

CNH Industrial N.V.
Form 20-F
March 01, 2019

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

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

For the fiscal year ended December 31, 2018

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)

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Secretary

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(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
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Common Shares, par value €0.01	New York Stock Exchange
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4.50% Notes due 2023	New York Stock Exchange
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3.850% Notes due 2027	New York Stock Exchange
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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: 1,353,831,958 common shares, par value €0.01 per share, and 388,725,624 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 every Interactive Data File required to be submitted 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 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

TABLE OF CONTENTS

	Page
<u>PART I</u>	
Item 1. <u>Identity of Directors, Senior Management and Advisers</u>	<u>2</u>
Item 2. <u>Offer Statistics and Expected Timetable</u>	<u>2</u>
Item 3. <u>Key Information</u>	<u>2</u>
Item 4. <u>Information on the Company</u>	<u>13</u>
Item 4A. <u>Unresolved Staff Comments</u>	<u>29</u>
Item 5. <u>Operating and Financial Review and Prospects</u>	<u>29</u>
Item 6. <u>Directors, Senior Management and Employees</u>	<u>60</u>
Item 7. <u>Major Shareholders and Related Party Transactions</u>	<u>88</u>
Item 8. <u>Financial Information</u>	<u>90</u>
Item 9. <u>The Offer and Listing</u>	<u>90</u>
Item 10. <u>Additional Information</u>	<u>91</u>
Item 11. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>106</u>
Item 12. <u>Description of Securities Other than Equity Securities</u>	<u>108</u>
<u>PART II</u>	
Item 13. <u>Defaults, Dividend Arrearages and Delinquencies</u>	<u>109</u>
Item 14. <u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	<u>109</u>
Item 15. <u>Controls and Procedures</u>	<u>109</u>
Item 16A. <u>Audit Committee Financial Expert</u>	<u>111</u>
Item 16B. <u>Code of Ethics</u>	<u>111</u>
Item 16C. <u>Principal Accountant Fees and Services</u>	<u>111</u>
Item 16D. <u>Exemptions from the Listing Standards for Audit Committees</u>	<u>111</u>
Item 16E. <u>Purchase of Equity Securities by the Issuer and Affiliated Purchasers</u>	<u>112</u>
Item 16F. <u>Change in Registrant's Certifying Accountant</u>	<u>112</u>
Item 16G. <u>Corporate Governance</u>	<u>112</u>
Item 16H. <u>Mine Safety Disclosure</u>	<u>113</u>
<u>PART III</u>	
Item 17. <u>Financial Statements</u>	<u>F-1</u>
Item 18. <u>Financial Statements</u>	<u>F-1</u>
Item 19. <u>Exhibits</u>	<u>F-1</u>
<u>Index to Consolidated Financial Statements</u>	<u>F-1</u>

Certain Defined Terms

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.

2017 and 2016 figures included in the following sections have been recast following the retrospective adoption, on January 1, 2018, of the updated accounting standard for revenue recognition (ASC 606), retirement benefit accounting (ASU 2017-07) and statement of cash flows - restricted cash (ASU 2016-18).

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

• North America (formerly 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.

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 as: Europe (the 27 countries where our Commercial Vehicles segment competes, excluding United Kingdom and Ireland, for market share and total industry volume (“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, 2018, 2017, 2016, 2015 and 2014.

	For the Years Ended December 31,				
	2018	2017	2016	2015	2014
	(in millions, except per share data)				
Consolidated Statement of Operations Data:					
Revenues:					
Net sales	\$27,831	\$25,769	\$23,216	\$24,677	\$31,196
Finance and interest income	1,875	1,932	1,879	1,235	1,359
Total Revenues	29,706	27,701	25,095	25,912	32,555
Net (loss) income	\$1,099	\$290	\$(261)	\$248	\$708
Net (loss) income attributable to CNH Industrial N.V.	\$1,068	\$272	\$(264)	\$253	\$710
Earnings per share attributable to CNH Industrial N.V.:					
Basic earnings per common share	\$0.79	\$0.20	\$(0.19)	\$0.19	\$0.52
Diluted earnings per common share	\$0.78	\$0.20	\$(0.19)	\$0.19	\$0.52
Cash dividends declared per common share ⁽¹⁾	\$0.173	\$0.118	\$0.148	\$0.214	\$0.277

As of December 31,
2018 2017 2016 2015 2014
(in millions)

Consolidated Balance Sheet Data:

Total Assets	\$46,100	\$48,298	\$45,555	\$46,677	\$51,824
Share capital	\$25	\$25	\$25	\$25	\$25
Common shares outstanding	1,354	1,364	1,362	1,362	1,355
Special voting shares outstanding	389	389	412	413	415
Equity	\$5,068	\$4,232	\$4,320	\$4,843	\$4,961

- (1) On March 1, 2019, the Board of Directors recommended to the Company’s shareholders a dividend of €0.18 per common share, totaling approximately €244 million (equivalent to approximately \$277 million, translated at the exchange rate reported by the European Central Bank on February 27, 2019). The recommended dividend is subject to the approval of the Company’s shareholders at the Annual General Meeting of shareholders to be held on April 12, 2019. For 2018, CNH Industrial declared and a paid a dividend of €0.14 per common share. 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 each of 2015 and 2014, CNH Industrial declared and paid dividend of €0.20 per common share. The cash dividends for 2018, 2017, 2016, 2015, and 2014 were paid on May 2, 2018, 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 19, 2018 (\$0.1722), April 20, 2017 (\$0.1182) April 21, 2016 (\$0.1476), April 16, 2015 (\$0.2142), and April 17, 2014 (\$0.2771), respectively.

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 29, 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 and regions 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 a weaker economic environment, 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 and Argentina, macroeconomic conditions remain volatile. 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.

We are exposed to political, economic, trade 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;

3

where, to whom, and what type of 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, including rare materials (the latter might be more easily the target of sudden increases due to a variety of factors, including speculative measures or unforeseen political changes);

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;

withdrawal from or changes to trade agreements or trade terms, negotiation of new trade agreements and the

imposition of new (and retaliatory) tariffs on certain countries, or covering certain products or raw materials; 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, changes in or uncertainty surrounding global trade policies 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 agricultural equipment market is influenced, in particular, by factors such as:

the price of agricultural commodities and the ability to competitively export agricultural commodities;

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, policies impacting commodity prices or limiting the export or import of commodities, and 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 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 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 availability and price of these raw materials fluctuate, particularly during times of economic volatility or regulatory instability or in response to changes in tariffs, 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 primarily 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, quality issues, 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 products 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. Finally, recent public opinion backlash against emissions regulations might trigger the adoption of policies severely restricting the use of diesel engines. Changes in government monetary or fiscal policies may negatively impact our results. Most countries where our products and services are sold have established central banks to regulate monetary systems and influence economic activities, generally by adjusting interest rates. 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). Rising interest rates could have a dampening effect on the overall economic activity and/or the financial condition of our customers, either or both of which could negatively affect demand for our products and our customers' ability to repay obligations to us. Central banks and other policy arms of many countries may take further actions to vary the amount of liquidity and credit available in an economy. The impact from a change in liquidity and credit policies could negatively affect the customers and markets we serve or our suppliers, which could adversely impact our business, results of operations and financial condition. 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. This is dependent on a number of factors, including our ability to maintain key dealer relationships, our ability to produce products that meet the quality, performance and price expectations of our customers, and our ability to develop effective sales, dealer training and marketing programs. Failure to develop and offer innovative products that compare favorably to those of our principal competitors in terms of price, quality, functionality, features, mobility and connected services, vehicle electrification, fuel cell technology and autonomy, 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 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, volatility, 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 many 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 third parties to obtain or retain business or gain a business advantage. These laws tend to apply regardless of whether those practices are legal or culturally acceptable in a particular jurisdiction. Over the past several years there has been an 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 14: Commitments and Contingencies" to the consolidated financial statements at December 31, 2018.

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. Any effect of Brexit is expected to depend on the agreements, if any, 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. The terms of the withdrawal, including terms of trade, are subject to ongoing negotiations that have created significant uncertainty about the future relationship between the U.K. and the EU. Brexit may also lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which EU laws to replace or replicate. Any of these effects of Brexit, among others, could adversely affect our business, results of operations and financial condition.

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 dealers 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 our dealers’ inventory levels 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 that exceed our reserves, which could have a material adverse effect on our results of operations and/or financial position. For further information see “Note 14: Commitments and Contingencies” to the consolidated financial statements for the year ended December 31, 2018 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, some of which are managed by third parties, in connection with a variety of our business activities. 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, and connection services among vehicles. 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 customers, suppliers and dealers, as well as personally identifiable information of our dealers, customers and 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, data, and products. Furthermore, third parties on which we rely, including internet, mobile communications technology and cloud service providers, could be sources of information security risk to us.

A failure or breach in security, whether of our systems and networks or those of third parties on which we rely, 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 remediation costs and 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 and data. 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. We are also subject to various laws regarding privacy and the protection of personal information. The regulatory framework for privacy and data security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. On May 25, 2018, the European Union's

General Data Protection Regulation (“GDPR”) became effective. The GDPR imposes more stringent data protection requirements and provides for greater penalties for noncompliance. 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.

Our ability to execute our strategy is dependent upon our ability to attract, motivate and retain qualified personnel. Our ability to compete effectively, to manage our business effectively and to expand our business depends, in part, on our ability to attract, motivate and retain qualified personnel in key functions. In particular, we are dependent on our ability to attract, motivate and retain qualified personnel with the requisite education, background, talents and industry experience. Failure to attract and retain qualified personnel, whether as a result of an insufficient number of qualified applicants, difficulty in recruiting new personnel, or the inability to integrate and retain qualified personnel, could impair our ability to execute our business strategy and could adversely affect our business.

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, technology and services, impact the competitive position of our products or prevent us from being able to sell products to certain customers or 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 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 our 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 our 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 our 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 additional information, see “Item 11. Quantitative and Qualitative Disclosures About Market Risk.” to the consolidated financial statements at December 31, 2018.

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.

New regulations or changes in financial services regulations could adversely impact us. Financial Services' operations are highly regulated by governmental authorities in the locations where it operates, which can impose significant additional costs and/or restrictions on its business. In the U.S., for example, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"), including its implementing regulations, may substantially affect Financial Services' origination, servicing, and securitization programs. The Dodd-Frank Act also 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 Financial Services' 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.

We may be exposed to shortfalls in our pension plans. At December 31, 2018, the funded status for our defined benefit pension, healthcare and other postemployment benefit plans was a deficit of \$1,463 million. This amount included obligations of \$1,061 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 12: Employee Benefit Plans and Postretirement Benefits" to the consolidated financial statements for the year ended December 31, 2018.

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.

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, 2018, we had an aggregate of \$24,445 million (including \$20,436 million relating to Financial Services' activities) of consolidated gross indebtedness, and our equity was \$5,068 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 European Union 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 10: Debt” to the consolidated financial statements for the year ended December 31, 2018 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, 2018.

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, 2019, EXOR N.V. had a voting interest in CNH Industrial of approximately 42.1%. For further information, see "Item 7. Major Shareholders and Related Party Transactions" to the consolidated financial statements at December 31, 2018. 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. The Company 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). 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.

The SEC maintains an Internet site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, from which the public may obtain any materials the company files with the SEC.

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 44 countries and a commercial presence in approximately 180 countries.

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 distributes 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. Financial Services also provides trade receivables factoring services to CNH Industrial companies.

Net revenues by segment in the years ended December 31, 2018, 2017 and 2016 were as follows:

	2018	2017	2016
	(in millions)		
Revenues:			
Agricultural Equipment	\$11,682	\$10,683	\$9,690
Construction Equipment	3,021	2,530	2,206
Commercial Vehicles	10,939	10,562	9,628
Powertrain	4,565	4,369	3,707
Eliminations and other	(2,376)	(2,375)	(2,015)
Total Net sales of Industrial Activities	27,831	25,769	23,216
Financial Services	1,989	2,028	1,916
Eliminations and other	(114)	(96)	(37)
Total Revenues	\$29,706	\$27,701	\$25,095

Net revenues by region in the years ended December 31, 2018, 2017 and 2016 were as follows:

	2018		2017		2016	
	(in millions)	(%)	(in millions)	(%)	(in millions)	(%)
Revenues:						
EMEA	\$15,809	53.2 %	\$14,434	52.1 %	\$13,290	53.0 %
North America	6,947	23.4	6,275	22.7	6,173	24.6
LATAM	3,004	10.1	3,132	11.3	2,542	10.1
APAC	3,946	13.3	3,860	13.9	3,090	12.3
Total Revenues	\$29,706	100.0%	\$27,701	100.0%	\$25,095	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 ("h.p.") range, combines and harvesting equipment and crop production equipment. Dairy and livestock farmers typically utilize tractors in the mid-to-lower h.p. 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, tax incentives and trade policies. 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. Agricultural Equipment's production levels 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 (the "U.S.") 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, among other things, 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 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, as well as price for these crops. 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 segments: 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 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 cyclicity, 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 India, 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 U.K. 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 the 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.

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 M&H segment is characterized by a higher level of engineering specialization due to the technologies and production systems utilized, while the LCV segment has many engineering and design characteristics in common with the automobile industry. In addition, operators of M&H trucks often require vehicles with a higher degree of customization than the more standardized products that serve the LCV 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 geographic region, all of which lead to differing transport requirements.

M&H 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 more efficient, higher capacity vehicles and renew vehicle fleets. The product life cycle for M&H trucks typically covers a seven to ten-year period.

Although economic cycles have a significant influence on demand for M&H 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 M&H 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 LCV.

Industry forecasts indicate that transportation of goods by road, currently the predominant mode of transport, will remain so for the foreseeable future. Demand for services and service-related products, including parts, is a function of the number of vehicles in use. Although 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 usually 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 except for increased demand for heavy trucks 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 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 to 150 seated/standing passengers. 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 bus 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 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 industry is influenced by many 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 represent 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 quickly and will offer business opportunities in the industrial sector. The increasing trend among mid-sized original equipment manufacturers ("OEMs") to outsource engine development, due to 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 many 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 equipment manufacturers 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 engine 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 challenging 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. 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.

Agricultural Equipment's product lines include tractors, combine harvesters, hay and forage equipment, seeding and planting equipment, and self-propelled sprayers. Agricultural Equipment 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.

Case IH and New Holland brands enable their customers to share in-depth, real-time machine information with AgDNA, FieldView, and Farmers Edge digital management systems. In the fourth quarter, Agricultural Equipment launched AGXTEND™ brand, focused exclusively on aftermarket precision farming technology solutions. AGXTEND™ will provide our dealers and customers access to exclusive productivity enhancing precision farming technologies.

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 crawler excavators that utilize 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's 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 AND IVECO ASTRA)

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 M&H 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, and continue to develop 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.

20

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 h.p. 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 product line-up is completed by versions that use alternative fuels, including engines that run 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. During 2018, FPT Industrial presented its innovative solutions: the Multi-power, Modular, Multi-application and Mindful Power Source Concept Cursor X, which adapts to provide the most suitable solution for the customer whether based on hybrid natural gas, hydrogen fuel cell electric generation, or on battery-stored technology. Furthermore, during 2018, FPT Industrial presented its new Hydrogen Fuel Cell powertrain concept, designed for heavy-duty applications; a full range of alternative propulsions from mild hybrid to full electric; and the telematics solution kit for remote engine monitoring, proactive maintenance and assistance.

While meeting the strict emission regulations for both on-road (Euro VI) and off-road vehicles (Stage V 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.

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 tons 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 approximately 400 full-line dealers and distributors with over 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 product to retail 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 to reduce structural costs, while maximizing sales and customer satisfaction.

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 methods.

Exclusive, dedicated dealers generally provide a higher level of market penetration. Some dealers may sell complementary products manufactured by other suppliers 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, 2018, 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 involves 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, 2018, Commercial Vehicles had approximately 700 dealers globally (of which 22 were directly owned by us and 15 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 (such as the implementation of the Truck Stations network of specialized workshops), increasing profitability and reducing overall distribution costs. In Africa and the Middle East, the distribution network is being expanded to fully exploit growth in these markets.

In the U.K., 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 a growing number of third-party customers.

Powertrain has a network of approximately 73 dealers and 800 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 or 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, 2018, we operated and administered 47 parts depots worldwide either directly, through a joint venture, or through arrangements with warehouse service providers. This network includes 10 parts depots in North America, 17 in EMEA, 3 in LATAM, and 17 in APAC. The network includes 34 parts depots that support Agricultural Equipment, 31 that support Construction Equipment, 20 that support Commercial Vehicles and 6 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 the parts required to support our products.

As of December 31, 2018, Commercial Vehicles had approximately 5,000 Sales and/or Service Network points. In addition to Commercial Vehicles' standard one-year full vehicle warranty and two-year powertrain warranty, 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 4,924 global direct suppliers for Industrial Activities at December 31, 2018. 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 in, or 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

23

wholesale financing to dealers and factoring of trade receivables from CNH Industrial companies. 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, Commercial Vehicles and Powertrain, their dealers, and customers.

Financial Services 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, such as factoring of trade receivables, 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 Argentina.

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

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. The cost is recognized as a reduction in net sales for the applicable Industrial Activities segment.

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.

Factoring

Financial Services also provides intragroup factoring of trade and other receivables. This activity involves the purchase (without recourse) of receivables of CNH Industrial companies, originating from the different Industrial Activities segments, and due from third or related parties.

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 securitization ("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 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 14: Commitments and Contingencies" to our Consolidated Financial Statements for the year ended December 31, 2018.

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.

Follow-up on Damages Claims: Iveco, the Company's wholly owned subsidiary, and its competitors were subject to an investigation by the European Commission (the "Commission") into certain business practices in the European Union in

relation to M&H trucks. On July 19, 2016, the Commission announced a settlement with Iveco. Following the settlement, the Company has been named as defendant in private litigation commenced in various European jurisdictions and Israel by customers and other third parties, either acting individually or as part of a wider group or class of claimants. These claims remain at an early stage. Further, CNH Industrial expects to face further claims based on the same legal grounds in various other jurisdictions. The extent and outcome of these claims 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 Fiat Chrysler Automobiles N.V. 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. In 2018, CNH Industrial suspended business activities in Iran, other than those activities required to fulfill binding orders. Prior to the suspension of business activities in Iran, CNH Industrial had limited commercial activity in Iran conducted by non-US subsidiaries. In 2018, sales in Iran were significantly less than one percent of CNH Industrial's revenues. In 2018, one of our non-US subsidiaries generated net revenues of approximately \$4.6 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.

C. Organizational Structure

As of December 31, 2018, CNH Industrial had 167 consolidated subsidiaries. A listing of our subsidiaries as of December 31, 2018, 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, 2018.

Principal Subsidiaries at December 31, 2018:

Name of Subsidiary	Country of Incorporation	Percentage Interest Held
Banco CNH Industrial Capital S.A.	Brazil	100%
Case Credit Holdings Limited	United States (Delaware)	100%
Case New Holland Industrial Inc.	United States (Delaware)	100%
CNH Industrial America LLC	United States (Delaware)	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%
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, 2018, we owned 66 manufacturing facilities. We also own other significant properties including spare parts depots, 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 \$61 million and \$105 million at December 31, 2018 and 2017, 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 2018, our total capital expenditures in long-lived assets, excluding assets sold with buy-back commitments and equipment on operating leases, were \$558 million of which 19% was spent in North America, 7% in LATAM, 68% in EMEA and 6% in APAC. These capital expenditures were funded through a combination of cash generated from operating activities and borrowings under short-term facilities. In 2017, our total capital expenditures were \$492 million. The increase in capital expenditures in 2018 from 2017 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 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, 2018:

Location	Primary Functions	Approximate Covered Area (Sqm/000)
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

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Tracy-Le-Mont	Hydraulic cylinders (Agricultural Equipment and Construction Equipment)	16
Annonay	Buses (coaches & City); R&D center	116
Venissieux	R&D center (Commercial Vehicles)	18
Rorthais	Buses (city); R&D center	29
Fourchambault	Engines (remanufacturing)	29
Bourbon Lancy	Engines; R&D center	107
Fecamp	Engines (power generation units)	25
Brazil		
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	81
India		
Pithampur	Backhoe loaders, earth compactors	29
Pune	Sugar cane harvesters and combines; R&D center	77
Noida	Tractors; R&D center	82
Poland		
Plock	Combines, balers, and headers; R&D center	109
Kutno	Row crop, cultivators, harvesters; R&D center	33
Others		
Basildon (U.K.)	Tractors; R&D center	129
Overum (Sweden)	Ploughs; R&D center	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
	Buses; R&D center	124

Vysoke Myto (Czech
Republic)

28

Queretaro (Mexico)	Components (Agricultural Equipment and Construction Equipment)	15
Naberezhnye Chelny (Russia)	Tractors and combines	50
Rosslyn (South Africa)	Trucks and buses (intercity); R&D center	55
Arbon (Switzerland)	R&D center (Powertrain)	6

Environmental and Other Regulatory Matters

We engineer, manufacture and sell our products and offer our services around the world, subject to requirements applicable to our products that relate to vehicle emissions, product safety and fuel efficiency as well as those applicable to our manufacturing facilities that relate to stack emissions, treatment of waste, water and hazardous materials, prohibitions on soil contamination and worker health and safety. These extensive regional, national and local laws and regulations 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.

Our operations and the activities of our employees, contractors and agents around the world are also subject to the laws and regulations of numerous countries, including the United States. These laws and regulations include data privacy requirements, labor relations laws, tax laws, anti competition regulations, prohibitions on payments to governmental officials, federal and state environmental regulations, import and trade restrictions and export requirements. Any such violations could also result in prohibitions on our ability to offer our products and services in one or more countries and could have a material adverse effect on our business, results of operations and financial condition.

Our operations (particularly in those countries with developing economies) are also subject to risks of violations of laws prohibiting improper payments and bribery, 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. 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.

For further information, see “Note 14: Commitments and Contingencies” to our consolidated financial statements for the year ended December 31, 2018 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 3. Key Information—D. Risk Factors—Risks Related to Our Business, Strategy and Operations—We are subject to extensive anti-corruption and antitrust laws and regulations”; “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business, Strategy and Operations—Changes in privacy laws could disrupt our business”; “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business, Strategy and Operations—We face risk associated with employment relationships” and “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business, Strategy and Operations—International trade policies may impact demand for our products and our competitive position”.

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, 2018, 2017 and 2016.

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.

2017 and 2016 figures included in the following section have been recast following the retrospective adoption, on January 1, 2018, of the updated accounting standard for revenue recognition (ASC 606), retirement benefit accounting (ASU 2017-07) and statement of cash flows - restricted cash (ASU 2016-18).

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."

Powertrain 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."

Finally, our results may be materially affected, directly or indirectly, by governmental policies, including monetary and fiscal policies and policies on international trade and investment. For additional information regarding the effect on us of governmental policies, see "Item 3. Key Information-D. Risk Factors-Risks Related to Our Business, Strategy and Operations-Changes in government monetary or fiscal policies may negatively impact our results." and "Item 3. Key Information-D. Risk Factors-Risks Related to Our Business, Strategy and Operations-International trade policies may impact demand for our products and our competitive position."

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 under 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, 2018, our primary non-GAAP financial measures are defined as follows:

Adjusted EBIT

Adjusted EBIT is defined as net income (loss) before income taxes, interest expenses of Industrial Activities, net, restructuring charges, the finance and non-service component of pension and other post-employment costs, foreign exchange gains/(losses) and certain non-recurring items. In particular, non-recurring items are specifically disclosed items that management considers to be rare or discrete events that are infrequent in nature and not reflective of on-going operational activities. We provide a reconciliation of Net Income (Loss), the most directly comparable U.S. GAAP financial measure included in our consolidated statements of operations, to Adjusted EBIT and Adjusted EBITDA.

Adjusted EBITDA

Adjusted EBITDA is defined as Adjusted EBIT plus depreciation and amortization including on assets sold under operating leases and assets sold under buy-back commitments. We provide a reconciliation of Net Income (Loss), the most directly comparable U.S. GAAP financial measure included in our consolidated statements of operations, to Adjusted EBIT and Adjusted EBITDA.

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 22: Supplemental Information" to our consolidated financial statements for the year ended December 31, 2018, 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.

2018 Compared to 2017

Consolidated Results of Operations

	2018	2017
	(in millions)	
Revenues:		
Net sales	\$27,831	\$25,769
Finance and interest income	1,875	1,932
Total Revenues	29,706	27,701
Costs and Expenses:		
Cost of goods sold	22,958	21,572
Selling, general and administrative expenses	2,351	2,315
Research and development expenses	1,061	957
Restructuring expenses	61	93
Interest expense	812	940
Other, net	997	1,165
Total Costs and Expenses	28,240	27,042
Income (loss) before income taxes and equity in income of unconsolidated subsidiaries and affiliates	1,466	659
Income taxes	(417)	(457)
Equity in income of unconsolidated subsidiaries and affiliates	50	88
Net income (loss)	1,099	290
Net income attributable to noncontrolling interests	31	18
Net income (loss) attributable to CNH Industrial N.V.	\$1,068	\$272

Revenues

We recorded revenues of \$29,706 million in 2018, an increase of 7.2% (up 6.7% on a constant currency basis) compared to 2017. This increase is primarily due to an increase in net sales in each segment of Industrial Activities which were \$27,831 million in 2018, an increase of 8.0% (an increase of 7.3% on a constant currency basis) compared to the prior year.

Cost of Goods Sold

Cost of goods sold were \$22,958 million in 2018 compared with \$21,572 million in 2017, an increase year over year due to the increase in revenues. As a percentage of net sales of Industrial Activities, cost of goods sold was 82.5% in 2018 compared with 83.7% in 2017.

Selling, General and Administrative Expenses

SG&A expenses amounted to \$2,351 million in 2018 (7.9% of revenues) compared to \$2,315 million in 2017 (8.4% of revenues).

Research and Development Expenses

In 2018, R&D expenses were \$1,061 million compared to \$957 million in 2017. The expense in both years was primarily attributable to spending on engine development costs associated with emission requirements and continued investment in new products.

Restructuring Expenses

The Company incurred restructuring costs of \$61 million and \$93 million for the years ended December 31, 2018 and 2017, respectively. These costs were as follows:

In 2018, Commercial Vehicles and Agricultural Equipment recorded \$30 million and \$26 million respectively, which were primarily attributable to actions as part of the Company's Efficiency Program launched in 2014.

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 the Efficiency Program.

Agricultural Equipment recorded \$14 million, mainly as a result of footprint rationalization actions included in the Efficiency Program.

Interest Expense

Interest expense was \$812 million in 2018 compared to \$940 million in 2017. The interest expense attributable to Industrial Activities, net of interest income and eliminations, was \$368 million in 2018 compared to \$482 million in 2017, a decrease of \$114 million over 2017. In 2018, interest expense includes a charge of \$22 million related to the repurchase of a portion of the CNH Industrial Finance Europe S.A. 2.875% Notes due 2021. In 2017, interest expense included a charge of \$56 million related to the repurchase/early redemption of notes. Excluding these changes, the decrease in 2018 was primarily attributable to refinancing and early retirement of certain high yield debt as well as lower average indebtedness.

Other, net

Other, net expenses were \$997 million and includes a pre-tax gain of \$80 million as a result of the amortization over approximately 4.5 years of the \$527 million positive impact from a healthcare plan modification following a judgement in favor of the Company issued by the United States Supreme Court in April 2018. In 2017, Other, net expenses were \$1,165 million which included a non-cash pre- and after-tax charge of \$92 million due to the deconsolidation of our Venezuelan operations. Excluding the impacts of these charges in both years, Other, net expenses were flat. 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

	2018	2017
	(in millions, except percentages)	
Income before income taxes and equity in income of unconsolidated subsidiaries and affiliates	\$1,466	\$659
Income taxes	\$417	\$457
Effective tax rate	28.4	% 69.3 %

Income taxes totaled \$417 million in 2018, including a tax benefit of \$8 million due to the U.S. Tax Cuts and Jobs Act (the "U.S. Tax Act") as well as the tax on restructuring costs of \$61 million (\$52 million after tax). The effective tax rate was also affected by charges for the repurchase and early redemption of notes of \$22 million (\$22 million after tax). Excluding the impact of these items and the \$12 million impact of placing a valuation allowance against deferred tax assets in certain jurisdictions during the year, the effective tax rate for 2018 would have been 27%. The effective tax rate reduction in 2018 was primarily caused by the difference in tax accruals attributable to the U.S. Tax Act and other tax law changes, a reduced negative impact of recording valuation allowances against certain of our deferred tax

assets, a more favorable geographic mix of pre-tax earnings, and a reduced U.S. tax rate pursuant to the U.S. Tax Act. In 2017, income taxes totaled \$457 million, including a tax charge of \$128 million due to the U.S. Tax 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). The effective tax rate

was also affected by 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 38%.

Equity in Income of Unconsolidated Subsidiaries and Affiliates

Equity in income of unconsolidated subsidiaries and affiliates was \$50 million in 2018, compared to \$88 million in 2017. The decrease in equity in income of unconsolidated subsidiaries and affiliates was mainly due to lower results of the joint ventures in APAC.

Industrial Activities and Business Segments

The following tables show revenues, Adjusted EBIT and Adjusted EBITDA by segment. We have also included a discussion of our results by Industrial Activities and each of our segments.

	2018	2017	% Change	% Change excl. FX		
	(in millions, except percentages)					
Revenues:						
Agricultural Equipment	\$11,682	\$10,683	9.4 %	10.4 %		
Construction Equipment	3,021	2,530	19.4 %	20.2 %		
Commercial Vehicles	10,939	10,562	3.6 %	1.3 %		
Powertrain	4,565	4,369	4.5 %	1.4 %		
Eliminations and other	(2,376)	(2,375)				
Total Net sales of Industrial Activities	27,831	25,769	8.0 %	7.3 %		
Financial Services	1,989	2,028	(1.9)%	(0.5)%		
Eliminations and other	(114)	(96)				
Total Revenues	\$29,706	\$27,701	7.2 %	6.7 %		

	2018	2017	\$ Change	2018 Adj EBIT Margin	2017 Adj EBIT Margin		
	(in millions, except percentages)						
Adjusted EBIT by segment:							
Agricultural Equipment	\$1,036	\$791	\$ 245	8.9 %	7.4 %		
Construction Equipment	91	(16)	107	3.0 %	(0.6)%		
Commercial Vehicles	299	195	104	2.7 %	1.8 %		
Powertrain	406	360	46	8.9 %	8.2 %		
Eliminations and other	(247)	(187)	(60)				
Total Industrial Activities	\$1,585	\$1,143	\$ 442	5.7 %	4.4 %		
Financial Services	516	497	19	25.9 %	24.5 %		
Total Adjusted EBIT	\$2,101	\$1,640	\$ 461	7.1 %	5.9 %		

	2018	2017	\$ Change	2018 Adj EBITDA Margin	2017 Adj EBITDA Margin
(in millions, except percentages)					
Adjusted EBITDA by segment:					
Agricultural Equipment	\$1,339	\$1,106	\$ 233	11.5 %	10.4 %
Construction Equipment	152	49	103	5.0 %	1.9 %
Commercial Vehicles	890	735	155	8.1 %	7.0 %
Powertrain	536	488	48	11.7 %	11.2 %
Eliminations and other	(246)	(187)	(59)		
Total Industrial Activities	\$2,671	\$2,191	\$ 480	9.6 %	8.5 %
Financial Services	767	799	(32)	38.6 %	39.4 %
Total Adjusted EBITDA	\$3,438	\$2,990	\$ 448	11.6 %	10.8 %

Net sales of Industrial Activities were \$27,831 million in 2018, an 8.0% increase (up 7.3% on a constant currency basis) as compared to the prior year driven by increased revenues in each Industrial Activities segment.

Adjusted EBIT of Industrial Activities was up 39% to \$1,585 million in 2018, compared to \$1,143 million in 2017, with an Adjusted EBIT margin of 5.7%, up 1.3 percentage points (“p.p.”) compared to 2017.

Adjusted EBITDA of Industrial Activities was \$2,671 million in 2018, an increase of \$480 million (or up 22%) compared to 2017, with an Adjusted EBITDA margin of 9.6%, up 1.1 p.p. compared to 2017.

Business Segment Performance

Agricultural Equipment

Net Sales

The following table shows Agricultural Equipment net sales by geographic region in 2018 compared to 2017:

Agricultural Equipment Sales – by geographic region:

(\$ million)	2018	2017	% Change
North America	\$4,037	\$3,568	13.1 %
EMEA	4,321	3,847	12.3 %
LATAM	1,625	1,657	(1.9)%
APAC	1,699	1,611	5.5 %
Total	\$11,682	\$10,683	9.4 %

Net sales for Agricultural Equipment were \$11,682 million in 2018, a 9.4% increase (up 10.4% on a constant currency basis) compared to 2017. The increase was driven by a sustained price realization performance, coupled with a stabilization of end-user demand in most of our markets, including emerging evidence of a replacement cycle in the row crop sector in North America.

For 2018, worldwide agricultural equipment industry unit sales increased 3%. In North America, industry volumes in the over 140 h.p. tractor market sector were up 5% and combines were up 10%. Industry volumes for under 140 h.p. segment were up 6%. EMEA markets were down 8% for tractors and up 4% for combines. LATAM tractor industry volumes decreased 1% and combine industry volumes increased 10%. APAC markets increased 3% for tractors and 2% for combines.

Adjusted EBIT

Adjusted EBIT was \$1,036 million in 2018 (\$791 million in 2017). The increase was mainly due to positive net price realization and favorable volume in most of our regions, partially offset by the sustained investment in product development, related primarily to precision farming and compliance with Stage V emission regulations. Adjusted EBIT margin increased 1.5 p.p. to 8.9%.

Construction Equipment

Net Sales

The following table shows Construction Equipment net sales by geographic region in 2018 compared to 2017:

Construction Equipment Sales – by geographic region:

(\$ million)	2018	2017	% Change
North America	\$1,525	\$1,307	16.7 %
EMEA	594	511	16.2 %
LATAM	345	300	15.0 %
APAC	557	412	35.2 %
Total	\$3,021	\$2,530	19.4 %

Net sales for Construction Equipment were \$3,021 million in 2018, a 19.4% increase (up 20.2% on a constant currency basis) compared to 2017, primarily due to increased end-user demand in all regions and favorable net price realization.

In 2018, Construction Equipment's worldwide heavy industry volumes were up 20% and light industry volumes were up 17% compared to 2017. Overall industry volumes increased in all regions.

Adjusted EBIT

Adjusted EBIT was \$91 million in 2018 (up \$107 million compared to 2017). Adjusted EBIT margin increased 3.6 p.p. to 3.0%. The increase was due to higher sales volume, favorable mix, and positive net price realization, more than offsetting raw material cost increases, mainly in North America.

Commercial Vehicles

Net Sales

The following table shows Commercial Vehicles net sales by geographic region in 2018 compared to 2017:

Commercial Vehicles Sales – by geographic region:

(\$ million)	2018	2017	% Change
North America	\$25	\$20	n.m.
EMEA	9,402	8,705	8.0 %
LATAM	710	837	(15.2)%
APAC	802	1,000	(19.8)%
Total	\$10,939	\$10,562	3.6 %

n.m. – not meaningful

Commercial Vehicles net sales were \$10,939 million in 2018, an increase of 3.6% from 2017 (up 1.3% on a constant currency basis), as a result of positive pricing and a favorable product mix.

In 2018, the European truck market (GVW \geq 3.5 tons), excluding U.K. and Ireland, grew by 8% compared to 2017. The light vehicles market ("LCV") (GVW 3.5-7.49 tons) increased 11%, while the Medium and Heavy ("M&H") Truck market (GVW \geq 7.5 tons) increased 5%. In LATAM, new truck registrations (GVW \geq 3.5 tons) increased 24% compared to 2017, with an increase of 46% in Brazil, partially offset by a decrease of 17% in Argentina. In APAC, new truck registrations slightly increased (up 1%) compared with 2017.

The Company's estimated market share in the European truck market (GVW \geq 3.5 tons), excluding U.K. and Ireland, was 11.6%, down 1.2 p.p. compared with 2017. In LATAM in 2018, the Company's market share decreased 2.3 p.p. to 9.6%.

During 2018, Commercial Vehicles delivered approximately 144,900 vehicles (including buses and specialty vehicles), representing a 5% decrease from 2017. Volumes increased 2% in LCV and decreased 20% in M&H truck segments. Commercial Vehicles' deliveries decreased 4% in EMEA, 7% in LATAM and 17% in APAC.

In 2018, Commercial Vehicles' ratio of orders received to units shipped and billed, or book-to-bill ratio, for the European truck market was 0.98, a decrease of 5% compared to 2017. In 2018, truck order intake in Europe decreased 7% compared to previous year.

The following tables show our unit deliveries by geographic area and by product in 2018 compared to 2017:

Commercial Vehicles Deliveries – by geographic area:

(units in thousands)	2018	2017	% Change
France	24.9	22.9	8.7 %
Germany & Switzerland	19.5	20.7	(5.8)%
U.K.	6.5	7.2	(9.7)%
Italy	24.0	23.9	0.4 %
Iberia (Spain & Portugal)	11.4	14.2	(19.7)%
Rest of EMEA	36.1	38.2	(5.5)%
EMEA	122.4	127.1	(3.7)%
LATAM	12.9	13.8	(6.5)%
APAC	9.6	11.5	(16.5)%
Total Sales	144.9	152.4	(4.9)%
Naveco*	31.0	31.3	(1.0)%
Total	175.9	183.7	(4.2)%

(*) Joint ventures accounted for under the equity method

Commercial Vehicles Deliveries– by product:

(units in thousands)	2018	2017	% Change
Medium & Heavy	38.7	48.4	(20.0)%
Light	93.1	91.0	2.3 %
Buses	10.3	10.3	0.0 %
Specialty vehicles**	2.8	2.7	3.7 %
Total	144.9	152.4	(4.9)%

(**) Defense and firefighting vehicles

Adjusted EBIT

Adjusted EBIT was \$299 million in 2018 (\$195 million in 2017), mainly due to a favorable product mix in light duty trucks and buses, and to the focus on sales of alternative propulsion solutions in heavy duty trucks. Positive price realization in trucks and manufacturing efficiencies also contributed to the improved results. Adjusted EBIT margin increased 0.9 p.p. to 2.7%.

Powertrain

Net Sales

Powertrain net sales were \$4,565 million in 2018, an increase of 4.5% (up 1.4% on a constant currency basis) compared to 2017, due to higher sales volume in engine applications. Sales to external customers accounted for 50% of total net sales in 2018, up from 48% in 2017.

During 2018, Powertrain sold approximately 613,000 engines, an increase of 1% compared to 2017. By major customer, 25% of engines were supplied to Commercial Vehicles, 16% to Agricultural Equipment, 4% to Construction Equipment and the remaining 55% to external customers (units sold to third parties were up 5% compared to 2017). Additionally, Powertrain delivered approximately 72,200 transmissions, an increase of 2% compared to 2017, and 175,700 axles, a decrease of 9% over 2017.

Adjusted EBIT

Adjusted EBIT was \$406 million in 2018 (\$360 million in 2017). The improvement was mainly due to a favorable product mix and manufacturing efficiencies, partially offset by higher product development spending. Adjusted EBIT margin increased to 8.9%.

Financial Services Performance

Finance and Interest Income

Financial Services reported revenues of \$1,989 million in 2018, down 1.9% (down 0.5% on a constant currency basis) compared to 2017, primarily due to a lower average portfolio balance in North America.

Net Income

For the year ended December 31, 2018, net income was \$385 million, a \$67 million decrease compared to 2017, primarily attributable to the one-time tax benefit of \$118 million recorded in 2017 as a result of the write-down of deferred tax liabilities in connection with the enactment of the 2017 U.S. Tax Cut & Jobs Act (the "U.S. Tax Act"). In 2018, retail loan originations (including unconsolidated joint ventures) were \$10.0 billion, up \$0.9 billion compared to 2017. The managed portfolio (including unconsolidated joint ventures) was \$26.3 billion (of which retail was 62% and wholesale 38%), down \$0.5 billion compared to December 31, 2017. Excluding the impact of currency translation, the managed portfolio increased \$0.7 billion compared to 2017.

Reconciliation of Net Income (Loss) to Adjusted EBIT and Adjusted EBITDA

The following table includes the reconciliation of Adjusted EBIT and Adjusted EBITDA, non-GAAP financial measures, to net income, the most comparable U.S. GAAP financial measure.

	2018	2017	\$ Change
	(in millions)		
Net income	\$1,099	\$290	\$ 809
Income tax (expense)	417	457	(40)
Interest expenses of Industrial Activities, net of interest income and eliminations	368	482	(114)
Foreign exchange (gains) losses, net	171	124	47
Finance and non-service component of Pension and other post-employment benefit costs (1)	(15)	102	(117)
Restructuring expenses	61	93	(32)
Venezuelan re-measurement and impairment of assets, and 2017 year-end deconsolidation of Venezuelan operations	—	92	(92)
Adjusted EBIT	\$2,101	\$1,640	\$ 461
Depreciation and Amortization	703	725	(22)
Depreciation of assets under operating leases and assets sold with buy-back commitments	634	625	9
Adjusted EBITDA	\$3,438	\$2,990	\$ 448

(1) This item contains a pre-tax gain of \$80 million as a result of the amortization over approximately 4.5 years of the \$527 million passive income impact from the modification of a healthcare plan in the U.S.

2017 Compared to 2016
Consolidated Results of Operations

	2017	2016
	(in millions)	
Revenues:		
Net sales	\$25,769	\$23,216
Finance and interest income	1,932	1,879
Total Revenues	27,701	25,095
Costs and Expenses:		
Cost of goods sold	21,572	19,420
Selling, general and administrative expenses	2,315	2,246
Research and development expenses	957	860
Restructuring expenses	93	44
Interest expense	940	1,026
Other, net	1,165	1,521
Total Costs and Expenses	27,042	25,117
Income before income taxes and equity in income of unconsolidated subsidiaries and affiliates	659	(22)
Income taxes	(457)	(297)
Equity in income of unconsolidated subsidiaries and affiliates	88	58
Net income	290	(261)
Net income (loss) attributable to noncontrolling interests	18	3
Net income attributable to CNH Industrial N.V.	\$272	\$(264)

Revenues

We recorded revenues of \$27,701 million in 2017, an increase of 10.4% (up 8.1% on a constant currency basis) compared to 2016. The increase was primarily due to an increase in net sales of Industrial Activities, which were \$25,769 million in 2017, an increase of 11.0% (increase of 8.6% on a constant currency basis) compared to the prior year.

Cost of Goods Sold

Cost of goods sold were \$21,572 million in 2017 compared with \$19,420 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 83.7% and 83.6% in the years ended December 31, 2017 and 2016, respectively.

Selling, General and Administrative Expenses

SG&A expenses amounted to \$2,315 million in 2017 (8.4% of revenues), a 3.1% increase compared with the \$2,246 million recorded in 2016 (8.9% 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 expenses 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 \$940 million in 2017 compared to \$1,026 million in 2016. The interest expense attributable to Industrial Activities, net of interest income and eliminations, was \$482 million in 2017 compared to \$541 million in 2016. The decrease of \$59 million over 2016 was primarily due to improved cost of funding and a 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 \$1,165 million which includes a non-cash pre- and after-tax charge of \$92 million due to the deconsolidation of our Venezuela operations. In 2016, Other, net expenses were \$1,521 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 of our Venezuelan subsidiary. Excluding the impacts of these charges in both years, Other, net expenses increased \$137 million mainly due to higher provisions. For more information on this re-measurement, see "Note 2: Summary of Significant Accounting Policies - Foreign Currency".

Income Taxes

	2017	2016
	(in millions, except percentages)	
Income before income taxes and equity in income of unconsolidated subsidiaries and affiliates	\$659	\$(22)
Income taxes	\$457	\$297
Effective tax rate	69.3 %	n.m.
n.m. – not meaningful		

Income taxes totaled \$457 million in 2017, including a tax charge of \$128 million due to the U.S. Tax 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). The effective tax rate was also affected by charges for the repurchase and early redemption of notes of \$64 million (\$55 million after tax) and by 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 38%.

In 2016, income taxes totaled \$297 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 America operations. Excluding the tax impact of these items, the effective tax rate for 2016 would have been 40%.

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 venture 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 business segments.

	2017	2016	% Change	% Change excl. FX		
(in millions, except percentages)						
Revenues:						
Agricultural Equipment	\$10,683	\$9,690	10.2 %	8.0 %		
Construction Equipment	2,530	2,206	14.7 %	12.8 %		
Commercial Vehicles	10,562	9,628	9.7 %	7.0 %		
Powertrain	4,369	3,707	17.9 %	15.9 %		
Eliminations and other	(2,375)	(2,015)				
Total Net sales of Industrial Activities	25,769	23,216	11.0 %	8.6 %		
Financial Services	2,028	1,916	5.8 %	1.3 %		
Eliminations and other	(96)	(37)				
Total Revenues	\$27,701	\$25,095	10.4 %	8.1 %		

	2017	2016	\$ Change	2017 Adj EBIT Margin	2016 Adj EBIT Margin		
(in millions, except percentages)							
Adjusted EBIT by segment:							
Agricultural Equipment	\$791	\$642	\$ 149	7.4 %	6.6 %		
Construction Equipment	(16)	(44)	28	(0.6)%	(2.0)%		
Commercial Vehicles	195	279	(84)	1.8 %	2.9 %		
Powertrain	360	233	127	8.2 %	6.3 %		
Eliminations and other	(187)	(142)	(45)				
Total Industrial Activities	\$1,143	\$968	\$ 175	4.4 %	4.2 %		
Financial Services	497	496	1	24.5 %	25.9 %		
Total Adjusted EBIT	\$1,640	\$1,464	\$ 176	5.9 %	5.8 %		

	2017	2016	\$ Change	2017 Adj EBITDA Margin	2016 Adj EBITDA Margin		
(in millions, except percentages)							
Adjusted EBITDA by segment:							
Agricultural Equipment	\$1,106	\$951	\$ 155	10.4 %	9.8 %		
Construction Equipment	49	25	24	1.9 %	1.1 %		
Commercial Vehicles	735	771	(36)	7.0 %	8.0 %		
Powertrain	488	357	131	11.2 %	9.6 %		
Eliminations and other	(187)	(142)	(45)				
Total Industrial Activities	\$2,191	\$1,962	\$ 229	8.5 %	8.5 %		
Financial Services	799	763	36	39.4 %	39.8 %		
Total Adjusted EBITDA	\$2,990	\$2,725	\$ 265	10.8 %	10.9 %		

Net sales of Industrial Activities were \$25,769 million in 2017, an 11.0% increase (up 8.6% on a constant currency basis) as compared to the prior year. Net sales increased with solid growth in all segments.

Adjusted EBIT of Industrial Activities was \$1,143 million in 2017, a \$175 million increase as compared to the prior year, with an Adjusted EBIT margin of 4.4%, up 0.2 p.p. compared to 2016.

Adjusted EBITDA of Industrial Activities was up 11.7% to \$2,191 million in 2017 compared to \$1,962 million in 2016, with an Adjusted EBITDA margin of 8.5%, flat compared to 2016.

Industrial Activities Performance by Business

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:

(\$ million)	2017	2016	% Change
North America	\$3,568	\$3,652	(2.3)%
EMEA	3,847	3,422	12.4 %
LATAM	1,657	1,258	31.7 %
APAC	1,611	1,358	18.6 %
Total	\$10,683	\$9,690	10.2 %

Net sales for Agricultural Equipment were \$10,683 million in 2017, a 10.2% 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 North America, 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. North America industry volumes were flat overall with the row crop sector higher, offset by lower livestock sector volumes.

For the full year 2017, worldwide agricultural equipment industry unit sales up 6% compared to 2016 with global demand for tractors up 5%, primarily driven by recovery in Brazil and India, with EMEA flat and North America slightly down, combines up 6%, driven by Brazil and North America, while other agricultural equipment demand was flat. In 2017, we have seen a stabilization of the North America 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 North America row crop sector were slightly up with tractors over 140 h.p. up 2% and 10% for combines. The North America tractor under 140 h.p. segment was up 6% in the lifestyle tractors product line of 0-40 h.p., while the 60-140 h.p. 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.

Adjusted EBIT

Adjusted EBIT was \$791 million in 2017 (\$642 million in 2016). Adjusted EBIT margin increased 0.8 p.p. to 7.4% compared to 2016. The increase was 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.

Construction Equipment

Net Sales

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

Construction Equipment Sales – by geographic region:

(\$ million)	2017	2016	% Change
North America	\$1,307	\$1,137	15.0 %
EMEA	511	505	1.2 %
LATAM	300	246	22.0 %
APAC	412	318	29.6 %
Total	\$2,530	\$2,206	14.7 %

Net sales for Construction Equipment were \$2,530 million in 2017, a 14.7% 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 North America 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.

Adjusted EBIT

Adjusted EBIT was \$(16) million in 2017 (\$(44) million in 2016). Adjusted EBIT margin increased 1.4 p.p. to (0.6)% 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
North America	\$20	\$40	n.m.
EMEA	8,705	8,113	7.3 %
LATAM	837	736	13.7 %
APAC	1,000	739	35.3 %
Total	\$10,562	\$9,628	9.7 %

Commercial Vehicles net sales were \$10,562 million in 2017, increased 9.7% 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 (GVW 3.5-7.49 tons) increased 6%, while the medium and heavy 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

Adjusted EBIT

Adjusted EBIT was \$195 million in 2017 (\$279 million in 2016). Adjusted EBIT margin decreased 1.1 p.p. to 1.8% compared to 2016. Adjusted EBIT increased in LATAM and APAC, mainly due to higher volume and favorable pricing. In EMEA, adjusted EBIT 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 \$4,369 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.

Adjusted EBIT

Adjusted EBIT was \$360 million in 2017 (\$233 million in 2016). Adjusted EBIT margin increased 1.9 p.p. to 8.2% compared to 2016. The increase was due to higher volumes and manufacturing efficiencies.

Financial Services

Finance and Interest Income

Financial Services reported revenues of \$2,028 million in 2017, up 5.8% (up 1.3% on a constant currency basis) relative to 2016 primarily due to higher activity in all regions except North America.

Net Income

For the year ended December 31, 2017, net income was \$452 million, compared to \$334 million in 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. Tax 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 North America.

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%) was up \$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 Net Income (Loss) to Adjusted EBIT and Adjusted EBITDA

The following table includes the reconciliation of Adjusted EBIT and Adjusted EBITDA, non-GAAP financial measures, to net income, the most comparable U.S. GAAP financial measure.

	2017	2016	\$ Change
	(in millions)		
Net income	\$290	\$(261)	\$ 551
Income tax (expense)	457	297	160
Interest expenses of Industrial Activities, net of interest income and eliminations	482	541	(59)
Foreign exchange (gains) losses, net	124	142	(18)
Finance and non-service component of Pension and other post-employment benefit costs	102	107	(5)
Restructuring expenses	93	44	49
Venezuelan re-measurement and impairment of assets, and 2017 year-end deconsolidation of Venezuelan operations	92	34	58
Chinese joint venture restructuring	—	9	(9)
European Commission settlement	—	551	(551)
Adjusted EBIT	\$1,640	\$1,464	\$ 176
Depreciation and Amortization	725	716	9
Depreciation of assets under operating leases and assets sold with buy-back commitments	625	545	80
Adjusted EBITDA	\$2,990	\$2,725	\$ 265

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 amounts 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 2018 and 2017, 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, 2018, 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, 2018, 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, 2018. The sum of the fair values of our reporting units was in excess of our market capitalization at December 31, 2018. 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 2018 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 12: Employee Benefit Plans and Postretirement Benefits” to our consolidated financial statements for the year ended December 31, 2018, 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 2018 version of the mortality improvement scale (“MP-2018”). In 2018, CNH Industrial adopted the MP-2018 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 \$3.6 million to the Company’s benefit obligations at December 31, 2018, of which, \$3.0 million was related to pension plans and \$0.6 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:

	2019 Benefit Cost		Year End Benefit Obligation	
	One Percentage-Point Increase	One Percentage-Point Decrease	One Percentage-Point Increase	One Percentage-Point Decrease
Pension benefits				
Assumed discount rate	\$(24)	\$ 28	\$(333)	\$ 412
Expected long-term rate of return on plan assets	\$(22)	\$ 22	\$ —	\$ —
Healthcare benefits:				
Assumed discount rate	\$1	\$ 1	\$(33)	\$ 40
Assumed health care cost trend rate (initial and ultimate)	\$3	\$ (1)	\$ 25	\$ (22)
Other benefits:				
Assumed discount rate	\$1	\$ (1)	\$(35)	\$ 41

Realization of Deferred Tax Assets

At December 31, 2018, we had net deferred tax assets on temporary differences and tax benefits arising from tax loss and credit carryforwards of \$2.1 billion, of which \$1.6 billion is not recognized in the financial statements. The corresponding totals at December 31, 2017 were \$2.6 billion and \$1.8 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, but not limited to, the economic conditions in the countries and, in some cases, regions in which we have significant operations as those conditions would generally impact our ability to generate taxable income in specific jurisdictions.

The above-mentioned \$1.6 billion valuation allowance recorded in the consolidated financial statements at December 31, 2018 includes a full valuation allowance with respect to our Italian deferred tax assets totaling \$0.7 billion. As previously disclosed, we continue to

evaluate the realizability of our Italian deferred tax assets, and in accordance with the applicable guidance, at December 31, 2018, we assessed and weighed all positive and negative evidence in determining whether to maintain or release the valuation allowance currently placed against these assets. In particular, despite the positive evidence of having earned cumulative pre-tax profits over the most recent cumulative three-year period, certain other factors have been identified and considered in evaluating whether it was appropriate to maintain or release the valuation allowance. During the fourth quarter of 2018, economic data suggests a softening of the European economy in general and, in particular, of the European heavy commercial vehicle market. Further, industry forecasts estimate this trend will continue into 2019. If this softening were to occur during 2019, the results of our Italian operations would be negatively impacted. In addition, the Company has announced changes to its executive leadership team and intends to release an updated strategic business plan during the course of 2019. This strategic business plan will address how the Company approaches the mega-trends impacting the industries in which we compete -- including digitalization, electrification, and automation. The plan is also expected to define our future R&D investment and capital allocations, while also including a complete footprint assessment of our operations. As previously disclosed, the Company considers the forward-looking information included in the strategic business plan to be a significant piece of evidence in evaluating the recognition of our Italian deferred tax assets as, ultimately, their realization depends upon future taxable profits being generated in Italy. Given the negative evidence related to the softening of the European and Italian economies, the cyclicity of our business and the pending update to our strategic business plan, which is expected to address decisions as to footprint, capital allocation, R&D investments and other long-term initiatives. All of these factors may impact the profitability of our Italian operations and, accordingly we continue to maintain a full valuation allowance against our Italian deferred tax assets.

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 2019. 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, 2018, we had cash and cash equivalents of \$5,031 million, a decrease of \$399 million or 7.3% from \$5,430 million at December 31, 2017. Cash and cash equivalents at December 31, 2018 did not include restricted cash of \$772 million (\$770 million at December 31, 2017), 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 \$5,803 million at December 31, 2018, a decrease of \$397 million, or 6.4%, from the total at the end of 2017 of \$6,200 million.

The decrease of liquidity compared to December 31, 2017 was mainly attributable to a reduction in third party debt, dividend payments to shareholders and unfavorable exchange rate differences, partially offset by the net industrial cash flow generation. At December 31, 2018, available liquidity was \$8,938 million, inclusive of \$3,135 million in undrawn committed facilities (\$3,180 million at December 31, 2017), compared to \$9,380 million at

December 31, 2017.

49

The following table summarizes the changes to cash flows from operating, investing and financing activities for each of the years ended December 31, 2018, 2017 and 2016.

	2018	2017	2016
	(in millions)		
Cash provided by (used in):			
Operating activities	\$2,554	\$2,865	\$2,768
Investing activities	(1,920)	(1,869)	(1,656)
Financing activities	(723)	(1,045)	(1,538)
Translation exchange differences	(308)	395	(31)
Net increase (decrease) in cash and cash equivalents	\$(397)	\$346	\$(457)
Net Cash from Operating Activities			

Cash provided by operating activities in 2018 totaled \$2,554 million and comprised the following elements:

\$1,099 million in net income;

plus \$1,337 million in non-cash charges for depreciation and amortization (\$703 million excluding assets sold with buy-back commitments and equipment on operating leases);

plus \$160 million in losses on the disposal of assets and other non-cash items;

plus \$22 million in cost of repurchase of notes;

less \$3 million of undistributed loss of unconsolidated subsidiaries (netted against dividends received from equity investees);

plus changes in deferred income taxes of \$48 million less change in provisions of \$48 million; and

plus \$(61) million in change in working capital and other operating assets and liabilities.

In 2017, \$2,282 million of the \$2,865 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 \$583 million increase in cash resulting from a decrease in working capital and other operating assets and liabilities.

In 2016, \$1,333 million of the \$2,768 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 \$1,435 million increase in cash resulting from a decrease in working capital and other operating assets and liabilities.

Net Cash from Investing Activities

In 2018, cash used in investing activities was \$1,920 million. The negative flows were primarily generated by: investments in tangible and intangible assets that used \$1,902 million in cash. Excluding investments for our long-term rental operations and relating to commercial vehicles sold under buy-back commitments, investments amounted to \$558 million;

\$253 million employed in retail receivables, net of collections; and

less \$7 million of proceeds from the sale of assets

In 2017, cash used in investing activities totaled \$1,869 million. Expenditures on tangible and intangible assets totaled \$2,235 million. Excluding investments for our long-term rental operations and relating to vehicles sold under buy-back commitments, investments amounted to \$492 million in 2017. Net collections of receivables from retail financing activities amounted to \$306 million, and the proceeds from the sale of assets amounted to \$17 million.

In 2016, cash used in investing activities totaled \$1,656 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 \$12 million.

The following table summarizes our investments in tangible assets by segment and intangible assets for each of the years ended December 31, 2018, 2017 and 2016:

	2018	2017	2016
	(in millions)		
Agricultural Equipment	\$148	\$156	\$150
Construction Equipment	24	25	26
Commercial Vehicles	170	132	150
Powertrain	85	86	92
Total Industrial Activities investments in tangible assets	427	399	418
Industrial Activities investments in intangible assets	123	89	83
Total Industrial Activities capital expenditures	550	488	501
Financial Services investments in tangible assets	—	1	—
Financial Services investments in intangible assets	8	3	2
Total Capital expenditures	\$558	\$492	\$503

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 increase in capital expenditures in 2018 from 2017 is primarily related to the investment cycles of our products and increases in discretionary spending.

Net Cash from Financing Activities

In 2018, cash used in financing activities totaled \$723 million, mainly attributable to a reduction in third party debt of Industrial Activities (including the repurchase of a portion of the CNH Industrial Finance Europe S.A. 2.875% notes due 2021), dividend payments to shareholders and purchase of treasury shares, partially offset by an increase in third party debt of Financial Services.

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.

Capital Resources

The cash flows, funding requirements and liquidity of CNH Industrial 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 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 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 implemented commercial paper programs, both in the U.S. 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 August 2018, S&P Global Ratings raised its long-term issuer credit ratings on CNH Industrial N.V. and its subsidiary, CNH Industrial Capital LLC, to 'BBB' from 'BBB-'. The outlook is stable. Additionally, S&P Global Ratings raised the issue-level ratings on CNH Industrial N.V. and its industrial subsidiaries' debt, as well as the issue-level ratings on CNH Industrial Capital LLC's senior unsecured debt, to 'BBB' from 'BBB-'. In December 2018, Moody's Investors Service ("Moody's") upgraded the senior unsecured ratings of CNH Industrial N.V. and its subsidiaries CNH Industrial Capital LLC and CNH Industrial Finance Europe S.A. from Ba1 to Baa3. The outlook is stable. In October 2017, Fitch Ratings assigned to CNH Industrial N.V. and CNH Industrial Capital LLC long-term issuer default ratings of "BBB-". The outlook is stable. Current ratings for the Company are as follows:

	CNH Industrial N.V. ⁽¹⁾			CNH Industrial Capital LLC		
	Long Term	Short Term	Outlook	Long Term	Short Term	Outlook
S&P	BBB	A-2	Stable	BBB	A-2	Stable
Fitch	BBB-	-	Stable	BBB-	F3	Stable
Moody's	Baa3	-	Stable	Baa3	-	Stable

(1) Includes treasury subsidiary, CNH Industrial Finance Europe S.A.

Following the rating actions that occurred in 2017 and 2018, the Company's debt is now fully investment grade, 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, 2018, and 2017, our consolidated Debt was as detailed in the table below:

	Consolidated		Industrial Activities		Financial Services	
	2018	2017	2018	2017	2018	2017
Total Debt	\$24,445	\$25,895	\$6,347	\$7,443	\$20,436	\$21,075

(in millions)

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 activities 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 provide financing to third parties.

The calculation of Net Debt as of December 31, 2018 and 2017 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	
	2018	2017	2018	2017	2018	2017
	(in millions)					
Third party debt *	\$24,445	\$25,895	\$5,211	\$6,461	\$19,234	\$19,434
Intersegment notes payable **		—	1,136	982	1,202	1,641
Total Debt ***	\$24,445	\$25,895	\$6,347	\$7,443	\$20,436	\$21,075
Less:						
Cash and cash equivalents	5,031	5,430	4,553	4,901	478	529
Restricted cash	772	770	—	—	772	770
Intersegment notes receivables **	—	—	1,202	1,641	1,136	982
Derivatives hedging debt	(8)	(7)	(8)	(7)	—	—
Net Debt (Cash)	\$18,650	\$19,702	\$600	\$908	\$18,050	\$18,794

(*) Includes adjustments related to fair value hedges.

(**) The net intersegment receivable/payable balance owed by Financial Services to Industrial Activities was \$66 million and \$659 million as of December 31, 2018 and 2017, respectively.

(***) Total Debt of Industrial Activities includes Intersegment notes payable to Financial Services of \$1,136 million and \$982 million at December 31, 2018 and 2017, respectively. Total Debt of Financial Services includes Intersegment notes payable to Industrial Activities of \$1,202 million and \$1,641 million at December 31, 2018 and 2017, respectively.

The decrease in the Net Debt position from December 31, 2017 to December 31, 2018 was primarily due to the decrease in the Net Debt of Financial Services, mainly due to the decrease in portfolio and to the positive foreign exchange translation impacts, and to the reduction in the Net Debt of Industrial Activities. Net Debt of Industrial Activities decreased \$0.3 billion from December 31, 2017 to \$0.6 billion at December 31, 2018. The decrease was primarily due to a significant cash generation from operating activities of \$0.6 billion and to positive foreign exchange translation impacts on euro denominated debt, partially offset by dividend payments and by purchase of treasury shares.

The following table shows the change in Net Debt of Industrial Activities for 2018 and 2017:

(\$ million)	2018	2017
Net Debt of Industrial Activities at beginning of year	\$(908)	\$(1,609)
Adjusted EBITDA of Industrial Activities	2,671	2,191
Cash interest and taxes	(613)	(481)
Changes in provisions and similar*	(406)	(173)
Change in working capital	(496)	168
Operating cash flow	1,156	1,705
Investments in property, plant and equipment and intangible assets**	(550)	(488)
Other changes	(50)	73
Net industrial cash flow	556	1,290
Capital increases and dividends***	(399)	(193)
Currency translation differences and other****	151	(396)
Change in Net Debt of Industrial Activities	308	701
Net Debt of Industrial Activities at end of year	(600)	(908)

(*) Including other cash flow items related to operating lease and buy-back activities.

(**) Excluding assets sold under buy-back commitments and assets under operating leases.

(***) Including share buy-back transactions

(****) In the year ended December 31, 2018, this item includes the charge of \$22 million related to the repurchase of notes. In the year ended December 31, 2017, this item included the charge of \$56 million related to the repurchase/early redemption of notes.

Industrial Activities

Capital Markets

At December 31, 2018, we had an aggregate amount of \$7.9 billion in bonds outstanding, of which \$4.9 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.

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, 2018, €3,354 million (\$3,840 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 the following notes issued in 2018: €500 million of notes, issued in September 2018, at an annual fixed rate of 1.875% due in January 2026 at an issue price of 98.944 percent of their principal amount. In December 2018, in order to manage its liabilities, CNH Industrial Finance Europe S.A. repurchased, through a public tender, an aggregate nominal amount of €268,445,000 of the outstanding €700,000,000 2.875% Notes due 27 September 2021 issued under the EMTN.

CNH Industrial N.V. Senior Notes. In the United States, CNH Industrial N.V. has issued notes from time to time. In 2016, CNH Industrial N.V. issued \$600 million of notes at an interest rate of 4.50% due August 2023 (the “2023 Notes”) at an issue price of 100 percent of their principal amount, and, in 2017, CNH Industrial N.V. issued \$500 million of notes at an interest rate of 3.850% due November 2027 (the “2027 Notes”) at an issue price of 99.384% of their principal amount. The 2023 Notes and the 2027 Notes are collectively referred to as the “CNH Industrial N.V. Senior Notes”.

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, 2018, 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, 2018, Industrial Activities available committed unsecured facilities expiring after twelve months amounted to \$2.6 billion (\$2.7 billion at December 31, 2017).

Euro 1.75 billion Revolving Credit Facility. In 2016, we signed a renewal of a €1.75 billion (\$2.0 billion at year-end 2018 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, 2018, CNH Industrial was in compliance with the covenants of the Revolving Credit Facility.

Financial Services

Total Debt of Financial Services was \$20.4 billion at December 31, 2018, compared to \$21.1 billion at December 31, 2017.

Bank Debt

At December 31, 2018, Financial Services available committed, unsecured facilities expiring after twelve months amounted to \$0.5 billion (\$0.5 billion at December 31, 2017).

Asset-Backed Financing

At December 31, 2018, Financial Services' committed, asset-backed facilities expiring after twelve months amounted to \$3.9 billion (\$3.5 billion at December 31, 2017), of which \$3.0 billion was utilized at December 31, 2018 (\$2.3 billion at December 31, 2017).

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 transactions and involves mainly accounts receivable from final (retail) customers and from the network of dealers (wholesale) to our Financial Services subsidiaries.

At December 31, 2018, our receivables from financing activities included receivables sold and financed through both ABS and factoring transactions of \$13.4 billion (\$14.0 billion at December 31, 2017), 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 statement of financial position as debt (see "Note 4: Receivables").

Capital Markets

In August 2018, CNH Industrial Capital LLC refinanced an April 2018 maturity by issuing \$500 million of notes at an annual fixed rate of 4.200% due January 2024 at an issue price of 99.701 percent of their principal amount.

Commercial Paper Programmes

In 2017, with the purpose of further diversifying Financial Services' funding structure, a commercial paper program was established in the U.S. by CNH Industrial Capital LLC's. This program had an outstanding amount of \$388

million at December 31, 2018. Since 2015, CNH Industrial Financial Services S.A. in Europe has issued commercial paper under a program which had an outstanding amount of \$101 million at December 31, 2018.

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 1.05:1.0 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 10: Debt" to our consolidated financial statements for the year ended December 31, 2018.

Future Liquidity

We have adopted formal policies and decision-making processes designed to optimize the allocation of 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, 2018, we had available committed, unsecured facilities expiring after twelve months of \$3.1 billion (\$3.2 billion at December 31, 2017).

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. At December 31, 2018, Financial Services' committed asset-backed facilities expiring after twelve months amounted to \$3.9 billion (\$3.5 billion at December 31, 2017), of which \$3.0 billion at December 31, 2018 (\$2.3 billion at December 31, 2017) were utilized.

If Financial Services were unable to obtain ABS funding at competitive rates, its 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 U.K. 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 U.K. 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, 2018 and 2017, the difference between the present value of the pension plan obligations and the fair value of the related plan assets was a deficit of \$748 million and \$848 million, respectively. In 2018, we contributed \$55 million to the plan assets and made direct benefit payments of \$83 million for our pension plans. Our expected total contribution to pension plan assets and direct benefit payments is estimated to be \$78 million for 2019.

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 North America healthcare plans.

At December 31, 2018 and 2017, the difference between the present value of the healthcare plan obligations and the fair value of the related plan assets was a deficit of \$293 million and \$936 million, respectively. In 2018, we did not contribute to the plan assets and made direct benefit payments for healthcare plans of \$17 million and we expect to make direct benefit payments of \$14 million in 2019.

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, 2018 and 2017, the present value of the obligation for other postemployment benefits amounted to \$422 million and \$470 million, respectively.

In 2018, we made direct benefit payments of \$37 million for other postemployment benefits and expect to make direct benefit payments of \$34 million in 2019.

For further information on pension and other postemployment benefits, see “Note 12: Employee Benefit Plans and Postretirement Benefits” to our consolidated financial statements for the year ended December 31, 2018.

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

Our research, development and engineering personnel design, engineer, manufacture and test new products, components, and systems.

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 54 sites around the world during 2018.

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, 2018, we had 11,051 active granted patents, including 2,195 new patents registered during the year (in addition to 4,009 pending applications).

We file patent applications in Europe, the U.S. 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 14: Commitments and Contingencies” to our consolidated financial statements for the year ended December 31, 2018.

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 \$471 million as of December 31, 2018.

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, 2018:

	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
	(in millions)				
Contractual Obligations					
Debt obligations⁽¹⁾					
Bonds	\$7,878	\$1,073	\$1,994	\$2,322	\$2,489
Borrowings from banks	4,125	1,405	2,156	408	156
Asset-backed financing	11,268	7,060	3,326	829	53
Other debt	1,172	907	126	108	31
Capital lease obligations	2	2	—	—	—
Operating lease obligations	570	155	186	94	135
Purchase obligations	1,993	864	887	226	16
Total	\$27,008	\$11,466	\$8,675	\$3,987	\$2,880

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 2019 to pension plans, healthcare plans and (1) other postemployment plans is \$78 million, \$14 million and \$34 million, respectively. Potential outflows in the years after 2019 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 2019.

Debt Obligations

For information on our debt obligations, see “Capital Resources” above and “Note 10: Debt” to our consolidated financial statements for the year ended December 31, 2018. The debt obligations reflected in the table above can be reconciled to the amount in the December 31, 2018 consolidated balance sheet as follows:

(in millions)	Amount
Debt reflected in the December 31, 2018 consolidated balance sheet	\$24,445
Less:	
Capital lease obligations	(2)
Total Debt obligations	\$24,443

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, 2018, 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 \$1,870 million; and commitments to purchase tangible fixed assets, largely in connection with planned capital expenditures, in an aggregate amount of approximately \$123 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”, “cont”, “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 policy; 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

59

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 relating to the factors described in this filing, which are sometimes based upon estimates and data received from third parties. Such estimates and data are often revised. 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 "Risk Factors" of this Annual Report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The Board of Directors consists of ten directors. Lady Heywood was appointed Chairperson by the directors on July 21, 2018. On November 29, 2018, at the extraordinary general meeting of shareholders ("EGM"), Lady Heywood was appointed by the shareholders as an executive director. On September 17, 2018, Mr. Mühlhäuser became CEO of CNH Industrial. On November 29, 2018, at the EGM, Mr. Mühlhäuser was appointed to the Board, as an executive director. All other directors were elected on April 13, 2018 at the Annual General Meeting of Shareholders ("AGM"). The term of office of the current Board of Directors expires on April 12, 2019 (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 1, 2019, 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
Léo W. Houle	Senior Non-Executive Director, Chairperson of the Compensation Committee, Chairperson 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
Hubertus Mühlhäuser	Director, Chief Executive Officer
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
Alan Berger	Chief Technology Officer
Luc Billiet	General Manager, Aftermarket Solutions
Massimiliano Chiara	Chief Financial Officer and Chief Sustainability Officer
Vilmar Fistarol	General Manager, South America
Carl Gustaf Göransson	President, Construction
Oddone Incisa	President, Financial Services
Gerrit Marx	President, Commercial and Specialty Vehicles
Derek Neilson	President, Agriculture

Stefano Pampalone	General Manager, Asia, Middle East and Africa
Annalisa Stupenengo	President, Powertrain
Tom Verbaeten	Chief Supply Chain Officer
Andreas Weishaar	Chief Strategy, Talent, ICT and Digital 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 global board of 100 Women in Finance and 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 and British citizenship. Date of first appointment: September 29, 2013.

Suzanne Heywood, Chairperson (Executive-Director)

Lady Heywood was appointed Chairperson of CNH Industrial N.V., in July 2018. Lady 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 co-lead 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. Lady Heywood 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), a non-executive director of Chanel, a director of the Royal Opera House (where she is the Deputy Chair) and of 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, Chairperson 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 SGS Ltd., Geneva (Switzerland); Chairman of the Board of Clair Ltd., Cham (Switzerland); Chairman of Von Roll Holding Ltd., Breitenbach (Switzerland); Chairman of Degussa Sonne/Mond Goldhandel AG, Cham (Switzerland); Chairman of Hardstone Services, SA, Geneva (Switzerland); he is a member of the Board of Paneuropean Oil and Industrial Holdings, Luxembourg and of Consolidated Lamda Holdings (Luxembourg). 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.

Hubertus Mühlhäuser, Chief Executive Officer (Executive-Director)

Hubertus Mühlhäuser is the Chief Executive Officer of CNH Industrial N.V. since September 2018. Mr. Mühlhäuser brings extensive leadership experience at multinational industrial companies and a deep knowledge of the agricultural and construction sector, as well as strategic expertise. Prior to joining CNH Industrial, he was President, CEO and Director of Welbilt Inc., a leading manufacturer of food service equipment, in 2015. Before joining Welbilt Inc., he dedicated two years to his family business, the tunneling specialist Mühlhäuser Holding Ltd., which he successfully restructured. From 2006 to 2013 he held positions of increasing importance at AGCO Corporation, a global agricultural equipment manufacturer. Initially Hubertus was the Senior Vice President of Strategy and Integration and was subsequently appointed Senior Vice President of AGCO's global engine division. In 2009, he assumed the role of Senior Vice President Eastern Europe and Asia, and in 2012 became Head of Europe, Middle East and Africa, AGCO's largest business region. Hubertus Mühlhäuser started his career at Arthur D. Little in Zurich, Switzerland in 1994, where he was appointed Global Head of the Strategy & Organization practice in 2000. He was also a member of

the Global Executive Team. Mr. Mühlhäuser, who is fluent in four languages, holds an MBA from the European Business School of Wiesbaden and Oestrich-Winkel. He is Non-Executive Chairman of Mühlhäuser Holding Ltd., of Freienbach, Switzerland, and serves on the Board of Cormoran de Bilbao SL, of Bilbao, Spain. He is also a Member of the Board of the National Association of Manufacturers (NAM), Washington D.C., U.S.A., a member of the Business Roundtable and serves on the Board of Trustees of the University of Tampa, Florida, U.S.A. Born in 1969, German and Swiss citizenship. Date of first appointment: November 29, 2018.

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 M.B.A. 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 Vifor Pharma AG, Mundipharma Ltd., CNH Industrial N.V. and ADC Therapeutics S.A. He is a Partner at Sofinnova Crossover Fund, an investment fund 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.

Alan Berger, Chief Technology Officer

Alan Berger assumed the role of Chief Technology Officer in January 2019. 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 and from 2017 - 2018 he served as Chief Technical Officer, Agricultural and Construction

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, General Manager Aftermarket Solutions

Luc Billiet assumed the role of General Manager Aftermarket Solutions in January 2019. Mr. Billiet 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 Volkswagen Parts and Accessories LATAM. In 2005, Mr. Billiet joined Fiat 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 (Fiat Chrysler Automobiles) 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. He also served as President, Parts and Service for CNH Industrial from 2015 - 2018. Luc Billiet was born in Belgium and holds a degree in Business Administration from the Catholic University of Leuven, Belgium.

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 (now renamed M&A). 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 Brands and Marketing Controller and Head of Financial Planning and Analysis, a position he held since he joined Chrysler Group LLC in 2009. Prior to this he was the Director of Business Development Finance for Fiat Powertrain S.p.A. Previously, and since 1993, Mr. Chiara held various managerial roles at Teksid Aluminum, PricewaterhouseCoopers, R. Bosch S.p.A., 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, General Manager South America

Vilmar Fistarol assumed the role of General Manager South America in January 2019. Mr. Fistarol started his career at the Metallurgical Division of Abramo Eberle (BR) casting in 1978, and subsequently undertook various roles for Agrale (BR) from 1981 to 1991. In 1991, he joined Fiat Group, and from 1991 - 2001, he served in roles of increasing importance within the Purchasing Division, including Director of Fiat Auto Argentina Purchasing, Purchasing Director of Fiat Auto Metallic Italy and Director of Purchasing for GM-Fiat Powertrain Europe. From 2001 to 2005, during the joint venture GM-Fiat Worldwide 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 2005 to 2007, he was Vice President of Purchasing for Fiat in Latin America. Mr. Fistarol was appointed President and CEO of Teksid (Fiat Group Foundry NAFTA and Mercosul) in January 2008, and subsequently he served as Director of Human Resources for Fiat Group Automobiles Latin America from 2010 - 2011. Concurrently, he was appointed Executive Vice President of Fiat Group Automobiles Argentina. In 2011, he was appointed Head of Group Purchasing for Fiat Chrysler Global, a role he held until 2013, and was also named a member of the Fiat Chrysler Group Executive Council (GEC) on September 1, 2011. Vilmar Fistarol held the role of Chief Operating Officer for the LATAM region for CNH Industrial from 2013 - 2018. He trained in metallurgy at the Technical School Tupy- SC, and graduated in Business Administration at the University of Caxias do Sul, Brazil, in addition to obtaining an MBA from FDC/Kellogg School of Management in the U.S.A. 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, President Construction

Carl Gustaf Göransson assumed the role of President Construction in January 2019. 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 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 - 2018, Mr. Göransson was Brand President, CASE Construction Equipment and New Holland Construction and he also served as President, Construction Equipment Products Segment for CNH Industrial, from 2016 - 2017. Mr. Göransson holds a degree in Marketing and Business Administration from Eductus IHM Business School, Växjö, Sweden, and an officer's degree from the Swedish Officers Academy School, Halmstad, Sweden.

Oddone Incisa, President, Financial Services

Oddone Incisa della Rocchetta assumed the role of President Financial Services in January 2013. 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. From 2011 to 2013 Mr. Incisa was the CEO and General Manager of FGA Capital (now FCA Bank). 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.

Gerrit Marx, President Commercial and Specialty Vehicles

Gerrit Marx joined CNH Industrial and assumed the role of President Commercial and Specialty Vehicles in January 2019. Ad interim he has also been appointed Commercial Director of the IVECO Brand. Mr. Marx has some 20 years' experience in roles of increasing importance in different geographies and in a variety of industrial segments, with specific, in-depth focus on automotive industries. He has held positions as a consultant, manager, and most recently was an Operating Partner at Bain Capital, a global private equity firm. From 1999 to 2007 he worked at McKinsey & Company, a global consulting firm, focusing on operational improvement programs in the automotive and aerospace industries in Europe, Brazil, and Japan. In 2007, Mr. Marx joined Daimler AG, heading the global controlling function for product (vehicles and powertrain components) and market-entry/merger and acquisition projects across three truck brands in North America, Europe and Asia. In 2009, he moved to China and became President and Chief Executive Officer of Daimler Trucks China, and subsequently was the President of Skoda China with Volkswagen AG, overseeing imports as well as joint venture business relationships in both roles. Mr. Marx joined the European leadership team of Bain Capital in 2012, as a member of their portfolio group driving and leading transformational change programs. This role also encompassed due diligence and merger and acquisition activities, with specific focus on automotive and industrial assets, and also included interim roles such as Chief Executive Officer of Wittur Group, a global Tier-1 supplier to the elevator industry. Mr. Marx holds a degree in Mechanical Engineering and an MBA (Diplom Kaufmann) from RWTH Aachen University, Germany and a Doctorate in Business Administration from Cologne University, Germany.

Derek Neilson, President, Agriculture

Derek Neilson assumed the role of President Agriculture in January 2019. Mr. Neilson has more than 20 years of experience in CNH Industrial and has been a member of the GEC (Global Executive Committee, formerly known as Group Executive Council) for some 10 years. He joined CNH in 1999 with responsibility for the UK Plant Engine and Tractor Manufacturing Business Units before being appointed Plant Manager of CNH's Basildon (UK) 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 was appointed Chief Operating Officer EMEA in February 2015, alongside the position of President, Commercial Vehicles Products Segment, a role he held until December 2018. From April to September 2018, he was the Chief Executive Officer, Ad Interim, of CNH Industrial N.V. Mr. Neilson holds a BTEC Diploma in Mechanical and Production Engineering.

Stefano Pampalone, General Manager, Asia, Middle East and Africa

Stefano Pampalone assumed the role of General Manager Asia, Middle East and Africa in January 2019. 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 Africa and the 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 being appointed Chief Operating Officer APAC (Asia and Pacific) region for CNH Industrial in September 2013, a role he held until 2018. Mr. Pampalone holds a degree in Engineering from the University of Trieste, Italy and an MBA from Profingest of Bologna, Italy.

▲**Annalisa Stupenengo, President, Powertrain**

Annalisa Stupenengo assumed the role of President Powertrain in January 2019. Ms. Stupenengo has extensive international experience and deep knowledge of the Powertrain business, gained through roles of increasing responsibility and complexity, within both CNH Industrial and FCA (Fiat Chrysler Automobiles). Ms. Stupenengo started her career in 1996 in the Sales & Marketing area of Fiat Group. In the early years of her professional career, she worked in Morocco, Sweden and Italy in management roles ranging from Sales, Project Management and Purchasing within Fiat and GM/Fiat joint ventures. In 2006, she contributed to establishing the Fiat Powertrain Sector Purchasing department, leading this organization until 2010 as its Purchasing Vice President. In 2008 Ms. Stupenengo was also appointed Vice President of the Electrical Commodity with global responsibility for Europe, USA, Brazil, China and India within Fiat Group Purchasing. In 2010, Annalisa Stupenengo joined CNH as Senior Vice President Purchasing. In January 2013, she became Head of Group Purchasing EMEA Region for Fiat Chrysler, then in September 2013 she rejoined CNH Industrial as Chief Purchasing Officer, and was a member of the CNH Industrial Group Executive Council (GEC). From 2015 - 2018 she held the posts of Brand President, FPT Industrial Brand and President, Powertrain Product Segment. In December 2015, she joined the Board of Directors at Welltec International ApS. Ms. Stupenengo holds a degree in Management Engineering from the Polytechnic University of Turin, Italy.

▲**Tom Verbaeten, Supply Chain Officer**

Tom Verbaeten assumed the role of Chief Supply Chain Officer in January 2019. 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 onwards. He has also managed the Global World Class Manufacturing activities from 2014 - 2015, in addition to his operational role. From 2015-2018, Mr. Verbaeten served as Chief Manufacturing Officer. Mr. Verbaeten holds an Engineering degree from the University of Leuven.

▲**Andreas G. Weishaar, Chief Strategy, Talent, ICT and Digital Officer**

Andreas G. Weishaar joined CNH Industrial and assumed the role of Chief Strategy, Talent, ICT and Digital Officer in January 2019. Mr. Weishaar has some 20 years' experience in senior roles in international business, with deep knowledge of the agricultural sector, as well as strategic and industrial expertise. Mr. Weishaar started his career at Arthur D. Little, a global management consultancy, in Zurich, Switzerland in 1999. He was rapidly promoted and was appointed Senior Manager in the Strategy and Organization Practice in 2005. From 2005 to 2016 he held roles of increasing importance at AGCO Corporation, a global agriculture equipment manufacturer. Initially Andreas was Senior Manager for Strategy & Integration and was subsequently appointed Director and Vice President of the function in 2008 and 2009 respectively. In 2009 Mr. Weishaar assumed the role of Vice President Strategy & Integration and Operations for China, and in 2011 was promoted to the role of Vice President and Managing Director, China, responsible for the Company's expansion in China, and their business in India and Pakistan. In 2014, he became Vice President and General Manager, Global Green Harvesting, overseeing the Company's hay, forage and sugarcane businesses worldwide. Mr. Weishaar joined Welbilt Inc., a leading manufacturer of foodservice equipment, in 2016 as Senior Vice President Strategy, Marketing and Human Resources. He was appointed Senior Vice President Strategy, Marketing and Digital in 2018 and assumed the role of Executive Vice President, Chief Transformation and Digital Officer in August 2018. Mr. Weishaar, holds an MBA (Diplom Kaufmann) from the European Business School of Oestrich-Winkel, Germany, having also studied at the École Supérieure de Commerce de Dijon, France and The American Graduate School of International Management, Thunderbird, Glendale, Arizona, U.S.A.

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. The Compensation Committee of the Board of Directors (“Compensation Committee”) reviews the Remuneration Policy on an annual basis.

Remuneration Policy Available on our Website

The 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. In addition, in formulating the Remuneration Policy, the Board of Directors (“Board”) took into consideration the aspects set forth in best practice 3.1.2 of the Dutch Corporate Governance Code. The Committee did not recommend to the Board adjustments to the Remuneration Policy be put to shareholders at the 2019 Annual General Meeting.

Change in Executive Directors in 2018

During 2018, the Company's executive directors changed. At the end of April, the former CEO, Richard Tobin, left the Company voluntarily, and Derek Neilson, one of our senior managers, was appointed as Chief Executive Officer, Ad Interim. On September 17, 2018, Hubertus Mühlhäuser, recruited externally, assumed the position of CEO. On July 21, 2018, the Board of Directors, having been apprised of the deteriorating health situation of its Chairman Sergio Marchionne, appointed Lady Heywood as Chairperson with immediate effect. On July 25, 2018, Mr. Marchionne passed away. Shareholders appointed Lady Heywood and Mr. Mühlhäuser as Executive Directors at the November 29, 2018 Extraordinary General Meeting.

Financial Year 2018 – Business Highlights

The foundation of CNH Industrial’s Remuneration Policy is pay for performance. The following table highlights key 2018 Company achievements.

Financial Highlights

Standard & Poor’s Global Ratings further raised the credit ratings of both CNH Industrial N.V. and CNH Industrial Capital LLC from “BBB-” to “BBB”, with stable outlook

Moody’s raised its credit ratings to Baa3 (“investment grade”) with stable outlook for CNH Industrial N.V., CNH Industrial Capital LLC, and CNH Industrial Finance Europe S.A.

Met all CNH Industrial guidance for Net Sales of Industrial Activities, Adjusted Diluted EPS and Net Industrial Debt

2018 YTD Adjusted EPS up 74% year-over-year

Generated \$1,117 million in Adjusted Net Income, an increase of 72% vs 2017 (\$651 million) and \$2,101 million in Consolidated Adjusted EBIT, an increase of 28% year-over-year

Consolidated revenue up 7.2% year-over-year, with improved Consolidated Adjusted EBIT margin of 7.1% (versus 5.9% in 2017)

Reduced Net Industrial Debt by one-third to \$0.6 billion from \$0.9 billion at the end of 2017

Continued margin improvement in all industrial segments with strong operating leverage in all business segments, with a continued improvement versus prior year in Agricultural Equipment, and a sustained year-over-year improvement in Construction Equipment

Commercial Vehicles refocusing strategy on better product mix, together with positive price realization versus prior year

Powertrain continued to demonstrate strong performance in 2018, with and Adjusted EBIT of \$406 million versus \$360 million in 2017

Debt refinancing with lower interest cost as a result of improved credit ratings

Continued investment in new products and technology with capital expenditures (“CAPEX”) up 13% and research and development (“R&D”) spending up 11% versus prior year

Definitions of non GAAP metrics referenced in the above table (derived from financial information prepared in accordance with U.S. GAAP):

Adjusted Diluted EPS: is computed by dividing Adjusted Net Income (loss) attributable to CNH Industrial N.V. by a weighted-average number of common shares outstanding during the period that takes into consideration potential common shares outstanding deriving from the CNH Industrial share-based payment awards, when inclusion is not anti-dilutive. When we provide guidance for adjusted diluted EPS, we do not provide guidance on an earnings per

Strategic Developments and Initiatives

CNH Industrial launched the new Precision Farming aftermarket brand AGXTEND, focused exclusively on aftermarket precision farming technology solutions

The Company and Farmers Edge entered into a strategic digital agriculture agreement, providing connectivity and agronomic solutions for New Holland AG and Case IH customers

Maxxum 145 Multicontroller powered by FPT Industrial N45 engine was awarded “Tractor of the Year 2019” and “Best Design 2019,” at the EIMA International farm equipment trade fair

IVECO Stralis NP 460 won “Sustainable Truck of the Year 2019” at Ecomondo 2018

At the 2018 IAA exhibition, IVECO was the first to have a low emission area that is 100% diesel free, and IVECO BUS On-Motion-Charging Crealis was named “Sustainable Bus of the Year 2019”

FPT industrial launched its state of the art Tier 4 Final power generation engines at Power-Gen in Orlando

FPT Industrial’s marine diesel engine broke the Guinness world powerboat speed record

FPT Industrial’s engine powered the drone that broke the Guinness world record for heaviest drone carried payload

The new CASE TR320 compact track loader was named one of the “China Top 50 Construction Machinery Products of the Year”

CASE Construction Equipment won in the compaction equipment category at the Equipment India Awards for the fifth consecutive year

Confirmed Industry Leader for the eighth consecutive year by the Dow Jones Sustainability Indices

Continued important World Class Manufacturing (WCM) achievements with 1 gold, 17 silver (up 2) and 25 bronze (up 4) medaling plants by the end of 2018

(derived from financial information prepared in

share basis because the GAAP measure will include potentially significant items that have not yet occurred and are difficult to predict with reasonable certainty prior to year-end.

Adjusted Net Income (Loss): is defined as net income (loss), less restructuring charges and non-recurring items, after tax.

Adjusted EBIT: is defined as net income (loss) before income taxes, interest expenses of Industrial Activities, net, restructuring expenses, the finance and non-service component of pension and other postemployment benefit costs, foreign exchange gains/(losses), and certain non-recurring items. 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 on-going operational activities.

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. CNH Industrial provides the reconciliation of Net Debt to Total Debt, which is the most directly comparable measure included in the 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 Net Debt of Industrial Activities.

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 the achievement of business and financial goals that create long-term 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, and other senior leaders, 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 2018, 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 inappropriate, in particular in light of being listed in both the New York and Milan stock exchanges and the strong commercial presence in the United States. Accordingly, the compensation peer group for the Chief Executive Officer ("CEO") and the Chairperson 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. In 2018, no change was made to the compensation peer group.

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.

2018 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 Purpose
Base Salary	Fixed cash compensation	Attracts and rewards high performing executives via market competitive pay
Short-Term Variable	Based on achievement of annually predetermined performance objectives Objectives comprised of four financial metrics: Adjusted Net Income, Consolidated Adjusted EBIT, Consolidated Revenues and Net Industrial Debt For the CEO, target payout is 125% of base salary and maximum payout is 200% target payout No discretion applies The Chairperson does not participate in the annual bonus program Two components: 75% based on Company performance 25% based on individual performance and leadership	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 Aligns executives' and shareholders' interests
Long-Term Variable	for the Company performance component: 100% linked to Relative TSR versus 6 industry specific peer companies, subject to modifier based on Company's credit rating Five-year equity holding period for Executive Directors Both the CEO and Chairperson participate	Encourage executives to achieve long-term strategic and financial objectives Motivates executives to deliver sustained long-term growth Aligns executives' and shareholders' interests through long-term value creation Enhance retention of key talent
Post Employment Benefits	CEO: Company sponsored retirement savings programs, available to all salaried employees Severance protection of 12 months' base salary, consistent with Dutch Corporate Governance Code best practice Prorated equity award vesting in the event of death, disability or involuntary termination by the the Company, not for cause. Retiree healthcare benefits Chairperson: Prorated equity award vesting in the event of death or disability. Board discretion in the event of end of mandate. No other post mandate benefits provided	Provides Executive income security
Other Benefits	CEO: typical benefits such as a company car, medical insurance, accident insurance tax equalization for any non U.S. sourced employment	Customary fringe benefits consistent with offerings of compensation peer group

income

Chairperson: No benefits provided

71

2018 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. The total annual target compensation of the Executive Directors emphasizes pay for performance and long-term value creation, as evidenced by having significant pay at risk, contingent on performance.

The CEO's targeted annual compensation of \$8.5 million consists of:

• Base salary: \$1.1 million

• Target bonus: \$1.4 million (125% of base salary); and

• Target equity (fair market value at grant): \$6.0 million, of which 75% is performance based and 25% is retention based.

This is illustrated in the weighting of the Target Pay Mix chart below:

For the performance based pay elements, the combination of the annual incentive and the long-term performance based incentive represents nearly 70% of the CEO's targeted pay contingent on performance. For the link to long-term value creation, the total targeted long-term incentive (combining the performance based LTI and the retention based LTI), is above 70% of total direct compensation. Further alignment for long-term value creation is supported by a requirement that equity awards be held for a minimum of five years from date of grant.

The CEO, having discussed the Company's pay philosophy with the Board prior to joining the Company, fully accepts his compensation package and his targeted mix of pay. The CEO embraces the pay for performance compensation philosophy and is aligned with and favors the risks and rewards that come with that approach to compensation. Furthermore, the CEO recognizes that his leadership position demands setting the example and to advocate a shared, one-company mindset of performance and accountability to deliver on business objectives.

In regard to the Chairperson's Executive Director role, in December 2018, the Board approved targeted annual compensation of \$1.0 million consisting of:

• Base salary: \$0.25 million;

• No annual bonus eligibility; and

• Target equity (fair market value at grant): \$0.75 million, of which 75% is performance based and 25% is retention based.

This is illustrated in the weighting of the Target Pay Mix chart below:

In the Executive Chairperson role, the duties focus more on long-term value creation than on day to day management, and the variable incentives are aligned accordingly with no short-term incentive pay, but with long-term incentive reward opportunity. Further linkage to long-term value creation is supported by a requirement that equity awards be held for a minimum of five years from date of grant. The Board discussed with the Chairperson her total compensation package, and the Chairperson is fully aligned with the compensation package and the long-term emphasis of her pay elements.

In accordance with Dutch Corporate Governance Code, both Executive Directors' equity awards are long-term investments in the Company and fully align with the shared interests of shareholders.

Executive Directors' 2018 Realized Compensation

In terms of realized compensation for 2018, the CEO earned \$0.3 million consisting of base salary only. No variable pay was paid to the CEO in 2018, since the CEO started with the Company on September 17, 2018, and there were no cash or equity sign-on bonuses realized during 2018. The Chairperson's 2018 realized compensation was \$0.2 million, consisting of Board retainer and Committee fees paid to Lady Heywood in her role as Non-Executive Director. No incentive pay was earned by the Chairperson in 2018.

For the former CEO, Richard Tobin realized in 2018 a total of \$2.9 million, consisting of (i) fixed base salary through April 2018 of \$0.4 million and (ii) variable pay from performance year 2017 of \$2.5 million. All outstanding equity awards were forfeited upon Mr. Tobin's resignation from the Company. The former Chairman, Sergio Marchionne, realized in 2018 a total of \$5.7 million, consisting of (i) \$0.9 million fixed base salary through July 2018 and (ii) \$4.8 million of vested equity awards.

Internal Pay Ratios

The Compensation Committee considered internal pay ratios within the Company and its affiliated enterprise, when setting the Executive Directors' compensation, in line with the guidance under the Dutch Corporate Governance Code. In the absence of prescribed methodologies within the Dutch Corporate Governance Code, we chose to consider the median compensated employee, in order to compare most readily to our peers who disclose a pay ratio (i.e., U.S. based peers who follow SEC prescribed guidelines).

The median compensated employee was identified using the annualized base salaries of all active employees, including all salary levels globally, except those employees in joint ventures who are compensated by the joint venture partner, as of November 30, 2018 and converting to a common currency, USD, using November year-to-date average exchange rates. Once identified, the median employee's 2018 compensation, consisting of actual fixed and variable earnings, excluding fringe benefits and social contributions, was compared to each of the Executive Directors' targeted annual compensation.

In regard to the Executive Directors, in consideration of the partial year earnings realized by the CEO in 2018 and the December 2018 approval of the Chairperson's compensation, we deemed the Executive Directors' annual target compensation, including base salary and short and long-term target incentive, to be the most appropriate for the 2018 pay comparison. Using the CEO's targeted annual compensation of \$8.5 million, the resulting CEO pay ratio versus the median employee was 229. Similarly, the resulting Chairperson pay ratio using her targeted annual compensation of \$1.0 million versus the median employee was 27. The development of these ratios will be monitored and disclosed going forward.

Base Salary

The base salary established for the new Executive Directors in 2018 takes into consideration the executive's skills, scope of job responsibilities, experience, and competitive market and compensation peer group pay comparisons as described above. The Company believes that paying our Executive Directors at median of these benchmarks is appropriate to retain them throughout the business cycle.

The CEO's annual base salary is \$1.1 million and the Chairperson's base salary is \$250,000, and their base salaries are in the competitive range for their respective roles.

Variable Components

Our Executive Directors are eligible to receive variable compensation contingent on the achievement of pre-established, challenging financial and other designated performance objectives that 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, where applicable, demonstrate our commitment to shareholders and long-term value creation 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 2018 financial year, and the Company found a strong link between remuneration and performance and concluded that the

chosen performance criteria strongly supports the Company's strategic objectives and are appropriate under both the short-term and long-term incentive components of total remuneration.

Short-Term Incentives

The primary objective of short-term variable incentives is to focus on the business priorities for the current or following year. As such, our CEO participates in the annual incentive plan, but our Chairperson does not as the focus of her role is long-term. Our CEO's short-term variable incentive compensation is based on achieving short-term (annual) financial and other designated goals proposed by the Compensation Committee and approved by the Chairperson and Non-Executive Directors each year.

Our Methodology for Determining Annual Bonus Awards

The bonus elements and calculations for the CEO follow the same Achieve and Earn philosophy for all bonus eligible employees, except for the individual performance and leadership factor that applies to other bonus eligible employees. As a result, there is no Board discretion in determining the outcome of the CEO's bonus, in line with the guidance from the Dutch Corporate Governance Code.

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

- approve the Executive Directors' target and maximum allowable bonus;
- select the choice and weighting of objectives;
- set the stretch objectives;
- review the performance actually delivered to determine the appropriate overall measurement of achievement of the objectives; and
- approve the final bonus determination.

In 2018, the Compensation Committee changed the bonus plan design to include four metrics (compared to two in 2017). The four metrics are Adjusted Net Income, Consolidated Adjusted EBIT, Consolidated Revenues, and Net Industrial Debt. The Compensation Committee established challenging goals for each metric, each which pays out independently. There is no minimum bonus payout. As a result, if none of the threshold objectives are satisfied, there is no bonus payment.

The target incentive for the annual bonus program is 125% of base salary for the CEO, 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 150% of the target performance, or greater, for all the performance metrics.

CEO Annual Bonus

The bonus earned by the CEO for performance year 2018, payable in 2019, was \$0.5 million, reflecting prorated eligible earnings (from September 17) and as determined by the achievement of pre-determined objectives and the corresponding overall company performance factor illustrated in the table below:

2018 Annual Bonus Program

2018 Performance Metric	Weight	Threshold (\$ million)	Target (\$ million)	Maximum (\$ million)	Company Performance – Actual (\$ million)	Company Performance Factor
Adjusted Net Income (Loss) ⁽¹⁾	40%	783	870	1,305	1,117	
Consolidated adjusted EBIT ⁽²⁾	30 %	1,647	1,830	2,745	2,101	
Consolidated revenues ⁽³⁾	20%	26,100	29,000	43,500	29,706	
Net Industrial Debt ⁽⁴⁾	10%	990	900	450	600	

Overall Company Performance Factor:

139.2%

All of the definition and the actual results of each metric are disclosed in the Company's 2018 full year earnings release.

(1) Adjusted Net Income (Loss) is defined as net income (loss), less restructuring charges and non-recurring items, after tax.

(2) Consolidated adjusted EBIT is defined as net income (loss) before income taxes, interest expenses of Industrial Activities, net, restructuring expenses, the finance and non-service component of pension and other postemployment benefit costs, foreign exchange gains/(losses), and certain non-recurring items. 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 on-going operational activities.

(3) Consolidated revenues correspond to Net Sales and Finance, Interest, and Other Income of Industrial Activities and Financial Services, net of eliminations and other.

(4) Net Industrial Debt is defined, with reference to Industrial Activities only, as total debt less intersegment notes receivable, cash and cash equivalents, restricted cash and derivative hedging debt.

Discussion of 2018 Results

The Company exceeded expectation on all metrics in spite of extremely challenging market conditions due to costly restrictions to free trade, interest rate hikes, and indicators of a softening in the global economy. For the 2018 financial year, the bonus plan achievement for Adjusted Net Income was \$1,117 million, a 72 % increase over 2017 and 28% over target; Consolidated adjusted EBIT results exceeded targets when using an equivalent defined metric in 2017; Consolidated Revenues came in higher both year-over-year and versus target; and Net Industrial Debt was reduced through diligent cash flow management.

All of the financial objectives, when set, were deemed challenging and in line with external guidance to shareholders. As evidenced by the comparison to 2017, performance exceeded targets that exceeded prior year results, illustrating the commitment of the Company and the Compensation 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.

2017-2019 Long-Term Incentive Program

In 2017, with the aim to attract, motivate and retain Executive Directors for the long-term, 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 the 2017-2019 long-term incentive program ("2017-2019 LTIP"). Under the 2017-2019 LTIP, the Company made one-time grants of Performance Share Unites ("PSUs") and Restricted Share Units ("RSUs"). For the performance based grants, there is only a single primary metric, Total Shareholder Return ("TSR") relative to a group of peer companies, and a single modifier, which is tied to the Company's credit rating. In this way, Executive Directors' payouts are tied and aligned with the interests of shareholders.

The 2017 - 2019 LTIP has the following features:

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 maintained)	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
Restricted Share Units (RSUs)	25%	Annually over three years	N/A	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 heavy 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.

Earned PSU Calculation Methodology

The following table lists the composite group of peer companies selected for the relative TSR metric. 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 as Compared to Companies in the Peer Group	Payout Percentage of 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.

No payout occurs until after the end of the three-year performance period.

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 will submit such results and its recommendation to the Board for its review and approval.

2018 Equity Awards

The Compensation Committee and the Non-Executive Directors approved awards to the new Executive Directors in 2018. Upon the CEO's hire date, the CEO was granted, under the 2017-2019 LTIP, a prorated number of share units based on the remaining period in the three-year program, split 75% for performance-based awards (492,000 PSUs) and 25% for retention based awards (164,300 RSUs). Additionally, separate from the 2017-2019 LTIP, the CEO received a one-time award of 339,100 RSUs that vest upon his first anniversary of employment, in consideration of equity awards forfeited when leaving his prior employer. In regard to the Chairperson's awards, on December 14, 2018, the Compensation Committee and the Non-Executive Directors approved the Chairperson's compensation package, including a prorated award, under the 2017-2019 LTIP, for the period remaining in the three-year program, split 75% for performance based awards (61,000 PSUs) and 25% for retention based awards (20,300 RSUs). The Chairperson's grants were made in January 2019. The Executive Directors' 2017-2019 LTIP awards follow the 2017-2019 LTIP vesting conditions as described above, except for the RSUs which have two equal vesting installments on June 30, 2019 and June 30, 2020.

With respect to the former Chairman's Retention Award granted in 2014, the final installment of 450,000 shares, vested on July 25, 2018, pursuant to the terms of his employment agreement which specified continued vesting in the event of his death. The outstanding equity awards of the prior CEO forfeited upon his resignation from the Company.

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. The Chairperson does not participate in any Company sponsored retirement savings program, but CNH Industrial N.V. pays social contribution fees mandatorily due under UK law.

Other Benefits

We offer customary perquisites and fringe benefits to our CEO, such as a company car, medical insurance, accident insurance, tax preparation assistance, and relocation and retiree healthcare benefits. Furthermore, in the event of an involuntary termination of employment other than for cause, the CEO is entitled to twelve months' base salary, while remaining subject to restrictive covenants, such as non-competition and non-solicitation for a period of two years. Additionally, for the CEO, outstanding equity awards are subject to prorated vesting in the event of death, disability or involuntary termination by the Company, unless for cause. For the Chairperson, no other benefits are applicable except in the event of death or disability, outstanding equity awards are subject to prorated vesting.

In 2018, no payment were made to either the former CEO or the former Chairman, in connection with their respective termination from Company's offices.

Tax Equalization

The CEO, as a function of his global role in the Company, may be subject to tax on his employment income in multiple countries. As the CEO is subject to tax on his worldwide income in the United States, the Company will tax-equalize all employment earnings, including CNH Industrial equity award income, to his United States' 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. As the same need is not foreseen for the Chairperson, there is currently no tax equalization provision in place for the Chairperson.

Stock Ownership

Our Board recognizes the critical role that executive stock ownership has in aligning the interests of management with those of shareholders. With the change in Executive Director leadership in 2018, stock ownership requirements were put in place, in line with prevalent market practice. The Executive Directors are subject to share ownership guidelines which require owning shares with an aggregate value of not less than five (5) times base salary within five (5) years from the start of their respective assignments. Furthermore, the CEO is expected to own Company shares with an aggregate value of not less than 2.5 times base salary by the end of 2019.

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 2017, 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 Chairperson	\$35,000
Additional retainer for member of other Board committees	\$20,000
Additional retainer for Chairperson of other Board committees	\$25,000

At the Annual General Meeting of Shareholders on April 14, 2017, the Company's shareholders approved an 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

78

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 2018

The following table summarizes remuneration paid or awarded to Directors for the year ended December 31, 2018.

(\$ actual)	Office Held	In Office From/To	Salary / Annual Fee (cash)	Compensation / Annual Fee (Equity)(1)	Bonus and Other Incentives (Non-Equity)(2)	Non Monetary & Compensation (Fringe Benefits)(3)	Pension & Similar Benefits	Total Remuneration
MÜHLHÄUSER Hubertus	CEO	09/17/2018—12/31/2018	\$317,308	\$2,492,247	\$553,000	\$161,630	\$7,961	\$3,532,146
MARCHIONNE Sergio	Chairman	01/01/2018—07/21/2018	\$35,554	965,596	—	140,731	798,556	2,840,437
TOBIN Richard	CEO	01/01/2018—04/30/2018	\$30,044	—	—	19,099	58,961	508,104
TAMMENOMS BAKKER Jacqueline	Director	01/01/2018—12/31/2018	\$45,000	—	—	—	17,242	162,242
GEROWIN Mina	Director	01/01/2018—12/31/2018	\$45,000	—	—	—	17,242	162,242
HEYWOOD Suzanne (5)	Director	01/01/2018—11/29/2018	\$70,000	—	—	—	—	170,000
HOULE Léo	Senior Non-Executive Director	01/01/2018—12/31/2018	\$70,000	—	—	—	—	170,000
KALANTZIS Peter	Director	01/01/2018—12/31/2018	\$70,000	—	—	—	—	170,000
LANAWAY John	Director	01/01/2018—12/31/2018	\$50,000	—	—	—	—	150,000
SCHEIBER Silke	Director	01/01/2018—12/31/2018	\$50,000	—	—	—	17,932	167,932
TABELLINI Guido	Director	01/01/2018—12/31/2018	\$45,000	—	—	—	—	145,000
THEURILLAT Jacques	Director	01/01/2018—12/31/2018	\$60,000	—	—	—	19,312	179,312
Total			\$3,087,906	\$3,457,843	\$553,000	\$321,460	\$937,206	\$8,357,415

For the CEO, equity awards were granted upon hire date, effective September 17, 2018. As shown in the table above, for the year ended December 31, 2018, the Company recognized a net share-based compensation expense of \$2.5 million for the CEO and \$1.0 million for the former Chairman. Not shown in the table, but to note for the former CEO, due to forfeiture of unvested awards, there was income (reversal of expense) of \$ 12.5 million in 2018. The former Chairman had 450,000 RSUs that vested on July 25, 2018, with a fair market value of \$4.8 million.

For the current CEO, the amount reflects the bonus earned for the performance year 2018, which will be paid in 2019. No bonus was paid to the current CEO in 2018. For the former CEO, no bonus was earned for the performance year 2018; the actual bonus paid in 2018 for the 2017 performance year was \$2,486,000. The former Chairman and the current Chairperson received no bonus for the performance years 2018 and 2017.

(3)

For the current CEO, the amount includes the use of a company-provided car for personal purposes in the amount of \$1,679, taxable group life insurance of \$2,485, and relocation expenses of \$157,466. For the former Chairman, the amount reflects tax equalization benefits. For

the former CEO, the amount includes the use of a company-provided car for personal purposes in the amount of \$14,544 and taxable group life insurance of \$4,555.

(4) The amounts reflect pension, retirement and similar benefits set aside or accrued for Directors by CNH Industrial for the year ended December 31, 2018.

Non-Executive Director fees are paid to EXOR N.V., in accordance with EXOR's policy regarding Director (5) compensation for EXOR employees. Fees for the Chairperson's role begin in 2019 and will be paid to Lady Heywood.

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, 2018 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 2019 remuneration, such changes will be in line with the approved Remuneration Policy.

Executive Officers' Compensation

The aggregate amount of compensation paid to or accrued for executive officers that held office during 2018 was approximately \$38.5 million, including \$2.3 million of pension and similar benefits paid or set aside by us. The aggregate amounts included those paid to or accrued for 17 executives at December 31, 2018.

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. listed 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. Our executive directors, Lady Heywood and Mr. Mühlhäuser, were elected at an extraordinary general meeting of shareholders held on November 29, 2018. Our non-executive directors were elected at the last AGM on April 13, 2018. See "Item 6A. Directors, Senior Management and Employees" above. The term of office of the current Board of Directors will expire on April 12, 2019, 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 2020. 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 currently composed of two executive directors (to whom the titles Chairperson and Chief Executive Officer have been granted) and eight 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 Chairperson or Chief Executive Officer has been granted.

Eight directors (80%) qualify 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 13, 2018, 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 Company's Global Executive Committee (formally named 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 Board is responsible for creating a culture aimed at long-term value creation for CNH Industrial and all of its stakeholders. Operating in compliance with all applicable laws and consistent with the Company's values and expectations is critical to creating such a culture. Accordingly, to clarify and make explicit the Company's values and expectations, in 2014 the Board adopted the Company's code of conduct ("Code of Conduct") and the Company issued its Supplier Code of Conduct. In addition, the Company established a compliance and ethics program that is overseen by the Global Compliance and Ethics Committee ("GCEC"). The members of the GCEC include: the Chief Executive Officer, the Chief Financial Officer, the head of Internal Audit, the Corporate General Counsel, and the Chief Compliance Officer ("CCO"). The GCEC meets at least quarterly to, among other things, review and discuss compliance and ethics trends and topics, review and discuss compliance risk assessments, discuss compliance-related training to be deployed, consider the need for new or modified compliance-related corporate policies, and review matters submitted to the Company's Compliance Helpline (see Item 10(B) below) and related investigations. The extent to which each employee complies with and promotes such culture and values is assessed each year through the Company's performance assessment process. Among other things, employees are evaluated on their ability to lead people, act with integrity and honesty, drive collaboration through respect and openness, and hold themselves and others accountable.

The non-executive directors believe that in consideration of the size of the Company, the complexity and specific characteristics of the segments in which it operates and the geographic distribution of its businesses, the Board of Directors should be composed of individuals with skills, experience and cultural background, both general and specific, acquired in an international environment and relevant to an understanding of the macro-economy and global markets, more generally, as well as the industrial and financial sectors, more specifically. An appropriate and diversified mix of skills, professional backgrounds and diversity factors (such as gender, race, ethnicity, and country of origin or nationality) are fundamental to the proper functioning of the Board as a collegial body. There should also be an appropriate balance between the number of executive directors and non-executive directors. Moreover, independent directors have an essential role in protecting the interests of all stakeholders. Their contribution is also necessary for the proper composition and functioning of the Committees, whose advisory functions include preliminary examination and formulation of proposals relating to areas of potential risk, such as prevention of potential conflicts of interest. In addition, with regard to diversity, it is generally recognized that boards with adequate diversity are more effective in performing their monitoring and advisory activities, due to the variety of professional experience, perspectives, insights, skills and connections to the outside world that diversity can add.

The following chart shows the 2018 Board members and their attendance at Board meetings.

Board Member	Gerowin	Heywood	Houle	Kalantzis	Lanaway	Mühlhäuser	Scheiber	Tabellini	Tammenoms, Bakker	Marchionne	Theurillat	Tob
Attendance:	100%	87%	87%	100%	100%	100%	87%	100%	100%	100%	87%	100%

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, all of whom are independent, non-executive directors. 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. Members of the Audit Committee may be reappointed. 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 following chart shows the 2018 Audit Committee members and their attendance at Committee meetings.

Audit Committee Member	Theurillat	Kalantzis	Lanaway	Scheiber
Attendance:	100%	100%	89%	89%

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), and Messrs, Kalantzis and Tabellini, all of whom are independent, non-executive directors. 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. Members of the Compensation Committee may be reappointed. 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.

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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 following chart shows the 2018 Compensation Committee members and their attendance at Committee meetings.

Compensation Committee Member	Heywood	Houle	Kalantzis	Tabellini
Attendance:	100%	100%	100%	100%

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 Mr. Houle (Chairperson), Ms. Gerowin, and Ms. Tammenoms Bakker, all of whom are independent, non-executive directors. 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. Members of the Governance and Sustainability Committee may be reappointed.

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.

The following chart shows the 2018 Governance and Sustainability Committee members and their attendance at Committee meetings.

Governance & Sustainability Committee Member	Gerowin	Heywood	Houle	Tammenoms Bakker
Attendance:	100%	66%	100%	100%

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

CNH Industrial's business is, by its nature, labor intensive and this is reflected in the high number of hourly employees the Group employs.

The following tables show the breakdown of the number of employees by segment and by region at December 31, 2018, 2017 and 2016:

(number)	2018	2017	2016
Agricultural Equipment	25,711	25,007	24,254
Construction Equipment	5,424	5,240	5,378
Commercial Vehicles	23,933	23,843	23,882
Powertrain	8,265	8,050	8,070
Financial Services	1,149	1,071	1,098
Other activities	143	145	146
Total	64,625	63,356	62,828

(number)	2018	2017	2016
EMEA	42,435	41,494	40,678
North America	8,856	8,691	9,042
LATAM	8,001	8,150	8,298
APAC	5,333	5,021	4,810
Total	64,625	63,356	62,828

85

As of December 31, 2018, CNH Industrial had 64,625 employees, an increase of 1,269 from the 63,356 employees at year-end 2017. The change was mainly attributable to the difference between new hires (approximately 7,100) and departures (approximately 6,000) during the year. A further increase of approximately 100 employees was due to changes in the scope of the operations, mainly related to the acquisition of assets of a Case dealer from TP Group in France.

Excluding the scope of the operations, the change compared to year-end 2017 is attributable to the increase in permanent and fixed term workers for manufacturing activities, mainly in EMEA, associated with higher production levels primarily for Agricultural Equipment, Bus business and Powertrain, partially offset by a workforce decrease in LATAM. Other increases included new hiring for Research & Development in the view of the technology megatrends like electrification, alternative fuels and autonomous driving, and for various functions in the emerging countries.

Collective Bargaining

In the U.S., 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 890 hourly production and maintenance employees in Burlington, Iowa and Racine, Wisconsin, continues through April 30, 2022. The collective bargaining agreement with the International Association of Machinists and Aerospace Workers, which represents approximately 460 of our employees in Fargo, North Dakota, has been renewed on April 30, 2018 for 6 years duration, expiring April 28, 2024.

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

In Italy, the approximately 17,200 CNH Industrial employees are covered by the CLA that was renewed in 2015 and expired at the end of 2018. Negotiations for the CLA renewal started in the last months of 2018. The approximately 390 CNH Industrial Managers are covered by the CLA renewed in 2016 and expired at the end of 2017, whose duration was tacitly extended.

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 Global Executive Committee members as of February 27, 2019:

(number)	Common Shares ⁽¹⁾	Special Voting Shares
CNH Industrial Directors owning CNH Industrial Common Shares at February 27, 2019		
Mina Gerowin	2,208	—
Léo Houle	57,259	57,259
Peter Kalantzis	2,000	—
John Lanaway	37,286	—
Jacques Theurillat	18,422	—
CNH Industrial Global Executive Committee owning CNH Industrial Common Shares at February 27, 2019		
Alan Berger	18,353	—
Luc Billiet	83,266	—
Massimiliano Chiara	91,732	—
Vilmar Fistarol	60,914	—
Oddone Incisa	18,498	—
Derek Neilson	213,954	—
Stefano Pampalone	10,775	—

Annalisa Stupenengo

31,117 —

Tom Verbaeten

46,694 —

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

86

The following table summarizes outstanding stock options held by CNH Industrial Directors as of December 31, 2018 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	Total
Beginning Balance as of January 1, 2018					
	03/19/2008	10.77	—	9,286	9,286
	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
	04/14/2015	8.25	4,394	—	4,394
	07/13/2015	9.52	3,808	—	3,808
Beginning Total			46,167	9,286	55,453
– Vested/Not Exercised			46,167	9,286	55,453
– Not Vested			—	—	—
Options Exercised in 2018	3/19/2008	10.77		9,286	9,286
			—	9,286	9,286
Granted in 2018			—	—	—
Options Expired in 2018			—	—	—
Ending Balance as of December 31, 2018					
	03/19/2008	10.77	—	—	—
	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
	04/14/2015	8.25	4,394	—	4,394
	07/13/2015	9.52	3,808	—	3,808
Closing Total			46,167	—	46,167
– Vested/Not Exercised			46,167	—	46,167
– Not Vested			—	—	—

Note: On February 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, 2018.

	Grant Date	Weighted Average Fair Market Value	Tobin	Mühlhäuser	Total
Beginning Balance as of January 1, 2018	12/12/2017	USD 6.84	1,650,000	—	1,650,000
Beginning Total			1,650,000	—	1,650,000
Granted in 2018	09/17/2018	USD 8.51	—	492,700	492,700
Vested in 2018			—	—	—
Cancelled in 2018	12/12/2017	USD 6.84	1,650,000	—	1,650,000
			—	492,700	492,700
Ending Balance as of December 31, 2018	09/17/2018	USD 8.51	—	492,700	492,700
			—	—	—
Ending Total			—	492,700	492,700

Note: Lady Heywood was granted 61,000 Performance Share Units in January 2019, as part of her approved Chairperson compensation.

The following table summarizes unvested restricted share units held by Executive Directors as of December 31, 2018:

	Note	Grant Date	Weighted Average Fair Market Value	Tobin	Mühlhäuser	Marchionne	Total
Beginning Balance as of January 1, 2018		06/09/2014	USD 10.41	—	—	450,000	450,000
		12/12/2017	USD 12.69	550,000	—	—	550,000
Beginning Total				550,000	—	450,000	1,000,000
Granted in 2018		09/17/2018	USD 11.67	—	339,100	—	339,100
Total Granted in 2018		09/17/2018	USD 11.59	—	164,300	—	164,300
				—	503,400	—	503,400
Vested in 2018	(1)	06/09/2014	USD 10.41	—	—	450,000	450,000
Total Vested in 2018				—	—	450,000	450,000
Cancelled in 2018		12/12/2017	USD 12.69	550,000	—	—	550,000
Ending Balance as of December 31, 2018		09/17/2018	USD 11.67	—	339,100	—	339,100
		09/17/2018	USD 11.59	—	164,300	—	164,300
Ending Total				—	503,400	—	503,400

(1): The grants vested in 2018 and the relevant shares were delivered to Mr. Marchionne's estate on February 26, 2019.

Note: Lady Heywood was granted 20,300 Restricted Share Units in January 2019, as part of her approved Chairperson compensation.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As of January 31, 2019, our outstanding capital stock consisted of common shares and special voting shares, each having a par value of €0.01 per share. As of January 31, 2019, there were 1,353,831,958 common shares and 388,724,120 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, 2019 based on publicly available information.

Name of Beneficial Owner	Number of Common Shares Owned	Percent of Common Shares (a)	Special Voting Shares (b)	Percent of Combined Voting Power (c)
EXOR N.V.	366,927,900	27.1 %	366,927,900	42.1 %
Harris Associates L.P.	185,027,203	13.7 %	—	10.6 %

There were 1,353,831,958 common shares outstanding as of January 31, 2019. The “Percent of Common Shares” was a) 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, 2019 as the denominator.

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 b) 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.

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 c) 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, 2019. There were 1,742,556,078 common shares and special voting shares outstanding at January 31, 2019.

As of January 31, 2019, EXOR N.V.’s voting power in CNH Industrial was approximately 42.1%. 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, 2019, there were 462 registered holders of our common stock in the U.S., including 149 shareholders holding special voting shares. As of January 31, 2019, based on the Company's share register and other sources available to us, approximately 113,000,000 common shares and 3,982,446 special voting shares were held in the U.S.

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. Members of CNH Industrial’s Board of Directors and executives with strategic responsibilities and their families are also considered related parties. As of January 31, 2019, EXOR N.V. holds approximately 42.1% 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, on commercial terms that are normal in the respective markets, with its unconsolidated subsidiaries and affiliates which CNH Industrial has a significant influence over or that CNH Industrial jointly controls. Transactions carried out by CNH Industrial, which have had an effect on revenues, finance and interest income, cost of goods sold and trade receivables and payables, with unconsolidated subsidiaries, jointly-controlled entities, associates and other related parties, are primarily of a commercial nature. See “Note 21: Related Party Information” in the notes to our consolidated financial statements for the year ended December 31, 2018 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 1, 2019, the Board of Directors recommended and proposed to the shareholders the payment of a dividend of €0.18 per common share, totaling approximately €244 million (equivalent to approximately \$277 million, translated at the exchange rate reported by the European Central Bank on February 27, 2019). The proposal is subject to the approval of the Company’s shareholders at the AGM scheduled to be held on April 12, 2019.

Item 9. The Offer and Listing

A. Offer and Listing Details

See "C. Markets" below.

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 “CNHI.MI”.

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, 2018, 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 April 13, 2018, the Board of Directors 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. For a period of five years from April 13, 2018, the Board of Directors has 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 U.S. 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 1, 2019, the Board of Directors recommended and proposed to the Company's shareholders that a dividend, in the amount of €0.18 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 ("AGM")

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 chairperson or co-chairperson 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 June 5, 2017, the Company announced the renewal of its buy-back Program to repurchase up to \$300 million in common shares ("the \$300 Million Program"). The \$300 Million Program implemented the resolution adopted by the Company's shareholders at the AGM held on April 14, 2017. The authorization granted was for a period of 18 months from the date of the AGM (April 14, 2017).

On April 27, 2018, the Company announced its new buy-back program ("the \$700 Million Program") to repurchase up to \$700 million in common shares, representing an increase of \$400 million versus the \$300 Million Program. The \$700 Million Program implements the resolution adopted by the Company's shareholders at the AGM on April 13, 2018. The authorization granted was for a period of 18 months from the date of the AGM and, therefore, expires on October 12, 2019.

At the 2019 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.

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 that occurred under the \$300 Million Program and the \$700 Million 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 canceling 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 canceled 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 17: Share-Based Compensation" to our consolidated financial statements for the year ended December 31, 2018.

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 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:

- 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 U.S.;
- a corporation, or other entity taxable as a corporation, created or organized under the laws of the U.S.;
- 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 U.S. and is computed separately

100

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 U.S. 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 U.S. 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 U.S. 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 transferable 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 U.K. and the Netherlands have ruled that CNH Industrial should be treated as solely resident of the U.K. for the application of the tax treaty as concluded between the U.K. 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;
a person who or an entity that holds an interest in an entity, such as a partnership or a mutual fund, that is
3. transparent for Dutch tax purposes, the assets of which comprise one or more shares, within the meaning of 1. or 2. above; or
a person who is deemed to hold an interest in shares, as referred to under 1. to 3., pursuant to the attribution rules of
4. 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 U.K. and the Netherlands have ruled that CNH Industrial is resident of the U.K. for the application of the tax treaty as concluded between the Netherlands and the U.K. 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. The SEC maintains an Internet site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, from which the public may obtain any materials the company files with the SEC.

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 Agricultural and Construction Equipment and Commercial Vehicles.

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, 2018 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 \$19,167 million at December 31, 2018 (\$19,795 million at December 31, 2017) containing balances totaling \$490 million (\$583 million at December 31, 2017) that have been written down. In addition, balances totaling \$259 million (\$212 million at December 31, 2017) 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 \$399 million at December 31, 2018 (\$496 million at December 31, 2017) contain balances totaling \$82 million (\$109 million at December 31, 2017) 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 2018, the total net trade flows exposed to currency risk amounted to the equivalent of 16% of our revenue (17% in 2017). 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 2018 made up approximately 64% of the exposure to currency risk from trade transactions.

106

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% or 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, 2018. There were no substantial changes in 2018 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, 2018 resulting from a hypothetical change of 10% in the exchange rates amounts to approximately \$374 million (\$466 million at December 31, 2017). 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, 2018, resulting from a hypothetical, unfavorable and instantaneous change of 10% in market interest rates, would have been approximately \$32 million (approximately \$36 million at December 31, 2017).

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, 2018, 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 \$2 million (approximately \$7 million at December 31, 2017).

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, 2018 linked to commodity prices would not have been significant (not significant at December 31, 2017).

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, 2018 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, 2018 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, 2018, 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, 2018, 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, 2018, 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, 2018, 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. as of December 31, 2018 and 2017, 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, 2018, and the related notes and our report dated March 1, 2019 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 1, 2019

Item 16A. Audit Committee Financial Expert

Our Board of Directors has determined that each member of the audit committee, namely, Peter Kalantzis, John Lanaway, Silke Christina Scheiber, and Jacques Theurillat, is 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, 2018 and 2017. We incurred the following fees from the Ernst & Young Entities for professional services for the years ended December 31, 2018 and 2017, respectively:

	2018	2017
Audit fees	\$11,464,000	\$10,641,000
Audit-related fees	1,754,000	1,684,000
Other fees	30,000	39,000
Total	\$13,248,000	\$12,364,000

“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, 2018, 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, 2018.

Period	Total Number of Shares Purchased	Average Price Paid per Share (€)	Average Price Paid per Share (\$) (3)	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 (\$)
Jan 1 to Jan 31, 2018	—	€—	\$—	—	\$262,145,319
Feb 1 to Feb 28, 2018 ⁽¹⁾	1,011,381	€0.976	\$13.489	1,011,381	\$248,503,054
March 1 to March 31, 2018 ⁽¹⁾	5,784,950	€0.702	\$13.206	5,784,950	\$172,109,336
April 1 to April 30, 2018	—	€—	\$—	—	\$700,000,000
May 1 to May 31, 2018	—	€—	\$—	—	\$700,000,000
June 1 to June 30, 2018 ⁽²⁾	3,788,613	€0.8830	\$11.5550	3,788,613	\$656,224,095
July 1 to July 31, 2018	—	€—	\$—	—	\$656,224,095
Aug 1 to Aug 31, 2018 ⁽²⁾	1,916,926	€0.9620	\$11.3400	1,916,926	\$634,486,722
Sep 1 to Sep 30, 2018	—	€—	\$—	—	\$634,486,722
Oct 1 to Oct 31, 2018	—	€—	\$—	—	\$634,486,722
Nov 1 to Nov 30, 2018	—	€—	\$—	—	\$634,486,722
Dec 1 to Dec 31, 2018	—	€—	\$—	—	\$634,486,722
Total	12,501,870			12,501,870	\$634,486,722

On June 5, 2017, the Company announced the renewal of a buy-back program to repurchase up to 300 million in common shares. The renewed buy-back program implemented the resolution adopted by the Company's (1) shareholders at the annual general meeting of shareholders ("AGM") held on April 14, 2017. This program was replaced with the new buy-back program announced on April 27, 2018.

On April 27, 2018, the Company announced its new buy-back program ("the Program") to repurchase up to 700 million in common shares, representing an increase of 400 million increase versus the previous program. The (2) Program implements the resolution adopted by the Company's shareholders at the AGM on April 13, 2018. The authorization granted was for a period of 18 months from the date of AGM.

(3) 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. listed 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 identified and 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. listed 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 rigorous, such as by requiring a longer “look-back” period (five years) for former executive directors and employees and by considering a non-executive board member serving as director in the board of a shareholder holding ten percent or more of the company's shares to be not independent, even if he or she is considered “independent” on the board of directors of the shareholder. Currently, a majority of our Board (eight of the ten members) are “independent” under the NYSE definition and the Dutch Code. Under the Dutch Code, non-executive directors must not be a non-executive director of more than five other “large” Dutch companies (as defined in the Dutch Code). None of the members of our Board is a non-executive director of more than five other “large” Dutch companies.

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. All three members of the Compensation Committee are considered 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. All three members of the Governance and Sustainability Committee are considered 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 having our Audit Committee support and advise the Board with respect to the proposal to shareholders regarding the appointment and compensation of the Company's independent registered public accounting firm, which is appointed by our shareholders. 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 at 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 listed 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.

<u>Report of Independent Registered Public Accounting Firm</u>	F-F-2
<u>Consolidated statements of operations for the years ended December 31, 2018, 2017, and 2016</u>	F-F-3
<u>Consolidated statements of comprehensive income for the years ended December 31, 2018, 2017, and 2016</u>	F-F-4
<u>Consolidated balance sheets as of December 31, 2018 and 2017</u>	F-F-5
<u>Consolidated statements of cash flows for the years ended December 31, 2018, 2017, and 2016</u>	F-F-7
<u>Consolidated statements of changes in equity for the years ended December 31, 2018, 2017, and 2016</u>	F-F-8
<u>Notes to consolidated financial statements</u>	F-F-9

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 following the notes to the consolidated financial statements of this annual report on Form 20-F.

F-1

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. (the Company) as of December 31, 2018 and 2017, 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, 2018, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

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, 2018, 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 1, 2019 expressed an unqualified opinion thereon.

Adoption of New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for accounting for revenue from contracts with customers effective January 1, 2018 using the full retrospective approach for each of the three years in the period ended December 31, 2018.

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 1, 2019

CNH INDUSTRIAL N.V.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2018, 2017 and 2016

	2018	2017(*)	2016(*)
	(in millions)		
Revenues			
Net sales	\$27,831	\$25,769	\$23,216
Finance and interest income	1,875	1,932	1,879
Total Revenues	\$29,706	\$27,701	\$25,095
Costs and Expenses			
Cost of goods sold	\$22,958	\$21,572	\$19,420
Selling, general and administrative expenses	2,351	2,315	2,246
Research and development expenses	1,061	957	860
Restructuring expenses	61	93	44
Interest expense	812	940	1,026
Other, net	997	1,165	1,521
Total Costs and Expenses	\$28,240	\$27,042	\$25,117
Income (loss) before income taxes and equity in income of unconsolidated subsidiaries and affiliates	1,466	659	(22)
Income tax (expense)	(417)	(457)	(297)
Equity in income of unconsolidated subsidiaries and affiliates	50	88	58
Net income (loss)	1,099	290	(261)
Net income (loss) attributable to noncontrolling interests	31	18	3
Net income (loss) attributable to CNH Industrial N.V.	\$1,068	\$272	\$(264)
Earnings (loss) per share attributable to common shareholders			
Basic	\$0.79	\$0.20	\$(0.19)
Diluted	\$0.78	\$0.20	\$(0.19)
Cash dividends declared per common share	\$0.173	\$0.118	\$0.148

(*) 2017 and 2016 figures have been recast following the retrospective adoption on January 1, 2018 of the updated accounting standards for revenue recognition (ASC 606) and retirement benefit accounting (ASU 2017-07).

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, 2018, 2017 and 2016

	2018	2017(*)	2016(*)
	(in millions)		
Net income (loss)	\$1,099	\$ 290	\$(261)
Other comprehensive income (loss), net of tax			
Unrealized gain (loss) on cash flow hedges	(23)	89	(91)
Changes in retirement plans' funded status	477	86	(89)
Foreign currency translation	(317)	(414)	322
Share of other comprehensive income (loss) of entities using the equity method	(35)	32	(40)
Other comprehensive income (loss), net of tax	102	(207)	102
Comprehensive income (loss)	1,201	83	(159)
Less: Comprehensive income (loss) attributable to noncontrolling interests	25	16	6
Comprehensive income (loss) attributable to CNH Industrial N.V.	\$1,176	\$ 67	\$(165)

(*) 2017 and 2016 figures have been recast following the retrospective adoption on January 1, 2018 of the updated accounting standards for revenue recognition (ASC 606) and retirement benefit accounting (ASU 2017-07).

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, 2018 and 2017

	December 2018	December 31, 2017(*)
	(in millions)	
ASSETS		
Cash and cash equivalents	\$5,031	\$5,430
Restricted cash	772	770
Trade receivables, net	399	496
Financing receivables, net	19,167	19,795
Inventories, net	6,726	6,452
Property, plant and equipment, net	5,901	6,831
Investments in unconsolidated subsidiaries and affiliates	526	561
Equipment under operating leases	1,774	1,845
Goodwill	2,453	2,472
Other intangible assets, net	788	792
Deferred tax assets	591	852
Derivative assets	98	77
Other assets	1,874	1,925
Total Assets	\$46,100	\$48,298
LIABILITIES AND EQUITY		
Debt	\$24,445	\$25,895
Trade payables	5,889	6,060
Deferred tax liabilities	114	94
Pension, postretirement and other postemployment benefits	1,488	2,300
Derivative liabilities	108	98
Other liabilities	8,958	9,594
Total Liabilities	\$41,002	\$44,041
Redeemable noncontrolling interest	30	25
Common shares, € 0.01, par value; outstanding 1,353,831,958 common shares and 388,725,624 special voting shares in 2018; and outstanding 1,363,592,506 common shares and 388,906,690 special voting shares in 2017	25	25
Treasury stock, at cost - 10,568,238 shares in 2018 and 807,690 shares in 2017	(128)	(10)
Additional paid in capital	4,409	4,412
Retained earnings	2,596	1,763
Accumulated other comprehensive loss	(1,859)	(1,966)
Noncontrolling interests	25	8
Total Equity	\$5,068	\$4,232
Total Liabilities and Equity	\$46,100	\$48,298

(*) 2017 figures have been recast following the retrospective adoption on January 1, 2018 of the updated accounting standards for revenue recognition (ASC 606).

The accompanying notes to consolidated financial statements are an integral part of these statements.

F-5

CNH INDUSTRIAL N.V.

CONSOLIDATED BALANCE SHEETS — (Continued)

As of December 31, 2018 and 2017

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,	
	2018	2017
	(in millions)	
Restricted cash	\$732	\$ 734
Financing receivables	9,732	10,404
Total Assets	\$10,464	\$ 11,138
Debt	\$9,692	\$ 10,464
Total Liabilities	\$9,692	\$ 10,464

The accompanying notes to consolidated financial statements are an integral part of these statements.

F-6

CNH INDUSTRIAL N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018, 2017 and 2016

	2018	2017(*)	2016(*)
	(in millions)		
Operating activities:			
Net income (loss)	\$1,099	\$290	\$(261)
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	703	725	716
Depreciation and amortization expense of assets under operating lease and assets sold under buy-back commitments	634	625	545
(Gain) loss from disposal of assets	2	—	3
Loss on repurchase of Notes	22	64	60
Undistributed income (loss) of unconsolidated subsidiaries	(3)	(39)	5
Other non-cash items	158	275	195
Changes in operating assets and liabilities:			
Provisions	(48)	218	6
Deferred income taxes	48	124	64
Trade and financing receivables related to sales, net	(180)	(659)	(92)
Inventories, net	112	682	769
Trade payables	280	344	96
Other assets and liabilities	(273)	216	662
Net cash provided by operating activities	2,554	2,865	2,768
Investing activities:			
Additions to retail receivables	(4,269)	(4,078)	(3,951)
Collections of retail receivables	4,016	4,384	4,569
Proceeds from the sale of assets, net of assets under operating leases and assets sold under buy-back commitments	7	17	12
Expenditures for property, plant and equipment and intangible assets, net of assets under operating lease and assets sold under buy-back commitments	(558)	(492)	(503)
Expenditures for assets under operating leases and assets sold under buy-back commitments	(1,344)	(1,743)	(1,631)
Other	228	43	(152)
Net cash used in investing activities	(1,920)	(1,869)	(1,656)
Financing activities:			
Proceeds from long-term debt	16,211	15,896	12,629
Payments of long-term debt	(16,921)	(16,802)	(13,770)
Net increase (decrease) in other financial liabilities	386	54	(132)
Dividends paid	(243)	(168)	(207)
Other	(156)	(25)	(58)
Net cash used in financing activities	(723)	(1,045)	(1,538)
Effect of foreign exchange rate changes on cash and cash equivalents	(308)	395	(31)
Increase (decrease) in cash and cash equivalents	(397)	346	(457)
Cash and cash equivalents, beginning of year	6,200	5,854	6,311
Cash and cash equivalents, end of year	\$5,803	\$6,200	\$5,854

(*) 2017 and 2016 figures have been recast following the retrospective adoption on January 1, 2018 of the updated accounting standards for revenue recognition (ASC 606) and cash flow presentation (ASU 2016-18).

The accompanying notes to consolidated financial statements are an integral part of these statements.

F-7

CNH INDUSTRIAL N.V.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2018, 2017 and 2016

	Common Shares	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total	Redeemable Noncontrolling Interest
	(in millions)							
Balance, January 1, 2016 as previously reported	\$25	\$—	\$4,399	\$2,241	\$(1,863)	\$41	\$4,843	\$18
Adoption of ASC 606	—	—	—	(123)	2	(1)	(122)	—
Balance, January 1, 2016, as recast	25	—	4,399	2,118	(1,861)	40	4,721	18
Net income (loss)	—	—	—	(264)	—	(5)	(269)	8
Other comprehensive loss, net of tax	—	—	—	—	99	3	102	—
Dividend paid	—	—	—	(201)	—	(1)	(202)	(5)
Acquisition of treasury stock	—	(14)	—	—	—	—	(14)	—
Common shares issued from treasury stock for share-based compensation expense	—	5	(5)	—	—	—	—	—
Issuance of common shares	—	—	3	—	—	—	3	—
Other changes	—	—	11	(1)	—	(31)	(21)	—
Balance, December 31, 2016, as recast	\$25	\$(9)	\$4,408	\$1,652	\$(1,762)	\$6	\$4,320	\$21
Net income (loss)	—	—	—	272	—	8	280	10
Other comprehensive income, net of tax	—	—	—	—	(204)	(3)	(207)	—
Dividend paid	—	—	—	(161)	—	(1)	(162)	(6)
Acquisition of treasury stock	—	(38)	—	—	—	—	(38)	—
Common shares issued from treasury stock for share-based compensation expense	—	37	(8)	—	—	—	29	—
Share-based compensation expense	—	—	19	—	—	—	19	—
Other changes	—	—	(7)	—	—	(2)	(9)	—
Balance, December 31, 2017, as recast	\$25	\$(10)	\$4,412	\$1,763	\$(1,966)	\$8	\$4,232	\$25
Net income	—	—	—	1,068	—	19	1,087	12
Other comprehensive loss, net of tax	—	—	—	—	107	(5)	102	—
Dividend paid	—	—	—	(235)	—	(1)	(236)	(7)
Acquisition of treasury stock	—	(156)	—	—	—	—	(156)	—
Common shares issued from treasury stock for share-based compensation expense	—	38	(35)	—	—	—	3	—
Share-based compensation expense	—	—	35	—	—	—	35	—
Other changes	—	—	(3)	—	—	4	1	—
Balance, December 31, 2018	\$25	\$(128)	\$4,409	\$2,596	\$(1,859)	\$25	\$5,068	\$30

The accompanying notes to consolidated financial statements are an integral part of these statements.

CNH INDUSTRIAL N.V.

NOTES TO THE 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 20: 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 has five reportable segments 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”. The Company was formed as a result of the mergers of Fiat Industrial and its subsidiary CNH Global with and into CNH Industrial, effective September 29, 2013.

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 year presentation.

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 2017 or 2018.

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

F-9

intangibles; residual values of equipment on operating leases; allowance for credit losses; tax contingencies and valuation allowances; liabilities for warranties; sales allowances; and assets and obligations related to employee benefits. Actual results could differ from these estimates.

Revenue Recognition

Revenue is recognized when control of the vehicles, equipment, services or parts has been transferred and the Company's performance obligations to the customers have been satisfied. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services.

The timing of when the Company transfers the goods or services to the customer may differ from the timing of the customer's payment.

Revenues are stated net of discounts, allowances, settlement discounts and rebates, as well as costs for sales incentive programs, which are determined on the basis of historical costs, country by country, and charged against profit for the period in which the corresponding sales are recognized.

The Company also enters into contracts with multiple performance obligations. For these contracts, the Company allocates revenue from the transaction price to the distinct goods and services in the contract on a relative standalone selling price basis. To the extent the Company sells the goods or services separately in the same market, the standalone selling price is the observable price at which the Company sells the goods or services separately. For all other goods or services, the Company estimates the standalone selling price considering all information reasonably available (including market conditions, entity-specific factors and information about the customer or class of customer).

Sales of goods

The Company has determined that the customers from the sale of vehicles, equipment and parts are generally dealers, distributors and retail customers.

Transfer of control, and thus related revenue recognition, generally corresponds to when the vehicles, equipment and parts are made available to the customer. Therefore, the Company recognizes revenue at a point in time when control is transferred to the customer at a sale price that the Company expects to receive.

For all sales, no significant uncertainty exists surrounding the purchaser's obligation to pay for vehicles, equipment and parts. The Company records appropriate allowance for credit losses and anticipated returns as required. Fixed payment schedules exist for all sales, but payment terms vary by geographic market and product line.

The cost of incentives, if any, are estimated at the inception of a contract at the amount that is expected to be paid and is recognized as a reduction to revenue at the time of the sale. If a vehicle or equipment contract transaction has multiple performance obligations, the cost of incentives is allocated entirely to vehicle or equipment as the intent of the incentives is to encourage sales of vehicles or equipment. If the estimate of the incentive changes following the sale to the customer, the change in estimate is recognized as an adjustment to revenue in the period of the change.

CNH Industrial grants certain sales incentives to support sales of its products to retail customers. At the later of the time of sale or the time an incentive is announced to dealers, CNH Industrial records the estimated impact of sales allowances in the form of dealer and customer incentives as a reduction of revenue. Subsequent adjustments to sales incentive programs related to products/vehicles previously sold are recognized as an adjustment to revenues in the period the adjustment is determinable. The determination of sales allowances requires management to make estimates based upon historical data, estimated future market demand for products, field inventory levels, announced incentive programs, competitive pricing and interest rates, among other things.

With reference to the sales to dealers accompanied by "floor plan" agreements under which the Company offers wholesale financing including "interest-free" financing for specified period of time (which also vary by geographic market and product line), two separate performance obligations exist. The first performance obligation consists of the sale of the equipment/vehicle from Industrial Activities to the dealer. Concurrent with the sale of the equipment/vehicle, Industrial Activities offers to the dealer wholesale financing through loans extended by 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, and therefore it should be recognized upfront as a reduction of net sales of Industrial Activities. The second performance obligation consists of a credit facility extended by Financial Services to the dealer. The remuneration for 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 by Financial Services over the period of the outstanding exposure.

For parts sales, when the Company provides its customers with a right to return a transferred product, revenue and corresponding cost of sales are recognized for parts that are not expected to be returned. The expected returns are estimated based on an analysis of historical experience. The portion of revenue (and corresponding cost of sales) related to the parts that are expected to be returned is recognized at the end of the return period. The amount received or receivable that is expected to be returned is recognized as a refund liability, representing the obligation to return the customer's consideration.

F-10

Furthermore, at the time of the initial sale, CNH Industrial recognizes a return asset for the right to recover the goods returned by the customer. This asset is initially measured at the former carrying amount of the inventory. At each reporting date, both the refund liability and the return asset are remeasured to record for any revisions to the expected level of returns, as well as any decreases in the value of the returned products.

Rendering of services

Revenues from services provided are primarily comprised of extended warranties and maintenance and repair services and are recognized over the contract period when the costs are incurred, that is when the claims are charged by the dealer. Amounts invoiced to customers for which CNH Industrial receives consideration before the performance is satisfied are recognized as contract liability. These services are either separately-priced or included in the selling price of the vehicle. In the second case, revenue for the services is allocated based on the estimated stand-alone selling price. In the event that the costs expected to be incurred to satisfy the remaining performance obligations exceed the transaction price, an estimated contract loss is recognized.

Shipping and other transportation activities performed as an agent are recognized on a net basis, which is netting the related freight cost against the freight revenue.

Rents and other income on assets sold with a buy-back commitment

Commercial Vehicles enters into transactions for the sale of vehicles to some customers with an obligation to repurchase (“buy-back commitment”) the vehicles at the end of a period (“buy-back period”) at the customer’s request. For these types of arrangements, at inception, CNH Industrial assesses whether a significant economic incentive exists for the customer to exercise the option.

If CNH Industrial determines that a significant economic incentive exists for the customer to exercise the buy-back option, the transaction is accounted for as an operating lease. In such case, vehicles are accounted for as Property, plant and equipment because the agreements typically have a long-term buy-back period. 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 in “Other liabilities” and is comprised of the repurchase value of the vehicle, and the rents to be recognized in the future recorded as contract liability. These rents are determined at the inception of the contract as the difference between the initial sale price and the repurchase price and are recognized as revenue on a straight-line basis over the term of the agreement. At the end of the agreement term, upon exercise of the option, the used vehicles are reclassified from Property, plant and equipment to Inventories. The proceeds from the sale of such vehicles are recognized as Revenues.

If CNH Industrial determines that a significant economic incentive does not exist for the customer to exercise the buy-back option, the transaction is treated as a sale with a variable consideration whose variable component is the buy-back provision accrual. The buy-back provision accrual is the difference between the repurchase price and the estimated market value of the used vehicle at the end of the buy-back period and is recorded only when the repurchase price is greater than the estimated market value of the used vehicle. The buy-back provision accrual is estimated and recognized as a reduction of revenues at the time of the sale. Any subsequent change following such periodic reassessment is recognized as a reduction of revenues at that time.

Finance and interest income

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 determined to be probable that all amounts due will not be collected.

Rents and other income on operating leases

Income from operating leases is recognized over the term of the lease on a straight-line basis.

F-11

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 base warranty costs for the product. 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 \$170 million, \$165 million, and \$145 million for the years ended December 31, 2018, 2017, and 2016, 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, 2018, 2017 and 2016, the Company recorded a net loss of \$450 million, a net loss of \$78 million and a net gain of \$50 million, respectively. Included in the net gain (loss) in 2018, 2017 and 2016 were charges of \$159 million, \$21 million and \$22 million due to the devaluation of net monetary assets of Argentinian subsidiaries in 2018, 2017, and 2016, as well as the re-measurement charges of \$5 million, and \$27 million, respectively, on the Venezuelan bolivar fuerte ("Bs.F., or "bolivars") rate described below. As described in Note 15: 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 \$199 million, \$140 million and \$149 million for the three years ended December 31, 2018, 2017 and 2016, 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 began 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, 2018 and 2017 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.

F-13

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 \$807 million, \$896 million, and \$930 million for the years ended December 31, 2018, 2017, and 2016, respectively. For 2018 and 2017, the amount includes a charge of \$22 million and \$64 million in connection with the Company's accelerated debt redemption strategy.

CNH Industrial paid taxes of \$355 million, \$224 million, and \$104 million in 2018, 2017, and 2016, 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 2018 and 2017, 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 9: 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 attributes. 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.

F-15

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 15: 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

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("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. Entities have the option to apply the new guidance under a retrospective approach to each prior reporting period presented, and the cumulative effect of applying the standard would be recognized at the earliest period shown 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 has adopted the new standard effective January 1, 2018 using the full retrospective approach. The impact of adopting the new standard on net equity at January 1, 2016 (date of first time retrospective adoption of the new standard) is a reduction of \$122 million 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 also resulted in changes in classification between net revenues and expenses, whose overall

F-16

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 and 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, include 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 through our captive Financial Services business). 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 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 extended by our Financial Services business 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 the dealer for the remaining period. This remuneration is recognized over the period of the outstanding exposure, consistent with the current accounting treatment. These changes did not 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 on consolidation. However, the new classification of the interest compensation to Financial Services modified 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 reduced the operating profit of Industrial Activities, but did not modify the total consolidated operating profit. In accordance with the transitional rules included in ASU 2014-09, the Company has applied the standard’s practical expedient where, for all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue. No other practical expedients were applied.

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 disaggregate the service cost component from the other components of net benefit cost. 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 early adoption is permitted. The Company adopted ASU 2017-07 on a retrospective basis as of January 1, 2018, which did not have a material impact 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 adopted ASU 2016-18 on a retrospective basis as of January 1, 2018, which did not have a material impact on its consolidated financial statements.

Summary of the impacts of the adoption of the new accounting standards

The impact of adoption of the new Revenue Recognition standard and the impact of ASU 2017-07 on the previously reported consolidated statement of operations for the years ended December 31, 2017 and 2016 is as follows:

	Year Ended December 31, 2017			
	As Previously Reported	Total Impact of New Revenue Recognition Standard	Impact of New Retirement Benefits Accounting	As Recast
	(in millions)			
Revenues				
Net Sales	\$26,168	\$ (399)	\$ —	\$25,769
Finance and interest income	1,193	739	—	1,932
Total Revenues	\$27,361	\$ 340	\$ —	\$27,701
Costs and Expenses				
Cost of goods sold	21,621	(40)	(9)	21,572
Selling, general and administrative expenses	2,330	—	(15)	2,315
Research and development expenses	957	—	—	957
Restructuring expenses	93	—	—	93
Interest expense	942	(2)	—	940
Other, net	738	403	24	1,165
Total Costs and Expenses	\$26,681	\$ 361	\$ —	\$27,042
Income (loss) before income taxes and equity in income of unconsolidated subsidiaries and affiliates	680	(21)	—	659
Income tax (expense)	(455)	(2)	—	(457)
Equity in income of unconsolidated subsidiaries and affiliates	88	—	—	88
Net Income (loss)	\$313	\$ (23)	\$ —	\$290
Net income (loss) attributable to noncontrolling interests	18	—	—	18
Net income/(loss) attributable to controlling interests	\$295	\$ (23)	\$ —	\$272
Earnings per share attributable to common shareholders				
Basic	\$0.22	\$ (0.02)	\$ —	\$0.20
Diluted	\$0.22	\$ (0.02)	\$ —	\$0.20

	Year Ended December 31, 2016			
	As Previously Reported	Total Impact of New Revenue Recognition Standard	Impact of New Retirement Benefits Accounting	As Recast
	(in millions)			
Revenues				
Net Sales	\$23,669	\$ (453)	\$ —	\$23,216
Finance and interest income	1,203	676	—	1,879
Total Revenues	\$24,872	\$ 223	\$ —	\$25,095
Costs and Expenses				
Cost of goods sold	19,539	(108)	(11)	19,420
Selling, general and administrative expenses	2,262	—	(16)	2,246
Research and development expenses	860	—	—	860
Restructuring expenses	44	—	—	44
Interest expense	1,028	(2)	—	1,026
Other, net	1,148	346	27	1,521
Total Costs and Expenses	\$24,881	\$ 236	\$ —	\$25,117
Income (loss) before income taxes and equity in income of unconsolidated subsidiaries and affiliates	(9)	(13)	—	(22)
Income tax (expense)	(298)	1	—	(297)
Equity in income of unconsolidated subsidiaries and affiliates	58	—	—	58
Net Income (loss)	\$(249)	\$ (12)	\$ —	\$(261)
Net income (loss) attributable to noncontrolling interests	3	—	—	3
Net income/(loss) attributable to controlling interests	\$(252)	\$ (12)	\$ —	\$(264)
Earnings per share attributable to common shareholders				
Basic	\$(0.18)	\$ (0.01)	\$ —	\$(0.19)
Diluted	\$(0.18)	\$ (0.01)	\$ —	\$(0.19)

The impact of adoption of the new Revenue Recognition standard on our previously reported consolidated balance sheet for the year ended December 31, 2017 is as follows:

	December 31, 2017		
	As	Adjustment	As
	Previously	Due to	As
	Reported	Adoption	Recast
		of ASC	
		606	
	(in millions)		
ASSETS			
Cash and cash equivalents	\$5,430	\$ —	\$5,430
Restricted cash	770	—	770
Trade receivables, net	496	—	496
Financing receivables, net	19,842	(47)	19,795
Inventories, net	6,280	172	6,452
Property, plant and equipment, net	7,003	(172)	6,831
Investments in unconsolidated subsidiaries and affiliates	561	—	561
Equipment under operating leases	1,845	—	1,845
Goodwill	2,472	—	2,472
Other intangible assets, net	792	—	792
Deferred tax assets	818	34	852
Derivative assets	77	—	77
Other assets	1,889	36	1,925
Total Assets	\$48,275	\$ 23	\$48,298
LIABILITIES AND EQUITY			
Debt	25,895	—	25,895
Trade payables	6,060	—	6,060
Deferred tax liabilities	97	(3)	94
Pension, postretirement and other postemployment benefits	2,300	—	2,300
Derivative liabilities	98	—	98
Other liabilities	9,400	194	9,594
Total Liabilities	\$43,850	\$ 191	\$44,041
Redeemable noncontrolling interest	25	—	25
Total Equity	\$4,400	\$ (168)	\$4,232
Total Liabilities and Equity	\$48,275	\$ 23	\$48,298

The impact of adoption of the new Revenue Recognition standard and the impact of ASU 2016-18 on our previously reported consolidated statement of cash flows for the years ended December 31, 2017 and 2016 is as follows:

	Year Ended December 31, 2017			
	As	Adjustment	Adjustment	As
	Previously	Due to	Due to	Recast
	Reported	Adoption	ASU	
	606	of ASC	2016-18	
	(in millions)			
Operating activities:				
Net income	\$ 313	\$ (23)	\$ —	\$ 290
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense, net of assets under operating leases and assets sold under buy-back commitments	725	—	—	725
Depreciation and amortization expense of assets under operating leases and assets sold under buy-back commitments	625	—	—	625
Loss from disposal of assets	27	(27)	—	—
Loss on repurchase/early redemption of notes	64	—	—	64
Undistributed income of unconsolidated subsidiaries	(39)	—	—	(39)
Other non-cash items	295	(20)	—	275
Changes in operating assets and liabilities:				
Provisions	233	(15)	—	218
Deferred income taxes	122	2	—	124
Trade and financing receivables related to sales, net	(657)	(2)	—	(659)
Inventories, net	(213)	895	—	682
Trade payables	344	—	—	344
Other assets and liabilities	176	40	—	216
Net cash provided by operating activities	\$ 2,015	\$ 850	\$ —	\$ 2,865
Investing activities:				
Additions to retail receivables	(4,078)	—	—	(4,078)
Collections of retail receivables	4,384	—	—	4,384
Proceeds from the sale of assets, net of assets under operating leases and assets sold under buy-back commitments	17	—	—	17
Proceeds from the sale of assets previously under operating leases and assets sold under buy-back commitments	850	(850)	—	—
Expenditures for property, plant and equipment and intangible assets, net of assets under operating leases and assets sold under buy-back commitments	(492)	—	—	(492)
Expenditures for assets under operating leases and assets sold under buy-back commitments	(1,743)	—	—	(1,743)
Other	130	—	(87)	43
Net cash used in investing activities	\$(932)	\$ (850)	\$ (87)	\$(1,869)
Financing activities:				
Proceeds from long-term debt	15,896	—	—	15,896
Payments of long-term debt	(16,802)	—	—	(16,802)
Net increase in other financial liabilities	54	—	—	54
Dividends paid	(168)	—	—	(168)
Other	(25)	—	—	(25)
Net cash used in financing activities	\$(1,045)	\$ —	\$ —	\$(1,045)
	375	—	20	395

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Effect of foreign exchange rate changes on cash and cash equivalents and restricted cash

Decrease in cash and cash equivalents and restricted cash	413	—	(67)	346
Cash and cash equivalents and restricted cash, beginning of year	5,017	—	837		5,854
Cash and cash equivalents and restricted cash, end of period	\$5,430	\$ —	\$ 770		\$6,200

F-21

	Year Ended December 31, 2016			
	As Previously Reported	Adjustment Due to Adoption of ASC 606	Adjustment Due to ASU 2016-18	As Recast
	(in millions)			
Operating activities:				
Net income	\$(249)	\$(12)	\$ —	\$(261)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense, net of assets under operating leases and assets sold under buy-back commitments	716	—	—	716
Depreciation and amortization expense of assets under operating leases and assets sold under buy-back commitments	545	—	—	545
Loss from disposal of assets	4	(1)	—	3
Loss on repurchase/early redemption of notes	60	—	—	60
Undistributed income of unconsolidated subsidiaries	5	—	—	5
Other non-cash items	195	—	—	195
Changes in operating assets and liabilities:				
Provisions	46	(40)	—	6
Deferred income taxes	65	(1)	—	64
Trade and financing receivables related to sales, net	(97)	5	—	(92)
Inventories, net	106	663	—	769
Trade payables	96	—	—	96
Other assets and liabilities	616	46	—	662
Net cash provided by operating activities	\$2,108	\$ 660	\$ —	\$2,768
Investing activities:				
Additions to retail receivables	(3,951)	—	—	(3,951)
Collections of retail receivables	4,569	—	—	4,569
Proceeds from the sale of assets, net of assets under operating leases and assets sold under buy-back commitments	12	—	—	12
Proceeds from the sale of assets previously under operating leases and assets sold under buy-back commitments	660	(660)	—	—
Expenditures for property, plant and equipment and intangible assets, net of assets under operating leases and assets sold under buy-back commitments	(503)	—	—	(503)
Expenditures for assets under operating leases and assets sold under buy-back commitments	(1,631)	—	—	(1,631)
Other	(77)	—	(75)	(152)
Net cash used in investing activities	\$(921)	\$(660)	\$(75)	\$(1,656)
Financing activities:				
Proceeds from long-term debt	12,629	—	—	12,629
Payments of long-term debt	(13,770)	—	—	(13,770)
Net increase in other financial liabilities	(132)	—	—	(132)
Dividends paid	(207)	—	—	(207)
Other	(58)	—	—	(58)
Net cash used in financing activities	\$(1,538)	\$ —	\$ —	\$(1,538)
	(16)	—	(15)	(31)

Effect of foreign exchange rate changes on cash and cash equivalents and restricted cash

Decrease in cash and cash equivalents and restricted cash	(367)	—	(90)	(457)
Cash and cash equivalents and restricted cash, beginning of year	5,384	—	927	6,311
Cash and cash equivalents and restricted cash, end of period	\$5,017	\$ —	\$ 837	\$5,854

F-22

The impact of adoption of the new Revenue Recognition standard and the impact of ASU 2017-07 on our previously reported segment reporting for the years ended December 31, 2017 and 2016 is as follows:

	Year Ended December 31, 2017			
	Total impact			
	As	of New	As	
	Previously	Revenue	As	
	Reported	Recognition	Recast	
	Standard			
	(in millions)			
Revenues:				
Agricultural Equipment	\$11,130	\$ (447)	\$10,683	
Construction Equipment	2,626	(96)	2,530	
Commercial Vehicles	10,415	147	10,562	
Powertrain	4,372	(3)	4,369	
Eliminations and Other	(2,375)	—	(2,375)	
Net Sales of Industrial Activities	26,168	(399)	25,769	
Financial Services	1,625	403	2,028	
Eliminations and Other	(432)	336	(96)	
Total Revenues	\$27,361	\$ 340	\$27,701	
	Year Ended December 31, 2017			
	Total impact			Impact of
	As	of New	New	As
	Previously	Revenue	Retirement	Recast
	Reported	Recognition	Benefits	
	Standard			Accounting
	(in millions)			
Operating Profit:				
Agricultural Equipment	\$949	\$ (237)	\$ 16	\$728
Construction Equipment	21	(42)	5	(16)
Commercial Vehicles	272	(78)	3	197
Powertrain	362	(2)	—	360
Eliminations and Other	(85)	—	—	(85)
Total Operating Profit of Industrial Activities	\$1,519	\$ (359)	\$ 24	\$1,184
Financial Services	479	—	—	479
Eliminations and Other	(336)	336	—	—
Total Operating Profit	\$1,662	\$ (23)	\$ 24	\$1,663

	Year Ended December 31, 2016			
	As	Total impact	As	
	Previously	of New	Revenue	As
	Reported	Recognition	Standard	Recast
	(in millions)			
Revenues:				
Agricultural Equipment	\$10,120	\$ (430)		\$9,690
Construction Equipment	2,304	(98)		2,206
Commercial Vehicles	9,553	75		9,628
Powertrain	3,707	—		3,707
Eliminations and Other	(2,015)	—		(2,015)
Net Sales of Industrial Activities	\$23,669	\$ (453)		\$23,216
Financial Services	1,570	346		1,916
Eliminations and Other	(367)	330		(37)
Total Revenues	\$24,872	\$ 223		\$25,095
	Year Ended December 31, 2016			
	As	Total impact	Impact of	As
	Previously	of New	New	As
	Reported	Revenue	Retirement	Recast
		Recognition	Benefits	
		Standard	Accounting	
	(in millions)			
Operating Profit:				
Agricultural Equipment	\$818	\$ (235)	\$ 12	\$595
Construction Equipment	2	(50)	4	(44)
Commercial Vehicles	333	(60)	10	283
Powertrain	232	—	1	233
Eliminations and Other	(94)	—	—	(94)
Total Operating Profit of Industrial Activities	\$1,291	\$ (345)	\$ 27	\$973
Financial Services	478	—	—	478
Eliminations and Other	(330)	330	—	—
Total Operating Profit	\$1,439	\$ (15)	\$ 27	\$1,451

The impact on Industrial Activities of adoption of the new Revenue Recognition standard, the impact of ASU 2017-07 and ASU 2016-18 on our previously reported supplemental statements of operations and supplemental statements of cash flows for the years ended December 31, 2017 and 2016 and our supplemental balance sheet as of December 31, 2017 is as follows:

	Statement of Operations Industrial Activities Year Ended December 31, 2017		
	Adjustment		
	As Previously Reported	Due to Adoption of New Accounting Pronouncements	As Recast
	(in millions)		
Revenues			
Net sales	\$26,168	\$ (399)	\$25,769
Finance and interest income	122	—	122
Total Revenues	\$26,290	\$ (399)	\$25,891
Costs and Expenses			
Cost of goods sold	\$21,621	\$ (49)	\$21,572
Selling, general and administrative expenses	2,071	(15)	2,056
Research and development expenses	957	—	957
Restructuring expenses	90	—	90
Interest expense	604	—	604
Interest compensation to Financial Services	338	(338)	—
Other, net	396	24	420
Total Costs and Expenses	\$26,077	\$ (378)	\$25,699
Income before income taxes and equity in income of unconsolidated subsidiaries and affiliates	213	(21)	192
Income tax (expense) benefit	(413)	(2)	(415)
Equity in income of unconsolidated subsidiaries and affiliates	61	—	61
Results from intersegment investments	452	—	452
Net income	\$313	\$ (23)	\$290

	Statement of Operations Industrial Activities Year Ended December 31, 2016		
	Adjustment		
	As Previously Reported	Due to Adoption of New Accounting Pronouncements	As Recast
	(in millions)		
Revenues			
Net sales	\$23,669	\$ (453)	\$23,216
Finance, interest and other income	153	—	153
Total Revenues	\$23,822	\$ (453)	\$23,369
Costs and Expenses			
Cost of goods sold	\$19,539	\$ (119)	\$19,420
Selling, general and administrative expenses	1,979	(16)	1,963
Research and development expenses	860	—	860
Restructuring expenses	43	—	43
Interest expense	694	—	694
Interest compensation to Financial Services	332	(332)	—
Other, net	855	27	882
Total Costs and Expenses	\$24,302	\$ (440)	\$23,862
Loss before income taxes and equity in income of unconsolidated subsidiaries and affiliates	(480)	(13)	(493)
Income tax (expense) benefit	(137)	1	(136)
Equity in income of unconsolidated subsidiaries and affiliates	34	—	34
Results from intersegment investments	334	—	334
Net loss	\$(249)	\$ (12)	\$(261)

Balance Sheet
Industrial Activities
December 31, 2017

	As Previously Reported	Adjustment Due to Adoption of New Accounting Pronouncements	As Recast
--	------------------------------	----------------------------------------------------------------------	--------------

(in millions)

ASSETS			
Cash and cash equivalents	\$4,901	\$ —	\$4,901
Restricted cash	—	—	—
Trade receivables	490	—	490
Financing receivables	1,718	—	1,718
Inventories, net	6,064	172	6,236
Property, plant and equipment, net	7,001	(172)	6,829
Investments in unconsolidated subsidiaries and affiliates	3,173	—	3,173
Equipment under operating leases	35	—	35
Goodwill	2,316	—	2,316
Other intangible assets, net	779	—	779
Deferred tax assets	835	34	869
Derivative assets	73	—	73
Other assets	1,706	36	1,742
Total Assets	\$29,091	\$ 70	\$29,161
LIABILITIES AND EQUITY			
Debt	\$7,396	\$ 47	\$7,443
Trade payables	5,936	—	5,936
Deferred tax liabilities	97	(3)	94
Pension, postretirement and other postemployment benefits	2,280	—	2,280
Derivative liabilities	88	—	88
Other liabilities	8,869	194	9,063
Total Liabilities	\$24,666	\$ 238	\$24,904
Equity	4,400	(168)	4,232
Redeemable noncontrolling interest	25	—	25
Total Liabilities and Equity	\$29,091	\$ 70	\$29,161

	Statements of Cash Flows Industrial Activities Year Ended December 31, 2017		
	Adjustment		
	As	Due to	As
	Previously	Adoption of	As
	Reported	New	Recast
		Accounting	
		Pronouncements	
	(in millions)		
Net cash provided by operating activities	\$2,416	\$ 375	\$2,791
Net cash used in investing activities	\$(1,450)	\$ (375)	\$(1,825)
Net cash used in financing activities	\$(1,075)	\$ —	\$(1,075)
Effect of foreign exchange rate changes on cash and cash equivalents and restricted cash	361	—	361
Decrease in cash and cash equivalents and restricted cash	252	—	252
Cash and cash equivalents and restricted cash, beginning of year	4,649	—	4,649
Cash and cash equivalents and restricted cash, end of period	\$4,901	\$ —	\$4,901

	Statements of Cash Flows Industrial Activities Year Ended December 31, 2016		
	Adjustment		
	As	Due to	As
	Previously	Adoption of	As
	Reported	New	Recast
		Accounting	
		Pronouncements	
	(in millions)		
Net cash provided by operating activities	\$1,719	\$ 229	\$1,948
Net cash used in investing activities	\$(759)	\$ (229)	\$(988)
Net cash used in financing activities	\$(815)	\$ —	\$(815)
Effect of foreign exchange rate changes on cash and cash equivalents and restricted cash	(47)	(15)	(62)
Decrease in cash and cash equivalents and restricted cash	98	(15)	83
Cash and cash equivalents and restricted cash, beginning of year	4,551	15	4,566
Cash and cash equivalents and restricted cash, end of period	\$4,649	\$ —	\$4,649

The impact on Financial Services of adoption of the new Revenue Recognition standard, the impact of ASU 2017-07 and ASU 2016-18 on our previously reported supplemental statements of operations and supplemental statements of cash flows for the years ended December 31, 2017 and 2016 and our supplemental balance sheet as of December 31, 2017 is as follows:

The impact of the new standards to Financial Services statement of operations was to increase Finance, interest and other income by \$403 million and \$346 million with a corresponding increase to Other, net for the years ended December 31, 2017 and 2016, respectively.

There was no impact to the Financial Services balance sheet for the new standards and the impact to the statement of cash flows is as follows:

	Statements of Cash Flows Financial Activities Year Ended December 31, 2017 Adjustment Due As to Adoption of As Previously New As Reported Accounting Recast Pronouncements (in millions)		
Net cash provided by operating activities	\$(44)	\$ 475	\$431
Net cash used in investing activities	\$472	\$ (562)	\$(90)
Net cash used in financing activities	\$(281)	\$ —	\$(281)
Effect of foreign exchange rate changes on cash and cash equivalents and restricted cash	14	20	34
Decrease in cash and cash equivalents and restricted cash	161	(67)	94
Cash and cash equivalents and restricted cash, beginning of year	368	837	1,205
Cash and cash equivalents and restricted cash, end of period	\$529	\$ 770	\$1,299

	Statements of Cash Flows Financial Activities Year Ended December 31, 2016 Adjustment Due As to Adoption of As Previously New As Reported Accounting Recast Pronouncements (in millions)		
Net cash provided by operating activities	\$730	\$ 431	\$1,161
Net cash used in investing activities	\$(267)	\$ (506)	\$(773)
Net cash used in financing activities	\$(959)	\$ —	\$(959)
Effect of foreign exchange rate changes on cash and cash equivalents and restricted cash	31	—	31
Decrease in cash and cash equivalents and restricted cash	(465)	(75)	(540)
Cash and cash equivalents and restricted cash, beginning of year	833	912	1,745
Cash and cash equivalents and restricted cash, end of period	\$368	\$ 837	\$1,205

Impact of the adoption of the new Revenue Recognition standard and of ASU 2017-07 on 2017 amounts included in the following Notes

2016 and 2017 figures included in the following Notes have been recast following the retrospective adoption, on January 1, 2018, of the updated accounting standard for revenue recognition (ASC 606) and for retirement benefit accounting (ASU 2017-07).

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. ASU 2016-01 is effective January 1, 2018, with the cumulative-effect adjustment from initially applying the new standard recognized in the

F-29

consolidated statement of financial position as of January 1, 2018. The Company adopted this standard on January 1, 2018, which did not have a material impact on its consolidated financial statements.

Not Yet Adopted

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities ("ASU 2017-12") and in October 2018, the FASB issued ASU 2018-16, Inclusion of the Secured Overnight Financial Rate (SOFR) Overnight Index Swap Rate (OIS) as a Benchmark Interest Rate for Hedge Accounting Purposes ("ASU 2018-16"), which together amend 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 adoption of this standard is not expected to have a material impact on the consolidated financial statements.

Financial Instruments

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. In November 2018, the FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2018-19"), which amended ASC 326. 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. ASU 2016-13 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. Subsequently, the FASB has issued additional ASUs which further clarify this guidance. The ASU's most prominent change is the requirement for lessees to recognize leased assets and liabilities classified as operating leases under the previous standard. 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, and early adoption is permitted. We will adopt the new guidance effective January 1, 2019.

The original transition guidance in ASU 2016-02 required a modified retrospective approach. In July 2018, the FASB issued ASU 2018-11 (an amendment to ASU 2016-02) which provides entities with an additional transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. If the transition option in ASU 2018-11 is elected, reporting for the comparative periods presented in the financial statements in which the Company adopts the new leases standard will continue to be in accordance with Topic 840, Leases.

CNH Industrial will adopt the new standard effective January 1, 2019, using the modified retrospective approach which requires the Company to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, without recasting prior periods. CNH Industrial will elect certain practical expedients upon transition, including: not to reassess under the new guidance its prior conclusions about lease identification, lease classification and initial direct costs; and, those provided for short-term leases. The Company anticipates adoption of the standard will add approximately \$0.5 billion in right-of-use assets and lease liabilities to its consolidated statement of financial position at January 1, 2019, without transition effect to equity. Furthermore, the adoption of the standard will not significantly impact CNH Industrial consolidated income statement and consolidated statement of cash flows.

Comprehensive Income

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (“ASU 2018-02”), which amends ASC 220, Income Statement - Reporting Comprehensive Income. In December 2017, the U.S. government enacted new tax legislation (“U.S. Tax Act”). Included in the provisions of the U.S. Tax Act is a reduction of the corporate income tax rate from 35 percent to 21 percent. U.S. GAAP requires that the remeasurement of deferred taxes to the new corporate tax rate occur in the period in which the legislation is enacted. The deferred tax adjustment is recorded in the provision for income taxes, including items for which the tax effects were originally recorded in Other Comprehensive Income (“OCI”). This treatment results in the items in OCI reflecting a disproportionate tax rate, a result often referred to as stranded tax effects. This ASU allows a reclassification from accumulated OCI to retained earnings for stranded tax effects resulting from the U.S. Tax Act. ASU 2018-92 is effective for annual reporting periods beginning after December 15, 2018 including interim periods within those fiscal years, and early adoption is permitted. The ASU can be adopted at the beginning of an interim or annual period or retrospectively to each period affected by the U.S. Tax Act. The Company anticipates adoption of the ASU will result in an immaterial balance sheet re-classification between Retained earnings and

F-30

Accumulated other comprehensive loss, both of which are reported in the equity section of the Company's Consolidated Balance Sheet. Adopting the ASU will have no impact on the Company's Consolidated Statement of Operations or its Consolidated Statement of Cash Flows.

Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement, which amends ASC 820, Fair Value Measurement. This ASU modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The effective date is the first quarter of fiscal year 2021, with early adoption permitted for the removed disclosures and delayed adoption until fiscal year 2021 permitted for the new disclosures. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

Compensation - Retirement Benefits

In August 2018, the FASB issued ASU No. 2018-14, Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans ("ASU 2018-14"), which amends ASC 715-20, Compensation - Retirement Benefits - Defined Benefit Plans - General. This ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans by removing and adding certain disclosures for these plans. The eliminated disclosures include (a) the amounts in accumulated OCI expected to be recognized in net periodic benefit costs over the next fiscal year and (b) the effects of a one-percentage-point change in assumed health care cost trend rates on the net periodic benefit costs and the benefit obligation for postretirement health care benefits. The new disclosures include the interest crediting rates for cash balance plans, and an explanation of significant gains and losses related to changes in benefit obligations. ASU 2018-14 is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

Intangibles - Cloud Computing Arrangements

In August 2018, the FASB issued ASU No. 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement ("ASU 2018-15"), which expands upon the guidance set forth in ASU 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. ASU 2018-15 aligns the requirements for capitalization of implementation costs in a cloud computing service contract with those requirements for capitalization of implementation costs incurred for an internal-use software license. ASU 2018-15 is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted in any interim period for which financial statements have not been issued. ASU 2018-15 may be applied prospectively from the date the guidance is first applied or retrospectively. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

Changes in Stockholders' Equity and Noncontrolling Interests

In August 2018, the SEC adopted a final rule that amends certain disclosure requirements that have become duplicative, overlapping, or outdated in light of other SEC disclosure requirements, U.S. GAAP, or changes in the information environment. However, the guidance also added requirements for registrants to include in their interim financial statements a reconciliation of changes in stockholders' equity for each period for which an income statement is required (both year-to-date and quarterly periods). The final rule is effective for all filings made on or after November 5, 2018. However, the SEC staff said it would not object to a registrant waiting to comply with the new interim disclosure requirement until the filing for the quarter that begins after the effective date. As a result, the Company plans to adopt the new interim disclosure requirement in its U.S. GAAP quarterly report for the three months ended March 31, 2019. The Company is currently evaluating the impact compliance with this rule will have on its consolidated financial statements.

Note 3: Revenue

The following tables summarize previously reported revenues for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
	(in millions)		
Agricultural Equipment	\$11,682	\$10,683	\$9,690
Construction Equipment	3,021	2,530	2,206
Commercial Vehicles	10,939	10,562	9,628
Powertrain	4,565	4,369	3,707
Eliminations and Other	(2,376)	(2,375)	(2,015)
Total Industrial Activities	\$27,831	\$25,769	\$23,216
Financial Services	1,989	2,028	1,916
Eliminations and Other	(114)	(96)	(37)
Total Revenues	\$29,706	\$27,701	\$25,095

The following table disaggregates previously reported revenues by major source for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
	(in millions)		
Revenues from:			
Sales of goods	\$26,838	\$24,987	\$22,426
Rendering of services	527	438	451
Rents on assets sold with a buy-back commitment	466	344	339
Revenues from sales of goods and services	\$27,831	\$25,769	\$23,216
Finance and interest income	1,115	1,185	1,190
Rents and other income on operating lease	760	747	689
Finance, interest and other income	\$1,875	\$1,932	\$1,879
Total Revenues	\$29,706	\$27,701	\$25,095

Contract liabilities recorded in Other liabilities were \$1,368 million, \$1,498 million and \$1,216 million at December 31, 2018, 2017 and 2016, respectively. Contract liabilities primarily relate to extended warranties/maintenance and repair contracts, and transactions for the sale of vehicles with a buy-back commitment. During the year ended December 31, 2018, 2017 and 2016, revenues included \$544 million, \$496 million and \$428 million, respectively, relating to contract liabilities outstanding at the beginning of each period.

As of December 31, 2018, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$2.2 billion. CNH Industrial expects to recognize revenue on approximately 40% and 84% of the remaining performance obligations over the next 12 and 36 months, respectively, with the remaining recognized thereafter.

Note 4: Receivables

Trade Receivables, net

As of December 31, 2018 and 2017, the Company had trade receivables of \$399 million and \$496 million, respectively. Trade receivables are shown net of allowances for doubtful accounts of \$82 million and \$109 million at December 31, 2018 and 2017 respectively. Trade accounts have significant concentrations of credit risk in the Agricultural Equipment, Construction Equipment and Commercial Vehicles segments. There is not a disproportionate concentration of credit risk in any geographic 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, 2018 and 2017 is as follows:

	2018	2017
	(in millions)	
Retail	\$9,350	\$9,725
Wholesale	9,749	10,001
Other	68	69
Total	\$19,167	\$19,795

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 2018, 2017 or 2016 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, 2018 are as follows:

	Amount (in millions)
2019	\$ 12,809
2020	2,363
2021	1,691
2022	1,227
2023	859
2024 and thereafter	218
Total	\$ 19,167

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 greater than 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.

F-33

The aging of financing receivables as of December 31, 2018 and 2017 is as follows (in millions):

	2018			Total Past Due	Current	Total Performing	Non Performing	Total
	31-60 Days Past Due	61-90 Days Past Due	Greater Than 90 Days					
Retail								
North America	\$21	\$5	\$—	\$26	\$6,285	\$6,311	\$12	\$6,323
EMEA	1	—	10	11	164	175	40	215
LATAM	11	9	7	27	1,885	1,912	83	1,995
APAC	2	1	—	3	814	817	—	817
Total Retail	\$35	\$15	\$17	\$67	\$9,148	\$9,215	\$135	\$9,350
Wholesale								
North America	\$—	\$—	\$—	\$—	\$3,613	\$3,613	\$18	\$3,631
EMEA	20	9	—	29	4,727	4,756	—	4,756
LATAM	—	—	—	—	656	656	—	656
APAC	7	3	\$—	10	696	706	—	706
Total Wholesale	\$27	\$12	\$—	\$39	\$9,692	\$9,731	\$18	\$9,749

	2017			Total Past Due	Current	Total Performing	Non Performing	Total
	31-60 Days Past Due	61-90 Days Past Due	Greater Than 90 Days					
Retail								
North America	\$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								
North America	\$—	\$—	\$—	\$—	\$3,651	\$3,651	\$41	\$3,692
EMEA	23	12	4	39	5,061	5,100	9	5,109
LATAM	—	—	—	—	613	613	—	613
APAC	4	—	—	4	583	587	—	587
Total Wholesale	\$27	\$12	\$4	\$43	\$9,908	\$9,951	\$50	\$10,001

Allowance for credit losses activity for the three years ended December 31, 2018, 2017 and 2016 is as follows (in millions):

	December 31, 2018	
	Retail	Wholesale
Opening balance	\$383	\$200
Provision	53	(5)
Charge-offs, net of recoveries	(85)	(15)
Foreign currency translation and other	(25)	(16)
Ending balance	326	164
Ending balance: Individually evaluated for impairment	204	135

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Ending balance: Collectively evaluated for impairment	122	29
Receivables:		
Ending balance	9,350	9,749
Ending balance: Individually evaluated for impairment	359	314
Ending balance: Collectively evaluated for impairment	\$8,991	\$ 9,435

F-34

	December 31, 2017	
	Retail	Wholesale
Opening balance	\$374	\$ 200
Provision	72	11
Charge-offs, net of recoveries	(103)	(15)
Foreign currency translation and other	40	4
Ending balance	383	200
Ending balance: Individually evaluated for impairment	212	164
Ending balance: Collectively evaluated for impairment	171	36
Receivables:		
Ending balance	9,725	10,001
Ending balance: Individually evaluated for impairment	347	540
Ending balance: Collectively evaluated for impairment	\$9,378	\$ 9,461

	December 31, 2016	
	Retail	Wholesale
Opening balance	\$394	\$ 158
Provision	52	60
Charge-offs, net of recoveries	(82)	(14)
Foreign currency translation and other	10	(4)
Ending balance	374	200
Ending balance: Individually evaluated for impairment	179	149
Ending balance: Collectively evaluated for impairment	195	51
Receivables:		
Ending balance	9,949	8,535
Ending balance: Individually evaluated for impairment	317	491
Ending balance: Collectively evaluated for impairment	\$9,632	\$ 8,044

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.

	2018				2017			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Investment	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Investment
(in millions)								
With an allowance recorded								
Retail								
North America	\$31	\$ 30	\$ 16	\$ 33	\$39	\$ 37	\$ 18	\$ 41
EMEA	\$234	\$ 234	\$ 167	\$ 249	\$260	\$ 260	\$ 170	\$ 277
LATAM	\$91	\$ 91	\$ 20	\$ 88	\$45	\$ 45	\$ 22	\$ 32
APAC	\$3	\$ 3	\$ 1	\$ 4	\$3	\$ 3	\$ 2	\$ 2
Wholesale								
North America	\$25	\$ 23	\$ 5	\$ 27	\$44	\$ 44	\$ 3	\$ 49
EMEA	\$256	\$ 256	\$ 107	\$ 260	\$457	\$ 457	\$ 134	\$ 443
LATAM	\$23	\$ 14	\$ 16	\$ 26	\$30	\$ 17	\$ 21	\$ 28
APAC	\$10	\$ 10	\$ 7	\$ 9	\$9	\$ 9	\$ 6	\$ 4
Total								
Retail	\$359	\$ 358	\$ 204	\$ 374	\$347	\$ 345	\$ 212	\$ 352
Wholesale	\$314	\$ 303	\$ 135	\$ 322	\$540	\$ 527	\$ 164	\$ 524

Troubled Debt Restructurings

A restructuring of a receivable constitutes a troubled debt restructuring (“TDR”) when the lender grants a concession it would not otherwise consider to a borrower that is experiencing financial difficulties. As a collateral based lender, CNH Industrial typically will repossess collateral in lieu of restructuring receivables. As such, for retail receivables, concessions are typically provided based on bankruptcy court proceedings. For wholesale receivables, concessions granted may include extended contract maturities, inclusion of interest-only periods, modification of a contractual interest rate to a below market interest rate and waiving of interest and principal.

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 based on a credit review, the TDR classification is not removed from the receivable.

As of December 31, 2018, the Company had 254 retail and finance lease contracts classified as TDRs in North America where a court has determined the concession. The pre-modification value of these contracts was \$8 million and the post-modification value was \$7 million. Additionally, the Company had 371 accounts with a balance of \$17 million in North America undergoing bankruptcy proceedings where a concession has not yet been determined. As of December 31, 2017, the Company had 272 retail and finance lease contracts classified as TDRs in North America where a court has determined the concession. The pre-modification value of these contracts was \$9 million and the post-modification value was \$8 million. Additionally, the Company had 423 accounts with a balance of \$24 million in North America undergoing bankruptcy proceedings where a concession has not yet been determined. 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 previous 12 months ended December 31, 2018 and 2017.

As of December 31, 2018 and 2017, CNH Industrial'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

F-36

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, 2018 and 2017, the carrying amount of such restricted assets included in financing receivables above are the following (in millions):

	Restricted Receivables	
	2018	2017
Retail note and finance lease receivables	\$6,371	\$6,833
Wholesale receivables	7,052	7,189
Total	\$13,423	\$14,022

Note 5: Inventories

Inventories (stated at the lower of cost or market, cost being determined on a FIFO basis) as of December 31, 2018 and 2017 consist of the following:

	2018	2017
	(in millions)	
Raw materials	\$ 1,293	\$ 1,278
Work-in-process	576	601
Finished goods	4,857	4,573
Total Inventories	\$ 6,726	\$ 6,452

Note 6: Property, Plant and Equipment

A summary of property, plant and equipment as of December 31, 2018 and 2017 is as follows:

	2018	2017
	(in millions)	
Land and industrial buildings	\$ 3,332	\$ 3,472
Plant, machinery and equipment	8,417	8,659
Assets sold with buy-back commitment	3,100	3,607
Construction in progress	162	101
Other	815	834
Gross property, plant and equipment	15,826	16,673
Accumulated depreciation	(9,925)	(9,842)
Net property, plant and equipment	\$ 5,901	\$ 6,831

A summary of property, plant and equipment recorded under capital leases¹ as of December 31, 2018, and 2017 is as follows:

	2018	2017
	(in millions)	
Gross capital leases ⁽²⁾	\$ 4	\$ 100
Accumulated depreciation	—	(36)
Net capital leases	\$ 4	\$ 64

(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 \$965 million, \$929 million, and \$884 million for the years ended December 31, 2018, 2017, and 2016, respectively. Excluding depreciation for assets sold with buy-back commitments, depreciation expenses totaled \$587 million, \$610 million, and \$605 million for the years ended December 31, 2018, 2017, and 2016, respectively.

Commercial Vehicles recognized an impairment loss on new and used vehicles of \$76 million, \$86 million and \$56 million on assets sold with a buy-back commitment for the years ended December 31, 2018, 2017, and 2016, respectively. The losses are recognized in "Cost of goods sold."

The Company had contractual commitments of \$123 million and \$101 million for the acquisition of property, plant and equipment at December 31, 2018 and 2017, respectively.

Note 7: Investments in Unconsolidated Subsidiaries and Affiliates

A summary of investments in unconsolidated subsidiaries and affiliates as of December 31, 2018 and 2017 is as follows:

	2018	2017
	(in millions)	
Equity method	\$523	\$555
Cost method	3	6
Total	\$526	\$561

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,		
	2018	2017	2016
	(in millions)		
Net revenue	\$2,875	\$3,273	\$3,670
Income before taxes	\$150	\$265	\$99
Net income	\$109	\$198	\$48

	As of December 31,	
	2018	2017
	(in millions)	
Total Assets	\$7,789	\$7,441
Total Liabilities	\$6,662	\$6,216
Total Equity	\$1,127	\$1,225

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. (49.9% 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. (49.0% ownership).

Note 8: 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, 2018 and 2017 is as follows:

	2018	2017
	(in millions)	
Equipment on operating leases	\$2,139	\$2,240
Accumulated depreciation	(365)	(395)
Net equipment on operating leases	\$1,774	\$1,845

Depreciation expense on equipment on operating leases is recorded in "Other, net" and amounted to \$256 million, \$305 million and \$267 million for the years ended December 31, 2018, 2017, and 2016, respectively.

Lease payments owed to CNH Industrial for equipment under non-cancelable operating leases as of December 31, 2018, are as follows:

	Amount (in millions)
2019	\$ 194
2020	145
2021	81
2022	30
2023	10
Beyond 5 years	3
Total	\$ 463

Note 9: Goodwill and Other Intangibles

Changes in the carrying amount of goodwill, for the years ended December 31, 2018 and 2017 are as follows:

	Agricultural Equipment	Construction Equipment	Commercial Vehicles	Powertrain	Financial Services	Total
	(in millions)					
Balance at January 1, 2017	\$1,648	\$ 588	\$ 55	\$ 5	\$ 153	\$2,449
Impact of foreign exchange	6	5	9	—	3	23
Balance at December 31, 2017	\$1,654	\$ 593	\$ 64	\$ 5	\$ 156	\$2,472
Impact of foreign exchange and other	(8)	(6)	(2)	—	(3)	(19)
Balance at December 31, 2018	\$1,646	\$ 587	\$ 62	\$ 5	\$ 153	\$2,453

Goodwill and other indefinite-lived intangible assets are tested for impairment annually or more frequently if a triggering event occurs. In 2018 and 2017, 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, 2018, 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

F-40

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, 2018, 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, 2018. 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.

As of December 31, 2018, and 2017, the Company's other intangible assets and related accumulated amortization consisted of the following:

	Weighted Avg. Life	2018			2017		
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
(in millions)							
Other intangible assets subject to amortization:							
Dealer networks	15	\$ 320	\$ 207	\$ 113	\$ 328	\$ 199	\$ 129
Patents, concessions and licenses and other	5-25	1,879	1,477	402	1,834	1,444	390
		2,199	1,684	515	2,162	1,643	519
Other intangible assets not subject to amortization:							
Trademarks		273	—	273	273	—	273
Total Other intangible assets		\$2,472	\$ 1,684	\$ 788	\$2,435	\$ 1,643	\$ 792

CNH Industrial recorded amortization expense of \$116 million, \$115 million, and \$111 million during 2018, 2017, and 2016, 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: \$103 million in 2019; \$77 million in 2020; \$67 million in 2021, \$57 million in 2022; and \$41 million in 2023.

Note 10: 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, 2018, CNH Industrial's available committed unsecured facilities expiring after twelve months amounted to \$3.1 billion (\$3.2 billion at December 31, 2017).

In 2016, we signed a renewal of a five-year committed revolving credit facility for €1.75 billion (\$2.0 billion at the year-end 2018 exchange rate). The renewal extends the maturity of the previous €1.75 billion committed revolving credit facility from 2019 until 2021. The €1.75 billion 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.), includes 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, 2018, the Company was in compliance with all covenants in the revolving credit facility. At December 31, 2018, Financial Services' committed asset-backed facilities expiring after twelve months amounted to \$3.9 billion (\$3.5 billion at December 31, 2017), of which \$3.0 billion at December 31, 2018 (\$2.3 billion at December 31, 2017) were utilized.

F-41

Debt

A summary of issued bonds outstanding as of December 31, 2018, 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⁾	EUR	547	2.750%	March 18, 2019	\$ 626
CNH Industrial Finance Europe S.A. ⁽¹⁾	EUR	432	2.875%	September 27, 2021	494
CNH Industrial Finance Europe S.A. ⁽¹⁾	EUR	75	1.625%	March 29, 2022	86
CNH Industrial Finance Europe S.A. ⁽¹⁾	EUR	500	1.375%	May 23, 2022	573
CNH Industrial Finance Europe S.A. ⁽¹⁾	EUR	500	2.875%	May 17, 2023	573
CNH Industrial Finance Europe S.A. ⁽¹⁾	EUR	650	1.750%	September 12, 2025	744
CNH Industrial Finance Europe S.A. ⁽¹⁾	EUR	100	3.500%	November 12, 2025	114
CNH Industrial Finance Europe S.A. ⁽¹⁾	EUR	500	1.875%	January 19, 2026	573
CNH Industrial Finance Europe S.A. ⁽¹⁾	EUR	50	3.875%	April 21, 2028	57
Other Bonds:					
CNH Industrial N.V. ⁽²⁾	USD	600	4.500%	August 15, 2023	600
CNH Industrial N.V. ⁽²⁾	USD	500	3.850%	November 15, 2027	500
Hedging effects, bond premium/discount, and unamortized issuance costs					(52)
Total Industrial Activities					\$ 4,888
Financial Services					
CNH Industrial Capital LLC	USD	500	3.375%	July 15, 2019	\$ 500
CNH Industrial Capital LLC	USD	600	4.375%	November 6, 2020	600
CNH Industrial Capital LLC	USD	500	4.875%	April 1, 2021	500
CNH Industrial Capital LLC	USD	400	3.875%	October 15, 2021	400
CNH Industrial Capital LLC	USD	500	4.375%	April 5, 2022	500
CNH Industrial Capital LLC	USD	500	4.200%	January 15, 2024	500
Hedging effects, bond premium/discount, and unamortized issuance costs					(10)
Total Financial Services					\$ 2,990

(1) Bond listed on the Irish Stock Exchange

(2) Bond listed on the New York Stock Exchange

A summary of total debt as of December 31, 2018 and 2017, is as follows:

2018			2017		
Industrial Activities	Financial Services	Total	Industrial Activities	Financial Services	Total

(in millions)

Total Bonds	\$4,888	\$2,990	\$7,878	\$5,810	\$3,075	\$8,885
Asset-backed debt	—	11,268	11,268	3	12,025	12,028
Other debt	323	4,976	5,299	648	4,334	4,982
Intersegment debt	1,136	1,202	—	982	1,641	—
Total Debt	\$6,347	\$20,436	\$24,445	\$7,443	\$21,075	\$25,895

The weighted-average interest rate on consolidated debt at December 31, 2018, and 2017 was 3.0% and 3.1%, 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.

F-42

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 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.

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, 2018 the aggregate principal amount of the notes outstanding was \$388 million.

In August 2018, S&P Global Ratings raised its long-term issuer credit ratings on CNH Industrial N.V. and its subsidiary, CNH Industrial Capital LLC, to 'BBB' from 'BBB-'. The outlook is stable. Additionally, S&P Global Ratings raised the issue-level ratings on CNH Industrial N.V. and its industrial subsidiaries' debt, as well as the issue-level ratings on CNH Industrial Capital LLC's senior unsecured debt, to 'BBB' from 'BBB-'.

In August 2018, CNH Industrial Capital LLC refinanced an April 2018 maturity by issuing \$500 million of notes at an annual fixed rate of 4.200% due in January 2024 with an issue price of 99.701 percent of their principal.

In September 2018 CNH Industrial Finance Europe S.A. issued €500 million of notes at an annual fixed rate of 1.875% due in 2026 (the “1.875% CIFE Notes”) at an issue price of 98.944 percent of their principal amount. The 1.875% CIFE Notes were issued under the €10 billion Euro Medium Term Note Programme unconditionally and irrevocably guaranteed by CNH Industrial N.V.

In December 2018, Moody's Investors Service ("Moody's") upgraded the senior unsecured ratings of CNH Industrial N.V. and its subsidiaries CNH Industrial Capital LLC and CNH Industrial Finance Europe S.A from Ba1 to Baa3. The

outlook is stable.

In December 2018, in order to manage its liabilities, CNH Industrial Finance Europe S.A repurchased, through a public tender, an aggregate nominal amount of €268 million of the outstanding €700 million 2.875% Notes due September 27, 2021 issued under the EMTN.

In 2017, with the purpose of further diversifying Financial Services' funding structure, a commercial paper program was established in the U.S. by CNH Industrial Capital LLC. This program had an outstanding amount of \$388 million at December 31, 2018. Since 2015, CNH Industrial Financial Services S.A. in Europe has issued commercial paper under a program which had an outstanding amount of \$101 million at December 31, 2018.

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

F-43

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 \$1.5 billion and \$1.6 billion at December 31, 2018 and 2017, 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 or commercial vehicles in accordance with the program.

A summary of the minimum annual repayments of debt as of December 31, 2018, for 2019 and thereafter is as follows:

	Industrial Activities (in millions)	Financial Services (in millions)	Consolidated
2019	\$786	\$9,661	\$ 10,447
2020	38	4,454	4,492
2021	515	2,595	3,110
2022	678	1,478	2,156
2023	1,184	327	1,511
2024 and thereafter	2,010	719	2,729
Intersegment	1,136	1,202	—
Total	\$6,347	\$20,436	\$ 24,445

Please refer to “Note 15: Financial Instruments” for fair value information on debt.

Note 11: 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, 2018 of \$417 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, 2018, 2017, and 2016 are as follows:

	2018	2017	2016
	(in millions)		
Parent country source	\$(6)	\$(211)	\$(70)
Foreign sources	1,472	870	48
Income (loss) before taxes and equity in income of unconsolidated subsidiaries and affiliates	\$1,466	\$659	\$(22)

The provision for income taxes for the years ended December 31, 2018, 2017 and 2016 consisted of the following:

	2018	2017	2016
	(in millions)		
Current income taxes	\$353	\$354	\$229
Deferred income taxes	64	103	68
Total income tax provision	\$417	\$457	\$297

CNH Industrial N.V. is incorporated in the Netherlands, but is a tax resident of the United Kingdom ("U.K."). 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 U.K. statutory main corporation tax rates in force over each of the Company’s calendar year reporting periods of 20% in 2016, 19.25% in 2017

F-44

and 19% in 2018. A reconciliation of CNH Industrial's income tax expense for the years ended December 31, 2018, 2017 and 2016 is as follows:

	2018	2017	2016
	(in millions)		
Tax provision at the parent statutory rate	\$278	\$127	\$(4)
Foreign income taxed at different rates	102	94	(12)
Change in valuation allowance	31	166	135
Italian IRAP taxes	21	17	22
Tax contingencies	29	18	(2)
Tax credits and incentives	(66)	(48)	(88)
Venezuela remeasurement, and impairment and deconsolidation charges	—	18	16
Non-deductible EC Settlement	—	—	160
Change in tax rate or law	(8)	46	14
Withholding taxes	7	6	11
Other	23	13	45
Total income tax provision	\$417	\$457	\$297

The effective tax rate reduction in 2018 was primarily caused by the difference in tax accruals attributable to the U.S. Tax Act and other tax law changes, a reduced negative impact of recording valuation allowances against certain of our deferred tax assets, a more favorable geographic mix of pre-tax earnings, and a reduced U.S. tax rate pursuant to the U.S. Tax Act. As described further below, during 2017 the Company reported provisional tax impacts associated with the U.S. Tax Act, which was enacted in December 2017. In 2018 and in accordance with Staff Accounting Bulletin No. 118, the Company finalized its accounting for the impacts of the U.S. Tax Act, which resulted in an \$8 million tax benefit being reported during the current year. In addition, amongst other items, the U.S. Tax Act enacted a tax upon global intangible low tax income, a so-called GILTI tax. The Company has made a policy election to account for the GILTI tax as a current period cost, rather than under the deferred tax method.

During the last quarter of 2017, new tax legislation was enacted in several jurisdictions, primarily including the U.S. and the U.K. In connection with these legislative changes, the Company reported a \$46 million tax expense related to the U.S. mandatory deemed repatriation tax and the write-down of deferred tax assets in the relevant jurisdictions. In addition, also in the last quarter of 2017, the Company 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 14: 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, 2018, undistributed earnings in certain subsidiaries outside the U.K. totaled approximately \$4 billion for which no deferred tax liability has been recorded because the remittance of earnings from certain jurisdictions would incur no tax or such earnings are indefinitely reinvested. The Company has determined the amount of unrecognized deferred tax liability relating to the \$4 billion undistributed earnings was approximately \$58 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 tax liabilities as of December 31, 2018. The repatriation of undistributed earnings to the U.K. is generally exempt from U.K. income taxes under a full participation exemption.

Deferred Income Tax Assets and Liabilities

The components of net deferred tax assets as of December 31, 2018 and 2017 are as follows:

	2018	2017
	(in millions)	
Deferred tax assets:		
Inventories	\$104	\$108
Warranty and campaigns	192	202
Allowance for credit losses	163	184
Marketing and sales incentive programs	268	259
Other risk and future charges reserve	273	312
Pension, postretirement and postemployment benefits	237	408
Measurement of derivative financial instruments	16	1
Research and development costs	420	458
Other reserves	377	394
Tax credits and loss carry forwards	616	684
Less: Valuation allowances	(1,626)	(1,762)
Total deferred tax assets	\$1,040	\$1,248
Deferred tax liabilities:		
Property, plant and equipment	\$357	\$295
Other	206	195
Total deferred tax liabilities	563	490
Net deferred tax assets	\$477	\$758

Net deferred tax assets are reflected in the accompanying consolidated balance sheets as of December 31, 2018 and 2017 as follows:

	2018	2017
	(in millions)	
Deferred tax assets	\$591	\$852
Deferred tax liabilities	(114)	(94)
Net deferred tax assets	\$477	\$758

Valuation Allowances

As of December 31, 2018, the Company has valuation allowances of \$1,626 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 U.K.

CNH Industrial has gross tax loss carry forwards in several tax jurisdictions. These tax losses expire as follows: \$160 million in 2019; \$9 million in 2020; \$39 million in 2021; \$83 million in 2022; \$506 million in 2023 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: \$1 million in 2020; and \$52 million in 2023 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:

	2018	2017
	(in millions)	
Balance, beginning of year	\$320	\$318
Additions based on tax positions related to the current year	22	30
Additions for tax positions of prior years	46	16
Reductions for tax positions of prior years	(60)	(21)
Reductions for tax positions as a result of lapse of statute	(24)	(8)
Settlements	(36)	(15)
Balance, end of year	\$268	\$320

As of December 31, 2018, there are \$170 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, 2018, 2017 and 2016, the Company recognized expense of approximately \$13 million, \$(1) million and \$7 million for income tax related interest and penalties, respectively. The Company had approximately \$21 million, \$11 million and \$12 million of income tax related interest and penalties accrued at December 31, 2018, 2017 and 2016, respectively.

The Company does not believe, within the next twelve months, the resolution of any outstanding tax examinations will have a material effect on its financial position, results of operations or cash flows.

Note 12: 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, 2018, 2017, and 2016, CNH Industrial recorded expense of \$198 million, \$189 million, and \$181 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 U.S., the U.K., 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.

F-47

On February 20, 2018, CNH Industrial announced that the United States Supreme Court ruled in its favor in Reese vs. CNH Industrial N.V. and CNH Industrial America LLC. The decision allowed CNH Industrial to terminate or modify various retiree healthcare benefits previously provided to certain UAW Union represented CNH Industrial retirees. On April 16, 2018, CNH Industrial announced its determination to modify the Benefits provided to the applicable retirees (“Benefits Modification”) to make them consistent with the Benefits provided to current eligible CNH Industrial retirees who had been represented by the UAW. The Benefits Modification resulted in a reduction of the plan liability by \$527 million. This amount will be amortized from OCI to the income statement over approximately 4.5 years, which represents the average service period to attain eligibility conditions for active participants. For the year ended December 31, 2018, \$80 million of amortization was recorded as a pre-tax gain in Other, net.

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, 2018 and 2017:

	Pension		Healthcare ⁽¹⁾		Other ⁽¹⁾	
	2018	2017	2018	2017	2018	2017
	(in millions)					
Change in benefit obligations:						
Beginning benefit obligation	\$3,365	\$3,188	\$1,120	\$1,105	\$470	\$418
Service cost	25	30	6	6	15	15
Interest cost	71	74	24	36	3	3
Plan participants’ contributions	3	3	9	7	—	—
Actuarial loss (gain)	(140)	44	(129)	29	(8)	13
Gross benefits paid	(207)	(179)	(63)	(68)	(37)	(37)
Plan amendments	22	—	(530)	—	—	—
Currency translation adjustments and other	(110)	205	(3)	5	(21)	58
Ending benefit obligation	\$3,029	\$3,365	\$434	\$1,120	\$422	\$470
Change in the fair value of plan assets:						
Beginning plan assets	2,517	2,328	184	111	—	—
Actual return on plan assets	(46)	196	(6)	19	—	—
Employer contributions	55	34	—	56	—	—
Plan participants’ contributions	3	3	—	—	—	—
Gross benefits paid	(179)	(150)	(37)	(2)	—	—
Currency translation adjustments and other	(69)	106	—	—	—	—
Ending plan assets	2,281	2,517	141	184	—	—
Funded status:	\$(748)	\$(848)	\$(293)	\$(936)	\$(422)	\$(470)

(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, 2018 and 2017:

	U.S.		U.K		Germany ⁽¹⁾		Other Countries ⁽¹⁾	
	2018	2017	2018	2017	2018	2017	2018	2017
	(in millions)							
Change in benefit obligations:								
Beginning benefit obligation	\$1,173	\$1,159	\$1,409	\$1,315	\$453	\$419	\$330	\$295
Service cost	4	7	4	7	4	4	13	12
Interest cost	35	37	29	29	4	4	3	4
Plan participants' contributions	—	—	—	—	—	—	3	3
Actuarial loss (gain)	(85)	53	(39)	(15)	(4)	(2)	(10)	8
Gross benefits paid	(112)	(83)	(56)	(53)	(28)	(28)	(11)	(15)
Plan amendments	—	—	21	—	—	—	—	—
Currency translation adjustments and other	—	—	(78)	126	(20)	56	(13)	23
Ending benefit obligation	\$1,015	\$1,173	\$1,290	\$1,409	\$409	\$453	\$315	\$330
Change in the fair value of plan assets:								
Beginning plan assets	1,207	1,139	1,005	918	5	5	300	266
Actual return on plan assets	(65)	153	14	29	—	—	3	14
Employer contributions	—	—	44	23	—	—	11	11
Plan participants' contributions	—	—	—	—	—	—	3	3
Gross benefits paid	(112)	(82)	(56)	(53)	—	—	(11)	(15)
Currency translation adjustments and other	—	(3)	(56)	88	—	—	(11)	21
Ending plan assets	\$1,030	\$1,207	\$951	\$1,005	\$5	\$5	\$295	\$300
Funded status:	\$15	\$34	\$(339)	\$(404)	\$(404)	\$(448)	\$(20)	\$(30)

(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, 2018 and 2017 consist of:

	Pension		Healthcare		Other	
	2018	2017	2018	2017	2018	2017
	(in millions)					
Other assets	\$25	\$46	\$—	\$—	\$—	\$—
Pension, postretirement and other postemployment benefits	(773)	(894)	(293)	(936)	(422)	(470)
Net liability recognized at end of year	\$(748)	\$(848)	\$(293)	\$(936)	\$(422)	\$(470)

Pre-tax amounts recognized in accumulated other comprehensive loss as of December 31, 2018 consist of:

	Pension	Healthcare	Other
	(in millions)		
Unrecognized actuarial losses	\$856	\$31	\$82
Unrecognized prior service credit	14	(451)	(5)
Accumulated other comprehensive loss	\$870	\$(420)	\$77

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	
	2018	2017
	(in millions)	
Accumulated benefit obligation	\$ 1,753	\$ 1,968
Fair value of plan assets	\$ 991	\$ 1,146

The following table summarizes CNH Industrial's pension and other postemployment plans with projected benefit obligations in excess of plan assets:

	Pension		Healthcare		Other	
	2018	2017	2018	2017	2018	2017
	(in millions)					
Projected benefit obligation	\$ 1,951	\$ 2,130	\$ —	\$ 1,119	\$ 422	\$ 470
Fair value of plan assets	\$ 1,178	\$ 1,236	\$ —	\$ 184	\$ —	\$ —

The total accumulated benefit obligation for pension was \$3,011 million and \$3,285 million as of December 31, 2018 and 2017, 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, 2018, 2017, and 2016:

	Pension			Healthcare			Other		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
	(in millions)								
Service cost	\$ 25	\$ 30	\$ 30	\$ 6	\$ 6	\$ 7	\$ 15	\$ 15	\$ 13
Interest cost	71	74	87	24	36	39	3	3	4
Expected return on assets	(112)	(111)	(113)	(7)	(7)	(6)	—	—	—
Amortization of:									
Prior service cost (credit)	(1)	(1)	—	(82)	(2)	(4)	1	1	(1)
Actuarial loss (gain)	74	90	76	7	6	15	4	5	8
Settlement loss and other	1	4	—	—	—	—	1	2	1
Net periodic benefit cost	\$ 58	\$ 86	\$ 80	\$ (52)	\$ 39	\$ 51	\$ 24	\$ 26	\$ 25

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 2018 consist of:

	Pension	Healthcare	Other
	(in millions)		
Net periodic benefit cost	\$ 58	\$ (52)	\$ 24
Benefit adjustments included in other comprehensive (income) loss:			
Net actuarial losses (gains)	17	(116)	(9)
Amortization of actuarial losses	(74)	(7)	(4)
Amortization of prior service (cost) credit	1	82	(1)
Currency translation adjustments and other	(9)	(530)	(4)
Total recognized in other comprehensive (income) loss	(65)	(571)	(18)
Total recognized in comprehensive loss	\$ (7)	\$ (623)	\$ 6

Pre-tax amounts expected to be amortized in 2019 from accumulated other comprehensive loss consist of:

	Pension	Healthcare	Other
	(in millions)		
Actuarial losses	\$69	\$ 1	\$ 1
Prior service cost (credit)	2	(122)) 1
Total	\$71	\$ (121)) \$ 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, 2018 and 2017, and the net periodic benefit cost of CNH Industrial's defined benefit plans for the years ended December 31, 2018, 2017, and 2016:

(in %)	Pension plans			Healthcare plans			Other		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Assumptions used to determine funded status at December 31									
Weighted-average discount rate	2.91	2.57	2.82	4.12	3.53	3.97	1.62	1.47	1.54
Weighted-average rate of compensation increase	3.00	3.01	2.95	n/a	n/a	n/a	1.41	1.11	1.19
Weighted-average, initial healthcare cost trend rate	n/a	n/a	n/a	6.17	6.46	6.72	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	1.79	2.15	2.91	3.58	3.96	4.21	1.64	1.67	2.18
Weighted-average discount rates - interest cost	2.20	2.33	2.82	3.19	3.39	3.49	1.34	1.40	1.89
Weighted-average rate of compensation increase	3.01	2.95	2.98	n/a	n/a	n/a	1.11	1.19	1.33
Weighted-average long-term rates of return on plan assets	4.58	4.74	5.00	4.50	6.25	6.25	n/a	n/a	n/a
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

(*) CNH Industrial expects to achieve the ultimate healthcare cost trend rate in 2024 for U.S. plans. A flat trend rate assumption is utilized for the Canada plans.

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 U.S. 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 its U.S. pension plan participants and has decided to adopt the variants of Blue Collar tables of RP-2014 as the base mortality tables. Subsequent to the Benefits Modification to the US Healthcare plan on April 16, 2018, the Company decided to change the base mortality table for the US Healthcare plan from the variants of Blue Collar tables of RPH-2014 (with MP-2014 removed) to a no-collar variant which led to an increase of \$4.3 million to the Company's benefit obligations at December 31, 2018. 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 2018 version of the mortality improvement scale (“MP-2018”). In 2018, CNH Industrial adopted the MP-2018 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 \$3.6 million to the Company’s benefit obligations at December 31, 2018, of which, \$3 million and \$0.6 million were related to pension plans and Healthcare plans, respectively.

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	One Percentage- Point Decrease
	(in millions)	
Total increase/(decrease) in service cost and interest cost components of 2018 Health-care Plan benefit expense	\$ 3	\$ (3)
Total increase/(decrease) in accumulated Health-care benefit obligations as of December 31, 2018	\$ 25	\$ (22)
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.

F-52

Weighted average target asset allocation for all plans for 2018 are as follows:

	All
	Plans
Asset category:	
Equity securities	18 %
Debt securities	53 %
Cash/Other	29 %

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, 2018:

	Total	Level 1	Level 2	Level 3
	(in millions)			
Equity securities:				
U.S. equities	\$288	\$16	\$272	\$—
Non-U.S. equities	—	—	—	—
Total Equity securities	288	16	272	—
Fixed income securities:				
U.S. government bonds	356	349	7	—
U.S. corporate bonds	421	—	421	—
Non-U.S. government bonds	47	9	38	—
Non-U.S. corporate bonds	73	—	73	—
Mortgage backed securities	—	—	—	—
Other fixed income	11	—	11	—
Total Fixed income securities	908	358	550	—
Other types of investments:				
Mutual funds (A)	990	—	990	—
Insurance contracts	152	—	—	152
Derivatives—credit contracts	—	—	—	—
Real estate	—	—	—	—
Total Other types of investments	1,142	—	990	152
Cash:	84	46	38	—
Total	\$2,422	\$420	\$1,850	\$152

(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, 2018:

	Insurance Contracts
Balance at December 31, 2017	\$ 149
Actual return on plan assets relating to assets still held at reporting date	3
Purchases	8
Settlements	(4)
Transfers in and/or out of level 3	—
Currency impact	(4)
Balance at December 31, 2018	\$ 152

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

F-54

Contributions

CNH Industrial expects to contribute (including through direct benefit payments) approximately \$78 million to its pension plans, \$14 million to its healthcare plans and \$34 million to its other postemployment plans in 2019.

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:

	Pension Plans	Healthcare	Medicare Part D Reimbursement	Other
	(in millions)			
2019	\$ 176	\$ 35	\$ —	\$ 34
2020	172	34	—	34
2021	173	32	—	31
2022	170	32	—	33
2023	172	32	—	30
2024 - 2028	850	156	(1)	136
Total	\$ 1,713	\$ 321	\$ (1)	\$ 298

Note 13: Other Liabilities

A summary of “Other liabilities” as of December 31, 2018 and 2017 is as follows:

	2018	2017
	(in millions)	
Advances on buy-back agreements	\$1,870	\$2,176
Warranty and campaign programs	925	932
Marketing and sales incentive programs	1,329	1,335
Tax payables	685	765
Accrued expenses and deferred income	609	610
Accrued employee benefits	680	752
Legal reserves and other provisions	368	384
Contract reserve	262	344
Contract liabilities	1,368	1,498
Restructuring reserve	71	60
Other	791	738
Total	\$8,958	\$9,594

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, 2018 and 2017 are as follows:

	2018	2017
	(in millions)	
Balance, beginning of year	\$932	\$792
Current year additions	826	782
Claims paid	(724)	(670)
Currency translation adjustment and other	(109)	28
Balance, end of year	\$925	\$932

Advance on Buy-back Agreements

As described in “Note 2: Summary of Significant Accounting Policies,” the repurchase value of the asset relating to new vehicle sales with a buy-back commitment by Commercial Vehicles is recognized as advances on buy-back agreements.

Restructuring Provision

The Company incurred restructuring costs of \$61 million, \$93 million and \$44 million for the years ended December 31, 2018, 2017, and 2016, respectively. These costs were as follows:

In 2018, Commercial Vehicles and Agricultural Equipment recorded \$30 million and \$26 million respectively, which were primarily attributable to actions as part of the Efficiency Program launched in 2014.

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.

The following table sets forth restructuring activity for the years ended December 31, 2018, 2017 and 2016:

	Severance and Facility Other Related Employment Costs (in millions)	Other Restructuring	Total
Balance at January 1, 2016	\$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
Restructuring charges	39 17	5	61
Reserves utilized: cash	(36) —	(2)	(38)
Reserves utilized: non-cash	(9) 1	—	(8)
Currency translation adjustments	(2) —	(2)	(4)
Balance at December 31, 2018	\$40 \$ 30	\$ 1	\$71

Note 14: 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

F-56

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, 2018 and 2017, environmental reserves of approximately \$38 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 2016, Iveco, the Company's wholly owned subsidiary, 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. 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 2016. The fine was paid by the Company on October 20, 2016. Following this settlement, the Company has been named as defendant in private litigation commenced in various European jurisdictions and Israel by customers and other third parties, either acting individually or as part of a wider group or class of claimants. These claims remain at an early stage. Further, CNH Industrial expects to face further claims, based on the same legal

grounds in various other jurisdictions. The extent and outcome of these claims cannot be predicted at this time.

F-57

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)
2019	\$ 155
2020	110
2021	76
2022	53
2023	41
2024 and beyond	135
Total minimum rental commitments	\$ 570

Total rental expense for all operating leases was \$169 million, \$78 million, and \$67 million for the years ended December 31, 2018, 2017, and 2016, respectively.

At December 31, 2018, Financial Services has various agreements to extend credit for the following financing arrangements:

Facility	Total Credit Limit	Utilized	Not Utilized
	(in millions)		
Wholesale and dealer financing	\$6,704	\$3,899	\$2,805

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, 2018 and 2017 totaling \$471 million and \$368 million, respectively.

Note 15: 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.

F-58

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 enter into derivatives or other financial instruments for speculative purposes. The credit and market risk related to derivatives is reduced through diversification among various counterparties, utilizing mandatory termination clauses and/or collateral support agreements. Derivative instruments are generally classified as Level 2 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 Derivatives

CNH Industrial has entered into foreign exchange forward contracts and swaps 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 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 \$(18) 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 \$7.2 billion and \$6.9 billion at December 31, 2018 and 2017, 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 2018, 2017, and 2016, respectively.

F-59

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, 2018, 2017, and 2016.

All of CNH Industrial's interest rate derivatives outstanding as of December 31, 2018 and 2017 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 \$5.4 billion and \$3.9 billion at December 31, 2018 and 2017, respectively.

Financial Statement impact of CNH Industrial Derivatives

The fair values of CNH Industrial's derivatives at December 31, 2018 and 2017 in the consolidated balance sheets are recorded as follows:

	2018	2017
	(in millions)	
Derivatives Designated as Hedging Instruments:		
Assets:		
Foreign exchange contracts:	\$52	\$53
Interest rate derivatives:	21	7
Cross currency swaps:	—	—
Total Assets	\$73	\$60
Liabilities		
Foreign exchange contracts:	\$(41)	\$(55)
Interest rate derivatives:	(29)	(16)
Total Liabilities	\$(70)	\$(71)
Derivatives Not Designated as Hedging Instruments:		
Assets:		
Foreign exchange contracts:	\$24	\$13
Interest rate derivatives:	2	4
Total Assets	\$26	\$17
Liabilities		
Foreign exchange contracts:	\$(38)	\$(22)
Interest rate derivatives:	—	(5)
Total Liabilities	\$(38)	\$(27)

Pre-tax gains (losses) on the consolidated statements of operations related to CNH Industrial's derivatives for the year ended December 31, 2018, 2017, and 2016 are recorded in the following accounts:

	2018	2017	2016
	(in millions)		
Fair Value Hedges			
Interest rate derivatives—Interest expense	\$9	\$(12)	\$(33)
Gains/(losses) on hedged items—Interest expense	\$(9)	\$12	\$33
Cash Flow Hedges			
Recognized in accumulated other comprehensive income (effective portion):			
Foreign exchange contracts—accumulated other comprehensive income	\$2	\$48	\$(72)
Interest rate derivatives—accumulated other comprehensive income	\$1	\$5	\$13
Reclassified from accumulated other comprehensive income (effective portion):			
Foreign exchange contracts—Net sales	\$(7)	\$6	\$55
Foreign exchange contracts—Cost of goods sold	\$15	\$(47)	\$(4)
Foreign exchange contracts—Other, net	\$20	\$10	\$(5)
Interest rate derivatives—Interest expense	\$(4)	\$—	\$(4)
Not Designated as Hedges			
Foreign exchange contracts—Other, net	\$68	\$(3)	\$(231)

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, 2018 and 2017:

	Level 1	Level 2	Total	
	2018	2017	2018	2017
	(in millions)			
Assets				
Foreign exchange derivatives	\$—	\$76	\$76	\$66
Interest rate derivatives	—	22	22	11
Cross currency swaps	—	—	—	—
Investments	1	—	1	1
Total Assets	\$1	\$98	\$99	\$78
Liabilities				
Foreign exchange derivatives	\$—	\$(79)	\$(79)	\$(77)
Interest rate derivatives	—	(29)	(29)	(21)
Total Liabilities	\$—	\$(108)	\$(108)	\$(98)

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, 2018 and 2017 are as follows:

	2018		2017	
	Carrying Fair Amount	Fair Value	Carrying Fair Amount	Fair Value
	(in millions)			
Financing receivables	\$ 19,167	\$ 19,017	\$ 19,795	\$ 19,979
Debt	\$ 24,445	\$ 24,481	\$ 25,895	\$ 26,137

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 16: 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, 2018, the Company's share capital was €18 million (equivalent to \$25 million), fully paid-in, and consisted of 1,364,400,196 common shares (1,353,831,958 common shares outstanding, net of 10,568,238 common shares held in treasury by the Company as described in the following section) and 396,474,276 special voting shares (388,725,624 special voting shares outstanding, net of 7,748,652 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 2018, 2017, and 2016 are as follows:

(number of shares)	CNH Industrial	CNH Industrial	Total CNH
	N.V. Common Shares	N.V. Special Voting Shares	Industrial N.V. Shares
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 Repurchase	(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
Capital increase	2,741,322	—	2,741,322
Common stock repurchases	(12,501,870)	—	(12,501,870)
Retirement of special voting shares	—	(181,066)	(181,066)
Total CNH Industrial N.V. shares at December 31, 2018	1,353,831,958	388,725,624	1,742,557,582

During the year ended December 31, 2018 and 2017, 0.2 million and 23 million special voting shares, respectively, 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 canceled 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, 2018 and 2017, the Company delivered 2.7 million and 5.3 million common shares, respectively, under the Company's stock compensation plan, primarily due to the vesting or exercise of share-based awards. See "Note 17: 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 13, 2018, 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 13, 2018, for a period of 18 months from the date of the AGM and, therefore, expiring on October 12, 2019, subject to certain maximum and minimum price requirements.

Implementing such resolution on April 27, 2018, the Company announced its new buy-back program to repurchase up to \$700 million in common shares.

At the 2019 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.

During the year ended December 31, 2018, the Company repurchased 12.5 million shares of its common stock on the MTA and on multilateral trading facilities ("MTFs") under the buy-back program at an aggregate cost of \$156 million. As of December 31, 2018, the Company held 10.6 million common shares in treasury, net of transfers of common shares to fulfill its obligations under its stock compensation plans, at an aggregate cost of \$130 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, 2018, the Company acquired approximately 0.2 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, 2018, the Company held 7.7 million special voting shares in treasury.

F-63

Dividend

On March 1, 2019, the Board of Directors of CNH Industrial N.V. recommended and proposed to the Company's shareholders that the Company declare a dividend of €0.18 per common share, totaling approximately €244 million (equivalent to approximately \$277 million, translated at the exchange rate reported by the European Central Bank on February 27, 2019). The proposal is subject to the approval of the Company's shareholders at the AGM to be held on April 12, 2019.

At the AGM held by CNH Industrial on April 13, 2018, shareholders approved the payment of a dividend of €0.14 per common share. The dividend was paid in May 2018 for a total amount of €190 million (\$235 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 17: Share-Based Compensation

For the years ended December 31, 2018 and 2017, CNH Industrial recognized total share-based compensation expense of \$35 million and \$19 million, respectively. 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 years ended December 31, 2018, 2017 and 2016, CNH Industrial recognized a total tax benefit relating to share-based compensation expense of \$3 million, \$1 million and \$0 million, respectively. As of December 31, 2018, CNH Industrial had unrecognized share-based compensation expense related to nonvested awards of approximately \$44 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 1.12 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. Directors' Compensation Plan ("CNH DCP"); and, iv) CNH Global N.V. Equity Incentive Plan ("CNH EIP").

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 years 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 then 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. Prorated share amounts covering performance through this same period were issued to new employees entering the plan. In 2017, no additional PSU's were granted. 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 canceled all PSU's issued in 2014, 2015 and 2016 and issued a grant of PSU's to its then 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. In 2018,

prorated share amounts covering performance through this same period were issued to new employees entering the plan. 0.6 million additional PSU's were granted in 2018. 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.

F-64

The fair values of the awards are calculated using the Monte Carlo Simulation model. The weighted average fair value of the awards that were issued in 2018 and 2017 is \$8.69 and \$9.14 per share, respectively. As a significant majority of the awards (approximately 88% of total awards as of December 31, 2018) were issued on December 22, 2017, the key assumptions utilized to calculate the grant-date fair values for awards issued on this grant date are listed below:

Key Assumptions for awards issued on
December 22, 2017

Expected Volatility	31.1%
Dividend yield	0.87%
Risk-free rate	2.01%

The expected volatility is based on the daily stock price movements experienced by the common shares of CNH Industrial over a three years 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.

The following table reflects the activity of performance-based share units under CNH Industrial EIP for the year ended December 31, 2018:

	2018	Weighted Performance Average Shares	Grant-Date Fair Value
Nonvested at beginning of year	6,632,100		\$ 9.14
Granted	617,140		\$ 8.69
Forfeited/Cancelled	(1,940,500)		\$ 6.82
Vested	—		\$ —
Nonvested at end of year	5,308,740		\$ 7.92

Restricted Share Units

In 2016, 2017 and 2018, CNH Industrial issued to selected employees approximately 2 million, 4 million, and 1 million Restricted Share Units ("RSUs") with a weighted average fair value of \$7.30, \$13.23, and \$11.63 per share, respectively. These shares will vest in three equal tranches over a three years 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 was \$10.41 per share, measured using the stock price on the grant date adjusted for the present value of future dividends that the Chairman would not receive during the vesting period. These shares are service based and vested in five tranches at the end of each year. The first, second, third, fourth tranches of 750 thousand, 750 thousand, 600 thousand, 450 thousand shares vested on December 31, 2014, 2015, 2016, 2017 respectively. The fifth tranche of 450 thousand shares vested on July 25, 2018. The relevant shares were delivered to Mr. Marchionne's estate on February 26, 2019. The first, second, third, and fourth tranches 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, 2018:

	2018	Weighted Average Grant-Date Fair Value
Nonvested at beginning of year	6,092,234	\$ 11.38
Granted	632,840	\$ 11.63
Forfeited	(913,290)	\$ 12.46
Vested	(2,447,337)	\$ 10.27
Nonvested at end of year	3,364,447	\$ 11.88

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 Chairperson.

• An additional \$20,000 for each member of every other Board committee and \$25,000 for the committee chairperson. (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, 2018, 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 2018 or 2017. During 2018, no restricted share units were issued under the CNH Industrial DCP. The weighted average grant-date fair value of the RSUs that were issued in 2016 and 2017 were \$6.78 and \$9.28, respectively.

CNH Global Directors' Compensation Plan ("CNH DCP")

CNH Global Directors' Compensation Plan stipulated 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. All of the outstanding stock options from the CNH DCP were exercised or forfeited during 2018. The CNH DCP was terminated effective as of the Merger and no new equity awards will be issued under the CNH DCP.

F-66

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 2016, 2017 or 2018 under the CNH EIP. There were no outstanding stock options under the CNH EIP at December 31, 2018.

The following table reflects the stock option activity under the CNH EIP for the year ended December 31, 2018:

	2018	Weighted- Average Exercise Price
Outstanding at beginning of year	214,574	\$ 8.78
Forfeited	—	\$ —
Expired	(11,545)	\$ 8.78
Exercised	(203,029)	\$ 8.78
Outstanding at end of year	—	\$ —
Exercisable at end of year	—	\$ —

Additional Share-Based Compensation Information

The table below provides additional share-based compensation information for the years ended December 31, 2018, 2017, and 2016:

	2018	2017	2016
	(in millions)		
Total intrinsic value of options exercised and shares vested	\$27	\$23	\$12
Fair value of shares vested	\$26	\$17	\$14
Cash received from share award exercises	\$2	\$28	\$—
Tax benefit of options exercised and shares vested	\$—	\$—	\$—

Note 18: 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, 2018, 2017 and 2016.

	2018	2017	2016
	(in millions, except per share data)		
Basic:			
Net income (loss) attributable to CNH Industrial	\$1,068	\$272	\$(264)
Weighted average common shares outstanding—basic	1,357	1,364	1,362
Basic earnings per share	\$0.79	\$0.20	\$(0.19)
Diluted:			
Net income (loss) attributable to CNH Industrial	\$1,068	\$272	\$(264)
Weighted average common shares outstanding—basic	1,357	1,364	1,362
Effect of dilutive securities (when dilutive):			
Stock compensation plans	4	3	—
Weighted average common shares outstanding—diluted (A)	1,361	1,367	1,362
Diluted earnings per share	\$0.78	\$0.20	\$(0.19)

For the twelve months ended December 31, 2018 and 2017, no shares were excluded from the computation of diluted earnings per share due to an anti-dilutive impact. For the twelve months ended December 31, 2016, 7.3 (A) million stock options were excluded from the computation of diluted earnings per share 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 19: 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 15: Financial Instruments". For more information on the Company's pensions and retirement benefit obligations, see "Note 12: 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:

Year Ended December 31, 2018	Gross	Income	Net
	Amount	Taxes	Amount
Unrealized gain (loss) on cash flow hedges	\$ (21)	\$(2)	\$(23)
Changes in retirement plans' funded status	620	(143)	477
Foreign currency translation	(317)	—	(317)
Share of other comprehensive loss of entities using the equity method	(35)	—	(35)
Other comprehensive loss	\$ 247	\$(145)	\$ 102
Year Ended December 31, 2017	Gross	Income	Net
	Amount	Taxes	Amount
Unrealized gain (loss) on cash flow hedges	\$ 84	\$ 5	\$ 89
Changes in retirement plans' funded status	116	(30)	86
Foreign currency translation	(414)	—	(414)
Share of other comprehensive loss of entities using the equity method	32	—	32
Other comprehensive income	\$(182)	\$(25)	\$(207)

Year Ended December 31, 2016	Gross Amount	Income Taxes	Net Amount
Unrealized gain (loss) on cash flow hedges	\$ (101)	\$ 10	\$ (91)
Changes in retirement plans' funded status	(81)	(8)	(89)
Foreign currency translation	322	—	322
Share of other comprehensive loss of entities using the equity method	(40)	—	(40)
Other comprehensive loss	\$ 100	\$ 2	\$ 102

The changes, net of tax, in each component of accumulated other comprehensive income (loss) consisted of the following:

	Unrealized Gain (Loss) on Cash Flow Hedges	Change in Retirement Plans' Funded Status	Foreign Currency Translation	Share of Other Comprehensive Income of Entities Using the Equity Method	Total
Balance, December 31, 2015	\$ 3	\$ (947)	\$ (806)	\$ (113)	\$(1,863)
Adoption of ASC 606	—	—	2	—	2
Balance, December 31, 2015, as recast	\$ 3	\$ (947)	\$ (804)	\$ (113)	\$(1,861)
Other comprehensive income (loss), before reclassifications	(58)	(172)	319	(40)	49
Amounts reclassified from other comprehensive income	(33)	83	—	—	50
Other comprehensive income (loss) ¹	(91)	(89)	319	(40)	99
Balance, December 31, 2016	\$ (88)	\$ (1,036)	\$ (485)	\$ (153)	\$(1,762)
Other comprehensive income (loss), before reclassifications	56	13	(414)	35	(310)
Amounts reclassified from other comprehensive income (loss)	33	73	—	—	106
Other comprehensive income (loss) ¹	89	86	(414)	35	(204)
Balance, December 31, 2017	\$ 1	\$ (950)	\$ (899)	\$ (118)	\$(1,966)
Other comprehensive income (loss), before reclassifications	(1)	473	(317)	(30)	125
Amounts reclassified from other comprehensive income	(22)	4	—	—	(18)
Other comprehensive income (loss) ¹	(23)	477	(317)	(30)	107
Balance, December 31, 2018	\$ (22)	\$ (473)	\$ (1,216)	\$ (148)	\$(1,859)

(1) Excluded from the table above is other comprehensive (income) loss allocated to noncontrolling interests of \$(5), \$(3) and \$3 for the years ended December 31, 2018, 2017 and 2016, respectively.

Significant amounts reclassified out of each component of accumulated other comprehensive income (loss) in December 31, 2018 and 2017 consisted of the following:

	Amount		Consolidated Statement of Operations line
	Reclassified from Other Comprehensive Income (Loss) 2018	2017	
	(in millions)		
Cash flow hedges	\$ 7	\$(6)	Net sales
	(15)	47	Cost of goods sold
	(20)	(10)	Other, net
	4	—	Interest expense
	2	2	Income taxes
	\$ (22)	\$ 33	
Change in retirement plans' funded status:			
Amortization of actuarial losses	\$ 85	\$ 101	*
Amortization of prior service cost	(82)	(2)	*
	1	(26)	Income taxes
	\$ 4	\$ 73	
Total reclassifications, net of tax	\$ (18)	\$ 106	

(*) These amounts are included in net periodic pension and other postretirement benefit cost. See "Note 12: Employee Benefit Plans and Postretirement Benefits" for additional information.

Note 20: 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 distributes 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. Financial Services also provides trade receivables factoring services to CNH Industrial companies.

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

F-70

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.

Historically and through 2017, the CODM assessed the performance of the operating segments on the basis of Operating Profit of Industrial Activities calculated using U.S. GAAP. In addition, for 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 while other operating segment asset information was not readily available.

Concurrently with the change in accounting standards, CNH Industrial reviewed the metrics on which the operating segments will be assessed. Effective January 1, 2018, the CODM began to assess segment performance and make decisions about resource allocation based upon Adjusted EBIT and Adjusted EBITDA. The Company believes Adjusted EBIT and Adjusted EBITDA more fully reflect segment and consolidated profitability. Adjusted EBIT is defined as net income/(loss) before income taxes, interest expenses of Industrial Activities, net, restructuring charges, the finance and non-service component of pension and other post-employment benefits costs, foreign exchange gains/(losses) and certain non-recurring items. Adjusted EBITDA is defined as Adjusted EBIT plus depreciation and amortization (including on assets under operating leases and assets sold under buy-back commitments). With reference to Financial Services, the CODM continues to assess the performance of the segment on the basis of net income prepared in accordance with U.S. GAAP.

The following table includes the reconciliation of Adjusted EBIT and Adjusted EBITDA, non-GAAP financial measures, to net income, the most comparable U.S. GAAP financial measure, for the years ended December 31, 2018, 2017, and 2016.

	Years Ended December 31,		
	2018	2017	2016
	(in millions)		
Net income	\$1,099	\$290	\$(261)
Income tax (expense)	417	457	297
Interest expenses of Industrial Activities, net of interest income and eliminations	368	482	541
Foreign exchange (gains) losses, net	171	124	142
Finance and non-service component of Pension and other post-employment benefit costs	(15)	102	107
Restructuring expenses	61	93	44
Venezuelan re-measurement and impairment of assets, and 2017 year-end deconsolidation of Venezuelan operations	—	92	34
Chinese joint venture restructuring	—	—	9
European Commission settlement	—	—	551
Adjusted EBIT	\$2,101	\$1,640	\$1,464
Depreciation and Amortization	703	725	716
Depreciation of assets under operating leases and assets sold with buy-back commitments	634	625	545
Adjusted EBITDA	\$3,438	\$2,990	\$2,725

Segment Information

The following summarizes Adjusted EBIT by reportable segment:

	Years Ended December		
	31,		
	2018	2017	2016
	(in millions)		
Agricultural Equipment	\$1,036	\$791	\$642
Construction Equipment	91	(16)	(44)
Commercial Vehicles	299	195	279
Powertrain	406	360	233
Unallocated items, eliminations and other	(247)	(187)	(142)
Total Industrial Activities	\$1,585	\$1,143	\$968
Financial Services	516	497	496
Adjusted EBIT	\$2,101	\$1,640	\$1,464

The following summarizes Adjusted EBITDA by reportable segment:

	Years Ended December		
	31,		
	2018	2017	2016
	(in millions)		
Agricultural Equipment	\$1,339	\$1,106	\$951
Construction Equipment	152	49	25
Commercial Vehicles	890	735	771
Powertrain	536	488	357
Unallocated items, eliminations and other	(246)	(187)	(142)
Total Industrial Activities	\$2,671	\$2,191	\$1,962
Financial Services	767	799	763
Adjusted EBITDA	\$3,438	\$2,990	\$2,725

A summary of additional operating segment information as of and for the years ended December 31, 2018, 2017, and 2016 is as follows:

	Years Ended December 31,		
	2018	2017	2016
	(in millions)		
Revenues:			
Agricultural Equipment	\$11,682	\$10,683	\$9,690
Construction Equipment	3,021	2,530	2,206
Commercial Vehicles	10,939	10,562	9,628
Powertrain	4,565	4,369	3,707
Eliminations and other	(2,376)	(2,375)	(2,015)
Net sales of Industrial Activities	27,831	25,769	23,216
Financial Services	1,989	2,028	1,916
Eliminations and other	(114)	(96)	(37)
Total Revenues	\$29,706	\$27,701	\$25,095
Depreciation and Amortization (*):			
Agricultural Equipment	301	315	309
Construction Equipment	61	65	69
Commercial Vehicles	206	212	208
Powertrain	130	128	124
Other activities and adjustments	1	—	—
Depreciation and amortization of Industrial Activities	699	720	710
Financial Services	4	5	6
Depreciation and amortization	\$703	\$725	\$716
Expenditures for long-lived assets (*):			
Agricultural Equipment	\$224	\$208	\$194
Construction Equipment	40	36	36
Commercial Vehicles	195	152	173
Powertrain	91	90	96
Other activities	—	2	2
Expenditures for long-lived assets of Industrial Activities	550	488	501
Financial Services	8	4	2
Expenditures for long-lived assets	\$558	\$492	\$503

(*) 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 \$1,006 million, \$864 million, and \$826 million for the years ended December 31, 2018, 2017, and 2016, respectively. Revenues earned in the rest of the world from external customers were \$28,700 million, \$26,837 million, and \$24,269 million for the years ended December 31, 2018, 2017, and 2016, respectively. The following highlights revenues earned from external customers in the rest of the world by destination:

	2018	2017	2016
	(in millions)		
United States	\$5,719	\$5,014	\$4,946
Italy	3,383	3,021	2,798
France	2,994	2,658	2,633
Brazil	2,093	1,789	1,586
Germany	2,062	1,833	1,650
Canada	1,124	1,182	1,141
Australia	929	1,063	929
Spain	1,084	1,016	924
Argentina	524	984	678
Poland	658	507	442
Other	8,130	7,770	6,542
Total Revenues from external customers in the rest of world	\$28,700	\$26,837	\$24,269

Total long-lived tangible and intangible assets located in the U.K. were \$218 million and \$288 million at December 31, 2018 and 2017, respectively, and the total of such assets located in the rest of the world totaled \$10,699 million and \$11,652 million at December 31, 2018 and 2017, respectively. The following highlights long-lived tangible and intangible assets by geographic in the rest of the world:

	At December 31,	
	2018	2017
	(in millions)	
United States	\$5,311	\$4,850
Italy	1,531	1,663
France	830	897
Germany	671	809
Spain	626	749
Canada	240	565
Brazil	308	386
China	534	278
Other	648	1,455
Total Long-lived assets in the rest of the world	\$10,699	\$11,652

In 2018, 2017, and 2016, no single external customer of CNH Industrial accounted for 10 percent or more of consolidated revenues.

Note 21: 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, 2019, EXOR N.V. held 42.1% 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, 2019. 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.

F-74

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, 2018 and 2017.

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:

	2018	2017	2016
	(in millions)		
Net sales	\$748	\$699	\$806
Cost of goods sold	\$433	\$444	\$466
Selling, general and administrative expenses	\$151	\$155	\$148

12/31/2018/2017

(in millions)

Trade receivables	\$10	\$17
Trade payables	\$118	\$96

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:

	2018	2017	2016
	(in millions)		
Net sales	\$1,068	\$1,028	\$782
Cost of goods sold	\$522	\$446	\$392

12/31/2018/2017

(in millions)

Trade receivables	\$107	\$102
Trade payables	\$103	\$97

At December 31, 2018 and 2017, CNH Industrial had pledged guarantees on commitments of its joint ventures for an amount of \$160 million and \$255 million, respectively, mainly related to IVECO—OTO MELARA Società Consortile a responsabilità limitata. At December 31, 2018 CNH Industrial had pledged guarantees and commitments of its associated company for an amount of \$261 million related to CNH Industrial Capital Europe S.A.S.

F-75

Note 22: 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.

	Statement of Operations					
	Industrial Activities			Financial Services		
	2018	2017	2016	2018	2017	2016
	(in millions)					
Revenues						
Net sales	\$27,831	\$25,769	\$23,216	\$—	\$—	\$—
Finance and interest income	100	122	153	1,989	2,028	1,916
Total Revenues	\$27,931	\$25,891	\$23,369	\$1,989	\$2,028	\$1,916
Costs and Expenses						
Cost of goods sold	\$22,958	\$21,572	\$19,420	\$—	\$—	\$—
Selling, general & administrative expenses	2,136	2,056	1,963	215	259	283
Research and development expenses	1,061	957	860	—	—	—
Restructuring expenses	61	90	43	—	3	1
Interest expense	468	604	694	558	555	521
Other, net	267	420	882	730	744	640
Total Costs and Expenses	\$26,951	\$25,699	\$23,862	\$1,503	\$1,561	\$1,445
Income (loss) before income taxes and equity in income of unconsolidated subsidiaries and affiliates	980	192	(493)	486	467	471
Income tax (expense)	(286)	(415)	(136)	(131)	(42)	(161)
Equity income of unconsolidated subsidiaries and affiliates	20	61	34	30	27	24
Results from intersegment investments	385	452	334	—	—	—
Net income (loss)	\$1,099	\$290	\$(261)	\$385	\$452	\$334

	Balance Sheets			
	Industrial Activities		Financial Services	
	2018	2017	2018	2017
	(in millions)			
ASSETS				
Cash and cash equivalents	\$4,553	\$4,901	\$478	\$529
Restricted cash	—	—	772	770
Trade receivables	398	490	34	53
Financing receivables	1,253	1,718	20,252	20,699
Inventories, net	6,510	6,236	216	216
Property, plant and equipment, net	5,899	6,829	2	2
Investments in unconsolidated subsidiaries and affiliates	3,126	3,173	219	205
Equipment under operating leases	34	35	1,740	1,810
Goodwill	2,301	2,316	152	156
Other intangible assets, net	774	779	14	13
Deferred tax assets	635	869	175	198
Derivative assets	81	73	24	14
Other assets	1,707	1,742	323	358
TOTAL ASSETS	\$27,271	\$29,161	\$24,401	\$25,023
LIABILITIES AND EQUITY				
Debt	6,347	7,443	20,436	21,075
Trade payables	5,771	5,936	173	193
Deferred tax liabilities	83	94	250	215
Pension, postretirement and other postemployment benefits	1,470	2,280	18	20
Derivative liability	89	88	26	20
Other liabilities	8,413	9,063	681	686
TOTAL LIABILITIES	\$22,173	\$24,904	\$21,584	\$22,209
Equity	5,068	4,232	2,817	2,814
Redeemable noncontrolling interest	30	25	—	—
TOTAL LIABILITIES AND EQUITY	\$27,271	\$29,161	\$24,401	\$25,023

Cash Flow Statements

Industrial Activities

Financial Services

2018 2017 2016 2018 2017 2016
(in millions)

Operating activities:

Net income (loss)	\$ 1,099	\$ 290	\$ (261)	\$ 385	\$ 452	\$ 334
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	699	720	710	4	5	6
Depreciation and amortization expense of assets under operating lease and assets sold under buy-back commitments	387	328	284	247	297	261
(Gain) loss from disposal of assets	2	—	3	—	—	—
Loss on repurchase of Notes	22	56	60	—	8	—
Undistributed income (loss) of unconsolidated subsidiaries	(93)	(107)	37	(31)	(27)	(25)
Other non-cash items	111	188	73	47	87	122
Changes in operating assets and liabilities:						
Provisions	(54)	224	2	6	(6)	4
Deferred income taxes	10	219	42	38	(95)	22
Trade and financing receivables related to sales, net	35	147	(7)	(207)	(823)	(90)
Inventories, net	(396)	207	378	508	475	391
Trade payables	280	359	121	(8)	8	(19)
Other assets and liabilities	(319)	160	506	46	50	155
Net cash provided by operating activities	1,783	2,791	1,948	1,035	431	1,161
Investing activities:						
Additions to retail receivables	—	—	—	(4,269)	(4,078)	(3,951)
Collections of retail receivables	—	—	—	4,016	4,384	4,569
Proceeds from sale of assets, net of assets sold under operating leases and assets sold under buy-back commitments	7	17	12	—	—	—
Expenditures for property, plant and equipment and intangible assets, net of assets under operating lease and sold under buy-back commitments	(550)	(488)	(501)	(8)	(4)	(2)
Expenditures for assets under operating lease and assets sold under buy-back commitments	(625)	(1,079)	(884)	(719)	(664)	(747)
Other	720	(275)	385	(532)	272	(642)
Net cash provided (used) by investing activities	(448)	(1,825)	(988)	(1,512)	(90)	(773)
Financing activities:						
Proceeds from long-term debt	629	2,006	1,754	15,582	13,890	10,875
Payments of long-term debt	(1,684)	(2,580)	(2,085)	(15,237)	(14,222)	(11,685)
Net increase (decrease) in other financial liabilities	27	(308)	(219)	359	362	87
Dividends paid	(243)	(168)	(207)	(264)	(357)	(341)
Other	(156)	(25)	(58)	40	46	105
Net cash provided (used) by financing activities	(1,427)	(1,075)	(815)	480	(281)	(959)
Effect of foreign exchange rate changes on cash and cash equivalents	(256)	361	(62)	(52)	34	31
Increase (decrease) in cash and cash equivalents	(348)	252	83	(49)	94	(540)
Cash and cash equivalents, beginning of year	4,901	4,649	4,566	1,299	1,205	1,745
Cash and cash equivalents, end of year	\$ 4,553	\$ 4,901	\$ 4,649	\$ 1,250	\$ 1,299	\$ 1,205

F-78

Note 23: Subsequent Event

On January 14, 2019, CNH Industrial announced its new organizational structure to accelerate global growth and profitability, focusing on its five global operating segments (Agriculture, Commercial & Specialty Vehicles, Construction, Powertrain, and Financial Services) supported by Global Functions addressing key synergy and development areas. On the same date, changes to the Global Executive Committee (formerly named Group Executive Council, "GEC") were announced.

F-79

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 on Form 6-K of the registrant (File No. 001-36085) and incorporated herein by reference).</u>
2.2	<u>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. 001-36085) and incorporated herein by reference).</u>
2.3	<u>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).</u>
4.1	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.
4.2	<u>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).</u>
4.3	<u>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).</u>
4.4	<u>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).</u>
4.5	<u>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).</u>
4.6	<u>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).</u>
7.1	<u>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).</u>
8.1	<u>Statement regarding computation of ratio of earnings to fixed charges.</u>
12.1	<u>List of subsidiaries of the registrant.</u>
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>
13.0	<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>
15.0	<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>
101.INS	<u>Consent of Ernst & Young LLP.</u> XBRL Instance Document

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101.SCH XBRL Taxonomy Extension Schema Document
101.CLA XBRL Taxonomy Extension Calculation Linkbase Document
101DEF XBRL Taxonomy Extension Definition Linkbase Document
101.LAB XBRL Taxonomy Extension Label Linkbase Document
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

F-80

CNH INDUSTRIAL N.V.
(Registrant)

/s/ MASSIMILIANO CHIARA
Massimiliano Chiara
Chief Financial Officer

Dated: March 1, 2019

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.

F-81