinction allows Financial Services to reduce risk by deploying industry-specific expertise in each of these businesses. We provide retail financial products primarily through our dealers, who are trained in the use of the various financial products. Dedicated credit analysis teams perform retail credit underwriting. The terms for financing equipment and vehicle retail sales typically provide for retention of a security interest in the equipment or vehicles financed.

Financial Services' guidelines for minimum down payments for equipment and vehicles generally range from 5% to 30% of the actual sales price, depending on equipment types, repayment terms and customer credit quality. Finance charges are sometimes waived for specified periods or reduced on certain equipment sold or leased in advance of the season of use or in connection with other sales promotions. For periods during which finance charges are waived or reduced on the retail notes or leases, Financial Services generally receives compensation from the applicable Industrial Activities segment based on Financial Services' estimated costs and a targeted return on equity. The cost is recognized as a reduction in net sales for the applicable Industrial Activities segment.

Dealer Financing

Financial Services provides wholesale floor plan financing for nearly all of our dealers, which allows them to acquire and maintain a representative inventory of products. Financial Services also provides some working capital and real estate loans on a limited basis. For floor plan financing, Financial Services generally provides a fixed period of "interest free" financing to the dealers. This practice helps to level fluctuations in factory demand and provides a buffer from the impact of sales seasonality. During the "interest-free" period, the applicable Industrial Activities segment compensates Financial Services based on Financial Services' estimated costs and a targeted return on equity. After the "interest-free" period, if the equipment or vehicles remain in dealer inventory, the dealer pays interest costs.

A wholesale underwriting group reviews dealer financial information and payment performance to establish credit lines for each dealer. In setting these credit lines, Financial Services seeks to meet the reasonable requirements of each dealer while managing its exposure to any one dealer. The credit lines are secured by the equipment or vehicles financed. Dealer credit agreements generally include a requirement to repay the particular financing at the time of the retail sale of the unit. Financial Services' employees or third party contractors conduct periodic stock audits at each dealership to confirm that the financed equipment or vehicle is maintained in inventory. These audits are unannounced and their frequency varies by dealer and depends on the dealer's financial strength, payment history and prior performance.

Sources of Funding

The long-term profitability of Financial Services' activities largely depends on the cyclical nature of the industries in which we operate, interest rate volatility and the ability to access funding on competitive terms. Financial Services funds its operations and lending activity through a combination of term receivable securitizations, committed secured

and unsecured facilities, uncommitted lines of credit, unsecured bonds, unsecured commercial paper, affiliated financing and retained earnings. Financial Services' current funding strategy is to maintain sufficient liquidity and flexible access to a wide variety of financial instruments and funding options.

Financial Services has periodically accessed the asset-backed securitizations ("ABS") markets in the United States, Canada and Australia, as part of its retail and wholesale financing programs when those markets offer funding opportunities on competitive terms. In the United States, Financial Services has also accessed the unsecured bond market and commercial paper market in order to add more diversity to its funding sources. Financial Services' ability to access these markets will depend, in part, upon general economic conditions, legislative changes and Financial Services' financial condition and portfolio performance. These factors can be negatively affected by cyclical swings in the industries in which we operate.

Competition

The financial services industry is highly competitive. Financial Services competes primarily with banks, equipment finance and leasing companies and other financial institutions. Typically, this competition is based upon the financial products and services offered, customer service, financial terms and interest rates charged. Financial Services' ability to compete successfully depends upon, among other things, the availability and competitiveness of funding resources, the development of competitive financial products and services, and licensing or other governmental regulations.

Legal Proceedings

As a global company with a diverse business portfolio, we are exposed to numerous legal risks, including dealer and supplier litigation, intellectual property right disputes, product warranty and defective product claims, product performance, asbestos, personal injury, emissions and/or fuel economy regulatory and contractual issues and environmental claims that arise in the ordinary course of our business. The most significant of these matters are described in "Note 13: Commitments and Contingencies" to our Consolidated Financial Statements for the year ended December 31, 2017.

The outcome of any current or future proceedings, claims or investigations cannot be predicted with certainty. Adverse decisions in one or more of these proceedings, claims or investigations could require CNH Industrial to pay substantial damages, or undertake service actions, recall campaigns or other costly actions. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could affect our financial position and results of operations.

Although the ultimate outcome of legal matters pending against us and our subsidiaries cannot be predicted, management believes the reasonable possible range of losses for these unresolved legal actions in addition to the amounts accrued would not have a material effect on our Consolidated Financial Statements.

European Commission settlement: In the first quarter of 2016, we recorded a non-recurring non-tax deductible charge of €450 million (\$502 million) in relation to the investigation by the European Commission (the "Commission") into certain business practices of all major European truck manufacturers, including Iveco, the Company's wholly-owned subsidiary. On July 19, 2016, the Commission announced a settlement with Iveco under which the Commission imposed a fine of €495 million (equivalent to \$543 million at payment date). As a result of this settlement, the Company recorded an additional non-tax deductible charge of €45 million (\$49 million) in the second quarter of 2016. The fine was paid by the Company on October 20, 2016. Following this settlement, we have been named as defendant in current private litigation commenced in various European jurisdictions and Israel that remains at an early stage, and we expect to face further claims, the extent and outcome of which cannot be predicted at this time.

Insurance

We maintain insurance with third party insurers to cover various risks arising from our business activities including, but not limited to, risk of loss or damage to our assets or facilities, business interruption losses, general liability, automobile liability, product liability and directors and officers liability insurance. We believe that we maintain insurance coverage that is customary in our industry. We use a broker that is a subsidiary of FCA to place a portion of our insurance coverage.

Iran-Related Required Disclosure

Pursuant to Section 219 of the Iran Threat Reduction and Syrian Human Rights Act of 2012, which added Section 13(r) to the Securities Exchange Act of 1934, as amended, a foreign private issuer is required to disclose whether it or

its affiliates knowingly engaged in certain activities, transactions or dealings related to Iran or specially designated nationals pursuant to various Executive Orders. CNH Industrial has limited commercial activity in Iran, which is conducted by non-US subsidiaries. In 2017, sales in Iran were significantly less than one percent of CNH Industrial's revenues. In 2017, one of our non-US subsidiaries generated net revenues of approximately \$11.3 million attributable to the sale of on and off-road trucks and spare parts to an entity that is indirectly owned or controlled by the Government of Iran. The Iran-related activity was negligible to our overall revenues and profits. Our activities in Iran comply in all material respects with applicable laws and regulations, including U.S. and other international trade sanctions, and our non-U.S. subsidiary anticipates continuing this activity.

C. Organizational Structure

As of December 31, 2017, CNH Industrial had 175 consolidated subsidiaries. A listing of our subsidiaries as of December 31, 2017, including the country of incorporation or residence, proportion of ownership interest and proportion of voting power held, is set forth in an Exhibit 8.1 to this annual report on Form 20-F.

The following table sets forth a list of the principal subsidiaries that are directly or indirectly controlled by CNH Industrial. For each principal subsidiary, the following information is provided: name, country of incorporation or residence, and the percentage interest held by CNH Industrial and its subsidiaries at December 31, 2017.

Principal Subsidiaries at December 31, 2017:

Name of Subsidiary	Country of Incorporation	Percentage Interest Held
Banco CNH Industrial Capital S.A.	Brazil	100%
Case New Holland Industrial Inc.	United States (Delaware)	100%
CNH Industrial America LLC	United States (Delaware)	100%
CNH Industrial Australia Pty Limited	Australia	100%
CNH Capital Pty Limited	Australia	100%
CNH Industrial U.S. Holdings Inc.	United States (Delaware)	100%
CNH Industrial Brasil Ltda.	Brazil	100%
CNH Industrial Capital Limited	United Kingdom	100%
CNH Industrial Capital LLC	United States (Delaware)	100%
CNH Industrial Capital America LLC	United States (Delaware)	100%
CNH Capital Receivables LLC	United States (Delaware)	100%
CNH Industrial Capital Canada Ltd.	Canada	100%
CNH Industrial Capital Solutions S.p.A.	Italy	100%
CNH Industrial Finance Europe S.A.	Luxembourg	100%
CNH Industrial Finance S.p.A.	Italy	100%
CNH Industrial Wholesale Receivables LLC	United States (Delaware)	100%
CNHI International S.A.	Switzerland	100%
FPT Industrial S.p.A.	Italy	100%
Iveco S.p.A.	Italy	100%
Iveco Espana S.L.	Spain	100%

D. Property, Plant and Equipment

As of December 31, 2017, we owned 66 manufacturing facilities. We also own other significant properties including spare parts centers, research laboratories, test tracks, warehouses and office buildings.

A number of our manufacturing facilities (land and industrial buildings) are subject to mortgages and other security interests granted to secure indebtedness to certain financial institutions. The carrying amount of these assets was approximately \$105 million and \$102 million at December 31, 2017 and 2016, respectively.

We make capital expenditures in the regions in which we operate principally related to initiatives to introduce new products, enhance manufacturing efficiency and improve capacity, and for maintenance and engineering. In 2017, our total capital expenditures in long-lived assets, excluding assets sold with buy-back commitments and equipment on operating leases, were \$492 million of which 18% was spent in NAFTA, 10% in LATAM, 65% in EMEA and 7% in APAC. These capital expenditures were funded through a combination of cash generated from operating activities and borrowings under short-term facilities. In 2016, our total capital expenditures were \$503 million. The decrease in capital expenditures from 2016 is primarily related to the investment cycles of our products, including capital for engine and product regulatory related enhancements, and reduction in discretionary spending, including capital related to long-term and capacity expansion investment as we completed on our footprint expansion in the agricultural business with plant openings in China and India.

The following table provides information about our significant manufacturing and engineering facilities as of December 31, 2017:

		Approximate Covered Area (Sqm/ 000)
Location	Primary Functions	
Italy		
S. Mauro	Excavators; R&D center	57
Modena	Components (Agricultural Equipment and Construction Equipment)	102
S. Matteo	R&D center (Agricultural Equipment)	51
Jesi	Tractors	77
Lecce	Wheel loaders, compact track loaders, telehandlers, graders; R&D center	130
Piacenza	Quarry and construction vehicles; R&D center	64
Brescia	Medium vehicles, cabs, chassis; R&D center	276
Suzzara	Light vehicles; R&D center	170
Brescia	Firefighting vehicles; R&D center	28
Bolzano	Defense vehicles; R&D center	83
Pregnana Milanese	Engines	31
Torino	R&D center (Commercial Vehicles)	100
Torino	R&D center (Powertrain)	28
Torino	Engines	142
Torino	Transmissions and axles	239
Foggia	Engines; drive shafts	151
United States		
New Holland	Hay & Forage; R&D center	104
Grand Island	Tractors and combines	128
Benson	Sprayers, cotton pickers; R&D center	41
Burlington	Backhoe loaders, forklift trucks; R&D center	91
Fargo	Tractors, wheeled loaders; R&D center	88
Goodfield	Soil management equipment; R&D center	39
Racine	Tractors, transmissions	105
Mt. Joy	R&D center (Agricultural Equipment)	11
Wichita	Skid steer loaders; R&D center	46
Burr Ridge	R&D center (Agricultural Equipment, Construction Equipment and Diesel engines)	44
St. Nazianz	Self-propelled sprayers	24
France		
Coex	Grape Harvesters; R&D center	26
Croix	Cabins (Agricultural Equipment)	12
Tracy-Le-Mont	Hydraulic cylinders (Agricultural Equipment and Construction Equipment)	16
Annonay	Buses; R&D center	137
Venissieux	R&D center (Commercial Vehicles)	11
Rorthais	Buses; R&D center	29
Fourchambault	Engines (remanufacturing)	22
Bourbon Lancy	Engines; R&D center	102

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Fecamp Brazil	Engines (power generation units)	25
Belo Horizonte	Crawler excavators, crawler dozers, wheel loaders, graders, backhoe loaders; R&D center	70
Curitiba	Combines and tractors; R&D center	103
Piracicaba	Sugar cane harvesters, coffee harvesters and sprayers; R&D center	12
Sorocaba	Crawler loaders, backhoe loaders, excavators, combines and other Agricultural Equipment; R&D center	160
Sete Lagoas	Heavy, medium and light vehicles; R&D center	100
Sete Lagoas	Defense vehicles	19
Sete Lagoas	Engines; R&D center	14

Germany		
Ulm	Firefighting vehicles; R&D center	35
Ulm	R&D center (Commercial Vehicles)	144
China		
Harbin	Combines, tractors, balers; R&D center	121
Chongqing	Engine; R&D centers	76
Foshan	Sugar cane harvesters	9
Urumqi	Cotton pickers	10
Argentina		
Cordoba	Engines	20
Cordoba	(Medium/Heavy) Trucks and buses; R&D center	94
Cordoba	Tractors and combines	30
Belgium		
Antwerp	Components (Agricultural Equipment)	77
Zedelgem	Combines, forage harvesters and balers; R&D center	154
Spain		
Madrid	Heavy vehicles; R&D center	134
Valladolid	Light vehicles, heavy cab components	88
India		
Pithampur	Backhoe loaders, earth compactors	29
Pune	Sugar cane harvesters and combines	77
Noida	Tractors; R&D center	82
Poland		
Plock	Combines, balers, and headers; R&D center	109
Kutno	Row crop, cultivators, harvesters	33
Others		
Basildon (U.K.)	Tractors; R&D center	129
Overum (Sweden)	Ploughs	49
Saskatoon (Canada)	Sprayers, seeders; R&D center	61
Dandenong (Australia)	Trucks (heavy); R&D center	42
St. Valentin (Austria)	Tractors; R&D center	56
Vysoke Myto (Czech Republic)	Buses; R&D center	124
Queretaro (Mexico)	Components (Agricultural Equipment and Construction Equipment)	15
Naberezhnye Chelny (Russia)	Tractors and combines	50
Rossllyn (South Africa)	Trucks and buses; R&D center	55
Arbon (Switzerland)	R&D center (Powertrain)	6

Environmental Matters

We are subject to extensive environmental laws and regulations in the countries in which we operate. In addition to governing our manufacturing and other operations, these laws often impact the development of our products, including, but not limited to, required compliance with air emissions standards applicable to engines. We have made, and expect that we may make additional, significant capital and research and development expenditures to comply with these standards now and in the future.

We are conducting environmental investigatory or remedial activities at certain properties that are currently or were formerly, owned and/or operated by us, or which are being decommissioned. We believe that the outcome of these activities will not have a material adverse effect on our business, financial position or results of operations.

For further information, see “Note 13: Commitments and Contingencies” to our consolidated financial statements for the year ended December 31, 2017 as well as “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business, Strategy and Operations—Costs of ongoing compliance with, or failure to comply with, increasingly stringent environmental, health and safety laws could have an adverse effect on our results of operations.”

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The discussion in “Item 5. Operating and Financial Review and Prospects” should be read in conjunction with our consolidated financial statements for the years ended December 31, 2017, 2016 and 2015.

The results presented in this annual report are prepared with the U.S. dollar as the reporting currency and in accordance with U.S. GAAP.

This discussion includes forward-looking statements, which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. See “Item 5.G Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995.” and “Item 3. Key Information—D. Risk Factors” for a discussion of risks and uncertainties facing us.

Overview

We are a leading global capital goods company engaged in the design, production, marketing, sale and financing of agricultural equipment, construction equipment, trucks, commercial vehicles, buses and specialty vehicles for firefighting, defense and civil protection, as well as engines, transmissions and axles for those equipment and vehicles and engines for marine and power generation applications.

The Company’s segments consist of: (i) Agricultural Equipment, (ii) Construction Equipment, (iii) Commercial Vehicles, (iv) Powertrain, and (v) Financial Services. Our Industrial Activities include Agricultural Equipment, Construction Equipment, Commercial Vehicles, and Powertrain, as well as corporate functions.

We generate revenues and cash flows principally from the sale of equipment and vehicles to dealers and distributors. Financial Services provides a range of financial products focused on financing the sale and lease of equipment and vehicles by our dealers and their customers.

Revenues of Industrial Activities are presented net of discounts, allowances, settlement discounts and rebates, as well as costs for sales incentive programs, determined on the basis of historical costs, country by country, and charged against profit for the period in which the corresponding sales are recognized. Our sales incentive programs include the granting of retail financing at discounts to market interest rates. The corresponding cost to Industrial Activities is recognized at the time of the initial sale and the revenues of Financial Services are recognized on a pro rata basis in order to match the cost of funding.

Principal Factors Affecting Results

Our operating performance is highly correlated to sales volumes, which are influenced by several different factors that vary across our segments.

For Agricultural Equipment, the key factors influencing sales are the level of net farm income which is influenced by commodity prices, and, to a lesser extent, general economic conditions, interest rates and the availability of financing and related subsidy programs. Variations by region and product are also attributable to differences in typical climate and farming calendars, as well as extraordinary weather conditions. For additional discussion regarding the principal factors affecting results for Agricultural Equipment, see “Item 4. Information on the Company—B. Business Overview—Industry Overview—Agricultural Equipment.”

For Construction Equipment, segmentation varies by regional market: in developed markets, demand is oriented toward more sophisticated machines that increase operator productivity, while in developing markets, demand is oriented toward more utilitarian models with greater perceived durability. Sales levels for heavy construction equipment are particularly dependent on the expected level of major infrastructure construction and repair projects, which is a function of expected economic growth and government spending. For light construction equipment, the principal factor influencing demand is the level of residential and commercial construction, remodeling and renovation, which is influenced in turn by interest rates and availability of financing, as well as, in the residential sector, levels of disposable income and, in the commercial sector, the broader economic cycle. For additional discussion regarding the principal factors affecting results for Construction Equipment, see “Item 4. Information on the Company—B. Business Overview—Industry Overview—Construction Equipment.”

Regional variations in demand for commercial vehicles are influenced by differences in economic conditions, levels of infrastructure development and physical geography, all of which lead to differing transport requirements. Demand for medium and heavy trucks tends to be closely aligned with the economic and capital investment cycle including the general level of interest rates and, in certain countries, governmental subsidy programs, particularly in more developed markets. In developing countries, the processes of industrialization and infrastructure development generally drive long-term growth trends. In the short term, however,

demand for light vehicles is closely correlated to the level of economic activity which drives levels of vehicle utilization and, accordingly, the need for new vehicles. For additional discussion regarding the principal factors affecting results for Commercial Vehicles, see “Item 4. Information on the Company—B. Business Overview—Industry Overview—Commercial Vehicles.”

The industrial powertrain business is highly dependent on the market segments in which its propulsion systems are used, with developments in engine emissions regulations playing a significant role. For vehicle applications, product development is driven by regulatory considerations, as well as the need of customers to reduce operating costs. For additional discussion regarding the principal factors affecting results for Powertrain, see “Item 4. Information on the Company—B. Business Overview—Industry Overview—Powertrain.”

Demand for services and service-related products, including parts, is a function of the nature and extent of the use of the related agricultural and construction equipment or commercial vehicles. The after-sales market is historically less volatile than the new market and, therefore, helps reduce the impact on operating results of fluctuations in new sales.

Our segments (or our principal businesses) have a different geographic mix. As a result, the performance of Agricultural Equipment and Construction Equipment correlates more closely to the U.S. economic cycle, while the performance of Commercial Vehicles is more directly tied to the European economic cycle.

Our cost base principally comprises the cost of raw materials and personnel costs.

Raw material costs are closely linked to commodities markets and largely outside of our control, although we are making a targeted effort to increase production efficiencies. Historically, we have been able to pass on to our customers most of the increase in the cost of raw materials through increases in product pricing. Nevertheless, even when we are able to do so, there is usually a time lag between an increase in materials cost and a realized increase in product prices and, accordingly, our results are typically adversely affected at least in the short term until price increases are accepted in the market.

Personnel costs change over time and are impacted by the terms of collective bargaining agreements, inflation and average number of employees. A significant proportion of our employees are based in countries where labor laws impose significant restrictions on employers’ rights and, accordingly, we have limited ability to downsize our personnel in response to a decrease in production during periods of market downturn.

Our results are also affected by changes in foreign exchange rates from period to period, mainly due to the difference in geographic distribution between our manufacturing activities and our commercial activities, resulting in cash flows from exports denominated in currencies that differ from those associated with production costs. In addition, our consolidated financial statements are expressed in U.S. dollars and are therefore subject to movements in exchange rates upon translation of the financial statements of subsidiaries whose functional currency is not the U.S. dollar. Generally, a strengthening of the euro against the U.S. dollar has a positive translation impact on the consolidated revenues of CNH Industrial because a significant portion arise from European operations, particularly the operations of Agricultural Equipment, Commercial Vehicles and Powertrain. However, the positive translation impact on revenue is significantly offset by the negative exchange transaction impact on costs since purchases are predominantly denominated in Euro for our worldwide operations. The reverse impact to revenues and cost occurs with a weakening of the euro against the U.S. dollar. For additional information regarding the effect on us of changes in interest rates and exchange rates, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business, Strategy and Operations—We are subject to exchange rate fluctuations, interest rate changes and other market risks.”

Non-GAAP Financial Measures

We monitor our operations through the use of several non-GAAP financial measures. We believe that these non-GAAP financial measures provide useful and relevant information regarding our operating results and enhance the reader's ability to assess our financial performance and financial position. These measures facilitate management's ability to identify operational trends, as well as make decisions regarding future spending, resource allocations and other operational decisions as they provide additional transparency with respect to our core operations. These financial measures have no standardized meaning in U.S. GAAP, and are unlikely to be comparable to other similarly titled measures used by other companies, and are not intended to be substitutes for measures of financial performance and financial position as prepared in accordance with U.S. GAAP.

As of December 31, 2017, our primary non-GAAP financial measures are defined as follows:

Operating Profit

Operating Profit of Industrial Activities is defined as net sales less cost of goods sold, selling, general and administrative ("SG&A") expenses and research and development ("R&D") expenses.

Operating Profit of Financial Services is defined as revenues, less SG&A expenses, interest expenses and certain other operating expenses.

We provide a reconciliation of Operating Profit to Net Income, which is the most directly comparable measure included in our consolidated statements of operations.

Net Debt and Net Debt of Industrial Activities (or Net Industrial Debt)

Net Debt is defined as total debt less intersegment notes receivable, cash and cash equivalents, restricted cash and derivative hedging debt. We provide a reconciliation of Net Debt to Total Debt, which is the most directly comparable measure included in our consolidated balance sheets. Due to different sources of cash flows used for the repayment of the debt between Industrial Activities and Financial Services (by cash from operations for Industrial Activities and by collection of financing receivables for Financial Services), management separately evaluates the cash flow performance of Industrial Activities using the Net Debt of Industrial Activities.

Revenues on a Constant Currency Basis

We discuss the fluctuations in revenues on a constant currency basis by applying the prior-year average exchange rates to current year's revenue expressed in local currency in order to eliminate the impact of foreign exchange ("FX") rate fluctuations.

A. Operating Results

The operations and key financial measures and financial analysis differ significantly for manufacturing and distribution businesses and financial services businesses; therefore, management believes that certain supplemental disclosures are important in understanding our consolidated operations and financial results. For further information, see "Note 21: Supplemental Information" to our consolidated financial statements for the year ended December 31, 2017, where we present supplemental consolidating data split by Industrial Activities and Financial Services. Industrial Activities include the Financial Services business on the equity basis of accounting. Transactions between Industrial Activities and Financial Services have been eliminated to arrive at the consolidated data.

2017 Compared to 2016

Consolidated Results of Operations

	2017	2016
	(in millions)	
Revenues:		
Net sales	\$26,168	\$23,669
Finance and interest income	1,193	1,203
Total Revenues	27,361	24,872
Costs and Expenses:		
Cost of goods sold	21,621	19,539
Selling, general and administrative expenses	2,330	2,262
Research and development expenses	957	860
Restructuring expenses	93	44
Interest expense	942	1,028
Other, net	738	1,148
Total Costs and Expenses	26,681	24,881
Income (loss) before income taxes and equity in income of		
unconsolidated subsidiaries and affiliates	680	(9)

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Income taxes	(455)	(298)
Equity in income of unconsolidated subsidiaries and		
affiliates	88	58
Net income (loss)	313	(249)
Net income attributable to noncontrolling interests	18	3
Net income (loss) attributable to CNH Industrial N.V.	\$295	\$(252)

Revenues

We recorded revenues of \$27,361 million in 2017, an increase of 10.0% (up 8.1% on a constant currency basis) compared to 2016. This increase is primarily due to an increase in net sales of Industrial Activities which were \$26,168 million in 2017, an increase of 10.6% (an increase of 8.6% on a constant currency basis) compared to the prior year.

Cost of Goods Sold

Cost of goods sold were \$21,621 million in 2017 compared with \$19,539 million in 2016, an increase year over year due to the increase in net sales. As a percentage of net sales of Industrial Activities, cost of goods sold was 82.6% for the years ended December 31, 2017 and 2016.

Selling, General and Administrative Expenses

SG&A expenses amounted to \$2,330 million in 2017 (8.5% of revenues) compared to \$2,262 million in 2016 (9.1% of revenues).

Research and Development Expenses

In 2017, R&D expenses were \$957 million compared to \$860 million in 2016. The expense in both years was primarily attributable to continued investment in new products.

Restructuring Expenses

Restructuring expenses were \$93 million in 2017 compared to \$44 million in 2016. The expense in both periods was primarily due to actions in Commercial Vehicles and Agricultural Equipment as part of the Company's Efficiency Program launched in 2014.

Interest Expense

Interest expense was \$942 million in 2017 compared to \$1,028 million in 2016. The interest expense attributable to Industrial Activities, net of interest income and eliminations, was \$484 million in 2017 compared to \$543 million in 2016, a decrease of \$59 million over 2016 due to the improved cost of funding and the lower average debt balance, as well as by a lesser impact from one-off items in 2017 (\$56 million) compared to 2016 (\$60 million) in connection with our accelerated debt redemption strategy.

Other, net

Other, net expenses were \$738 million which includes a non-cash pre- and after-tax charge of \$92 million due to the deconsolidation of our Venezuelan operations. In 2016, Other, net expenses were \$1,148 million which included a non-recurring non-tax deductible charge of €495 million (\$551 million) as a result of the European Commission settlement as well as a \$34 million charge related to the re-measurement and impairment of certain assets in Venezuela. Excluding the impacts of these charges in both years, Other, net expenses increased \$83 million mainly due to higher provisions. For more information on the deconsolidation of our Venezuelan operations, see "Note 2: Summary of Significant Accounting Policies - Venezuela Currency Regulations, Re-measurement and Deconsolidation".

Income Taxes

	2017	2016
	(in millions, except percentages)	
Income before income taxes and equity in income of		
unconsolidated subsidiaries and affiliates	\$680	\$(9)
Income taxes	\$455	\$298
Effective tax rate	66.9%	n.m.

n.m. – not meaningful

Income taxes totaled \$455 million in 2017, including a tax charge of \$123 million due to the U.S. Tax Cuts and Jobs Act (the “U.S. Act”) and tax legislation changes in the U.K. and certain other countries enacted in the fourth quarter of 2017 as well as the tax on restructuring costs of \$93 million (\$86 million after tax), charges for the repurchase and early redemption of notes of \$64 million

(\$55 million after tax) and the deconsolidation of our Venezuelan operations of \$92 million (\$92 million after tax). Excluding the impact of these items, the effective tax rate for 2017 would have been 37%.

In 2016, income taxes totaled \$298 million. In 2016, the effective tax rate was significantly impacted by the non-recurring non-tax deductible charge of \$551 million relating to the European Commission settlement, the \$34 million non-deductible charge due to the re-measurement and impairment of certain assets in Venezuela, the restructuring costs of \$44 million (\$40 million after-tax) and a one-time non-cash tax charge of \$59 million related to the corporate reorganization of our Latin American operations. Excluding the tax impact of these items, the effective tax rate for 2016 would have been 39%.

Equity in Income of Unconsolidated Subsidiaries and Affiliates

Equity in income of unconsolidated subsidiaries and affiliates was \$88 million in 2017, compared to \$58 million in 2016. In 2016, the item included a negative impact of \$9 million due to the restructuring of our joint ventures in China. Excluding the 2016 negative impact, equity in income of unconsolidated subsidiaries and affiliates increased \$21 million due to improved results of joint ventures in APAC.

Industrial Activities and Business Segments

The following tables show revenues and operating profit broken down by segment. We have also included a discussion of our results by Industrial Activities and each of our segments.

	2017	2016	% Change	% Change excl. FX	
	(in millions, except percentages)				
Revenues:					
Agricultural Equipment	\$ 11,130	\$ 10,120	10.0	%	8.0 %
Construction Equipment	2,626	2,304	14.0	%	12.8 %
Commercial Vehicles	10,415	9,553	9.0	%	7.0 %
Powertrain	4,372	3,707	17.9	%	15.9 %
Eliminations and other	(2,375)	(2,015)			
Total Net sales of Industrial Activities	26,168	23,669	10.6	%	8.6 %
Financial Services	1,625	1,570	3.5	%	1.3 %
Eliminations and other	(432)	(367)			
Total Revenues	\$ 27,361	\$ 24,872	10.0	%	8.1 %

	2017	2016	\$ Change
	(in millions)		
Operating Profit:			
Agricultural Equipment	\$949	\$818	\$ 131
Construction Equipment	21	2	19
Commercial Vehicles	272	333	(61)
Powertrain	362	232	130
Eliminations and other	(85)	(94)	9
Total Industrial Activities Operating profit	\$ 1,519	\$ 1,291	\$ 228

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Financial Services	479	478	1
Eliminations and other	(336)	(330)	(6)
Total Operating profit	\$1,662	\$1,439	\$ 223

Net sales of Industrial Activities were \$26,168 million in 2017, a 10.6% increase (up 8.6% on a constant currency basis) as compared to the prior year. Net sales increased with solid growth in all segments.

Operating profit of Industrial Activities was \$1,519 million in 2017, an increase of \$228 million compared to 2016, with an operating margin for the year of 5.8%, up 0.3 percentage points (“p.p.”) from the prior year. The increase in operating profit was primarily attributable to a \$131 million and \$130 million increase for Agricultural Equipment and Powertrain, respectively, partially offset by a \$61 million decrease for Commercial Vehicles.

Business Segment Performance

Agricultural Equipment

Net Sales

The following table shows Agricultural Equipment net sales by geographic region in 2017 compared to 2016:

Agricultural Equipment Sales – by geographic region:

			% Change	
(\$ million)	2017	2016		
NAFTA	\$3,777	\$3,834	(1.5)	%
EMEA	4,022	3,599	11.8	%
LATAM	1,696	1,297	30.8	%
APAC	1,635	1,390	17.6	%
Total	\$11,130	\$10,120	10.0	%

Net sales for Agricultural Equipment were \$11,130 million in 2017, a 10.0% increase (up 8.0% on a constant currency basis) compared to 2016. In LATAM, the increase was mainly due to higher industry volume, market share gains, a favorable mix of higher horsepower products and net price realization. Net sales increased in APAC mainly driven by favorable volume in Australia, Russia, India, China and South East Asia. In EMEA, net sales increased due to higher industry volume, a favorable product mix and net price realization. In NAFTA, net sales decreased as a result of de-stocking actions in our dealer network, primarily in the high horsepower tractors and the hay and forage product lines. NAFTA industry volumes were flat overall with the row crop sector higher, offset by lower livestock sector volumes.

For 2017, worldwide agricultural equipment industry unit sales were up 6% compared to 2016 with global demand for tractors up 5%, primarily driven by recovery in Brazil and India, with EMEA flat and NAFTA slightly down, combines up 6%, driven by Brazil and NAFTA, while other agricultural equipment demand was flat. In 2017, we have seen a stabilization of the NAFTA market especially in the cash crop segment driven by a reduction of used machines inventories and a recovery in replacement demand. Industry volumes in the NAFTA row crop sector were slightly up with tractors over 140 horsepower (“hp”) up 2% and 10% for combines. The NAFTA tractor under 140 hp segment was up 6% in the lifestyle tractors product line of 0-40 hp, while the 60-140 hp livestock segment was down. EMEA markets were up 2% for tractors and flat for combines. LATAM tractor and combine sales both increased 13%. APAC markets increased 6% for tractors and 5% for combines.

For 2017, Agricultural Equipment’s worldwide market share performance was slightly up compared to 2016 for tractors and flat for combines. In an effort to reduce dealer inventory levels, the Company’s wholesale shipments to dealers were less than dealer retail sales to end customers.

Operating Profit

Agricultural Equipment operating profit was \$949 million in 2017, a \$131 million or 16% increase compared to 2016 mainly due to the favorable volume and product mix in all regions except NAFTA. One percent net price realization more than offset increases in raw material cost and unfavorable foreign exchange fluctuations. Agricultural Equipment also increased spending in research and development, primarily related to our new precision farming solutions, and in selling, general and administrative costs, primarily associated with the increase in sales activity. Operating margin increased 0.4 p.p. to 8.5%.

Construction Equipment

Net Sales

The following table shows Construction Equipment net sales by geographic region in 2017 compared to 2016:

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Construction Equipment Sales – by geographic region:

				%
(\$ million)	2017	2016	Change	
NAFTA	\$1,375	\$1,192	15.4	%
EMEA	526	523	0.6	%
LATAM	308	263	17.1	%
APAC	417	326	27.9	%
Total	\$2,626	\$2,304	14.0	%

Net sales for Construction Equipment were \$2,626 million in 2017, a 14.0% increase (up 12.8% on a constant currency basis) compared to 2016 due to higher industry volume in all regions except EMEA and net price realization primarily in NAFTA and LATAM.

In 2017, Construction Equipment's worldwide heavy industry sales were up 34% while light industry sales were up 16%, compared to 2016. Overall industry volumes increased in both product categories and in all regions with above average growth rates in APAC.

Construction Equipment's worldwide market share for both light and heavy construction equipment was slightly down overall compared with 2016.

Operating Profit

Construction Equipment operating profit was \$21 million compared to \$2 million in 2016 with an operating margin of 0.8% (up 0.7 p.p. compared to 2016). The increase was due to higher volume, with a positive overhead absorption and net price realization partially offset by increases in raw material cost, unfavorable foreign exchange impacts on product components, and increased production costs driven by the increased volume.

Commercial Vehicles

Net Sales

The following table shows Commercial Vehicles net sales by geographic region in 2017 compared to 2016:

Commercial Vehicles Sales – by geographic region:

				%
(\$ million)	2017	2016	Change	
NAFTA	\$20	\$40	n.m.	
EMEA	8,548	8,031	6.4	%
LATAM	842	740	13.8	%
APAC	1,005	742	35.4	%
Total	\$10,415	\$9,553	9.0	%

n.m. – not meaningful

Commercial Vehicles net sales were \$10,415 million in 2017, increasing 9.0% from 2016 (up 7.0% on a constant currency basis), as a result of higher truck and bus sales in EMEA, higher volume and better product mix in APAC, and recovering truck sales in LATAM, mainly Argentina.

In 2017, the European truck market (GVW ≥3.5 tons), excluding U.K. and Ireland, grew by 5% compared to 2016. The light vehicles market ("LCV") (GVW 3.5-7.49 tons) increased 6% while the Medium and Heavy ("M&H") Truck market

(GVW ≥ 7.5 tons) increased 2%. In LATAM, new truck registrations (GVW ≥ 3.5 tons) increased 16% compared to 2016 with an increase of 54% in Argentina and 4% in Brazil. In APAC, new truck registrations increased 8% compared with 2016.

The Company's estimated market share in the European truck market (GVW ≥ 3.5 tons), excluding U.K. and Ireland, was 12.8%, down 0.3 p.p. compared with 2016. In LATAM in 2017, the Company's market share decreased 0.2 p.p. to 11.9%.

During 2017, Commercial Vehicles delivered approximately 152,400 vehicles (including buses and specialty vehicles), representing a 4% increase from 2016. Volumes increased 4% in both LCV and M&H truck segments. Commercial Vehicles' deliveries increased 1% in EMEA, 28% in LATAM and 14% in APAC.

Commercial Vehicles' 2017 ratio of units shipped and billed, or book-to-bill ratio, was 1.02, an increase of 3% compared to 2016. In 2017, truck order intake in Europe increased 7% compared to previous year.

The following tables show our unit deliveries by geographic area and by product in 2017 compared to 2016:

Commercial Vehicles Deliveries – by geographic area:

(units in thousands)	2017	2016	% Change	
France	22.9	22.6	1.3	%
Germany & Switzerland	20.7	19.8	4.5	%
U.K.	7.2	8.2	(12.2)	%
Italy	23.9	23.3	2.6	%
Iberia (Spain & Portugal)	14.2	13.3	6.8	%
Rest of EMEA	38.2	38.7	(1.3)	%
EMEA	127.1	125.9	1.0	%
LATAM	13.8	10.8	27.8	%
APAC	11.5	10.1	13.9	%
Total Sales	152.4	146.8	3.8	%
Naveco*	31.3	75.8	(58.7)	%
SAIC Iveco Hongyan*	—	15.5	(100.0)	%
Total	183.7	238.1	(22.8)	%

(*)Joint ventures accounted for under the equity method

Commercial Vehicles Deliveries— by product:

(units in thousands)	2017	2016	% Change	
Medium & Heavy	48.4	46.5	4.1	%
Light	91.0	87.8	3.6	%
Buses	10.3	10.0	3.0	%
Specialty vehicles**	2.7	2.5	8.0	%
Total	152.4	146.8	3.8	%

(**)Defense and firefighting vehicles

Operating Profit

In 2017, Commercial Vehicles recorded an operating profit of \$272 million compared to \$333 million in 2016 with an operating margin of 2.6% (down 0.9 p.p. compared to 2016). Operating profit increased in LATAM and APAC, mainly due to higher volume and favorable pricing. In EMEA, operating profit decreased as favorable volumes were more than offset by unfavorable mix, primarily associated with fleet-related channel sales, Euro 6 emission content costs, and the negative impact of the British pound devaluation. Increased spending in research and development on new product programs was more than offset by favorable manufacturing efficiencies.

Powertrain

Net Sales

Powertrain net sales were \$4,372 million in 2017, an increase of 17.9% (up 15.9% on a constant currency basis) compared to 2016. The increase was primarily attributable to higher volumes. Sales to external customers accounted for 48% of total net sales in 2017, up from 47% in 2016.

During 2017, Powertrain sold approximately 606,700 engines, an increase of 13% compared to 2016. By major customer, 26% of engines were supplied to Commercial Vehicles, 17% to Agricultural Equipment, 3% to

Construction Equipment and the remaining 54% to external customers (units sold to third parties were up 7% compared to 2016). Additionally, Powertrain delivered approximately 70,400 transmissions, a decrease of 6% compared to 2016, and 193,900 axles, an increase of 2% over 2016.

Operating Profit

For 2017, Powertrain recorded an operating profit of \$362 million compared to \$232 million in 2016 with an operating margin of 8.3% (6.3% in 2016). The increase was due to higher volumes and manufacturing efficiencies.

Financial Services Performance

Finance and Interest Income

Financial Services reported revenues of \$1,625 million in 2017, up 3.5% (up 1% on a constant currency basis) compared to 2016 primarily due to higher activity in all regions except NAFTA.

Net Income

For the year ended December 31, 2017, net income was \$452 million, a \$118 million increase compared to 2016. The increase was primarily attributable to an improvement in income taxes as a result of the write-down of deferred tax liabilities in connection with the enactment of the U.S. Act. Excluding the favorable tax impact, net income was flat compared to 2016 as stronger performances in EMEA, LATAM and APAC regions were offset by a weaker result in NAFTA.

In 2017, retail loan originations (including unconsolidated joint ventures) were \$9.1 billion, flat compared to 2016. The managed portfolio (including unconsolidated joint ventures) of \$26.8 billion (of which retail was 61% and wholesale 39%) increased \$2.0 billion compared to December 31, 2016. Excluding the impact of currency translation, the managed portfolio increased \$0.6 billion compared to 2016.

Reconciliation of Operating Profit to Net Income

The following table includes the reconciliation of our net income, the most comparable U.S. GAAP financial measure, to our operating profit, a non-GAAP financial measure:

	2017	2016	\$ Change
	(in millions)		
Operating Profit:			
Industrial Activities	\$1,519	\$1,291	\$ 228
Financial Services	479	478	1
Eliminations and other	(336)	(330)	(6)
Total Operating profit	1,662	1,439	223
Restructuring expenses	(93)	(44)	(49)
Interest expenses of Industrial Activities, net of interest income and eliminations	(484)	(543)	59
Other, net	(405)	(861)	456
Income before income taxes and equity in income			
of unconsolidated subsidiaries and affiliates	680	(9)	689
Income taxes	(455)	(298)	(157)
Equity in income of unconsolidated subsidiaries and affiliates	88	58	30
Net income	\$313	\$(249)	\$ 562

2016 Compared to 2015

Consolidated Results of Operations

	2016	2015
	(in millions)	
Revenues:		
Net sales	\$23,669	\$24,677
Finance and interest income	1,203	1,235
Total Revenues	24,872	25,912
Costs and Expenses:		
Cost of goods sold	19,539	20,357
Selling, general and administrative expenses	2,262	2,317
Research and development expenses	860	856
Restructuring expenses	44	84
Interest expense	1,028	1,106
Other, net	1,148	625
Total Costs and Expenses	24,881	25,345
Income before income taxes and equity in income		
of unconsolidated subsidiaries and affiliates	(9)	567
Income taxes	(298)	(360)
Equity in income of unconsolidated subsidiaries and		
affiliates	58	41
Net income	(249)	248
Net income (loss) attributable to noncontrolling interests	3	(5)
Net income attributable to CNH Industrial N.V.	\$(252)	\$253

Revenues

We recorded revenues of \$24,872 million in 2016, a decrease of 4.0% (down 2.8% on a constant currency basis) compared to 2015. The decrease is primarily due to a reduction in net sales of Industrial Activities, which were \$23,699 million in 2016, a decrease of 4.1% (decrease of 2.9% on a constant currency basis) compared to the prior year.

Cost of Goods Sold

Cost of goods sold were \$19,539 million in 2016 compared with \$20,357 million in 2015, a decrease year over year due to lower sales volumes of Industrial Activities. As a percentage of net sales of Industrial Activities, cost of goods sold was 82.6% and 82.5% in the years ended December 31, 2016 and 2015, respectively.

Selling, General and Administrative Expenses

SG&A expenses amounted to \$2,262 million in 2016 (9.1% of revenues), a 2.4% decrease compared with the \$2,317 million recorded in 2015 (8.9% of revenues). The decrease was primarily due to cost containment actions.

Research and Development Expenses

In 2016, R&D expenses were \$860 million compared to \$856 million in 2015. The expense in both years was primarily attributable to continued investment in new products.

Restructuring Expenses

Restructuring expenses were \$44 million in 2016 compared to \$84 million in 2015. The expense in both periods was due to actions included in the Company's Efficiency Program launched in 2014.

Interest Expense

Interest expense was \$1,028 million in 2016 compared to \$1,106 million in 2015. The interest expense attributable to Industrial Activities, net of interest income and eliminations, was \$543 million in 2016 compared to \$479 million in 2015. The increase of \$64 million in 2016 was primarily due to a charge of \$60 million related to the repurchase of \$864 million of the Case New Holland Industrial Inc. 7.875% Notes due 2017.

Other, net

Other, net expenses were \$1,148 million, an increase of \$523 million from \$625 million in 2015. The increase was primarily attributable to a non-recurring non-tax deductible charge of €495 million (\$551 million) as a result of the European Commission settlement. For more information on the European Commission settlement, see “Note 13: Commitments and Contingencies”. Other, net also includes a charge of \$34 million in 2016 due to the re-measurement and impairment of certain assets of our Venezuelan subsidiary. Other, net reflected a pre-tax charge of \$150 million in 2015 relating to the re-measurement of the net monetary assets of the Venezuelan subsidiary denominated in bolivar fuerte, and \$40 million due to the re-measurement of net monetary assets of the Argentinian subsidiaries. For more information on this re-measurement, see “Note 2: Summary of Significant Accounting Policies - Foreign Currency”.

Income Taxes

	2016	2015
	(in millions, except percentages)	
Income before income taxes and equity in income of		
unconsolidated subsidiaries and affiliates	\$(9)	\$567
Income taxes	\$298	\$360
Effective tax rate	n.m.	63.5%

Income taxes totaled \$298 million in 2016 (\$360 million in 2015). The effective tax rate was significantly impacted by the non-recurring non-tax deductible charge of \$551 million relating to the European Commission settlement, the \$34 million non-deductible charge due to the re-measurement and impairment of Venezuelan subsidiary assets, the restructuring costs of \$44 million (\$40 million after-tax) and a one-time non-cash tax charge of \$59 million related to the corporate reorganization of our Latin American operations intended to simplify the corporate structure and promote operational efficiencies that has led to changes in valuation allowances in the short term. Excluding the impact of these items, the effective tax rate for 2016 would have been 39%.

Equity in Income of Unconsolidated Subsidiaries and Affiliates

Equity in income of unconsolidated subsidiaries and affiliates was \$58 million in 2016, compared to \$41 million in 2015 mainly due to improved results of joint ventures in APAC. In 2016, the item included a negative impact of \$9 million due to the restructuring of our joint ventures in China.

Industrial Activities and Business Segments

The following tables show revenues and operating profit broken down by segment. We have also included a discussion of our results by Industrial Activities and each of our business segments.

2016 2015

			% Change		% Change excl. FX	
	(in millions, except percentages)					
Revenues:						
Agricultural Equipment	\$10,120	\$11,025	(8.2)%		(7.2)%	
Construction Equipment	2,304	2,542	(9.4)%		(8.6)%	
Commercial Vehicles	9,553	9,542	0.1 %		1.8 %	
Powertrain	3,707	3,560	4.1 %		4.9 %	
Eliminations and other	(2,015)	(1,992)				
Total Net sales of Industrial Activities	23,669	24,677	(4.1)%		(2.9)%	
Financial Services	1,570	1,603	(2.1)%		(1.0)%	
Eliminations and other	(367)	(368)				
Total Revenues	\$24,872	\$25,912	(4.0)%		(2.8)%	

	2016	2015	\$ Change
	(in millions)		
Operating Profit:			
Agricultural Equipment	\$818	\$952	\$ (134)
Construction Equipment	2	90	(88)
Commercial Vehicles	333	283	50
Powertrain	232	186	46
Eliminations and other	(94)	(79)	(15)
Total Industrial Activities Operating profit	\$1,291	\$1,432	\$ (141)
Financial Services	478	515	(37)
Eliminations and other	(330)	(312)	(18)
Total Operating profit	\$1,439	\$1,635	\$ (196)

Net sales of Industrial Activities were \$23,669 million in 2016, a 4.1% decrease (down 2.9% on a constant currency basis) as compared to the prior year. Net sales increased for Powertrain but decreased for Agricultural Equipment and Construction Equipment. Net sales for Commercial Vehicles were flat.

Operating profit of Industrial Activities was \$1,291 million in 2016, a decrease of \$141 million compared to 2015, with an operating margin for the year of 5.5%, down 0.3 percentage points (“p.p.”) from the prior year. Operating profit was primarily impacted by a \$134 million and \$88 million decrease for Agricultural Equipment and Construction Equipment, respectively, partially offset by a \$50 million and \$46 million increase for Commercial Vehicles and Powertrain, respectively.

Industrial Activities Performance by Business

Agricultural Equipment

Net Sales

The following table shows Agricultural Equipment net sales broken down by geographic region in 2016 compared to 2015:

Agricultural Equipment Sales – by geographic region:

	2016	2015	% Change
(\$ million)			
NAFTA	\$3,834	\$4,669	(17.9)%
EMEA	3,599	3,793	(5.1)%
LATAM	1,297	1,190	9.0 %
APAC	1,390	1,373	1.2 %
Total	\$10,120	\$11,025	(8.2)%

Net sales for the Agricultural Equipment business were \$10,120 million in 2016, an 8.2% decrease (down 7.2% on a constant currency basis) compared to 2015. The decrease was primarily a result of unfavorable industry volume and product mix in the row crop sector in NAFTA and in the small grain sector in EMEA. Net sales increased in LATAM mainly due to improvement in the Brazilian market and the positive impact of currency translation and were flat in APAC.

For the full year 2016, worldwide agricultural equipment industry unit sales were flat compared to 2015 with global demand for tractors up 4%, combines down 2% and other agricultural equipment demand declining. For the second

consecutive year, market demand in NAFTA was down primarily as a result of the drop in the level of net farm income in the U.S., estimated at 15.6% for 2016 (12.7% drop in 2015). Industry volumes in the NAFTA row crop sector were down, with tractors over 140 hp down 26% and combines down 21%. The NAFTA tractor under 140 hp segment was up 4%. EMEA markets were down 4% for tractors and 8% for combines. LATAM tractor sales decreased 6% while combine sales increased 15%. APAC markets increased 7% for tractors and 14% for combines.

For 2016, Agricultural Equipment's worldwide market share performance was flat compared to 2015 for tractors and down 1.3 p.p. for combines. In an effort to reduce dealer inventory levels, the Company's wholesale shipments to dealers were less than dealer retail sales to end customers.

Operating Profit

Agricultural Equipment operating profit was \$818 million in 2016 a \$134 million decrease compared to 2015 mainly due to lower volume and unfavorable product mix in NAFTA and EMEA, partially offset by favorable price realization and cost containment actions including lower material cost. Operating margin was 8.1%, down 0.5 p.p. compared to 2015.

Construction Equipment

Net Sales

The following table shows Construction Equipment net sales broken down by geographic region in 2016 compared to 2015:

Construction Equipment Sales – by geographic region:

	(\$ million)	2016	2015	% Change
NAFTA	\$1,192	\$1,395	(14.6))%
EMEA	523	550	(4.9))%
LATAM	263	331	(20.5))%
APAC	326	266	22.6	%
Total	\$2,304	\$2,542	(9.4))%

Net sales for Construction Equipment were \$2,304 million in 2016, a 9.4% decrease (down 8.6% on a constant currency basis) compared to 2015 due to unfavorable industry volume and product mix in NAFTA and LATAM and negative price realization.

In 2016, Construction Equipment's worldwide heavy industry sales were down 3% while light industry sales were up 1%, compared to 2015. Decreased overall industry volumes were partially offset by moderate growth in APAC. In NAFTA, demand for heavy was down 13% while demand for light construction equipment was flat. EMEA demand was down 9% for heavy equipment and up 5% for light equipment.

Construction Equipment's worldwide market share was flat overall compared with 2015 with a slight increase in LATAM.

Operating Profit

Construction Equipment operating profit was \$2 million compared to \$90 million in 2015. The decrease was due to a significant reduction in manufacturing volume, to reduce inventories to prevailing market conditions and in anticipation of new product launches, and unfavorable product mix, particularly in the heavy product range in NAFTA and in LATAM, and negative price realization, partially offset by cost containment actions. Operating margin was 0.1%, down 3.4 p.p. compared to 2015.

Commercial Vehicles

Net Sales

The following table shows Commercial Vehicles net sales broken down by geographic region in 2016 compared to 2015:

Commercial Vehicles Sales – by geographic region:

			% Change	
(\$ million)	2016	2015		
NAFTA	\$40	\$—	n.m.	
EMEA	8,031	7,643	5.1	%
LATAM	740	1,122	(34.0))%
APAC	742	777	(4.5))%
Total	\$9,553	\$9,542	0.1	%

Commercial Vehicles net sales were \$9,553 million in 2016, flat compared to 2015 (up 1.8% on a constant currency basis), primarily as a result of increased truck volume and favorable pricing in EMEA, offset by lower volume in specialty vehicles and negative impact of currency translation. In LATAM, net sales decreased due to lower industry volume in Brazil and Argentina.

In 2016, the European truck market (GVW ≥ 3.5 tons) excluding U.K. and Ireland, grew by 14% compared to 2015. The light vehicles market (GVW 3.5-6.0 tons) increased 14%, while the medium vehicles market (GVW 6.1-15.9 tons) and the heavy vehicles market (GVW ≥ 16 tons) grew by 7% and 14%, respectively. In LATAM, new truck registrations (GVW ≥ 3.5 tons) declined 30% compared to 2015, with a decrease of 31% in Brazil and 24% in Argentina. In APAC, new truck registrations decreased 5% compared with 2015.

The Company's estimated market share in the European truck market (GVW ≥ 3.5 tons), excluding U.K. and Ireland, was 13.1%, up 0.4 p.p. compared with 2015. The Company's market share increased by 0.7 p.p. to 13.9% in the light segment, and by 2.5 p.p. to 34.0% in the medium segment. In the heavy segment, market share was 8.5% down 0.1 p.p. compared to 2015. In LATAM, in 2016, the Company's market share decreased 0.4 p.p. to 12.0%.

During 2016 Commercial Vehicles delivered approximately 146,800 vehicles (including buses and specialty vehicles), representing a 5% increase from 2015. Volumes were higher in the light segment (+12%), while volumes declined in the heavy segment (-1%) and in the medium segment (-12%). Commercial Vehicles' deliveries increased 9% in EMEA but declined 27% in LATAM and 1% in APAC.

Commercial Vehicles' 2016 ratio of units shipped and billed, or book-to-bill ratio, was 0.99, a decrease of 4% compared to 2015. In 2016, truck order intake in Europe increased 6% compared to previous year.

The following tables show our unit deliveries by geographic area and by product in 2016 compared to 2015:

Commercial Vehicles Deliveries – by geographic area:

(units in thousands)	2016	2015	% Change	
France	22.6	20.5	10.2	%
Germany & Switzerland	19.8	18.8	5.3	%
U.K.	8.2	9.2	(10.9))%
Italy	23.3	16.8	38.7	%
Iberia (Spain & Portugal)	13.3	12.5	6.4	%
Rest of EMEA	38.7	37.4	3.5	%
EMEA	125.9	115.2	9.3	%
LATAM	10.8	14.8	(27.0))%
APAC	10.1	10.2	(1.0))%
Total Sales	146.8	140.2	4.7	%
Naveco*	75.8	77.0	(1.6))%
SAIC Iveco Hongyan*	15.5	8.7	78.2	%
Total	238.1	225.9	5.4	%

(*)Joint ventures accounted for under the equity method

Commercial Vehicles Deliveries – by product:

(units in thousands)	2016	2015	% Change	
Heavy	33.1	33.5	(1.2))%
Medium	13.4	15.3	(12.4))%
Light	87.8	78.1	12.4	%
Buses	10.0	9.3	7.5	%
Specialty vehicles**	2.5	4.0	(37.5))%
Total	146.8	140.2	4.7	%

(**)Defense and firefighting vehicles
Operating Profit

In 2016, Commercial Vehicles recorded an operating profit of \$333 million, a \$50 million increase compared to \$283 million in 2015. The increase was due to positive price realization, lower material cost, improved product quality and manufacturing efficiencies in EMEA, partially offset by the impact of difficult market demand conditions in LATAM. Operating margin was 3.5% up 0.5 p.p. compared to 2015.

Powertrain

Net Sales

Powertrain net sales were \$3,707 million in 2016, an increase of 4.1% (up 4.9% on a constant currency basis) compared to 2015. The increase was primarily attributable to higher volume to third parties. Sales to external customers accounted for 47% of total net sales in 2016, up from 46% in 2015.

During 2016, Powertrain sold 537,200 engines, an increase of 6% compared to 2015. By major customer, 29% of engines were supplied to Commercial Vehicles, 11% to Agricultural Equipment, 3% to Construction Equipment, and the remaining 57% to external customers (units sold to third parties were up 9% compared to 2015). Additionally, Powertrain delivered approximately 75,000 transmissions and 190,300 axles, an increase of 11% and 5%, respectively, compared to 2015.

Operating Profit

For 2016, Powertrain recorded an operating profit of \$232 million compared to \$186 million in 2015 with an operating margin of 6.3% (5.2% in 2015). The increase was due to higher volume and manufacturing and purchasing efficiencies.

Financial Services

Finance and Interest Income

Financial Services reported revenues of \$1,570 million in 2016, down 2.1% (down 1% on a constant currency basis) relative to 2015 primarily due to lower average portfolio and the negative impact of currency translation.

Net Income

For the year ended December 31, 2016, net income was \$334 million compared to \$368 million in 2015. The decrease was primarily due to reduced interest spreads, lower average portfolio and currency translation.

Retail loan originations (including unconsolidated joint ventures) were \$9.0 billion, down \$0.4 billion compared to 2015, primarily due to the decline in Agricultural Equipment sales. The managed portfolio (including unconsolidated joint ventures) of \$24.8 billion (of which retail was 64% and wholesale 36%) was up \$0.1 billion compared to December 31, 2015. Excluding the impact of currency translation, our managed portfolio was down \$0.1 billion compared to 2015.

Reconciliation of Operating Profit to Net Income

The following table includes the reconciliation of our net income, the most comparable U.S. GAAP financial measure, to our operating profit, a non-GAAP financial measure:

	2016	2015	\$ Change
	(in millions)		
Operating Profit:			
Industrial Activities	\$1,291	\$1,432	\$ (141)
Financial Services	478	515	(37)

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Eliminations and other	(330)	(312)	(18)
Total Operating profit	1,439	1,635	(196)
Restructuring expenses	(44)	(84)	40
Interest expenses of Industrial Activities, net of interest income and eliminations	(543)	(479)	(64)
Other, net	(861)	(505)	(356)
(Loss) Income before income taxes and equity in income of unconsolidated subsidiaries and affiliates	(9)	567	(576)
Income taxes	(298)	(360)	62
Equity in income of unconsolidated subsidiaries and affiliates	58	41	17
Net income	\$(249)	248	(497)

Application of Critical Accounting Estimates

The financial statements included in this annual report and related disclosures have been prepared in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and related assumptions are based on available information at the date of preparation of the financial statements, historical experience and other relevant factors. Actual results may differ from the estimates.

Particularly in light of the current economic uncertainty, developments may occur which may differ from our estimates and assumptions, and therefore might require significant adjustments to the carrying amount of certain items, which as of the date of this annual report cannot be accurately estimated or predicted. The principal items affected by estimates are the allowances for doubtful accounts receivable and inventories, long-lived assets (tangible and intangible assets), the residual values of vehicles leased out under operating lease arrangements or sold with buy-back commitments, sales allowances, product warranties, pension and other postemployment benefits, deferred tax assets and contingent liabilities.

Estimates and assumptions are reviewed periodically and the effects of any changes are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and the key assumptions concerning the future that we have made in the process of applying our accounting policies and that may have the most significant effect on the amounts recognized in our consolidated financial statements included in this annual report or that represent a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for Doubtful Accounts

The allowance for doubtful accounts reflects our estimate of losses inherent in the wholesale and retail credit portfolios. This allowance is based on our estimate of the losses to be incurred, which derives from past experience with similar receivables, current and historical past due amounts, dealer termination rates, write-offs and collections, the careful monitoring of portfolio credit quality and current and projected economic and market conditions. Should the present economic and financial situation persist or worsen, there could be a further deterioration in the financial situation of our debtors compared to that taken into consideration in calculating the allowances recognized in the financial statements.

Allowance for Obsolete and Slow-moving Inventory

The allowance for obsolete and slow-moving inventory reflects our estimate of the expected loss in value, and has been determined on the basis of past experience and historical and expected future trends in the used vehicle market. A worsening of the economic and financial situation could cause a further deterioration in conditions in the used vehicle market compared to that taken into consideration in calculating the allowances recognized in the financial statements.

Recoverability of Long-lived Assets (including Goodwill)

Long-lived assets include property, plant and equipment, goodwill and other intangible assets such as patents and trademarks. We evaluate the recoverability of property, plant and equipment and finite-lived other intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. We assess the recoverability of property, plant and equipment and finite-lived other intangible assets by

comparing the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of the long-lived asset is not recoverable in full on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value.

Goodwill and indefinite-lived other intangible assets are tested for impairment at least annually. In 2017 and 2016, we performed our annual impairment review as of December 31 and concluded that there was no impairment in either year. We evaluate events and changes in circumstances to determine if additional testing may be required.

We have identified five reporting units for the purpose of goodwill impairment testing: Agricultural Equipment, Construction Equipment, Commercial Vehicles, Powertrain, and Financial Services. Impairment testing for goodwill is done at a reporting unit level. Under the goodwill impairment test, CNH Industrial's estimate of the fair value of the reporting unit is compared with its carrying value. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. CNH Industrial has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.

The vast majority of goodwill, representing approximately 97% of the total, as of December 31, 2017 related to Agricultural Equipment (67%), Construction Equipment (24%) and Financial Services (6%) and as such, the impairment testing of these reporting units is discussed in detail below.

The carrying values for each reporting unit include material allocations of our assets and liabilities and costs and expenses that are common to all of the reporting units. We believe that the basis for such allocations has been consistently applied and is reasonable.

We determine the fair value of our reporting units using multiple valuation methodologies, relying largely on an income approach but also incorporating value indicators from a market approach. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. The income approach is dependent on several critical management assumptions, including estimates of future sales, gross margins, operating costs, income tax rates, terminal value growth rates, capital expenditures, changes in working capital requirements, and the weighted average cost of capital (discount rate). Discount rate assumptions include an assessment of the risk inherent in the future cash flows of the respective reporting units. Expected cash flows used under the income approach are developed in conjunction with our budgeting and forecasting process. Under the market approach, we estimate the fair value of the Agricultural Equipment and Construction Equipment reporting units using revenue and earnings before interest, tax, depreciation and amortization (“EBITDA”) multiples, and estimate the fair value of the Financial Services reporting unit using book value, tangible book value and interest margin multiples. The multiples are derived from comparable publicly-traded companies with similar operating and investment characteristics as the respective reporting units. The guideline company method makes use of market price data of corporations whose stock is actively traded in a public, free and open market, either on an exchange or over-the counter basis. Although it is clear no two companies are entirely alike, the corporations selected as guideline companies must be engaged in the same, or a similar, line of business or be subject to similar financial and business risks, including the opportunity for growth.

As of December 31, 2017, the estimated fair values of each reporting unit with goodwill exceeded the carrying value by more than 30%. Accordingly, management determined that none of the reporting units were at higher risk for impairment at December 31, 2017. The sum of the fair values of our reporting units was in excess of our market capitalization at December 31, 2017. We believe that the difference between the fair value and market capitalization is reasonable (in the context of assessing whether any asset impairment exists) when market-based control premiums are taken into consideration.

Residual Values of Assets Leased Out Under Operating Lease Arrangements or Sold with a Buy-back Commitment

We record assets rented to customers or leased to them under operating leases as tangible assets. Furthermore, new vehicle sales with a buy-back commitment are not recognized as sales at the time of delivery but are accounted for as operating leases if it is probable that the vehicle will be repurchased by us. Income from such operating leases is recognized on a straight-line basis over the term of the lease. Depreciation expense for assets subject to operating leases is recognized on a straight-line basis over the lease term in amounts necessary to reduce the cost of an asset to its estimated residual value at the end of the lease term. The estimated residual value of leased assets is calculated at the lease commencement date on the basis of published industry information and historical experience.

Realization of the residual values is dependent on our future ability to market the assets under then-prevailing market conditions. We continually evaluate whether events and circumstances have occurred which impact the estimated residual values of the assets on operating leases. The used vehicle market was carefully monitored throughout 2017 to ensure that write-downs were properly determined; however, additional write-downs may be required if market conditions should deteriorate further.

Sales Allowances

At the later of the time of sale or the time an incentive is announced to dealers, we record the estimated impact of sales allowances in the form of dealer and customer incentives as a reduction of revenue. There may be numerous types of incentives available at any particular time. The determination of sales allowances requires us to make estimates based on various factors.

Product Warranties

We make provisions for estimated expenses related to product warranties at the time products are sold. We establish these estimates based on historical information on the nature, frequency and average cost of warranty claims. We seek to improve vehicle quality and minimize warranty expenses arising from claims. Warranty costs may differ from those estimated if actual claim rates are higher or lower than historical rates.

Pension and Other Postemployment Benefits

As more fully described in “Note 11: Employee Benefit Plans and Postretirement Benefits” to our consolidated financial statements for the year ended December 31, 2017, we sponsor pension, healthcare and other postemployment plans in various countries. We actuarially determine the costs and obligations relating to such plans using several statistical and judgmental factors. These assumptions include discount rates, rates for expected returns on plan assets, rates for compensation increases, mortality rates, retirement rates, and healthcare cost trend rates, as determined by us within certain guidelines. To the extent actual experiences differ from our assumptions or our assumptions change, we may experience gains and losses that we have not yet recognized in our consolidated statements of operations but would be recognized in equity. For our pension and postemployment benefit plans, we recognize net gain or loss as a component of defined benefit plan cost for the year if, as of the beginning of the year, such unrecognized net gain or loss exceeds 10% of the greater of (1) the projected benefit obligation or (2) the fair or market value of the plan assets at year end. In such case, the amount of amortization we recognize is the resulting excess divided by the average remaining service period of active employees, and by the average life expectancy for inactive employees expected to receive benefits under the plan.

In October 2014, the Society of Actuaries (“SOA”) in the United States issued an updated mortality table (“RP-2014”) and mortality improvement scale (“MP-2014”). Accordingly, CNH Industrial reviewed the historical mortality experience and demographic characteristics of our U.S. Pension and Healthcare plan participants and have decided to adopt variants of the Blue Collar tables of RP-2014 as the base mortality tables. The Retirement Plans Experience Committee (“RPEC”) publishes annual updates to the RP-2014 model and corresponding mortality improvement scales. The latest update resulted in the 2017 version of the mortality improvement scale (“MP-2017”). In 2017, CNH Industrial adopted the MP-2017 mortality improvement scale, which better reflects the actual recent experience over the previous mortality improvement scales. Management believes the new mortality assumptions most appropriately represent its plans’ experience and characteristics. The adoption of the new mortality assumptions resulted in a total decrease of \$17 million to the Company’s benefit obligations at December 31, 2017, of which, \$8 million was related to pension plans and \$9 million to healthcare plans.

Beginning in 2016, the Company changed the method used to estimate the service and interest cost components of the net periodic pension and other postretirement benefit costs in order to provide a more precise measure of interest and service costs by improving the correlation between the projected benefit cash flows and the discrete spot yield curve rates. The new method uses the spot yield curve approach to estimate the service and interest costs by applying the specific spot rates along the yield curve used to determine the benefit obligations to relevant projected cash outflows. Historically, the service and interest costs were determined using a single weighted-average discount rate based on hypothetical AA yield curves used to measure the benefit obligation at the beginning of the period. The change has been accounted for as a change in estimate prospectively.

The following table shows the effects of a one percentage-point change in our primary actuarial assumptions on pension, healthcare and other postemployment benefit obligations and expense:

2018 Benefit Cost	Year End Benefit Obligation	
	One	One
Percentage-Point	Percentage-Point	Percentage-Point
Increase/Decrease (in millions)	Increase	Decrease

Pension benefits

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Assumed discount rate	\$(25)	\$ 31	\$ (316)	\$ 392
Expected long-term rate of return on plan assets	\$(21)	\$ 21	\$ -	\$ -
Healthcare benefits:				
Assumed discount rate	\$(1)	\$ 13	\$ (115)	\$ 137
Assumed health care cost trend rate (initial and ultimate)	\$25	\$ (11) \$ 132	\$ (108)
Other benefits:				
Assumed discount rate	\$1	\$ (1) \$ (41)	\$ 48
Realization of Deferred Tax Assets				

At December 31, 2017, we had net deferred tax assets on temporary differences and tax benefits arising from tax loss and credit carryforwards of \$2.5 billion, of which \$1.7 billion is not recognized in the financial statements. The corresponding totals at December 31, 2016 were \$2.3 billion and \$1.5 billion, respectively.

We have recorded deferred tax assets that we believe are more likely than not to be recovered. The determination to record a valuation allowance requires significant judgement and is based on an assessment of positive and negative evidence, whereby objectively verifiable evidence takes precedence over other forms of evidence. We consider actual and forecasted results, the potential to carryback net operating losses and credits, the future reversal of certain taxable temporary differences, and planning strategies that

are both prudent and feasible. We also consider risk factors, including the economic conditions in Europe and Brazil, that could affect the agricultural equipment and commercial vehicle markets in countries in which we have significant operations.

The above-mentioned \$1.7 billion valuation allowance recorded in the consolidated financial statements at December 31, 2017 includes a full valuation allowance with respect to our Italian deferred tax assets totaling \$0.8 billion. We will continue to maintain a full valuation allowance on our Italian deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of it. As a result of actual and anticipated future earnings, we believe that there is a reasonable possibility that sufficient positive evidence could develop within the next 12 months that may allow us to reach a conclusion that some or all of the valuation allowance on our Italian deferred tax assets will no longer be needed. Reversal of some or all of the Italian valuation allowance would result in the recognition of corresponding deferred tax assets and a significant income tax benefit in the period the reversal is recorded. However, the exact timing and amount of the valuation allowance release are dependent upon actual and anticipated results and are subject to change on the basis of the level of profitability that we are able to actually achieve.

Contingent Liabilities

We are the subject of legal proceedings and tax issues covering a range of matters, which are pending in various jurisdictions. Due to the uncertainty inherent in such matters, it is difficult to predict the final outcome of such matters. The cases and claims against us often raise difficult and complex factual and legal issues, which are subject to many uncertainties, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, we consult with legal counsel and certain other experts on matters related to litigation, taxes and other similar contingent liabilities. We accrue a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is probable but an estimate is not determinable or is possible, the matter is disclosed.

B. Liquidity and Capital Resources

The following discussion of liquidity and capital resources principally focuses on our consolidated statements of cash flows and our consolidated balance sheets. Our operations are capital intensive and subject to seasonal variations in financing requirements for dealer receivables and dealer and company inventories. Whenever necessary, funds from operating activities are supplemented from external sources. We expect to have available to us cash reserves and cash generated from operations and from sources of debt and financing activities that are sufficient to fund our working capital requirements, capital expenditures and debt service at least through the end of 2018. See “Item 3. Key Information—D. Risk Factors” for additional information concerning risks related to our business, strategy and operations.

Cash Flow Analysis

At December 31, 2017, we had cash and cash equivalents of \$5,430 million, an increase of \$413 million or 8.2% from \$5,017 million at December 31, 2016. Cash and cash equivalents at December 31, 2017 did not include restricted cash of \$770 million (\$837 million at December 31, 2016), which is comprised of cash that was reserved principally for the servicing of securitization-related debt. The aggregate of cash and cash equivalents and restricted cash, which we consider to constitute our principal liquid assets (or “liquidity”), totaled \$6,200 million at December 31, 2017, an increase of \$346 million, or 5.9%, from the total at the end of 2016 of \$5,854 million.

The increase of liquidity compared to December 31, 2016 was mainly attributable to the net industrial cash flow generation and favorable foreign exchange translation impacts, partially offset by a reduction in third party debt, an increase in the lending portfolio of Financial Services, and dividend payments to shareholders. At December 31, 2017,

available liquidity was \$9,380 million, inclusive of \$3,180 million in undrawn committed facilities (\$2,890 million at December 31, 2016), compared to \$8,744 million at December 31, 2016.

The following table summarizes the changes to cash flows from operating, investing and financing activities for each of the years ended December 31, 2017, 2016 and 2015.

	2017	2016	2015
	(in millions)		
Cash provided by (used in):			
Operating activities	\$2,015	\$2,108	\$2,786
Investing activities	(932)	(921)	(948)
Financing activities	(1,045)	(1,538)	(919)
Translation exchange differences	375	(16)	(698)
Net increase (decrease) in cash and cash equivalents	\$413	\$(367)	\$221

Net Cash from Operating Activities

Cash provided by operating activities in 2017 totaled \$2,015 million and comprised the following elements:

- \$313 million in net income for 2017;
- plus \$1,350 million in non-cash charges for depreciation and amortization (\$725 million excluding assets sold with buy-back commitments and equipment on operating leases);
- plus \$322 million in losses on the disposal of assets and other non-cash items;
- plus \$64 million in cost of early redemption/repurchase of Notes;
- less \$39 million of undistributed loss of unconsolidated subsidiaries (netted against dividends received from equity investees);
- plus changes in deferred income taxes of \$122 million and in provisions of \$233 million; and
- less \$350 million in change in working capital and other operating assets and liabilities.

In 2016, \$1,387 million of the \$2,108 million in cash generated by operating activities during the year was from income-related cash inflows (calculated as net income plus amortization and depreciation, dividends, equity income, changes in other liabilities and deferred taxes, net of gains/losses on disposals and other non-cash items), in addition to a \$721 million increase in cash resulting from a decrease in working capital.

In 2015, \$1,834 million of the \$2,786 million in cash generated by operating activities during the year was from income-related cash inflows (calculated as net income plus amortization and depreciation, dividends, equity income, changes in other liabilities and deferred taxes, net of gains/losses on disposals and other non-cash items), in addition to a \$952 million increase in cash resulting from a decrease in working capital.

Net Cash from Investing Activities

In 2017, cash used in investing activities was \$932 million. The negative flows were primarily generated by:

- investments in tangible and intangible assets that used \$2,235 million in cash. Excluding investments for our long-term rental operations and relating to vehicles sold under buy-back commitments, investments amounted to \$492 million in 2017;
- less \$306 million of net collections of retail receivables; and
- less \$850 million of proceeds from the sale of assets, mainly related to assets sold with buy-back commitments and equipment on operating leases.

In 2016, cash used in investing activities totaled \$921 million. Expenditures on tangible and intangible assets totaled \$2,134 million. Excluding investments for our long-term rental operations and relating to vehicles sold under buy-back commitments, investments amounted to \$503 million in 2016. Net collections of receivables from retail financing activities amounted to \$618 million, and the proceeds from the sale of assets amounted to \$672 million (\$12 million excluding those related to our long-term rental operations and relating to vehicles sold under buy-back commitments).

In 2015, cash used in investing activities totaled \$948 million. Expenditures on tangible and intangible assets totaled \$2,507 million. Excluding investments for our long-term rental operations and relating to vehicles sold under buy-back commitments, investments amounted to \$656 million in 2015. Net collections of receivables from retail financing activities amounted to \$648 million, and the proceeds from the sale of assets amounted to \$737 million (\$11 million excluding those related to our long-term rental operations and relating to vehicles sold under buy-back commitments).

The following table summarizes our investments in tangible assets (excluding assets sold with buy-back commitments and assets leased on operating lease) by segment and intangible assets for each of the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
	(in millions)		
Agricultural Equipment	\$156	\$150	\$255
Construction Equipment	25	26	38
Commercial Vehicles	132	150	165
Powertrain	86	92	106
Total Industrial Activities investments in tangible assets	399	418	564
Industrial Activities investments in intangible assets	89	83	89
Total Industrial Activities capital expenditures	488	501	653
Financial Services investments in tangible assets	1	—	—
Financial Services investments in intangible assets	3	2	3
Total Capital expenditures	\$492	\$503	\$656

We incurred these capital expenditures in the regions in which we operate principally related to initiatives to introduce new products, enhance manufacturing efficiency and increase capacity, and for maintenance and engineering. The decrease in capital expenditures in 2017 from 2016 is primarily related to the investment cycles of our products and reductions in discretionary spending.

Net Cash from Financing Activities

In 2017, cash used in financing activities totaled \$1,045 million, mainly attributable to lower bank debt of Industrial Activities, reduction of third party debt due to the repurchase/early redemption of notes and dividend payments to shareholders, partially offset by new bond issuances.

In 2016, cash used in financing activities totaled \$1,538 million, mainly attributable to a reduction in third party debt, of which \$550 million primarily due to lower bank debt of Industrial Activities, including \$60 million related to the repurchase of portions of Case New Holland Industrial Inc. 7.875% Notes due 2017, and \$723 million mainly due to lower secured debt of Financial Services partially offset by its new bond issuances.

In 2015, cash used in financing activities totaled \$919 million. Dividend payments of \$297 million and decreased debt funding from Industrial Activities due to lower working capital needs was partially offset by an increase in debt funding from Financial Services.

Capital Resources

The cash flows, funding requirements and liquidity of our companies are managed on a standard and centralized basis. This centralized system is designed to optimize the efficiency and effectiveness of our management of capital resources.

Our subsidiaries participate in a company-wide cash management system, which we operate in a number of jurisdictions. Under this system, the cash balances of all our subsidiaries are aggregated at the end of each business day to central pooling accounts. The centralized treasury management offers professional financial and systems expertise in managing these accounts, as well as providing related services and consulting to our business segments.

Our policy is to keep a high degree of flexibility with our funding and investment options in order to maintain our desired level of liquidity to achieve our rating targets while improving the Company's capital structure over time. In

managing our liquidity requirements, we are pursuing a financing strategy that aims at extending over time our Industrial Activities debt profile by issuing long-term bonds and retiring short-term debt through opportunistic liability management transactions, deleveraging our Industrial Activities balance sheet by reducing gross debt, and diversifying funding sources.

A summary of our strategy is set forth below:

- To fund Industrial Activities' short-term financing requirements and to ensure near-term liquidity, Industrial Activities will continue to sell certain of its receivables to Financial Services and rely on internal cash flows including managing working capital. We will also supplement our short-term financing by drawing on existing or new facilities with banks.
- To the extent funding needs of Industrial Activities are determined to be of a longer-term nature, we will access public debt markets as well as private investors and banks, as appropriate, to refinance borrowings and replenish our liquidity.
- Financial Services' funding strategy is to maintain a sufficient level of liquidity and flexible access to a wide variety of financial instruments. While we expect securitizations and sale of receivables (factoring) to continue to represent a

material portion of our capital structure and intersegment borrowings to remain a marginal source of funding, we will continue to diversify our funding sources and expand our investor base within Financial Services to support our investment grade credit ratings. These diversified funding sources include committed asset-backed facilities, unsecured notes, bank facilities and, in an effort to further diversify funding sources and reduce the average cost of funding, Financial Services has now implemented new commercial paper programs, both in the US and Europe. On a global level, we will continue to evaluate alternatives to ensure that Financial Services has access to capital on favorable terms to support its business, including agreements with global or regional partners, new funding arrangements or a combination of the foregoing. Our access to external sources of financing, as well as the cost of financing, is dependent on various factors, including our credit ratings.

In 2017 Standard and Poor's ("S&P") upgraded the long-term corporate credit rating of CNH Industrial N.V. and CNH Industrial Capital LLC to investment grade at "BBB-" and Fitch Ratings assigned to CNH Industrial N.V. and CNH Industrial Capital LLC new investment grade long-term issuer default ratings of "BBB-". Current ratings for the Group are as follows:

	CNH Industrial N.V.			CNH Industrial Capital LLC		
	Long-Term	Short-Term	Outlook	Long-Term	Short-Term	Outlook
S&P	BBB-	A-3	Stable	BBB-	A-3	Stable
Fitch	BBB-	-	Stable	BBB-	F3	Stable
Moody's	Ba1 ⁽¹⁾	-	Stable	Ba1	-	Stable

(1) The senior unsecured debt of CNH Industrial N.V. and the following treasury vehicles, CNH Industrial Finance Europe S.A. and CNH Industrial Finance North America Inc., are rated Ba2.

Following the upgrade by S&P, the notes issued under the Euro Medium Term Notes Programme (and the notes issued under its predecessor, the Global Medium Term Notes Programme) benefited from Eurosystem eligibility, the financial covenant contained in the €1.75 billion Revolving Credit Facility, which required Industrial Activities to maintain EBITDA/Net interest ratio, was no longer applicable, and the financial covenants contained in two revolving credit facilities of CNH Industrial Capital LLC, which required maintenance of an EBITDA coverage ratio, were no longer applicable. Additionally, the S&P and Fitch rating actions in 2017 made the Company's securities eligible for the main investment grade indices in the U.S. market, which the Company believes has improved its access to funding at better rates.

A credit rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating. A deterioration in our ratings could impair our ability to obtain debt financing and would increase the cost of such financing. Ratings are influenced by a number of factors, including, among others: financial leverage on an absolute basis or relative to peers, the composition of the balance sheet and/or capital structure, material changes in earnings trends and volatility, ability to dividend monies from subsidiaries and our competitive position. Material deterioration in any one, or a combination, of these factors could result in a downgrade of our ratings, thus increasing the cost, and limiting the availability, of financing.

Consolidated Debt

As of December 31, 2017, and 2016, our consolidated debt was as detailed in the table below:

	Consolidated		Industrial Activities		Financial Services	
	2017	2016	2017	2016	2017	2016
	(in millions)					
Total Debt	\$25,895	\$25,276	\$7,396	\$7,691	\$21,075	\$20,061

We believe that Net Debt, defined as total debt less intersegment notes receivable, cash and cash equivalents, restricted cash and derivatives hedging debt is a useful analytical tool for measuring our effective borrowing requirements. This non-GAAP financial measure should neither be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies.

We provide a separate analysis of Net Debt for Industrial Activities and Financial Services, to reflect the different cash flow management practices in the two businesses. The separation between Industrial Activities and Financial Services represents a sub-consolidation based on the core business activities (industrial or financial services) of each CNH Industrial legal entity. The sub-consolidation for Industrial Activities also includes legal entities that perform centralized treasury activities, such as raising funding in the market and financing CNH Industrial legal entities, but do not, however, provide financing to third parties.

The calculation of Net Debt as of December 31, 2017 and 2016 and the reconciliation of Net Debt to Total Debt, the U.S. GAAP financial measure that we believe to be most directly comparable, are shown below:

	Consolidated		Industrial Activities		Financial Services	
	2017	2016	2017	2016	2017	2016
	(in millions)					
Third party debt *	\$25,895	\$25,276	\$6,461	\$6,694	\$19,434	\$18,582
Intersegment notes payable **	—	—	935	997	1,641	1,479
Total Debt ***	\$25,895	\$25,276	\$7,396	\$7,691	\$21,075	\$20,061
Less:						
Cash and cash equivalents	5,430	5,017	4,901	4,649	529	368
Restricted cash	770	837	—	—	770	837
Intersegment notes receivables **	—	—	1,641	1,479	935	997
Derivatives hedging debt	(7)	2	(7)	2	—	—
Net Debt (Cash)	\$19,702	\$19,420	\$861	\$1,561	\$18,841	\$17,859

(*) Includes adjustments related to fair value hedges.

(**) The net intersegment payable balance owed by Financial Services to Industrial Activities was \$706 million and \$482 million as of December 31, 2017 and 2016, respectively.

(***) Total Debt of Industrial Activities includes Intersegment notes payable to Financial Services of \$935 million and \$997 million at December 31, 2017 and 2016, respectively. Total Debt of Financial Services includes Intersegment notes payable to Industrial Activities of \$1,641 million and \$1,479 million at December 31, 2017 and 2016, respectively.

The increase in the Net Debt position from December 31, 2016 to December 31, 2017 was primarily due to the increase in the portfolio of Financial Services companies and to the negative foreign exchange translation impacts on Financial Services debt. Net debt of industrial activities decreased \$0.7 billion from December 31, 2016 to \$0.9 billion at December 31, 2017. The decrease was primarily due to a significant cash generation from operating activities of \$1.3 billion, partially offset by negative foreign exchange translation impacts on euro denominated debt and dividend payments.

The following table shows the change in Net Debt of Industrial Activities for 2017 and 2016:

(\$ million)	2017	2016
Net Debt of Industrial Activities at beginning of year	\$(1,561)	\$(1,578)
Net Income (loss)	313	(249)
Add back European Commission settlement*	—	551
Add back cost of repurchase/early redemption of notes*	56	60
Amortization and depreciation**	720	710
Changes in provisions and similar***	485	194
Change in working capital	130	330
Investments in property, plant and equipment, and intangible assets**	(488)	(501)
Other changes	73	(50)
Net industrial cash flow	1,289	1,045
Dividends and capital increases, net ****	(193)	(221)
Currency translation differences and other *****	(396)	(807)
Change in Net Debt of Industrial Activities	700	17
Net Debt of Industrial Activities at end of year	\$(861)	\$(1,561)

(*) Add back item to be excluded from the calculation of net industrial cash flow.

(**) Excludes assets sold under buy-back commitments and assets under operating lease.

(***) This item also includes changes in items related to assets sold under buy-back commitments, and assets under operating lease

(****) Includes share buy-back transactions.

(*****) In 2017 and 2016 this item also includes the charge of \$56 million and \$60 million, respectively, related to the repurchase/early redemption of notes. In 2016, this item also included the payment of the European Commission settlement.

Industrial Activities

Capital Markets

At December 31, 2017, we had an aggregate amount of \$8.9 billion in bonds outstanding, of which \$5.8 billion was issued by Industrial Activities.

The capital markets debt of Industrial Activities mainly related to notes issued under the Euro Medium Term Note Programme (and the notes issued under its predecessor, the Global Medium Term Notes Programme), and senior unsecured debt securities issued by CNH Industrial N.V. described below. In order to manage its liabilities, in June 2017, Case New Holland Industrial Inc., redeemed all of the outstanding \$636 million aggregate principal amount of its 7.875% Senior Notes due 2017 and incurred a total charge of \$17 million. In September 2017, CNH Industrial Finance Europe S.A. repurchased a total of €800 million in principal amount of its 6.250% Notes due 2018 and 2.750% Notes due 2019, incurring a total charge of \$39 million.

Euro Medium Term Note (EMTN) Programme. We have a medium-term note programme allowing for the placement of debt securities that was established in February 2011 and has a total authorized amount of €10 billion (\$11 billion). At December 31, 2017, €3,975 million (\$4,767 million) was outstanding under the programme, all such debt having been issued by CNH Industrial Finance Europe S.A. and guaranteed by CNH Industrial N.V. The outstanding amount under the programme included: €75 million of notes, issued in March 2017 as a private placement, at an annual fixed rate of 1.625% due in 2022 at an issue price of 99.407 percent of their principal amount; €500 million of notes, issued in May 2017, at an annual fixed rate of 1.375% due in 2022 at an issue price of 99.335 percent of their principal amount; and €650 million of notes, issued in September 2017, at an annual fixed rate of 1.750% due in 2025 at an issue price of 99.248 percent of their principal amount.

CNH Industrial N.V. Senior Notes. In November 2017, CNH Industrial N.V. issued \$500 million of 3.850% notes due 2027, with an issue price of 99.384% of their principal amount.

The notes issued under the EMTN (and its predecessor the Global Medium Term Notes Programme) as well as the CNH Industrial N.V. Senior Notes impose covenants and other obligations on CNH Industrial N.V. as issuer and, in certain cases, as guarantor and CNH Industrial Finance Europe S.A. as issuer, including: (i) a negative pledge provision which requires that, if any security interest over assets of the issuer or the guarantor is granted in connection with debt that is, or is capable of being, listed or any guarantee is granted in connection with such debt, such security or guarantee must be equally and ratably extended to the outstanding notes; (ii) a status (or *pari passu*) covenant, under which the notes rank and will rank *pari passu* with all other present and future outstanding unsubordinated and unsecured obligations of the issuer and/or the guarantor (subject to mandatorily preferred obligations under applicable laws); (iii) an events of default provision setting out certain customary events (such as cross defaults, insolvency related events, etc.) the occurrence of which entitles the holders of the outstanding notes to accelerate the repayment of the notes; (iv) change of control provisions which, when combined with a rating downgrade of CNH Industrial N.V., grant the note holders the right to require, immediate repayment of the notes; and (v) other clauses that are generally applicable to securities of a similar type. A breach of these obligations may require the early repayment of the notes. At December 31, 2017, CNH Industrial was in compliance with the covenants of the notes issued under the EMTN (and its predecessor the Global Medium Term Notes Programme) and the CNH Industrial N.V. Senior Notes.

Bank Debt

At December 31, 2017, Industrial Activities available committed unsecured facilities expiring after twelve months amounted to \$2.7 billion (\$2.5 billion at December 31, 2016).

Euro 1.75 billion Revolving Credit Facility. In 2016, we signed a renewal of a €1.75 billion (\$2.1 billion at year-end 2017 exchange rate) five-year committed, unsecured revolving credit facility. The facility expires in June 2021 and includes:

- a financial covenant (Net debt/EBITDA ratio relating to Industrial Activities) and other customary covenants (including a negative pledge, a status (or *pari passu*) covenant and restrictions on the incurrence of indebtedness by certain subsidiaries);

• customary events of default (some of which are subject to minimum thresholds and customary mitigants), including cross-default provisions, failure to pay amounts due or to comply with certain provisions under the loan agreement and the occurrence of certain bankruptcy-related events; and

• mandatory prepayment obligations upon a change in control of CNH Industrial or the borrower.

CNH Industrial N.V. has guaranteed any borrowings under the revolving credit facility with cross-guarantees from each of the borrowers (i.e., CNH Industrial Finance S.p.A., CNH Industrial Finance Europe S.A. and CNH Industrial Finance North America Inc.). At December 31, 2017, CNH Industrial was in compliance with the covenants of the €1.75 billion Revolving Credit Facility.

Financial Services

Total Debt of Financial Services was \$21.1 billion at December 31, 2017 compared to \$20.1 billion at December 31, 2016.

Bank Debt

At December 31, 2017, Financial Services available committed, unsecured facilities expiring after twelve months amounted to \$0.5 billion (\$0.4 billion at December 31, 2016).

Asset-Backed Financing

At December 31, 2017, Financial Services' committed, asset-backed facilities expiring after twelve months amounted to \$3.5 billion (\$3.2 billion at December 31, 2016), of which \$2.3 billion was utilized at December 31, 2017 (\$2.5 billion at December 31, 2016).

With reference to our Financial Services' sources of funding, we sell certain of our finance receivables to third parties in order to improve liquidity, to take advantage of market opportunities and, in certain circumstances, to reduce credit and concentration risk in accordance with our risk management objectives.

The sale of financial receivables is executed primarily through ABS and involves mainly accounts receivable from final (retail) customers and from the network of dealers (wholesale) to our Financial Services companies.

At December 31, 2017, our receivables from financing activities included receivables sold and financed through both ABS and factoring transactions of \$14.0 billion (\$13.6 billion at December 31, 2016), which do not meet derecognition requirements, and therefore must be recorded on our consolidated statement of financial position. These receivables are recognized as such in our financial statements even though they have been legally sold; a corresponding financial liability is recorded in the consolidated balance sheets as debt (see "Note 3: Receivables").

Capital Markets

In April 2017, CNH Industrial Capital LLC issued at par \$500 million of notes at an annual fixed rate of 4.375% due in 2022.

In December 2017, CNH Industrial Capital LLC, in order to manage its liabilities, redeemed all of the outstanding \$600 million in principal amount of 3.875% Notes due 2018.

In December 2017, CNH Industrial Capital LLC established a new commercial paper program to issue short-term, unsecured, unsubordinated commercial paper notes on a private placement basis. As of December 31, 2017, the aggregate principal amount of notes outstanding was \$115 million.

Support Agreement in the interest of CNH Industrial Capital LLC

CNH Industrial Capital LLC benefits from a support agreement issued by CNH Industrial N.V., pursuant to which CNH Industrial N.V. agrees to, among other things, (a) make cash capital contributions to CNH Industrial Capital LLC, to the extent necessary to cause its ratio of net earnings available for fixed charges to fixed charges to be not less than 1.05 for each fiscal quarter (with such ratio determined, on a consolidated basis and in accordance with U.S. GAAP, for such fiscal quarter and the immediately preceding three fiscal quarters taken as a whole), (b) generally maintain an ownership of at least 51% of the voting equity interests in CNH Industrial Capital LLC and (c) cause

CNH Industrial Capital LLC to have, as of the end of any fiscal quarter, a consolidated tangible net worth of at least \$50 million. The support agreement is not intended to be, and is not, a guarantee by CNH Industrial N.V. of the indebtedness or other obligations of CNH Industrial Capital LLC. The obligations of CNH Industrial N.V. to CNH Industrial Capital LLC pursuant to this support agreement are to the company only and do not run to, and are not enforceable directly by, any creditor of CNH Industrial Capital LLC, including holders of the CNH Industrial Capital LLC's notes or the trustee under the indenture governing the notes. The support agreement may be modified, amended or terminated, at CNH Industrial N.V.'s election, upon thirty days' prior written notice to CNH Industrial Capital LLC and the rating agencies of CNH Industrial Capital LLC, if (a) the modification, amendment or termination would not result in a downgrade of CNH Industrial Capital LLC rated indebtedness; (b) the modification, amendment or notice of termination provides that the support agreement will continue in effect with respect to the company's rated indebtedness then outstanding; or (c) CNH Industrial Capital LLC has no long-term rated indebtedness outstanding.

For more information on our outstanding indebtedness, see "Note 9: Debt" to our consolidated financial statements for the year ended December 31, 2017.

Future Liquidity

We have adopted formal policies and decision-making processes designed to optimize the allocation of financial funds, cash management processes and financial risk management. Our liquidity needs could increase in the event of an extended economic slowdown or recession that would reduce our cash flow from operations and impair the ability of our dealers and retail customers to meet their payment obligations. Any reduction of our credit ratings would increase our cost of funding and potentially limit our access to the capital markets and other sources of financing.

We believe that funds available under our current liquidity facilities, those realized under existing and planned asset-backed securitization programs and issuances of debt securities and those expected from ordinary course refinancing of existing credit facilities, together with cash provided by operating activities, will allow us to satisfy our debt service requirements for the coming year. At December 31, 2017, we had available committed unsecured facilities expiring after twelve months of \$3.2 billion (\$2.9 billion at December 31, 2016).

Financial Services securitized debt is repaid with the cash generated by the underlying amortizing receivables. Accordingly, additional liquidity is not normally necessary for the repayment of such debt. Financial Services has traditionally relied upon the term ABS market and committed asset-backed facilities as a primary source of funding and liquidity. As of December 31, 2017, Financial Services' committed asset-backed facilities expiring after twelve months amounted to \$3.5 billion (\$3.2 billion at December 31, 2016), of which \$2.3 billion at December 31, 2017 (\$2.5 billion at December 31, 2016) were utilized.

If Financial Services were unable to obtain ABS funding at competitive rates, CNH Industrial's ability to conduct its financial services activities would be limited.

Pension and Other Postemployment Benefits

Pension Plans

Pension plan obligations primarily comprise the obligations of our pension plans in the United States, the United Kingdom and Germany.

Under these plans, contributions are made to a separate fund (trust) which independently administers the plan assets. Our funding policy is to contribute amounts to the plan equal to the amounts required to satisfy the minimum funding requirements pursuant to the laws of the applicable jurisdictions. The significant pension plans that we are required to fund are in the United States and the United Kingdom. In addition, we make discretionary contributions in addition to the funding requirements. To the extent that a fund is overfunded, we are not required to make further contributions to the plan in respect of minimum performance requirements so long as the fund is in surplus.

The investment strategy for the plan assets depends on the features of the plan and on the maturity of the obligations. Typically, less mature plan benefit obligations are funded by using more equity securities as they are expected to achieve long-term growth exceeding inflation. More mature plan benefit obligations are funded using more fixed income securities as they are expected to produce current income with limited volatility. Risk management practices include the use of multiple asset classes and investment managers within each asset class for diversification purposes. Specific guidelines for each asset class and investment manager are implemented and monitored.

At December 31, 2017 and 2016, the difference between the present value of the pension plan obligations and the fair value of the related plan assets was a deficit of \$848 million and \$860 million, respectively. In 2017, we contributed \$34 million to the plan assets and made direct benefit payments of \$29 million for our pension plans. Our expected total contribution to pension plan assets and direct benefit payments is estimated to be \$67 million for 2018.

Healthcare Plans

Healthcare postretirement benefit plan obligations comprise obligations for healthcare and insurance plans granted to our employees working in the United States and Canada. These plans generally cover employees retiring on or after reaching the age of 55 who have completed at least 10 years of employment. United States salaried and non-represented hourly employees and Canadian employees hired after January 1, 2001 and January 1, 2002, respectively, are not eligible for postretirement healthcare and life insurance benefits under our plans. These plans are not required to be funded. Beginning in 2007, we made contributions on a voluntary basis to a separate and independently managed fund established to finance the NAFTA healthcare plans.

At December 31, 2017 and 2016, the difference between the present value of the healthcare plan obligations and the fair value of the related plan assets was a deficit of \$936 million and \$994 million, respectively. In 2017, we contributed \$56 million to the plan assets and made direct benefit payments for healthcare plans of \$58 million and we expect to make direct benefit payments of \$9 million in 2018.

Other Postemployment Benefits

Other postemployment benefits consist of benefits for Italian Employee Leaving Entitlements up to December 31, 2006, loyalty bonus in Italy and various other similar plans in France, Germany and Belgium. Until December 31, 2006, Italian companies with more than 50 employees were required to accrue for benefits paid to employees upon them leaving the company. The scheme has since changed to a defined contribution plan. The obligation on our consolidated balance sheet represents the residual reserve for years until to December 31, 2006. Loyalty bonuses are accrued for employees who have reached certain service seniority and are generally settled when employees leave the company. These plans are not required to be funded and, therefore, have no plan assets.

At December 31, 2017 and 2016, the present value of the obligation for other postemployment benefits amounted to \$470 million and \$418 million, respectively.

In 2017, we made direct benefit payments of \$37 million for other postemployment benefits and expect to make direct benefit payments of \$37 million in 2018.

For further information on pension and other postemployment benefits, see “Note 11: Employee Benefit Plans and Postretirement Benefits” to our consolidated financial statements for the year ended December 31, 2017.

Joint Liability for Certain Obligations of FCA

CNH Industrial is successor to Fiat Industrial, a company formed as a result of the demerger of Fiat (which, effective October 12, 2014, was merged into FCA) in favor of Fiat Industrial. As such, CNH Industrial continues to be liable jointly with FCA for the liabilities of FCA that arose prior to the effective date of the Demerger (January 1, 2011) and were still outstanding at that date (the “Liabilities”). This statutory provision is limited to the value of the net assets transferred to Fiat Industrial in the Demerger and survives until the Liabilities are satisfied in full. Furthermore, CNH Industrial may be responsible jointly with FCA in relation to tax liabilities, even if such tax liabilities exceed the value of the net assets transferred to Fiat Industrial in the Demerger. At December 31, 2017, the outstanding Liabilities amounted to approximately \$0.2 billion. CNH Industrial believes the risk of FCA’s insolvency is extremely remote, and therefore, no specific provision has been accrued in respect of the above-mentioned potential joint liability.

C. Research and Development, Patents and Licenses, etc.

Our research, development and engineering personnel design, engineer, manufacture and test new products, components, and systems. We incurred \$957 million, \$860 million, and \$856 million of R&D costs in the years ended December 31, 2017, 2016, and 2015, respectively.

In a continuously and rapidly changing competitive environment, our research and development activities are a vital component in our strategic development. Our research and development activities are designed to accelerate time-to-market while taking advantage of specialization and experience in different markets.

R&D activities involved approximately 6,000 employees at 53 sites around the world during 2017.

We own a significant number of patents, trade secrets, licenses and trademarks related to our products and services, and that number is expected to grow as our R&D activities continue. At December 31, 2017, we had 9,629 active granted patents, including 2,004 new patents registered during the year (in addition to 4,036 pending applications). We file patent applications in Europe, the United States and in other jurisdictions around the world to protect

technology and improvements considered important to the business. Certain trademarks contribute to our identity and the recognition of our products and services and are an integral part of our business, and their loss could have a material adverse effect on us.

Agricultural Equipment—We are marketing the New Holland, Case IH, Steyr and Miller brands and logos as the primary brand names for our agricultural equipment products.

Construction Equipment—For construction equipment under New Holland, we are marketing the New Holland Construction brand name and trademark. For construction equipment under Case, we are promoting the Case Construction Equipment brand name and trademark.

Commercial Vehicles—We are marketing a range of commercial vehicles under the Iveco brand, buses under the Iveco Bus and Heuliez Bus brands, and firefighting and special purpose vehicles under the Magirus, Iveco Astra and Iveco Defence Vehicles brands.

Powertrain—We are marketing engines and transmissions for commercial vehicles, agricultural equipment, construction equipment, and for marine and other industrial applications under the FPT Industrial brand.

D. Trend Information

See “Item 5. Operating and Financial Review and Prospects—A. Operating Results” and “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources.”

E. Off-Balance Sheet Arrangements

We use certain off-balance sheet arrangements with unconsolidated third parties in the ordinary course of business, including financial guarantees. Our arrangements are described in more detail below. For additional information, see “Note 13: Commitments and Contingencies” to our consolidated financial statements for the year ended December 31, 2017.

Financial Guarantees

Our financial guarantees require us to make contingent payments upon the occurrence of certain events or changes in an underlying instrument that is related to an asset, a liability or the equity of the guaranteed party. These guarantees include arrangements that are direct obligations, giving the party receiving the guarantee a direct claim against us, as well as indirect obligations, under which we have agreed to provide the funds necessary for another party to satisfy an obligation.

CNH Industrial provided guarantees on the debt or commitments of third parties and performance guarantees in the interest of non-consolidated affiliates totaling \$368 million as of December 31, 2017.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations and commercial commitments with definitive payment terms that will require significant cash outlays in the future, as of December 31, 2017:

	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
	(in millions)				
Contractual Obligations					
Debt obligations⁽¹⁾					
Bonds	\$8,885	\$1,549	\$1,756	\$2,929	\$2,651
Borrowings from banks	4,212	1,443	2,217	387	165
Asset-backed financing	12,028	8,008	3,042	918	60
Other debt	767	492	142	100	33
Capital lease obligations	3	1	2	—	—
Operating lease obligations	300	102	122	61	15
Purchase obligations	2,277	959	1,021	260	37
Total	\$28,472	\$12,554	\$8,302	\$4,655	\$2,961

(1) Amounts presented exclude the related interest expense that will be paid when due. The table above does not include obligations for pensions, post-retirement benefits and health care plans. Our best estimate of expected

contributions including direct benefit payment to be made by us in 2018 to pension plans, healthcare plans and other postemployment plans is \$67 million, \$9 million and \$37 million, respectively. Potential outflows in the years after 2018 are subject to a number of uncertainties, including future asset performance and changes in assumptions, and therefore we are unable to make sufficiently reliable estimates of future contributions beyond 2018.

Debt Obligations

For information on our debt obligations, see “Capital Resources” above and “Note 9: Debt” to our consolidated financial statements for the year ended December 31, 2017. The debt obligations reflected in the table above can be reconciled to the amount in the December 31, 2017 consolidated balance sheet as follows:

(in millions)	Amount
Debt reflected in the December 31, 2017 consolidated balance sheet	\$25,895
Less:	
Capital lease obligations	(3)
Total Debt obligations	\$25,892

The amount reported as debt obligations in the table above consists of our bonds, borrowings from banks, asset-backed financing and other debt (excluding capital lease obligations, which are reported in a separate line item in the table above).

Capital Lease Obligations

Our capital leases consist mainly of industrial buildings and plant, machinery and equipment used in our businesses. The amounts reported above include the minimum future lease payments and payment commitments due under such leases.

Operating Lease Obligations

Our operating leases consist mainly of leases for commercial and industrial properties used in carrying out our businesses. The amounts reported above under “Operating Lease Obligations” include the minimal rental and payment commitments due under such leases.

Purchase Obligations

Our purchase obligations at December 31, 2017, included the following:

- the repurchase price guaranteed to certain customers on sales with a buy-back commitment which is included in the line item “Other liabilities” in our consolidated balance sheets in an aggregate amount of \$2,176 million; and
- commitments to purchase tangible fixed assets, largely in connection with planned capital expenditures, in an aggregate amount of approximately \$101 million.

G. Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This annual report includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact contained in this filing, including statements regarding our: competitive strengths; business strategy; future financial position or operating results; budgets; projections with respect to revenue, income, earnings (or loss) per share, capital expenditures, dividends, capital structure or other financial items; costs; and plans and objectives of management regarding operations and products, are forward-looking statements. These statements may include terminology such as “may”, “will”, “expect”, “could”, “should”, “intend”, “estimate”, “anticipate”, “believe”, “outlook”, “contingent”, “on track”, “design”, “target”, “objective”, “goal”, “forecast”, “projection”, “prospects”, “plan”, or similar terminology. Forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside our control and are difficult to predict. If any of these risks and uncertainties materialize or other assumptions underlying any of the forward-looking statements prove to be incorrect the actual results or developments may differ materially from any future results or developments expressed or implied by the forward-looking statements.

Factors, risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among others: the many interrelated factors that affect consumer confidence and worldwide demand for capital goods and capital goods-related products; general economic conditions in each of our markets; changes in government policies regarding banking, monetary and fiscal policies; legislation, particularly relating to capital goods-related issues such as agriculture, the environment, debt relief and subsidy program policies, trade and commerce and infrastructure development; government policies on international trade and investment, including sanctions, import quotas, capital controls and tariffs; actions of competitors in the various industries in

which we compete; development and use of new technologies and technological difficulties; the interpretation of, or adoption of new, compliance requirements with respect to engine emissions, safety or other aspects of our products; production difficulties, including capacity and supply constraints and excess inventory levels; labor relations; interest rates and currency exchange rates; inflation and deflation; energy prices; prices for agricultural commodities; housing starts and other construction activity; our ability to obtain financing or to refinance existing debt; a decline in the price of used vehicles; the resolution of pending litigation and investigations on a wide range of topics, including dealer and supplier litigation, follow-on private litigation in various jurisdictions after the settlement of the EU antitrust investigation announced on July 19, 2016, intellectual property rights disputes, product warranty and defective product claims, and emissions and/or fuel economy regulatory and contractual issues; the Company's pension plans and other post-employment obligations; political and civil unrest; volatility and deterioration of capital and financial markets, including possible effects of "Brexit", terror attacks in Europe and elsewhere, and other similar risks and uncertainties and our success in managing the risks involved in the foregoing.

Forward-looking statements are based upon assumptions and on known risks and uncertainties.

Our actual results could differ materially from those anticipated in such forward-looking statements. Forward-looking statements speak only as of the date on which such statements are made, and we undertake no obligation to update or revise publicly our forward-looking statements.

Additional factors which could cause actual results and developments to differ from those expressed or implied by the forward-looking statements are included in the section “Item 3. Key Information—D. Risk Factors” of this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The Board of Directors consists of eleven directors, who were elected on April 14, 2017 at the Annual General Meeting of Shareholders (“AGM”). Eight of the directors were independent, as provided in the listing standards and rules of the NYSE, as of December 31, 2017. The term of office of the current Board of Directors is expected to expire on April 13, 2018 (the scheduled date of the next AGM) at which time our shareholders will elect a new Board of Directors for a term of approximately one year.

As of March 2, 2018, our directors and certain senior managers are as set forth below:

Name	Position with CNH Industrial
Jacqueline Tammenoms Bakker	Director, Member of the Governance and Sustainability Committee
Mina Gerowin	Director, Member of the Governance and Sustainability Committee
Suzanne Heywood	Director, Chairperson of the Governance and Sustainability Committee, Member of the Compensation Committee
Léo W. Houle	Senior Non-Executive Director, Chairperson of the Compensation Committee, Member of the Governance and Sustainability Committee
Peter Kalantzis	Director, Member of the Audit Committee, Member of the Compensation Committee
John Lanaway	Director, Member of the Audit Committee
Sergio Marchionne	Director, Chairman
Silke Christina Scheiber	Director, Member of the Audit Committee
Guido Tabellini	Director, Member of the Compensation Committee
Jacques Theurillat	Director, Chairperson of the Audit Committee
Richard Tobin	Director, Chief Executive Officer
Alan Berger	Chief Technical Officer, Agricultural and Construction Equipment Products
Luc Billiet	President, Parts & Service
Sergio Carpentiere	Chief Purchasing Officer
Massimiliano Chiara	Chief Financial Officer and Chief Sustainability Officer
Vilmar Fistarol	Chief Operating Officer-LATAM
Carl Gustaf Göransson	Brand President, Case Construction Equipment and New Holland Construction Equipment, President, Construction Equipment Products Segment
Oddone Incisa	President, Financial Services
Andreas Klausner	Brand President, Case IH Agricultural Equipment
Linda I. Knoll	Chief Human Resources Officer
Pierre Lahutte	Brand President, Iveco
Carlo Lambro	Brand President, New Holland Agricultural Equipment

Leandro Lecheta	Chief Operating Officer-NAFTA
Alessandro Nasi	President, Specialty Vehicles, Group Executive Council Executive Coordinator
Derek Neilson	Chief Operating Officer-EMEA, President, Commercial Vehicles Products Segment
Stefano Pampalone	Chief Operating Officer-APAC
Adrian Pipe	Chief Quality Officer
Annalisa Stupenengo	Brand President, FPT Industrial, President, Powertrain Products Segment
Tom Verbaeten	Chief Manufacturing Officer

¶ Jacqueline A. Tammenoms Bakker, Director (Non-Executive Director—independent), Member of the Governance and Sustainability Committee

Jacqueline A. Tammenoms Bakker was a Director of Fiat Industrial S.p.A. from April 5, 2012 until the merger of the company into CNH Industrial. Jacqueline A. Tammenoms Bakker studied at Oxford University (BA) and the Johns

Hopkins School for Advanced International Studies in Washington D.C. (MA). She joined Shell International in 1977 holding a number of positions in the Netherlands, the U.K. and Turkey. In 1989 she joined McKinsey where she worked as a consultant in the U.K. and the Netherlands until 1995 when she was appointed Vice-President Food Europe at Quest International (Unilever) in the Netherlands. In 1999 she moved to the public sector in the Netherlands, firstly as Director of GigaPort (a public-private initiative to roll out broadband networks), and then as Director-General of Freight Transport (2001-2004) and Director-General of Civil Aviation and Freight Transport (2004-2007) at the Dutch Ministry of Transport. In 2006 she was awarded the Légion d'Honneur for her contribution to cooperation between the Netherlands and France, and in 2006/2007 she chaired the High Level Group on the regulatory framework for civil aviation reporting to the EU Commissioner for Transport. Since 2008 Ms. Tammenoms Bakker has been an independent Board member; she is currently a Board member of TomTom (NL), Unibail Rodamco (FR), Groupe Wendel (FR) and Chairman of the Van Leer Group Foundation (NL). Previously she was a Board member of Vivendi (FR) (2010-2014) and Tesco PLC (U.K.) (2009-2015). Born in 1953, Dutch citizenship. Date of first appointment: September 29, 2013.

Mina Gerowin, Director (Non-Executive Director—-independent), Member of the Governance and Sustainability Committee

Ms. Gerowin has an A.B. from Smith College in Political Economy, a J.D. from the University of Virginia School of Law and an M.B.A. from Harvard Business School where she was a Baker Scholar. She practiced law in Switzerland and New York then worked as Investment Banker in International Mergers and Acquisitions at Lazard Frères in New York and Paris. Ms. Gerowin formed her own consulting and investing company, completing five LBO transactions and participated in their direction as an officer and director. After their sale she consulted internationally. Ms. Gerowin was a Managing Director of Paulson Europe LLP in London working on event, credit, distressed, recovery and merger arbitrage. She joined Paulson & Co. in 2004 helping establish the hedge fund's Event fund. Mina Gerowin is a member of the Advisory Board of the Royal United Services Institute. She is a former Director of EXOR S.p.A., Lafarge S.A. and a former member of the Global Advisory Committee of Samsung Asset Management. Born in 1951, American citizenship. Date of first appointment: September 29, 2013.

Suzanne Heywood, Director (Non-Executive Director), Chairperson of the Governance and Sustainability Committee, Member of the Compensation Committee

Suzanne Heywood became a Managing Director of EXOR in 2016. Prior to that she worked at McKinsey & Company which she joined as an associate in 1997 and left as a Senior Partner (Director) in 2016. Lady Heywood led McKinsey's global service line on organization design for several years and also worked extensively on strategic issues with clients across different sectors. She has published a book, "Reorg," and multiple articles on these topics and has also acted as a visiting lecturer at Tsinghua University in Beijing. Suzanne started her career in the U.K. Government as a Civil Servant in the U.K. Treasury. At the Treasury she worked as Private Secretary to the Financial Secretary (who is responsible for all direct taxation issues) as well as leading thinking on the Government's privatization policy and supporting the Chancellor in his negotiations at ECOFIN (the meeting of European Finance Ministers) in Brussels. Prior to that she studied science at Oxford University (BA) and then at Cambridge University (PhD). Lady Heywood is also a Board Member of The Economist (where she is an Audit Committee member) and of the Royal Opera House (where she is the Deputy Chair) and the Royal Academy of Arts Trust. She grew up sailing around the world for ten years on a yacht with her family recreating Captain James Cook's third voyage around the world. Born in 1969, British citizenship. Date of first appointment: April 15, 2016.

Léo W. Houle, Director (Senior Non-Executive Director—-independent), Chairperson of the Compensation Committee, Member of the Governance and Sustainability Committee

Mr. Houle was a Director of CNH Global N.V. from April 7, 2006 until the merger of the company into CNH Industrial. On September 6, 2011, Mr. Houle was appointed to the Board of Directors of Chrysler Group LLC now known as FCA US LLC until June 2016 when all public debt of the company was repaid and its public listing ceased. Mr. Houle was Chief Talent Officer of BCE Inc. and Bell Canada, Canada's largest communications company, from

June 2001 until his retirement in July 2008. Prior to joining BCE and Bell Canada, Mr. Houle was Senior Vice-President, Corporate Human Resources of Algroup Ltd., a Swiss-based diversified industrial company. From 1966 to 1987, Mr. Houle held various managerial positions with the Bank of Montreal, the last of which was Senior Manager, Human Resources, Administration Centers. In 1987, Mr. Houle joined the Lawson Mardon Group Limited and served as Group Vice-President, Human Resources until 1994 when Algroup Ltd. acquired Lawson Mardon Group at which time he was appointed Head of Human Resources for the packaging division of Algroup and in 1997 Head of Corporate Human Resources of Algroup, Ltd. Mr. Houle completed his studies at the College Saint Jean in Edmonton, attended the

Executive Development Program in Human Resources at the University of Western Ontario in 1987 and holds the designation of Certified Human Resources Professional (CHRP) from the Province of Ontario. Born in 1947, Canadian citizenship. Date of first appointment: September 29, 2013.

Peter Kalantzis, Director (Non-Executive Director—independent), Member of the Audit Committee, Member of the Compensation Committee

Mr. Kalantzis was a Director of CNH Global N.V. from April 7, 2006 until the merger of the company into CNH Industrial. Mr. Kalantzis has been a non-executive member of various boards of directors since 2001. Prior to 2000, he was responsible for Alusuisse-Lonza Group's corporate development and actively involved in the de-merger and stock market launch of Lonza, as well as the merger process of Alusuisse and Alcan. Mr. Kalantzis served as head of the Chemicals Division of Alusuisse-Lonza Group from 1991 until 1996. In 1991, Mr. Kalantzis was appointed Executive Vice President and member of the Executive Committee of the Alusuisse-Lonza Group. Between 1971 and 1990 he held a variety of positions at Lonza Ltd. in Basel. Mr. Kalantzis is Chairman of the Board of Clair Ltd., Cham (Switzerland); Chairman of Von Roll Holding Ltd., Breitenbach (Switzerland) and Chairman of Degussa Sonne/Mond Goldhandel AG, Cham (Switzerland). He is a member of the Board of Paneuropean Oil and Industrial Holdings, Luxembourg; of Consolidated Lamda Holdings (Luxembourg); of SGS Ltd., Geneva (Switzerland); and of Hardstone Services SA, Geneva (Switzerland). He is also President of the Board of John S. Latsis Public Benefit Foundation, Vaduz (Liechtenstein). From 1993 until 2002, he served on the Board of the Swiss Chemical and Pharmaceutical Association as Vice-President and in 2001-2002 as President. Mr. Kalantzis holds a Ph.D. in Economics and Political Sciences from the University of Basel and engaged in research as a member of the Institute for Applied Economics Research at the University of Basel between 1969 and 1971. Born in 1945, Swiss and Greek citizenship. Date of first appointment: September 29, 2013.

John Lanaway, Director (Non-Executive Director—independent), Member of the Audit Committee

Mr. Lanaway was elected a director of CNH Industrial N.V. in September 2013. Mr. Lanaway previously served as a director of CNH Global N.V. from 2006 to 2013. On September 6, 2011, Mr. Lanaway was appointed to the Board of Directors of Chrysler Group LLC now known as FCA US LLC until June 2016 when all public debt of the company was repaid and its public listing ceased. His work and academic background includes: 2011–Present, independent consultant; 2007-2011, Executive Vice President and Chief Financial Officer, North America at McCann Erickson; 2001-2007, various positions of increasing responsibility at Ogilvy North America, finally as Senior Vice President and Chief Financial Officer; 1999-2001, Chief Financial Officer and Senior Vice President at Geac Computer Corporation Limited; 1997-1999, Chief Financial Officer at Algorithmics Incorporated; 1995-1997, Senior Vice President and Chief Financial Officer at Spar Aerospace; 1993-1994, Sector Vice President, Labels North America at Lawson Mardon Group Limited; 1989-1993, Group Vice President and Chief Financial Officer at Lawson Mardon Group Limited; 1988-1989, General Manager at Lawson Mardon Graphics; 1985-1988, Vice President, Financial Reporting and Control at Lawson Mardon Group Limited; 1980-1985, Client Service Partner at Deloitte; and 1971-1980 Student-Staff Accountant-Supervisor-Manager at Deloitte. Mr. Lanaway graduated from the Institute of Chartered Accountants of Ontario, C.A. and has a Bachelor of Arts degree from the University of Toronto. Born in 1950, American, Canadian and British citizenship. Date of first appointment: September 29, 2013.

Sergio Marchionne, Chairman (Executive-Director)

Sergio Marchionne is Chairman of CNH Industrial N.V. He was Chairman of Fiat Industrial S.p.A. and CNH Global N.V. until the integration of these companies into CNH Industrial. He also serves as CEO of Fiat Chrysler Automobiles N.V. and Chairman and CEO of Ferrari N.V. and of FCA US LLC. He holds a Bachelor of Arts with a major in Philosophy from the University of Toronto and a Bachelor of Laws from Osgoode Hall Law School at York University in Toronto, as well as a Master of Business Administration and a Bachelor of Commerce from the University of Windsor (Canada). Mr. Marchionne is a barrister, solicitor and chartered accountant. He began his professional career in Canada. From 1983 to 1985, he worked for Deloitte & Touche. From 1985 to 1988, at the Lawson Mardon Group of Toronto. From 1989 to 1990, he served as Executive Vice President of Glenex Industries.

From 1990 to 1992, he was Chief Financial Officer (CFO) at Acklands Ltd. From 1992 to 1994, also in Toronto, he held the position of Vice President of Legal and Corporate Development and CFO of the Lawson Mardon Group. From 1994 to 2000, he covered various positions of increasing responsibility at Algroup, headquartered in Zurich (Switzerland), until becoming its CEO. He then went on to head the Lonza Group Ltd first as CEO (2000-2001) and then as Chairman (2002). In February 2002, he became CEO of the SGS Group of Geneva. In March 2006, he was appointed Chairman of the company, a position that he continues to hold. He was non-executive Vice Chairman and Senior Independent Director of UBS from 2008 until April 2010. Mr. Marchionne has been a member of the Board of Fiat S.p.A. since May 2003 and was appointed CEO in June 2004. He

became CEO of FCA US LLC in June 2009, as well as Chairman in September 2011. On October 13, 2014, he became CEO of Fiat Chrysler Automobiles N.V. and Chairman of Ferrari S.p.A. In May 2010, he joined the Board of Directors of EXOR N.V. and in May 2015 was appointed Non-executive Vice Chairman. He is a member of the Board of Philip Morris International Inc. and of the Board of the Peterson Institute for International Economics as well as Chairman of the Council for the United States and Italy, and member of the J.P. Morgan International Council. Born in 1952, dual Canadian and Italian citizenship. Date of first appointment: November 23, 2012.

◆ **Silke C. Scheiber, Director (Non-Executive Director—independent), Member of the Audit Committee**
Silke C. Scheiber was at Kohlberg Kravis Roberts & Co. LLP, London, U.K. (“KKR”) from July 1999 to December 2015. She was a Member and Head of the European Industrials Group, responsible for identifying and executing a number of investment opportunities within the broader industrials space for KKR’s European private equity funds. From 1996 to 1999, Ms. Scheiber worked as a financial analyst at Goldman, Sachs & Company oHG Frankfurt, Germany. Ms. Scheiber obtained her MBA from the University of St. Gallen in St. Gallen, Switzerland, majoring in Finance and Accounting. Ms. Scheiber also attended the Ecole des Hautes Etudes Commerciales (HEC) in Paris, France where she majored in European Management and International Business Studies. Ms. Scheiber currently holds a non-executive director role with Jungbunzlauer Holding AG, Basel, Switzerland and sits on the Board of Micro Focus International PLC, Newbury, England. Born in 1973, Austrian citizenship. Date of first appointment: April 15, 2016.

◆ **Guido Tabellini, Director (Non-Executive Director—independent), Member of the Compensation Committee**
Guido Tabellini was a Director of Fiat Industrial S.p.A. from March 10, 2011 until the merger of the company into CNH Industrial. Guido Tabellini is a professor at Università Bocconi, where he also served as Rector from November 2008 to October 2012. Also at Bocconi, he served as Director and then President of the Innocenzo Gasparini Institute for Economic Research (IGIER). Prior to that, Mr. Tabellini taught at Stanford University, UCLA, Università di Cagliari and Università di Brescia. He has been a research fellow and advisor for numerous international organizations and research institutes and was a member of the Council of Economic Advisors to the Italian Prime Minister, of the Privatization Committee and of the Advisory Panel on Public Expenditures to the Italian Ministry of the Economy. Mr. Tabellini received a Ph.D. in Economics from UCLA in 1984. He is a Fellow of the Econometric Society, a Foreign Honorary Fellow of the American Economic Association and a Foreign Honorary Member of the American Academy of Arts and Sciences. He has won the Y. Jahnsson Award from the European Economic Association and is also a former President of the European Economic Association. Mr. Tabellini has published numerous articles and books on macro-economics and political, international and public economics. He is also a columnist for *Il Sole 24 Ore*. Board memberships at other listed companies: CIR. Born in 1956, Italian citizenship. Date of first appointment: September 29, 2013.

◆ **Jacques Theurillat, Director (Non-Executive Director—independent), Chairperson of the Audit Committee**
Jacques Theurillat is a member of the Boards of Purdue Inc./Mundipharma, CNH Industrial N.V. and ADC Therapeutics S.A. He is a Venture Consultant with Sofinnova Partners SAS, a venture capital firm focused on life sciences. From April 2008 to August 2015, Mr. Theurillat served as CEO of Ares Life Sciences AG, a privately owned investment fund with the objective to build and manage a portfolio of companies in life sciences. From March 2007 to March 2008, he has served as CEO and Chairman of Albea Pharmaceuticals AG, a Swiss company involved in venture financing for life sciences companies. Mr. Theurillat served as Serono’s SA Deputy CEO until December 2006. In addition to his role as Deputy CEO, he was appointed Senior Executive Vice President, Strategic Corporate Development in May 2006 and was responsible for developing Serono’s global strategy and pursuing its acquisition and in-licensing initiatives. From 2002 to 2006, Mr. Theurillat served as Serono’s President of European and International Sales & Marketing. In this position, he was responsible for Serono’s commercial operations in Europe, IBO, Asia-Pacific, Oceania/Japan, Latin America and Canada. He became a Board member in May 2000. From 1996 to 2002, Mr. Theurillat was Chief Financial Officer. He previously served as Managing Director of the Istituto Farmacologico Serono in Rome, where he started in 1994. In 1993, he was appointed Vice President Taxes and

Financial Planning for Serono. In 1990-1993, Mr. Theurillat worked outside Serono, running his own law and tax firm. Before that, he was Serono's Corporate Tax Director, a post to which he was appointed in 1988. He first joined Serono in 1987 as a Corporate Lawyer working on projects such as the company's initial public offering. Mr. Theurillat is a Swiss barrister and holds Bachelor of Law degrees from both Madrid University and Geneva University. He also holds a Swiss Federal Diploma (Tax Expert) and has a Master's degree in Finance. Born in 1959, Swiss citizenship. Date of first appointment: September 29, 2013.

✦ **Richard J. Tobin, Chief Executive Officer (Executive-Director) of CNH Industrial N.V.**

Mr. Tobin is the Chief Executive Officer of CNH Industrial N.V. since January 2012. Prior to the merger of Fiat Industrial S.p.A. and CNH Global he was the Chief Executive Officer of CNH Global and group Chief Operating Officer of Fiat Industrial S.p.A., roles he assumed after two years as Chief Financial Officer for CNH Global. Mr. Tobin has extensive experience in international finance and management that he acquired through global leadership positions of growing responsibility and scope. Prior to joining CNH Global in 2010, he held the role of Chief Financial Officer and Head of Information Technology of SGS SA of Geneva Switzerland. He has also held management positions at GTE Corporation of Stamford Connecticut, AluSuisse-Lonza SA of Zurich Switzerland, and Alcan Aluminum of Montreal Canada. Prior to beginning his business career, Mr. Tobin was an officer in the United States Army. Mr. Tobin holds Bachelor of Arts and Master of Business Administration degrees from Norwich University and Drexel University, respectively. He holds the position of Vice Chairman of Turk Traktor ve Ziraat Makineleri AS of Ankara Turkey, and serves on the Board of Directors for the Dover Corporation of Downers Grove, Illinois, USA. He is a member of the Business Roundtable and is also a member of the Board of Trustees at the Shedd Aquarium in Chicago, Illinois, USA. Mr. Tobin is a former member of the Board of Directors of the U.S. Chamber of Commerce which term ended in November 2017. Born in 1963, American citizenship. Date of first appointment: November 23, 2012.

✦ **Alan Berger, Chief Technical Officer, Agricultural and Construction Equipment Products**

Alan Berger assumed the role of Chief Technical Officer, Agricultural and Construction Equipment Products in July 2017. He has over 20 years of international product development experience in the off-highway vehicle industry, much of which he gained through roles of increasing importance with Volvo Construction Equipment culminating in the role of Senior Vice President, Technology. Mr. Berger joined Case Corporation in 1996 as Chief Engineer for Case Construction. This was followed by a series of roles from 2002 – 2005 with companies including Applied Materials and American Standard Companies. From 2005 – 2015 he served in Vice President roles at Ingersoll Rand and Volvo Construction Equipment responsible for Global Engineering, Product Portfolio Development, Advanced Engineering and Product Platforms. In 2016 he was named Senior Vice President of Technology with Volvo Construction Equipment. In September 2016, Mr. Berger re-joined CNH Industrial in the role of Chief Technical Officer, Agricultural Equipment Products. Alan Berger holds an MBA from J.L. Kellogg Graduate School of Management, Northwestern University, Illinois, USA; together with a Bachelor of Science in Electrical Engineering, Computer Engineering, and Applied Mathematics and a Master's of Science in Electrical Engineering, both from Carnegie Mellon University Pittsburgh, USA. He holds 21 U.S. patents.

✦ **Luc Billiet, President, Parts & Service**

Luc Billiet assumed the role of President of Parts & Service in February 2015. Mr. Billiet was born in Belgium and holds a degree in Business Administration from the Catholic University of Leuven in Belgium. He began his career with Volkswagen in Brussels, Belgium, where he spent 19 years in many positions related to Supply Chain. During this period he had the opportunity to work for four years in Germany and for six years in Brazil. His last role in Brazil, before moving to Fiat in Italy, was as Managing Director Parts and Accessories LATAM. Mr. Billiet joined Fiat in 2005 with responsibility for Logistics for the Car and Light Commercial Vehicles sector. Three years later he joined CNH, where he served as Head of Supply Chain Management and after two years, Head of Precision Solutions & Telematics, Training Services and Network Development. He moved to FCA Group in 2013 as Head of Supply Chain for the EMEA region, a role he also held for the LATAM region from 2014. In February 2015, Mr. Billiet was appointed President of CNH Industrial's Precision Solutions & Telematics organization, a position he held until July 2016.

✦ **Sergio Carpentiere, Chief Purchasing Officer**

Sergio Carpentiere assumed the role of Chief Purchasing Officer for CNH Industrial in June 2015. He joined Fiat Group in 1996 in the Sales & Marketing area as after sales services area manager. Between 1998 and 2000, he was a Quality Specialist in the prototype area of Fiat Auto. From 2000, Mr. Carpentiere started his career in the JV GM-Fiat

Worldwide Purchasing as a Senior Buyer then as a Purchasing Platform Manager and finally as a Metallic Commodity Manager. In 2005, he joined Fiat Powertrain Technologies S.p.A. starting as Global Commodity Director in the Purchasing function and then, in 2008 as Business Development Manager responsible for the NAFTA region. In 2009, at the beginning of the alliance with Chrysler, he assumed the role of Project Manager within Fiat Group Purchasing responsible for the integration between Fiat and Chrysler Purchasing activities. Mr. Carpentiere became Chief Purchasing Officer for Ferrari managing both road car and racing activities in 2011. He was subsequently appointed Head of EMEA Region Purchasing Powertrain for FCA in March 2015. Mr. Carpentiere earned a degree in Electronic Engineering from the University of Pisa.

✦ **Massimiliano (Max) Chiara, Chief Financial Officer and Chief Sustainability Officer**

Massimiliano (Max) Chiara was appointed Chief Financial Officer of CNH Industrial N.V. in August 2013 and assumed the role of Chief Sustainability Officer in June 2016. In addition, in December 2017, the CFO role was expanded to include Business Development. He previously served as Chief Financial Officer and Head of Business Development for Fiat Chrysler in Latin America since January 2013. From 2011 to 2012 he served as Vice President Finance in the position of Head of Financial Planning and Analysis and Business Development Finance for Fiat Chrysler. Previously he held various positions with Chrysler Group LLC including Controller for the Fiat, Chrysler and Dodge Brands, Marketing Controller and Head of Financial Planning and Analysis, a position he held since he joined Chrysler Group LLC in 2009. Previously he held the position of Director of Business Development Finance for Fiat Powertrain SpA. Prior to that, he was Director of Financial Operations and Director of Global Treasury for Teksid Aluminum. Previously, and since 1993 Mr. Chiara held various managerial roles at PricewaterhouseCoopers, R. Bosch SpA, Wuerth Group and was a M&A financial analyst with Dresdner Kleinwort Benson. Mr. Chiara graduated Cum Laude from the Luigi Bocconi University in Milan (Italy), with a degree in Business Administration, and has a CEMS Master's degree in International Management from the Bocconi University and the University of Cologne (Germany). Mr. Chiara held the position of Chairman of the Italian Association of Corporate Treasurers (AITI) for the years 2004-2007.

✦ **Vilmar Fistarol, Chief Operating Officer-LATAM**

Vilmar Fistarol assumed the role of Chief Operating Officer of the LATAM region for CNH Industrial in 2013. Prior to this, Mr. Fistarol was appointed Head of Group Purchasing for Fiat Chrysler and named a member of the Fiat Chrysler Group Executive Council (GEC) on September 1, 2011. Mr. Fistarol was appointed Director of Human Resources with Fiat Group Automobiles Latin America in June 2010. Concurrently, he was appointed Executive Vice President of Fiat Group Automobiles Argentina. Prior to this role, he was President and CEO of Teksid (Fiat Group Foundry NAFTA and Mercosul) from January 2008. From 2005 to 2007, he was Vice President of Purchasing for Fiat in Latin America. From 2001 to 2005, during the joint venture GM-Fiat WW Purchasing, he was the Vice President for Purchasing Operations Fiat Latin America and Vice President of Powertrain and Metallic Purchasing for Latin America, Africa and Middle East. From 1991 to 2001, he served in various roles within Purchasing including Director of Fiat Auto Argentina Purchasing, Purchasing Director of Fiat Auto Metallic Italy and Director of Purchasing for GM-Fiat Powertrain Europe. Mr. Fistarol worked in various roles for Agrale from 1981 to 1991 and for the Metallurgical Division of Abramo Eberle-casting from 1978 to 1980. He trained in metallurgy at the Technical School Tupy- SC, and graduated in Business Administration at the University of Caxias do Sul, in addition to obtaining an MBA in FDC/Kellogg School of Management in the U.S. and an MBA in FDC/INSEAD in France. Mr. Fistarol was President of Brazil SAE (Society of Automotive Engineers) in 2007-2008 and still serves as a member of the Advisory Board.

✦ **Carl Gustaf Göransson, Brand President, Case Construction Equipment and New Holland Construction Equipment**

Carl Gustaf Göransson assumed the role of Brand President, Case Construction Equipment and New Holland Construction in September 2016. He has some 25 years of experience in the construction equipment industry, much of which he has gained through roles of increasing importance within Volvo Construction Equipment and most recently Cargotec Corporation. Mr. Göransson started his career in 1993 at Volvo Construction Equipment as Area Manager Product Marketing for Volvo Articulated Haulers. Following a series of European Market responsibilities of increasing importance, in 1999 Mr. Göransson was appointed European Project Manager for Excavator Projects. From 2004 – 2006 he served as Vice President Articulated Haulers Europe, following which he was nominated Vice President of Sales Business Development Europe. In 2007 he was named President, Europe Central Construction Equipment. In 2013 Mr. Göransson was appointed Senior Vice President Sales, Markets and Services at Cargotec Corporation for the Hiab brand. From 2016 – 2017, Mr. Göransson also served as President, Construction Equipment Products Segment for CNH Industrial. Mr. Göransson holds a degree in Marketing and Business Administration from Eductus IHM Business School, Växjö, Sweden, and an officers degree from the Swedish Officers Academy School, Halmstad, Sweden.

◆ Oddone Incisa, President, Financial Services

Oddone Incisa della Rocchetta, is the President of CNH Industrial Financial Services, and prior to joining CNH Industrial in his current position, Mr. Incisa had been CEO and General Manager of FGA Capital (now FCA Bank) since March 2011. Mr. Incisa started his professional career with the Fiat Group in the finance team of Fiat Bank in Germany in 1997. He spent four years with this team and ultimately became Head of Control and Treasury. In 2001, he moved to Brazil and was the CFO of Banco Fiat for two years. Mr. Incisa then moved to Turin, Italy in 2003 as the Head of Financial Planning & Analysis for Fidis Retail and FGA Capital. In 2008, he moved to Racine, Wisconsin as the CFO for CNH Capital. He

was born in Italy and holds degrees in Economics, cum laude, from the University of Turin and a Master's degree in Management from ESCP-Europe (formerly, EAP) Paris, Oxford and Berlin.

• **Andreas Klauser, Brand President, Case IH Agricultural Equipment**

Andreas Klauser assumed the role of President of Case IH Agricultural Equipment in December 2009. He has more than 20 years of experience in the agricultural industry, much of which he has gained through roles of increasing importance within CNH. Mr. Klauser joined the Case IH brand in 1990 as Export Manager for Steyr tractors in Western and Eastern Europe. From 1997-2006, he served as Business Director, Austria and Central Europe for the Case IH, New Holland Agriculture and Steyr brands. In addition to this role, he also became Sales and Marketing Director, Poland, in 2001. In November 2006, Mr. Klauser assumed responsibility for brand activities for Case IH and Steyr as Vice President and General Manager Europe. Being responsible for the two brands worldwide he was appointed Brand President in 2009, and also joined the Group Executive Council of CNH Industrial. From 2012 to 2015 he served as Chief Operating Officer for CNH Industrial for the EMEA region. Since 2012, in addition to his role as Brand President Case IH and Steyr, Mr. Klauser assumed additional leadership responsibilities as the Chairman of the Iveco Magirus AG board. Mr. Klauser holds a degree from Steyr's HTBLA program, a Federal Higher Technical Institute for Mechanical Engineering, and a degree in Export Business from the University of Linz, Austria.

• **Linda I. Knoll, Chief Human Resources Officer**

Linda I. Knoll is Chief Human Resource Officer (CHRO) for CNH Industrial N.V. and is a member of its Group Executive Council (GEC). She is responsible for providing leadership and companywide direction for the Human Resources function, including organizational development, talent management, compensation and benefits, employee relations, union negotiations and compliance and staffing. Since September 2011, Ms. Knoll has concurrently held the same CHRO and GEC positions at Fiat Chrysler Automobiles N.V. Ms. Knoll honed her career in CNH Industrial predecessor companies through numerous operational roles, accumulating a wealth of relevant industry experience spanning more than 20 years. This ultimately culminated in a variety of leadership appointments, including Vice President and General Manager of the Crop Production Global Product Line, Vice President North America Agricultural Industrial Operations, Executive Vice President Agricultural Product Development, President Parts and Service (ad interim) and Executive Vice President Worldwide Agricultural Manufacturing, where she was responsible for overseeing twenty-two factories in ten countries around the world. Prior to joining CNH Industrial in 1994, Ms. Knoll spent eleven years with the Land Systems Division of General Dynamics Corporation. Ms. Knoll holds a Bachelor of Science Degree in Business Administration from Central Michigan University and is a past board member of the National Association of Manufacturers (NAM). In May 2014, Ms. Knoll was elected to the Board of Directors of Schneider Electric SE, a European multinational corporation that specializes in energy management and automation solutions spanning hardware, software and services. She serves as a member of Schneider Electric's Governance and Remunerations Committee and as Chairperson of its Human Resources and Sustainability Committee.

• **Pierre Lahutte, Brand President, IVECO**

Pierre Lahutte assumed the role of IVECO Brand President in June 2014. He has 20 years of experience in the Agricultural Equipment and Truck & Bus industries, much of which he has gained through roles of increasing responsibility within New Holland, CNH and IVECO. Mr. Lahutte started his career in 1997 in New Holland NV joining a Graduate Training program with three successive postings at the Jesi plant in Italy, at the North American Commercial Training Center in New Holland, Pennsylvania and finally at the Latin American Combine Harvesters Sales & Marketing operations in Curitiba, Brazil. From 1999-2001 he was Product Manager for New Holland Handling Equipment for Western Europe based at Basildon, UK. From 2002-2005 he was Marketing and Logistics Manager for the New Holland Agriculture and Case IH brands in Spain and Portugal, then continued his international career, becoming Business Manager for New Holland Agriculture and Case IH in AME and Japan. From 2006-2007 he served as Business Director for New Holland Agriculture and Case IH/Steyr in the Benelux markets, then he moved to the global role of Director of Product Management for Tractors and Telehandlers for New Holland

Agriculture in 2008-2010, subsequently he also assumed responsibility for brand communications. In 2011 he was appointed Marketing Director for the International Region of CNH. In 2012, he then moved to IVECO where he became Vice President of Irisbus in charge of the global Bus business. Mr. Lahutte holds a Tank Officer degree from the French Armored Cavalry School in Saumur, a Masters in Marketing and Technology Management from the Rouen Business School, France and a MBA from the UMASS ISENBURG School of Management, Amherst, USA. He speaks seven languages acquired during the course of his international career. Since 2014, Mr. Lahutte has sat on the ACEA (European Automobile Manufacturers Association) Board.

✦ Carlo Lambro, Brand President, New Holland Agricultural Equipment

Carlo Lambro was appointed Vice President New Holland Agriculture EMEA in January 2013. In September 2013 he became Brand President of New Holland Agricultural Equipment, and also joined the Group Executive Council of CNH Industrial. Mr. Lambro joined the New Holland Agriculture brand more than 25 years ago. Throughout his career he gained extensive, commercial experience in Europe, Middle East, Africa and Asia. As such, he was appointed as Sales Manager New Holland Brand Portugal in 1993. In 1994, he assumed commercial responsibility for all Eastern Europe countries and became Business Director for CIS area, China and Far East in 1999. One year later he was appointed Business Director for Russia and CIS, with responsibility for all agricultural brands within the Fiat Group. In 2004, Mr. Lambro was appointed General Manager of Shanghai New Holland Agriculture Machine Corporation in addition to his responsibilities as CNH Country Manager for China. Mr. Lambro was appointed Business Director New Holland Agriculture for Italy in 2006 and one year later he was appointed Business Director New Holland Agriculture Europe. Mr. Lambro holds a Master degree of Agrarian Sciences from the University of Bologna.

✦ Leandro Lecheta, Chief Operating Officer-NAFTA

Leandro Lecheta assumed the role of Chief Operating Officer NAFTA region in December 2017. He has some 25 years of experience in administration, operations and finance, which he has gained through roles of increasing importance in international business. Mr. Lecheta started his career in the consultancy and public accounting sector with positions in Deloitte and Arthur Andersen. In 2005 he was appointed Chief Financial Officer for the LATAM region for Alltech Animal Nutrition. In 2007 he joined CNH where he served as Chief Financial Officer for the LATAM region, a position he held until 2010 upon his appointment as Vice President of Finance for the Case IH brand, based in Racine, USA. In 2013 Mr. Lecheta was nominated Chief Financial Officer for the NAFTA region, and subsequently became Head of Global Sales and Operations Planning for CNH Industrial in 2014. Leandro Lecheta holds degrees in Business Administration from the Federal University of Parana, Brazil and in Accounting from Tuiuti University, Brazil. Mr. Lecheta is also a member of the Board of Directors of CNH de Mexico.

✦ Alessandro Nasi, President, Specialty Vehicles, Group Executive Council Executive Coordinator

Alessandro Nasi assumed the role of Chief Business Development Officer of Fiat Industrial in November 2012. In 2008, he was appointed Senior Vice President of Business Development for CNH. He also served as Head of Business Development for Fiat Industrial and Secretary of the Fiat Industrial Executive Council (FIEC) since January 2011. Mr. Nasi first joined the Fiat Group in 2005 with responsibility for Asia Business Development, supporting Fiat Group sectors. He started his career as a financial analyst at Europlus Asset Management (a division of Unicredit) in Dublin, PricewaterhouseCoopers in Turin, and at Merrill Lynch and JP Morgan in New York. He also worked as an Associate in the Private Equity Division of JP Morgan Partners in New York. In 2007, Mr. Nasi was appointed Vice President of Business Development and a member of the Steering Committee of Fiat Powertrain Technologies. In 2008, he joined CNH, where in addition to his current responsibilities, he also served as Senior Vice President of Network Development from 2009-2011. Mr. Nasi is a Managing Partner of Giovanni Agnelli B.V. and he is Vice Chairman of the board of EXOR N.V. He holds a degree in Economics from the University of Turin.

✦ Derek Neilson, Chief Operating Officer-EMEA and President, Commercial Vehicles Products Segment

Derek Neilson assumed the role of Chief Operating Officer EMEA in February 2015 alongside the role of President, Commercial Vehicles Products Segment. Mr. Neilson has more than 20 years of experience in production and manufacturing engineering. He first joined CNH in 1999 with responsibility for the Basildon (U.K.) Plant Engine Manufacturing Business Unit. He later advanced to take the lead of the Tractor Manufacturing Business Unit. In 2004, Mr. Neilson was appointed Plant Manager of CNH's Basildon (U.K.) tractor facility. In 2007, he became Vice President of Agricultural Manufacturing, Europe, a role he held until assuming global responsibilities for Agricultural Manufacturing in 2010. From 2012 to 2015, he served as Chief Manufacturing Officer for CNH Industrial. Mr. Neilson holds a BTEC HNC in Mechanical and Production Engineering.

Stefano Pampalone, Chief Operating Officer-APAC

Stefano Pampalone assumed the role of Chief Operating Officer APAC (Asia and Pacific) region for CNH Industrial in September 2013. Since joining CNH in 1998, Mr. Pampalone's career has been focused on international assignments. In 2001, after gaining commercial experience in parts and whole goods in Poland, India, Africa and the Middle East, he was appointed Business Manager Southern Africa and Iran for all Fiat Group Agricultural Brands. In 2004 he became Marketing Director for Agricultural Equipment in Asia, Africa and the Middle East. From 2006 to 2007 he first served as

Business Director for the CNH Agricultural Business in Italy, and subsequently held the position of Business Director Africa & Middle East. In 2009 he was appointed General Manager of the Agricultural and Construction Equipment Business in India and Pakistan. From February 2013, he held the role of General Manager for CNH in India, South East Asia and Japan, before assuming responsibility for the entire APAC region. Mr. Pampalone holds a degree in Engineering from the University of Trieste, Italy and an MBA from Profingest of Bologna, Italy.

• **Adrian Pipe, Chief Quality Officer**

Adrian Pipe assumed the role of Chief Quality Officer for CNH Industrial in April 2014. Mr. Pipe joined CNH Industrial in 1988 as a Training Instructor, and in 1993 became Area Service Manager for New Holland agricultural and construction equipment in the Asia Pacific Region. From 1999-2006, he held various roles in Customer and Dealer Support for the UK and Europe, as well as Manufacturing Quality, Product Behavior and Technical Support for Agricultural and Construction Equipment. In 2006, he became responsible for Product Support Agriculture and Construction Equipment Europe. From 2008-2011 he covered a number of roles including manufacturing product launches and assignments on projects in Poland and Brazil. From 2011-2013 he served as Director of Product Support EMEA supporting four Agriculture and Construction Equipment brands. In 2013 Mr. Pipe was appointed as Vice President of Product Support for EMEA supporting Agriculture, Construction, Iveco Truck, Bus and Specialty businesses. Mr. Pipe holds both a BTEC ND in Agricultural Engineering and BTEC HND in Mechanical Engineering from Rycotewood College UK.

• **Annalisa Stupenengo, Brand President, FPT Industrial and President, Powertrain Products Segment**

Annalisa Stupenengo assumed the roles of Brand President FPT Industrial and President, Powertrain Products Segment in June 2015. Ms. Stupenengo has extensive international experience in the Powertrain sector that she gained through roles of increasing importance and scope within the CNH Industrial and FCA groups. Ms. Stupenengo started her career in 1996 in the Sales & Marketing area of Fiat Group. In 2000, after leading a cost reduction task force and being the CEO assistant in Morocco, she moved to the GM Fiat Worldwide Purchasing joint venture. Following this, she assumed the role of Purchasing Platform Manager and was responsible for an international team based in Sweden and Italy. From 2003 to 2005 she managed the electrical and electronic components division, a position she also held for FGA Company Purchasing until 2006, when she was appointed Global Commodity Purchasing Director and created the new Powertrain Purchasing department in Fiat Powertrain Technologies SpA. In 2008 Ms. Stupenengo became Powertrain System Commodity Director at Fiat Group Purchasing and, in July of the same year, she was appointed Vice President of the Electrical Commodity & FPT Sector with global responsibility. Subsequently, she was appointed Senior Vice President of Purchasing at CNH, with joint responsibility for Mechanical Commodity at Fiat Group Purchasing. In January 2013 she became Head of Group Purchasing EMEA Region for Fiat Chrysler and Chief Purchasing Officer for CNH Industrial. Ms. Stupenengo has been a member of the CNH Industrial Group Executive Council (GEC) since September 2013 and in December 2015 she joined the Board of Directors at Welltec International ApS. Ms. Stupenengo earned a degree in Management Engineering from the Polytechnic University of Turin.

• **Tom Verbaeten, Chief Manufacturing Officer**

Tom Verbaeten assumed the role of Chief Manufacturing Officer in February 2015. Mr. Verbaeten joined CNH in 1994, performing various roles in the Antwerp Plant including Team Leader and Production Unit Manager for both assembly and machining areas. In 2006 he was appointed Plant Manager of Antwerp and in 2009 he became Plant Manager for the harvesting plant in Zedelgem. In 2011, Mr. Verbaeten assumed responsibility for Manufacturing Operations of Agricultural Equipment in Europe. In addition to his role in Agriculture, Mr. Verbaeten took responsibility for all Construction Equipment plants in Europe from 2013. He has also managed the Global World Class Manufacturing activities since 2014, in addition to his operational role. Mr. Verbaeten holds an Engineering degree from the University of Leuven.

There is no family relationship among any of our Directors or senior managers set forth above.

B. Compensation

Remuneration Report

The quality of our leadership and their commitment to the Company are fundamental to our success. Our compensation philosophy supports our business strategy and growth objectives in a diverse and evolving global market. Our Remuneration Policy is designed to competitively reward the achievement of long-term sustainable performance goals and to attract, motivate and retain highly qualified senior executives who are committed to performing their roles in the long-term interest of our shareholders and other stakeholders. Given the changing international standards regarding appropriate remuneration, a variety of factors have been taken into consideration, such as the complexity of functions, the scope of responsibilities, the alignment of risks and rewards, national and international legislation and the long-term objectives of the Company and its shareholders. In addition, in formulating the Remuneration Policy, the Board took into consideration the aspects set forth in best practice 3.1.2 of the DCGC.

Remuneration Policy Available on our Website

The Compensation Committee of the Board of Directors (“Compensation Committee”) provides to the Non-Executive Directors of the Board its recommendation for total compensation of the Executive Directors. It does so in accordance with the Company’s Remuneration Policy. The Non-Executive Directors approve all Executive Directors’ compensation terms and conditions based on the Remuneration Policy as aligned with Dutch law and the Dutch Corporate Governance Code.

At the 2014 Annual General Meeting of Shareholders (“AGM”), our shareholders approved the Company’s Remuneration Policy. At the 2017 AGM, our shareholders approved an amendment to the Remuneration Policy pursuant to which all fees payable to Non-Executive Directors will be paid in cash. A copy of the amended Remuneration Policy is available on the Company’s website, www.cnhindustrial.com.

The Compensation Committee reviews the Remuneration Policy and its implementation annually. The Committee found no need to recommend adjustments to the Remuneration Policy at the 2018 Annual General Meeting of shareholders.

Financial Year 2017 – Select Business Highlights

The basic foundation of CNH Industrial’s Remuneration Policy is payment for performance. The following table highlights key 2017 achievements.

Financial Highlights	Strategic Developments and Initiatives
<ul style="list-style-type: none"> •Standard & Poor’s Global Ratings raised the credit ratings of both CNH Industrial N.V. and CNH Industrial Capital LLC to “investment grade”, with stable outlook 	<ul style="list-style-type: none"> •New Holland Agriculture unveiled a methane powered concept tractor, investing in sustainable farming for the future
<ul style="list-style-type: none"> •Fitch Ratings initiated coverage of CNH Industrial at “BBB-” (investment grade) 	<ul style="list-style-type: none"> •Case IH launched the Steiger and Quadtrac series tractors with the latest innovation, the new CVX Drive transmission. This new feature raises the standard for power, performance and productivity on a global level
<ul style="list-style-type: none"> •Generated \$669 million in adjusted net income⁽¹⁾, an increase of 39% vs 2016 	<ul style="list-style-type: none"> •CASE launched a new excavator for North American and European markets, CX145D SR and the CASE CX7500 excavator won awards for the best total cost of ownership
<ul style="list-style-type: none"> •Company revenue up 10% year-over-year, with improved operating margins of 5.8% (versus 5.5% in 2016), demonstrating that our results are not solely driven by the increase in product shipments but also benefitting from better product quality as a result of our continuous improvement efforts in product development and World Class Manufacturing 	
<ul style="list-style-type: none"> •Generated net industrial cash flow of \$1,289 million, a 23% increase year-over-year 	
<ul style="list-style-type: none"> •Powertrain’s strong performance in 2017 reflects the profitability of a well-balanced portfolio of engine applications: 	<ul style="list-style-type: none"> •IVECO launched the Daily Blue Power range, winning the International Van of the Year 2018. The “green” transport design permits unlimited access even in town centers
<ul style="list-style-type: none"> •Net sales increased 18% in the full year 2017 compared to 2016 due to higher volumes. Sales to external customers accounted for 48% of total net sales 	<ul style="list-style-type: none"> •IVECO BUS Crossway LE won the 2017 International Bus and Coach competition
<ul style="list-style-type: none"> •Full year 2017 operating profit was \$362 million, a \$130 million increase compared to 2016, with an operating margin of 8.3%, up 2.0 p.p. compared to 2016 	<ul style="list-style-type: none"> •IVECO Tourys won the 2017 International Minibus of the year
<ul style="list-style-type: none"> •Ranked second in Total Shareholder Return (TSR) relative to seven key industry peers across all of our industries 	<ul style="list-style-type: none"> •FPT Industrial presented the new cursor 13NG, the most powerful on-road natural gas engine of all time
<ul style="list-style-type: none"> •Lower interest expenses due to high coupon debt roll-off / early repayment 	<ul style="list-style-type: none"> •Confirmed Industry Leader for the seventh consecutive year by the Dow Jones Sustainability

Indices

•Achieved positive results while continuing to invest in Research and Development to continue to develop our product pipeline for demand changes in our markets. R&D spending increased 11% year-over-year

•Important milestone earned in quality and process improvement with first gold medal World Class Manufacturing (WCM) achievement for the Company at our Madrid Spain plant. Additionally, 15 silver and 23 bronze medaling plants by the end of 2017

(1) Adjusted Net Income is defined as Net Income less restructuring charges and non-recurring items, after tax, derived from financial information prepared in accordance with U.S. GAAP. In particular, non-recurring items are specifically disclosed items that management considers rare or discrete events that are infrequent in nature and not reflective of ongoing operational activities.

Continued effective management of our businesses through challenging market cycles has positioned the Company to take full advantage of solid demand for our products and services. Both our LATAM and APAC regions saw substantial gains in 2017, driven mainly by Agricultural Equipment and Powertrain.

Notable accomplishments in 2017 include:

- Exceeding profitability and cash flow expectations. FPT Industrial was the standout among our segments for the year, achieving a record profit since the creation of CNH Industrial;
- Gaining investment grade credit ratings. The positive effects have already begun in 2017 as debt is being swapped out with lower available borrowing rates, a direct benefit of improved credit ratings that will continue with even more impact in 2018 and beyond;
- Achieving the second highest relative Total Shareholder Return (TSR) versus seven key industry peers across all of our industries;
- Establishing a culture of sustainability in all that we do and evidenced by the constant launch of innovative green solutions, such as the IVECO Daily Blue Power van and the New Holland Agriculture methane-powered concept tractor and highly powerful FPT Industrial engines with lower emissions and fuel consumption; and
- Madrid plant achieved the Company's first ever World Class Manufacturing (WCM) gold medal, accelerating similar pursuits of excellence throughout the Company.

Remuneration Principles

Our compensation approach is designed to provide a reward structure that allows CNH Industrial to attract and retain the most highly qualified executive talent and to motivate our executives to substantially contribute to business and financial goals that create value for shareholders and other stakeholders. CNH Industrial's compensation philosophy, as set forth in the Remuneration Policy, aims to provide compensation to its Executive Directors, consistent with our core business and leadership values, as outlined below.

Alignment with CNH Industrial's Strategy	<ul style="list-style-type: none"> • Compensation is strongly linked to the achievement of targets aligned with the Company's publicly disclosed objectives.
Pay for Performance	<ul style="list-style-type: none"> • Compensation must reinforce our performance driven culture and principles of meritocracy. As such, the majority of pay is linked directly to the Company's performance through both short and long-term variable pay instruments.
Competitiveness	<ul style="list-style-type: none"> • Compensation will be competitive relative to the comparable market and set in a manner to attract, retain and motivate very effective leaders and highly qualified executives.
Long-Term Shareholder Value Creation	<ul style="list-style-type: none"> • Targets triggering any variable compensation payment will align with interests of shareholders.
Compliance	<ul style="list-style-type: none"> • Our compensation policies and plans will be designed to comply with applicable laws and corporate governance requirements.
Risk Prudence	<ul style="list-style-type: none"> • The compensation structure will avoid incentives that encourage unnecessary or excessive risks that could threaten the Company's value.
Compensation Peer Group	

In 2017, the Compensation Committee reviewed potential compensation peer companies, operating in similar industries and geographies with whom we are most likely to compete for talent at the executive level. The Compensation Committee strives to develop a compensation peer group that best reflects all aspects of CNH Industrial's business and considers public listing, industry practices, geographic reach and revenue proximity. Market capitalization was considered a secondary characteristic. Our Company has few direct business competitors, which

makes it difficult to create a compensation peer group based on industry, revenues or market capitalization alone. Additionally, notwithstanding CNH Industrial being a European headquartered company, evaluation against peer companies incorporated in only the European geographic region was believed to be artificial and inappropriate, in particular in light of being listed in both the New York and Milan stock exchanges. Accordingly, the compensation peer group for the Chief Executive Officer (“CEO”) and the Chairman includes a blend of U.S. S&P 500 industrial and non-U.S. global industrial companies with revenues greater than \$10 billion as shown in the table below. A blend of both U.S. and non-U.S. companies for the compensation peer group is deemed necessary for meaningful comparisons to the relevant talent market for our executives.

The compensation peer group has changed from 2016, to exclude Komatsu, Ltd and Mitsubishi Heavy Industries, Ltd and to include AGCO Corporation. The removed companies were believed to have non-comparable compensation structures versus the other peers and have limited compensation disclosures available for meaningful and relevant peer group benchmarking. The attraction and retention of Executive Directors for CNH Industrial is not compromised with the exclusion of these firms. The addition of AGCO Corporation, although a firm with revenues under \$10 billion, provides an additional industry peer in a relevant U.S. talent market.

Our compensation peer group is utilized to evaluate market-oriented targeted pay levels. The pay elements are designed to align actual pay levels with Company performance.

2017 Compensation Peer Group

U.S. Companies	Non-U.S. Companies
AGCO Corporation	AB Volvo
Caterpillar Inc.	Continental AG
Cummins Inc.	Man SE
Deere & Company	
Honeywell International Inc.	
Johnson Controls International	
Magna International Inc.	
Navistar International Corporation	
PACCAR Inc.	
United Technologies Corporation	

Overview of Remuneration Elements

The Executive Directors' remuneration consists of the following primary elements:

Remuneration Element	Description	Strategic Role
Base Salary	<ul style="list-style-type: none"> • Fixed cash compensation 	<ul style="list-style-type: none"> • Attracts and rewards high performing executives via market competitive pay
Short-Term Variable	<ul style="list-style-type: none"> • Based on achievement of annually predetermined performance objectives • Comprised of two equally weighted financial metrics: adjusted net income and net industrial cash flow • Target payout is 100% and maximum payout is 200% of base salary for both CEO and Chairman 	<ul style="list-style-type: none"> • Drives company-wide and individual performance • Rewards annual performance • Motivates executives to achieve performance objectives that are critical to our annual operating and strategic plans
Long-Term Variable	<ul style="list-style-type: none"> • Equity awards for creation of shareholder value • 100% linked to Relative TSR versus 6 industry specific peer companies • Aligned with 2017-2019 business plan performance 	<ul style="list-style-type: none"> • Aligns executives' and shareholder interests • Encourage executives to achieve long-term strategic and financial objectives • Motivates executives to deliver sustained long-term

		<p>growth</p> <ul style="list-style-type: none"> Aligns executives' and shareholder interests through long-term value creation Enhance retention of key talent
Pension and Retirement Savings	<ul style="list-style-type: none"> CEO: Company sponsored retirement savings programs, available to all salaried employees Chairman: Company pays social contribution fees mandatorily due under Swiss law and indemnifies Fiat Chrysler Automobiles N.V. (for which the Chairman serves as CEO) for a retirement savings benefit equivalent to five times the fixed annual compensation at the time of retirement 	<ul style="list-style-type: none"> Provides for employee security and productivity
Other Benefits	<ul style="list-style-type: none"> CEO: typical benefits such as a company car, medical insurance, accident insurance, and retiree healthcare benefits CEO and Chairman: legacy severance protection CEO and Chairman: tax equalization 	<ul style="list-style-type: none"> Customary fringe benefits consistent with offerings of compensation peer group

2017 Target Direct Compensation Mix

The Compensation Committee believes that the Company's Total Direct Compensation Mix aligns the interests of our Executive Directors with those of our shareholders. It is designed to reward our executives based on achievement of sustained financial and operating performance as well as demonstrated leadership. We support a shared, one-company mindset of performance and accountability to deliver on business objectives.

For 2017, no changes were made to any of the elements of compensation set forth above for either of the Executive Directors.

The total annual target compensation of the Executive Directors emphasizes pay for performance and long-term value creation. This is illustrated in the weighting of the Target Pay Mix below:

Executive Directors 2017 Realized Compensation

The narrative and chart below is intended to provide additional context for understanding the realized, or actual compensation received, in 2017 for the three primary components of pay. This narrative is intended to complement and not serve as a substitute for the amounts reported in the compensation tables and to provide a helpful comparison to the targeted pay mix illustrated in the charts above.

In 2017, the CEO's realized compensation included \$1.3 million in base compensation and \$2.3 million in annual cash performance incentive paid in 2017 and \$1.1 million in equity compensation from the exercise of legacy stock options during the year, totaling \$4.7 million. The Chairman's realized compensation included \$1.6 million in base compensation, no annual cash performance incentive paid in 2017 and \$6.0 million in equity compensation that vested during the year, totaling \$7.6 million.

Under the 2014-2018 Company Performance LTI Plan, the CEO realized zero compensation in performance years 2014, 2015, 2016, or 2017. The LTI included in the CEO's realized income in 2017 is attributable to the exercise of 483,468 legacy stock options, which he held until they were near expiration. Option price was \$8.78.

The Chairman did not receive any annual cash incentive payments in 2014, 2015, 2016, or 2017.

Internal Pay Ratios

The Compensation Committee considered internal pay ratios within the Company and its affiliated enterprise, as provided for by the updated Dutch Corporate Governance Code. Multiple scenario analyses were developed comparing the pay of Executive Directors to the median CNH Industrial employee's pay. Scenarios included Executive Director pay ratio reviews considering the following:

- Base salary earned for 2017;
- Cash bonus and any other cash incentives paid for performance year ending in 2017;
- Non-monetary compensation and contributions into retirement programs during the year (as reported in the Summary Compensation Table); and
- Share based compensation expense incurred during the year for the Executive Directors' stock-based awards (in line with Dutch required disclosures in the Summary Compensation Table).

And alternatively for equity awards:

- Grant date fair value (per accounting valuation) for any stock-based award granted in 2017, (the method defined under US proxy-reporting rules for 2017).

Based on initial survey data provided by an external consultant, the range of ratios utilizing the above components were determined to be consistent with the median among large US companies (over 50,000 employees).

Although the Company is not disclosing pay ratios for 2017 compensation because Dutch Code does not describe the methodology to determine and disclose of such ratios, it will continue to monitor the internal equity of the Executive Directors compensation per the new and still evolving guidance under the Dutch Corporate Governance Code.

Base Salary

The Company does not guarantee annual base salary increases for the Executive Directors. In 2017, the base salary of the Executive Directors did not increase relative to 2016. Being the only fixed component of our Executive Directors' total cash compensation, base salary takes into consideration the executive's skills, scope of job responsibilities, experience, and competitive market, and peer group pay comparisons as described above. The Company believes that paying our Executive Directors at or above these benchmarks is appropriate to retain them throughout the business cycle.

The base salary for both the CEO and the Chairman were approved in September 2013, with the formation of CNH Industrial N.V. No salary increases have since been implemented.

Variable Components

Our Executive Directors are eligible to receive variable compensation subject to the achievement of pre-established, challenging financial and other designated performance objectives and are approved by the Company's Non-Executive Directors. The variable components of our Executive Directors' remuneration, both the short and the long-term incentives, demonstrate our commitment to shareholders by using metrics that align with our business strategy of delivering exceptional operating performance and shareholder returns. The Non-Executive Directors believe that

placing significantly more weight on the long-term component is appropriate to align the Executive Directors efforts on the Company's long-term success.

As specified by Dutch Corporate Governance Code, scenario analyses are carried out annually to examine the relationship between the performance criteria chosen and the possible outcomes of variable remuneration of the Executive Directors. Such analysis was carried out for the 2017 financial year, and the Company found a strong link between remuneration and performance and concludes that the chosen performance criteria supports the Company's strategic objectives and are appropriate under both the short-term and long-term incentive components of total remuneration.

OUR "ACHIEVE AND EARN" PHILOSOPHY REWARDS PERFORMANCE AND LEADERSHIP

The bonus elements and calculations for the Chairman and CEO follow the same "Achieve and Earn" philosophy as the company-wide Performance and Leadership Bonus Plan for all eligible employees.

Short-Term Incentives

The primary objective of short-term variable incentives is to focus on the business priorities for the current or following year. Our Executive Directors' short-term variable incentive is based on achieving short-term (annual) financial and other designated objectives proposed by the Compensation Committee and approved by the Non-Executive Directors each year.

Our Methodology for Determining Annual Bonus Awards

*The individual performance and leadership assessment is applicable to the CEO but not the Chairman. The Chairman evaluates the CEO's performance and leadership each year using a nine box matrix that correlates to the overall individual performance evaluation. This score aligns individual contribution with our long-held pay for performance philosophy and therefore can increase or decrease the bonus earned in a given performance year. The minimum factor is 10%; the maximum is 125%.

When determining the Executive Directors' annual performance bonus, the Compensation Committee and the Non-Executive Directors:

- approve the Executive Directors' objectives and maximum allowable bonus;
- select the choice and weighting of objectives;
- set the stretch objectives;
- review the performance delivered to determine the appropriate overall measurement of achievement of the objectives;
- review the individual performance and leadership evaluation score of the CEO assessed by the Chairman; and
- approve the final bonus determination.

For 2017, the Compensation Committee approved the same bonus plan design utilized in 2016. Two metrics, adjusted net income and net industrial cash flow, were equally weighted and the goals were set with challenging hurdles. Each objective pays out independently. There is no minimum bonus payout; if none of the threshold objectives are satisfied, there is no bonus payment.

The target incentive for the annual bonus program is 100% of base salary for both the CEO and the Chairman, linked to approved targets each year which are consistent with our public guidance to investors. To earn any incentive, the threshold performance must be at least 90% of the specific target established. To earn the maximum payout of 200% of target, actual results must be achieved at 150%

of the target performance, or greater, for both performance metrics. For the 2017 annual bonus program, threshold, target, and maximum percentage opportunities for our CEO and Chairman did not change compared with 2016.

CEO Annual Bonus

The bonus earned by the CEO for performance year 2017 was \$2.5 million, as determined by the achievement of pre-determined objectives and corresponding company performance factors illustrated in the table below.

2017 Annual Bonus Program

		Company			Individual		
		Threshold	Target	Maximum	Performance – Company	Performance &	Leadership
2017 Performance Metric	Weight	(\$ million)	(\$ million)	(\$ million)	Actual	Performance	Multiplier
Adjusted Net Income	50%	518	575	863	669 ⁽¹⁾	132.7%	
Net Industrial Cash Flow ⁽²⁾	50%	270	300	450	1,289	200.0%	
Overall Company Performance Factor:						166.3%	
CEO's Individual Performance and Leadership Assessment ⁽³⁾ :							115%

(1) 2017 Adjusted Net Income as disclosed in the Company's 2017 full year earnings release.

(2) Net industrial cash flow is a non-GAAP measure and is defined as net income plus depreciation and amortization, plus changes in working capital and other provisions, less capital expenditures.

(3) The individual performance and leadership assessment is a set factor vs. target bonus % for each of the nine possible combinations of individual performance (low, medium and high) and leadership (low, medium and high) under the Company's defined performance management process. The factor of 1.15 is a set multiplier associated with the 2017 rating of high performance and medium leadership, as evaluated by the Chairman.

Chairman Annual Bonus

In consultation with the Chairman and the Compensation Committee, the Non-Executive Directors approved that no annual performance bonus would be paid to the Chairman for the 2017 financial year.

Discussion of 2017 Results

For the 2017 financial year, the bonus plan achievement for adjusted net income was \$669 million and net industrial cash flow was \$1,289 million. The adjusted net income result exceeded target. Net industrial cash flow achievement exceeded 150% of the set target, the upper limit for bonus determination.

Both financial objectives, when set, were deemed challenging and in line with external guidance to shareholders. Adjusted net income performance exceeded a target that exceeded 2016 results, illustrating the commitment of the Company and the Committee to rigorously review and consistently calibrate performance measures.

Long-Term Incentives

Long-term incentive compensation is a critical component of our Executive Directors' compensation structure. This compensation component is designed to:

- align the interests of our Executive Directors and other key contributors with the interests of our shareholders;

• motivate the attainment of Company performance goals and reward sustained shareholder value creation; and
• serve as an important attraction and long-term retention tool that management and the Compensation Committee use to strengthen loyalty to the Company.

Cyclical, Long-Term Nature of Our Business. Market demand for agricultural equipment, as well as for construction equipment, trucks, commercial vehicles, buses and specialty vehicles, is cyclical, and product life cycles are long, and thus so is the nature of CNH Industrial's business. As long-term incentive compensation is one of the key mechanisms to motivate and reward managers, the Company seeks for this component to take into account the long-term, cyclical nature of the business.

2014-2018 Long Term Incentive Program

In 2014, in an effort to align the Company's long-term incentive compensation with its long-term performance goals and shareholder interests, CNH Industrial implemented a long-term incentive program ("2014 LTIP"), consistent with the Company's strategic planning horizon. The Company's 2014 LTIP was comprised of a performance-based component, Performance Share Units

(PSUs), covering a five-year performance period, 2014-2018. The 2014 LTIP also contained a time-based component, Restricted Share Units (RSUs). The Company made one-time grants of PSUs and RSUs.

The grant to the Chief Executive Officer, under the 2014 LTIP, covered 2,955,000 PSUs and 0 RSUs. The Chairman did not receive PSUs, and his RSU grant had a longer five year vesting period than other participants. In determining the level and nature of the awards to the Chief Executive Officer and the Chairman, the Compensation Committee benchmarked against peers whose profile, operations, and business markets share similarities with the Company.

Market Downturn. Since the advent of the 2014 LTIP, there have been severe conditions in the global agriculture market. The agricultural industry is the key driver of demand for agricultural equipment, CNH Industrial's largest business segment. As a result of the severe conditions in the agriculture market, there has been a prolonged, extremely challenging downturn in the market for agricultural equipment.

In response to this situation, the Company quickly realigned its operating structure to adapt to the circumstances, and has been able to remain profitable despite falling industry volumes. However, because of the effects of the downturn on the Company's cumulative net income and relative TSR metrics, it became extremely unlikely that the 2014 LTIP's PSU component would produce a payout. In light of these market conditions making it nearly impossible that the Company would achieve sufficient performance under either of the PSU performance metrics to earn a payout and serve the plan's purpose, the Company terminated the 2014 LTIP with no payout.

2017-2019 Long Term Incentive Awards

In conjunction with terminating the 2014 LTIP, in order to restore the aim to attract, motivate and retain Executive Directors for the long-term, as well as to reward Executive Directors based on our future performance as reflected by the market price of CNH Industrial's shares, and to foster a long-term link between Executive Directors' interests and the interests of the Company and its shareholders, the Compensation Committee established a new 2017-2019 long-term incentive program ("2017 LTIP"). Under the 2017 LTIP, the Company made one-time grants of PSUs and RSUs. Under the 2017 LTIP, there is only a single primary metric, TSR relative to a group of peer companies. In this way, Executive Directors only receive a payout if shareholders also benefit, and the interests of Executive Directors and shareholders are aligned.

For the 2017 LTIP, the Compensation Committee made grants using the following vehicles:

Type of Long Term Incentive Vehicle	Proportion of Executive Director Long Term Incentive Grant	Vesting Cycle	Performance Metrics (Weighting)	Rationale for Use of Performance Metric
Performance Share Units (PSUs)	75%	Three year cliff vesting	1) 2017-2019 Relative TSR vs. 6 closest peers (100%) 2) Investment Grade Credit Rating (30% reduction if not	Total shareholder return compared to the total shareholder returns of companies included in the peer group for the performance period; Indicator of creation of shareholder value relative to closest peer companies Reflects overall financial health, leverage and earning power

maintained)

Restricted Share
Units (RSUs) 25%

Annually N/A
over three
years

To encourage ownership and retention while
immediately aligning Executive Directors'
interests with those of our shareholders

The PSU performance measure was selected because (i) Relative TSR is an important measure for shareholders, (ii) it gives recipients a clear line of sight into how executing on operating measures drives the achievement of performance and earning awards. Maintaining investment grade credit rating incorporates a measure of the Company's overall financial health and ability to incur debt, an important factor in capital-intensive businesses such as manufacturing equipment. If this condition is not maintained, any amount earned from the TSR metric is reduced by 30%.

The Compensation Committee utilizes RSUs to encourage ownership and retention while aligning Executive Directors' interests with those of our shareholders over the longer term. Vesting is subject to continued employment with the Company.

The Committee's 2017 grant to the Chief Executive Officer consisted of 75% performance-based PSUs (1,650,000) and 25% time-based RSUs (550,000), a 25% reduction in the total number of shares covered versus the grant under the 2014 LTIP, but still 75% performance-based.

Upon accepting the awards granted under the new LTI program, the CEO irrevocably waives and releases any rights arising in respect of the 2,955,000 performance share units awarded under the prior LTIP.

With respect to the Chairman's Retention Award granted in 2014, no change has been made. The fourth of five installments, consisting of 450,000 shares, vested on December 31, 2017. The Chairman does not participate in any part of the new 2017-2019 LTIP.

Earned PSU Calculation Methodology

The following table provides information on a composite group of peer companies. The peer group companies are similar in terms of industry, market capitalization and revenues.

Peer Company
AB Volvo
AGCO Corporation
Caterpillar Inc.
Cummins Inc.
Deere & Company
PACCAR Inc.

This peer group is used to evaluate Relative TSR of the Company over the applicable three year performance period and to determine the corresponding amount of PSUs earned. The payout opportunity is based on the Company's ranking against the companies in the peer group as shown in the table below, and requires the Company to rank 2nd out of the seven companies to achieve the target payout, a high standard.

Equity Award Thresholds

Total Shareholder Return Ranking	Payout Percentage of
as Compared to Companies in the Peer Group	Target Equity Incentive Award
1 st	130%
2 nd	100%
3 rd	80%
4 th	50%
5 th	25%
6 th -7 th	0%

Once the ranking of the Company's TSR has been determined, the payout percentage is subject to the Company's investment grade credit rating being maintained. An investment grade credit rating is defined as a credit rating of BBB- or higher by Standard & Poor's or Baa3 or higher by Moody's. If the Company's investment grade credit rating is not maintained as of the end of the performance period, then there will be a 30% reduction in the number of PSUs earned.

As an indication of progress to date, for 2017, the first year of the three year 2017-2019 performance period, the Company ranked 2nd on TSR; however, only the cumulative three year result will determine the number of PSUs earned.

The Compensation Committee will approve the final TSR ranking and corresponding payout percentage, and will determine whether the credit rating modifier requires any reduction in the number of PSUs earned, and submits such results to the Board for its review and approval.

Pension and Retirement Savings

The CEO participates in the same Company sponsored retirement savings programs available to all salaried employees of CNH Industrial America LLC. Currently, there are no additional executive retirement benefit plans available to our CEO. For the Chairman, CNH Industrial N.V. pays social contribution fees mandatorily due under Swiss law and indemnifies Fiat Chrysler Automobiles N.V. (as the Chairman is the Chief Executive Officer of Fiat Chrysler Automobiles N.V.) for a fully vested retirement savings benefit equivalent to five times his fixed annual compensation at the time of retirement.

Other Benefits

We offer customary perquisites to our CEO and Chairman. The CEO is entitled to usual and customary fringe benefits such as a company car, medical insurance, accident insurance, and retiree healthcare benefits. Furthermore, in the event of an involuntary termination of employment other than for cause, both the CEO and Chairman are entitled to legacy contractual severance arrangements, which were granted at the time of their hiring from outside firms. The severance payment for the CEO is equal to eighteen months of base salary plus the annual bonus at target. For the Chairman, the severance payment is two times the prior year fixed plus variable compensation. The Compensation Committee may grant other benefits to the Executive Directors in particular circumstances such as tax equalization.

Tax Equalization

The Executive Directors, as a function of their global role in the Company, may be subject to tax on their employment income in multiple countries. As both the Chairman and CEO are subject to tax on their worldwide income in their respective home country, the Company engaged KPMG LLP to study the prevalent practice for handling incremental tax costs incurred by globally mobile executives. Based on that analysis, in 2015 the Non-Executive Directors decided to tax-equalize all of the employment earnings of the Executive Directors, including equity income, to their respective home country's effective income tax and, if applicable, social contribution rates. The benefits are included in the Non-Monetary Compensation (Fringe Benefits) column in the remuneration table.

Stock Ownership

Our Board recognizes the critical role that executive stock ownership has in aligning the interests of management with those of shareholders. While we do not currently maintain a formal required stock ownership policy, as of the end of the 2017 financial year, our CEO's stock holdings, when viewed as a multiple of his 2017 base salary, is in line with prevalent market practice. As of December 31, 2017, the CEO held a multiple of 5.3 of his base salary, using the closing year-end stock price of \$13.40.

Recoupment of Incentive Compensation (Claw back Policy)

The Board is dedicated to maintaining and enhancing a culture focused on integrity and accountability. The Recoupment Policy in the Company's Equity Incentive Plan (the "EIP"), which defines the terms and conditions for any subsequent long-term incentive program, and the Performance and Leadership Bonus plan (the "PLB plan"), which defines the short-term incentive program, as well as in any executive employment agreements, authorizes the Company to recover, or "claw back," incentive compensation with the ability to retroactively make adjustments if any cash or equity incentive award is predicated upon achieving financial results and the financial results are subject to an accounting restatement.

Insider Trading Policy

The Company maintains an insider trading policy applicable to all directors, employees, members of the households and immediate family members (including spouse and children) of persons listed and other unrelated persons, if they are supported by the persons listed. The policy provides that the aforementioned individuals may not buy, sell or engage in other transactions in the Company's stock while in possession of material non-public information; buy or sell securities of other companies while in possession of material non-public information about those companies they become aware of as a result of business dealings between the Company and those companies; disclose material non-public information to any unauthorized persons outside of the Company; or engage in hedging transactions through the use of certain derivatives, such as put and call options involving the Company's securities. The policy also restricts trading to defined periods that follow the Company's quarterly earnings releases.

Prohibition on Short Sales (Anti-Hedging)

To ensure alignment with shareholders interest and to further strengthen our compensation risk management policies and practices, the Company's Insider Trading Policy prohibits all individuals to whom our Insider Trading Policy applies from engaging in

a short sale of the Company's or its subsidiaries' securities and derivatives thereof such as options, puts, calls or warrants or any other financial instrument by which the above securities can be acquired or subscribed under any circumstance.

Remuneration for Non-Executive Directors

The remuneration of Non-Executive Directors is governed by the CNH Industrial N.V. Directors' Compensation Plan, which was approved by the Company's shareholders and is periodically reviewed by the Compensation Committee. The current remuneration for the Non-Executive Directors, which did not change from 2016, is shown in the table below.

Non-Executive Director Compensation	Total
Annual Cash Retainer	\$125,000
Additional retainer for Audit Committee member	\$25,000
Additional retainer for Audit Committee Chairman	\$35,000
Additional retainer for member of other Board committees	\$20,000
Additional retainer for Chairman of other Board committees	\$25,000

At the Annual General Meeting of Shareholders on April 14, 2017, the Company's shareholders approved a proposed amendment to the CNH Industrial N.V. Directors' Compensation Plan. Pursuant to the amendment, implemented shortly after the annual general shareholders meeting, Non-Executive Directors would only be paid in cash, and would no longer have the option to elect to receive their annual retainer fee, committee membership, and committee chair fee payments (collectively, "Fees") in the form of common shares or options to purchase common shares. Remuneration of Non-Executive Directors is fixed and not dependent on the Company's financial results. Non-Executive Directors are not eligible for variable compensation and do not participate in any Company incentive plans.

Directors eligible to receive compensation under the CNH Industrial Directors' Compensation Plan do not receive benefits upon termination of their service as directors.

Implementation of Remuneration Policy in 2017

The following table summarizes remuneration paid or awarded to Directors for the year ended December 31, 2017.

							Non	
							Monetary	Pension
							Compensation	
							Bonus and	
							Other	
							Incentives	
							(Fringe	Similar
							Benefits)(3)	Benefits)(4)
							Total	
\$ actual)	Office		Salary /	Compensation	Bonus and	Compensation		
	Held	In Office From/To	Annual	/ Annual	Other	(Fringe	Similar	
			Fee (cash)	Fee	(Non-Equity)(2)	Benefits)(3)	Benefits)(4)	
Directors of								
CNH Industrial								
N.V.								
MARCHIONNE	Chairman	01/01/2017—12/31/2017	\$1,575,107	\$2,234,687	\$—	\$322,200	\$1,019,575	\$5,151,569
BOBIN Richard	CEO	01/01/2017—12/31/2017	1,309,963	2,948,151	2,486,000	62,827	259,076	7,066,017
AMMENOMS	Director	01/01/2017—12/31/2017	145,000	—	—	—	18,504	163,504
BAKKER								

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Macqueline GEROWIN	Director	01/01/2017—12/31/2017	145,000	—	—	—	18,504	163,504
Mina KEYWOOD	Director	01/01/2017—12/31/2017	170,000	—	—	—	—	170,000
Suzanne (5) MOULE Léo W.	Senior Non-Executive Director	01/01/2017—12/31/2017	170,000	—	—	—	1,979	171,979
KALANTZIS	Director	01/01/2017—12/31/2017	170,000	—	—	—	—	170,000
Peter ANAWAY	Director	01/01/2017—12/31/2017	127,500	22,500	—	—	—	150,000
John CHEIBER	Director	01/01/2017—12/31/2017	150,000	—	—	—	19,194	169,194
Wilke ABELLINI	Director	01/01/2017—12/31/2017	145,000	—	—	—	—	145,000
Guido THEURILLAT	Director	01/01/2017—12/31/2017	160,000	—	—	—	20,574	180,574
Jacques Total			\$4,267,570	\$5,205,338	\$2,486,000	\$385,027	\$1,357,406	\$13,701,341

- (1) For the CEO, new equity awards were granted concurrent with cancellation of prior PSUs, effective December 12, 2017. As shown in the table above, for the year ended December 31, 2017, the Company recognized a net share-based compensation expense of \$2.9 million for the CEO and \$2.2 million for the Chairman. During 2017, the CEO exercised 483,468 stock options realizing a gain of \$1.1 million. The Chairman had 450,000 RSUs vest on December 31, 2017 with a fair market value of \$6.0 million.
- (2) For the CEO, the amount reflects the bonus earned for the performance year 2017 which will be paid in 2018. The bonus paid in 2017 for the 2016 performance year was \$2,311,000. The Chairman received no bonus for the performance years 2017 and 2016.
- (3) For the Chairman, the amount reflects tax equalization benefits related to earnings during the 2017 performance year. For the CEO, the amount includes the use of a company-provided car for personal purposes in the amount of \$17,161, taxable group life insurance of \$7,038, and tax equalization benefits in the amount of \$38,628.
- (4) The amounts reflect pension, retirement and similar benefits set aside or accrued for Directors by CNH Industrial for the year ended December 31, 2017.
- (5) Ms. Heywood's fees are paid to EXOR N.V., in accordance with EXOR's policy regarding Director compensation for EXOR employees.

Effective September 20, 2013, 200,000 common shares were reserved for issuance under the CNH Industrial Directors' Compensation Plan, as approved by shareholders. Upon the shareholders' approval at the 2017 AGM, an amendment to the CNH Industrial Directors' Compensation Plan no longer permits the use of shares for payment of the Non-Executive Directors' Fees.

Refer to "Item 6.E: Share Ownership" for the stock option and share activity for the year ended December 31, 2017 under the CNH Industrial Directors' Compensation Plan and the predecessor companies' plans adopted by CNH Industrial pursuant to the Merger.

If, and to the extent, any changes are made to 2018 remuneration, such changes will be in line with the approved policy.

Executive Officers' Compensation

The aggregate amount of compensation paid to or accrued for executive officers that held office during 2017 was approximately \$20.2 million, including \$2.4 million of pension and similar benefits paid or set aside by us. The aggregate amounts included those paid to or accrued for 18 executives at December 31, 2017.

C. Board Practices

CNH Industrial is a company, organized under the laws of the Netherlands, and results from a business combination of Fiat Industrial and CNH Global N.V. consummated on September 29, 2013. CNH Industrial qualifies as a foreign private issuer under the applicable rules of the SEC and its common shares are listed on the NYSE and on the MTA.

We are subject to, among other things, the laws of the Netherlands and the laws and regulations applicable to foreign private issuers in the U.S., the Dutch Corporate Governance Code (the "Dutch Code"), the Sarbanes Oxley Act of 2002, the Dodd-Frank Act and the NYSE listing standards, which are of particular significance to our corporate governance. In accordance with the NYSE Listed Company Manual, we are permitted to follow home country practice with regard to certain corporate governance standards. We describe the significant differences between our corporate governance practices and those required (i) under the Dutch Code and (ii) for domestic U.S. companies by the NYSE listing standards under "Item 16G. Corporate Governance".

Board of Directors

We have a one-tier management structure (i.e. management board that may be comprised of both members having responsibility for our day-to-day operations, who are referred to as “executive directors”, and members not having such responsibility, who are referred to as “non-executive directors”). Pursuant to our Articles of Association, the Board of Directors may have three or more members. At the AGM held on September 9, 2013, the number of the members of the Board of Directors was set at eleven. The current directors were elected at the last AGM on April 14, 2017. See “Item 6A. Directors, Senior Management and Employees” above. The term of office of the current Board of Directors will expire on April 13, 2018, the anticipated date of the Company’s next AGM at which shareholders will elect the Company’s directors for approximately a one-year term ending on the date of the AGM to be held in 2019. Each director may be re-elected at any subsequent general meeting of shareholders. None of our directors have service contracts with the Company (or any subsidiary) providing for benefits upon termination of employment as a director.

The Board as a whole is responsible for the strategy of the Company. The Board of Directors is composed of two executive directors (i.e., the Chairman and the Chief Executive Officer) and nine non-executive directors. Under Article 16 of our Articles of Association, the general authority to represent CNH Industrial shall be vested in the Board of Directors, as well as in each of the executive directors to whom the title Chairman or Chief Executive Officer has been granted.

As of December 31, 2017, eight directors (representing a majority) qualified as independent for purposes of NYSE rules, Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the Dutch Code.

On September 9, 2013 the Board of Directors of the Company appointed—with effect as of the closing of the Merger — the following internal committees: (i) an Audit Committee, (ii) a Governance and Sustainability Committee, and (iii) a Compensation Committee. On April 14, 2017, the Board of Directors appointed Mr. Léo Houle Senior Non-Executive Director for purposes of best practice provision 5.1.3, and in compliance with best practice provision 2.1.9, of the Dutch Code. The Senior Non-Executive Director is responsible for the proper functioning of the Board of Directors and its Committees. On certain key operational matters the Board of Directors is advised by the Group Executive Council (“GEC”). The GEC is an operational decision-making body that is responsible for reviewing the operating performance of the Company’s businesses and making decisions on certain operational matters.

The Audit Committee

The Company’s Audit Committee is responsible for assisting the Board of Directors’ oversight of: (i) the integrity of the Company’s financial statements, (ii) the Company’s policy on tax planning, (iii) the Company’s financing, (iv) the Company’s application of information and communication technology, (v) the systems of internal controls that management and the Board of Directors have established, (vi) the Company’s compliance with legal and regulatory requirements, (vii) the Company’s compliance with recommendations and observations of internal and external auditors, (viii) the Company’s policies and procedures for addressing certain actual or perceived conflicts of interest, (ix) the independent auditors’ qualifications, independence, remuneration and any non-audit services for the Company, (x) the performance of the Company’s internal audit function and of the independent auditors, (xi) risk management guidelines and policies, and (xii) the implementation and effectiveness of the Company’s ethics and compliance program.

The Audit Committee currently consists of Messrs. Theurillat (Chairperson), Kalantzis, Lanaway and Ms. Scheiber. Under the Audit Committee Charter, the Audit Committee is elected by the Board of Directors, and is comprised of at least three members who may be appointed for terms of up to two years, each of whom must be a non-executive director. Audit Committee members are also required (i) not to have any material relationship with the Company or to serve as auditors or accountants for the Company, (ii) to be “independent”, under the NYSE rules, Rule 10A-3 under the Exchange Act and the Dutch Code, and (iii) to be “financially literate” and have “accounting or selected financial management expertise” (as determined by the Board of Directors). At least one member of the Audit Committee shall be a “financial expert” as defined in the rules of the SEC and best practice provisions of the Dutch Code. No Audit Committee member may serve on more than four audit committees for other public companies, absent a waiver from the Board of Directors, which must be disclosed in the annual report on Form 20-F. Unless decided otherwise by the Audit Committee, the independent auditors of the Company, as well as the Chief Financial Officer of the Company, attend its meetings. See “Item 16A. Audit Committee Financial Expert” of this annual report on Form 20-F for additional information regarding Audit Committee financial expert.

The Charter for the Audit Committee is available on our web site (www.cnhindustrial.com). The information contained on our web site is not included in, or incorporated by reference into, this annual report on Form 20-F.

The Compensation Committee

The Company’s Compensation Committee is responsible for, among other things, assisting the Board of Directors in: (i) determining executive compensation consistent with the Company’s remuneration policy, (ii) reviewing and recommending for approval the compensation of executive directors, (iii) administering equity incentive plans and deferred compensation benefit plans, and (iv) discussing with management the Company’s policies and practices related to compensation and issuing recommendations thereon.

The Compensation Committee currently consists of Mr. Houle (Chairperson), Ms. Heywood and Messrs. Kalantzis and Tabellini. The Compensation Committee is elected by the Board of Directors, and is comprised of at least three

directors. No more than one member may be non-independent under the Dutch Code. The members of the Compensation Committee are appointed for terms of up to two years. Unless decided otherwise by the Compensation Committee, the Company's Chief Human Resources Officer attends its meetings.

See "Item 16G. Corporate Governance" for additional information regarding how the composition of the Compensation Committee deviates from the rules of the NYSE.

The Charter for the Compensation Committee is available on our web site (www.cnhindustrial.com). The information contained on our web site is not included in, or incorporated by reference into, this annual report on Form 20-F.

The Governance and Sustainability Committee

The Governance and Sustainability Committee is responsible for, among other things, assisting the Board of Directors with: (i) the identification of the criteria, professional and personal qualifications for candidates to serve as directors of the Company, (ii) periodic assessment of the size and composition of the Board of Directors, (iii) periodic assessment of the functioning of

individual Board members and reporting on this to the Board of Directors, (iv) proposals for appointment of executive and non-executive directors, (v) supervision of the selection criteria and appointment procedure for senior management, (vi) monitoring and evaluating reports on the Company's sustainable development policies and practices, management standards, strategy, performance and governance globally, and (vii) reviewing, assessing and making recommendations as to strategic guidelines for sustainability-related issues, and reviewing the Company's annual Sustainability Report.

The Governance and Sustainability Committee currently consists of Ms. Heywood (Chairperson), Ms. Gerowin, Mr. Houle and Ms. Tammenoms Bakker. The Governance and Sustainability Committee is elected by the Board of Directors, and is comprised of at least three Directors. No more than two members may be non-independent, and none of the members may be executive directors. The members of the Governance and Sustainability Committee are appointed for terms of up to two years.

See "Item 16G. Corporate Governance" for additional information regarding how the composition of the Governance and Sustainability Committee deviates from the rules of the NYSE.

The Charter for the Governance and Sustainability Committee is available on our web site (www.cnhindustrial.com). The information contained on our web site is not included in, or incorporated by reference into, this annual report on Form 20-F.

Indemnification of members of the Board of Directors

Pursuant to Article 17 of the Articles of Association, the Company has committed to indemnify any and all of its directors, officers, former directors, former officers and any person who may have served at its request as a director or officer of another company in which it owns shares or of which it is a creditor, against any and all expenses actually and necessarily incurred by any of them in connection with the defense of any action, suit or proceeding in which they, or any of them, are made parties, or a party, by reason of being or having been director or officer of the Company, or of such other company, except in relation to matters as to which any such person shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of duty. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled otherwise.

D. Employees

Our business is, by its nature, labor intensive, and this is reflected in the high number of hourly employees we employ.

The following tables show the breakdown of the number of employees by segment and by region at December 31, 2017, 2016 and 2015:

(number)	2017	2016	2015
Agricultural Equipment	25,007	24,254	24,494
Construction Equipment	5,240	5,378	5,695
Commercial Vehicles	23,843	23,882	24,783

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Powertrain	8,050	8,070	8,163
Financial Services	1,071	1,098	1,116
Other activities	145	146	140
Total	63,356	62,828	64,391

(number)	2017	2016	2015
EMEA	41,494	40,678	40,801
NAFTA	8,691	9,042	10,022
LATAM	8,150	8,298	8,812
APAC	5,021	4,810	4,756
Total	63,356	62,828	64,391

In the United States, unions represent a small portion of our production and maintenance employees. The collective bargaining agreement with the United Automobile, Aerospace and Agricultural Implement Workers of America, which represents approximately 780 of the hourly production and maintenance employees, continues through April 30, 2022. The collective bargaining agreement with the International Association of Machinists and Aerospace Workers, which represents approximately 420 of our employees in Fargo, North Dakota, expires in April 2018.

In Europe, most employees are covered by collective labor agreements (“CLAs”) stipulated either by a CNH Industrial subsidiary or by the employer association for the specific industry to which the CNH Industrial subsidiary belongs.

In Italy, the approximately 16,900 CNH Industrial employees are covered by the CLA that was renewed in 2015 and will expire at the end of 2018 and the approximately 380 CNH Industrial managers are covered by the CLA renewed in 2016 and expired at the end of 2017.

Although we believe that our relations with employees and unions representing them are generally positive, current or future issues with labor unions might not be resolved favorably, and we may experience a work interruption or stoppage that could significantly impact the volume of products we manufacture and sell.

Please see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business, Strategy and Operations—We face risks associated with our relationships with our employees” for additional information.

E. Share Ownership

The following table summarizes the number of CNH Industrial common shares owned by our directors and Group Executive Council members as of February 27, 2018:

	Common	Special Voting
(number)	Shares ⁽¹⁾	Shares
CNH Industrial Directors owning CNH Industrial Common Shares at February 27, 2018		
Sergio Marchionne	12,309,586	—
Richard Tobin	437,392	—
Mina Gerowin	2,208	—
Léo Houle	57,259	57,259
Peter Kalantzis	2,000	—
John Lanaway	37,286	—
Jacques Theurillat	18,422	—
CNH Industrial Group Executive Council owning CNH Industrial Common Shares at February 27, 2018		
Luc Billiet	61,179	—
Sergio Carpentiere	6,651	—
Massimiliano Chiara	47,065	—
Vilmar Fistarol	23,133	—
Oddone Incisa	12,796	—
Linda I. Knoll	214,865	—
Carlo Lambro	10,000	—
Leandro Lecheta	14,862	—
Alessandro Nasi	281,073	—
Derek Neilson	176,386	—
William Pipe	4,003	—
Annalisa Stupenengo	10,720	—
Tom Verbaeten	15,694	—

(1) No one member beneficially owns more than 1% of our common shares

The following table summarizes outstanding stock options held by CNH Industrial Directors as of December 31, 2017 under the CNH Industrial Directors’ Compensation Plan for Non-Executive Directors, the CNH Global Directors’

Compensation Plan (“CNH DCP”) for Non-Executive Directors and the CNH Global Equity Incentive Plan (“CNH EIP”) for Executive Directors. In connection with the Merger, CNH Industrial assumed the sponsorship of the CNH DCP and the CNH EIP on September 29, 2013.

Stock options for Non-Executive Directors expire upon the earlier of (i) ten years after the grant date; or (ii) six months after the date an individual ceases to be a director.

	Grant Date	Exercise Price	Gerowin	Houle (3)	Lanaway(2)	Theurillat Tobin (1)	Total
Beginning Balance as of January 1, 2017							
	03/30/2007	8.18	—	12,226	—	3,054	15,280
	06/30/2007	10.96	—	9,129	—	2,281	11,410
	09/28/2007	13.02	—	7,682	—	1,917	9,599
	12/27/2007	14.28	—	7,001	—	—	7,001
	03/19/2008	10.77	—	9,286	—	—	9,286
	06/17/2008	9.15	—	10,940	—	—	10,940
	04/29/2011	10.15	—	—	—	189,183	189,183
	09/28/2012	8.78	—	—	—	483,468	483,468
	12/28/2013	11.33	6,402	—	—	—	6,402
	03/28/2014	11.26	6,442	—	—	—	6,442
	06/26/2014	10.25	7,073	—	—	—	7,073
	09/24/2014	7.82	9,271	—	—	—	9,271
	12/28/2014	8.26	8,777	—	—	—	8,777
	4/14/2015	8.25	4,394	—	—	—	4,394
	7/13/2015	9.52	3,808	—	—	—	3,808
Beginning Total			46,167	56,264	—	7,252	782,334
– Vested/Not Exercised			46,167	56,264	—	7,252	782,334
– Not Vested			—	—	—	—	—
Options Exercised in 2017							
	3/30/2007	8.18	—	12,226	—	3,054	15,280
	6/30/2007	10.96	—	9,129	—	—	9,129
	6/17/2008	9.15	—	10,940	—	—	10,940
	9/28/2012	8.78	—	—	—	483,468	483,468
			—	32,295	—	3,054	518,817
Granted in 2017							
			—	—	—	—	—
			—	—	—	—	—
Options Expired in 2017							
	06/30/2007	10.96	—	—	—	2,281	2,281
	09/28/2007	13.02	—	7,682	—	1,917	9,599
	12/27/2007	14.28	—	7,001	—	—	7,001
	04/29/2011	10.15	—	—	—	189,183	189,183
			—	14,683	—	4,198	208,064
Ending Balance as of December 31, 2017							
	03/30/2007	8.18	—	—	—	—	—
	06/30/2007	10.96	—	—	—	—	—
	09/28/2007	13.02	—	—	—	—	—
	12/27/2007	14.28	—	—	—	—	—
	03/19/2008	10.77	—	9,286	—	—	9,286
	06/17/2008	9.15	—	—	—	—	—
	04/29/2011	10.15	—	—	—	—	—
	09/28/2012	8.78	—	—	—	—	—
	12/28/2013	11.33	6,402	—	—	—	6,402
	03/28/2014	11.26	6,442	—	—	—	6,442

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	06/26/2014	10.25	7,073	—	—	—	—	7,073
	09/24/2014	7.82	9,271	—	—	—	—	9,271
	12/28/2014	8.26	8,777	—	—	—	—	8,777
	4/14/2015	8.25	4,394	—	—	—	—	4,394
	7/13/2015	9.52	3,808	—	—	—	—	3,808
Closing Total			46,167	9,286	—	—	—	55,453
– Vested/Not Exercised			46,167	9,286	—	—	—	55,453
– Not Vested			—	—	—	—	—	—

- (1) On 6/6/2017, 6/7/2017 and 6/8/2017, Mr. Tobin exercised his options granted on 9/28/2012.
- (2) On 2/15/2017, Mr. Theurillat exercised his options granted on 3/30/2007.
- (3) On 2/6/2017, Mr. Houle exercised his options granted on 3/30/2007. On 6/9/2017, Mr. Houle exercised his options granted on 6/30/2007 and 6/17/2008. On 2/12/2018, Mr. Houle exercised his options granted on 3/19/2008.

The following table summarizes unvested performance share units held by Executive Directors as of December 31, 2017.

		Weighted Average Fair Market			
	Grant Date	Value	Tobin	Marchionne	Total
Beginning Balance as of January 1, 2017					
	6/9/2014	USD 9.52	2,955,000	—	2,955,000
Beginning Total			2,955,000	—	2,955,000
Granted in 2017	12/12/2017	USD 6.84	1,650,000	—	1,650,000
Vested in 2017			—	—	—
Cancelled in 2017	6/9/2014	USD 9.52	2,955,000	—	2,955,000
			1,650,000	—	1,650,000
Ending Balance as of December 31, 2017					
	6/9/2014	USD 9.52	—	—	—
	12/12/2017	USD 6.84	1,650,000	—	1,650,000
Ending Total			1,650,000	—	1,650,000

The following table summarizes unvested restricted share units held by Executive Directors as of December 31, 2017:

		Weighted Average Fair Market				
	Note	Grant Date	Value	Tobin	Marchionne	Total
Beginning Balance as of January 1, 2017						
		06/09/2014	USD 10.41	—	900,000	900,000
Beginning Total				—	900,000	900,000
Granted in 2017		12/12/2017	USD 12.69	550,000	—	550,000

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Vested in 2017	(1)	06/09/2014 USD 10.41	—	450,000	450,000
			—	450,000	450,000
Ending Balance as of December 31, 2017					
		06/09/2014 USD 10.41	—	450,000	450,000
		12/12/2017 USD 12.69	550,000	—	550,000
Ending Total			550,000	450,000	1,000,000

(1) The shares vested on December 31, 2017 and were exercised on February 20, 2018.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As of January 31, 2018, our outstanding capital stock consisted of common shares and special voting shares, with each having a par value of €0.01 per share. As of January 31, 2018, there were 1,363,646,573 common shares and 388,904,190 special voting shares outstanding.

The following table sets forth information with respect to beneficial ownership of our common shares and special voting shares by persons known by us to beneficially own 3% or more of combined voting power as a result of their ownership of common shares and special voting shares as of January 31, 2018 based on publicly available information.

Name of Beneficial Owner	Number of	Percent		Percent of	
	Common	of	Special	Combined	
	Shares	Common	Voting	Voting	
	Owned	Shares (a)	Shares (b)	Power (c)	
EXOR N.V.	366,927,900	26.9 %	366,927,900	41.9 %	
Harris Associates L.P.	185,027,203	13.6 %	—	10.6 %	
BlackRock, Inc.	44,215,759 (d)	3.2 %	—	2.5 %	

a) There were 1,363,646,573 common shares outstanding as of January 31, 2018. The “Percent of Common Shares” was calculated by using the publicly disclosed number of beneficially owned shares as the numerator, respectively, and the number of the Company’s outstanding common shares as of January 31, 2018 as the denominator.

b) Each special voting share is entitled to one vote therefore attributing, in effect, double voting rights to the common share to which it is associated. The special voting shares have only de minimis economic entitlements, in compliance with Dutch law. The special voting shares cannot be traded and are transferrable only in very limited circumstances together with the associated common shares.

c) Combined voting power represents common shares and the special voting shares. The “Percent of Combined Voting Power” was calculated as the ratio of (i) the aggregate number of common shares and special voting shares beneficially owned by the shareholder and (ii) the aggregate number of outstanding common shares and special voting shares of CNH Industrial as of January 31, 2018. There were 1,752,550,763 common shares and special voting shares outstanding at January 31, 2018.

d) The amount also includes potential holdings where BlackRock has a contractual right to indirectly acquire common shares potentially enabling the increase of common shares and voting rights.

As of January 31, 2018, EXOR N.V.’s voting power in CNH Industrial was approximately 41.9%. EXOR N.V., through its voting power, has the ability to significantly influence the decisions submitted to a vote of our shareholders, including approval of annual dividends, the election and removal of directors, mergers or other business combinations, the acquisition or disposition of assets and issuances of equity and the incurrence of indebtedness.

Our common shares are listed and can be traded on either the NYSE in U.S. dollars or the MTA in euro. The special voting shares are not listed on the NYSE or the MTA, not tradable and transferable only in very limited circumstances.

Our shares may be held in the following three ways:

• If a shareholder holds common shares directly in his or her own name in the United States, such shares are held in registered form in an account at Computershare Trust Company, N.A., our transfer agent.

• Beneficial interests in our common shares that are traded on the NYSE are held through the book-entry system provided by The Depository Trust Company (“DTC”) and are registered in the register of shareholders in the name of Cede & Co., as DTC’s nominee. Beneficial interests in the common shares traded on the MTA are held through Monte Titoli S.p.A., the Italian central clearing and settlement system, as a participant in DTC.

•

Special voting shares and the associated common shares are registered in the books and records of the Company's transfer agents in the United States and Italy. As noted above, the special voting shares and associated common shares are not tradable. The associated common shares will become tradable after de-registration from the loyalty voting structure.

At January 31, 2018, there were 471 registered holders of our common stock in the United States, including 155 shareholders holding special voting shares. As of January 31, 2018, based on CNHI Industrial's register and other sources available to us, approximately 123,100,000 common shares and 3,999,728 special voting shares were held in the United States.

B. Related Party Transactions

Our related parties are primarily EXOR N.V. and the companies belonging to the EXOR Group including FCA and its subsidiaries and affiliates and Ferrari N.V. and its subsidiaries and affiliates. As of January 31, 2018, EXOR N.V. holds approximately 41.9% of our voting power and has the ability to significantly influence the decisions submitted to a vote of CNH Industrial's shareholders. In addition, CNH Industrial engages in transactions with its unconsolidated subsidiaries and affiliates which CNH Industrial has a significant influence over or that are jointly controlled. See "Note 20: Related Party Information" in the notes to our consolidated financial statements for the year ended December 31, 2017 for further information.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See “Item 18. Financial Statements” for a list of the financial statements filed with this annual report.

B. Significant Changes

On March 2, 2018, the Board of Directors recommended and proposed to the shareholders the payment of a dividend of €0.14 per common share, totaling approximately €191 million (equivalent to approximately \$235 million, translated at the exchange rate reported by the European Central Bank on February 27, 2018). The proposal is subject to the approval of the Company’s shareholders at the AGM scheduled to be held on April 13, 2018.

Item 9. The Offer and Listing

A. Offer and Listing Details

Our common shares trade on the NYSE under the symbol “CNHI” and the MTA under the symbol “CNHIMI”. The following table provides the high and low closing prices of our common shares as reported on the NYSE and the MTA for each of the periods indicated:

Common Share Price

	NYSE (1)		MTA (1)	
	High	Low	High	Low
	(USD)		(Euro)	
Most recent six months:				
February 2018	\$15.50	\$13.36	€12.48	€10.96
January 2018	\$15.15	\$13.55	€12.31	€11.17
December 2017	\$13.60	\$12.86	€11.39	€10.68
November 2017	\$13.12	\$12.53	€11.28	€10.60
October 2017	\$12.70	\$11.87	€10.97	€10.03
September 2017	\$12.01	\$11.22	€10.16	€9.39
Year ended December 31, 2017:				
First Quarter	\$9.87	\$8.67	€9.24	€8.17
Second Quarter	\$11.63	\$9.47	€10.38	€8.83
Third Quarter	\$12.01	\$10.96	€10.53	€9.15
Fourth Quarter	\$13.60	\$11.87	€11.39	€10.03
Full Year	\$13.60	\$8.67	€11.39	€8.17
Year ended December 31, 2016:				
First Quarter	\$7.06	\$5.76	€6.38	€5.17
Second Quarter	\$7.89	\$6.07	€6.92	€5.35
Third Quarter	\$7.64	\$6.36	€6.77	€5.70
Fourth Quarter	\$9.15	\$7.15	€8.48	€6.41
Full Year	\$9.15	\$5.76	€8.48	€5.17
Year ended December 31, 2015:	\$9.64	\$6.38	€8.67	€5.57
Year ended December 31, 2014:	\$11.77	\$7.46	€8.58	€5.91

(1) Our common shares began trading on the NYSE and the MTA on September 30, 2013.

On February 27, 2018, the last reported sales price of our common shares as reported was \$13.67 per share on the NYSE and €11.19 per share on the MTA.

B. Plan of Distribution

Not applicable.

C. Markets

Our outstanding common shares are listed on the NYSE under the symbol “CNHI” and the MTA under the symbol “CNHLMF”.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital.

Not applicable.

B. Memorandum and Articles of Association.

Set forth below is a summary description of certain provisions of our Articles of Association, effective September 29, 2013 (the “Articles of Association”), and particular provisions of the laws of the Netherlands relevant to our statutory existence. This summary does not restate our Articles of Association or relevant laws of the Netherlands in their entirety.

Corporate Registration and Objectives

CNH Industrial N.V. (the “Company” or “CNH Industrial”) is incorporated under the laws of the Netherlands, and our principal office is located at 25 St. James’s Street, London SW1A 1HA, United Kingdom. We are registered at the U.K. Companies House under foreign company number FC031116 BR016181 and the Commercial Register kept at the Chamber of Commerce in Amsterdam, the Netherlands under file number 56532474.

As provided in Article 2 of our Articles of Association, our objectives are to carry on, either directly or through wholly or partially-owned companies and entities, activities relating to passenger and commercial vehicles, transport, mechanical engineering, agricultural and construction equipment, energy and propulsion, as well as any other manufacturing, commercial, financial, sales, distribution, engineering or service activity.

Within the scope and for the achievement of the above objectives, the Company may:

- operate in, among other areas, the mechanical, electrical, electromechanical, thermo mechanical, electronic, nuclear, chemical, mining, steel and metallurgical industries, as well as in telecommunications, civil, industrial and agricultural engineering, publishing, information services, tourism and other service industries;

engage in, and/or participate in and operate, manage and control one or more companies engaged in the design, engineering, manufacture, marketing, sales, distribution, maintenance, repair, remanufacturing and/or resale of agricultural, construction, transport and similar equipment, tractors, commercial vehicles, buses, specialized vehicles for firefighting, defense and other uses, other capital goods, engines and transmissions for any of the foregoing equipment and/or vehicles and/or for marine and power generation applications, and/or replacement parts for any of the foregoing;

• provide, and/or participate in and operate, manage and control one or more companies providing financing to dealers, end customers and others for the acquisition and/or lease of products and/or services described above, through the making of loans and leases and/or otherwise, and to borrow money for that purpose;

• acquire shareholdings and interests, engage in or participate in companies and enterprises of any kind or form and purchase, sell or place shares and debentures;

provide financing to, and guarantee the obligations of, companies and entities it wholly or partially owns, and borrow money for that purpose, and carry on the technical, commercial, financial and administrative coordination of their activities;

purchase or otherwise acquire, on its own behalf or on behalf of companies and entities it wholly or partially owns, the ownership or right of use of intangible assets providing them for use by those companies and entities;

promote and ensure the performance of research and development activities, as well as the use and exploitation of the results thereof;

undertake, on its own behalf or on behalf of companies and entities it wholly or partially owns, any investment, real estate, financial, commercial, or partnership transaction whatsoever, including the assumption of loans and financing in general and the granting to third parties of endorsements, suretyships, warranting performance and other guarantees, including real security; and

render management and advisory services as well as anything which a company may lawfully do under the laws of the Netherlands which may be deemed conducive to the attainment of the objects set out in the above paragraphs.

Directors

We have included a summary description of the material provisions of our Articles of Association relating to our directors. The summary does not restate the Articles of Association in their entirety.

Our Articles of Association provide that the Company shall have a Board of Directors, consisting of three (3) or more members, comprising both members having responsibility for the day-to-day management of the Company (“executive directors”) and members not having such day-to-day responsibility (“non-executive directors”). The Board of Directors as a whole will be responsible for the strategy of the Company. The majority of the members of the Board of Directors shall consist of non-executive directors. The Board of Directors shall determine the number of directors.

The general meeting of shareholders shall appoint the directors and directors are appointed by an absolute majority of votes validly cast at a general meeting. The general meeting of shareholders shall determine whether a director is an executive director or a non-executive director. The term of office of all directors will be for a period of approximately one (1) year after appointment, such period expiring on the day the AGM is held in the following calendar year. Each director may be reappointed at any subsequent general meeting of shareholders.

CNH Industrial has a policy in respect of the remuneration of the members of the Board of Directors. With due observation of the Company’s remuneration policy, the Board of Directors may determine the remuneration for the directors in respect of the performance of their duties.

Except as otherwise required by applicable law or the Articles of Association, the presence either in person or by proxy of a majority of the total number of directors then in office shall be required and constitute a quorum for the transaction of business, including the adoption of resolutions. If at any meeting of the Board of Directors a quorum is not present, a majority of the directors present may adjourn the meeting from time to time, without notice other than adjournment at the meeting, until a quorum shall be present. The vote of the majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors.

The Board of Directors shall submit to the general meeting of shareholders for its approval plans to award shares or the right to subscribe for shares.

The Company shall not grant its directors any personal loans, guarantees or the like unless in the normal course of business, with respect to executive directors on terms applicable to Company personnel as a whole, and after approval of the Board of Directors.

Members of the Board of Directors are not subject to an age limitation arising from the Articles of Association. In addition, there is no minimum or maximum number of shares to be owned in order to qualify as a director of the Company.

Under the laws of the Netherlands, the Board of Directors must consider, in the performance of its duties, our interests, the interests of our shareholders and our employees, in all cases with reasonableness and fairness. A member of the Board of Directors shall not participate in discussions and decision making with respect to a matter in relation to which he or she has a direct or indirect personal interest which is in conflict with the interests of the Company and the business associated with the Company (“Conflict of Interest”). In addition, the Board of Directors as a whole may, on an ad hoc basis, resolve that there is such a strong appearance of a Conflict of Interest of an individual member of the Board of Directors in relation to a specific matter, that it is deemed in the best interest of a proper decision making process that such individual member of the Board of Directors be excused from participation in the decision making process with respect to such matter even though such member of the Board of Directors may not have an actual Conflict of Interest.

Our Board of Directors must approve CNH Industrial N.V.'s annual accounts and make them available to the shareholders for inspection at our offices within four months after the end of our fiscal year. During this period, including any extension, the Board of Directors must submit the annual accounts to the shareholders for adoption by the general meeting. When our shareholders adopt the annual accounts approved by the Board of Directors, they may discharge the members of the Board of Directors from potential liability with respect to the exercise of their duties during the fiscal year covered by the accounts. This discharge may be given subject to such reservations as the shareholders deem appropriate and is subject to a reservation of liability required under the laws of the Netherlands. Examples of reservations of liability required by the laws of the Netherlands include (1) liability of members of management boards and supervisory boards upon the bankruptcy of a company and (2) general principles of reasonableness and fairness. Under the laws of the Netherlands, a discharge of liability does not extend to matters not shown in the annual accounts or otherwise not properly disclosed to the shareholders. The annual accounts are made available through our website to our shareholders for review on the day that the notice convening the AGM is posted to our website.

The Board of Directors has established a procedure to ensure that the Company's employees (and third parties) have the possibility to report alleged irregularities of a general, operational and financial nature with the Company. The Company's Compliance Helpline is managed by an independent third party. Reports may be submitted through a dedicated web portal (www.cnhindustrialcompliancehelpline.com), by phone (to a call center managed by a third party), or to a Company representative. Where legally permissible, reports may be submitted on an anonymous basis. In addition, where legally required, the nature of the reports may be limited to certain subject matters. The Company investigates reports submitted and, in appropriate cases, implements corrective and/or disciplinary actions.

Our Shares and Shareholders

Our authorized share capital is €40,000,000, consisting of two billion (2,000,000,000) common shares and two billion (2,000,000,000) special voting shares, each having a par value of one euro cent (€0.01). Our common shares are registered shares represented by an entry in the share register of CNH Industrial. Beneficial interests in our common shares traded on the NYSE are held through the book-entry system provided by DTC and are registered in the register of shareholders in the name of Cede & Co., as DTC's nominee. Beneficial interests in the common shares traded on the MTA are held through Monte Titoli S.p.A., the Italian central clearing and settlement system, as a participant in DTC.

Loyalty Voting Structure. In connection with the Merger, CNH Industrial implemented a loyalty voting structure, pursuant to which the former shareholders of each of Fiat Industrial S.p.A. and CNH Global N.V. were able to elect to receive one CNH Industrial special voting share for each CNH Industrial common share they were entitled to receive in the Merger, provided that they fulfilled the requirements described in the terms and conditions of the special voting shares. The CNH Industrial common shares held by shareholders that elected to receive loyalty shares were registered in the Company's Loyalty Register. Following this registration, a corresponding number of special voting shares were allocated to such shareholders, and the additional voting rights could be exercised at the first CNH Industrial shareholders' meeting that followed the registration. By signing an election form, whose execution was necessary to elect to receive special voting shares, shareholders also agreed to be bound by the terms and conditions thereof, including the transfer restrictions described below. The terms and conditions applicable to special voting shares are available on our web site (www.cnhindustrial.com).

Following the completion of the Merger, CNH Industrial shareholders may at any time elect to participate in the loyalty voting structure by requesting that CNH Industrial register all or some of their CNH Industrial common shares in the Loyalty Register. If these CNH Industrial common shares have been registered in the Loyalty Register (and thus blocked from trading in the regular trading system) for an uninterrupted period of three years in the name of the same shareholder, such shares become eligible to receive special voting shares (the "Qualifying Common Shares") and the relevant shareholder will be entitled to receive one special voting share for each such Qualifying Common Share. If at

any time such CNH Industrial common shares are de-registered from the Loyalty Register for whatever reason, the relevant shareholder shall lose his, her or its entitlement to hold a corresponding number of special voting shares.

A holder of Qualifying Common Shares may at any time request the de-registration of some or all such shares from the Loyalty Register, which will allow such shareholder to freely trade its CNH Industrial common shares. From the moment of such request, the holder of Qualifying Common Shares shall be considered to have waived his/her/its rights to cast any votes associated with the loyalty voting shares corresponding to its previously Qualifying Common Shares. Upon the de-registration from the Loyalty Register, the relevant common shares will therefore cease to be Qualifying Common Shares. Any de-registration request would automatically trigger a mandatory transfer requirement pursuant to which the special voting shares will be acquired by CNH Industrial for no consideration in accordance with the terms and conditions of the special voting shares.

CNH Industrial's common shares are freely transferable. However, any transfer or disposal of CNH Industrial's common shares with which special voting shares are associated would trigger the de-registration of such common shares from the Loyalty Register and the transfer of all applicable special voting shares to CNH Industrial. Special voting shares are not admitted to listing and are transferable only in very limited circumstances. In particular, no shareholder shall, directly or indirectly: (a) sell, dispose of or transfer

any special voting share or otherwise grant any right or interest therein; or (b) create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over any special voting share or any interest in any special voting share.

The purpose of the loyalty voting structure is to grant long-term CNH Industrial shareholders an extra voting right by means of granting a special voting share (shareholders holding special voting shares are entitled to exercise one vote for each special voting share held and one vote for each CNH Industrial common share held), without entitling such shareholders to any economic rights, other than those pertaining to the CNH Industrial common shares. However, under Dutch law, the special voting shares cannot be excluded from economic entitlements. As a result, in accordance with our Articles of Association, holders of special voting shares are entitled to a minimum dividend, which is allocated to a separate special dividend reserve (the “Special Dividend Reserve”). The distribution of dividends from the Special Dividend Reserve can only be approved by the general meeting of the holders of special voting shares upon proposal of the Board of Directors. The power to vote upon the distribution from the Special Dividend Reserve is the only power that is granted to that meeting, which can only be convened by the Board of Directors as it deems necessary. The special voting shares do not have any other economic entitlement.

Section 10 of the special voting share terms and conditions includes liquidated damages provisions intended to discourage any attempt by holders of special voting shares to violate the terms thereof. These liquidated damages provisions may be enforced by CNH Industrial by means of a legal action brought by the Company in the courts of the Netherlands. In particular, a violation of the provisions of the above-mentioned terms and conditions concerning the transfer of special voting shares may lead to the imposition of liquidated damages.

Pursuant to Section 12 of the special voting share terms and conditions, any amendment to the terms and conditions (other than merely technical, non-material amendments) may only be made with the approval of the general meeting of shareholders of CNH Industrial.

A shareholder must promptly notify CNH Industrial upon the occurrence of a change of control, which is defined in Article 4(1)(n) of the Articles of Association as including any direct or indirect transfer, carried out through one or a series of related transactions, by a CNH Industrial shareholder that is not an individual of (i) the ownership or control of 50% or more of the voting rights of such shareholder, (ii) the de facto ability to direct the casting of 50% or more of the votes which may be expressed at the general meetings of such shareholder, or (iii) the ability to appoint or remove half or more of the directors, executive directors or board members or executive officers of such shareholder or to direct the casting of 50% or more of the voting rights at meetings of the board, governing body or executive committee of such shareholder. In accordance with Article 4(1)(n) of the Articles of Association, no change of control shall be deemed to have occurred if (i) the transfer of ownership and/or control is the result of the succession or the liquidation of assets between spouses or the inheritance, inter vivos donation or other transfer to a spouse or a relative up to and including the fourth degree or (ii) the fair market value of the Qualifying Common Shares held by the relevant CNH Industrial shareholder represents less than 20% of the total assets of the Transferred Group at the time of the transfer and the Qualifying Common Shares, in the sole judgment of CNH Industrial, are not otherwise material to the Transferred Group or the change of control transaction. Article 4(1)(n) of the Articles of Association defines “Transferred Group” as comprising the relevant shareholder together with its affiliates, if any, over which control was transferred as part of the same change of control transaction, as such term is defined in Article 4(1)(n) of the Articles of Association. A change of control will trigger the de-registration of the applicable Qualifying Common Shares from the Loyalty Register and the suspension of the special voting rights attached to such Qualifying Common Shares.

Issuance of Shares and Rights of Preference

Issuance of Shares

Our Board of Directors has the authority to issue common shares if, and to the extent that, a general meeting of shareholders has designated the Board of Directors to act as the authorized body for this purpose. A designation of authority to the Board of Directors to issue shares remains effective for the period specified by the general meeting and may be up to five years from the date of designation. A general meeting of shareholders may renew this designation for additional periods of up to five years. Without this designation, only the general meeting of shareholders has the power to authorize the issuance of shares.

For a period of five years from September 28, 2013, the Board of Directors has been irrevocably authorized by the shareholders to issue special voting shares up to the maximum aggregate amount of special voting shares as provided for in the Company's authorized share capital as set forth in the Articles of Association. For a period of five years from September 29, 2013, the Board of Director has been irrevocably authorized by the shareholders to issue common shares of the Company, which authorization is limited to 15% of the total number of common shares. In addition, and without application of the 15% limitation, the Board of Directors is authorized to issue common shares and grant rights to subscribe for common shares in the capital of the Company pursuant to equity incentive plans sponsored by the Company's predecessors (Fiat Industrial S.p.A. and CNH Global N.V.) and new equity incentive or compensation plans.

Rights of Pre-emption

Under Dutch law and our Articles of Association, each shareholder has a right of pre-emption in proportion to the aggregate nominal value of its shareholding upon issuance of new Company common shares (or granting of rights to subscribe for shares) unless a general meeting of shareholders, or its designee, limits or eliminates this right. Our shareholders have no pre-emption right with respect to (i) shares issued for consideration other than cash, (ii) shares issued to our employees and (iii) to persons exercising a previously granted right to subscribe for Company common shares.

If a general meeting of shareholders delegates its authority to the Board of Directors for this purpose, then the Board of Directors will have the power to limit or exclude the pre-emption rights of shareholders. In the absence of this designation, the general meeting of shareholders will have the power to limit or exclude these rights. Such a proposal requires the approval of at least two-thirds of the votes cast by shareholders at a general meeting if less than one-half of the issued share capital is represented at the meeting. Designations of authority to the Board of Directors may remain in effect for up to five years and may be renewed for additional periods of up to five years. The Board of Directors has also been designated by the shareholders as the authorized body to limit or exclude the rights of pre-emption of shareholders in connection with the authority of the Board of Directors to issue common shares and grant rights to subscribe for common shares. In the event of an issuance of special voting shares, shareholders shall not have any right of pre-emption.

Liability to Further Capital Calls

All of the outstanding Company common shares are fully paid and non-assessable.

Discriminating Provisions

There are no provisions in the Articles of Association that discriminate against a shareholder because of its ownership of a substantial number of shares.

Payment of Dividends

CNH Industrial may make distributions to the shareholders and other persons entitled to the distributable profits only to the extent that its shareholders' equity exceeds the sum of the paid-up portion of the share capital and the reserves that must be maintained in accordance with Dutch law. No distribution of profits may be made to the Company itself for shares that the Company holds in its own share capital.

The Company may only make a distribution of dividends to the shareholders after the adoption of its statutory annual accounts demonstrating that such distribution is legally permitted. The Board of Directors may determine that dividends or interim dividends shall be paid, in whole or in part, from the Company's share premium reserve or from any other reserve, provided that payments from reserves may only be made to the shareholders that are entitled to the relevant reserve upon the dissolution of the Company and provided further that the policy of the Company on additions to reserves and dividends is duly observed.

The Company maintains a Special Dividend Reserve for the special voting shares for the purpose of the allocation of the mandatory minimal profits that accrue to the special voting shares. The special voting shares do not carry any entitlement to any other reserve. Any distribution out of the Special Dividend Reserve or the partial or full release of such reserve requires a prior proposal from the Board of Directors and a subsequent resolution of the general meeting of holders of special voting shares.

Insofar as the profits have not been distributed or allocated to the reserves, they may be subject to approval at the general meeting to be distributed as dividends on the Company common shares only. The general meeting of shareholders may resolve, on the proposal of the Board of Directors, to declare and distribute dividends in United States dollars. The Board of Directors may decide, subject to the approval of the general meeting of shareholders and the Board of Directors having been designated as the body competent to pass a resolution for the issuance of shares, that a distribution shall, wholly or partially, be made in the form of shares.

The right to dividends and distributions will lapse if the dividends or distributions are not claimed within five years following the day after the date on which they were first made available.

On March 2, 2018, the Board of Directors recommended and proposed to the Company's shareholders that a dividend, in the amount of €0.14 per share, be paid to the holders of our common shares.

Other than as described above, our Articles of Association do not include any redemption provisions or provide for any sinking or similar fund.

General Meetings of Shareholders and Voting Rights

Annual General Meeting of Shareholders

An AGM must be held within six months from the end of CNH Industrial's preceding financial year. The purpose of the AGM is to discuss, among other things, the annual report, the adoption of the annual accounts, allocation of profits (including the proposal to distribute dividends), release of members of the Board of Directors from liability for their management and supervision, appointment of directors and other proposals brought up for discussion or vote by the Board of Directors.

General Meeting of Shareholders and Place of Meetings

Other general meetings will be held if requested by the Board of Directors, the chairman or co-chairman of the Board of Directors, the Senior Non-Executive Board Member or the Chief Executive Officer, or by the written request (stating the exact subjects to be discussed) of one or more shareholders representing in aggregate at least 10% of the issued share capital of the Company (taking into account the relevant provisions of Dutch law, and the Articles of Association and the applicable stock exchange regulations). General meetings will be held in Amsterdam or Haarlemmermeer (Schiphol Airport), the Netherlands.

Convocation Notice and Agenda

General meetings of shareholders can be convened by a notice, specifying the subjects to be discussed, the place and the time of the meeting and admission and participation procedure, issued at least 42 days before the meeting. All convocations, announcements, notifications and communications to shareholders must be made on the company's corporate website in accordance with the relevant provisions of Dutch law. The agenda for a general meeting may contain the items requested by such number of shareholders who, by law, are entitled to make such proposals. Requests must be made in writing, including the reasons for adding the relevant item on the agenda, and received by the Board of Directors at least 60 days before the day of the meeting.

Admission and Registration

Each shareholder entitled to vote shall be authorized to attend the general meeting of shareholders, to address the general meeting and to exercise its voting rights. The Board of Directors shall set a record date, which shall be the 28th day prior to the date of the general meeting, so as to establish which shareholders are entitled to attend and vote at the general meeting. Only holders of shares at such record date are entitled to attend and vote at the general meeting. The convocation notice for the meeting shall state the record date and the manner in which the persons entitled to attend the general meeting may register and exercise their rights.

Those entitled to attend a general meeting may be represented at a general meeting by a proxy authorized in writing. The requirement that a proxy must be in written form is also fulfilled when it is recorded electronically.

Members of the Board of Directors have the right to attend a general meeting. In these general meetings, each member of the Board of Directors has an advisory role.

Voting Rights

Each common share and special voting share of the Company confers the right on the holder to cast one vote at a general meeting. Resolutions are passed by a simple majority of the votes cast, unless Dutch law or the Articles of Association prescribes a larger majority. Under Dutch law and/or the Articles of Association, the following matters

require at least two-thirds of the votes cast at a meeting if less than one-half of the issued share capital is present or represented:

- a resolution to reduce the issued share capital;
- a resolution to amend the Articles of Association;
- a resolution to limit or exclude rights of pre-emption;
- a resolution to authorize the Board of Directors to limit or exclude rights of pre-emption;
- a resolution to enter into a legal merger or a legal demerger; or
- a resolution to dissolve the Company.

Shareholders' Votes on Certain Transactions

Any important change in the identity or character of the Company must be approved by shareholders, including (i) the transfer to a third party of the business of the Company or practically the entire business of the Company; (ii) the entry into or breaking off of

any long-term cooperation of the Company or a subsidiary with another legal entity or company or as a fully liable partner of a general partnership or limited partnership, where such entry into or breaking off is of far-reaching importance to the Company; and (iii) the acquisition or disposal by the Company or a subsidiary of an interest in the capital of a company with a value of at least one-third of the Company's assets according to the consolidated balance sheet with explanatory notes included in the last adopted annual accounts of the Company.

We are exempt from the proxy rules under the U.S. Securities Exchange Act of 1934, as amended.

Dissolution

If the Company were to be dissolved and liquidated, after all the debts of the Company have been paid, any remaining balances would be distributed in the following order of priority: (i) first, to satisfy the aggregate balance of share premium reserves and other reserves than the Special Dividend Reserve to the holders of CNH Industrial common shares in proportion to the number of common shares held by each of them; (ii) second, an amount equal to the aggregate amount of the nominal value of the CNH Industrial common shares to the holders thereof in proportion to the number of common shares held by each of them; (iii) third, an amount equal to the aggregate amount of the Special Dividend Reserve to the holders of special voting shares in proportion to the number of special voting shares held by each of them; and (iv) fourth, the aggregate amount of the nominal value of the special voting shares to the holders thereof in proportion to the number of special voting shares held by each of them. No liquidation payments will be made on shares that we hold in treasury.

Repurchase of Shares

We may acquire our shares, subject to applicable provisions of the laws of the Netherlands and of our Articles of Association, to the extent:

the general meeting of shareholders has authorized the Board of Directors to make such acquisition—which authorization shall be valid for a period of not more than eighteen months—and has specified the number of shares which may be acquired, the manner in which they may be acquired and the limits within which the price must be set; our equity, less the amount to be paid for the shares to be acquired, exceeds the sum of (1) our share capital account, plus (2) any reserves required to be maintained by the laws of the Netherlands; and after the acquisition of shares, we and our subsidiaries would not hold, or hold as pledges, shares having an aggregate par value that exceeds 50% of our issued share capital account, as these amounts would be calculated under generally accepted accounting principles in the Netherlands.

At the AGM held on April 14, 2017, shareholders granted the Board of Directors the authority to acquire common shares in its own capital through stock exchange trading or otherwise. The Board's authority to acquire common shares is limited to a maximum of up to 10% of the issued common shares on April 14, 2017 and subject to a maximum price per common share equal to the average of the highest price on each of the five trading days prior to the date of acquisition, as shown in the Official Price List of the MTA and NYSE (as the case may be) plus 10% (maximum price) and to a minimum price per common share equal to the average of the lowest price on each of the five trading days prior to the date of acquisition, as shown in the Official Price List of the MTA or NYSE (as the case may be) minus 10% (minimum price).

On January 29, 2016, the Company announced the launch of a share buyback program (the "Program"). The Program involves the repurchase from time to time of up to \$300 million in common shares. The Program is intended to optimize the capital structure of the Company. The purchases under the Program have been carried out on the Italian Stock Exchange only, in compliance with applicable rules and regulations, and in accordance with the existing 2015 Share Repurchase Authorization.

On June 5, 2017, the Company announced the renewal of its buy-back Program to repurchase up to \$300 million in common shares. The renewed buy-back program implements the resolution adopted by the Company's shareholders at the AGM held on April 14, 2017. The authorization granted is for a period of 18 months from the date of the AGM and, therefore, expires on October 13, 2018.

At the 2018 Annual General Meeting of Shareholders, the Board of Directors intends to recommend to the Company's shareholders the renewal of the authorization to repurchase up to a maximum of 10% of the Company's issued common shares. After such authorization and subject to general and market conditions, the Company intends to launch a buy-back program up to \$700 million, representing an increase of \$400 million versus the current program.

The authorization is an instrument available to the Board of Directors, but places no obligation on the Company to repurchase its own shares. Refer to "Item 16E: Purchase of Equity Securities by the Issuer and Affiliated Purchasers" for additional details of stock repurchases by the Company.

Up-to-date details of the transactions occurred under the Program are available in the dedicated section on the corporate website (www.cnhindustrial.com).

Notification of Substantial Holdings

Dutch law requires that any person who, directly or indirectly, acquires or disposes of a capital interest and/or voting rights in CNH Industrial must immediately give written notice to the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten, the "AFM") of such acquisition or disposal by means of a standard form if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person reaches, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Notification by such person must be completed (1) without delay and ultimately two trading days after the acquisition or disposal in circumstances where a person has either acquired or disposed of shares thereby affecting its percentage of ownership and/or voting rights or (2) ultimately on the fourth trading day after the AFM has published the Company's notification (as described below) of changes to its total share capital or voting rights in circumstances where the percentage reached, exceeded or fell below the threshold in a passive manner.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must be taken into account: (i) shares and/or voting rights directly held (or acquired or disposed of) by any person, (ii) shares and/or voting rights held (or acquired or disposed of) by such person's controlled undertakings or by a third party for such person's account, (iii) voting rights held (or acquired or disposed of) by a third party with whom such person has

concluded an oral or written voting agreement, (iv) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights in consideration for a payment, (v) shares which such person, or any controlled undertaking or third party referred to above, may acquire pursuant to any option or other right to acquire shares and (vi) the voting rights it may exercise as a usufructuary or pledge.

Special voting shares shall be added to the Company common shares for the purposes of the above thresholds.

Controlled undertakings (within the meaning of the Dutch Financial Supervision Act) do not themselves have notification obligations under the Dutch Financial Supervision Act as their direct and indirect interests are attributed to their (ultimate) parent. If a person who has a 3% or larger interest in the Company's share capital or voting rights ceases to be a controlled undertaking it must immediately notify the AFM and all notification obligations under the Dutch Financial Supervision Act will become applicable to such former controlled undertaking.

Special rules apply to the attribution of shares and/or voting rights that are part of the property of a partnership or other form of joint ownership. A holder of a pledge or right of usufruct in respect of shares can also be subject to notification obligations, if such person has, or can acquire, the right to vote on the shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger notification obligations as if the pledgee or beneficial owner were the legal holder of the shares and/or voting rights.

Furthermore, when calculating the percentage of capital interest, a person is also considered to be in possession of shares if (i) such person holds a financial instrument the value of which is (in part) determined by the value of the shares or any distributions associated therewith and which does not entitle such person to acquire any shares, (ii) such person may be obliged to purchase shares on the basis of an option, or (iii) such person has concluded another contract whereby such person acquires an economic interest comparable to that of holding a share.

The Company is required to notify the AFM promptly of any change of 1% or more in its issued and outstanding share capital or voting rights since a previous notification. Other changes in the Company's issued and outstanding share capital or voting rights must be notified to the AFM within eight days after the end of the quarter in which the change occurred.

Each member of the Board of Directors must notify the AFM of each change in the number of shares he/she holds and of each change in the number of votes he/she is entitled to cast in respect of the Company's issued and outstanding share capital, immediately after the relevant change.

The AFM keeps a public register of all notifications made pursuant to these disclosure obligations and publishes any notification received.

Non-compliance with these disclosure obligations is an economic offense and may lead to criminal prosecution. The AFM may impose administrative penalties for non-compliance, and the publication thereof. In addition, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be notified. A claim requiring that such measures be imposed may be instituted by (i) the Company, (ii) one or more shareholders who alone or together with others represent at least 3% of the issued and outstanding share capital of the Company or are able to exercise at least 3% of the voting rights and (iii) holders of one or more shares with a special controlling right in the issuer under the Articles of Association. The measures that the civil court may impose include:

- an order requiring appropriate disclosure;
- suspension of the right to exercise the voting rights for a period of up to three years as determined by the court;
- voiding a resolution adopted by the general meeting, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person with a duty to disclose, or suspension of a resolution adopted by the general meeting of shareholders until the court makes a decision about such voiding; and
- an order to refrain, during a period of up to five years as determined by the court, from acquiring shares and/or voting rights in the Company.

Shareholders are advised to consult with their own legal advisers to determine whether the disclosure obligations apply to them.

Shareholder Disclosure and Reporting Obligations under U.S. Law

Holders of CNH Industrial shares are subject to certain U.S. reporting requirements under the Exchange Act, for shareholders owning more than 5 percent of any class of equity securities registered pursuant to Section 12 of the Exchange Act. Among the reporting requirements are disclosure obligations intended to keep investors aware of significant accumulations of shares that may lead to a change of control of an issuer.

If CNH Industrial were to fail to qualify as a foreign private issuer in the future, Section 16(a) of the Exchange Act would require CNH Industrial's directors and executive officers, and persons who own more than ten percent of a registered class of CNH Industrial's equity securities, to file reports of ownership of, and transactions in, CNH Industrial's equity securities with the SEC. Such directors, executive officers and ten percent stockholders would also be required to furnish CNH Industrial with copies of all Section 16 reports they file.

Market Abuse Regulation (MAR)

On July 3, 2016, the Market Abuse Regulation (Regulation (EU) No. 596/2014, “MAR”) entered into force in the EU replacing the existing current rules in the different European countries originated by the implementation of an EU directive issued in 2003. The legal instrument chosen by the EU institutions to amend the current regime is a ‘regulation’, i.e. an instrument that, since the date of coming into effect, is immediately binding in all the EU States without necessity of further implementation.

The main aim of MAR is to expand and develop the existing EU legal framework regime of financial markets, ensuring a more uniform interpretation of the regime that, according to the Commission, should result in a reduction of compliance costs and greater legal certainty.

The focus of MAR is the prevention of any form of insider dealing (including attempted insider dealing and recommending or inducing another to engage in insider dealing), market manipulation (including attempted market manipulation), and unlawful disclosure of inside information (“Inside Information”).

In the field of prevention of insider dealing, MAR reiterates the notification regime in place for managers’ transactions involving issuer’s securities. Under MAR, person discharging managerial responsibilities (“PDMR”) and persons closely associated with them must notify the issuers and the national competent authority of every transaction conducted on their own account relating to the shares or debt instruments of that issuer, or to derivatives or other financial instruments linked to those shares or debt instruments.

Disclosure of Inside Information

Inside Information, as defined under MAR, is crucial for CNH Industrial since EU rules set forth a clear obligation upon the issuers to publicly disclose such Inside Information without delay. The above disclosure requirement shall be complied with through the publication of a press release in accordance with the modalities set forth under MAR disclosing to the public the relevant Inside Information. Delay in disclosure of Inside Information to the public is allowed on issuer’s own responsibility provided that all of the following conditions are met: (i) immediate disclosure is likely to prejudice the legitimate interests of the issuer or emission allowance market participant, (ii) delay of disclosure is not likely to mislead the public, and (iii) the issuer or emission allowance market participant is able to ensure the confidentiality of that information.

Insiders Lists

Pursuant to Article 18 of MAR, CNH Industrial as well as persons acting on its behalf or for its account, shall draw up in accordance with a precise electronic format and keep regularly updated, a list of persons who, in the exercise of their employment, profession or duties, have access to Inside Information. CNH Industrial shall transmit the Insider list to the relevant competent authority, upon its request.

Public Tender Offers

Any offer launched for CNH Industrial’s common shares (and /or for financial instruments linked to such common shares) with respect to both voluntary and mandatory public tender offers shall be managed in compliance with applicable laws and regulations, relevant provisions and with any requirement imposed by/or subject to national relevant authority’s supervision, in particular, among other things, the provisions concerning the tender offer price, the content of the offer document and the disclosure of the tender offer.

Reduction of Issued Share Capital

At a general meeting of shareholders, our shareholders may vote to reduce the issued share capital by canceling shares held by the Company or by reducing the nominal amount of our shares by means of an amendment to the Company’s Articles of Association. In either case, this reduction would be subject to applicable statutory provisions. A resolution to reduce the capital shall require a simple majority of the votes cast in a general meeting of shareholders for approval; provided, however, that such a resolution shall require a majority of at least two-thirds of the votes cast in a general meeting of shareholders if less than one half of the issued capital is represented at the meeting in person or by proxy.

At the AGM on April 15, 2016, shareholders authorized the Board to reduce the issued share capital of the Company, in accordance with article 8 of the Articles of Association and in compliance with applicable rules and regulations, by cancelling up to 80 million special voting shares held by the Company in treasury. On September 15, 2017, the Company implemented the resolution adopted by the Company’s shareholders at the AGM held on April 15, 2016 and

cancelled 78,000,000 special voting shares held by the Company in treasury.

Amendments to the Company's Articles of Association, including Variation of Rights

A majority of the votes cast by holders of our shares at a general meeting must approve any resolution proposed by our Board of Directors to amend the Articles of Association or to dissolve CNH Industrial. A majority of at least two-thirds of the votes cast shall be required if less than one-half of the issued capital is represented at the meeting. Any such resolution proposed by one or more shareholders must likewise be approved by a majority of the votes cast at a general meeting of shareholders.

The rights of shareholders may be changed only by amending the Articles of Association in compliance with Dutch law.

C. Material Contracts.

For a discussion of our related party transactions, please see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.”

For a discussion of the Company’s equity plans, please see “Note 16: Share-Based Compensation” to our consolidated financial statements for the year ended December 31, 2017.

D. Exchange Controls.

There are no governmental laws, decrees, regulations or other legislation in the Netherlands that may affect the import or export of capital, including the availability of cash and cash equivalents for use by us, or that may affect the remittance of dividends, interest, or other payments by us to non-resident holders of our common shares. There are no special restrictions in our Articles of Association or Dutch law that limit the right of shareholders who are not citizens or residents of the Netherlands to hold or vote the our common shares.

E. Taxation.

United States Federal Income Taxation

This section summarizes the material U.S. federal income tax consequences of the ownership and disposition of CNH Industrial stock by a U.S. Shareholder (as defined below). It applies solely to persons that hold shares as capital assets for U.S. federal income tax purposes. This section does not apply to members of a special class of holders subject to special rules, including:

- a dealer in securities or foreign currencies;
- regulated investment companies;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a tax-exempt organization;
- a bank, financial institution, or insurance company;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more, by vote or value, of CNH Industrial;
- a person that holds shares as part of a straddle or a hedging, conversion, or other risk reduction transaction for U.S. federal income tax purposes;
- a person that acquired shares pursuant to the exercise of employee stock options or otherwise as compensation; or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing and proposed regulations, published rulings and court decisions, as well as on applicable tax treaties. These authorities are subject to change, possibly on a retroactive basis.

If a partnership holds shares, the U.S. federal income tax treatment of a partner will depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding shares should consult its tax advisor with regard to the U.S. federal income tax treatment of the ownership of CNH Industrial stock.

Prospective purchasers and holders of CNH Industrial stock should consult their own tax advisors regarding the U.S. federal, state and local and foreign and other tax consequences of owning and disposing of CNH Industrial stock in their particular circumstances.

For the purposes of this discussion, a “U.S. Shareholder” is a beneficial owner of shares that is:

- an individual that is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized under the laws of the United States;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

CNH Industrial Common Stock

Taxation of Dividends

Under the U.S. federal income tax laws, subject to the discussion of “passive foreign investment company” (“PFIC”) taxation below, a U.S. Shareholder must include in its gross income the gross amount of any dividend paid by CNH Industrial out of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Dividends will be taxed as ordinary income to the extent that they are paid out of CNH Industrial’s current or accumulated earnings and profits. Dividends paid to a noncorporate U.S. Shareholder by certain “qualified foreign corporations” that constitute qualified dividend income will be taxable to the shareholder at the preferential rates applicable to long-term capital gains provided that the shareholder holds the shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets other holding period requirements. Subject to the discussion regarding PFIC taxation below, CNH Industrial believes that dividends CNH Industrial pays with respect to the shares will be qualified dividend income, assuming the holding period requirements are met.

A U.S. Shareholder must include any foreign tax withheld from the dividend payment in this gross amount even though the shareholder does not in fact receive it. The dividend is taxable to a U.S. Shareholder when the U.S. Shareholder receives the dividend, actually or constructively.

The dividend will not be eligible for the dividends-received deduction allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the U.S. Shareholder’s basis in the shares of CNH Industrial stock, causing a reduction in the U.S. Shareholder’s adjusted basis in CNH Industrial stock, and thereafter as capital gain.

Subject to certain limitations, any non-U.S. tax withheld and paid over to a non-U.S. taxing authority is eligible for credit against a U.S. Shareholder’s U.S. federal income tax liability except to the extent a refund of the tax withheld is available to the U.S. Shareholder under non-U.S. tax law or under an applicable tax treaty. The amount allowed to a U.S. Shareholder as a credit is limited to the amount of the U.S. Shareholder’s U.S. federal income tax liability that is attributable to income from sources outside the United States and is computed separately with respect to different types of income that the U.S. Shareholder receives from non-U.S. sources. Subject to the discussion below regarding Section 904(h) of the Code, dividends paid by CNH Industrial will be foreign source income and depending on the circumstances of the U.S. Shareholder, will be either “passive” or “general” income for purposes of computing the foreign tax credit allowable to a U.S. Shareholder.

Under Section 904(h) of the Code, dividends paid by a foreign corporation that is treated as 50% or more owned, by vote or value, by United States persons may be treated as U.S. source income (rather than foreign source income) for foreign tax credit purposes, to the extent the foreign corporation earns U.S. source income. In most circumstances, U.S. Shareholders would be able to choose the benefits of Section 904(h)(10) of the Code and elect to treat dividends that would otherwise be U.S. source dividends as foreign source dividends, but in such a case the foreign tax credit limitations would be separately determined with respect to such “resourced” income. In general, therefore, the application of Section 904(h) of the Code may adversely affect a U.S. Shareholder’s ability to use foreign tax credits. CNH Industrial does not believe that it is 50% or more owned by United States persons, but this conclusion is a factual determination and is subject to change; no assurance can therefore be given that CNH Industrial may not be treated as 50% or more owned by United States persons for purposes of Section 904(h) of the Code. U.S. Shareholders are strongly urged to consult their own tax advisors regarding the possible impact if Section 904(h) of the Code should apply.

Taxation of Capital Gains

Subject to the discussion of PFIC taxation below, a U.S. Shareholder which sells or otherwise disposes of its CNH Industrial common shares will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the amount that the U.S. Shareholder realizes and the U.S. Shareholder's tax basis in those shares. Capital gain of a noncorporate U.S. Shareholder is taxed at preferential rates when the shareholder has a holding period greater than one year. The gain or loss will be U.S. source income or loss for foreign tax credit limitation purposes. The deduction of capital losses is subject to limitations.

Loyalty Voting Structure

No statutory, judicial or administrative authority directly discusses how the receipt, ownership or disposition of special voting shares should be treated for U.S. federal income tax purposes and as a result, the U.S. federal income tax consequences are uncertain. Accordingly, we urge U.S. shareholders to consult their tax advisor as to the tax consequences of the receipt, ownership and disposition of special voting shares.

Receipt of Special Voting Shares

If a U.S. Shareholder receives special voting shares after requesting its shares be held on the Loyalty Register, the tax consequences of the receipt of special voting shares is unclear. While distributions of stock are tax-free in certain circumstances, it is possible that the distribution of special voting shares could be treated as a distribution subject to tax as described above in “—Taxation of Dividends” if such distribution were considered to result in a “disproportionate distribution.” If the distribution of special voting shares were so treated, the amount of the distribution should equal the fair market value of the special voting shares received. Because, among other things, the special voting shares are not transferrable and a U.S. Shareholder will receive amounts in respect of the special voting shares only if CNH Industrial is liquidated, CNH Industrial believes and intends to take the position that the value of each special voting share is minimal. However, because the fair market value of the special voting shares is factual and is not governed by any guidance that directly addresses such a situation, the IRS could assert that the value of the special voting shares (and thus the amount of the distribution) as determined by CNH Industrial is incorrect.

Ownership of Special Voting Shares

CNH Industrial believes that U.S. Shareholders holding special voting shares should not have to recognize income in respect of amounts transferred to the special voting shares dividend reserve that are not paid out as dividends. Section 305 of the Code may, in certain circumstances, require a holder of preferred shares to recognize income even if no dividends are actually received on such shares if the preferred shares are redeemable at a premium and the redemption premium results in a “constructive distribution.” Preferred shares for this purpose refer to shares that do not participate in corporate growth to any significant extent. CNH Industrial believes that Section 305 of the Code should not apply to any amounts transferred to the special voting shares dividend reserve that are not paid out as dividends so as to require current income inclusion by U.S. Shareholders because, among other things, (i) the special voting shares are not redeemable on a specific date and a U.S. Shareholder is only entitled to receive amounts in respect of the special voting shares upon liquidation, (ii) Section 305 of the Code does not require the recognition of income in respect of a redemption premium if the redemption premium does not exceed a de minimis amount and, even if the amounts transferred to the special voting shares dividend reserve that are not paid out as dividends are considered redemption premium, the amount of the redemption premium is likely to be “de minimis” as such term is used in the applicable Treasury Regulations. CNH Industrial therefore intends to take the position that the transfer of amounts to the special voting shares dividend reserve that are not paid out as dividends does not result in a “constructive distribution”, and this determination is binding on all U.S. Shareholders of special voting shares other than a U.S. Shareholder that explicitly discloses its contrary determination in the manner prescribed by the applicable regulations. However, because the tax treatment of the loyalty voting structure is unclear and because CNH Industrial’s determination is not binding on the IRS, it is possible that the IRS could disagree with CNH Industrial’s determination and require current income inclusion in respect of such amounts transferred to the special voting shares dividend reserve that are not paid out as dividends.

Disposition of Special Voting Shares

The tax treatment of a U.S. Shareholder that has its special voting shares redeemed for zero consideration after removing its common shares from the Loyalty Register is unclear. It is possible that a U.S. Shareholder would recognize a loss to the extent of the U.S. Shareholder’s basis in its special voting shares, which should equal the amount that was included in income upon receipt. Such loss would be a capital loss and would be a long-term capital loss if a U.S. Shareholder has held its special voting shares for more than one year. It is also possible that a U.S. Shareholder would not be allowed to recognize a loss upon the redemption of its special voting shares and instead a U.S. Shareholder should increase the basis in its CNH Industrial common shares by an amount equal to the basis in its special voting shares. Such basis increase in a U.S. Shareholder’s CNH Industrial common shares would decrease the gain, or increase the loss, that a U.S. Shareholder would recognize upon the sale or other taxable disposition of its

CNH Industrial common shares.

The U.S. federal income tax treatment of the loyalty voting structure is unclear and U.S. shareholders are urged to consult their tax advisors in respect of the consequences of acquiring, owning, and disposing of special voting shares.

PFIC Considerations

CNH Industrial believes that shares of its stock are not stock of a PFIC for U.S. federal income tax purposes, but this conclusion is a factual determination made annually and thus may be subject to change. If CNH Industrial were to be treated as a PFIC, unless a U.S. Shareholder elects to be taxed annually on a mark-to-market basis with respect to its common shares (as discussed below), any gain realized on the sale or other disposition of CNH Industrial stock would in general not be treated as a capital gain. Instead, if you are a U.S. Shareholder, you would be treated as if you had realized such gain and certain “excess distributions” ratably over a U.S. Shareholder’s holding period for its CNH Industrial stock and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to CNH Industrial each such year. With certain exceptions, CNH Industrial stock will be treated as stock in a PFIC if CNH Industrial was a PFIC at any time during a U.S.

Shareholder's holding period in its shares. Dividends received from CNH Industrial will not be eligible for the special tax rates applicable to qualified dividend income if CNH Industrial is treated as a PFIC either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

If CNH Industrial were to be treated as a PFIC for any taxable year and provided that CNH Industrial common shares are treated as "marketable stock" within the meaning of applicable Treasury Regulations, which CNH Industrial believes will be the case, a U.S. Shareholder may make a mark-to-market election with respect to such U.S. Shareholder's common shares. Under a mark-to-market election, any excess of the fair market value of the CNH Industrial common shares at the close of any taxable year over the U.S. Shareholder's adjusted tax basis in the CNH Industrial common shares is included in the U.S. Shareholder's income as ordinary income. These amounts of ordinary income would not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. In addition, the excess, if any, of the U.S. Shareholder's adjusted tax basis at the close of any taxable year over the fair market value of the CNH Industrial common shares is deductible in an amount equal to the lesser of the amount of the excess or the amount of the net mark-to-market gains that the U.S. Shareholder included in income in prior years. A U.S. Shareholder's tax basis in CNH Industrial common shares would be adjusted to reflect any such income or loss. Gain realized on the sale, exchange or other disposition of CNH Industrial common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of CNH Industrial common shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Shareholder.

Material U.K. Tax Consequences

This section summarizes the material U.K. tax consequences of the ownership of CNH Industrial common shares for U.S. Shareholders. It is intended only as a general guide and does not purport to be a complete analysis of all potential U.K. tax consequences of holding CNH Industrial common shares. This section is based on current U.K. tax law and what is understood to be the current practice of H.M. Revenue and Customs, as well as on applicable tax treaties. This law and practice and these treaties are subject to change, possibly on a retroactive basis.

This section applies only to shareholders of CNH Industrial that are U.S. Shareholders, that are not resident or domiciled in the U.K., that are not individuals temporarily non-resident in the U.K. for a period of less than five complete tax years, that hold their shares as an investment, and that are the absolute beneficial owner of both the shares and any dividends paid on them. This section does not apply to members of any special class of shareholders subject to special rules, such as:

- a pension fund;
- a charity;
- persons acquiring their shares in connection with an office or employment;
- a dealer in securities;
- an insurance company; or
- a collective investment scheme.

In addition, this section may not apply to:

- any shareholders that, either alone or together, with one or more associated persons, such as personal trusts and connected persons, control directly or indirectly at least 10% of the voting rights or of any class of share capital of CNH Industrial; or
- any person holding shares as a borrower under a stock loan or an interim holder under a repo.

Taxation of Dividends

Withholding from dividend payments

Dividend payments may be made without withholding or deduction for or on account of U.K. income tax.

Non-U.K.-resident shareholders

A shareholder of CNH Industrial common shares that is not resident in the U.K. for U.K. tax purposes will not be liable to account for income or corporation tax in the U.K. on dividends paid on the shares unless the shareholder carries on a trade (or profession or vocation) in the U.K. and the dividends are either a receipt of that trade or, in the case of corporation tax, the shares are held by or for a U.K. permanent establishment through which the trade is carried on.

Some non-U.K.-resident individual shareholders of CNH Industrial common shares will be entitled to a non-repayable U.K. tax credit equal to one-ninth of the amount of the dividend received and brought into the charge to tax including any foreign tax withheld (or 10% of the aggregate of that dividend and tax credit). The U.K. government has issued a consultation draft legislation which would abolish the tax credit for dividends arising, or made, or treated as made, on or after April 6, 2016.

Non-U.K.-resident shareholders that are not otherwise liable to income or corporation tax on dividends will not generally be able to claim repayment of any significant part of the tax credit attaching to dividends from CNH Industrial as the U.K. will levy income tax at the source to offset the amount of the credit. A U.S. Shareholder will not ordinarily be entitled to any cash payment in respect of the tax credit.

A shareholder that is resident outside the U.K. for tax purposes should consult its own tax advisor as to its tax position on dividends received from CNH Industrial.

Taxation of Capital Gains

Non-U.K.-resident shareholders

A disposal of CNH Industrial common shares by a shareholder that is not resident in the U.K. for tax purposes will not give rise to a chargeable gain or allowable loss unless that shareholder carries on a trade, profession or vocation in the U.K. through a branch, agency or permanent establishment and has used, held or acquired CNH Industrial common shares for the purposes of that trade, profession or vocation or that branch, agency or permanent establishment.

Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

CNH Industrial does not and will not maintain any share register in the U.K. and, accordingly, (i) U.K. stamp duty will not normally be payable in connection with a transfer of common shares, provided that the instrument of transfer is executed and retained outside the U.K. and no other action is taken in the U.K. by the transferor or transferee, and (ii) no U.K. SDRT will be payable in respect of any agreement to transfer CNH Industrial common shares.

Tax Consequences of Participating in the Loyalty Voting Structure

A non-U.K.-resident shareholder that would not be subject to tax on dividends or capital gains in respect of CNH Industrial common shares will not be subject to tax in respect of the special voting shares.

CNH Industrial does not and will not maintain any share register in the U.K. and, accordingly, no liability to U.K. stamp duty or SDRT will arise to shareholders on the issue or repurchase of special voting shares.

Netherlands Taxation

This section summarizes solely the principal Dutch tax consequences of the acquisition, the ownership and the disposal of CNH Industrial common shares and / or special voting shares, by Non-resident holders of such shares (as defined below). It does not consider every aspect of Dutch taxation that may be relevant to a particular holder of shares in CNH Industrial in special circumstances or who is subject to special treatment under applicable law. Shareholders should consult their own tax advisor regarding the Dutch tax consequences of owning and disposing of CNH Industrial common shares and, if applicable, CNH Industrial special voting shares in their particular circumstances.

Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this section the terms “the Netherlands” and “Dutch” are used, these refer solely to the European part of the Kingdom of the Netherlands.

This summary also assumes that the board shall control the conduct of the affairs of CNH Industrial and shall procure that CNH Industrial is organized in accordance with the facts, based upon which the competent authorities of the United Kingdom and the Netherlands have ruled that CNH Industrial should be treated as solely resident of the United Kingdom for the application of the tax treaty as concluded between the United Kingdom and the Netherlands. A change in facts and circumstances based upon which the ruling was issued may invalidate the contents of this section, which will not be updated to reflect any such change.

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this Form. The law upon which this summary is based is subject to change, perhaps with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

Scope of the Summary

The summary of Dutch taxes set out in this section “Material Dutch tax consequences” only applies to a holder of shares who is a Non-Resident holder of shares. For the purpose of this summary, a holder of shares is a Non-Resident holder of shares if such holder is neither a resident nor deemed to be resident in the Netherlands for purposes of Dutch income tax or corporation tax as the case may be. Where in this Dutch taxation discussion reference is made to “a holder of shares”, that concept includes, without limitation:

1. an owner of one or more shares who in addition to the title to such shares, has an economic interest in such shares;
2. a person who or an entity that holds the entire economic interest in one or more shares;
3. a person who or an entity that holds an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more shares, within the meaning of 1. or 2. above; or
4. a person who is deemed to hold an interest in shares, as referred to under 1. to 3., pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001 (Wet inkomstenbelasting 2001), with respect to property that has been segregated, for instance in a trust or a foundation.

Please note that this summary does not describe the tax considerations for holders of our shares who are individuals and derive benefits from our shares that are a remuneration or deemed to be a remuneration in connection with past, present or future employment performed in the Netherlands or management activities and functions or membership of a management board (bestuurder) or a supervisory board (commissaris) of a Netherlands resident entity by such holder or certain individuals related to such holder (as defined in The Dutch Income Tax Act 2001).

Dividend Withholding Tax

CNH Industrial is generally required to withhold Dutch dividend withholding tax at a rate of 15 percent from dividends distributed by it. The competent authorities of the United Kingdom and the Netherlands have ruled that CNH Industrial is resident of the United Kingdom for the application of the tax treaty as concluded between the Netherlands and the United Kingdom. Consequently payments made by CNH Industrial on the common shares and or the special voting shares to non-resident shareholders may be made free from Dutch dividend withholding tax.

Taxes on income and capital gains from the ownership and disposition of CNH Industrial common shares and / or special voting shares

A Non-resident holder (as defined above) of CNH Industrial common shares and / or special voting shares will not be subject to any Dutch taxes on income or capital gains in respect of any benefits derived or deemed to be derived by such holder from such holder's CNH Industrial common shares and / or special voting shares, including any capital gain realized on the disposal thereof, unless:

1. such holder derives profits from an enterprise, directly, or pursuant to a co-entitlement to the net value of such enterprise, or other than as a holder of securities which enterprise is either managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative which is taxable in the Netherlands, and such holder's CNH Industrial common shares and/or special voting shares are attributable to such enterprise; or
2. such holder is an individual and such holder derives benefits from CNH Industrial common shares and/or special voting shares that are taxable as benefits from miscellaneous activities in the Netherlands. Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or the parents who exercise, authority over the child, irrespective of the country of residence of the child.

Gift and Inheritance Taxes

No Dutch gift or inheritance taxes will arise on the transfer of the shares by way of a gift by, or on the death of, a Non-Resident holder of CNH Industrial common shares, unless, in the case of a gift of the shares by an individual, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

For purposes of Dutch gift and inheritance taxes, amongst others, an individual that holds the Dutch nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his/her death. Additionally, for purposes of Dutch gift tax, amongst others, an individual not holding the Dutch nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

Other Taxes and Duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands by a holder in respect of or in connection with (i) the subscription, issue, placement or allotment of CNH Industrial common shares and / or special voting shares, (ii) the enforcement by way of legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of CNH Industrial common shares and / or special voting shares or the performance by CNH Industrial of CNH Industrial's obligations under such documents, or (iii) the transfer of CNH Industrial common shares and / or special voting shares.

F. Dividends and Paying Agents.

Not applicable.

G. Statement of Experts.

Not applicable.

H. Documents on Display.

We file reports, including annual reports on Form 20-F, furnish periodic reports on Form 6-K and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. These may be read without charge and copied, upon payment of prescribed rates, at the public reference facility maintained by the SEC at Room 1580, 100 F Street, N.E., Washington, D.C. 20549. To obtain information on the operation of the public reference facility, the telephone number is 1-800-SEC-0330. Any SEC filings may also be accessed by visiting the SEC's website at www.sec.gov.

I. Subsidiary Information.

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to the following financial risks connected with our operations:

- credit risk related to our financing activities;
- market risk (primarily exchange rates and interest rates).

We attempt to actively manage these risks.

The quantitative data reported in the following sections does not have any predictive value. In particular, the sensitivity analysis on market risks does not reflect the complexity of the market or the reaction, which may result from any changes that are assumed to take place.

Credit Risk

Our credit concentration risk differs in relation to the activities carried out by the segments and sales markets in which we operate; in all cases, however, the risk is mitigated by the large number of counterparties and customers. Considered from a global point of view, however, there is a concentration of credit risk in trade receivables and receivables from financing activities, in particular dealer financing and finance leases in the European Union market and in North America, as well as in Latin America for the main segments.

Financial assets are recognized in the statement of financial position net of write-downs for the risk that counterparties may be unable to fulfill their contractual obligations, determined on the basis of the available information as to the creditworthiness of the customer and historical data.

The maximum credit risk to which we were theoretically exposed at December 31, 2017 is represented by the carrying amounts stated for financial assets in the statement of financial position and the nominal value of the guarantees provided on debt or commitments of third parties.

Dealers and final customers are subject to specific assessments of their creditworthiness under a detailed scoring system. In addition to carrying out this evaluation process, we may also obtain financial and non-financial guarantees for risks arising from credit granted for the sale of commercial vehicles, agricultural equipment and construction equipment. These guarantees are further secured, where possible, by retention of title clauses or specific guarantees on financed vehicle sales to the distribution network and on vehicles under finance leasing agreements.

Balances which are objectively uncollectible either in part or for the whole amount are written down on a specific basis if they are individually significant. The amount of the write-down takes into account an estimate of the recoverable cash flows and the date of receipt, the costs of recovery, and the fair value of any guarantees received. Impairment losses are recognized for receivables that are not written down on a specific basis, but rather determined based on historical experience and statistical information.

Receivables for financing activities amounted to \$19,842 million at December 31, 2017 (\$18,662 million at December 31, 2016) containing balances totaling \$583 million (\$574 million at December 31, 2016) that have been written down. In addition, balances totaling \$212 million (\$250 million at December 31, 2016) were either past due or in nonaccrual status. In the event of installment payments, even if only one installment is overdue, the whole amount of the receivable is classified as such.

Trade receivables totaling \$496 at December 31, 2017 (\$623 million at December 31, 2016) contain balances totaling \$109 million (\$104 million at December 31, 2016) that have been written down.

Currency Risk

We are exposed to risk resulting from changes in exchange rates, which can affect our earnings and equity.

Where one of our subsidiaries incurs costs in a currency different from that of its revenues, any change in exchange rates can affect the net income/(loss) of that company. In 2017, the total net trade flows exposed to currency risk amounted to the equivalent of 17% of our revenue (15% in 2016). The principal exchange rates to which we are exposed are the following:

- USD/EUR, in relation to the production/purchases of Agricultural Equipment and Construction Equipment in the euro area and to sales in dollars made by Commercial Vehicles;
- USD/BRL and EUR/BRL, in relation to production in Brazil and the respective import/export flows;
- USD/AUD, mainly in relation to sales made by Agricultural Equipment and Construction Equipment in Australia;

EUR/GBP, predominately in relation to sales on the U.K. market.

Trade flows exposed to changes in these exchange rates in 2017 made up approximately 63% of the exposure to currency risk from trade transactions.

It is our policy to use derivative financial instruments to hedge a certain percentage, on average between 55% and 85%, of the forecasted trading transaction exchange risk exposure for the coming 12 months with additional flexibility to reach 0% to 100% (including risk beyond that date where it is believed to be appropriate) and to hedge completely the exposure resulting from firm commitments.

Certain subsidiaries may hold trade receivables or payables denominated in a currency different from the subsidiary's functional currency. In addition, in a limited number of cases, subsidiaries may obtain financing or use funds in a currency different from their functional currency. Changes in exchange rates may result in exchange gains or losses arising from these situations. It is our policy to hedge fully, whenever possible, the exposure resulting from receivables, payables, and securities denominated in foreign currencies different from the subsidiary's functional currency.

Certain of our subsidiaries' functional currency is different than the U.S. dollar, which is the Company's reporting currency. The income statements of those subsidiaries are converted into U.S. dollars using the average exchange rate for the period, and while revenues and margins are unchanged in local currency, changes in exchange rates may lead to effects on the converted balances of revenues, costs, and the results reported in U.S. dollars.

The assets and liabilities of consolidated companies whose functional currency is different from the U.S. dollar may acquire converted values in U.S. dollars which differ as a function of the fluctuation in exchange rates.

We monitor our principal exposure to conversion exchange risk, although there was no specific hedging in place at December 31, 2017. There were no substantial changes in 2017 in the nature or structure of exposure to currency risk or in our hedging policies.

Sensitivity Analysis

The potential loss in fair value of derivative financial instruments held for currency risk management (currency swaps/forwards, currency options, interest rate and currency swaps) at December 31, 2017 resulting from a hypothetical change of 10% in the exchange rates amounts to approximately \$466 million (\$444 million at December 31, 2016). The valuation model for currency options assumes that market volatility at year-end remains unchanged.

Receivables, payables, and future trade flows whose hedging transactions have been analyzed were not considered in this analysis. It is reasonable to assume that changes in exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

Interest Rate Risk

Our Industrial Activities make use of external funds obtained in the form of financing and invest in monetary and financial market instruments. In addition, we sell receivables. Changes in market interest rates can affect the cost of financing, including the sale of receivables, or the return on investments of funds, causing an impact on the level of net financial expenses incurred by us.

In addition, Financial Services provides loans (mainly to customers and dealers), financing themselves primarily using various forms of external borrowings or asset-backed financing (e.g., securitization of receivables). Where the

characteristics of the variability of the interest rate applied to loans granted differ from those of the variability of the cost of the financing/funding obtained, changes in the current level of interest rates can affect our net income/(loss).

In order to mitigate these risks, we use interest rate derivative financial instruments, mainly interest rate swaps and forward rate agreements.

Sensitivity Analysis

In assessing the potential impact of changes in interest rates, we separate fixed rate financial instruments (for which the impact is assessed in terms of fair value) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).

The fixed rate financial instruments used by us consist of retail receivables, debt, ABS securities, and other instruments.

The potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) held at December 31, 2017, resulting from a hypothetical, unfavorable and instantaneous change of 10% in market interest rates, would have been approximately \$36 million (approximately \$34 million at December 31, 2016).

Floating rate financial instruments consist principally of cash and cash equivalents, wholesale receivables, debt, and ABS securities. The effect of the sale of receivables is also considered in the sensitivity analysis as well as the effect of hedging derivative instruments.

A hypothetical change of 10% in short-term interest rates at December 31, 2017, applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivative financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately \$7 million (approximately \$1 million at December 31, 2016).

This analysis is based on the assumption that there is a hypothetical change of 10% in interest rates across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

Other risks on derivative financial instruments

We have entered derivative contracts linked to commodity prices to hedge specific exposures on supply contracts.

Sensitivity Analysis

In the event of a hypothetical change of 10% in the underlying raw materials prices, the potential loss in fair value of outstanding derivative financial instruments at December 31, 2017 linked to commodity prices would not have been significant (not significant at December 31, 2016).

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

(a) Disclosure Controls and Procedures

Under the supervision, and with the participation, of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2017 pursuant to Exchange Act Rule 13a-15(b). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in our Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control

No change to our internal control over financial reporting occurred during the year ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(c) Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation in accordance with generally accepted accounting principles.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017, using the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management believes that, as of December 31, 2017, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. That report is included herein.

(d) Attestation Report of the Registered Public Accounting Firm
Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of CNH Industrial N.V.

Opinion on Internal Control Over Financial Reporting

We have audited CNH Industrial N.V.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, CNH Industrial N.V. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of CNH Industrial N.V. and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, cash flows and changes in equity for each of the three years in the period ended December 31, 2017 and the related notes and our report dated March 2, 2018, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chicago, Illinois

March 2, 2018

Item 16A. Audit Committee Financial Expert

Our Board of Directors has determined that members of the audit committee, namely, Peter Kalantzis, John Lanaway, Silke Christina Scheiber, and Jacques Theurillat, are each an audit committee financial expert. All are independent directors under the NYSE standards.

Item 16B. Code of Ethics

We have adopted a Code of Conduct which is applicable to all employees including our principal executive officer, principal financial officer and the principal accounting officer and controller. Our Code of Conduct is intended to meet the definition of “code of ethics” under Item 16B of Form 20-F under the Exchange Act. Our Code of Conduct is posted on our website, www.cnhindustrial.com, and may be found as follows: from our main page, first click on “Governance” and then on “Code of Conduct.”

Item 16C. Principal Accountant Fees and Services

Ernst & Young LLP, the member firms of Ernst & Young and their respective affiliates (collectively, the “Ernst & Young Entities”) were appointed to serve as our independent registered public accounting firm for the years ended December 31, 2017 and 2016. We incurred the following fees from the Ernst & Young Entities for professional services for the years ended December 31, 2017 and 2016, respectively:

	2017	2016
Audit fees	\$10,641,000	\$10,590,000
Audit-related fees	1,684,000	2,848,000
Other fees	39,000	30,000
Total	\$12,364,000	\$13,468,000

“Audit Fees” are the aggregate fees billed by the Ernst & Young Entities for the audit of our consolidated annual financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements. “Audit-Related Fees” are fees charged by the Ernst & Young Entities for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit Fees.” This category comprises fees for the audit of employee benefit plans and pension plans, agreed-upon procedure engagements and other attestation services subject to regulatory requirements.

Audit Committee’s Pre-Approval Policies and Procedures

Our Audit Committee nominates and engages our independent registered public accounting firm to audit our consolidated financial statements. Our Audit Committee has a policy requiring management to obtain the Audit Committee’s approval before engaging our independent registered public accounting firm to provide any other audit or permitted non-audit services to us or our subsidiaries. Pursuant to this policy, which is designed to ensure that such engagements do not impair the independence of our independent registered public accounting firm, the Audit Committee reviews and pre-approves (if appropriate) specific audit and non-audit services in the categories Audit Services, Audit-Related Services, Tax Services, and any other services that may be performed by our independent registered public accounting firm. During the year ended December 31, 2017, all audit and non-audit services provided by our independent registered public accounting firm were pre-approved in accordance with such policies and procedures.

Item 16D. Exemptions from the Listing Standards for Audit Committees

None.

Item 16E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers

The following table reports purchases of equity securities by the Company during the year ended December 31, 2017.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs
	(1)	(€)	(\$)(2)		(\$)
Jan 1 to Jan 31, 2017	—	€—	\$—	—	\$286,312,253
Feb 1 to Feb 28, 2017	—	€—	\$—	—	\$286,312,253
March 1 to March 31, 2017	—	€—	\$—	—	\$286,312,253
April 1 to April 30, 2017	—	€—	\$—	—	\$286,312,253
May 1 to May 31, 2017	—	€—	\$—	—	\$286,312,253
June 1 to June 30, 2017	1,470,297	€9.7664	€10.9807	1,470,297	\$283,855,110
July 1 to July 31, 2017	—	€—	\$—	—	\$283,855,110
Aug 1 to Aug 31, 2017	1,139,444	€9.4337	€11.1518	1,139,444	\$271,148,296
Sep 1 to Sep 30, 2017	—	€—	\$—	—	\$271,148,296
Oct 1 to Oct 31, 2017	—	€—	\$—	—	\$271,148,296
Nov 1 to Nov 30, 2017	700,000	€11.0067	\$12.8614	700,000	\$262,145,319
Dec 1 to Dec 31, 2017	—	€—	\$—	—	\$262,145,319
Total	3,309,741			3,309,741	\$262,145,319

(1) On June 5, 2017, the Company announced the renewal of its buy-back program to repurchase up to \$300 million in common shares. The renewed buy-back program implements the resolution adopted by the Company's shareholders at the annual general meeting of shareholders ("AGM") held on April 14, 2017. The authorization granted is for a period of 18 months from the date of the AGM and, therefore, expires on October 13, 2018.

(2) Share repurchases are made on the Mercato Telematico Azionario ("MTA") and have been translated from euros at the exchange rate reported by the European Central Bank on the respective transaction dates.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

CNH Industrial N.V. is a company organized under the laws of the Netherlands and qualifies as a foreign private issuer under the rules and regulations of the SEC and the listing standards of the NYSE. In accordance with the NYSE listing rules related to corporate governance, listed companies that are foreign private issuers are permitted to follow home-country practice in some circumstances in lieu of the provisions of the corporate governance rules contained in Section 303A of the NYSE Listed Company Manual that are otherwise applicable to listed companies. In addition, we must disclose any significant ways in which our corporate governance practices differ from those followed by domestic U.S. companies listed on the NYSE. In contrast to the NYSE rules applicable to domestic U.S. companies, the Dutch Code is based on a "comply or explain" principle, as a result of which deviation from the specific requirements of the Dutch Code is permissible as long as such deviation is explained.

Both the Dutch and NYSE corporate governance regimes were adopted with the goal of restoring trust and confidence in the honesty, integrity and transparency of how business is conducted at and by public companies. Because these corporate governance regimes are based on the same principles, they are similar in many respects. However, certain

differences exist between Dutch and NYSE corporate governance rules, as summarized below. We believe that our corporate governance practices and guidelines are consistent, in principle, with those required of U.S. companies listed on the NYSE.

The discussion below summarizes the significant differences between our corporate governance practices and the NYSE standards applicable to U.S. companies.

Dutch legal requirements concerning director independence differ in certain respects from the rules applicable to U.S. companies listed on the NYSE. While under most circumstances both regimes require that a majority of board members be “independent,” the definition of this term under Dutch law differs from the definition used under the NYSE corporate governance standards. In some cases the Dutch requirements are more stringent, such as by requiring a longer “look-back” period (five years) for former executive directors and employees and by requiring that all but one non-executive board member be “independent”. Currently, a majority of our Board (eight of the eleven members) are “independent” under the NYSE definition and the Dutch Code. Under the

Dutch Code, non-executive directors of CNH Industrial N.V. must not be a non-executive director of more than five other “large” Dutch companies (as defined in the Dutch Code).

The NYSE requires that, when an audit committee member of a U.S. domestic listed company serves on four or more audit committees of public companies, the listed company should disclose (either on its website or in its annual proxy statement or annual report on Form 10-K) that the board of directors has determined that this simultaneous service would not impair the director’s service to the listed company. Dutch law does not require the Company to make such a determination.

NYSE rules require a domestic U.S. listed company to have a compensation committee and a nominating/corporate governance committee composed entirely of independent directors. As a foreign private issuer, we do not have to comply with this requirement, although we do have a Compensation Committee and a Governance and Sustainability Committee. Our Compensation Committee Charter states that a maximum of one member of the Compensation Committee may not be independent. One of the four members of the Compensation Committee is considered non-independent under the NYSE standards. Our Governance and Sustainability Committee Charter states that a maximum of two members of the Governance and Sustainability Committee may not be independent. One of the four members of the Governance and Sustainability Committee are considered non-independent under the NYSE standards.

In contrast to NYSE rules applicable to U.S. companies, which require that external auditors be appointed by the Audit Committee, the general rule under Dutch law is that external auditors are appointed by the company’s general meeting of shareholders. In accordance with the requirements of Dutch law, the appointment and removal of our independent registered public accounting firm must be resolved upon by our general meeting of shareholders. We seek to follow best practices as contemplated by the NYSE standards by vesting in our Audit Committee responsibility for the recommendation to the shareholders of the appointment and compensation of the independent registered public accounting firm. Our Audit Committee also oversees and evaluates the work of our independent registered public accounting firm.

Under NYSE listing standards, shareholders of U.S. companies must be given the opportunity to vote on all equity compensation plans and to approve material revisions to those plans, with limited exceptions set forth in the NYSE rules. As a foreign private issuer we are permitted to follow our home country laws regarding shareholder approval of compensation plans, and, under Dutch law and the Dutch Code, such approval from shareholders is not required for equity compensation plans for employees other than members of the Board, and to the extent the authority to grant equity rights has been delegated by the shareholders to the Board. For equity compensation plans for members of the Board and/or in the event that the authority to issue shares and/or rights to subscribe for shares has not been delegated to the Board, approval of the general meeting of shareholders is required.

While NYSE rules do not require listed companies to have shareholders approve or declare dividends, the Dutch Code requires that a dividend distribution be a separate agenda item in the general meeting of shareholders, in which the annual accounts are adopted. In our case, Articles 18 and 22 of our Articles of Association provide that annual dividends must be resolved upon by our general meeting of shareholders. For a discussion of our dividend policy, see “Item 10. Additional Information—B. Memorandum and Articles of Association—Payment of Dividends.”

In accordance with the corporate governance rules of the NYSE applicable to foreign private issuers, we also disclose these differences between our corporate governance practices and those required of domestic companies by the NYSE listing standards on our website at www.cnhindustrial.com.

Item 16H. Mine Safety Disclosure
Not applicable.

PART III

Item 17. Financial Statements

We have responded to Item 18 in lieu of responding to this item.

Item 18. Financial Statements

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

CNH INDUSTRIAL N.V. AND SUBSIDIARIES

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Item 19. Exhibits

A list of exhibits included as part of this annual report on Form 20-F is set forth in the Index to Exhibits that immediately follows the signature page of this annual report on Form 20-F.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of CNH Industrial N.V.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CNH Industrial N.V. and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, cash flows and changes in equity for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental information in Note 21 to the financial statements for “Industrial Activities” and “Financial Services” has been subjected to audit procedures performed in conjunction with the audit of CNH Industrial N.V.’s financial statements. Such information is the responsibility of the Company’s management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 2, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2014.

Chicago, Illinois

March 2, 2018

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CNH INDUSTRIAL N.V.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
	(in millions)		
Revenues			
Net sales	\$26,168	\$23,669	\$24,677
Finance and interest income	1,193	1,203	1,235
Total Revenues	\$27,361	\$24,872	\$25,912
Costs and Expenses			
Cost of goods sold	\$21,621	\$19,539	\$20,357
Selling, general and administrative expenses	2,330	2,262	2,317
Research and development expenses	957	860	856
Restructuring expenses	93	44	84
Interest expense	942	1,028	1,106
Other, net	738	1,148	625
Total Costs and Expenses	\$26,681	\$24,881	\$25,345
Income (loss) before income taxes and equity in income of unconsolidated subsidiaries and affiliates	680	(9)	567
Income tax (expense)	(455)	(298)	(360)
Equity in income of unconsolidated subsidiaries and affiliates	88	58	41
Net income (loss)	313	(249)	248
Net income (loss) attributable to noncontrolling interests	18	3	(5)
Net income (loss) attributable to CNH Industrial N.V.	\$295	\$(252)	\$253
Earnings (loss) per share attributable to common shareholders			
Basic	\$0.22	\$(0.18)	\$0.19
Diluted	\$0.22	\$(0.18)	\$0.19
Cash dividends declared per common share	\$0.118	\$0.148	\$0.214

The accompanying notes to consolidated financial statements are an integral part of these statements.

CNH INDUSTRIAL N.V.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
	(in millions)		
Net income (loss)	\$313	\$(249)	\$248
Other comprehensive income (loss), net of tax			
Unrealized gain (loss) on cash flow hedges	89	(91)	120
Changes in retirement plans' funded status	86	(89)	158
Foreign currency translation	(401)	319	(359)
Share of other comprehensive income (loss) of entities using the equity method	32	(40)	(47)
Other comprehensive income (loss), net of tax	(194)	99	(128)
Comprehensive income (loss)	119	(150)	120
Less: Comprehensive income (loss) attributable to noncontrolling interests	16	6	(7)
Comprehensive income (loss) attributable to CNH Industrial N.V.	\$103	\$(156)	\$127

The accompanying notes to consolidated financial statements are an integral part of these statements.

CNH INDUSTRIAL N.V.

CONSOLIDATED BALANCE SHEETS

As of December 31, 2017 and 2016

	December 31, 2017	December 31, 2016
	(in millions)	
ASSETS		
Cash and cash equivalents	\$5,430	\$ 5,017
Restricted cash	770	837
Trade receivables, net	496	623
Financing receivables, net	19,842	18,662
Inventories, net	6,280	5,609
Property, plant and equipment, net	7,003	6,397
Investments in unconsolidated subsidiaries and affiliates	561	487
Equipment under operating leases	1,845	1,907
Goodwill	2,472	2,449
Other intangible assets, net	792	787
Deferred tax assets	818	937
Derivative assets	77	95
Other assets	1,889	1,740
Total Assets	\$48,275	\$ 45,547
LIABILITIES AND EQUITY		
Debt	\$25,895	\$ 25,276
Trade payables	6,060	5,185
Deferred tax liabilities	97	84
Pension, postretirement and other postemployment benefits	2,300	2,276
Derivative liabilities	98	249
Other liabilities	9,400	8,005
Total Liabilities	\$43,850	\$ 41,075
Redeemable noncontrolling interest	25	21
Common shares, € 0.01, par value; outstanding 1,363,592,506 common shares and 388,906,690 special voting shares in 2017; and outstanding 1,361,630,903 common shares and 412,268,203 special voting shares in 2016	25	25
Treasury stock, at cost - 807,690 shares in 2017 and 1,278,708 shares in 2016	(10)	(9)
Additional paid in capital	4,412	4,408
Retained earnings	1,921	1,787
Accumulated other comprehensive loss	(1,958)	(1,767)
Noncontrolling interests	10	7
Total Equity	\$4,400	\$ 4,451
Total Liabilities and Equity	\$48,275	\$ 45,547

The accompanying notes to consolidated financial statements are an integral part of these statements.

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CNH INDUSTRIAL N.V.

CONSOLIDATED BALANCE SHEETS — (Continued)

As of December 31, 2017 and 2016

The following table presents certain assets and liabilities of consolidated variable interest entities (“VIEs”), which are included in the consolidated balance sheets above. The assets in the table include only those assets that can be used to settle obligations of consolidated VIEs. The liabilities in the table include third party liabilities of the consolidated VIEs, for which creditors do not have recourse to the general credit of CNH Industrial.

	December 31, 2017	December 31, 2016
	(in millions)	
Restricted cash	\$ 734	\$ 776
Financing receivables	10,404	10,263
Total Assets	\$ 11,138	\$ 11,039
Debt	\$ 10,464	\$ 10,418
Total Liabilities	\$ 10,464	\$ 10,418

The accompanying notes to consolidated financial statements are an integral part of these statements.

CNH INDUSTRIAL N.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017, 2016 and 2015

	2017 (in millions)	2016	2015
Operating activities:			
Net income (loss)	\$313	\$(249)	\$248
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization expense, net of assets under operating lease and assets sold under buy-back commitments	725	716	699
Depreciation and amortization expense of assets under operating lease and assets sold under buy-back commitments	625	545	447
(Gain) loss from disposal of assets	27	4	(2)
Loss on repurchase of Notes	64	60	
Undistributed income (loss) of unconsolidated subsidiaries	(39)	5	40
Other non-cash items	295	195	331
Changes in operating assets and liabilities:			
Provisions	233	46	(48)
Deferred income taxes	122	65	119
Trade and financing receivables related to sales, net	(657)	(97)	279
Inventories, net	(213)	106	473
Trade payables	344	96	(161)
Other assets and liabilities	176	616	361
Net cash provided by operating activities	2,015	2,108	2,786
Investing activities:			
Additions to retail receivables	(4,078)	(3,951)	(4,498)
Collections of retail receivables	4,384	4,569	5,146
Proceeds from the sale of assets, net of assets under operating leases and assets sold under buy-back commitments	17	12	11
Proceeds from the sale of assets previously under operating leases and assets sold under buy-back commitments	850	660	726
Expenditures for property, plant and equipment and intangible assets, net of assets under operating lease and assets sold under buy-back commitments	(492)	(503)	(656)
Expenditures for assets under operating leases and assets sold under buy-back commitments	(1,743)	(1,631)	(1,851)
Other	130	(77)	174
Net cash used in investing activities	(932)	(921)	(948)
Financing activities:			
Proceeds from long-term debt	15,896	12,629	9,927
Payments of long-term debt	(16,802)	(13,770)	(10,668)
Net increase (decrease) in other financial liabilities	54	(132)	96
Dividends paid	(168)	(207)	(297)

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Other	(25)	(58)	23
Net cash used in financing activities	(1,045)	(1,538)	(919)
Effect of foreign exchange rate changes on cash and cash equivalents	375	(16)	(698)
Increase (decrease) in cash and cash equivalents	413	(367)	221
Cash and cash equivalents, beginning of year	5,017	5,384	5,163
Cash and cash equivalents, end of year	\$5,430	\$5,017	\$5,384

The accompanying notes to consolidated financial statements are an integral part of these statements.

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CNH INDUSTRIAL N.V.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2017, 2016 and 2015

	Common	Treasury	Additional	Retained	Accumulated	Noncontrolling		Redeemable
	Shares	Stock	Paid-in	Earnings	Other	Interests	Total	Noncontrolling
	(in millions)		Capital		Comprehensive			Interest
					Income			
					(Loss)			
Balance, January 1, 2015	\$25	\$ —	\$ 4,342	\$ 2,291	\$ (1,736)	\$ 39	\$4,961	\$ 16
Net income (loss)	—	—	—	253	—	(12)	241	7
Other comprehensive loss, net of tax	—	—	—	—	(127)	(1)	(128)	—
Dividend paid	—	—	—	(291)	—	(1)	(292)	(5)
Share-based compensation expense	—	—	49	—	—	—	49	—
Issuance of common shares	—	—	8	—	—	16	24	—
Other changes	—	—	—	(12)	—	—	(12)	—
Balance, December 31, 2015	\$25	\$ —	\$ 4,399	\$ 2,241	\$ (1,863)	\$ 41	\$4,843	\$ 18
Net income (loss)	—	—	—	(252)	—	(5)	(257)	8
Other comprehensive income, net of tax	—	—	—	—	96	3	99	—
Dividend paid	—	—	—	(201)	—	(1)	(202)	(5)
Acquisition of treasury stock	—	(14)	—	—	—	—	(14)	—
Common shares issued from treasury stock for share-based compensation	—	5	(5)	—	—	—	—	—
Share-based compensation expense	—	—	3	—	—	—	3	—
Other changes	—	—	11	(1)	—	(31)	(21)	—
Balance, December 31, 2016	\$25	\$ (9)	\$ 4,408	\$ 1,787	\$ (1,767)	\$ 7	\$4,451	\$ 21
Net income	—	—	—	295	—	8	303	10
Other comprehensive loss, net of tax	—	—	—	—	(191)	(3)	(194)	—
Dividend paid	—	—	—	(161)	—	(1)	(162)	(6)
Acquisition of treasury stock	—	(38)	—	—	—	—	(38)	—
Common shares issued from treasury stock for share-based compensation	—	37	(8)	—	—	—	29	—
Share-based compensation expense	—	—	19	—	—	—	19	—
Other changes	—	—	(7)	—	—	(1)	(8)	—
Balance, December 31, 2017	\$25	\$ (10)	\$ 4,412	\$ 1,921	\$ (1,958)	\$ 10	\$4,400	\$ 25

The accompanying notes to consolidated financial statements are an integral part of these statements.

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CNH INDUSTRIAL N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Nature of Operations

CNH Industrial N.V. (“CNH Industrial” or the “Company”) is incorporated in, and under the laws of, the Netherlands. CNH Industrial is a leading company in the capital goods sector that, through its various businesses, designs, produces and sells agricultural equipment and construction equipment, trucks, commercial vehicles, buses and specialty vehicles for firefighting, defense and other uses, as well as engines, transmissions and axles for those vehicles and engines for marine and power generation applications (see “Note 19: Segment Reporting”). In addition, CNH Industrial’s Financial Services segment offers an array of financial products and services, including retail financing for the purchase or lease of new and used CNH Industrial and other manufacturers’ products and other retail financing programs and wholesale financing to dealers.

The Company was formed as a result of the business combination transaction between Fiat Industrial S.p.A. (“Fiat Industrial” and, together with its subsidiaries, the “Fiat Industrial Group”) and CNH Global N.V. (“CNH Global”).

The deeds of merger for the mergers of Fiat Industrial and CNH Global with and into CNH Industrial (the “Merger”) were executed, respectively, on September 27 and 28, 2013. The effective date of the Merger was September 29, 2013. A primary objective of the Merger was to simplify the capital structure of Fiat Industrial (CNH Industrial subsequent to the Merger) by creating a single class of liquid stock listed on the NYSE and on the MTA. The principal steps in the Merger were:

- the cross-border merger of Fiat Netherlands Holding N.V. (“FNH”) with and into Fiat Industrial (the “FNH Merger”), which occurred on August 1, 2013;
- the cross-border reverse merger of Fiat Industrial with and into FI CBM Holdings N.V. (CNH Industrial after the Merger) (the “FI Merger”); and
- the Dutch merger of CNH Global with and into FI CBM Holdings N.V. (the “CNH Merger”).

All the companies (i.e., Fiat Industrial, FI CBM Holdings N.V., FNH and CNH Global) involved in the Merger were part of Fiat Industrial. In particular:

- (i) FNH was a wholly-owned direct subsidiary of Fiat Industrial;
- (ii) FI CBM Holdings N.V. was a wholly-owned direct subsidiary of Fiat Industrial; and
- (iii) CNH Global was an indirect subsidiary of Fiat Industrial (controlled through FNH which owned approximately 87% of CNH Global’s capital stock).

In connection with the FI Merger, Fiat Industrial shareholders received one newly issued common share in CNH Industrial (having a nominal value of €0.01 each) for each ordinary share held in Fiat Industrial (having a nominal value of €1.57 each). In connection with the CNH Merger, CNH Global shareholders received 3.828 newly issued CNH Industrial common shares (having a nominal value of €0.01 each) for each common share held in CNH Global (having a nominal value of €2.25 each).

Prior to the Merger, Fiat Industrial owned approximately 87% of CNH Global’s outstanding common shares through FNH. As the Merger represents a “business combination involving entities or businesses under common control”, it is outside the scope of application of Accounting Standards Codification 805—Business Combinations. Accordingly, no adjustments were made to the carrying amounts of the assets and liabilities of Fiat Industrial. This resulted in the amounts recognized in the consolidated balance sheet post-merger being equal to those reported in the consolidated

balance sheet of Fiat Industrial pre-merger. The only significant accounting effect of the Merger was the post-merger attribution to owners of the parent company of the previous noncontrolling interests in CNH Global N.V. As a result of the Merger, \$1,053 million of noncontrolling interests were reclassified to equity attributable to the parent.

On January 1, 2011, Fiat S.p.A. (“Fiat”, which effective October 12, 2014 was merged into Fiat Chrysler Automobiles N.V. or “FCA”) effected a “demerger” under Article 2506 of the Italian Civil Code (the “Demerger”). Pursuant to the Demerger, Fiat transferred its ownership interest in FNH to a new holding company, Fiat Industrial, including Fiat’s indirect ownership of CNH Global, as well as Fiat’s truck and commercial vehicles business and its industrial and marine powertrain business. Consequently, as of January 1, 2011, CNH Global became a subsidiary of Fiat Industrial. In connection with the Demerger, shareholders of Fiat received shares of capital stock of Fiat Industrial. Accordingly, as of January 1, 2011, Fiat Industrial owned approximately 89% of CNH Global’s outstanding common shares through FNH. Fiat Industrial was a corporation organized under the laws of the Republic of Italy whose stock was traded on the Milan stock exchange.

Following the Merger between Fiat Industrial and CNH Global, the Company realigned its reportable segments reflecting the five businesses now directly managed by CNH Industrial N.V., consisting of: (i) Agricultural Equipment, which designs, produces and sells agricultural equipment (ii) Construction Equipment, which designs, produces and sells construction equipment (iii) Commercial Vehicles, which designs, produces and sell trucks, commercial vehicles, buses, and specialty vehicles (iv) Powertrain, which produces and sells engines, transmissions and axles for those vehicles and engines for marine and power generation applications; and (v) Financial Services, which provides financial services to the customers of the Company’s products. The Company’s worldwide agricultural equipment, construction equipment, commercial vehicles, powertrain operations as well as corporate functions are collectively referred to as “Industrial Activities”.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

CNH Industrial has prepared the accompanying consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The consolidated financial statements include CNH Industrial N.V. and its consolidated subsidiaries. The consolidated financial statements are expressed in U.S. dollars and, unless otherwise indicated, all financial data set forth in these consolidated financial statements are expressed in U.S. dollars. The consolidated financial statements include the accounts of CNH Industrial’s subsidiaries in which CNH Industrial has a controlling financial interest, and reflect the noncontrolling interests of the minority owners of the subsidiaries that are not fully owned for the periods presented, as applicable. A controlling financial interest may exist based on ownership of a majority of the voting interest of an entity or based on CNH Industrial’s determination that it is the primary beneficiary of a variable interest entity (“VIE”). The primary beneficiary of a VIE is the party that has the power to direct the activities that most significantly impact the economic performance of the entity and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the entity. The Company assesses whether it is the primary beneficiary on an ongoing basis, as prescribed by the accounting guidance on the consolidation of VIEs. The consolidated status of the VIEs with which the Company is involved may change as a result of such reassessments.

Certain prior period balances have been reclassified to conform to the current period presentation resulting from the adoption of new accounting pronouncements.

Investments in unconsolidated subsidiaries and affiliates are accounted for using the equity method when CNH Industrial does not have a controlling interest, but exercises significant influence. Under this method, the investment is initially recorded at cost and is increased or decreased by CNH Industrial’s proportionate share of the entity’s respective net income or loss. Dividends received from these entities reduce the carrying value of the investments.

Business Combinations

Business combinations are accounted for by applying the acquisition method. Under this method, the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities assumed by the Company and the equity interests issued in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

There were no significant business combinations in 2016 or 2017.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses. Significant estimates in these consolidated financial statements include the realizable value of property, plant and equipment, goodwill and other intangibles; residual values of equipment on operating leases; allowance for credit losses; tax contingencies; liabilities for warranties; sales allowances; and assets and obligations related to employee benefits. Actual results could differ from these estimates.

Revenue Recognition

Industrial Activities record sales of equipment and replacement parts when title and all risks of ownership have transferred to the independent dealer or other customer according to the terms of sale, generally upon shipment or delivery of goods. Revenue for certain transactions is recognized when the special order goods are available for a limited pickup period when requested in advance by a qualifying customer and risks and rewards of ownership have transferred. Dealers may not return equipment while the applicable dealer contract remains in place. Replacement parts may be returned on a limited basis. In the U.S. and Canada, if a dealer contract is terminated for any reason, CNH Industrial may be obligated to repurchase new equipment from the dealer.

For all sales, no significant uncertainty exists surrounding the purchaser's obligation to pay for the equipment and replacement parts. CNH Industrial records appropriate allowance for credit losses and anticipated returns as necessary. Receivables are due upon the earlier of payment terms discussed below or sale to the retail customer. Fixed payment schedules exist for all sales to dealers, but payment terms vary by geographic market and product line. In connection with these payment terms, CNH Industrial offers wholesale financing to many of its dealers including "interest-free" financing for specified periods of time which also vary by geographic market and product line. Interest is charged to dealers after the end of the "interest-free" period. Sales to dealers that do not qualify for an "interest-free" period are generally subject to payment terms of 30 days or less.

New vehicle sales with a buy-back commitment are not recognized at the time of delivery but are accounted for as operating leases. More specifically, vehicles sold with a buy-back commitment by Commercial Vehicles are accounted for as property, plant and equipment because agreements usually have a long-term buy-back commitment. The difference between the carrying value (corresponding to the manufacturing cost) and the estimated resale value (net of refurbishing costs) at the end of the buy-back period is depreciated on a straight-line basis over the same period. The initial sale price received is recognized as an advance payment in "Other liabilities". The difference between the initial sale price and the buy-back price is recognized as rental revenue on a straight-line basis over the term of the operating lease.

Revenues from the sale of extended warranties and maintenance contracts are recognized over the life of the contract and matched to related costs. Given their nature, profit on these contracts is recognized only when all associated costs can be estimated reliably, which is generally in the final period of the contractual term. In the event that estimated costs to fulfill the contract obligations exceed contract revenues, the estimated contract loss is recognized as soon as it is identified and recorded in "Other liabilities."

Shipping and other transportation costs are recorded in "Cost of goods sold."

Finance and interest income on retail and other notes receivables and finance leases is recorded using the effective yield method. Deferred costs on the origination of financing receivables are recognized as a reduction in finance revenue over the expected lives of the receivables using the effective yield method. Recognition of income on loans is suspended when management determines that collection of future income is not probable or when an account becomes 120 days delinquent, whichever occurs earlier. Interest accrual is resumed when and if the receivable becomes contractually current and collection becomes probable. Previously suspended income is recognized at that time. The Company applies cash received on nonaccrual financing receivables to first reduce any unrecognized interest and then the recorded investment and any other fees. Receivables are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Delinquency is reported on receivables greater than 30 days past due. Charge-offs of principal amounts of receivables outstanding are deducted from the allowance at the point when it is estimated that all amounts are deemed uncollectable.

Income from operating leases is recognized over the term of the lease on a straight-line basis.

Sales Allowances

CNH Industrial grants certain sales incentives to support sales of its products to retail customers. The expense for such incentive programs is recorded as a deduction in arriving at the net sales amount at the time of the sale of the product to the dealer. The expense for new programs is accrued at the inception of the program. The amounts of incentives to be paid are estimated based upon historical data, estimated future market demand for products, field inventory levels, announced incentive programs, competitive pricing and interest rates, among other things.

Warranty Costs

At the time a sale of equipment or parts to a dealer is recognized, CNH Industrial records the estimated future warranty costs for the product, primarily basic warranty coverage. CNH Industrial determines its total warranty liability by applying historical claims rate experience, while considering specific contractual terms, to the park of equipment that has been sold and is still under warranty. Campaigns are formal post-production modification programs approved by management. The liabilities for such programs are recognized when approved, based on an estimate of the total cost of the program.

Advertising

CNH Industrial expenses advertising costs as incurred. Advertising expense totaled \$165 million, \$145 million, and \$155 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Research and Development

Research and development costs are expensed as incurred.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized and amortized over the useful life of the class of assets to which they refer.

All other borrowing costs are expensed when incurred.

Government Grants

Government grants are recognized in the financial statements when there is reasonable assurance that the company concerned will comply with the conditions for receiving such grants and that the grants themselves will be received. Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to offset.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying amount of the loan (fair value plus transaction costs) and the proceeds received, and is accounted for in accordance with the policies already used for the recognition of government grants.

Foreign Currency

Certain of CNH Industrial's non-U.S. subsidiaries and affiliates maintain their books and accounting records using local currency as the functional currency. Assets and liabilities of these non-U.S. subsidiaries are translated into U.S. dollars at period-end exchange rates, and net exchange gains or losses resulting from such translation are included in "Accumulated other comprehensive income (loss)" in the accompanying consolidated balance sheets. Income and expense accounts of these non-U.S. subsidiaries are translated at the average exchange rates for the period. Gains and losses from foreign currency transactions are included in net income in the period during which they arise. Net foreign currency transaction gains and losses are reflected in "Other, net" in the accompanying consolidated statement of operations and also include the cost of hedging instruments. For the years ended December 31, 2017, 2016 and 2015, the Company recorded a net loss of \$78 million, a net gain of \$50 million and a net loss of \$581 million, respectively. Included in the net gain (loss) in 2017, 2016, and 2015 were the re-measurement charges of \$5 million, \$27 million, and \$150 million, respectively, on the Venezuelan bolivar fuerte ("Bs.F., or "bolivars") rate described below, as well as a charge of \$21 million, \$22 million and \$40 million due to the devaluation of net monetary assets of Argentinian subsidiaries in 2017, 2016, and 2015. As described in Note 14: Financial Instruments, the Company uses hedging instruments to mitigate foreign currency risk. Net of gains realized on foreign currency hedging instruments, the Company recorded a loss of \$140 million, \$149 million and \$289 million for the three years ended December 31, 2017, 2016 and 2015, respectively.

Venezuela Currency Regulations, Re-measurement and Deconsolidation

The functional currency of CNH Industrial's Venezuelan operations is the U.S. dollar. At the end of each period, CNH Industrial re-measured its net monetary assets in Venezuela from the bolivar fuerte ("Bs.F." or "bolivars") to the U.S. dollar at the rate it believed was legally available to the Company.

In January 2014, the Venezuelan government enacted changes affecting the country's currency exchange and other controls and established a new foreign currency administration, the National Center for Foreign Commerce ("CENCOEX"). CENCOEX assumed control of the sale and purchase of foreign currency in Venezuela and established the official exchange rate. Additionally, the government expanded the types of transactions that may be subject to the weekly auction mechanism under SICAD I. Also in 2014, the Venezuelan government announced that another floating rate exchange system (SICAD II) would be initiated. In February 2015, the Venezuelan government announced that the two previously used currency conversion mechanisms (SICAD I and SICAD II) had been merged into a single mechanism called SICAD and introduced a new open market exchange rate system, SIMADI. The changes created a three-tiered system.

In March 2016, the Venezuelan government devalued its currency and reduced its existing three-tiered system to a two-tiered system by eliminating the SICAD rate. The CENCOEX rate, which was the official rate available for purchases and sales of essential

items, was changed to 10 bolivars per U.S. dollar from 6.3 and is now known as DIPRO. The Venezuelan government also announced that the SIMADI rate would be replaced by the DICOM rate, which is allowed to float freely and fluctuates based on supply and demand. As a result, management determined that the DICOM rate was the most appropriate legally available rate to re-measure the net monetary assets of CNH Industrial in Venezuela, except for those cases in which CNH Industrial had a legally enforceable right of obtaining U.S. dollars at a different predetermined exchange rate. The DICOM exchange rate used by CNH Industrial at December 31, 2016, was 673.76 bolivars per U.S. dollar, resulting in a re-measurement charge of \$12 million in 2016. Furthermore, at December 31, 2016, following an assessment of the recoverability of a monetary asset for which CNH Industrial had a legally enforceable right of obtaining U.S. dollars at a different predetermined exchange rate, the Group re-measured that asset at the DICOM rate, resulting in a re-measurement charge of \$15 million. Additionally, CNH Industrial assessed for impairment a non-monetary asset resulting in the recognition of an impairment charge of \$19 million attributable to the currency devaluation, while the market value in local currency did not decrease. As a result, in December 2016, CNH Industrial recorded a non-recurring re-measurement and impairment charge for a total of \$34 million in Financial income/(expenses).

During 2017, the economic and socio-political environment in Venezuela further deteriorated, significantly impacting the Company's ability to make key operating decisions. In the fourth quarter of 2017, the further deterioration of conditions in the country and the persisting restrictive exchange control regulations, which prevent any payments out of the country, resulted in an other-than-temporary lack of exchangeability. Therefore, effective December 31, 2017, CNH Industrial determined that it no longer had the ability to control its Venezuelan operations. As a result, the Company recorded a non-cash pre- and after-tax charge of \$92 million to impair and deconsolidate its operations in Venezuela and will begin reporting operating results under the cost method. The pretax charge includes the write-off of the Company's investment in Venezuela, including properties and all inter-company balances. The charge also includes the reversal through income statement of foreign currency translation losses previously included in Accumulated other comprehensive income. CNH Industrial will no longer include the results of its Venezuelan operations in its Consolidated Financial Statements. If cash were to be received from the Venezuelan legal entities in future periods, income will be recognized. The Company expects the current economic conditions in Venezuela to continue and does not anticipate any payments to be made in the foreseeable future. CNH Industrial's results of operations in Venezuela for the year ended December 31, 2017 and 2016 were immaterial as a percentage of both CNH Industrial's net revenues and operating profit.

Subsequent to the deconsolidation under the voting interest consolidation model, the Company determined that the Venezuelan subsidiaries are considered to be variable interest entities. As the Company does not have the power to direct the activities that most significantly affect the Venezuelan subsidiaries' economic performance, the Company is not the primary beneficiary of the variable interest entities and therefore would not consolidate the entities. Due to the lack of ability to settle U.S. dollar obligations, the Company does not intend to sell into, nor purchase inventory from, the Venezuela entities at this time. Additionally, the Company has no remaining financial commitments to the Venezuelan subsidiaries and therefore believes the exposure to future losses is not material.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with an original maturity of three months or less. The carrying value of cash equivalents approximates fair value because of the short maturity of these investments.

Restricted Cash

Restricted cash includes principal and interest payments from retail notes, wholesale receivables and commercial revolving accounts receivable owned by the consolidated VIEs that are payable to the VIEs' investors, and cash pledged as a credit enhancement to the same investors. These amounts are held by depository banks in order to

comply with contractual agreements.

Cash Flow Information

All cash flows from the changes in trade accounts and notes receivable are classified as operating activities in the consolidated statements of cash flows as these receivables arise from sales to CNH Industrial's customers. Cash flows from financing receivables that are related to sales to CNH Industrial's dealers are also included in operating activities. CNH Industrial's financing of receivables related to equipment sold by dealers is included in investing activities.

CNH Industrial paid interest of \$896 million, \$930 million, and \$945 million for the years ended December 31, 2017, 2016, and 2015, respectively. For 2017 and 2016, the amount includes a charge of \$64 million and \$60 million in connection with the Company's accelerated debt redemption strategy.

CNH Industrial paid taxes of \$224 million, \$104 million, and \$345 million in 2017, 2016, and 2015, respectively.

Receivables

Receivables are recorded at amortized cost, net of allowances for credit losses and deferred fees and costs.

Periodically, the Company sells or transfers retail notes, wholesale receivables and commercial revolving accounts receivable to funding facilities or in securitization transactions. In accordance with the accounting guidance regarding transfers of financial assets and the consolidation of VIEs, the retail notes, wholesale receivables and commercial revolving accounts receivable sold in securitizations do not qualify as sales and are recorded as secured borrowings with no gains or losses recognized at the time of securitization. Receivables associated with these securitization transactions and receivables that the Company has the ability and intent to hold for the foreseeable future are classified as held for investment. The substantial majority of the Company's receivables, which include unrestricted receivables and restricted receivables for securitization investors, are classified as held for investment.

Allowance for Credit Losses

The allowance for credit losses is the Company's estimate of probable losses on receivables owned by the Company and consists of two components, depending on whether the receivable has been individually identified as being impaired. The first component of the allowance for credit losses covers the receivables specifically reviewed by management for which the Company has determined it is probable that it will not collect all of the contractual principal and interest. Receivables are individually reviewed for impairment based on, among other items, amounts outstanding, days past due and prior collection history. These receivables are subject to impairment measurement at the loan level based either on the present value of expected future cash flows discounted at the receivables' effective interest rate or the fair value of the collateral for collateral-dependent receivables.

The second component of the allowance for credit losses covers all receivables that have not been individually reviewed for impairment. The allowance for these receivables is based on aggregated portfolio evaluations, generally by financial product. The allowance for retail credit losses is based on loss forecast models that consider a variety of factors that include, but are not limited to, historical loss experience, collateral value, portfolio balance and delinquency. The allowance for wholesale credit losses is based on loss forecast models that consider the same factors as the retail models plus dealer risk ratings. The loss forecast models are updated on a quarterly basis. In addition, qualitative factors that are not fully captured in the loss forecast models, including industry trends, and macroeconomic factors, are considered in the evaluation of the adequacy of the allowance for credit losses. These qualitative factors are subjective and require a degree of management judgment.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method. The cost of finished goods and work-in-progress includes the cost of raw materials, other direct costs and production overheads.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Expenditures for maintenance and repairs are expensed as incurred.

Property, plant and equipment also include vehicles sold with a buy-back commitment, which are recognized under the method described in the paragraph Revenue Recognition.

Assets held under capital leases, which the Company assumes substantially all the risks and rewards of ownership, are recognized as assets of the Company at the lower of fair value or present value of the minimum lease payments. The

corresponding liability to the lessor is included in the financial statements as debt.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the respective assets as follows:

Category	Lives
Buildings and improvements	10 — 40 years
Plant, machinery and equipment	5 — 25 years
Other equipment	3 — 10 years

Equipment on Operating Leases

Financial Services purchases leases and equipment from CNH Industrial dealers and other independent third parties that have leased equipment to retail customers under operating leases. Financial Services' investment in operating leases is based on the purchase price paid for the equipment. Income from these operating leases is recognized over the term of the lease. The equipment is

depreciated on a straight-line basis over the term of the lease to the estimated residual value at lease termination. Residual values are estimated at inception of the lease and are reviewed quarterly. Realization of the residual values is dependent on Financial Services' future ability to re-market the equipment under then prevailing market conditions. Model changes and updates, as well as market strength and product acceptance, are monitored and adjustments are made to residual values in accordance with the significance of any such changes. Management believes that the estimated residual values are realizable. Expenditures for maintenance and repairs of the applicable equipment are the responsibility of the lessee.

Equipment returned to the Company upon termination of leases and held for subsequent sale or lease is recorded in inventory at the lower of net book value or estimated fair value of the equipment, less cost to sell, and is not depreciated.

Goodwill and Other Intangibles

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired. Goodwill and indefinite-lived intangible assets are reviewed for impairment at least annually. During 2017 and 2016, the Company performed its annual impairment review as of December 31 and concluded that there was no impairment in either year.

Other intangibles consist primarily of acquired dealer networks, trademarks, product drawings, patents, and software. Other intangibles with indefinite lives principally consist of acquired trademarks which have no legal, regulatory, contractual, competitive, economic, or other factor that limits their useful life. Intangible assets with an indefinite useful life are not amortized. Other intangible assets with definite lives are being amortized on a straight-line basis over 5 to 25 years.

Reference is made to "Note 8: Goodwill and Other Intangibles" for further information regarding goodwill and other intangible assets.

Impairment of Long-Lived Assets, Goodwill and Other Intangible Assets

CNH Industrial evaluates the recoverability of the carrying amount of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If circumstances require a long-lived asset to be tested for possible impairment, CNH Industrial compares the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value.

Income Taxes

The provision for income taxes is determined using the asset and liability method. CNH Industrial recognizes a current tax liability or asset for the estimated taxes payable or refundable on tax returns for the current year and tax contingencies estimated to be settled with taxing authorities within one year. A deferred tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and tax loss carry forwards. The measurement of current and deferred tax liabilities and assets is based on provisions of enacted tax law. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized based on available evidence.

Retirement and Postemployment Benefits

CNH Industrial sponsors numerous defined benefit and defined contribution pension plans, the assets of which are held in separate trustee-administered funds. The pension plans are funded by payments from CNH Industrial. The cost of providing defined benefit pension and other postretirement benefits is calculated based upon actuarial valuations. The liability for termination indemnities is accrued in accordance with labor legislation in each country where such benefits are required. CNH Industrial contributions to defined contribution plans are charged to the income statement during the period of the employee's service.

Derivatives

CNH Industrial's policy is to enter into derivative transactions to manage exposures that arise in the normal course of business and not for trading or speculative purposes. CNH Industrial records derivative financial instruments in the consolidated balance sheets as either an asset or a liability measured at fair value. The fair value of CNH Industrial's foreign exchange derivatives is based on quoted market exchange rates, adjusted for the respective interest rate differentials (premiums or discounts). The fair value of CNH Industrial's interest rate derivatives is based on discounting expected cash flows, using market interest rates, over the remaining term of the instrument. Changes in the fair value of derivative financial instruments are recognized in current income unless specific hedge accounting criteria are met. For derivative financial instruments designated to hedge exposure to changes in the fair value of a recognized asset or liability, the gain or loss is recognized in income in the period of change together with the offsetting loss or gain on the related hedged item. For derivative financial instruments designated to hedge exposure to variable cash flows of a forecasted

transaction, the effective portion of the derivative financial instrument's gain or loss is initially reported in other comprehensive income (loss) and is subsequently reclassified into income when the forecasted transaction affects income. The ineffective portion of the gain or loss is recorded in income immediately. For derivative financial instruments that are not designated as hedges but held as economic hedges, the gain or loss is recognized immediately in income.

For derivative financial instruments designated as hedges, CNH Industrial formally documents the hedging relationship to the hedged item and its risk management strategy for all derivatives designated as hedges. This includes linking all derivatives that are designated as fair value hedges to specific assets and liabilities contained in the consolidated balance sheets and linking cash flow hedges to specific forecasted transactions or variability of cash flow. CNH Industrial assesses the effectiveness of its hedging instruments both at inception and on an ongoing basis. If a derivative is determined not to be highly effective as a hedge, or the underlying hedged transaction is no longer probable of occurring, or the derivative is terminated, the hedge accounting described above is discontinued and the derivative is marked to fair value and recorded in income through the remainder of its term.

Reference is made to "Note 14: Financial Instruments," for further information regarding CNH Industrial's use of derivative financial instruments.

Share-Based Compensation Plans

CNH Industrial recognizes all share-based compensation as an expense based on the fair value of each award on the grant date. CNH Industrial recognizes share-based compensation costs on a straight-line basis over the requisite service period for each separately vesting portion of an award.

Earnings per Share

Basic earnings per share is based on the weighted average number of shares outstanding during each period. Diluted earnings per share is based on the weighted average number of shares and dilutive share equivalents outstanding during each period. Unvested performance-based awards are considered outstanding and included in the computation of diluted earnings per share based on the number of shares that would vest if the end of the reporting period were the end of the contingency period.

New Accounting Pronouncements

Adopted

Share-based Compensation

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows, and forfeitures. The Company adopted ASU 2016-09 on a prospective basis as of January 1, 2017, which did not have a material impact on its consolidated financial statements.

Inventory

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory (“ASU 2015-11”). This standard amends the subsequent measurement of inventory for all methods other than last-in, first-out (LIFO) or the retail inventory method to measure at the lower of cost and net realizable value (estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation) instead of the lower of cost and market. The Company adopted ASU 2015-11 on a prospective basis as of January 1, 2017, which did not have a material impact on its consolidated financial statements.

Goodwill Impairment

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350): Simplifying the Test of Goodwill Impairment (“ASU 2017-04”). ASU 2017-04 simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The Company elected to early adopt ASU 2017-04 on a prospective basis as of January 1, 2017, which did not have a material impact on its consolidated financial statements.

Not Yet Adopted

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASC 606) (“ASU 2014-09”), which supersedes existing revenue recognition guidance under current U.S. GAAP. The new standard requires an entity to recognize revenue upon transfer of control of goods or services to a customer at an amount that reflects the consideration that the entity expects to receive. This new revenue recognition model defines a five-step process to achieve this objective. The new standard also requires additional disclosures to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flow arising from contracts with customers. In August 2015, the FASB amended the effective date to be the first quarter of fiscal year 2018 with early adoption permitted in 2017. The FASB subsequently issued several amendments in 2016 clarifying various aspects of ASU 2014-09, including revenue transactions that involve a third party, goods or services that are immaterial in the context of the contract, licensing arrangements, certain transition practical expedients, disclosure of performance obligation and provisions for losses on construction-type and production-type contracts. Entities have the option to apply the new guidance under a retrospective approach to each prior reporting period presented, or a modified retrospective approach with the

cumulative effect of initially applying the new guidance recognized at the date of initial application within the consolidated statement of changes in equity.

The Company will adopt the new standard effective January 1, 2018 using the full retrospective approach. The preliminary impact of adopting the new standard on the net equity at January 1, 2016 (date of first time retrospective adoption of the new standard) is a reduction of approximately \$0.1 billion and primarily relates to certain services (mainly maintenance and repair contracts, as well as extended warranty contracts) and certain other incentives provided by CNH Industrial to customers which require a different timing of recognition of revenues and margin. Furthermore, the adoption of the new standard will also result in changes in classification between net revenues and expenses, whose overall impact on total net revenues is not significant, as well as certain further changes in classification for certain assets and liabilities, whose overall impact on total assets and total liabilities is not significant.

As it relates to our supplemental information on segment reporting, based upon the provisions of ASC 606, we have determined that sales to dealers accompanied by “floor plan” agreements, under which the Company offers wholesale financing including “interest-free” financing for specified periods, includes two separate performance obligations. In particular, concurrent with the sale of the equipment/vehicle, our Industrial Activities companies offer to the dealer wholesale financing through loans extended by financial services companies (primarily our captive Financial Services). Industrial Activities compensates Financial Services for the cost of the “interest free” period. This cost has been determined to represent a cash sale incentive on the initial sale of the good (first performance obligation), and therefore it should be recognized as a reduction of net sales of Industrial Activities, and not as interest compensation to Financial Services in the Industrial Activities statement of operations, as presented historically. The second performance obligation

consists of a credit facility by Financial Services to the dealer: the remuneration of this performance obligation is represented by the compensation received from Industrial Activities for the period of the “interest-free” financing, and by the interest charged to dealer for the remaining period. This remuneration is recognized over the period of the outstanding exposure, in line with the current accounting treatment. We do not anticipate these changes will result in any change in total revenues in the Consolidated Statement of Operations or in total operating income as the transactions between Industrial Activities and Financial Services are eliminated in consolidation. However, the new classification of the interest compensation to Financial Services will modify the allocation of total revenues between the amounts classified as Net sales (which includes only Net sales of Industrial Activities) and the Finance and Interest Income (which mainly includes income of Financial Services). Furthermore, after the adoption of ASC 606, the different classification of interest compensation to Financial Services will reduce the operating profit of Industrial Activities, but will not modify the total consolidated operating profit.

Compensation – Retirement Benefits

In March 2017, the FASB issued ASU 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (“ASU 2017-07”). The amendments in this update require that an employer disaggregates the service cost component from the other components of net benefit cost, and classifies these other components outside from the operating results. The amendments also provide explicit guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. ASU 2017-07 is effective for annual reporting periods beginning after December 15, 2017, and the Company will adopt it retrospectively, starting from January 1, 2018. The impact of the adjustments on the Company’s net income, financial position, and cash flows is expected to be immaterial.

Financial Instruments

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”), which amends ASC 825-10, Financial Instruments - Overall. This ASU changes the treatment for available-for-sale equity investments by recognizing unrealized fair value changes directly in net income, and no longer in other comprehensive income. The ASU is effective January 1, 2018, with the cumulative-effect adjustment from initially applying the new standard recognized in the consolidated statement of financial position as of January 1, 2018. The impact of the adjustments on the Company’s net income, financial position, and cash flows is expected to be immaterial.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which establishes ASC 326, Financial Instruments - Credit Losses. The ASU introduced a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. Additional disclosures about significant estimates and credit quality are also required. The ASU is effective for annual period beginning after December 15, 2019, with early adoption permitted for annual periods beginning after December 15, 2018. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (“ASU 2016-02”), which supersedes ASC 840, Leases. The ASU’s most prominent change is the requirement for lessees to recognize leased assets and liabilities classified as operating leases under previous GAAP. The ASU does not significantly change the lessee’s recognition, measurement and presentation of expenses and cash flows from the previous accounting standard. Lessors’ accounting under the ASC is largely unchanged from the previous accounting standard. ASU 2016-02 also will require

disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. It is effective for annual reporting periods beginning after December 15, 2018 including interim periods within those fiscal years, but early adoption is permitted. The ASU requires a modified retrospective transition approach and provides certain optional transition relief. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

Statement of Cash Flows

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”) that changes the presentation of restricted cash and cash equivalents on the statement of cash flows. Restricted cash and restricted cash equivalents will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. ASU 2016-18 is effective for annual reporting periods beginning after December 15, 2017, and early adoption is permitted. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities (“ASU 2017-12”), which amends ASC 815, Derivatives and Hedging. The purpose of this ASU is to better align a company’s risk management activities and financial reporting for hedging relationships, simplify the hedge accounting requirements and improve the disclosures of

hedging arrangements. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018, including interim periods within these years. Early adoption is permitted in any interim period or fiscal year before the effective date. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

Note 3: Receivables

Trade Receivables, net

As of December 31, 2017 and 2016, the Company had trade receivables of \$496 million and \$623 million, respectively. Trade receivables are shown net of allowances for doubtful accounts of \$109 million and \$104 million at December 31, 2017 and 2016 respectively. Trade accounts have significant concentrations of credit risk in the Agricultural Equipment, Construction Equipment and Commercial Vehicles segments. On a geographic basis, there is not a disproportionate concentration of credit risk in any area.

The Industrial Activities businesses sell a significant portion of their trade receivables to Financial Services and provide compensation to Financial Services at approximate market interest rates.

Financing Receivables, net

A summary of financing receivables included in the consolidated balance sheets as of December 31, 2017 and 2016 is as follows:

	2017	2016
	(in millions)	
Retail	\$9,725	\$9,949
Wholesale	10,048	8,583
Other	69	130
Total	\$19,842	\$18,662

CNH Industrial provides and administers financing for retail purchases of new and used equipment sold through its dealer network. The terms of retail and other notes and finance leases generally range from two to six years, and interest rates on retail and other notes and finance leases vary depending on prevailing market interest rates and certain incentive programs offered by Industrial Activities.

Wholesale receivables arise primarily from the sale of goods to dealers and distributors and, to a lesser extent, the financing of dealer operations. Under the standard terms of the wholesale receivable agreements, these receivables typically have “interest-free” periods of up to twelve months and stated original maturities of up to twenty-four months, with repayment accelerated upon the sale of the underlying equipment by the dealer. During the “interest free” period, Financial Services is compensated by Industrial Activities for the difference between market interest rates and the amount paid by the dealer. After the expiration of any “interest-free” period, interest is charged to dealers on outstanding balances until CNH Industrial receives payment in full. The “interest-free” periods are determined based on the type of equipment sold and the time of year of the sale. Interest rates are set based on market factors and based on Euribor or the equivalent financial market rate (e.g. FHBR, Finance House Base Rate for UK). CNH Industrial evaluates and assesses dealers on an ongoing basis as to their credit worthiness. CNH Industrial may be obligated to repurchase the dealer’s equipment upon cancellation or termination of the dealer’s contract for such causes as change in ownership,

closeout of the business, or default. There were no significant losses in 2017, 2016 or 2015 relating to the termination of dealer contracts.

Financing receivables generally have significant concentrations of credit risk in the agriculture, construction and truck industries. On a geographic basis, there is not a disproportionate concentration of credit risk in any area. The Company typically retains as collateral a security interest in the equipment associated with retail notes, wholesale notes and finance leases.

As part of the Company's overall funding strategy, the Company periodically transfers certain receivables into VIEs that are special purposes entities ("SPEs") as part of its asset-back securitization program and are not available to the Company's general creditors. Please see the securitization discussion at the end of this footnote.

Contractual maturities of financing receivables as of December 31, 2017 are as follows:

	Amount (in millions)
2018	\$ 13,121
2019	2,523
2020	1,815
2021	1,273
2022	878
2023 and thereafter	232
Total	\$ 19,842

It has been the Company's experience that substantial portions of retail receivables are repaid before their contractual maturity dates. As a result, the above table should not be regarded as a forecast of future cash collections.

Past due balances of financing receivables still accruing finance income represent the total balance held (principal plus accrued interest) with any payment amounts 30 days or more past the contractual payment due date. Non-performing financing receivables represent loans for which the Company has ceased accruing finance income. These receivables are generally 120 days delinquent. Finance income for non-performing receivables is recognized on a cash basis. Accrual of finance income is resumed when the receivable becomes contractually current and collections are reasonably assured.

The aging of financing receivables as of December 31, 2017 and 2016 is as follows (in millions):

	2017 30-5960-89 Days Days		Greater Than Past		Total Past		Total Performing		Non Performing		Total
	Past Due	Past Due	90 Days		Due	Current					
Retail											
NAFTA	\$26	\$ 9	\$ —		\$ 35	\$6,671	\$ 6,706		\$ 25		\$6,731
EMEA	3	4	4		11	261	272		—		272
LATAM	8	—	—		8	1,851	1,859		40		1,899
APAC	—	—	—		—	823	823		—		823
Total Retail	\$37	\$ 13	\$ 4		\$ 54	\$9,606	\$ 9,660		\$ 65		\$9,725
Wholesale											
NAFTA	\$—	\$ —	\$ —		\$ —	\$3,692	\$ 3,692		\$ 41		\$3,733
EMEA	23	12	4		39	5,061	5,100		9		5,109
LATAM	—	—	—		—	619	619		—		619
APAC	4	—	—		4	583	587		—		587
Total Wholesale	\$27	\$ 12	\$ 4		\$ 43	\$9,955	\$ 9,998		\$ 50		\$10,048

	2016 30-5960-89 Days Days		Greater Than 90 Days		Total Past Due		Total Performing		Non Performing		Total

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	Past Due	Past Due							
Retail									
NAFTA	\$27	\$ —	\$ —	\$ —	\$ 27	\$7,172	\$ 7,199	\$ 32	\$7,231
EMEA	—	—	—	—	—	348	348	—	348
LATAM	14	—	—	—	14	1,662	1,676	73	1,749
APAC	1	—	—	—	1	620	621	—	621
Total Retail	\$42	\$ —	\$ —	\$ —	\$ 42	\$9,802	\$ 9,844	\$ 105	\$9,949
Wholesale									
NAFTA	\$—	\$ —	\$ —	\$ —	\$ —	\$3,591	\$ 3,591	\$ 39	\$3,630
EMEA	29	2	—	—	31	3,847	3,878	23	3,901
LATAM	—	—	—	—	—	594	594	2	596
APAC	2	—	6	8	448	456	—	—	456
Total Wholesale	\$31	\$ 2	\$ 6	\$ 39	\$ 39	\$8,480	\$ 8,519	\$ 64	\$8,583

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Allowance for credit losses activity for the three years ended December 31, 2017, 2016 and 2015 is as follows (in millions):

	December 31, 2017			
	Retail	Wholesale	Other	Total
Opening balance	\$374	\$ 200	\$ —	\$574
Provision	72	11	—	83
Charge-offs, net of recoveries	(103)	(15)	—	(118)
Foreign currency translation and other	40	4	—	44
Ending balance	383	200	—	583
Ending balance: Individually evaluated for impairment	212	164	—	376
Ending balance: Collectively evaluated for impairment	171	36	—	207
Receivables:				
Ending balance	9,725	10,048	69	19,842
Ending balance: Individually evaluated for impairment	347	540	—	887
Ending balance: Collectively evaluated for impairment	\$9,378	\$ 9,508	\$ 69	\$18,955

	December 31, 2016			
	Retail	Wholesale	Other	Total
Opening balance	\$394	\$ 158	\$ —	\$552
Provision	52	60	—	112
Charge-offs, net of recoveries	(82)	(14)	—	(96)
Foreign currency translation and other	10	(4)	—	6
Ending balance	374	200	—	574
Ending balance: Individually evaluated for impairment	179	149	—	328
Ending balance: Collectively evaluated for impairment	195	51	—	246
Receivables:				
Ending balance	9,949	8,583	130	18,662
Ending balance: Individually evaluated for impairment	317	491	—	808
Ending balance: Collectively evaluated for impairment	\$9,632	\$ 8,092	\$ 130	\$17,854

	December 31, 2015			
	Retail	Wholesale	Other	Total
Opening balance	\$468	\$ 182	\$ —	\$650
Provision	81	27	—	108
Charge-offs, net of recoveries	(92)	(13)	—	(105)
Foreign currency translation and other	(63)	(38)	—	(101)
Ending balance	394	158	—	552
Ending balance: Individually evaluated for impairment	187	125	—	312
Ending balance: Collectively evaluated for impairment	207	33	—	240
Receivables:				

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Ending balance	10,344	8,611	46	19,001
Ending balance: Individually evaluated for impairment	416	767	—	1,183
Ending balance: Collectively evaluated for impairment	\$9,928	\$ 7,844	\$ 46	\$17,818

Financing receivables are considered impaired when it is probable the Company will be unable to collect all amounts due according to the contractual terms. Receivables reviewed for impairment generally include those that are either past due, have provided bankruptcy notification, or require significant collection efforts. Impaired receivables are generally classified as non-performing.

	2017				2016			
	Unpaid				Unpaid			
	Recorded	Principal	Related	Average	Recorded	Principal	Related	Average
	Investment	Balance	Allowance	Investment	Investment	Balance	Allowance	Investment
	(in millions)							
With no related allowance								
Retail								
NAFTA	\$—	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —
EMEA	\$—	\$ —	\$ —	\$ —	\$90	\$ 90	\$ —	\$ 74
LATAM	\$—	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —
APAC	\$—	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —
Wholesale								
NAFTA	\$—	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —
EMEA	\$—	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —
LATAM	\$—	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —
APAC	\$—	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —
With an allowance recorded								
Retail								
NAFTA	\$39	\$ 37	\$ 18	\$ 41	\$31	\$ 30	\$ 18	\$ 31
EMEA	\$260	\$ 260	\$ 170	\$ 277	\$171	\$ 171	\$ 143	\$ 195
LATAM	\$45	\$ 45	\$ 22	\$ 32	\$23	\$ 23	\$ 17	\$ 23
APAC	\$3	\$ 3	\$ 2	\$ 2	\$2	\$ 2	\$ 1	\$ 2
Wholesale								
NAFTA	\$44	\$ 44	\$ 3	\$ 49	\$44	\$ 43	\$ 4	\$ 46
EMEA	\$457	\$ 457	\$ 134	\$ 443	\$420	\$ 420	\$ 131	\$ 378
LATAM	\$30	\$ 17	\$ 21	\$ 28	\$22	\$ 15	\$ 12	\$ 18
APAC	\$9	\$ 9	\$ 6	\$ 4	\$5	\$ 5	\$ 2	\$ 18
Total								
Retail	\$347	\$ 345	\$ 212	\$ 352	\$317	\$ 316	\$ 179	\$ 325
Wholesale	\$540	\$ 527	\$ 164	\$ 524	\$491	\$ 483	\$ 149	\$ 460

Troubled Debt Restructurings

A troubled debt restructuring (“TDR”) is generally the modification of debt in which a lender grants a concession it would not otherwise consider to a borrower that is experiencing financial difficulties. These modifications may include extended contract maturities, inclusion of interest-only periods, modification of a contractual interest rate to a below market interest rate, extended skip payment period and waving interest and principal. As a collateral based lender, the Company typically will repossess collateral in lieu of restructuring receivables. As such, for retail receivables, concessions are typically provided based on bankruptcy or other court proceedings.

TDRs are reviewed along with other receivables as part of management’s ongoing evaluation of the adequacy of the allowance for credit losses. The allowance for credit losses attributable to TDRs is based on the most probable source of repayment, which is normally the liquidation of the collateral. In determining collateral value, the Company estimates the current fair market value of the equipment collateral and considers credit enhancements such as additional collateral and third party guarantees.

Before removing a receivable from TDR classification, a review of the borrower is conducted. If concerns exist about the future ability of the borrower to meet its obligations under the loans based on a credit review, the TDR

classification is not removed from the receivable.

For the year December 31, 2017, the Company had approximately 272 retail and finance lease contracts classified as TDRs where a court has determined the concession in NAFTA. The pre-modification value was \$9 million and the post-modification value was \$8 million. Additionally, the Company had 423 accounts with a balance of \$24 million undergoing bankruptcy proceedings where a concession has not yet been determined in NAFTA. For the year ended December 31, 2016, the Company had approximately 238 retail and finance lease contracts classified as TDRs where a court has determined the concession in NAFTA. The pre-modification value was \$4 million and the post-modification value was \$4 million. Additionally, the Company had 420 accounts with a balance of \$24 million undergoing bankruptcy proceedings where a concession has not yet been determined in NAFTA. As the outcome of the bankruptcy cases is determined by the court based on available assets, subsequent re-defaults are unusual and were not material for retail and finance lease contracts that were modified in a TDR during the twelve months ended December 31, 2017 and 2016.

For the years ended December 31, 2017 and 2016, the Company had approximately \$11 million and \$23 million, respectively, in retail and finance lease receivable contracts classified as TDRs in EMEA. The primary concession was skipped payments and extended contract maturities, and as such, the post-modification value approximates the pre-modification value. Subsequent re-defaults were not material for retail and finance lease receivable contracts that were modified in a TDR during the twelve months ended December 31, 2017 and 2016.

For the years ended December 31, 2017 and 2016, the Company had approximately \$19 million and \$19 million, respectively, in retail and finance lease receivable contracts classified as TDRs in LATAM. The concessions granted on these receivables are primarily skipped payments and extended contract maturities. Subsequent re-defaults were not material for retail and finance lease receivable contracts that were modified in a TDR during the twelve months ended December 31, 2017 and 2016.

As of December 31, 2017 and 2016, the Company's wholesale TDRs were immaterial.

Transfers of Financial Assets

The Company transfers a number of its financing receivables to securitization programs or factoring transactions.

A securitization transaction entails the sale of a portfolio of receivables to a securitization vehicle. This SPE finances the purchase of the receivables by issuing asset-backed securities (i.e. securities whose repayment and interest flow depend upon the cash flow generated by the portfolio). SPEs utilized in securitizations differ from other entities included in the Company's consolidated financial statements because the assets they hold are legally isolated. For bankruptcy analysis purposes, the Company has sold the receivables to the SPEs in a true sale and the SPEs are separate legal entities. Upon transfer of the receivables to the SPEs, the receivables and certain cash flows derived from them become restricted for use in meeting obligations to the SPEs creditors. The SPEs have ownership of cash balances that also have restrictions for the benefit of the SPEs' investors. The Company's interests in the SPEs' receivables are subordinate to the interests of third party investors. None of the receivables that are directly or indirectly sold or transferred in any of these transactions are available to pay the Company's creditors until all obligations of the SPE have been fulfilled.

These trusts were determined to be VIEs and, consequently, the Company has consolidated these trusts. In its role as servicer, the Company has the power to direct the trusts' activities. Through its retained interests, the Company has an obligation to absorb certain losses or the right to receive certain benefits that could potentially be significant to the trusts.

No recourse provisions exist that allow holders of the asset-backed securities issued by the trusts to return those securities to the Company, although the Company provides customary representations and warranties that could give rise to an obligation to repurchase from the trusts any receivables for which there is a breach of the representations and warranties. Moreover, the Company does not guarantee any securities issued by the trusts. The trusts have a limited life and generally terminate upon final distribution of amounts owed to investors or upon exercise of a cleanup-call option by the Company in its role as servicer.

Furthermore, factoring transactions may be either with recourse or without recourse; certain without recourse transfers include deferred payment clauses (for example, when the payment by the factor of a minor part of the purchase price is dependent on the total amount collected from the receivables), requiring first loss cover, meaning that the transferor takes priority participation in the losses, or require a significant exposure to the cash flows arising from the transferred receivables to be retained. These types of transactions do not qualify for the derecognition of the assets since the risks and rewards connected with collection are not substantially transferred, and accordingly the Company continues to recognize the receivables transferred by this means in its balance sheet and a financial liability of the same amount

under asset-backed financing.

At December 31, 2017 and 2016, the carrying amount of such restricted assets included in financing receivables above are the following (in millions):

	Restricted Receivables	
	2017	2016
Retail note and finance lease receivables	\$6,833	\$7,140
Wholesale receivables	7,189	6,445
Total	\$14,022	\$13,585

Note 4: Inventories

Inventories (stated at the lower of cost or market, cost being determined on a FIFO basis) as of December 31, 2017 and 2016 consist of the following:

	2017	2016
	(in millions)	
Raw materials	\$1,278	\$1,185
Work-in-process	601	757
Finished goods	4,401	3,667
Total Inventories	\$6,280	\$5,609

Note 5: Property, Plant and Equipment

A summary of property, plant and equipment as of December 31, 2017 and 2016 is as follows:

	2017	2016
	(in millions)	
Land and industrial buildings	\$3,472	\$3,075
Plant, machinery and equipment	8,659	7,959
Assets sold with buy-back commitment	3,820	3,021
Construction in progress	101	131
Other	834	782
Gross property, plant and equipment	16,886	14,968
Accumulated depreciation	(9,883)	(8,571)
Net property, plant and equipment	\$7,003	\$6,397

A summary of property, plant and equipment recorded under capital leases¹ as of December 31, 2017, and 2016 is as follows:

	2017	2016
	(in millions)	
Gross capital leases ²	\$100	\$169
Accumulated depreciation	(36)	(53)
Net capital leases	\$64	\$116

(1) Included in property, plant and equipment table above

(2) Consists of industrial buildings, plant, machinery and equipment

Depreciation expense on the above property, plant and equipment totaled \$929 million, \$884 million, and \$824 million for the years ended December 31, 2017, 2016, and 2015, respectively. Excluding depreciation for assets sold with buy-back commitments, depreciation expenses totaled \$610 million, \$605 million, and \$592 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Commercial Vehicles recognized an impairment loss on new and used vehicles of \$86 million, \$56 million and \$29 million on assets sold with a buy-back commitment for the years ended December 31, 2017, 2016, and 2015, respectively. The losses are recognized in “Cost of goods sold.”

The Company had contractual commitments of \$101 million and \$119 million for the acquisition of property, plant and equipment at December 31, 2017 and 2016, respectively.

Note 6: Investments in Unconsolidated Subsidiaries and Affiliates

A summary of investments in unconsolidated subsidiaries and affiliates as of December 31, 2017 and 2016 is as follows:

	2017	2016
	(in millions)	
Equity method	\$555	\$479
Cost method	6	8
Total	\$561	\$487

A summary of the combined results of operations and financial position as reported by the investees that CNH Industrial accounts for using the equity method is as follows:

	For the Years Ended December 31,		
	2017	2016	2015
	(in millions)		
Net revenue	\$3,273	\$3,670	\$3,911
Income before taxes	\$265	\$99	\$127
Net income	\$198	\$48	\$68

	As of December 31,	
	2017	2016
	(in millions)	
Total Assets	\$7,441	\$6,919
Total Liabilities	\$6,216	\$5,758
Total Equity	\$1,225	\$1,161

The investees included in these tables primarily consists of Al Ghazi Tractors Ltd. (43.2% ownership), Turk Traktor re Ziraat Makineteri A.S. (37.5% ownership), New Holland HFT Japan Inc. (50.0% ownership), CNH de Mexico S.A. de C.V. (50.0% ownership), CNH Industrial Capital Europe S.A.S. (50.0% ownership), Naveco (Nanjing Iveco Motor Co.) Ltd (50.0% ownership), SAIC Iveco Commercial Vehicle Investment Company Limited (50.0% ownership) and Transolver Finance Establecimiento Financiero de Credito S.A. (50.0% ownership).

Note 7: Equipment on Operating Leases

Equipment on operating leases primarily include products leased to customers by Agricultural Equipment, Construction Equipment and Commercial Vehicles. A summary of equipment on operating leases as of December 31, 2017 and 2016 is as follows:

	2017	2016
	(in millions)	
Equipment on operating leases	\$2,240	\$2,253
Accumulated depreciation	(395)	(346)
Net equipment on operating leases	\$1,845	\$1,907

Depreciation expense on equipment on operating leases is recorded in "Other, net" and amounted to \$305 million, \$267 million and \$215 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Lease payments owed to CNH Industrial for equipment under non-cancelable operating leases as of December 31, 2017, are as follows:

Amount

	(in millions)
2018	\$ 175
2019	109
2020	59
2021	29
2022	7
Beyond 5 years	1
Total	\$ 380

Note 8: Goodwill and Other Intangibles

Changes in the carrying amount of goodwill, for the years ended December 31, 2017 and 2016 are as follows:

	Agricultural Construction		Commercial		Financial	
	Equipment	Equipment	Vehicles	Powertrain	Services	Total
	(in millions)					
Balance at January 1, 2016	\$ 1,645	\$ 588	\$ 57	\$ 5	\$ 152	\$ 2,447
Impact of foreign exchange	3	—	(2)	—	1	2
Balance at December 31, 2016	\$ 1,648	\$ 588	\$ 55	\$ 5	\$ 153	\$ 2,449
Impact of foreign exchange and other	6	5	9	—	3	23
Balance at December 31, 2017	\$ 1,654	\$ 593	\$ 64	\$ 5	\$ 156	\$ 2,472

Goodwill and other indefinite-lived intangible assets are tested for impairment annually or more frequently if a triggering event occurs. In 2017 and 2016, CNH Industrial performed its annual impairment review as of December 31 and concluded that there were no impairments in either year.

Impairment testing for goodwill is done at a reporting unit level. Under the goodwill impairment test, CNH Industrial's estimate of the fair value of the reporting unit is compared with its carrying value. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. CNH Industrial has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.

The vast majority of goodwill, representing approximately 97% of the total, as of December 31, 2017, related to Agricultural Equipment (67%), Construction Equipment (24%) and Financial Services (6%) and as such, the impairment testing of these reporting units is discussed in detail below.

The carrying values for each reporting unit include material allocations of the Company's assets and liabilities and costs and expenses that are common to all of the reporting units. CNH Industrial believes that the basis for such allocations has been consistently applied and is reasonable.

CNH Industrial determines the fair value of its reporting units using multiple valuation methodologies, relying largely on an income approach but also incorporating value indicators from a market approach, with reference to the reporting units with the most significant allocated goodwill.

Under the income approach, CNH Industrial calculates the fair value of a reporting unit based on the present value of estimated future cash flows. The income approach is dependent on several critical management assumptions, including estimates of future sales, gross margins, operating costs, income tax rates, terminal value growth rates, capital expenditures, changes in working capital requirements, and the weighted average cost of capital (discount rate). Discount rate assumptions include an assessment of the risk inherent in the future cash flows of the respective reporting units. Expected cash flows used under the income approach are developed in conjunction with CNH Industrial budgeting and forecasting process.

Under the market approach, CNH Industrial estimates the fair value of the Agricultural Equipment and Construction Equipment reporting units using revenue and EBITDA multiples and estimates the fair value of the Financial Services reporting unit using book value, tangible book value and interest margin multiples. The multiples are derived from

comparable publicly-traded companies with similar operating and investment characteristics as the respective reporting units. The guideline company method makes use of market price data of corporations whose stock is actively traded in a public, free and open market, either on an exchange or over-the counter basis. Although it is clear no two companies are entirely alike, the corporations selected as guideline companies must be engaged in the same, or a similar, line of business or be subject to similar financial and business risks, including the opportunity for growth.

As of December 31, 2017, the estimated fair values of all reporting units with goodwill exceeded the carrying value by more than 30%. Accordingly, management determined that none of the reporting units were at higher risk for impairment at December 31, 2017. The sum of the fair values of CNH Industrial's reporting units was in excess of CNH Industrial's market capitalization. CNH Industrial believes that the difference between the fair value and market capitalization is reasonable (in the context of assessing whether any asset impairment exists) when market-based control premiums are taken into consideration.

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As of December 31, 2017, and 2016, the Company's other intangible assets and related accumulated amortization consisted of the following:

	2017		2016				
	Weighted		Accumulated			Accumulated	
	Avg. Life	Gross	Amortization	Net	Gross	Amortization	Net
	(in millions)						
Other intangible assets subject to amortization:							
Dealer networks	15	\$ 328	\$ 199	\$ 129	\$ 316	\$ 168	\$ 148
Patents, concessions and licenses and other	5-25	1,834	1,444	390	1,649	1,284	365
		2,162	1,643	519	1,965	1,452	513
Other intangible assets not subject to amortization:							
Trademarks		273	—	273	274	—	274
Total Other intangible assets		\$2,435	\$ 1,643	\$792	\$2,239	\$ 1,452	\$787

CNH Industrial recorded amortization expense of \$115 million, \$111 million, and \$107 million during 2017, 2016, and 2015, respectively.

Based on the current amount of other intangible assets subject to amortization, the estimated annual amortization expense for each of the succeeding 5 years is expected to be as follows: \$109 million in 2018; \$91 million in 2019; \$64 million in 2020, \$54 million in 2021; and \$44 million in 2022.

Note 9: Debt

Credit Facilities

Lenders of committed credit facilities have the obligation to make advances up to the facility amount. Lenders of uncommitted facilities have the right to terminate the agreement with prior notice to CNH Industrial. At December 31, 2017, Group's available committed unsecured facilities expiring after twelve months amounted to \$3.2 billion (\$2.9 billion at December 31, 2016).

In 2016, we signed a renewal of a five-year committed revolving credit facility for €1.75 billion. The renewal extends the maturity of the previous €1.75 billion committed revolving credit facility from 2019 until 2021. The €1.75 billion (\$2.1 billion at the year-end 2017 exchange rate) facility is guaranteed by the parent company with cross-guarantees from each of the borrowers (i.e., CNH Industrial Finance S.p.A., CNH Industrial Finance Europe S.A. and CNH Industrial Finance North America Inc.), envisages typical provisions for contracts of this type and size, such as: financial covenants (Net debt/EBITDA ratio relating to Industrial Activities), other covenants mainly relating to Industrial Activities including negative pledge, a status (or pari passu) covenant, restrictions on the incurrence of indebtedness by certain subsidiaries, customary events of default (some of which are subject to minimum thresholds and customary mitigants) including cross-default, failure to pay amounts due or to comply with certain provisions under the loan agreement, the occurrence of certain bankruptcy-related events and mandatory prepayment obligations upon a change in control of CNH Industrial or the borrowers. The failure to comply with these provisions, in certain cases if not suitably remedied, can lead to the requirement to make early repayment of the outstanding advances. At

December 31, 2017, the Company was in compliance with all covenants in the revolving credit facility.

At December 31, 2017, Financial Services' committed asset-backed facilities expiring after twelve months amounted to \$3.5 billion (\$3.2 billion at December 31, 2016), of which \$2.3 billion at December 31, 2017 (\$2.5 billion at December 31, 2016) were utilized.

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Debt

A summary of issued bonds outstanding as of December 31, 2017, is as follows:

	Currency	Face value of outstanding bonds (in millions)	Coupon	Maturity	Outstanding amount (\$ millions)
Industrial Activities					
Euro Medium Term Notes:					
CNH Industrial Finance Europe S.A. ^{(1) (2)}	EUR	853	6.250 %	March 9, 2018	\$ 1,023
CNH Industrial Finance Europe S.A. ^{(1) (3)}	EUR	547	2.750 %	March 18, 2019	656
				September 27,	
CNH Industrial Finance Europe S.A. ⁽¹⁾	EUR	700	2.875 %	2021	839
CNH Industrial Finance Europe S.A. ⁽¹⁾	EUR	75	1.625 %	March 29, 2022	90
CNH Industrial Finance Europe S.A. ⁽¹⁾	EUR	500	1.375 %	May 23, 2022	600
CNH Industrial Finance Europe S.A. ⁽¹⁾	EUR	500	2.875 %	May 17, 2023	600
				September 12,	
CNH Industrial Finance Europe S.A. ⁽¹⁾	EUR	650	1.750 %	2025	779
				November 12,	
CNH Industrial Finance Europe S.A. ⁽¹⁾	EUR	100	3.500 %	2025	120
CNH Industrial Finance Europe S.A. ⁽¹⁾	EUR	50	3.875 %	April 21, 2028	60
Other Bonds:					
CNH Industrial N.V. ⁽⁴⁾	USD	600	4.500 %	August 15, 2023	600
				November 15,	
CNH Industrial N.V. ⁽⁴⁾	USD	500	3.850 %	2027	500
Hedging effects, bond premium/discount, and unamortized issuance costs					(57)
Total Industrial Activities					\$ 5,810
Financial Services					
CNH Industrial Capital LLC	USD	600	3.625 %	April 15, 2018	\$ 600
CNH Industrial Capital LLC	USD	500	3.375 %	July 15, 2019	500
				November 6,	
CNH Industrial Capital LLC	USD	600	4.375 %	2020	600
CNH Industrial Capital LLC	USD	500	4.875 %	April 1, 2021	500
				October 15,	
CNH Industrial Capital LLC	USD	400	3.875 %	2021	400
CNH Industrial Capital LLC	USD	500	4.375 %	April 05, 2022	500
Hedging effects, bond premium/discount, and unamortized issuance costs					(25)
Total Financial Services					\$ 3,075

(1) Bond listed on the Irish Stock Exchange.

(2) In September 2017, CNH Industrial Finance Europe S.A. Repurchased €347 million

(3) In September 2017, CNH Industrial Finance Europe S.A. Repurchased €453 million

(4) Bond listed on the New York Stock Exchange.

A summary of total debt as of December 31, 2017 and 2016, is as follows:

	2017			2016		
	Industria	Financial		Industria	Financial	
	Activities	Services	Total	Activities	Services	Total
	(in millions)					
Total Bonds	\$5,810	\$ 3,075	\$8,885	\$4,944	\$ 3,669	\$8,613
Asset-backed debt	3	12,025	12,028	8	11,776	11,784
Other debt	648	4,334	4,982	1,742	3,137	4,879
Intersegment debt	935	1,641	—	997	1,479	—
Total Debt	\$7,396	\$21,075	\$25,895	\$7,691	\$20,061	\$25,276

The weighted-average interest rate on consolidated debt at December 31, 2017, and 2016 was 3.1% and 3.2%, respectively.

In April 2016, CNH Industrial Finance Europe S.A. issued €50 million of notes as a private placement, due in 2028 and bearing fixed interest at a rate of 3.875% (the “3.875% CIFE Notes”). The 3.875% CIFE Notes have been issued under the €10 billion Euro Medium Term Note Programme unconditionally and irrevocably guaranteed by CNH Industrial N.V.

In May 2016, CNH Industrial Finance Europe S.A. issued €500 million of notes at an annual fixed rate of 2.875% (the “2.875% Notes”) due May 2023. The 2.875% Notes have been issued under the €10 billion Euro Medium Term Note Programme unconditionally and irrevocably guaranteed by CNH Industrial N.V.

In June 2010, Case New Holland Industrial Inc. issued \$1.5 billion of debt securities at an annual fixed rate of 7.875% (the “7.875% Senior Notes”) due in 2017. The 7.875% Senior Notes were fully and unconditionally guaranteed by CNH Industrial N.V. (as successor to CNH Global N.V.) and certain of its direct and indirect subsidiaries. In August and December of 2016, Case New Holland Industrial Inc. repurchased \$450 million and \$414 million, respectively, in aggregate principal amount of its 7.875% notes following a cash tender offer announced in the same months. In June 2017, Case New Holland Industrial Inc. redeemed all of the outstanding \$636 million aggregate principal amount of the 7.875% Senior Notes and incurred a total charge of \$17 million.

In June 2015, CNH Industrial Capital LLC issued \$600 million of debt securities at an annual fixed rate of 3.875% (the “3.875% Notes due 2018”) due in 2018. The 3.875% Notes due 2018 are fully and unconditionally guaranteed by certain wholly owned subsidiaries of the issuer. In December 2017, CNH Industrial Capital LLC completed the early redemption of all of the outstanding \$600 million in principal amount of the 3.875% Notes due 2018.

In March 2016, CNH Industrial Capital LLC issued \$500 million of debt securities at an annual fixed rate of 4.875% (the “4.875% Notes”) due in April 2021. The 4.875% Notes are fully and unconditionally guaranteed by certain wholly owned subsidiaries of the issuer.

In August 2016, CNH Industrial N.V. issued \$600 million of notes at an annual fixed rate of 4.500% (the “4.500% Notes”) due August 2023.

In October 2016, CNH Industrial Capital LLC issued \$400 million of debt securities at an annual fixed rate of 3.875% (the “3.875% Notes due 2021”) due in October 2021. The 3.875% Notes due 2021 are fully and unconditionally guaranteed by certain wholly owned subsidiaries of the issuer.

In March 2017, CNH Industrial Finance Europe S.A. issued as a private placement €75 million of notes at an annual fixed rate of 1.625% due in 2022 (the “1.625% CIFE Notes”) at an issue price of 99.407 percent of their principal amount. The 1.625% CIFE Notes were issued under the €10 billion Global Medium Term Note Programme (subsequently converted into the Euro Medium Term Note Programme) unconditionally and irrevocably guaranteed by CNH Industrial N.V.

In April 2017, CNH Industrial Capital LLC issued at par \$500 million of notes at an annual fixed rate of 4.375% due in 2022.

In May 2017, CNH Industrial Finance Europe S.A. issued €500 million of notes at an annual fixed rate of 1.375% due in 2022 (the “1.375% CIFE Notes”) at an issue price of 99.335 percent of their principal amount. The 1.375% CIFE Notes were issued under the €10 billion Euro Medium Term Note Programme unconditionally and irrevocably guaranteed by CNH Industrial N.V.

On June 15, 2017, Standard and Poor’s (“S&P”) upgraded the long-term corporate rating of CNH Industrial N.V. and CNH Industrial Capital LLC to investment grade at “BBB-”. Following the upgrade by S&P, the notes issued under the Euro Medium Term Notes Programme (and the notes issued under its predecessor, the Global Medium Term Notes Programme) benefited from Eurosystem eligibility, the financial covenant contained in the €1.75 billion Revolving Credit Facility, which required Industrial Activities to maintain EBITDA/Net interest ratio, was no longer applicable, and the financial covenants contained in two revolving credit facilities of CNH Industrial Capital LLC, which required maintenance of an EBITDA coverage ratio, were no longer applicable.

In September 2017, CNH Industrial Finance Europe S.A. issued €650 million of notes at an annual fixed rate of 1.750% due in 2025 (the “1.750% CIFE Notes”) at an issue price of 99.248 percent of their principal amount. The 1.750% CIFE Notes were issued under the €10 billion Euro Medium Term Note Programme unconditionally and irrevocably guaranteed by CNH Industrial N.V.

In September 2017, CNH Industrial Finance Europe S.A. repurchased a total of €800 million in principal amount of its 6.250% Notes due 2018 and its 2.750% Notes due 2019.

On October 24, 2017, Fitch Ratings assigned to CNH Industrial N.V. and CNH Industrial Capital LLC new investment grade long-term issuer default ratings of “BBB-”. This rating action and the S&P upgrade on June 15, 2017 made CNH Industrial’s securities eligible for the main investment grade indices in the U.S. market, which CNH Industrial believes has improved its access to funding at better rates.

In November 2017, CNH Industrial N.V. issued \$500 million of notes at an annual fixed rate of 3.850% due 2027 with an issue price of 99.384%.

In December 2017, CNH Industrial Capital LLC established a new commercial paper program to issue short-term, unsecured, unsubordinated commercial paper notes on a private placement basis. As of December 31, 2017 the aggregate principal amount of the notes outstanding was \$115 million.

The bonds issued by the Group may contain commitments of the issuer, and in certain cases commitments of CNH Industrial N.V. in its capacity as guarantor, which are typical of international practice for bond issues of this type such as, in particular, negative

pledge (in relation to quoted indebtedness), a status (or pari passu) covenant and cross default clauses. A breach of these commitments can lead to the early repayment of the applicable notes. The bonds guaranteed by CNH Industrial N.V. under the Euro Medium Term Note Programme (and its predecessor the Global Medium Term Notes Programme), as well as the notes issued by CNH Industrial N.V., contain clauses which could lead to early repayment if there is a change of control of CNH Industrial N.V. leading to a rating downgrading of CNH Industrial N.V.

Other debt consists primarily of borrowings from banks which are at various terms and rates. Included in Other debt of Financial Services is approximately \$1.6 billion and \$1.4 billion at December 31, 2017 and 2016, respectively, of funding provided by the Brazilian development agency, Banco Nacional de Desenvolvimento Econômico e Social (BNDES). The program provides subsidized funding to financial institutions to be loaned to customers to support the purchase of agricultural or construction machinery in accordance with the program.

A summary of the minimum annual repayments of debt as of December 31, 2017, for 2018 and thereafter is as follows:

	IndustriaFinancial		
	Activities	Services	Consolidated
	(in millions)		
2018	\$1,263	\$10,230	\$11,493
2019	888	3,244	4,132
2020	41	2,986	3,027
2021	861	2,007	2,868
2022	710	756	1,466
2023 and thereafter	2,698	211	2,909
Intersegment	935	1,641	—
Total	\$7,396	\$21,075	\$25,895

Please refer to “Note 14: Financial Instruments” for fair value information on debt.

Note 10: Income Taxes

CNH Industrial N.V. and its subsidiaries have substantial worldwide operations. CNH Industrial N.V.’s subsidiaries incur tax obligations in the jurisdictions in which they operate. The Company’s provision for income taxes as reported in its consolidated statements of operations for the year ended December 31, 2017 of \$455 million consists almost entirely of the income taxes owed by the subsidiaries of CNH Industrial N.V.

The sources of income before taxes and equity in income of unconsolidated subsidiaries and affiliates for the years ended December 31, 2017, 2016, and 2015 are as follows:

	2017	2016	2015
	(in millions)		
Parent country source	\$(212)	\$(73)	\$11
Foreign sources	892	64	556
Income (loss) before taxes and equity in income of unconsolidated subsidiaries and affiliates	\$680	\$(9)	\$567

The provision for income taxes for the years ended December 31, 2017, 2016 and 2015 consisted of the following:

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	2017	2016	2015
	(in millions)		
Current income taxes	\$354	\$229	\$263
Deferred income taxes	101	69	97
Total income tax provision	\$455	\$298	\$360

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CNH Industrial N.V. is incorporated in the Netherlands, but is a tax resident of the United Kingdom. The reconciliation of the differences between the provision for income taxes and the statutory rate is presented on the basis of the weighted average of the United Kingdom statutory main corporation tax rates in force over each of the Company's calendar year reporting periods of 20% in 2015 and 2016 and 19.25% in 2017. A reconciliation of CNH Industrial's income tax expense for the years ended December 31, 2017, 2016 and 2015 is as follows:

	2017	2016	2015
	(in millions)		
Tax provision at the parent statutory rate	\$131	\$(2)	\$115
Foreign income taxed at different rates	95	(11)	56
Change in valuation allowance	163	133	111
Italian IRAP taxes	17	22	6
Tax contingencies	18	(2)	26
Tax credits and incentives	(48)	(88)	(43)
Venezuela remeasurement, and impairment and deconsolidation charges	18	16	51
Non-deductible EC Settlement	—	160	—
Change in tax rate or law	39	14	23
Withholding taxes	6	11	8
Other	16	45	7
Total income tax provision	\$455	\$298	\$360

During the last quarter of 2017, new tax legislation was enacted in several jurisdictions, including the United States and the United Kingdom. In connection with these legislative changes, the Company booked \$39 million tax expense related to the US mandatory repatriation tax and the write-down of deferred tax assets in the relevant jurisdictions. The Company has recorded provisional amounts related to the U.S. Tax Act. The ultimate impact may differ from these provisional amounts, due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the U.S. Tax Act. The accounting is expected to be completed by December 31, 2018. In addition, the Company has established an \$84 million valuation allowance against deferred tax assets in its U.K. operations as a result of new tax legislation in the U.K.

The 2016 tax expense was impacted by the non-tax deductible charge of \$551 million incurred in the first half of 2016 for the European Commission settlement. For more information on the European Commission Settlement, see "Note 13, Commitments and contingencies".

During December 2016, the Company completed a corporate reorganization of its Latin American operations, resulting in a \$59 million charge to tax expense, comprised of \$58 million related to changes in valuation allowances booked against deferred tax assets in Brazil and Argentina and \$1 million related to certain other basis adjustments.

At December 31, 2017, undistributed earnings in certain subsidiaries outside the United Kingdom totaled approximately \$3 billion for which no deferred tax has been recorded because the remittance of earnings from certain jurisdictions would incur no tax or such earnings are permanently reinvested. The Company has determined that the amount of unrecognized deferred tax liability relating to the \$3 billion undistributed earnings is approximately \$42 million and attributable to foreign withholding taxes in certain jurisdictions. Further, the Company evaluated the

undistributed earnings from its joint ventures in which it owned 50% or less, and recorded \$8 million of deferred taxes as of December 31, 2017. The repatriation of undistributed earnings to the United Kingdom is generally exempt from United Kingdom income taxes under a full participation exemption.

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Deferred Income Tax Assets and Liabilities

The components of net deferred tax assets as of December 31, 2017 and 2016 are as follows:

	2017	2016
	(in millions)	
Deferred tax assets:		
Inventories	\$108	\$96
Warranty and campaigns	202	183
Allowance for credit losses	184	180
Marketing and sales incentive programs	259	326
Other risk and future charges reserve	312	216
Pension, postretirement and postemployment benefits	408	553
Measurement of derivative financial instruments	1	36
Research and development costs	458	423
Other reserves	339	359
Tax credits and loss carry forwards	684	767
Less: Valuation allowances	(1,744)	(1,490)
Total deferred tax assets	\$1,211	\$1,649
Deferred tax liabilities:		
Property, plant and equipment	\$295	\$481
Other	195	315
Total deferred tax liabilities	490	796
Net deferred tax assets	\$721	\$853

Net deferred tax assets are reflected in the accompanying consolidated balance sheets as of December 31, 2017 and 2016 as follows:

	2017	2016
	(in millions)	
Deferred tax assets	\$818	\$937
Deferred tax liabilities	(97)	(84)
Net deferred tax assets	\$721	\$853

Valuation Allowances

As of December 31, 2017, the Company has valuation allowances of \$1,744 million against certain deferred tax assets, including tax loss carry forwards, tax credits and other deferred tax assets. These valuation allowances are primarily attributable to operations in Brazil, Germany, Italy and the United Kingdom.

CNH Industrial has gross tax loss carry forwards in several tax jurisdictions. These tax losses expire as follows: \$146 million in 2018; \$204 million in 2019; \$41 million in 2020; \$96 million in 2021; \$494 million in 2022 and beyond. CNH Industrial also has tax loss carry forwards of approximately \$3 billion with indefinite lives. CNH Industrial has tax credit carry forwards. The years in which these tax credits expire are as follows: \$2 million in 2019; and \$37 million in 2022 and beyond.

Uncertain Tax Positions

The Company files income tax returns in multiple jurisdictions and is subject to examination by taxing authorities throughout the world. The Company has open tax years from 2002 to 2017. Due to the global nature of the Company's business, transfer pricing disputes may arise and the Company may seek correlative relief through competent authority processes.

A reconciliation of the gross amounts of tax contingencies at the beginning and end of the year is as follows:

	2017	2016
	(in millions)	
Balance, beginning of year	\$318	\$325
Additions based on tax positions related to the current year	30	30
Additions for tax positions of prior years	16	70
Reductions for tax positions of prior years	(21)	(65)
Reductions for tax positions as a result of lapse of statute	(8)	(10)
Settlements	(15)	(32)
Balance, end of year	\$320	\$318

As of December 31, 2017, there are \$154 million of unrecognized tax benefits that if recognized would affect the effective tax rate.

The Company recognizes interest and penalties accrued related to tax contingencies as part of the income tax provision. During the years ended December 31, 2017, 2016 and 2015, the Company recognized expense of approximately \$(1) million, \$7 million and \$2 million for income tax related interest and penalties, respectively. The Company had approximately \$11 million, \$12 million and \$16 million of income tax related interest and penalties accrued at December 31, 2017, 2016 and 2015, respectively.

At December 31, 2017, it is not reasonably possible to estimate the expected change to the total amount of unrealized benefit in the next twelve months. The Company does not believe the resolution of any outstanding tax examinations will have a material adverse effect on the Company's financial position or its results of operations.

Note 11: Employee Benefit Plans and Postretirement Benefits

CNH Industrial provides pension, healthcare and insurance plans and other postemployment benefits to their employees and retirees under defined contribution and defined benefit plans.

In the case of defined contribution plans, CNH Industrial makes contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been made, the Company has no further payment obligations. CNH Industrial recognizes the contribution cost when the employees have rendered their service and includes this cost by function in cost of goods sold, SG&A expense, and R&D expense. During the years ended December 31, 2017, 2016, and 2015, CNH Industrial recorded expense of \$189 million, \$181 million, and \$185 million, respectively, for its defined contribution plans.

Defined benefit plans are classified by CNH Industrial on the basis of the type of benefit provided as follows: pension plans, healthcare plans, and other postemployment benefit plans.

Pension Plans

Pension obligations primarily comprise the obligations of the Company's pension plans in the United States, the United Kingdom, and Germany.

Under these plans, contributions are made to a separate fund (trust) that independently administers the plan assets. The Company's funding policy is to meet the minimum funding requirements pursuant to the laws of the applicable jurisdictions. The Company may also choose to make discretionary contributions.

Healthcare Postretirement Benefit Plans

Healthcare postretirement benefit plan obligations comprise obligations for healthcare and insurance plans granted to employees working in the U.S. and Canada. These plans generally cover employees retiring on or after reaching the age of 55 who have completed at least 10 years of employment. CNH Industrial U.S. salaried and non-represented hourly employees and Canadian

employees hired after January 1, 2001 and January 1, 2002, respectively, are not eligible for postretirement healthcare and life insurance benefits under the CNH Industrial plans. These benefits may be subject to deductibles, co-payment provisions and other limitations, and CNH Industrial has reserved the right to change or terminate these benefits, subject to the provisions of any collective bargaining agreement. These plans are not required to be funded. However, beginning in 2007, the Company began making contributions on a voluntary basis to a separate and independently managed fund established to finance the North American healthcare plans.

Other Postemployment Benefits

Other postemployment benefits consist of obligations for Italian Employee Leaving Entitlements up to December 31, 2006, loyalty bonus in Italy and various other similar plans in France, Germany and Belgium. Until December 31, 2006, Italian companies with more than 50 employees were required to accrue for benefits paid to employees upon them leaving the Company. The scheme has since changed to a defined contribution plan. The obligation on the Company's consolidated balance sheet represents the residual reserve for years until December 31, 2006. Loyalty bonus is accrued for employees who have reached certain service seniority and are generally settled when employees leave the Company. These plans are not required to be funded and, therefore, have no plan assets.

Obligations and Funded Status

The following summarizes data from CNH Industrial's defined benefit pension, healthcare and other postemployment plans for the years ended December 31, 2017 and 2016:

	Pension		Healthcare ⁽¹⁾		Other ⁽¹⁾	
	2017	2016	2017	2016	2017	2016
	(in millions)					
Change in benefit obligations:						
Beginning benefit obligation	\$3,188	\$3,281	\$1,105	\$1,157	\$418	\$423
Service cost	30	30	6	7	15	13
Interest cost	74	87	36	39	3	4
Plan participants' contributions	3	3	7	8	—	—
Actuarial loss (gain)	44	285	29	(37)	13	22
Gross benefits paid	(179)	(221)	(68)	(71)	(37)	(31)
Plan amendments	—	(6)	—	—	—	—
Currency translation adjustments and other	205	(271)	5	2	58	(13)
Ending benefit obligation	\$3,365	\$3,188	\$1,120	\$1,105	\$470	\$418
Change in the fair value of plan assets:						
Beginning plan assets	\$2,328	\$2,480	\$111	\$105	\$—	\$—
Actual return on plan assets	196	194	19	8	—	—
Employer contributions	34	35	56	—	—	—
Plan participants' contributions	3	3	—	—	—	—
Gross benefits paid	(150)	(193)	(2)	(2)	—	—
Currency translation adjustments and other	106	(191)	—	—	—	—
Ending plan assets	2,517	2,328	184	111	—	—
Funded status:	\$(848)	\$(860)	\$(936)	\$(994)	\$(470)	\$(418)

(1) The healthcare and other postemployment plans are not required to be prefunded.

The following summarizes data from CNH Industrial's defined benefit pension plans by significant geographical area for the years ended December 31, 2017 and 2016:

	U.S.		U.K		Germany ⁽¹⁾		Other Countries ⁽¹⁾	
	2017	2016	2017	2016	2017	2016	2017	2016
	(in millions)							
Change in benefit obligations:								
Beginning benefit obligation	\$1,159	\$1,208	\$1,315	\$1,332	\$419	\$438	\$295	\$303
Service cost	7	8	7	6	4	3	12	13
Interest cost	37	39	29	37	4	6	4	5
Plan participants' contributions	—	—	—	—	—	—	3	3
Actuarial loss (gain)	53	27	(15)	247	(2)	12	8	(1)
Gross benefits paid	(83)	(120)	(53)	(57)	(28)	(27)	(15)	(17)
Plan amendments	—	—	—	—	—	—	—	(6)
Currency translation adjustments and other	—	(3)	126	(250)	56	(13)	23	(5)
Ending benefit obligation	\$1,173	\$1,159	\$1,409	\$1,315	\$453	\$419	\$330	295
Change in the fair value of plan assets:								
Beginning plan assets	\$1,139	\$1,182	\$918	\$1,028	\$5	\$5	\$266	265
Actual return on plan assets	153	80	29	106	—	—	14	8
Employer contributions	—	—	23	25	—	—	11	10
Plan participants' contributions	—	—	—	—	—	—	3	3
Gross benefits paid	(82)	(120)	(53)	(57)	—	—	(15)	(16)
Currency translation adjustments and other	(3)	(3)	88	(184)	—	—	21	(4)
Ending plan assets	\$1,207	\$1,139	\$1,005	\$918	\$5	\$5	\$300	\$266
Funded status:	\$34	\$(20)	\$(404)	\$(397)	\$(448)	\$(414)	\$(30)	\$(29)

(1) Pension benefits in Germany and some other countries are not required to be prefunded.

Net amounts recognized in the consolidated balance sheets as of December 31, 2017 and 2016 consist of:

	Pension		Healthcare		Other	
	2017	2016	2017	2016	2017	2016
	(in millions)					
Other assets	\$46	\$4	\$—	\$—	\$—	\$—
Pension, postretirement and other postemployment benefits	(894)	(864)	(936)	(994)	(470)	(418)
Net liability recognized at end of year	\$(848)	\$(860)	\$(936)	\$(994)	\$(470)	\$(418)

Pre-tax amounts recognized in accumulated other comprehensive loss as of December 31, 2017 consist of:

	Pension		Healthcare	Other
	(in millions)			
Unrecognized actuarial losses	\$943	\$154		\$96
Unrecognized prior service credit	(9)	(4)		(4)

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Accumulated other comprehensive loss \$934 \$ 150 \$ 92

The following table summarizes the aggregate pension accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets:

	Pension	
	2017	2016
	(in millions)	
Accumulated benefit obligation	\$1,968	\$3,011
Fair value of plan assets	\$1,146	\$2,183

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The following table summarizes CNH Industrial's pension and other postemployment plans with projected benefit obligations in excess of plan assets:

	Pension		Healthcare		Other	
	2017	2016	2017	2016	2017	2016
	(in millions)					
Projected benefit obligation	\$2,130	\$3,119	\$1,119	\$1,105	\$470	\$418
Fair value of plan assets	\$1,236	\$2,254	\$184	\$111	\$—	\$—

The total accumulated benefit obligation for pension was \$3,285 million and \$3,150 million as of December 31, 2017 and 2016, respectively.

Net Periodic Benefit Cost

The following summarizes the components of net periodic benefit cost of CNH Industrial's defined benefit for the years ended December 31, 2017, 2016, and 2015:

	Pension			Healthcare			Other		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
	(in millions)								
Service cost	\$30	\$30	\$30	\$6	\$7	\$8	\$15	\$13	\$15
Interest cost	74	87	112	36	39	48	3	4	5
Expected return on assets	(111)	(113)	(140)	(7)	(6)	(7)	—	—	—
Amortization of:									
Prior service cost (credit)	(1)	—	—	(2)	(4)	(10)	1	(1)	1
Actuarial loss (gain)	90	76	83	6	15	26	5	8	(7)
Settlement loss and other	4	—	—	—	—	—	2	1	—
Net periodic benefit cost	\$86	\$80	\$85	\$39	\$51	\$65	\$26	\$25	\$14

Net periodic benefit cost recognized in net income and other changes in plan assets and benefit obligations that are recognized in other comprehensive loss during 2017 consist of:

	Pension	Healthcare	Other
	(in millions)		
Net periodic benefit cost	\$86	\$39	\$26
Benefit adjustments included in other comprehensive (income) loss:			
Net actuarial losses (gains)	(42)	17	11
Amortization of actuarial losses	(91)	(5)	(5)
Amortization of prior service (cost) credit	1	2	(1)
Currency translation adjustments and other	61	—	11
Total recognized in other comprehensive (income) loss	(71)	14	16
Total recognized in comprehensive loss	\$15	\$53	\$42

Pre-tax amounts expected to be amortized in 2018 from accumulated other comprehensive loss consist of:

Pension Healthcare Other

	(in millions)			
Actuarial losses	\$75	\$	7	\$ 1
Prior service cost (credit)	(1)		(2)	1
Total	\$74	\$	5	\$ 2

Actuarial gains and losses are recorded in accumulated other comprehensive income (loss). To the extent unamortized gains and losses exceed 10% of the higher of the market-related value of assets or the benefit obligation, the excess is amortized as a component of net periodic cost over the remaining service period of the active participants. For plans in which all or almost all of the plan's participants are inactive, the amortization period is the remaining life expectancy of the inactive participants.

Assumptions

The following assumptions were utilized in determining the funded status at December 31, 2017 and 2016, and the net periodic benefit cost of CNH Industrial's defined benefit plans for the years ended December 31, 2017, 2016, and 2015:

(in %)	Pension plans			Healthcare plans			Other		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Assumptions used to determine funded status at December 31									
Weighted-average discount rate	2.57	2.82	3.49	3.53	3.97	4.27	1.47	1.54	2.06
Weighted-average rate of compensation increase	3.01	2.95	2.98	n/a	2.50	2.50	1.11	1.19	1.33
Weighted-average, initial healthcare cost trend rate	n/a	n/a	n/a	6.46	6.72	6.98	n/a	n/a	n/a
Weighted-average, ultimate healthcare cost trend rate(*)	n/a	n/a	n/a	5.00	5.00	5.00	n/a	n/a	n/a
Assumptions used to determine expense									
Weighted-average discount rates - service cost	2.15	2.91	3.22	3.96	4.21	3.96	1.67	2.18	1.81
Weighted-average discount rates - interest cost	2.33	2.82	3.22	3.39	3.49	3.96	1.40	1.89	1.81
Weighted-average rate of compensation increase	2.95	2.98	3.25	2.50	2.50	3.00	1.19	1.33	2.27
Weighted-average long-term rates of return on plan assets	4.74	5.00	5.38	6.25	6.25	6.75	n/a	n/a	n/a
Weighted-average, initial healthcare cost trend rate	n/a	n/a	n/a	6.72	6.98	7.23	n/a	n/a	n/a
Weighted-average, ultimate healthcare cost trend rate(*)	n/a	n/a	n/a	5.00	5.00	5.00	n/a	n/a	n/a

(*) CNH Industrial expects to achieve the ultimate healthcare cost trend rate in 2024 and 2018 for U.S. and Canada plans, respectively.

Assumed discount rates are used in measurements of pension, healthcare and other postemployment benefit obligations and interest cost components of net periodic cost. CNH Industrial selects its assumed discount rates based on the consideration of equivalent yields on high-quality fixed income investments at the measurement date. The assumed discount rate is used to discount future benefit obligations back to today's dollars. The discount rates for the U.S., European, U.K. and Canadian obligations are based on a benefit cash flow-matching approach and represent the rates at which the benefit obligations could effectively be settled as of the measurement date, December 31. The benefit cash flow-matching approach involves analyzing CNH Industrial's projected cash flows against a high quality bond yield curve, mainly calculated using a wide population of AA-grade corporate bonds subject to minimum amounts outstanding and meeting other defined selection criteria. The discount rates for the Company's remaining obligations are based on benchmark yield data of high-quality fixed income investments for which the timing and amounts of payments approximate the timing and amounts of projected benefit payments.

The expected long-term rate of return on plan assets reflects management's expectations on long-term average rates of return on funds invested to provide for benefits included in the projected benefit obligations. The expected return is based on the outlook for inflation, fixed income returns and equity returns while also considering asset allocation and investment strategy, premiums for active management to the extent asset classes are actively managed, and plan expenses. Return patterns and correlations, consensus return forecasts, and other relevant financial factors are analyzed to check for reasonability and appropriateness.

The assumed healthcare trend rate represents the rate at which healthcare costs are assumed to increase. Rates are determined based on company-specific experience, consultation with actuaries and outside consultants, and various

trend factors including general and healthcare sector-specific inflation projections from the United States Department of Health and Human Services Healthcare Financing Administration. The initial trend is a short-term assumption based on recent experience and prevailing market conditions. The ultimate trend is a long-term assumption of healthcare cost inflation based on general inflation, incremental medical inflation, technology, new medicine, government cost-shifting, utilization changes, an aging population, and a changing mix of medical services.

In October 2014, the Society of Actuaries (“SOA”) in the United States issued updated mortality table (“RP-2014”) and mortality improvement scale (“MP-2014”). Accordingly, CNH Industrial reviewed the historical mortality experience and demographic characteristics of its U.S. pension and Healthcare plan participants and have decided to adopt the variants of Blue Collar tables of RP-2014 as the base mortality tables. The Retirement Plans Experience Committee (“RPEC”) publishes annual updates to the

RP-2014 model and corresponding mortality improvement scales. The latest update resulted in the 2017 version of the mortality improvement scale (“MP-2017”). In 2017, CNH Industrial adopted the MP-2017 mortality improvement scale, which better reflects the actual recent experience over the previous mortality improvement scales. Management believes the new mortality assumptions most appropriately represent its plans’ experience and characteristics. The adoption of the new mortality assumptions resulted in a total decrease of \$17 million to the Company’s benefit obligations at December 31, 2017, of which, \$8 million was related to pension plans and \$9 million to healthcare plans.

In 2016, the Company changed the method used to estimate the service and interest cost components of the net periodic pension and other postretirement benefit costs in order to provide a more precise measure of interest and service costs by improving the correlation between the projected benefit cash flows and the discrete spot yield curve rates. The new method uses the spot yield curve approach to estimate the service and interest costs by applying the specific spot rates along the yield curve used to determine the benefit obligations to relevant projected cash outflows. Historically, those costs were determined using a single weighted-average discount rate based on hypothetical AA yield curves used to measure the benefit obligation at the beginning of the period. The change has been accounted for as a change in estimate prospectively and resulted in a \$31 million reduction in net periodic benefit cost in 2016 due to lower service and interest costs. This change does not affect the measurement of the total benefit obligations.

A one percentage point change in the assumed healthcare cost trend rates would have the following effect:

	One Percentage- Point Increase (in millions)	One Percentage- Point Decrease
Total increase/(decrease) in service cost and interest cost components of 2017 Healthcare Plan benefit expense	\$6	\$ (5)
Total increase/(decrease) in accumulated Healthcare benefit obligations as of December 31, 2017	\$132	\$ (108)

Plan Assets

The investment strategy for the plan assets depends on the features of the plan and on the maturity of the obligations. Typically, less mature plan benefit obligations are funded by using more equity securities as they are expected to achieve long-term growth exceeding the rate of inflation. More mature plan benefit obligations are funded using more fixed income securities as they are expected to produce current income with limited volatility. Risk management practices include the use of multiple asset classes and investment managers within each asset class for diversification purposes. Specific guidelines for each asset class and investment manager are implemented and monitored.

Weighted average target asset allocation for all plans for 2017 are as follows:

All
Plans
Asset category:
Equity securities 19 %

Debt securities	49	%
Cash/Other	32	%

CNH Industrial determines the fair value of plan assets using observable market data obtained from independent sources when available. CNH Industrial classifies its plan assets according to the fair value hierarchy:

Level 1—Quoted prices for identical instruments in active markets.

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following summarizes the fair value of plan assets by asset category and level within the fair value hierarchy as of December 31, 2017:

	Total	Level 1	Level 2	Level 3
	(in millions)			
Equity securities:				
U.S. equities	\$ 362	\$ 19	\$ 343	\$ —
Non-U.S. equities	—	—	—	—
Total Equity securities	362	19	343	—
Fixed income securities:				
U.S. government bonds	365	355	10	—
U.S. corporate bonds	498	—	498	—
Non-U.S. government bonds	55	13	42	—
Non-U.S. corporate bonds	95	—	95	—
Mortgage backed securities	—	—	—	—
Other fixed income	9	—	9	—
Total Fixed income securities	1,022	368	654	—
Other types of investments:				
Mutual funds (A)	1,090	—	1,090	—
Insurance contracts	149	—	—	149
Derivatives—credit contracts	—	—	—	—
Real estate	—	—	—	—
Total Other types of investments	1,239	—	1,090	149
Cash:	78	17	61	—
Total	\$ 2,701	\$ 404	\$ 2,148	\$ 149

(A) This category includes mutual funds, which primarily invest in non-U.S. equities and non-U.S. corporate bonds. The following table presents the changes in the Level 3 plan assets for the year ended December 31, 2017:

	Insurance
	Contracts
Balance at December 31, 2016	\$ 135
Actual return on plan assets relating to assets still held at	
reporting date	6
Purchases	8
Settlements	(5)
Transfers in and/or out of level 3	(3)
Currency impact	8
Balance at December 31, 2017	\$ 149

The following summarizes the fair value of plan assets by asset category and level within the fair value hierarchy as of December 31, 2016:

	Total	Level 1	Level 2	Level 3
	(in millions)			
Equity securities:				
U.S. equities	\$ 352	\$ 15	\$ 337	\$ —
Non-U.S. equities	—	—	—	—
Total Equity securities	352	15	337	—
Fixed income securities:				
U.S. government bonds	308	305	3	—
U.S. corporate bonds	474	—	474	—
Non-U.S. government bonds	353	13	340	—
Non-U.S. corporate bonds	87	—	87	—
Mortgage backed securities	—	—	—	—
Other fixed income	10	—	10	—
Total Fixed income securities	1,232	318	914	—
Other types of investments:				
Mutual funds(A)	682	—	682	—
Insurance contracts	135	—	—	135
Derivatives—credit contracts	—	—	—	—
Real estate	—	—	—	—
Total Other types of investments	817	—	682	135
Cash:	38	2	36	—
Total	\$ 2,439	\$ 335	\$ 1,969	\$ 135

(A) This category includes mutual funds, which primarily invest in non-U.S. equities and non-U.S. corporate bonds. The following table presents the changes in the Level 3 plan assets for the year ended December 31, 2016:

	Insurance
	Contracts
Balance at December 31, 2015	\$ 133
Actual return on plan assets relating to assets still held at	
reporting date	3
Purchases	7
Settlements	(6)
Transfers in and/or out of Level 3	2
Currency impact	(4)
Balance at December 31, 2016	\$ 135

Contributions

CNH Industrial expects to contribute (including through direct benefit payments) approximately \$67 million to its pension plans, \$9 million to its healthcare plans and \$37 million to its other postemployment plans in 2018.

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The benefit expected to be paid from the benefit plans which reflect expected future years of service, and the Medicare subsidy expected to be received are as follows:

Medicare				
Part D				
	Pension Plans (in millions)	Healthcare	Reimbursement	Other
2018	\$ 186	\$ 66	\$ —	\$ 37
2019	180	64	—	35
2020	182	63	—	39
2021	183	64	—	36
2022	179	64	—	36
2023 - 2027	896	337	(1) 146
Total	\$ 1,806	\$ 658	\$ (1) \$ 329

Note 12: Other Liabilities

A summary of “Other liabilities” as of December 31, 2017 and 2016 is as follows:

	2017	2016
	(in millions)	
Advances on buy-back agreements	\$3,102	\$2,429
Warranty and campaign programs	1,081	940
Marketing and sales incentive programs	1,335	1,182
Tax payables	765	714
Accrued expenses and deferred income	632	634
Accrued employee benefits	752	633
Legal reserves and other provisions	384	355
Contract reserve	588	407
Restructuring reserve	60	30
Other	701	681
Total	\$9,400	\$8,005

Warranty and Campaign Program

As described in “Note 2: Summary of Significant Accounting Policies,” CNH Industrial pays for basic warranty and other service action costs. A summary of recorded activity for the basic warranty and campaign program accrual for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
	(in millions)	
Balance, beginning of year	\$940	\$908
Current year additions	782	806
Claims paid	(670)	(706)
Currency translation adjustment and other	29	(68)
Balance, end of year	\$1,081	\$940

Advance on Buy-back Agreements

As described in “Note 2: Summary of Significant Accounting Policies,” the initial sale price received for new vehicle sales with a buy-back commitment by Commercial Vehicles is recognized as advances on buy-back agreements. The difference between the initial sale price and the buy-back price is recognized as rental revenue on a straight-line basis over the term of the operating lease. The balance of advances on buy-back agreements at December 31, 2017 and 2016 represented a sum of the deferred rental revenue and the guaranteed buy-back price.

Restructuring Provision

The Company incurred restructuring costs of \$93 million, \$44 million and \$84 million for the years ended December 31, 2017, 2016, and 2015, respectively. These costs were as follows:

In 2017, Commercial Vehicles recorded \$69 million mainly due to additional capacity realignment in the firefighting business and actions to reduce selling, general and administrative expenses as part of CNH Industrial's Efficiency Program launched in 2014. Agricultural Equipment recorded \$14 million, mainly as a result of footprint rationalization actions included in the Efficiency Program of the Company.

In 2016, Commercial Vehicles recorded \$34 million mainly due to actions to reduce selling, general and administrative expenses and business support costs as a result of the transition to CNH Industrial's regional structure and costs related to the completion of manufacturing product specialization programs. Agricultural Equipment recorded \$9 million, mainly as a result of footprint rationalization actions included in the Efficiency Program of the Company.

In 2015, Commercial Vehicles recorded \$44 million mainly due to actions to reduce SG&A and business support costs as a result of the transition to CNH Industrial's regional structure and costs related to the completion of manufacturing product specialization programs. Construction Equipment and Agricultural Equipment recorded \$19 million and \$18 million, respectively, mainly as a result of footprint rationalization actions included in the efficiency program of the Company launched in 2014.

The following table sets forth restructuring activity for the years ended December 31, 2017, 2016 and 2015:

	Severance		and	
	Other		Facility	
	Employee		Related	
	Costs	Costs	Restructuring	Total
	(in millions)			
Balance at January 1, 2015	\$86	\$ 6	\$ 3	\$95
Restructuring charges	66	—	18	84
Reserves utilized: cash	(112)	(3)	(1)	(116)
Reserves utilized: non-cash	(5)	—	—	(5)
Currency translation adjustments	(5)	2	(4)	(7)
Balance at December 31, 2015	\$30	\$ 5	\$ 16	\$51
Restructuring charges	56	(1)	(11)	44
Reserves utilized: cash	(55)	—	(4)	(59)
Reserves utilized: non-cash	—	—	(3)	(3)
Currency translation adjustments	(8)	3	2	(3)
Balance at December 31, 2016	\$23	\$ 7	\$ —	\$30
Restructuring charges	76	17	—	93
Reserves utilized: cash	(53)	(1)	—	(54)
Reserves utilized: non-cash	(2)	(13)	—	(15)
Currency translation adjustments	4	2	—	6
Balance at December 31, 2017	\$48	\$ 12	\$ —	\$60

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Note 13: Commitments and Contingencies

As a global company with a diverse business portfolio, CNH Industrial is exposed to numerous legal risks, including dealer and supplier litigation, intellectual property right disputes, product warranty and defective product claims, product performance, asbestos, personal injury, emissions and/or fuel economy regulatory and contractual issues, and environmental claims that arise in the ordinary course of business. The most significant of these matters are described below.

The outcome of any current or future proceedings, claims or investigations cannot be predicted with certainty. Adverse decisions in one or more of these proceedings, claims or investigations could require the Company to pay substantial damages or undertake service actions, recall campaigns or other costly actions. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could affect CNH Industrial's financial position and results. When it is probable that such a loss has been incurred and the amount can be reasonably estimated, an accrual has been made against the Company's earnings and included in "Other liabilities" on the consolidated balance sheets.

Although the ultimate outcome of legal matters pending against CNH Industrial and its subsidiaries cannot be predicted, the Company believes the reasonable possible range of losses for these unresolved legal matters in addition to the amounts accrued would not have a material effect on its consolidated financial statements.

Environmental

Pursuant to the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), which imposes strict and, under certain circumstances, joint and several liability for remediation and liability for natural resource damages, and other federal and state laws that impose similar liabilities, CNH Industrial has received inquiries for information or notices of its potential liability regarding 65 non-owned U.S. sites at which regulated materials allegedly generated by CNH Industrial were released or disposed ("Waste Sites"). Of the Waste Sites, 15 are on the National Priority List ("NPL") promulgated pursuant to CERCLA. For 59 of the Waste Sites, the monetary amount or extent of the Company's liability has either been resolved; it has not been named as a potentially responsible party ("PRP"), or its liability is likely de minimis.

Because estimates of remediation costs are subject to revision as more information becomes available about the extent and cost of remediation and because settlement agreements can be reopened under certain circumstances, the Company's potential liability for remediation costs associated with the 65 Waste Sites could change. Moreover, because liability under CERCLA and similar laws can be joint and several, CNH Industrial could be required to pay amounts in excess of its pro rata share of remediation costs. However, when appropriate, the financial strength of other PRPs has been considered in the determination of the Company's potential liability. CNH Industrial believes that the costs associated with the Waste Sites will not have a material effect on the Company's business, financial position or results of operations.

The Company is conducting environmental investigatory or remedial activities at certain properties that are currently or were formerly owned and/or operated or that are being decommissioned. The Company believes that the outcome of these activities will not have a material adverse effect on its business, financial position or results of operations.

The actual costs for environmental matters could differ materially from those costs currently anticipated due to the nature of historical handling and disposal of hazardous substances typical of manufacturing and related operations, the discovery of currently unknown conditions, and as a result of more aggressive enforcement by regulatory authorities and changes in existing laws and regulations. As in the past, CNH Industrial plans to continue funding its costs of environmental compliance from operating cash flows.

Investigation, analysis and remediation of environmental sites is a time consuming activity. The Company expects such costs to be incurred and claims to be resolved over an extended period of time that could exceed 30 years for some sites. As of December 31, 2017 and 2016, environmental reserves of approximately \$35 million and \$35 million, respectively, were established to address these specific estimated potential liabilities. Such reserves are undiscounted and do not include anticipated recoveries, if any, from insurance companies. After considering these reserves, management is of the opinion that the outcome of these matters will not have a material adverse effect on the Company's financial position or results of operations.

Other Litigation and Investigation

European Commission settlement

In the first quarter of 2016, the Company recorded a non-recurring non-tax deductible charge of €450 million (\$502 million) in relation to the investigation by the European Commission (the "Commission") into certain business practices of all major European truck manufacturers, including Iveco, the Company's wholly-owned subsidiary. On July 19, 2016, the Commission announced a settlement with Iveco under which the Commission imposed a fine of €495 million (equivalent to \$543 million at payment date). As a result of this settlement, the Company recorded an additional non-tax deductible charge of €45 million (\$49 million) in the second quarter of 2016. The fine was paid by the Company on October 20, 2016. Following this settlement, the Company has been named as

defendant in current private litigation commenced in various European jurisdictions and Israel that remains at an early stage, and the Company expects to face further claims, the extent and outcome of which cannot be predicted at this time.

Commitments

CNH Industrial has entered operating lease contracts for the right to use industrial buildings and equipment with an average term of 10-20 years and 3-5 years, respectively. Total future minimum lease payments under non-cancellable lease contracts are as follows:

	Amount (in millions)
2018	\$ 102
2019	68
2020	54
2021	35
2022	26
2023 and beyond	15
Total minimum rental commitments	\$ 300

Total rental expense for all operating leases was \$78 million, \$67 million, and \$69 million for the years ended December 31, 2017, 2016, and 2015, respectively.

At December 31, 2017, Financial Services has various agreements to extend credit for the following financing arrangements:

Facility	Total		
	Credit	Not	
	Limit	Utilized	Utilized
	(in millions)		
Wholesale and dealer financing	\$7,094	\$3,691	\$3,403

Guarantees

CNH Industrial provided guarantees on the debt or commitments of third parties and performance guarantees in the interest of non-consolidated affiliates as of December 31, 2017 and 2016 totaling \$368 million and \$291 million, respectively.

Other Contingencies

CNH Industrial is successor to Fiat Industrial, a company formed as a result of the demerger of Fiat (which, effective October 12, 2014, was merged into FCA) in favor of Fiat Industrial. As such, CNH Industrial continues to be liable jointly with FCA for the liabilities of FCA that arose prior to the effective date of the Demerger (January 1, 2011) and were still outstanding at that date (the “Liabilities”). This statutory provision is limited to the value of the net assets

transferred to Fiat Industrial in the Demerger and survives until the Liabilities are satisfied in full. Furthermore, CNH Industrial may be responsible jointly with FCA in relation to tax liabilities, even if such tax liabilities exceed the value of the net assets transferred to Fiat Industrial in the Demerger. At December 31, 2017 the outstanding liabilities amounted to approximately \$0.2 billion. CNH Industrial believes the risk of FCA's insolvency is extremely remote, and therefore, no specific provision has been accrued in respect of the above-mentioned potential joint liability.

Note 14: Financial Instruments

The Company may elect to measure financial instruments and certain other items at fair value. This fair value option would be applied on an instrument-by-instrument basis with changes in fair value reported in earnings. The election can be made at the acquisition of an eligible financial asset, financial liability, or firm commitment, or when certain specified reconsideration events occur. The fair value election may not be revoked once made. The Company did not elect the fair value measurement option for eligible items.

Fair-Value Hierarchy

The hierarchy of valuation techniques for financial instruments is based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair-value hierarchy:

Level 1—Quoted prices for identical instruments in active markets.

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available.

Determination of Fair Value

When available, the Company uses quoted market prices to determine fair value and classifies such items as Level 1. In some cases where a market price is not available, the Company will make use of observable market based inputs to calculate fair value, in which case the items are classified as Level 2.

If quoted or observable market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters such as interest rates, currency rates, or yield curves. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified as Level 3 even though there may be some significant inputs that are readily observable.

The following section describes the valuation methodologies used by the Company to measure various financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate, the description includes details of the valuation models and the key inputs to those models as well as any significant assumptions.

Derivatives

CNH Industrial utilizes derivative instruments to mitigate its exposure to interest rate and foreign currency fluctuations. Derivatives used as hedges are effective at reducing the risk associated with the exposure being hedged and are designated as a hedge at the inception of the derivative contract. CNH Industrial does not hold or issue derivatives or other financial instruments for speculative purposes. The credit and market risk for interest rate hedges is reduced through diversification among various counterparties, utilizing mandatory termination clauses and/or collateral support agreements. Derivative instruments are generally classified as Level 2 or 3 in the fair value hierarchy. The cash flows underlying all derivative contracts were recorded in operating activities in the consolidated statements of cash flows.

Foreign Exchange Contracts and Cross Currency Swaps

CNH Industrial has entered into foreign exchange forward contracts, swaps, and options in order to manage and preserve the economic value of cash flows in a currency different from the functional currency of the relevant legal entity. CNH Industrial conducts its business on a global basis in a wide variety of foreign currencies and hedges foreign currency exposures arising from various receivables, liabilities and expected inventory purchases and sales. Derivative instruments that are utilized to hedge the foreign currency risk associated with anticipated inventory purchases and sales in foreign currencies are designated as cash flow hedges. Gains and losses on these instruments are deferred in accumulated other comprehensive income (loss) and recognized in earnings when the related transaction occurs. Ineffectiveness related to these hedge relationships is recognized currently in the consolidated statements of operations in the line "Other, net" and was not significant for all periods presented. The maturity of these instruments does not exceed 24 months and the after-tax gains (losses) deferred in accumulated other comprehensive income (loss) that will be recognized in net sales and cost of goods sold over the next twelve months assuming foreign exchange rates remain unchanged is approximately \$11 million. If a derivative instrument is terminated because the hedge relationship is no longer effective or because the hedged item is a forecasted transaction that is no longer determined to be probable, the cumulative amount recorded in accumulated other comprehensive income (loss) is recognized immediately in earnings. Such amounts were insignificant in all periods presented.

CNH Industrial also uses forwards and swaps to hedge certain assets and liabilities denominated in foreign currencies. Such derivatives are considered economic hedges and not designated as hedging instruments. The changes in the fair values of these

instruments are recognized directly in income in “Other, net” and are expected to offset the foreign exchange gains or losses on the exposures being managed.

All of CNH Industrial’s foreign exchange derivatives are considered Level 2 as the fair value is calculated using market data input and can be compared to actively traded derivatives. The total notional amount of CNH Industrial’s foreign exchange derivatives was \$6.9 billion and \$7.0 billion at December 31, 2017 and 2016, respectively.

Interest Rate Derivatives

CNH Industrial has entered into interest rate derivatives (swaps and caps) in order to manage interest rate exposures arising in the normal course of business. Interest rate derivatives that have been designated as cash flow hedges are being used by the Company to mitigate the risk of rising interest rates related to existing debt and anticipated issuance of fixed-rate debt in future periods. Gains and losses on these instruments, to the extent that the hedge relationship has been effective, are deferred in accumulated other comprehensive income (loss) and recognized in interest expense over the period in which CNH Industrial recognizes interest expense on the related debt. Any ineffectiveness is recorded in “Other, net” in the consolidated statements of operations and was insignificant for all periods presented. The after-tax gains (losses) deferred in accumulated other comprehensive income (loss) that will be recognized in interest expense over the next twelve months is insignificant.

Interest rate derivatives that have been designated as fair value hedge relationships have been used by CNH Industrial to mitigate the volatility in the fair value of existing fixed rate bonds and medium-term notes due to changes in floating interest rate benchmarks. Gains and losses on these instruments are recorded in “Interest expense” in the period in which they occur and an offsetting gain or loss is also reflected in “Interest expense” based on changes in the fair value of the debt instrument being hedged due to changes in floating interest rate benchmarks. Costs relating to the ineffectiveness of such transactions were insignificant in 2017, 2016, and 2015, respectively.

CNH Industrial also enters into offsetting interest rate derivatives with substantially similar terms that are not designated as hedging instruments to mitigate interest rate risk related to CNH Industrial’s committed asset-backed facilities. Unrealized and realized gains and losses resulting from fair value changes in these instruments are recognized directly in income. These facilities require CNH Industrial to enter into interest rate derivatives. To ensure that these transactions do not result in the Company being exposed to this risk, CNH Industrial enters into a compensating position. Net gains and losses on these instruments were insignificant for the years ending December 31, 2017, 2016, and 2015.

All of CNH Industrial’s interest rate derivatives outstanding as of December 31, 2017 and 2016 are considered Level 2. The fair market value of these derivatives is calculated using market data input and can be compared to actively traded derivatives. The total notional amount of CNH Industrial’s interest rate derivatives was approximately \$3.9 billion and \$4.3 billion at December 31, 2017 and 2016, respectively.

Financial Statement impact of CNH Industrial Derivatives

The fair values of CNH Industrial's derivatives at December 31, 2017 and 2016 in the consolidated balance sheets are recorded as follows:

	2017	2016
	(in millions)	
Derivatives Designated as Hedging Instruments:		
Assets:		
Foreign exchange contracts:	\$53	\$47
Interest rate derivatives:	7	15
Cross currency swaps:	—	—
Total Assets	\$60	\$62
Liabilities		
Foreign exchange contracts:	\$(55)	\$(105)
Interest rate derivatives:	(16)	(17)
Total Liabilities	\$(71)	\$(122)
Derivatives Not Designated as Hedging Instruments:		
Assets:		
Foreign exchange contracts:	\$13	\$31
Interest rate derivatives:	4	2
Total Assets	\$17	\$33
Liabilities		
Foreign exchange contracts:	\$(22)	\$(116)
Interest rate derivatives:	(5)	(11)
Total Liabilities	\$(27)	\$(127)

Pre-tax gains (losses) on the consolidated statements of operations related to CNH Industrial's derivatives for the year ended December 31, 2017, 2016, and 2015 are recorded in the following accounts:

	2017	2016	2015
	(in millions)		
Fair Value Hedges			
Interest rate derivatives—Interest expense	\$(12)	\$(33)	\$(8)
Gains/(losses) on hedged items—Interest expense	\$12	\$33	\$8
Cash Flow Hedges			
Recognized in accumulated other comprehensive income			
(effective portion):			
Foreign exchange contracts—accumulated other			
comprehensive income	\$48	\$(72)	\$(19)
Interest rate derivatives—accumulated other			
comprehensive income	\$5	\$13	\$(39)
Reclassified from accumulated other comprehensive income			

(effective portion):			
Foreign exchange contracts—Net sales	\$6	\$55	\$16
Foreign exchange contracts—Cost of goods sold	\$(47)	\$(4)	\$(211)
Foreign exchange contracts—Other, net	\$10	\$(5)	\$(10)
Interest rate derivatives—Interest expense	\$—	\$(4)	\$(7)
Not Designated as Hedges			
Foreign exchange contracts—Other, net	\$(3)	\$(231)	\$115

Items Measured at Fair Value on a Recurring Basis

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2017 and 2016:

	Level 1		Level 2		Total	
	2017	2016	2017	2016	2017	2016
	(in millions)					
Assets						
Foreign exchange derivatives	\$—	\$ —	\$66	\$78	\$66	\$78
Interest rate derivatives	—	—	11	17	11	17
Cross currency swaps	—	—	—	—	—	—
Available for sale securities	1	1	—	—	1	1
Total Assets	\$1	\$ 1	\$77	\$95	\$78	\$96
Liabilities						
Foreign exchange derivatives	\$—	\$ —	\$(77)	\$(221)	\$(77)	\$(221)
Interest rate derivatives	—	—	(21)	(28)	(21)	(28)
Total Liabilities	\$—	\$ —	\$(98)	\$(249)	\$(98)	\$(249)

Fair Value of Other Financial Instruments

The carrying value of cash and cash equivalents, restricted cash, trade accounts receivable and accounts payable included in the consolidated balance sheets approximates their fair value.

Financial Instruments Not Carried at Fair Value

The estimated fair market values of financial instruments not carried at fair value in the consolidated balance sheets as of December 31, 2017 and 2016 are as follows:

	2017		2016	
	Carrying	Fair	Carrying	Fair
	Amount	Value	Amount	Value
	(in millions)			
Financing receivables	\$19,842	\$20,026	\$18,662	\$18,554
Debt	\$25,895	\$26,137	\$25,276	\$25,372

Financing Receivables

The fair value of financing receivables is based on the discounted values of their related cash flows at current market interest rates, and they are classified as a Level 3 fair value measurement.

Debt

All debt is classified as a Level 2 fair value measurement with the exception of the bonds issued by CNH Industrial Finance Europe S.A. and bonds issued by CNH Industrial N.V., which are classified as a Level 1 fair value measurement.

Note 15: Shareholders' Equity

The Articles of Association of CNH Industrial N.V. provide for authorized share capital of €40 million, divided into 2 billion common shares and 2 billion special voting shares, each with a per share par value of €0.01. As of December 31, 2017, the Company's share capital was €18 million (equivalent to \$25 million), fully paid-in, and consisted of 1,364,400,196 common shares (1,363,592,506 common shares outstanding, net of 807,690 common shares held in treasury by the Company as described in the following section) and 396,474,276 special voting shares (388,906,690 special voting shares outstanding, net of 7,567,586 special voting shares held in treasury by the Company as described in the section below).

Changes in the composition of the share capital of CNH Industrial during 2017, 2016, and 2015 are as follows:

	CNH Industrial N.V. Common	CNH Industrial N.V. Special	Total CNH Industrial N.V.
(number of shares)	Shares	Voting Shares	Shares
Total CNH Industrial N.V. shares at December 31, 2014	1,355,319,640	415,399,503	1,770,719,143
Capital increase	6,729,349	—	6,729,349
Retirement of special voting shares	—	(2,150,297)	(2,150,297)
Total CNH Industrial N.V. shares at December 31, 2015	1,362,048,989	413,249,206	1,775,298,195
Capital increase	1,693,695	—	1,693,695
Common stock repurchases	(2,111,781)	—	(2,111,781)
Retirement of special voting shares	—	(981,003)	(981,003)
Total CNH Industrial N.V. shares at December 31, 2016	1,361,630,903	412,268,203	1,773,899,106
Capital increase	5,271,344	—	5,271,344
Common stock repurchases	(3,309,741)	—	(3,309,741)
Retirement of special voting shares	—	(23,361,513)	(23,361,513)
Total CNH Industrial N.V. shares at December 31, 2017	1,363,592,506	388,906,690	1,752,499,196

During the year ended December 31, 2017 and 2016, 23 million and 1 million special voting shares were acquired by the Company following the de-registration of the corresponding number of qualifying common shares from the Loyalty Register, net of transfer and allocation of special voting shares in accordance with the Special Voting Shares – Terms and Conditions. On September 15, 2017, the Company cancelled 78,000,000 special voting shares held in treasury, consequently, the total amount of issued special voting shares was reduced from 474,474,276 to 396,474,276.

Furthermore, during the years ended December 31, 2017 and 2016, the Company delivered 5.3 million and 1.7 million common shares, under the Company’s stock compensation plan, primarily due to the vesting or exercise of share-based awards. See “Note 16: Share Based Compensation” for further discussion.

Special Voting Shares

In order to reward long-term ownership of the Company’s common shares and promote stability of its shareholder base, the Articles of Association of CNH Industrial N.V. provide for a loyalty voting structure that grants eligible long-term shareholders the equivalent of two votes for each CNH Industrial N.V. common share that they hold through the issuance of special voting shares.

A shareholder may at any time elect to participate in the loyalty voting structure by requesting the registration of all or some of the common shares held by such shareholder in a separate register (the “Loyalty Register”) of the Company. If such common shares have been registered in the Loyalty Register for an uninterrupted period of three years in the name of the same shareholder, such shares will become “Qualifying Common Shares” and the relevant shareholder will be entitled to receive one special voting share for each such Qualifying Common Share.

CNH Industrial N.V. issued special voting shares with a nominal value of €0.01 each to those eligible shareholders who elected to receive such special voting shares upon completion of the merger of Fiat Industrial and of CNH Global respectively with and into CNH Industrial N.V.

The electing shareholders are not required to pay any amount to the Company in connection with the allocation of the special voting shares.

The common shares are freely transferable, while, special voting shares are transferable exclusively in limited circumstances and they are not listed on the NYSE or the MTA. In particular, at any time, a holder of common shares that are Qualifying Common Shares who wants to transfer such common shares other than in limited specified circumstances (e.g., transfers to affiliates or relatives through succession, donation or other transfers) must request a de-registration of such Qualifying Common Shares from the Loyalty Register. After de-registration from the Loyalty Register, such common shares no longer qualify as Qualifying Common Shares and, as a result, the holder of such common shares is required to transfer the special voting shares associated with the transferred common shares to the Company for no consideration.

The special voting shares have minimal economic entitlements as the purpose of the special voting shares is to grant long-term shareholders with an extra voting right by means of granting an additional special voting share, without granting such shareholders with any additional economic rights. However, as a matter of Dutch law, such special voting shares cannot be fully excluded from economic entitlements. Therefore, the Articles of Association provide that only a minimal dividend accrues to the special voting

shares, which is not distributed, but allocated to a separate special dividend reserve. The impact of this special voting dividend reserve on the earnings per share of the common shares is not material.

Treasury Shares

Consistent with previous AGMs, at the AGM held on April 14, 2017, shareholders renewed the authority granted to the Board of Directors to acquire common shares in the capital of the Company through stock exchange trading or otherwise to a maximum of up to 10% of the issued common shares as of April 14, 2017, for a period of 18 months from the date of the AGM and, therefore, expiring on October 13, 2018, subject to certain maximum and minimum price requirements.

Implementing such resolution on June 5, 2017, the Company announced a renewal of the existing buy-back program to repurchase up to \$300 million in common shares.

At the 2018 Annual General Meeting of Shareholders, the Board of Directors intends to recommend to the Company's shareholders the renewal of the authorization to repurchase up to a maximum of 10% of the Company's issued common shares. After such authorization and subject to general and market conditions, the Company intends to launch a buy-back program up to \$700 million, representing an increase of \$400 million versus the current program.

During the year ended December 31, 2017, the Company repurchased 3.3 million shares of its common stock on the MTA under the buy-back program at an aggregate cost of \$38 million. As of December 31, 2017, the Company held 807,690 common shares in treasury, net of transfers of common shares to fulfill its obligations under its stock compensation plans, at an aggregate cost of \$10 million. Depending on market and business conditions and other factors, the Company may continue or suspend purchasing its common stock at any time without notice. During the year ended December 31, 2017, the Company acquired approximately 23 million special voting shares following the de-registration of qualifying common shares from the Loyalty Register, net of the transfer and allocation of special voting shares to those shareholders whose qualifying common shares became eligible to receive special voting shares after the uninterrupted three-year registration period in the Loyalty Register. As of December 31, 2017, the Company held 7,567,586 special voting shares in treasury.

Dividend

On March 2, 2018, the Board of Directors of CNH Industrial N.V. recommended and proposed to the Company's shareholders that the Company declare a dividend of €0.14 per common share, totaling approximately €191 million (equivalent to approximately \$235 million, translated at the exchange rate reported by the European Central Bank on February 27, 2018). The proposal is subject to the approval of the Company's shareholders at the AGM to be held on April 13, 2018.

At the AGM held by CNH Industrial on April, 14, 2017, shareholders approved the payment of a dividend of €0.11 per common share. The dividend was paid in May 2017 for a total amount of €150 million (\$161 million). The Company shall only have power to make distributions to shareholders and other persons entitled to distributable profits to the extent the Company's equity exceeds the sum of the paid-up portion of the share capital and the reserves that must be maintained in accordance with provision of law. No distribution of profits may be made to the Company itself for shares that the Company holds in its own share capital.

Note 16: Share-Based Compensation

For the year ended December 31, 2017, CNH Industrial recognized total share-based compensation expense of \$19 million. For the year ended December 31, 2016 CNH Industrial recognized total share-based compensation expense of

\$3 million which included a \$37 million reversal of previously recognized expense for performance share units linked to non-market conditions for which the Company does not believe it is probable that the performance conditions will be achieved. For the year ended December 31, 2015, CNH Industrial recognized total share-based compensation expense of \$49 million. For the years ended December 31, 2017, 2016 and 2015, CNH Industrial recognized a total tax benefit relating to share-based compensation expense of \$1 million, \$0 and \$3 million, respectively. As of December 31, 2017, CNH Industrial had unrecognized share-based compensation expense related to nonvested awards of approximately \$104 million based on current assumptions related to achievement of specified performance objectives, when applicable. Unrecognized share-based compensation costs will be recognized over a weighted-average period of 1.79 years.

CNH Industrial's equity awards are governed by several plans: i) CNH Industrial N.V. Equity Incentive Plan ("CNH Industrial EIP"); ii) CNH Industrial N.V. Directors' Compensation Plan ("CNH Industrial DCP"); iii) CNH Global N.V. Equity Incentive Plan ("CNH EIP"); and, iv) CNH Global N.V. Directors' Compensation Plan ("CNH DCP").

CNH Industrial N.V. Equity Incentive Plan (“CNH Industrial EIP”)

At the AGM held on April 16, 2014, the Company’s shareholders approved the adoption of the CNH Industrial EIP, an umbrella program defining the terms and conditions for any subsequent long-term incentive program, whose main features are as follows:

- The EIP allows grants of the following specific types of equity awards to any current or prospective executive director, officer or employee of, or service provider to, CNH Industrial: stock options, stock appreciation rights, restricted share units, restricted stock, performance shares or performance share units and other stock-based awards that are payable in cash, common shares or any combination thereof subject to the terms and conditions established by the Compensation Committee.
 - The EIP authorized 25 million common shares over a five-year period, of which a maximum of 7 million would be authorized for awards to executive directors. These shares may be newly issued shares or treasury shares.
 - The EIP will terminate at, and no more awards will be permitted to be granted thereunder ten years after its adoption by the Board of Directors of CNH Industrial. The termination of the EIP will not affect previously granted awards.
- Performance Share Units

In 2014 CNH Industrial issued a one-time grant of Performance Share Units (PSU’s) to its Chief Executive Officer and selected key employees, with financial performance goals covering the five-year period from January 1, 2014 to December 31, 2018. This PSU grant totaled approximately 12 million units. In 2016 and 2017, prorated share amounts covering performance through this same period were issued to new employees entering the plan. PSU’s granted in these years were 0.5 million and 0 respectively. The performance goals include a performance condition as well as a market condition, with each weighted at 50% and paying out independently of the other. Half of the award will vest if the performance condition is met; whereas the other half, which is based on the market condition, has a payout scale ranging from 0% to 150%. Accordingly, the total number of shares that will eventually be granted may vary from the original estimate of 12 million shares. One third of the total grant was expected to vest in February 2017, but such grants did not vest as both the performance and market conditions for the performance period 2014 through 2016 were not met.

In December 2017, CNH Industrial cancelled all PSU’s issued in 2014, 2015 and 2016 and issued a grant of Performance Share Units (“PSU’s”) to its Chief Executive Officer and selected key employees, with financial performance goals covering the three-year period from January 1, 2017 to December 31, 2019. This PSU grant totaled approximately 7 million units. The performance goal is a market condition with a payout schedule ranging from 0 to 130%. In addition there is a performance condition that if not met, reduces the payout by 30%. Accordingly, the total number of shares that will eventually be granted may vary from the original estimate of 7 million shares. The awards cliff vest on February 28, 2020 to the extent that the market condition is met upon completion of the performance period on December 31, 2019.

The awards were granted on December 12 and December 22, 2017 with a weighted average fair value of \$9.14 per share. The fair values of the awards are based on the market condition and are calculated using the Monte Carlo Simulation model. The key assumptions utilized to calculate the grant-date fair values for awards issued on these two grant dates are listed below:

Key Assumptions for awards issued on

	December 12, 2017	December 22, 2017
Expected Volatility	31.2%	31.1%

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Dividend yield	0.91%	0.87%
Risk-free rate	1.95%	2.01%

The expected volatility is based on the daily stock price movements experienced by the common shares of CNH Industrial over a three-year period ending on the grant date. The expected dividend yield was based on CNH Industrial's historical dividend payout as management expected the dividend payout for future years to be consistent. The risk-free interest rate was based on the yields of three-year U.S. Treasury bonds.

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The following table reflects the activity of performance-based share units under CNH Industrial EIP for the year ended December 31, 2017:

	2017	
		Weighted
		Average
	Performance	Grant-Date
	Shares	Fair Value
Nonvested at beginning of year	11,725,260	\$ 9.23
Granted	6,632,100	\$ 9.14
Forfeited/Cancelled	(11,725,260)	\$ 9.23
Vested	—	\$ —
Nonvested at end of year	6,632,100	\$ 9.14

Restricted Share Units

In 2015, 2016 and 2017, CNH Industrial issued to selected employees approximately 2 million, 2 million, and 4 million Restricted Share Units (“RSUs”) with a weighted average fair value of \$8.60, \$7.30, and \$13.23 per share, respectively. These shares will vest in three equal tranches over a three-year period. The fair value of the award is measured using the stock price on the grant date adjusted for the present value of future dividends that employees will not receive during the vesting period.

Additionally, CNH Industrial issued 3 million restricted share units to the Chairman of CNH Industrial in June 2014. The weighted average fair value of these shares is \$10.41 per share, measured using the stock price on the grant date adjusted for the present value of future dividends that the Chairman will not receive during the vesting period. These shares are service based and will vest in five tranches at the end of each year. The first, second, third and fourth tranches of 750 thousand, 750 thousand, 600 thousand and 450 thousand shares vested on December 31, 2014, 2015, 2016 and 2017, respectively, and were exercised on February 23, 2015, February 8, 2016, February 8, 2017 and February 20, 2018, respectively.

The following table reflects the activity of restricted share units under CNH Industrial EIP for the year ended December 31, 2017:

	2017	
		Weighted
		Average
	Restricted	Grant-Date
	Shares	Fair Value
Nonvested at beginning of year	4,232,708	\$ 8.14
Granted	3,939,100	\$ 13.23
Forfeited	(172,706)	\$ 7.77
Vested	(1,906,868)	\$ 8.67
Nonvested at end of year	6,092,234	\$ 11.38

CNH Industrial N.V. Directors’ Compensation Plan (“CNH Industrial DCP”)

On September 9, 2013, the CNH Industrial DCP was approved by the shareholders and adopted by the Board of Directors of CNH Industrial. On April 14, 2017, shareholders approved a proposed amendment to the CNH Industrial DCP pursuant to which non-executive directors would only be paid cash compensation for their service as a director. The CNH Industrial DCP provides for the payment of the following to eligible members of the CNH Industrial Board in the form of cash, provided that such members do not receive salary or other employment compensation from CNH Industrial or FCA, and their subsidiaries and affiliates:

- \$125,000 annual retainer fee for each Non-Executive Director

- An additional \$25,000 for each member of the Audit Committee and \$35,000 for the Audit Committee Chairman.

- An additional \$20,000 for each member of every other Board committee and \$25,000 for the committee chairman. (collectively, the “fees”).

Prior to the amendment of the CNH Industrial DCP, each quarter of the CNH Industrial DCP year, the eligible directors elected the form of payment of their fees. If the elected form was common shares, the eligible director would receive as many common shares as equal to the amount of fees the director elected to be paid in common shares, divided by the fair market value of a CNH Industrial common share on the date that the quarterly payment was made. Common shares issued to the eligible director vested immediately upon grant. If an eligible director elected to receive all or a portion of fees in the form of a stock option, the number of common shares underlying the stock option was determined by dividing (i) by (ii) where (i) equals the dollar amount of the quarterly payment that the

eligible director elected to receive in the form of stock options multiplied by four and (ii) the fair market value of the common shares on the date that the quarterly payment was made. The CNH Industrial DCP defined fair market value, as applied to each ordinary share, to be equal to the average of the highest and lowest sale price of a CNH Industrial common share during normal trading hours on the last trading day of each plan quarter in which sales of common shares on the New York Stock Exchange are recorded. Stock options granted as a result of such an election vested immediately, but shares purchased under options cannot be sold for six months following the date of exercise. Stock options terminate upon the earlier of: (1) ten years after the grant date; or (2) six months after the date an individual ceases to be a director.

There were 0.2 million common shares authorized for issuance under the CNH Industrial DCP. As of December 31, 2017, 0.05 million stock options were issued under the CNH Industrial DCP (prior to the amendment described above) at a weighted average exercise price of \$9.42 per share. The weighted average fair value for the stock options that were issued in 2015 was \$1.65. No stock options were issued under this plan in 2017 or 2016. As of December 31, 2017, 0.02 million restricted share units were issued under the CNH Industrial DCP. The weighted average grant-date fair value of the RSUs that were issued in 2015, 2016 and 2017 were \$8.16, \$6.78, and \$9.28, respectively.

CNH Global Directors' Compensation Plan ("CNH DCP")

CNH Global Directors' Compensation Plan stipulates the right for directors of former CNH Global to be compensated in the form of cash, and/or common shares of CNH Global N.V., and/or options to purchase common shares of CNH Global. On September 29, 2013, CNH Industrial assumed the sponsorship of the CNH DCP in connection with the Merger. Stock options issued under the CNH DCP were converted using the CNH Global exchange ratio of 3.828 CNH Industrial shares for each CNH Global common share and exercisable for common shares of CNH Industrial N.V. upon September 29, 2013. As of December 31, 2017, approximately 0.01 million stock options from the CNH DCP were still outstanding. The CNH DCP was terminated effective as of the Merger and no new equity awards will be issued under the CNH DCP.

CNH Global Equity Incentive Plan (the "CNH EIP")

The CNH Global Equity Incentive Plan provides for grants of stock options, restricted share units and performance share units to former officers and employees of CNH Global. On September 29, 2013, CNH Industrial assumed the sponsorship of the CNH EIP in connection with the Merger. CNH Industrial can not issue any new equity awards under the CNH EIP; however, CNH Industrial is required to issue shares under the CNH EIP to settle the exercise or vesting of the existing equity awards.

On September 29, 2013, outstanding stock options, unvested restricted share units and performance share units under the CNH EIP became exercisable or convertible for common shares of CNH Industrial N.V. The number of shares of outstanding equity awards was increased and exercise price of stock options reduced to take into account the CNH Global exchange ratio of 3.828 CNH Industrial shares for each CNH Global common share. The conversion did not change the aggregate fair value of the outstanding equity awards and, therefore, resulted in no additional share-based compensation expense in 2013.

Stock Option Plan

In September 2012, approximately 2.7 million performance-based stock options (at target award levels) were issued under the CNH EIP (the "2012 Grant"). Upon the achievement of CNH Global's 2012 target performance objective, approximately 4 million of options were granted. These options vested in three equal tranches in February 2012, 2013 and 2014. Options granted under the CNH EIP have a contractual life of five years from the initial vesting date.

No stock options were issued in 2015, 2016 or 2017 under the CNH EIP.

The following table summarizes outstanding stock options under the CNH EIP at December 31, 2017:

Options Outstanding					Options Exercisable				
Weighted-					Weighted-				
		Average	Weighted-				Average	Weighted-	
		Remaining	Average	Aggregate			Remaining	Average	Aggregate
Range of	Shares	Contractual	Exercise	Intrinsic	Shares	Contractual	Exercise	Intrinsic	
Exercise Price	Outstanding	Life	Price	Value(A)	Exercisable	Life	Price	Value(A)	
\$5.01–\$10.00	214,574	0.15	\$ 8.78	\$991,332	214,574	0.15	\$ 8.78	\$991,332	
				\$991,332				\$991,332	

(A) The difference between the exercise price of share-based compensation and the year-end market price of CNH Industrial common shares of \$13.40. No amount is shown for awards with an exercise price that is greater than the year-end market price.

The following table reflects the stock option activity under the CNH EIP for the year ended December 31, 2017:

	2017	Weighted- Average Exercise
	Shares	Price
Outstanding at beginning of year	7,210,881	\$ 9.51
Forfeited	—	\$ —
Expired	(3,832,177)	\$ 10.15
Exercised	(3,164,130)	\$ 8.78
Outstanding at end of year	214,574	\$ 8.78
Exercisable at end of year	214,574	\$ 8.78

Additional Share-Based Compensation Information

The table below provides additional share-based compensation information for the years ended December 31, 2017, 2016, and 2015:

	2017	2016	2015
	(in millions)		
Total intrinsic value of options exercised and shares vested	\$23	\$12	\$33
Fair value of shares vested	\$17	\$14	\$36
Cash received from share award exercises	\$28	\$—	\$8
Tax benefit of options exercised and shares vested	\$—	\$—	\$—

Note 17: Earnings per Share

The Company's basic earnings per share ("EPS") is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period.

Diluted EPS reflects the potential dilution that could occur if dilutive securities were exercised into common stock. The effect of dilutive securities is calculated using the treasury stock method.

The following table sets forth the computation of basic EPS and diluted EPS for the years ended December 31, 2017, 2016 and 2015.

	2017	2016	2015
	(in millions, except per share data)		
Basic:			
Net income (loss) attributable to CNH Industrial	\$295	\$(252)	\$253

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Weighted average common shares outstanding—basic	1,364	1,362	1,361
Basic earnings per share	\$0.22	\$(0.18)	\$0.19
Diluted:			
Net income (loss) attributable to CNH Industrial	\$295	\$(252)	\$253
Weighted average common shares outstanding—basic	1,364	1,362	1,361
Effect of dilutive securities (when dilutive):			
Stock compensation plans	3	—	2
Weighted average common shares outstanding—diluted (A)	1,367	1,362	1,363
Diluted earnings per share	\$0.22	\$(0.18)	\$0.19

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(A) For the twelve months ended December 31, 2017, 2016, and 2015, 0 million, 7.3 million, and 7.9 million stock options were excluded from the computation of diluted earnings per share, respectively, due to an anti-dilutive impact. An additional 1.9 million shares of common stock outstanding at December 31, 2016 were excluded from the computation of diluted earnings per share due to the net loss position.

Note 18: Accumulated Other Comprehensive Income (Loss)

The Company's share of comprehensive income (loss) includes net income plus other comprehensive income, which includes changes in fair value of certain derivatives designated as cash flow hedges, certain changes in pension and other retirement benefit plans, foreign currency translation gains and losses, changes in the fair value of available-for-sale securities, the Company's share of other comprehensive income of entities accounted for using the equity method, and reclassifications for amounts included in net income less net income and other comprehensive income attributable to the noncontrolling interest. For more information on the Company's derivative instruments, see "Note 14: Financial Instruments". For more information on the Company's pensions and retirement benefit obligations, see "Note 11: Employee Benefit Plans and Postretirement Benefits". The Company's other comprehensive income (loss) amounts are aggregated within accumulated other comprehensive income (loss). The tax effect for each component of other comprehensive income (loss) consisted of the following:

	Gross	Income	Net
Year ended December 31, 2017	Amount	Taxes	Amount
Unrealized gain on cash flow hedges	\$ 84	\$ 5	\$ 89
Changes in retirement plans' funded status	116	(30)	86
Foreign currency translation	(401)	—	(401)
Share of other comprehensive loss of entities using the equity method	32	—	32
Other comprehensive loss	\$ (169)	\$ (25)	\$ (194)

	Gross	Income	Net
Year ended December 31, 2016	Amount	Taxes	Amount
Unrealized gain (loss) on cash flow hedges	\$ (101)	\$ 10	\$ (91)
Changes in retirement plans' funded status	(81)	(8)	(89)
Foreign currency translation	319	—	319
Share of other comprehensive loss of entities using the equity method	(40)	—	(40)
Other comprehensive income	\$ 97	\$ 2	\$ 99

	Gross	Income	Net
Year ended December 31, 2015	Amount	Taxes	Amount
Unrealized gain (loss) on cash flow hedges	\$ 154	\$ (34)	\$ 120
Changes in retirement plans' funded status	191	(33)	158
Foreign currency translation	(359)	—	(359)
Share of other comprehensive loss of entities using the equity method	(47)	—	(47)
Other comprehensive loss	\$ (61)	\$ (67)	\$ (128)

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The changes, net of tax, in each component of accumulated other comprehensive income (loss) consisted of the following:

	Share of Other Unrealized Comprehensive Income of Entities Using the Equity					
	Unrealized Gain (Loss) or Change in Cash Flow	Retirement Plan Funded Status	Foreign Currency Translation	Sale Securities	Method	Total
Balance, December 31, 2014	\$ (117)	\$ (1,105)	\$ (448)	\$ —	\$ (66)	\$(1,736)
Other comprehensive income (loss), before reclassifications	(28)	76	(358)	—	(47)	(357)
Amounts reclassified from other comprehensive income	148	82	—	—	—	230
Other comprehensive income (loss) ¹	120	158	(358)	—	(47)	(127)
Balance, December 31, 2015	\$ 3	\$ (947)	\$ (806)	\$ —	\$ (113)	\$(1,863)
Other comprehensive income (loss), before reclassifications	(58)	(172)	316	—	(40)	46
Amounts reclassified from other comprehensive income (loss)	(33)	83	—	—	—	50
Other comprehensive income (loss) ¹	(91)	(89)	316	—	(40)	96
Balance, December 31, 2016	\$ (88)	\$ (1,036)	\$ (490)	\$ —	\$ (153)	\$(1,767)
Other comprehensive income (loss), before reclassifications	56	13	(401)	—	35	(297)
Amounts reclassified from other comprehensive income	33	73	—	—	—	106
Other comprehensive income (loss) ¹	89	86	(401)	—	35	(191)
Balance, December 31, 2017	\$ 1	\$ (950)	\$ (891)	\$ —	\$ (118)	\$(1,958)

(1) Excluded from the table above is other comprehensive loss allocated to noncontrolling interests of \$3, \$3 and \$(1) for the years ended December 31, 2017, 2016 and 2015, respectively.

Significant amounts reclassified out of each component of accumulated other comprehensive income (loss) in December 31, 2017 and 2016 consisted of the following:

Amount Reclassified	Consolidated Statement
------------------------	------------------------

	from Other	of Operations line
	Comprehensive	
	Income (Loss)	
	2017	2016
	(in millions)	
Cash flow hedges	\$ (6)	\$ (55)
	47	4
	(10)	5
	—	4
	2	9
	\$ 33	\$ (33)
Change in retirement plans' funded status:		
Amortization of actuarial losses	\$ 101	\$ 99
Amortization of prior service cost	(2)	(5)
	(26)	(11)
	\$ 73	\$ 83
Total reclassifications, net of tax	\$ 106	\$ 50

(*) These amounts are included in net periodic pension and other postretirement benefit cost. See “Note 11: Employee Benefit Plans and Postretirement Benefits” for additional information.

Note 19: Segment Reporting

The operating segments through which the Company manages its operations are based on the internal reporting used by the Company's Chief Operating Decision Maker ("CODM") to assess performance and make decisions about resource allocation. The segments are organized based on products and services provided by the Company.

CNH Industrial has five operating segments:

Agricultural Equipment designs, manufactures and distributes a full line of farm machinery and implements, including two-wheel and four-wheel drive tractors, crawler tractors (Quadtrac®), combines, cotton pickers, grape and sugar cane harvesters, hay and forage equipment, planting and seeding equipment, soil preparation and cultivation implements and material handling equipment. Agricultural equipment is sold under the New Holland Agriculture and Case IH Agriculture brands, as well as the Steyr brand in Europe and the Miller brand, primarily in North America and Australia. Following the acquisition of the grass and soil implement business of Kongskilde Industries in February 2017, certain agricultural equipment products have been sold under the Kongskilde, Överum, and JF brands.

Construction Equipment designs, manufactures, and distributes a full line of construction equipment including excavators, crawler dozers, graders, wheel loaders, backhoe loaders, skid steer loaders, compact track loaders and telehandlers. Construction equipment is sold under the Case Construction and New Holland Construction Equipment brands.

Commercial Vehicles designs, manufactures and distributes a full range of light, medium, and heavy vehicles for the transportation and distribution of goods under the Iveco brand, commuter buses and touring coaches under the Iveco Bus (previously Iveco Irisbus) and Heuliez Bus brands, quarry and mining equipment under the Iveco Astra brand, firefighting vehicles under the Magirus brand, and vehicles for civil defense and peace-keeping missions under the Iveco Defence Vehicles brand.

Powertrain designs, manufactures, and offers a range of engines, transmission systems and axles for on- and off-road applications, as well as for marine and power generation under the FPT Industrial brand.

Financial Services offers a range of financial services to dealers and customers. Financial Services provides and administers retail financing to customers for the purchase or lease of new and used industrial equipment or vehicles and other equipment sold by CNH Industrial dealers. In addition, Financial Services provides wholesale financing to CNH Industrial dealers. Wholesale financing consists primarily of floor plan financing and allows the dealers to purchase and maintain a representative inventory of products.

Revenues for each reported segment are those directly generated by or attributable to the segment as a result of its usual business activities and include revenues from transactions with third parties as well as those deriving from transactions with other segments, recognized at normal market prices. Segment expenses represent expenses deriving from each segment's business activities both with third parties and other operating segments or which may otherwise be directly attributable to it. Expenses deriving from business activities with other segments are recognized at normal market prices.

Until December 31, 2017, the CODM reviewed the performance of operating segments using Operating Profit of Industrial Activities calculated using U.S. GAAP measures. Operating Profit of Industrial Activities is defined as net sales less cost of goods sold, SG&A expenses, and R&D expenses. Operating Profit of Financial Services is defined as revenues, less SG&A expenses, interest expenses and certain other operating expenses. In addition, with reference to Financial Services, the CODM assessed the performance of the segment on the basis of net income prepared in accordance with U.S. GAAP. Furthermore, the CODM reviewed expenditures for long-lived assets; however, other

operating segment asset information is not readily available.

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A reconciliation from consolidated operating profit to income before income taxes and equity in income of unconsolidated subsidiaries and affiliates under U.S. GAAP for the years ended December 31, 2017, 2016, and 2015 are provided below.

	Years Ended December 31,		
	2017	2016	2015
	(in millions)		
Operating profit	\$1,662	\$1,439	\$1,635
Adjustments/reclassifications to convert from operating profit to U.S. GAAP income before income taxes and equity in income of unconsolidated subsidiaries:			
Restructuring expenses	(93)	(44)	(84)
Interest expenses of Industrial Activities, net of interest income and eliminations	(484)	(543)	(479)
Other, net	(405)	(861)	(505)
Income (loss) before income taxes and equity in income of unconsolidated subsidiaries and affiliates under U.S. GAAP	\$680	\$(9)	\$567
Segment Information			

The following summarizes operating profit by reportable segment:

	Years Ended December 31,		
	2017	2016	2015
	(in millions)		
Agricultural Equipment	\$949	\$818	\$952
Construction Equipment	21	2	90
Commercial Vehicles	272	333	283
Powertrain	362	232	186
Eliminations and other	(85)	(94)	(79)
Total Operating profit of Industrial Activities	\$1,519	\$1,291	\$1,432
Financial Services	479	478	515
Eliminations and other	(336)	(330)	(312)
Operating profit	\$1,662	\$1,439	\$1,635

A summary of additional operating segment information as of and for the years ended December 31, 2017, 2016, and 2015 is as follows:

	Years Ended December 31,		
	2017	2016	2015
	(in millions)		
Revenues:			
Agricultural Equipment	\$11,130	\$10,120	\$11,025
Construction Equipment	2,626	2,304	2,542
Commercial Vehicles	10,415	9,553	9,542
Powertrain	4,372	3,707	3,560
Eliminations and other	(2,375)	(2,015)	(1,992)
Net sales of Industrial Activities	26,168	23,669	24,677
Financial Services	1,625	1,570	1,603
Eliminations and other	(432)	(367)	(368)
Total Revenues	\$27,361	\$24,872	\$25,912
Depreciation and Amortization (*):			
Agricultural Equipment	\$316	\$309	\$303
Construction Equipment	65	69	70
Commercial Vehicles	211	208	198
Powertrain	127	124	123
Other activities and adjustments	1	—	—
Depreciation and amortization of Industrial Activities	720	710	694
Financial Services	5	6	5
Depreciation and amortization	\$725	\$716	\$699
Expenditures for long-lived assets (*):			
Agricultural Equipment	\$208	\$194	\$308
Construction Equipment	36	36	47
Commercial Vehicles	152	173	182
Powertrain	90	96	112
Other activities	2	2	4
Expenditures for long-lived assets of Industrial Activities	488	501	653
Financial Services	4	2	3
Expenditures for long-lived assets	\$492	\$503	\$656

(*)Excluding assets sold with buy-back commitments and equipment on operating leases

Geographic Information

CNH Industrial has its principal office in London, England, U.K. Revenues earned in the U.K. from external customers were \$886 million, \$842 million, and \$1,008 million for the years ended December 31, 2017, 2016, and 2015, respectively. Revenues earned in the rest of the world from external customers were \$26,475 million, \$24,030 million, and \$24,904 million for the years ended December 31, 2017, 2016, and 2015, respectively. The following highlights revenues earned from external customers in the rest of the world by destination:

	2017	2016	2015
	(in millions)		
United States	\$4,670	\$4,628	\$5,533
Italy	3,052	2,874	2,524
France	2,635	2,608	2,580
Brazil	1,788	1,587	1,670
Germany	1,751	1,574	1,565
Canada	1,226	1,182	1,229
Australia	1,068	947	846
Spain	1,003	921	810
Argentina	986	680	768
Poland	506	435	479
Other	7,790	6,594	6,900

Total Revenues from external customers in the rest of world \$26,475 \$24,030 \$24,904

Total long-lived tangible and intangible assets located in the U.K. were \$293 million and \$234 million at December 31, 2017 and 2016, respectively, and the total of such assets located in the rest of the world totaled \$11,819 million and \$11,306 million at December 31, 2017 and 2016, respectively. The following highlights long-lived tangible and intangible assets by geographic in the rest of the world:

	At December 31,	
	2017	2016
	(in millions)	
United States	\$4,850	\$5,081
Italy	1,667	1,510
France	931	805
Germany	885	808
Spain	775	625
Canada	565	519
Brazil	386	436
China	278	280
Other	1,482	1,242

Total Long-lived assets in the rest of the world \$11,819 \$11,306

In 2017, 2016, and 2015, no single external customer of CNH Industrial accounted for 10 percent or more of consolidated revenues.

Note 20: Related Party Information

CNH Industrial's related parties are primarily EXOR N.V. and the companies that EXOR N.V. controls or has significant influence over, including Fiat Chrysler Automobiles N.V. and its subsidiaries and affiliates ("FCA") and Ferrari N.V. and its subsidiaries and affiliates ("Ferrari"). As of January 31, 2018, EXOR N.V. held 41.9% of CNH Industrial's voting power and had the ability to significantly influence the decisions submitted to a vote of CNH Industrial's shareholders, including approval of annual dividends, the election and removal of directors, mergers or other business combinations, the acquisition or disposition of assets, and issuances of equity and the incurrence of indebtedness. The percentage above has been calculated as the ratio of (i) the aggregate number of common shares and special voting shares beneficially owned by EXOR N.V. to (ii) the aggregate number of outstanding common shares and special voting shares of CNH Industrial as of January 31, 2018. In addition, CNH Industrial engages in transactions with its unconsolidated subsidiaries and affiliates over which CNH Industrial has a significant influence or jointly controls.

The Company's Audit Committee reviews and evaluates all significant related party transactions.

Transactions with EXOR N.V. and its Subsidiaries and Affiliates

EXOR N.V. is an investment holding company in Europe. Among other things, EXOR N.V. manages a portfolio that includes investments in FCA and Ferrari. CNH Industrial did not enter into any significant transactions with EXOR N.V. during the years ended December 31, 2017 and 2016. On September 1, 2015, EXOR N.V. closed the sale of its interest in Cushman & Wakefield to DTZ. During the year ended December 31, 2015, CNH Industrial purchased real estate services from Cushman & Wakefield. The related transaction amounts were insignificant during 2017 and 2016.

In connection with the Demerger, Fiat (now known as FCA) and Fiat Industrial (now known as CNH Industrial) entered into a Master Services Agreement ("MSA") which sets forth the primary terms and conditions pursuant to which the service provider subsidiaries of CNH Industrial and FCA provide services (such as purchasing, tax, accounting and other back office services, security and training) to the service receiving subsidiaries. As structured, the applicable service provider and service receiver subsidiaries become parties to the MSA through the execution of an Opt-In letter that may contain additional terms and conditions. Pursuant to the MSA, service receivers are required to pay to service providers the actual cost of the services plus a negotiated margin. FCA subsidiaries provide CNH Industrial with administrative services such as accounting, cash management, maintenance of plant and equipment, security, information systems and training under the terms and conditions of the MSA and the applicable Opt-in Letters.

Additionally, CNH Industrial sells engines and light commercial vehicles to and purchases engine blocks and other components from FCA subsidiaries. Furthermore, CNH Industrial and FCA may engage in other minor transactions in the ordinary course of business.

These transactions with FCA are reflected in the Company's consolidated financial statements as follows:

	2017	2016	2015
	(in millions)		
Net sales	\$699	\$806	\$762
Cost of goods sold	\$444	\$466	\$463
Selling, general and administrative expenses	\$155	\$148	\$161

12/31/~~2015~~/2016

(in millions)

Trade receivables	\$ 17	\$ 11
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Trade payables	\$ 96	\$ 105
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Transactions with Unconsolidated Subsidiaries and Affiliates

CNH Industrial sells commercial vehicles, agricultural and construction equipment and provides technical services to unconsolidated subsidiaries and affiliates such as IVECO—OTO MELARA Società Consortile a responsabilità limitata, CNH de Mexico SA de CV, Turk Traktor ve Ziraat Makineleri A.S. and New Holland HFT Japan Inc. CNH Industrial also purchases equipment from unconsolidated subsidiaries and affiliates, such as Turk Traktor ve Ziraat Makineleri A.S. These transactions primarily affected revenues, finance and interest income, cost of goods sold, trade receivables and payables and are presented as follows:

	2017	2016	2015
	(in millions)		
Net sales	\$1,028	\$782	\$700
Cost of goods sold	\$446	\$392	\$430

	12/31/2017	12/31/2016
	(in millions)	
Trade receivables	\$102	\$113
Trade payables	\$97	\$108

At December 31, 2017 and 2016, CNH Industrial had pledged guarantees on commitments of its joint ventures for an amount of \$255 million and \$187 million, respectively, mainly related to IVECO—OTO MELARA Società Consortile a responsabilità limitata

Note 21: Supplemental Information

The operations, key financial measures, and financial analysis differ significantly for manufacturing and distribution businesses and financial services businesses; therefore, management believes that certain supplemental disclosures are important in understanding the consolidated operations and financial results of CNH Industrial. This supplemental information does not purport to represent the operations of each group as if each group were to operate on a standalone basis. For example, Industrial Activities presents the cost of “interest free” periods for wholesale receivables as Interest Compensation to Financial Services and not as a reduction of sales in their Statements of Operations. This supplemental data is as follows:

Industrial Activities—The financial information captioned “Industrial Activities” reflects the consolidation of all majority-owned subsidiaries except for Financial Services business. Financial Services business has been included using the equity method of accounting whereby the net income and net assets of Financial Services business are reflected, respectively, in “Equity in income of unconsolidated subsidiaries and affiliates” in the accompanying statement of operations, and in “Investments in unconsolidated subsidiaries and affiliates” in the accompanying balance sheets.

Financial Services—The financial information captioned “Financial Services” reflects the consolidation or combination of Financial Services business.

Transactions between the “Industrial Activities” and “Financial Services” have been eliminated to arrive at the consolidated financial statements.

Certain prior period balances have been reclassified to conform to the current period presentation resulting from the adoption of new accounting pronouncements.

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	Statement of Operations			Financial Services		
	Industrial Activities			2017	2016	2015
	2017	2016	2015	2017	2016	2015
	(in millions)					
Revenues						
Net sales	\$26,168	\$23,669	\$24,677	\$—	\$—	\$—
Finance and interest income	122	153	201	1,625	1,570	1,603
Total Revenues	\$26,290	\$23,822	\$24,878	\$1,625	\$1,570	\$1,603
Costs and Expenses						
Cost of goods sold	21,621	19,539	20,357	—	—	—
Selling, general & administrative expenses	2,071	1,979	2,032	259	283	285
Research and development expenses	957	860	856	—	—	—
Restructuring expenses	90	43	82	3	1	2
Interest expense	604	694	678	555	521	576
Interest compensation to Financial Services	338	332	314	—	—	—
Other, net	396	855	497	341	294	235
Total Costs and Expenses	\$26,077	\$24,302	\$24,816	\$1,158	\$1,099	\$1,098
Income (loss) before income taxes and equity in income of unconsolidated subsidiaries and affiliates	213	(480)	62	467	471	505
Income tax (expense)	(413)	(137)	(202)	(42)	(161)	(158)
Equity income of unconsolidated subsidiaries and affiliates	61	34	20	27	24	21
Results from intersegment investments	452	334	368	—	—	—
Net income (loss)	\$313	\$(249)	\$248	\$452	\$334	\$368

	Balance Sheets			
	Industrial Activities		Financial Services	
	2017	2016	2017	2016
	(in millions)			
ASSETS				
Cash and cash equivalents	\$4,901	\$4,649	\$529	\$368
Restricted cash	—	—	770	837
Trade receivables	490	596	53	58
Financing receivables	1,718	1,592	20,699	19,546
Inventories, net	6,064	5,396	216	213
Property, plant and equipment, net	7,001	6,395	2	2
Investments in unconsolidated subsidiaries and affiliates	3,173	2,886	205	153
Equipment under operating leases	35	17	1,810	1,890
Goodwill	2,316	2,296	156	153
Other intangible assets, net	779	772	13	15
Deferred tax assets	835	1,060	198	188
Derivative assets	73	98	14	8
Other assets	1,706	1,505	358	382
TOTAL ASSETS	\$29,091	\$27,262	\$25,023	\$23,813
LIABILITIES AND EQUITY				
Debt	\$7,396	\$7,691	\$21,075	\$20,061
Trade payables	5,936	5,042	193	180
Deferred tax liabilities	97	84	215	310
Pension, postretirement and other postemployment benefits	2,280	2,256	20	20
Derivative liability	88	239	20	21
Other liabilities	8,869	7,478	686	669
TOTAL LIABILITIES	\$24,666	\$22,790	\$22,209	\$21,261
Equity	4,400	4,451	2,814	2,552
Redeemable noncontrolling interest	25	21	—	—
TOTAL LIABILITIES AND EQUITY	\$29,091	\$27,262	\$25,023	\$23,813

	Cash Flow Statements			Financial Services		
	Industrial	Activities		2017	2016	2015
	2017	2016	2015	2017	2016	2015
	(in millions)					
Operating activities:						
Net income (loss)	\$313	\$(249)	\$248	\$452	\$334	\$368
Adjustments to reconcile net income to net cash provided (used) by operating activities:						
Depreciation and amortization expense, net of assets under operating lease and assets sold under buy-back commitments	720	710	694	5	6	5
Depreciation and amortization expense of assets under operating lease and assets sold under buy-back commitments	328	284	238	297	261	209
(Gain) loss from disposal of assets	27	4	(2)	—	—	—
Loss on repurchase of Notes	56	60	—	8	—	—
Undistributed income (loss) of unconsolidated subsidiaries	(107)	37	(104)	(27)	(25)	(17)
Other non-cash items	208	73	213	87	122	118
Changes in operating assets and liabilities:						
Provisions	239	42	(61)	(6)	4	13
Deferred income taxes	217	43	59	(95)	22	60
Trade and financing receivables related to						
sales, net	147	(7)	354	(821)	(95)	(50)
Inventories, net	(211)	141	507	(2)	(35)	(34)
Trade payables	359	121	(162)	8	(19)	4
Other assets and liabilities	120	460	112	50	155	220
Net cash provided (used) by operating activities	2,416	1,719	2,096	(44)	730	896
Investing activities:						
Additions to retail receivables	—	—	—	(4,078)	(3,951)	(4,498)
Collections of retail receivables	—	—	—	4,384	4,569	5,146
Proceeds from sale of assets, net of assets sold under operating leases and assets sold under buy-back commitments	17	12	11	—	—	—
Proceeds from sale of assets under operating leases and assets sold under buy-back commitments	374	234	320	476	426	406
Expenditures for property, plant and equipment and intangible assets, net of assets under operating lease and sold under buy-back commitments	(488)	(501)	(653)	(4)	(2)	(3)
Expenditures for assets under operating lease and assets sold under buy-back commitments	(1,079)	(884)	(875)	(664)	(747)	(976)
Other	(274)	380	2,151	358	(562)	(2,019)
Net cash provided (used) by investing activities	(1,450)	(759)	954	472	(267)	(1,944)
Financing activities:						
Proceeds from long-term debt	2,006	1,754	650	13,890	10,875	9,277
Payments of long-term debt	(2,580)	(2,085)	(2,483)	(14,222)	(11,685)	(8,185)

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Net increase (decrease) in other financial liabilities	(308)	(219)	51	362	87	45
Dividends paid	(168)	(207)	(297)	(357)	(341)	(207)
Other	(25)	(58)	23	46	105	43
Net cash provided (used) by financing activities	(1,075)	(815)	(2,056)	(281)	(959)	973
Effect of foreign exchange rate changes on cash and						
cash equivalents	361	(47)	(565)	14	31	(133)
Increase (decrease) in cash and cash equivalents	252	98	429	161	(465)	(208)
Cash and cash equivalents, beginning of year	4,649	4,551	4,122	368	833	1,041
Cash and cash equivalents, end of year	\$4,901	\$4,649	\$4,551	\$529	\$368	\$833

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Note 22: Subsequent Event

On January 30, 2018, the Company announced that the Board of Directors intends to recommend to the Company's shareholders the renewal of the authorization to repurchase up to a maximum of 10% of the Company's issued common shares. It was also announced that, after such authorization and subject to general and market conditions, the Company intends to launch a buy-back program up to \$700 million, representing an increase of \$400 million versus the current program.

On February 20, 2018, the United States Supreme Court (the "Supreme Court") ruled in favor of the Company and reversed the decision of the U.S. Court of Appeals for the Sixth Circuit, in *Reese v. CNH Industrial N.V. and CNH Industrial America LLC* ("Reese"), ruling that retirees are not necessarily entitled to a lifetime health care benefits under the terms of an expired collective bargaining agreement that included a general termination clause that applied to all benefits. We expect the case to be remanded to the trial court for entry of judgement for CNH Industrial and dismissal of the plaintiffs' complaint. Once the district court enters judgement in this case, which we expect to occur during the first half of 2018, the Company intends to review the retiree health care benefits applicable to the retirees in the Reese case (the "Reese Retirees"). Modifications to, or elimination of, the existing retiree health care benefits for the Reese Retirees may result in a reduction or elimination of the related Company's post-employment benefit obligations. At this stage, however, the Company has not taken a decision on how to implement the U.S. Supreme Court decision and therefore is currently unable to estimate its financial impact.

INDEX TO EXHIBITS

Exhibit	Description
1.1	<u>Articles of Association of CNH Industrial N.V., dated September 29, 2013 (Previously filed as Exhibit 1.1 to the Annual Report on Form 20-F of the registrant for the year ended December 31, 2014 (File No. 001-36085) and incorporated herein by reference).</u>
1.2	<u>Regulations of the Board of Directors of CNH Industrial N.V., dated September 9, 2013 (Previously filed as Exhibit 1.2 to the Annual Report on Form 20-F of the registrant for the year ended December 31, 2014 (File No. 001-36085) and incorporated herein by reference).</u>
2.1	<u>Indenture, dated as of August 18, 2016, by and between CNH Industrial N.V., as issuer, and U.S. Bank National Association, as trustee, relating to the CNH Industrial N.V. debt securities. (Previously filed as Exhibit 4.1 to the report of on Form 6-K of the registrant (File No.</u>

001-36085) and
incorporated herein by
reference).

- 2.2 Officers' Certificate, dated
as of August 18, 2016
(including Form of 4.50%
Note due 2023 included
therein). (Previously filed
as Exhibit 4.2 to Form 6-K
of the registrant on August
18, 2016 (File No.
- 2.3 001-36085) and
incorporated herein by
reference).

Officers' Certificate, dated
as of November 14, 2017
(including Form of
3.850% Note due 2027
included therein).
(Previously filed as
Exhibit 4.1 to Form 6-K of
the registrant on
November 14, 2017 (File
No. 001-36085) and
incorporated herein by
reference).

There have not been filed
as exhibits to this
Form 20-F certain
long-term debt
instruments, none of
which relates to
indebtedness that exceeds
10% of the consolidated
assets of CNH Industrial
N.V. CNH Industrial N.V.
agrees to furnish the
Securities and Exchange
Commission, upon its
request, a copy of any
instrument defining the
rights of holders of
long-term debt of CNH

Industrial N.V. and its
consolidated subsidiaries.

- 4.1 CNH Global N.V. Equity Incentive Plan (Previously filed as Exhibit 4.2 to the Registration Statement on Form S-8 of the registrant on October 1, 2013 (File No. 333-191477) and incorporated herein by reference).
- 4.2 Fiat Industrial S.p.A. Long-Term Incentive Plan (Previously filed as Exhibit 4.3 to the Registration Statement on Form S-8 of the registrant on October 1, 2013 (File No. 333-191477) and incorporated herein by reference).
- 4.3 CNH Global N.V. Directors' Compensation Plan (Previously filed as Exhibit 4.4 to the Registration Statement on Form S-8 of the registrant on October 1, 2013 (File No. 333-191477) and incorporated herein by reference).
- 4.4 CNH Industrial N.V. Directors' Compensation Plan (Previously filed as Exhibit 4.5 to the Registration Statement on Form S-8 of the registrant on October 1, 2013 (File No. 333-191477) incorporated herein by reference).

- 4.5 Case New Holland Industrial Inc. 2005 Deferred Compensation Plan, restated effective January 1, 2012 (Previously filed as Exhibit 4.9 to the Annual Report on Form 20-F of the registrant for the year ended December 31, 2014 (File No. 001-36085) and incorporated herein by reference).
- 4.6 CNH Industrial N.V. Equity Incentive Plan (Previously filed as Exhibit 4.2 to the Registration Statement on Form S-8 of the registrant on June 6, 2014 (File No. 333-196574) incorporated herein by reference).
- 7.1 Statement regarding computation of ratio of earnings to fixed charges.
- 8.1 List of subsidiaries of the registrant.
- 12.1 Certification Pursuant to the Securities Exchange Act Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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Exhibit	Description
12.2	<u>Certification Pursuant to the Securities Exchange Act Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
13	<u>Certification required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).</u>
15	<u>Consent of Ernst & Young LLP.</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

CNH INDUSTRIAL N.V.

(Registrant)

/s/ MASSIMILIANO CHIARA

Massimiliano Chiara

Chief Financial Officer

Dated: March 2, 2018

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.