

CNH Industrial N.V.  
Form 20-F  
March 02, 2017  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2016

OR

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

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

CNH INDUSTRIAL N.V.

(Exact name of registrant as specified in its charter)

The Netherlands

(Jurisdiction of incorporation or organization)

25 St. James's Street

London

SW1A 1HA

United Kingdom

(Address of principal executive offices)

Michael P. Going

Secretary

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

FAX: +1 630-887-2344

Email: michael.going@cnhind.com

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

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

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

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: 1,361,630,903 common shares, par value €0.01 per share, and 412,268,203 special voting shares, par value €0.01 per share.

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

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

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

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

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

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Large accelerated filer    Accelerated filer    Non-accelerated filer

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

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

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

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

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

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## PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

CNH Industrial N.V. (“CNH Industrial” or the “Company”) is the company formed by the business combination transaction, completed on September 29, 2013, between Fiat Industrial S.p.A. (“Fiat Industrial”) and its majority owned subsidiary, CNH Global N.V. (“CNH Global”). 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.

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.

The deeds of merger for the mergers of Fiat Industrial and CNH Global with and into CNH Industrial (the “Merger”) were executed, respectively, on September 27 and 28, 2013. The effective date of the Merger was September 29, 2013. A primary objective of the Merger was to simplify the capital structure of Fiat Industrial (CNH Industrial subsequent to the Merger) by creating a single class of liquid stock listed on the New York Stock Exchange (“NYSE”) and on the Mercato Telematico Azionario, organized and managed by Borsa Italiana S.p.A. (“MTA”). The principal steps in the Merger were:

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

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

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

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

On January 1, 2011, Fiat S.p.A. (“Fiat”, which, effective October 12, 2014, was merged into Fiat Chrysler Automobiles N.V. or “FCA”) effected a “demerger” under Article 2506 of the Italian Civil Code (the “Demerger”). Pursuant to the

Demerger, Fiat transferred its ownership interest in FNH to a new holding company, Fiat Industrial, including Fiat's indirect ownership of CNH Global, as well as Fiat's truck and commercial vehicles business and its industrial and marine powertrain business. Consequently, as of January 1, 2011, CNH Global became a subsidiary of Fiat Industrial. In connection with the Demerger, shareholders of Fiat received shares of capital stock of Fiat Industrial. Accordingly, as of January 1, 2011, Fiat Industrial owned approximately 89% of CNH Global's outstanding common shares through FNH. Fiat Industrial was a corporation organized under the laws of the Republic of Italy whose stock was traded on the Milan stock exchange.

Following the Merger, the Company realigned its reportable segments reflecting the five businesses directly managed by CNH Industrial, 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 sells 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 our dealers and customers. Our worldwide agricultural equipment, construction equipment, commercial vehicles and powertrain operations are collectively referred to as "Industrial Activities". See "Item 5. Operating and Financial Review and Prospects" and "Note 19: Segment Reporting" in the notes to our consolidated financial statements for the year ended December 31, 2016.

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

•NAFTA—United States, Canada and Mexico;

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

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

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

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

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

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

Because the mergers of Fiat Industrial and CNH Global with and into CNH Industrial represent a “business combination involving entities or businesses under common control”, it is outside the scope of application of Accounting Standards Codification 805—Business Combinations. Accordingly, no adjustments were made to the carrying amounts of the assets and liabilities of Fiat Industrial. Financial data as of and for the year ended December 31, 2012 represent the consolidated information of Fiat Industrial and have been restated so as to be in compliance with U.S. GAAP. The only significant accounting effect of the Merger was the post-merger attribution to owners of the parent company of the previous noncontrolling interests in CNH Global. As a result of the Merger, \$1,053 million of noncontrolling interests were reclassified to equity attributable to the parent.



The following table contains our selected historical financial data as of and for each of the five years ended December 31, 2016, 2015, 2014, 2013 and 2012.

	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
	(in millions, except per share data)				
<b>Consolidated Statement of Operations Data:</b>					
<b>Revenues:</b>					
Net sales	\$23,669	\$24,677	\$31,196	\$32,632	\$31,529
Finance and interest income	1,203	1,235	1,359	1,204	1,272
<b>Total Revenues</b>	<b>24,872</b>	<b>25,912</b>	<b>32,555</b>	<b>33,836</b>	<b>32,801</b>
Net (loss) income	\$(249 )	\$248	\$708	\$828	\$876
Net (loss) income attributable to CNH Industrial N.V.	\$(252 )	\$253	\$710	\$677	\$756
<b>Earnings per share attributable to CNH Industrial N.V.:</b>					
Basic earnings per common share	\$(0.18 )	\$0.19	\$0.52	\$0.54	\$0.62
Diluted earnings per common share	\$(0.18 )	\$0.19	\$0.52	\$0.54	\$0.62
Cash dividends declared per common share(1)	\$0.148	\$0.214	\$0.277	\$0.293	\$0.245
Cash dividends declared per preference share(1)	—	—	—	—	\$0.245
Cash dividends declared per savings share(1)	—	—	—	—	\$0.306

	As of December 31,				
	2016	2015	2014	2013	2012
	(in millions)				
<b>Consolidated Balance Sheet Data:</b>					
Total Assets	\$45,547	\$46,677	\$51,824	\$53,739	\$48,862
Share capital(2)	\$25	\$25	\$25	\$25	\$2,565
Common shares outstanding	1,362	1,362	1,355	1,350	1,223
Special voting shares outstanding	412	413	415	469	—
Equity	\$4,451	\$4,843	\$4,961	\$4,955	\$4,825

- (1) On March 2, 2017, the Board of Directors recommended to the Company's shareholders a dividend of €0.11 per common share, totaling approximately €150 million (equivalent to approximately \$160 million, translated at the exchange rate reported by the European Central Bank on February 27, 2017). The proposal is subject to the approval of the Company's shareholders at the Annual General Meeting of shareholders to be held on April 14, 2017. For 2016, CNH Industrial declared and paid a dividend of €0.13 per common share. For 2015 and 2014, CNH Industrial declared and paid a dividend of €0.20 per common share. For 2013, Fiat Industrial declared and paid a dividend of €0.225 per ordinary share. For 2012, the declared dividend was €0.185, €0.185 and €0.2315 per share for ordinary share, preference share and savings share, respectively. The cash dividends for 2016, 2015, and 2014 were paid on 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 21, 2016 (\$0.1476), April 16, 2015 (\$0.2142), and April 17, 2014 (\$0.2771), respectively. The cash dividend declared for 2012 and 2013 was paid in euro on April 26, 2012 and April 25, 2013, respectively, and has been translated into U.S. dollars at the noon buying rate in the City of New York for cable transfers in euros as certified by the Federal Reserve Bank of New York for customs purposes on the payment date.
- (2) Share capital is a component of Equity. Upon the completion of the Merger on September 29, 2013, CNH Industrial issued 1,348,867,772 common shares and 474,474,276 special voting shares with a par value of €0.01 each. At December 31, 2012, share capital of Fiat Industrial amounted to \$2,565 million. Following the resolution

adopted by shareholders at an extraordinary general meeting held on April 5, 2012, 103,292,310 preference shares and 79,912,800 savings shares of Fiat Industrial were converted into 130,241,397 ordinary shares with a nominal value of €1.57 per share on May 21, 2012. Before the conversion, the par value of common share, preference and savings share was €1.50 per share.

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 34, the other risks described in the Safe Harbor Statement beginning on page 61 and Notes to 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 61. 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, energy prices, and the cost of commodities or other raw materials—which exist in the countries in which we operate. Such macroeconomic factors vary from time to time and their effect on our results of operations and financial position cannot be specifically and singularly assessed and/or isolated.

Financial conditions in several countries and/or regions continue to place significant economic pressures on existing and potential customers, including our dealer networks. Accordingly, 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. Further, our suppliers may 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. For example, in the European Union, despite measures taken by several governments and monetary authorities to provide financial assistance to certain Eurozone countries and to avoid default on sovereign debt obligations, concerns persist regarding the debt burden of several countries. 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. Similarly, in Brazil and Venezuela, macroeconomic conditions remain challenging. Moreover, some governments may implement measures designed to slow the economic growth rate in those countries (e.g., higher interest rates, reduced bank lending and other anti-inflation measures). If there is significant deterioration in the global economy or the economies of key countries or regions, the demand for our products and services would likely decrease and our results of operations, financial position and cash flows could be materially and adversely affected.

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

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

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

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

Additionally, U.S. tax and trade policies are currently undergoing a thorough review by the newly elected federal government in that country and significant changes may result from such review. To the extent any such policy changes lead to a realignment of established global trading patterns and practices, the implications to our business could be wide ranging.

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, financial condition, and results of operations.

Difficulty in obtaining financing or refinancing existing debt could impact our financial performance. Our future performance will depend on, among other things, our ability to finance debt repayment obligations and planned investments from operating cash flow, available liquidity, the renewal or refinancing of existing bank loans and/or facilities and access to capital markets or other sources of financing. A decline in revenues could have a negative impact on the cash-generating capacity of our operating activities. 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 prospects, results of operations and/or 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 prospects, results of operations and/or financial position.

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/or financial position.

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. See “Item 11. Quantitative and Qualitative Disclosures About Market Risk.”

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.

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.

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

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

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

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

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

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

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



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

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

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

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

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 invest considerable research and development resources and expect to continue to incur substantial costs in the future. Failure to comply with such laws could limit or prohibit our ability to sell our goods in a particular jurisdiction, expose us to penalties or clean-up costs, civil or criminal liability and sanctions on certain of our activities, as well as damage to property or natural resources. Liabilities, sanctions, damages and remediation efforts related to any non-compliance with such laws, including those that may be adopted or imposed in the future, could negatively impact our ability to conduct our operations and our financial position and results of operations. 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 mandate higher capital expenditures and negatively impact our business, results of operations, financial position and competitive position.

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

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

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

We are subject to extensive anti-corruption and antitrust laws and regulations. Our global operations are subject to a number of laws and regulations that apply to our operations around the world, including the U.S. Foreign Corrupt Practices Act, and the U.K. Bribery Act, as well as a range of national anti-corruption and antitrust or competition laws that apply to conduct in a particular jurisdiction. These anti-corruption laws prohibit improper payments in cash or anything of value to improperly influence government officials or other persons to obtain or retain business or gain a business advantage. These laws tend to apply whether or not those practices are legal or culturally acceptable in a particular jurisdiction. Over the past several years there has been a substantial increase in the enforcement of anti-corruption and antitrust or competition laws both globally and in particular jurisdictions and we have from time to time been subject to investigations and charges claiming violations of anti-corruption or antitrust or competition laws, including the recently settled EU antitrust investigation announced on July 19, 2016. As a result of this settlement, in the future we could be subject to follow-on private litigation 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 identify and minimize the risk of any 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 any violations, as well as any publicity regarding potential violations, could harm our reputation and have a material adverse effect on our business, results of operations and financial position. For further information, see Note 13 “Commitments and Contingencies” to the consolidated financial statements at December 31, 2016.

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

Brexit could adversely affect 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 being and 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.

We may be exposed to shortfalls in our pension plans. At December 31, 2016, the funded status for our defined benefit pension, healthcare and other postemployment benefit plans was a deficit of \$2,272 million. This amount included obligations of \$1,912 million for plans that we are currently not required to fund. The funded status is subject to many factors, as discussed in “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Application of Critical Accounting Estimates—Pension and Other Postemployment Benefits,” as well as “Note 11: Employee Benefit Plans and Postretirement Benefits” to our consolidated financial statements for the year ended December 31, 2016.

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

Dealer equipment sourcing and inventory management decisions could adversely affect our sales. We sell our products primarily through independent dealer networks and directly to OEMs 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 levels of used equipment inventory. 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, financial position and results of operations.

Adverse economic conditions could place a financial strain on our dealers and adversely affect our operating results. Global economic conditions continue to place financial stress on many of our dealers. Dealer financial difficulties may impact their equipment sourcing and inventory management decisions, as well as their ability to

provide services to their customers purchasing our equipment. We are also subject to the risk of insolvency of dealers and customers, in part due to unfavorable economic conditions in markets where their activities are carried out, and laws and government actions may, among other things, prevent us from enforcing legal rights and remedies in dealer or customer insolvency proceedings. Accordingly, additional financial strains on members of our dealer networks and customers resulting from current or future economic conditions could adversely impact our sales, financial position and results of operations.

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;
- increased financing costs and inability to fund such costs;
- 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, financial position, and results of operations could be adversely affected.

Our business operations may be 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 contractual 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 consolidated financial position, cash flows, and results of operations. 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 claims, 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 any such claims. As required by U.S. GAAP, we establish reserves based on our assessment of contingencies, including contingencies related to legal claims asserted against us. Subsequent developments in legal proceedings may affect our assessment and estimates of the loss contingency recorded as a reserve and require us to make payments in excess of our reserves, which could have a material adverse effect on our results of operations and/or financial position. See also “Note 13: Commitments and Contingencies” to our consolidated financial statements for the year ended December 31, 2016 for additional information.

The agricultural equipment industry is highly seasonal, which causes our results of operations and levels of working capital to fluctuate significantly. Farmers traditionally purchase agricultural equipment in the spring and fall, the main planting and harvesting seasons. Our agricultural equipment business net sales and results of operations have historically been the highest in the second quarter, reflecting the spring selling season in the Northern hemisphere, and lowest in the third quarter, when many of our production facilities experience summer shut-down periods, especially in Europe. Our agricultural equipment production levels are based upon estimated retail demand. These estimates take into account the timing of dealer shipments, which occur in advance of retail demand, dealer inventory levels, the need to retool manufacturing facilities to produce new or different models and the efficient use of manpower and facilities. However, because we spread our production and wholesale shipments throughout the year, wholesale sales of agricultural equipment products in any given period may not necessarily reflect the timing of dealer orders and retail demand in that period.

Estimated retail demand may exceed or be exceeded by actual production capacity in any given calendar quarter because we spread production throughout the year. If retail demand is expected to exceed production capacity for a quarter, we may schedule higher production in anticipation of the expected retail demand. Often, we anticipate that spring selling season demand may exceed production capacity in that period and schedule higher production, and anticipate higher inventories and wholesale shipments to dealers in the first quarter of the year. As a result, our

working capital and dealer inventories are generally at their highest levels during the February to May period and decline towards the end of the year, as both our and our dealers' inventories are typically reduced.

To the extent our production levels (and timing) do not correspond to retail demand, we may have too much or too little inventory, which could have an adverse effect on our financial position and results of operations.



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, 2016, we had an aggregate of \$25,276 million (including \$20,061 million relating to Financial Services activities) of consolidated gross indebtedness, and our equity was \$4,451 million, including noncontrolling interests. The extent of our indebtedness could have important consequences on our operations and financial results, including:

- we may not be able to secure additional funds for working capital, capital expenditures, debt service requirements or general corporate purposes;
- we may need to use a portion of our projected future cash flow from operations to pay principal and interest on our indebtedness, which may reduce the amount of funds available to us for other purposes;
- we may be more financially leveraged than some of our competitors, which could put us at a competitive disadvantage;
- we may not be able to invest in the development or introduction of new products or new business opportunities;
- we may not be able to adjust rapidly to changing market conditions, which may make us more vulnerable to a downturn in general economic conditions; and
- we may not be able to access the capital markets on favorable terms, which may adversely affect our ability to provide competitive retail and wholesale financing programs.

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

Restrictive covenants in our debt agreements could limit our financial and operating flexibility. The indentures or other 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;
- make certain investments;
- enter into certain types of transactions with affiliates;
- sell or acquire certain assets or merge with or into other companies;
  - use assets as security in other transactions; and/or
- enter into sale and leaseback 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. See "Note 9: Debt" to our consolidated financial statements for the year ended December 31, 2016 for additional information.

Increased information technology security threats, more sophisticated computer crime, and changes in privacy laws could disrupt our business. We rely upon information technology systems and networks in connection with a variety of business activities, some of which are managed by third parties, to operate our business, and we collect and store sensitive data. 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. Additionally, 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 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, there can be no assurance that such actions will be sufficient to mitigate all potential risks to our systems, networks and data.

A failure or breach in security could expose us and our customers, dealers and suppliers to risks of misuse of information or systems, the compromising of confidential information, loss of financial resources, manipulation and destruction of data, defective

products, production downtimes and operations disruptions, which in turn could adversely affect our reputation, competitive position, businesses and results of operations. Security breaches could also result in litigation, regulatory action, unauthorized release of confidential or otherwise protected information and corruption of data, as well as higher operational and other costs of implementing further data protection measures. In addition, as security threats continue to evolve we may need to invest additional resources to protect the security of our systems.

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

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

Our business may be affected by unfavorable weather conditions, climate change or natural disasters. 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, 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 from some local and international suppliers, disruption in the transport of our products to dealers and customers and delay in delivery of products to distribution centers. In the event such events occur, our financial results might be negatively impacted. Our existing insurance arrangements may not protect against all costs that may arise from such events.

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

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

International trade policies may impact demand for our products and our competitive position. Government policies on international trade and investment such as sanctions, import quotas, capital controls or tariffs, whether adopted by non-governmental bodies, individual governments or addressed by regional trade blocs, may affect the demand for our products and services, impact the competitive position of our products or prevent us from being able to sell products in certain countries. The implementation of more

restrictive 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.

#### Risks Related to Financial Services

We offer a wide range of financial services and products to Agricultural Equipment, Construction Equipment and Commercial Vehicles dealers and customers including retail financing for the purchase or lease of new and used equipment and vehicles and wholesale financing to dealers.

In light of the above, the following risks associated with Financial Services should be considered.

#### Credit risk

Fundamental to any organization that extends credit 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;
- interest rates (and changes in the applicable interest rates);
- the experience and skills of the customer's management team;
- commodity prices;
- political events;
- the weather; and
- the value of the collateral securing the extension of credit.

Deterioration in the quality of our financial assets, an increase in delinquencies or defaults, or a reduction in collateral recovery rates could have an adverse impact on the performance of Financial Services and our earnings and cash flows. These risks become more acute in an economic slowdown or recession due to decreased demand for (or availability of) credit, declining asset values, changes in government subsidies, reductions in collateral to loan balance ratios, and an increase in delinquencies, defaults, insolvencies, foreclosures and losses. In such circumstances, our loan servicing and litigation costs may also increase. In addition, governments may pass laws, or implement regulations, that modify rights and obligations under existing agreements, or which prohibit or limit the exercise of contractual rights.

When a borrower defaults on a loan and we repossess collateral securing the repayment of the loan, our ability to recover or mitigate losses by selling the collateral is subject to the current market value of such collateral. Those values are affected by levels of new and used inventory of agricultural and construction equipment, as well as commercial vehicles, on the market. They are also dependent upon the strength or weakness of market demand for new and used agricultural and construction equipment, as well as for commercial vehicles, which is affected by the strength of the general economy. In addition, repossessed collateral may be in poor condition, which would reduce its value. Finally, relative pricing of used equipment, compared with new equipment, can affect levels of market demand and the resale of repossessed equipment. An industry-wide decrease in demand for agricultural or construction equipment, as well as for commercial vehicles, could result in lower resale values for repossessed equipment, which could increase losses on loans and leases, adversely affecting our financial position and results of operations.

#### Funding Risk

Financial Services has traditionally relied upon the ABS market and committed asset-backed facilities as a primary source of funding and liquidity. A significant reduction in liquidity in the secondary market for ABS transactions could adversely affect our ability to sell receivables on a favorable or timely basis. Such conditions could have an adverse impact on our access to funding, financial position and results of operations. As Financial Services finances a significant portion of sales of our equipment, to the extent Financial Services is unable to access funding on acceptable terms, our sales of equipment would be negatively impacted.

## Repurchase Risk

In connection with our ABS transactions, we make customary representations and warranties regarding the assets being securitized, as disclosed in the relevant offering documents. While no recourse provisions exist that allow holders of asset-backed securities issued by our ABS trusts to require us to repurchase those securities, a breach of these representations and warranties could give rise to an obligation to repurchase non-conforming receivables from the trusts. Any obligation to make future repurchases could have an adverse effect on our financial position, results of operations and cash flows.

## Regulatory Risk

The operations of Financial Services are subject to extensive, complex and frequently changing, rules, regulations and legal interpretations from various governmental authorities, which among other things:

- regulate credit granting activities, including establishing licensing requirements;
- establish maximum interest rates, finance and other charges;
  - regulate customers' insurance coverage;
- require disclosures to customers;
- govern secured and unsecured transactions;
- set collection, foreclosure, repossession and claims handling procedures and other trade practices;
- prohibit discrimination in the extension of credit and administration of loans; and
  - regulate the use and reporting of information related to applicants and borrowers.

As applicable laws are amended or construed differently, new laws are adopted to expand the scope of regulation imposed upon such financial services businesses, or existing laws prohibit interest rates we charge from rising to a level commensurate with risk and market conditions, such events could adversely affect Financial Services and our financial position and results of operations.

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

## 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 is likely to be regarded as having become U.K.-resident on this basis from the date of its incorporation. The competent authority ruling referred to below supports this analysis. Even if 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.

See "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" above and "Item 10. Additional Information --E. Taxation".

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.

CNH Industrial, as successor to Fiat Industrial, is jointly liable with FCA for certain obligations. CNH Industrial is successor to Fiat Industrial, a company formed as a result of the demerger of Fiat (which, effective October 12, 2014, was merged into FCA). As such, CNH Industrial continues to be liable jointly with FCA for the liabilities of FCA that arose prior to the effective date of the Demerger (January 1, 2011) and were still outstanding at that date (the "Liabilities"). This statutory provision is limited to the value of the net assets transferred to Fiat Industrial in the Demerger and survives until the Liabilities are satisfied in full. Furthermore, CNH Industrial may be responsible jointly with FCA in relation to tax liabilities, even if such tax liabilities exceed the value of the net assets transferred to Fiat Industrial in the Demerger. At December 31, 2016, the outstanding Liabilities amounted to approximately \$1.3 billion (of which \$1.1 billion consisted of bonds due June 2017 guaranteed by FCA). CNH Industrial evaluated as extremely remote the risk of FCA's insolvency and therefore no specific provision has been accrued in respect of the above-mentioned potential joint liability.

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

The loyalty voting structure may concentrate voting power in a small number of our shareholders and such concentration may increase over time. A relatively large proportion of the voting power of CNH Industrial could be concentrated in a relatively

small number of shareholders who would have significant influence over us. As of January 31, 2017, EXOR N.V. had a voting interest in CNH Industrial of approximately 41.4%. See “Item 7. Major Shareholders and Related Party Transactions” for additional information.

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, 2017, EXOR N.V. had a voting interest in CNH Industrial of approximately 41.4%. See “Item 7. Major Shareholders and Related Party Transactions” for additional information. Such shareholders participating in the loyalty voting structure could effectively prevent change of control transactions that may otherwise benefit our shareholders.

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

#### Item 4. Information on the Company

##### A. History and Development of the Company

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

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

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

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

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

In connection with the closing of the Merger, CNH Industrial issued 1,348,867,772 common shares to Fiat Industrial and CNH Global shareholders on the basis of the established exchange ratios described above. CNH Industrial also issued special voting shares (non-tradable) to eligible Fiat Industrial and CNH Global shareholders who maintained their ownership of the shares through the

closing of the Merger and elected to receive special voting shares. On the basis of the requests received, CNH Industrial issued a total of 474,474,276 special voting shares in connection with the closing of the Merger. On September 30, 2013, CNH Industrial common shares began trading on the NYSE and the MTA. For information on our share capital, see “Item 10. Additional Information—B. Memorandum and Articles of Association.”

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

## B. Business Overview

### General

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

CNH Industrial has five operating segments:

Agricultural Equipment designs, manufactures and distributes a full line of farm machinery and implements, including two-wheel and four-wheel drive tractors, crawler tractors (Quadtrac<sup>®</sup>), 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. Following our acquisition of substantially all of the assets of Miller-St. Nazianz, Inc. (“Miller”) in November 2014, certain agricultural equipment products are also sold under the Miller brand, primarily in North America. Following our acquisition of the grass and soil implement business of Kongskilde Industries in February 2017, certain agricultural equipment products will be 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 New Holland Construction and Case Construction Equipment brands.

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

Powertrain designs, manufactures and offers a range of propulsion and transmission systems and axles for on- and off-road applications, as well as engines for marine application 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, vehicles and other equipment sold by CNH Industrial dealers. In addition, Financial Services provides wholesale financing to CNH Industrial dealers. Wholesale financing consists primarily of floor plan financing and allows the dealers to purchase and maintain a representative inventory of products.

Net revenues by segment in the years ended December 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014
	(in millions)		
<b>Revenues:</b>			
Agricultural Equipment	\$ 10,120	\$ 11,025	\$ 15,204
Construction Equipment	2,304	2,542	3,346
Commercial Vehicles	9,553	9,542	10,888
Powertrain	3,707	3,560	4,464
Eliminations and other	(2,015 )	(1,992 )	(2,704 )
<b>Total Net sales of Industrial Activities</b>	<b>23,669</b>	<b>24,677</b>	<b>31,198</b>
Financial Services	1,570	1,603	1,828
Eliminations and other	(367 )	(368 )	(471 )
<b>Total Revenues</b>	<b>\$24,872</b>	<b>\$25,912</b>	<b>\$32,555</b>

Net revenues by region in the years ended December 31, 2016, 2015 and 2014 were as follows:

	2016		2015		2014	
	(in	(%)	(in	(%)	(in	(%)
	millions)		millions)		millions)	
<b>Revenues:</b>						
EMEA	\$ 13,320	53.5 %	\$ 13,122	50.7 %	\$ 14,762	45.4 %
NAFTA	5,895	23.7	6,869	26.5	9,190	28.2
LATAM	2,558	10.3	2,882	11.1	4,955	15.2
APAC	3,099	12.5	3,039	11.7	3,648	11.2
<b>Total Revenues</b>	<b>\$24,872</b>	<b>100.0</b>	<b>\$25,912</b>	<b>100.0</b>	<b>\$32,555</b>	<b>100.0</b>

## Industry Overview

### Agricultural Equipment

The operators of food, dairy, livestock and grain crop producing farms, as well as independent contractors that provide services to such farms, purchase most agricultural equipment. The key factors influencing sales of agricultural equipment are the level of net farm income and, to a lesser extent, general economic conditions, interest rates and the availability of financing and related subsidy programs, farm land prices and farm debt levels. Net farm income is primarily impacted by the volume of acreage planted, commodity and/or livestock prices and stock levels, the impacts of fuel ethanol demand, crop yields, farm operating expenses (including fuel and fertilizer costs), fluctuations in currency exchange rates, government subsidies and tax incentives. Farmers tend to postpone the purchase of equipment when the farm economy is declining and to increase their purchases when economic conditions improve. The availability, quality, and cost of used equipment for sale also affect the level of new equipment sales. Weather conditions are a major determinant of crop yields and therefore affect equipment-buying decisions. In addition, geographical variations in weather from season to season may affect sales volumes differently in different markets. Government policies may affect the market for agricultural equipment by regulating the levels of acreage planted, with direct subsidies affecting specific commodity prices, or with other payments made directly to farmers. Global organization initiatives, such as those of the World Trade Organization, also can affect the market with demands for changes in governmental policies and practices regarding agricultural subsidies, tariffs and acceptance of genetically modified organisms such as seed, feed and animals.

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



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

Major trends in the North American and Western European agricultural industries include a reduction in number but growth in size of farms, supporting increased demand for higher capacity agricultural equipment. In addition, we believe that the use of technology and other precision farming solutions (including the development of autonomously operated equipment) to enhance productivity and profitability are becoming more important in the buyers' purchasing decision. Failure to design, develop and implement this technology may affect the prospects of our Company. In Latin America and in other emerging markets, the number of farms is growing and mechanization is replacing manual labor. In APAC, long term demographic trends, increasing urbanization, and low level of farm mechanization represent the key drivers of demand for agricultural equipment. Government subsidies (including crop insurance) are a key income driver for farmers raising certain commodity crops in the United States and Western Europe. The level of support can range from 10% to over 30% of the annual income for these farmers in years of low global commodity prices or natural disasters. The existence of a high level of subsidies in these markets for agricultural equipment reduces the effects of cyclicity in the agricultural equipment business. The effect of these subsidies on agricultural equipment demand depends largely on the U.S. Farm Bill and programs administered by the United States Department of Agriculture, the Common Agricultural Policy of the European Union and World Trade Organization negotiations. Additionally, the Brazilian government subsidizes the purchase of agricultural equipment through low-rate financing programs administered by the Banco Nacional de Desenvolvimento Economico e Social ("BNDES"). These programs have a significant influence on sales.

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

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

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

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

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

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

## Construction Equipment

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

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

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

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

## Heavy Construction Equipment

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

Sales of heavy construction equipment depend particularly on the expected volume of major infrastructure construction and repair projects such as highway, tunnel, dam and harbor projects, which depend on government spending and economic growth. Demand for aggregate mining and quarrying equipment is more closely linked to the general economy and commodity prices, while growing demand for environmental equipment is becoming less sensitive to the economic cycle. In North America, a portion of heavy equipment demand has historically been linked to the development of new housing subdivisions, where the entire infrastructure needs to be created, thus linking demand for both heavy and light construction equipment. The heavy equipment industry generally follows macroeconomic cyclicalities, linked to growth in gross domestic product.

## Light Construction Equipment

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

inexpensive relative to other inputs, such as in Africa and Latin America, the light construction equipment market is generally smaller. These regions represent potential areas of growth for light construction equipment in the medium to long-term as labor costs rise relative to the cost of equipment.

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

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

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

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

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

## Commercial Vehicles

### Trucks and Commercial Vehicles

The world truck market is generally divided into three segments: light (gross vehicle weight (“GVW”) up to 6 metric tons), medium (GVW 6 to 16 metric tons) and heavy (GVW of 16 metric tons and above). The medium and heavy-duty trucks segments are characterized by a higher level of engineering specialization due to the technologies and production systems utilized, while the light-duty segment has many engineering and design characteristics in common with the automobile industry. In addition, operators of medium and heavy trucks often require vehicles with a higher degree of customization than the more standardized products that serve the light commercial vehicle market. Customers generally purchase heavy trucks for one of three primary uses: long distance haulage, construction haulage and/or distribution.

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

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

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

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

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

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

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

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

#### Buses

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

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

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

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

#### Powertrain

The dynamics of the industrial powertrain business vary across the different market segments in which the various propulsion systems are used, and in many cases are particularly influenced by engine emission requirements. For vehicle and equipment applications, product development is driven by regulatory requirements (i.e., legislation on emissions and, increasingly, CO<sub>2</sub> emissions), as well as the need to reduce total operating costs. This, in turn, translates into customers seeking more efficient propulsion systems that enable lower total cost of ownership and higher productivity.

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

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

Demand for off-road applications in the construction 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.

We believe that the evolution in emission regulations in Europe, the U.S. and Asia (Euro VI, Stage IV and Tier 4B) presents 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). The increasing trend among mid-sized OEMs to outsource engine development, as a result of the significant research and development expenditures required to meet the new emission requirements, presents an opportunity for Powertrain to increase sales to third party customers. In addition, engine manufacturers occasionally supplement their available range with certain engines sourced from third party suppliers.

The Company believes that its Powertrain segment not only supplies to the other industrial segments of the Company state-of-the-art engines and transmissions at highly competitive costs, but also ensures the Company as a whole full strategic independence in a key area where competition is particularly intense and further challenges, driven by increasingly stringent regulations, are expected.



## Competition

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

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

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

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

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

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

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

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

## Products and Markets

## Agricultural Equipment

Agricultural Equipment's product lines are sold primarily under the Case IH and New Holland brands and under the Steyr brand in Europe. Following our acquisition of substantially all of the assets of Miller in November 2014, certain agricultural equipment products are also sold under the Miller brand, primarily in North America. Following our acquisition of the grass and soil implement business of Kongskilde Industries in February 2017, certain agricultural equipment products will be sold under the Kongskilde, Överum, and JF brands. In order to capitalize on customer loyalty to dealers and the segment's brands, relative distribution strengths and historical brand identities, we sell our agricultural equipment products under the Case IH (and Steyr for tractors in Europe only) and New Holland brands. We believe that these brands enjoy high levels of brand identification and loyalty among both customers and dealers.

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

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

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

#### Construction Equipment

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

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

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

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

#### Commercial Vehicles

##### Trucks and Commercial Vehicles (Iveco)

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

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

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

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

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

#### Buses (Iveco Bus and Heuliez Bus)

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

#### Specialty Vehicles (Magirus and Iveco Defence Vehicles)

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

## Powertrain

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

Our product range features engines ranging from 2.2 to 20 liters with an output of 42 to 1,006 hp. Our product portfolio includes engines for buses and for light, medium and heavy commercial vehicles, engines for industrial machinery including construction, agricultural and irrigation equipment, engines for special-purpose vehicles and engines for power generation units and marine applications. The range is completed by engine versions that use alternative fuels, including those running on natural gas and engines compatible with biodiesel and hydrotreated vegetable oil (HVO).

While meeting the strict emission regulations for both on-road (Euro VI and EPA 13) and off-road vehicles (Stage IV and Tier 4B), Powertrain's technological solutions aim to provide enhanced results in terms of cost, packaging and fuel consumption for each segment of the market. For example, depending on customer needs, for light-duty commercial vehicles, Powertrain offers an external cooled exhaust gas recirculation system coupled with two tailpipe after-treatment solutions; diesel particulate filter and NO<sub>x</sub> storage catalyst (NSC), for customers that are looking to a maximized vehicle payload or diesel particulate filter and a selective catalyst reduction (SCR) system to reduce the total cost of ownership. For heavy-duty commercial applications, Powertrain has developed a high efficiency selective catalyst reduction system (HI-eSCR), that processes exhaust gases using a catalyzing liquid, lowering operating and maintenance costs. This unique SCR-only solution is designed to meet required emissions levels without the cost and bulk of an exhaust gas recirculation valve, and, in particular, for the off-road market, this solution does not require a diesel particulate filter.

Additionally, Powertrain produces a wide range of manual transmissions for light commercial vehicles, having six gears, and ranging from 200 to 500 Nm. Our Powertrain segment manufactures a range of axle products to meet customer requirements, including axle products for commercial vehicles, such as the Daily, and axle products for heavy mining, construction and specialty vehicles (military and fire-fighting) designed by Commercial Vehicles.

## Sales and Distribution

### Agricultural Equipment and Construction Equipment

Agricultural Equipment sells and distributes products through approximately 2,300 full-line dealers and distributors with over 5,600 points of sale. Construction Equipment sells and distributes products through over 400 full-line dealers and distributors with approximately 1,200 points of sale. Agricultural Equipment and Construction Equipment 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 and Australia, products are generally distributed directly through the independent dealer network. In the rest of the world, products are either sold to independent distributors who then resell to dealers, or to importers who have their own branches to sell retail product to customers. In both cases, the importers/distributors can take advantage of their size and knowledge of the market to minimize their marketing costs.

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

and customer satisfaction. For example, we combined the dealer network in the US and Europe between our two New Holland brands in the agricultural and construction equipment business.

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

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

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

As the equipment rental business becomes a more significant factor in both the agricultural and construction equipment markets,

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

We believe that it is generally more cost-effective to distribute our agricultural and construction equipment products through independent dealers, although Agricultural Equipment and Construction Equipment maintain a limited number of company-owned dealerships in some markets. As of December 31, 2016, we operated 2 and 5 company-owned Agricultural Equipment and Construction Equipment dealerships, respectively, primarily in North America and Europe. We also operate a selective dealer development program in territories with growth potential but underdeveloped representation by our agricultural and construction equipment brands that typically involve a transfer of ownership to a qualified operator through a buy-out or private investment after a few years.

#### Commercial Vehicles

Commercial Vehicles' worldwide distribution strategy is based on a network of independent dealers, in addition to its own dealerships and branches. As of December 31, 2016, Commercial Vehicles had approximately 700 dealers globally (of which 21 were directly owned by us and 14 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 and Latin America, continued consolidation of the distribution network is aimed at improving service to customers, increasing profitability and reducing overall distribution costs. In Africa and the Middle East, the distribution network is being expanded in order to fully exploit growth in these markets.

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

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

#### Powertrain

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

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

## Pricing and Promotion

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

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



## Parts and Services

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

As of December 31, 2016, we operated and administered 59 parts depots worldwide either directly, through a joint venture, or through arrangements with warehouse service providers. This network includes 11 parts depots in NAFTA, 22 in EMEA, 5 in LATAM, and 21 in APAC. The network includes 35 parts depots that support Agricultural Equipment, 27 that support Construction Equipment, 24 that support Commercial Vehicles and 3 that support Powertrain. These depots supply parts to dealers and distributors, which are responsible for sales to retail customers. Our parts depots and parts delivery systems provide customers with access to substantially all of the parts required to support our products.

In December 2009, we formed a 50/50 joint venture, CNH Reman LLC, with a third party for full-scale remanufacturing and service operations in the United States. CNH Reman LLC primarily remanufactures engine, engine components, driveline, hydraulic, rotating electrical and electronic products. The joint venture is primarily focused on serving the North American agricultural and construction equipment industries. Remanufacturing is a way to support sustainable development and gives customers the opportunity to purchase high quality replacement assemblies and components at reduced prices.

As of December 31, 2016, Commercial Vehicles had over 4,900 service outlets. In addition to Commercial Vehicles standard one-year full vehicle warranty and two-year powertrain warranty, which are extended in certain jurisdictions including the U.K. and Germany to match competitors' practices, Commercial Vehicles offers personalized aftersales customer assistance programs.

## Joint Ventures

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

- in Japan, we own 50.0% of New Holland HFT Japan Inc. ("HFT"), which distributes its products in Japan. HFT imports and sells the full range of New Holland agricultural equipment;
- in Pakistan, we own 43.2% of Al Ghazi Tractors Ltd., which manufactures and distributes New Holland tractors;
- in Turkey, we own 37.5% of Turk Traktor ve Ziraat Makineleri A.S., which manufactures and distributes various models of both New Holland and Case IH tractors;
- in Mexico, we own 50.0% of CNH de Mexico S.A. de C.V., which manufactures New Holland agricultural equipment and distributes our agricultural equipment through one or more of its wholly-owned subsidiaries;
- in China, we own 50.0% of Naveco (Nanjing Iveco Motor Co.) Ltd, a company that manufactures light and other commercial vehicles in China;
- in China, we control 60.0% of SAIC Fiat Powertrain Hongyan Ltd ("SFH"), a manufacturing company located in Chongqing, which produces diesel engines under license from us to be sold in the Chinese market and to be exported to Europe, the U.S. and Latin America; and

in South Africa, we own 60.0% of Iveco South Africa Works (Pty) Ltd., which manufactures medium and heavy duty commercial vehicles and buses.

During 2016, CNH Industrial and SAIC decided to restructure our joint ventures in China in order to address the rapid evolution of China's commercial vehicle market. In this context, the following transactions were put in place:

Naveco is now focused on the Iveco brand, and to that purpose carved out and sold the Yuejin business to SAIC; and SAIC Iveco Hongyan Commercial Vehicle ("SIH"), received a capital injection from SAIC reducing our shareholding to 6% (33.5% prior to the injection)

## Suppliers

We purchase materials, parts, and components from third party suppliers. We had approximately 5,310 global direct suppliers to our manufacturing facilities at December 31, 2016. Our focus on quality improvement, cost reduction, product innovation and production flexibility requires us to rely upon suppliers with a focus on quality, reliability and the ability to provide cost reductions. We view our relationships with suppliers as critical to our operational effectiveness, and in recent years, we have established closer ties with a significantly reduced number of suppliers, selecting those that enjoy a leading position in the relevant markets.

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

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

## Financial Services

Financial Services offers a range of financial products and services to dealers and customers in the various regions in which it operates. The principal products offered are retail financing for the purchase or lease of new and used equipment and vehicles and wholesale financing to dealers. Wholesale financing consists primarily of floor plan financing and allows dealers to purchase and maintain a representative inventory of products. Financial Services also provides financing to dealers for equipment used in dealer owned rental yards, parts inventory, working capital and other financing needs. Additionally, Financial Services purchases equipment and vehicles from dealers that are leased to retail customers under operating lease agreements. As a captive finance business, Financial Services is reliant on the operations of Agricultural Equipment, Construction Equipment and Commercial Vehicles, their dealers, and customers.

Financial Services supports the growth of Industrial Activities sales and builds dealer and customer loyalty. Financial Services' strategy is to grow a core financing business to support the sale of our equipment and vehicles by improving its portfolio credit quality, service levels, operational effectiveness and customer satisfaction. The segment works to develop and structure financial products with the objective of increasing equipment and vehicle sales as well as profitability and customer loyalty. 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, Financial Services' activity is carried out through our wholly-owned financial services companies that support sales through dealer and customer financing, as well as operating leases.

CNH Industrial Capital Europe S.a.S., a joint venture with BNP Paribas Group is the captive finance unit for the Company's current retail businesses in major European countries. CNH Industrial Capital Europe S.a.S is 49.9% owned by CNH Industrial N.V. and accounted for under the equity method. It operates in Italy, France, Germany, Belgium, the Netherlands, Luxembourg, the U.K., Spain, Poland and Austria. Agricultural Equipment and Construction Equipment's vendor programs with banking partners are also in place in France, Portugal, Denmark and Poland. Dealer financing and customer financing activities not managed by the joint venture with BNP Paribas or the vendor programs are managed through our captive financial services subsidiaries.

In Spain, financial services related to Commercial Vehicles are managed through Transolver Finance Establecimiento Financiero de Credito S.A., a joint venture with the Santander Group (49% owned by CNH Industrial N.V. and accounted for under the equity method) which offers retail and dealer financing services.

In some Eastern European countries, financial services for customers of Commercial Vehicles are managed by fully consolidated captive financial services companies and by vendor programs for retail financing with major banking institutions.

In Brazil, our captive financial services company, Banco CNH Industrial Capital S.A. (“Banco CNH Industrial Capital”), offers both dealer and customer financing for customers of Agricultural Equipment, Construction Equipment and Commercial Vehicles. 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. Vendor programs offered jointly with banking partners are also in place.

In Argentina, CNH Industrial Capital Argentina provides wholesale and retail financing to the customers of our segments alongside vendor programs.

In Australia, Agricultural Equipment, Construction Equipment and Commercial Vehicles offer dealer and end-customer financing through a captive financial services company.

In China, financial services are provided through various vendor programs and CNH Industrial Capital (Shanghai) Commercial Factoring Company Limited, which was established in November 2016.

#### 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. Financial Services generally receives compensation from Agricultural Equipment, Construction Equipment or Commercial Vehicles equal to a competitive interest rate for periods during which finance charges are waived or reduced on the retail notes or leases. The cost is recognized as a reduction in net sales for the applicable 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. After the "interest-free" period, if the equipment or vehicles remain in dealer inventory, the dealer pays interest costs. Financial Services generally receives compensation from the applicable Industrial Activities business equal to a competitive interest rate for the "interest-free" period.

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. Financial Services employees or third party contractors conduct periodic stock audits at each dealership to confirm that the financed equipment or vehicle is maintained in inventory. These audits are unannounced and their frequency varies by dealer and depends on the dealer's financial strength, payment history and prior performance.

#### Sources of Funding

The long-term profitability of Financial Services' activities largely depends on the cyclical nature of the industries in which we operate, interest rate volatility and the ability to access funding on competitive terms. Financial Services funds its operations and lending activity through a combination of term receivable securitizations, committed asset-backed and unsecured facilities, secured and unsecured borrowings, affiliated financing and retained earnings. We will continue to evaluate alternative funding sources to help ensure that Financial Services maintains access to capital on favorable terms in support of its business, including through new funding arrangements, joint venture opportunities, vendor programs or a combination of the foregoing.

Financial Services has periodically accessed the public financial markets and ABS markets in the United States, Canada and Australia, as part of its wholesale and retail financing programs when those markets offer funding opportunities on competitive terms. Financial Services' ability to access these markets will depend, in part, upon general economic conditions, legislative changes and the segment's 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, finance companies and other financial institutions. Typically, this competition is based upon the financial products and services offered, customer service, financial terms and interest rates charged. Financial Services' ability to compete successfully depends upon, among other things, the availability and competitiveness of funding resources, the development of competitive financial products and services, and licensing or other governmental regulations.

## Legal Proceedings

As a global company with a diverse business portfolio, we are exposed to numerous legal risks, including dealer and supplier litigation, intellectual property right disputes, product warranty and defective product claims, product performance, asbestos, personal injury, emissions and/or fuel economy regulatory and contractual issues and environmental claims that arise in the ordinary course of our business. The most significant of these matters are described in “Note 13: Commitments and Contingencies” to our consolidated financial statements for the year ended December 31, 2016.

The outcome of any current or future proceedings cannot be predicted with certainty. 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 financial statements.

European Commission settlement: Since January 2011, Iveco, the Company’s wholly owned subsidiary, and its competitors have been subject to an investigation by the European Commission (the “Commission”) into certain business practices in the European Union in relation to medium and heavy trucks.

In the first quarter of 2016, we recorded a non-recurring non-tax deductible charge of €450 million (\$502 million) in relation to the investigation and related matters. On July 19, 2016, the Commission announced a settlement with Iveco under which the Commission imposed a fine of €495 million (equivalent to \$543 million at payment date). As a result of this settlement, the Company recorded an additional non-tax deductible charge of €45 million (\$49 million) in the second quarter of 2016. The fine was paid on October 20, 2016. Following this settlement, we have been named as defendants in private litigation commenced in Israel and Ireland that remains at an early stage and we expect to face further claims in various jurisdictions; the extent and outcome of which cannot be predicted at this time.

## Insurance

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

## C. Organizational Structure

As of December 31, 2016, CNH Industrial had 179 subsidiaries. A listing of our subsidiaries as of December 31, 2016, 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, 2016.

Principal Subsidiaries at December 31, 2016:

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Name of Subsidiary	Country of Incorporation	Percentage Interest Held
Case New Holland Industrial Inc.	United States (Delaware)	100%
CNH Industrial America LLC	United States (Delaware)	100%
CNH Industrial Belgium N.V.	Belgium	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 Europe Holding S.A.	Luxembourg	100%
CNH Industrial Italia S.p.A.	Italy	100%
CNH International S.A.	Switzerland	100%
FPT Industrial S.p.A.	Italy	100%
Iveco S.p.A.	Italy	100%
Iveco Espana S.L.	Spain	100%
New Holland Holding Limited	United Kingdom	100%



#### D. Property, Plant and Equipment

As of December 31, 2016, we owned 64 manufacturing facilities. We also own other significant properties including spare parts centers, research laboratories, test tracks, warehouses and office buildings.

A number of our manufacturing facilities (land and industrial buildings) are subject to mortgages and other security interests granted to secure indebtedness to certain financial institutions. The carrying amount of these assets was approximately \$102 million and \$81 million at December 31, 2016 and 2015, 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 2016, our total capital expenditures in long-lived assets, excluding assets sold with buy-back commitments and equipment on operating leases, were \$503 million of which 15% was spent in NAFTA, 12% in LATAM, 63% in EMEA and 10% in APAC. These capital expenditures were funded through a combination of cash generated from operating activities and borrowings under short-term facilities. In 2015, our total capital expenditures were \$656 million. The decrease in capital expenditures in 2016 from 2015 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 are complete on our footprint expansion in the agricultural business with the plants opening in China and India.

The following table provides information about our significant manufacturing and engineering facilities as of December 31, 2016:

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)	43
St. Nazianz	Self-propelled sprayers	24
France		
Coex	Grape Harvesters; R&D center	26
Croix	Cabins (Agricultural Equipment)	12
Tracy-Le-Mont	Hydraulic cylinders (Agricultural Equipment and Construction Equipment)	16
Annonay	Buses; R&D center	137
Venissieux	R&D center (Commercial Vehicles)	11
Rorthais	Buses; R&D center	29
Fourchambault	Engines (remanufacturing)	22
Bourbon Lancy	Engines; R&D center	102
Fecamp	Engines (power generation units)	25

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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; R&D center	12
Sorocaba	Crawler loaders, backhoe loaders, excavators, 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	250
Chongqing	Engine; R&D centers	76
Foshan	Sugar cane harvesters	11
Urumqi	Cotton pickers	11
Argentina		
Cordoba	Engines	20
Ferreira	(Medium/Heavy) Trucks and buses	44
Cordoba	Agricultural Equipment, tractors and combines	30
Belgium		
Antwerp	Components (Agricultural Equipment)	79
Zedelgem	Combines, forage harvesters and balers; R&D center	159
Spain		
Madrid	Heavy vehicles; R&D center	134
Valladolid	Light vehicles, heavy cab components	74
India		
Pithampur	Backhoe loaders, earth compactors	29
Noida	Tractors; R&D center	82
Others		
Basildon (U.K.)	Tractors; R&D center	129
Plock (Poland)	Combines, balers and headers; R&D center	109
Saskatoon (Canada)	Sprayers, seeders; R&D center	61
Dandenong (Australia)	Trucks; R&D center	42
St. Valentin (Austria)	Tractors; R&D center	56
Vysoke Myto (Czech Republic)	Buses; R&D center	124
Queretaro (Mexico)	Components (Agricultural Equipment and Construction Equipment)	15
Naberezhnye Chelny (Russia)	Tractors and combines	50
La Victoria (Venezuela)	Assembly of light and heavy vehicles and buses	56
Rossllyn (South Africa)	Trucks and buses	55
Arbon (Switzerland)	R&D center (Powertrain)	6

## Environmental Matters

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

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

For further information, see “Note 13: Commitments and Contingencies” to our consolidated financial statements for the year ended December 31, 2016 as well as “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business,

Strategy and Operations—Costs of ongoing compliance with, or failure to comply with, increasingly stringent environmental, health and safety laws could have an adverse effect on our results of operations.”

Item 4A. Unresolved Staff Comments

None.

## Item 5. Operating and Financial Review and Prospects

The discussion in “Item 5. Operating and Financial Review and Prospects” should be read in conjunction with our consolidated financial statements for the years ended December 31, 2016, 2015 and 2014.

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

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

### Overview

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

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

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

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

### Principal Factors Affecting Results

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

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

For Construction Equipment, segmentation varies by regional market: in developed markets, demand is oriented toward more sophisticated machines that increase operator productivity, while in developing markets, demand is

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

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

accordingly, the need for new vehicles. For additional discussion regarding the principal factors affecting results for Commercial Vehicles, see “Item 4. Information on the Company—B. Business Overview—Industry Overview—Commercial Vehicles.”

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

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

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

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

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

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

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

#### Non-GAAP Financial Measures

We monitor our operations through the use of several non-GAAP financial measures. We believe that these non-GAAP financial measures provide useful and relevant information regarding our operating results and enhance the reader’s ability to assess our financial performance and financial position. These measures facilitate management’s



ability to identify operational trends, as well as make decisions regarding future spending, resource allocations and other operational decisions as they provide additional transparency with respect to our core operations. These financial measures have no standardized meaning in U.S. GAAP, and are unlikely to be comparable to other similarly titled measures used by other companies, and are not intended to be substitutes for measures of financial performance and financial position as prepared in accordance with U.S. GAAP.

Our primary non-GAAP financial measures are defined as follows:

#### Operating Profit

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

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

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

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

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

## Revenues on a Constant Currency Basis

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

## A. Operating Results

The operations and key financial measures and financial analysis differ significantly for manufacturing and distribution businesses and financial services businesses; therefore, management believes that certain supplemental disclosures are important in understanding our consolidated operations and financial results. For further information, see "Note 21: Supplemental Information" to our consolidated financial statements for the year ended December 31, 2016, 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.

## 2016 Compared to 2015

## Consolidated Results of Operations

	2016	2015
	(in millions)	
<b>Revenues:</b>		
Net sales	\$23,669	\$24,677
Finance and interest income	1,203	1,235
Total Revenues	24,872	25,912
<b>Costs and Expenses:</b>		
Cost of goods sold	19,539	20,357
Selling, general and administrative expenses	2,262	2,317
Research and development expenses	860	856
Restructuring expenses	44	84
Interest expense	1,028	1,106
Other, net	1,148	625
Total Costs and Expenses	24,881	25,345
Income before income taxes and equity in income of		
unconsolidated subsidiaries and affiliates	(9 )	567
Income taxes	(298 )	(360 )
Equity in income of unconsolidated subsidiaries and	58	41

affiliates		
Net income	(249 )	248
Net income (loss) attributable to noncontrolling interests	3	(5 )
Net loss (income) attributable to CNH Industrial N.V.	\$(252 )	\$253

## Revenues

We recorded revenues of \$24,872 million in 2016, a decrease of 4.0% (down 2.8% on a constant currency basis) compared to 2015. This decrease is primarily due to a reduction in net sales of Industrial Activities which were \$23,669 million in 2016, a decrease of 4.1% (decrease of 2.9% on a constant currency basis) compared to the prior year.

### Cost of Goods Sold

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

### Selling, General and Administrative Expenses

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

### Research and Development Expenses

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

### Restructuring Expenses

Restructuring expenses were \$44 million in 2016 compared to \$84 million in 2015. The expense in both periods was primarily due to actions included in the Company's Efficiency Program launched in 2014. In an effort to drive incremental structural improvements to its cost base, the Company intends to undertake several restructuring actions during 2017 as part of its Efficiency Program. The estimated 2017 expense of approximately \$100 million is projected to result in incremental savings of approximately \$60 million in 2017 and \$80 million on an annualized basis.

### Interest Expense

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

### Other, net

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

### Income Taxes

2016 2015  
(in millions,

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

n.m. – not meaningful

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

## Equity in Income of Unconsolidated Subsidiaries and Affiliates

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

## Industrial Activities and Business Segments

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

	2016	2015	% Change	% Change excl. FX	
(in millions, except percentages)					
<b>Revenues:</b>					
Agricultural Equipment	\$10,120	\$11,025	(8.2 )%	(7.2 )%	
Construction Equipment	2,304	2,542	(9.4 )%	(8.6 )%	
Commercial Vehicles	9,553	9,542	0.1 %	1.8 %	
Powertrain	3,707	3,560	4.1 %	4.9 %	
Eliminations and other	(2,015 )	(1,992 )			
<b>Total Net sales of Industrial Activities</b>	<b>23,669</b>	<b>24,677</b>	<b>(4.1 )%</b>	<b>(2.9 )%</b>	
Financial Services	1,570	1,603	(2.1 )%	(1.0 )%	
Eliminations and other	(367 )	(368 )			
<b>Total Revenues</b>	<b>\$24,872</b>	<b>\$25,912</b>	<b>(4.0 )%</b>	<b>(2.8 )%</b>	

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

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

Operating profit of Industrial Activities was \$1,291 million in 2016, a decrease of \$141 million compared to 2015, with an operating margin for the year of 5.5%, down 0.3 percentage points (“p.p.”) from the prior year. Operating profit

was primarily impacted by a \$134 million and \$88 million decrease for Agricultural Equipment and Construction Equipment, respectively, partially offset by a \$50 million and \$46 million increase for Commercial Vehicles and Powertrain, respectively.

## Business Segment Performance

## Agricultural Equipment

## Net Sales

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

## Agricultural Equipment Sales – by geographic region:

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

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

For 2016, worldwide agricultural equipment industry unit sales were flat compared to 2015 with global demand for tractors up 4%, combines down 2% and other agricultural equipment demand declining. For the second consecutive year, market demand in NAFTA was down primarily as a result of the drop in the level of net farm income in the U.S., estimated at 15.6% for 2016 (12.7% drop in 2015). Industry volumes in the NAFTA row crop sector were down, with tractors over 140 hp down 26% and combines down 21%. The NAFTA tractor under 140 hp segment was up 4%. EMEA markets were down 4% for tractors and 8% for combines. LATAM tractor sales decreased 6% while combine sales increased 15%. APAC markets increased 7% for tractors and 14% for combines.

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

## Operating Profit

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

## Construction Equipment

## Net Sales

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



## Construction Equipment Sales – by geographic region:

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

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

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

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

#### Operating Profit

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

#### Commercial Vehicles

##### Net Sales

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

Commercial Vehicles Sales – by geographic region:

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

n.m. – not meaningful

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

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

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

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

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

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

Commercial Vehicles Deliveries – by geographic area:

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

(\*)Joint ventures accounted for under the equity method

Commercial Vehicles Deliveries– by product:

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

(\*\*)Defense and firefighting vehicles

Operating Profit

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

Powertrain

Net Sales

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

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

Powertrain delivered approximately 75,000 transmissions and 190,300 axles, an increase of 11% and 5%, respectively, compared to 2015.

## Operating Profit

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

## Financial Services Performance

### Finance and Interest Income

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

### Net Income

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

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

## Reconciliation of Operating Profit to Net Income

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

	2016	2015	Change
	(in millions)		
<b>Operating Profit:</b>			
Industrial Activities	\$1,291	\$1,432	\$ (141 )
Financial Services	478	515	(37 )
Eliminations and other	(330 )	(312 )	(18 )
<b>Total Operating profit</b>	<b>1,439</b>	<b>1,635</b>	<b>(196 )</b>
Restructuring expenses	(44 )	(84 )	40
Interest expenses of Industrial Activities, net of interest income and eliminations	(543 )	(479 )	(64 )
Other, net	(861 )	(505 )	(356 )
Loss (income) for income taxes and equity in income of unconsolidated subsidiaries and affiliates	(9 )	567	(576 )
Income taxes	(298 )	(360 )	62
Equity in income of unconsolidated subsidiaries and affiliates	58	41	17
<b>Net income</b>	<b>\$(249 )</b>	<b>\$248</b>	<b>\$ (497 )</b>

2015 Compared to 2014

## Consolidated Results of Operations

	2015	2014
	(in millions)	
<b>Revenues:</b>		
Net sales	\$24,677	\$31,196
Finance and interest income	1,235	1,359
Total Revenues	25,912	32,555
<b>Costs and Expenses:</b>		
Cost of goods sold	20,357	25,534
Selling, general and administrative expenses	2,317	2,925
Research and development expenses	856	1,106
Restructuring expenses	84	184
Interest expense	1,106	1,318
Other, net	625	399
Total Costs and Expenses	25,345	31,466
Income before income taxes and equity in income		
of unconsolidated subsidiaries and affiliates	567	1,089
Income taxes	(360 )	(467 )
Equity in income of unconsolidated subsidiaries and		
affiliates	41	86
Net income	248	708
Net income (loss) attributable to noncontrolling interests	(5 )	(2 )
Net income attributable to CNH Industrial N.V.	\$253	\$710

## Revenues

We recorded revenues of \$25,912 million in 2015, a decrease of 20.4% (down 9.2% on a constant currency basis) compared to 2014. The decrease is primarily due to a reduction in net sales of Industrial Activities, which were \$24,677 million in 2015, a decrease of 20.9% (down 9.6% on a constant currency basis) compared to the prior year.

## Cost of Goods Sold

Cost of goods sold were \$20,357 million in 2015 compared with \$25,534 million in 2014, a decrease year over year due to lower sales volumes of Industrial Activities. As a percentage of net sales of Industrial Activities, cost of goods sold was 82.5% and 81.9% in the years ended December 31, 2015 and 2014, respectively.

## Selling, General and Administrative Expenses

SG&A expenses amounted to \$2,317 million in 2015 (8.9% of revenues), a 20.8% decrease compared with the \$2,925 million recorded in 2014 (9.0% of revenues). The decrease was primarily due to cost containment actions across all segments and the impact of foreign exchange translation differences.

## Research and Development Expenses

In 2015, R&D expenses were \$856 million compared to \$1,106 million in 2014. The expense in both years was primarily attributable to continued investment in new products. The lower spending in 2015 was attributable to cost control efforts on new product programs, such as reducing outsourced activities, fewer regulatory change requirements, and the impact of foreign exchange translation differences.

#### Restructuring Expenses

Restructuring expenses were \$84 million in 2015 compared to \$184 million in 2014. The expense in both periods was due to actions included in the Company's Efficiency Program launched in 2014 for which in 2015 we expected a total cumulative charge of



approximately \$360 million between 2014 and 2016, as additional restructuring actions have been identified. The combined benefits of the Efficiency Program's actions will result in estimated savings of approximately \$200 million per year.

#### Interest Expense

Interest expense was \$1,106 million in 2015 (\$1,318 million in 2014) of which \$479 million was attributable to Industrial Activities net of interest income and eliminations (\$613 million in 2014). The decrease in 2015 was primarily due to reduced average indebtedness, lower cost of funding, and the impact of foreign exchange translation differences.

#### Other, net

Other, net expenses were \$625 million, an increase of \$226 million from \$399 million in 2014. The increase was mainly the result of the third quarter pre-tax charge of \$150 million related to the re-measurement of the net monetary assets of the Venezuelan operations, as well as a pre-tax charge of \$40 million due to the devaluation of net monetary assets of Argentinian subsidiaries.

#### Income Taxes

	2015	2014
	(in millions,	
	except	
	percentages)	
Income before income taxes and equity in income of		
unconsolidated subsidiaries and affiliates	\$567	\$1,089
Income taxes	\$360	\$467
Effective tax rate	63.5%	42.9%

Income taxes totaled \$360 million in 2015 (\$467 million in 2014) for an effective tax rate of 63.5%. Excluding the impact of the pre-tax charge relating to the re-measurement of the net monetary assets of the Venezuelan operations, for which no corresponding tax benefit has been booked and the impact of the inability to record deferred tax assets on losses in certain jurisdictions, primarily Brazil, the effective tax rate for 2015 would have been 37%.

#### Equity in Income of Unconsolidated Subsidiaries and Affiliates

Equity in income of unconsolidated subsidiaries and affiliates was \$41 million in 2015, compared to \$86 million in 2014 mainly due to lower results of joint ventures in the APAC region, including the impact of net foreign currency transaction losses.

#### 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.

2015	2014	%	%
		Change	Change excl.

	FX			
	(in millions, except percentages)			
<b>Revenues:</b>				
Agricultural Equipment	\$11,025	\$15,204	(27.5 )%	(19.6 )%
Construction Equipment	2,542	3,346	(24.0 )%	(18.3 )%
Commercial Vehicles	9,542	10,888	(12.4 )%	4.8 %
Powertrain	3,560	4,464	(20.3 )%	(5.2 )%
Eliminations and other	(1,992 )	(2,704 )		
<b>Total Net sales of Industrial Activities</b>	<b>24,677</b>	<b>31,198</b>	<b>(20.9 )%</b>	<b>(9.6 )%</b>
Financial Services	1,603	1,828	(12.3 )%	(0.8 )%
Eliminations and other	(368 )	(471 )		
<b>Total Revenues</b>	<b>\$25,912</b>	<b>\$32,555</b>	<b>(20.4 )%</b>	<b>(9.2 )%</b>

	2015	2014	\$ Change
	(in millions)		
Operating Profit:			
Agricultural Equipment	\$952	\$1,770	\$ (818 )
Construction Equipment	90	79	11
Commercial Vehicles	283	29	254
Powertrain	186	223	(37 )
Eliminations and other	(79 )	(113 )	34
Total Industrial Activities Operating profit	\$1,432	\$1,988	\$ (556 )
Financial Services	515	554	(39 )
Eliminations and other	(312 )	(343 )	31
Total Operating profit	\$1,635	\$2,199	\$ (564 )

Net sales of Industrial Activities were \$24,677 million in 2015, a 20.9% decrease as compared to the prior year (down 9.6% on a constant currency basis). Excluding the negative impact of currency translation, net sales increased for Commercial Vehicles, but decreased for Agricultural Equipment, Construction Equipment, and Powertrain.

Operating profit of Industrial Activities was \$1,432 million in 2015, a decrease of \$556 million compared to 2014, with an operating margin for the year of 5.8%, down 0.6 percentage points (“p.p.”) from the prior year. Operating profit was primarily impacted by an \$818 million decrease for Agricultural Equipment, partially offset by a \$254 million increase for Commercial Vehicles.

#### Industrial Activities Performance by Business

##### Agricultural Equipment

##### Net Sales

The following table shows Agricultural Equipment net sales broken down by geographic region in 2015 compared to 2014:

##### Agricultural Equipment Sales – by geographic region:

	2015	2014	% Change
(\$ million)			
NAFTA	\$4,669	\$6,884	(32.2 )%
EMEA	3,793	4,719	(19.6 )%
LATAM	1,190	1,975	(39.7 )%
APAC	1,373	1,626	(15.6 )%
Total	\$11,025	\$15,204	(27.5 )%

Net sales for the Agricultural Equipment business were \$11,025 million in 2015, a 27.5% decrease (down 19.6% on a constant currency basis) compared to 2014. The decrease was primarily driven by declining volumes in NAFTA and LATAM row crop sectors.

For the full year 2015, worldwide agricultural equipment industry unit sales were down compared to 2014, with global demand for tractors and combines down 8% and 19%, respectively. Industry volumes in the NAFTA row crop sector were down, with tractors over 140 hp down 31% and combines down 28%. The NAFTA tractor under 40 hp segment was up 6%, while the 40-140 hp segment was down 3%. EMEA markets were down 7% for tractors and 7% for combines. LATAM tractor sales decreased 27%, and combine sales decreased 39%. APAC markets decreased 9% for

tractors and 4% for combines.

For 2015, Agricultural Equipment's worldwide market share performance was flat to the prior year for both tractors and combines. In an effort to reduce dealer inventory levels, the Company's wholesales to dealers were less than dealer retail sales to end customers.

## Operating Profit

Agricultural Equipment operating profit was \$952 million in 2015 compared to \$1,770 million in 2014 with an operating margin of 8.6% (11.6% in 2014). The decrease was primarily driven by reduced industry volumes in the NAFTA and LATAM row crop sectors and by foreign exchange translation impact, partially offset by net price realization, lower raw material cost and structural cost reductions.

## Construction Equipment

### Net Sales

The following table shows Construction Equipment net sales broken down by geographic region in 2015 compared to 2014:

Construction Equipment Sales – by geographic region:

	(\$ million)	2015	2014	% Change
NAFTA	\$1,395	\$1,476	(5.5)	)%
EMEA	550	660	(16.7)	)%
LATAM	331	894	(63.0)	)%
APAC	266	316	(15.8)	)%
Total	\$2,542	\$3,346	(24.0)	)%

Net sales for Construction Equipment were \$2,542 million in 2015, a 24.0% decrease (down 18.3% on a constant currency basis) compared to 2014 due to reduced industry demand primarily in LATAM and APAC.

In 2015, worldwide construction equipment industry sales for heavy and light products were down 18% and 4%, respectively, compared to 2014. Decreased industry volumes in LATAM and APAC were partially offset by moderate growth in NAFTA. Demand for heavy and light construction equipment was flat in EMEA. The sales product mix trended toward more lower-priced products when compared to the prior year.

Construction Equipment's worldwide market share was flat overall year over year with a decrease in LATAM and NAFTA offset by an increase in market share in APAC and EMEA.

## Operating Profit

Construction Equipment operating profit was \$90 million, improving \$11 million from the \$79 million reported in 2014, with an operating margin of 3.5% (2.4% in 2014). The increase was primarily due to favorable net price realization and structural cost containment actions which more than offset the negative impact from lower volumes in LATAM and APAC.

## Commercial Vehicles

### Net Sales

The following table shows Commercial Vehicles net sales broken down by geographic region in 2015 compared to 2014:

Commercial Vehicles Sales – by geographic region:

			%	
(\$ million)	2015	2014	Change	
EMEA	\$7,643	\$8,026	(4.8)	)%
LATAM	1,122	1,773	(36.7)	)%
APAC	777	1,089	(28.7)	)%
Total	\$9,542	\$10,888	(12.4)	)%

Commercial Vehicles net sales were \$9,542 million in 2015, a 12.4% decrease compared to 2014 (up 4.8% on a constant currency basis) as a result of increased deliveries in EMEA. Excluding the impact of currency translation, EMEA net sales increased, driven by higher volumes, improved market share and favorable pricing. In LATAM, net sales decreased mainly due to declining volume in the Brazilian market.

In 2015, the European truck market (GVW  $\geq 3.5$  tons) grew by 16% compared to 2014. The light vehicles market (GVW 3.5-6.0 tons) increased 16%, while the medium vehicles market (GVW 6.1-15.9 tons) and the heavy vehicles market (GVW  $\geq 16$  tons) grew by 5% and 19%, respectively. In LATAM, new truck registrations (GVW  $\geq 3.5$  tons) declined 40% compared to 2014, with a decrease of 47% in Brazil and 42% in Venezuela, while Argentina increased 5%. In APAC, new truck registrations decreased 10% compared with 2014.

The Company's estimated market share in the European truck market (GVW  $\geq 3.5$  tons) was 11.3%, up 0.4 p.p. year over year. The Company's market share increased by 0.6 p.p. to 11.3% in the light segment, by 1.4 p.p. to 30.6% in the medium segment, and by 0.3 p.p. to 7.9% in the heavy segment. In LATAM, in 2015, the Company's market share increased 2.4 p.p. to 12.4%.

During 2015 Commercial Vehicles delivered approximately 140,200 vehicles (including buses and specialty vehicles), representing a 9% increase from 2014. Volumes were higher in the light segment (+13%) as a result of the launch of the new Daily, and in the heavy segment (+9%), while volumes declined in the medium segment (-1%). Commercial Vehicles' deliveries increased 18% in EMEA, but declined 21% in LATAM and 15% in APAC.

Commercial Vehicles' 2015 ratio of units shipped and billed, or book-to-bill ratio, was 1.03, an increase of 5% over 2014. In 2015, truck order intake in Europe increased 29% compared to previous year.

The following tables show our unit deliveries by geographic area and by product in 2015 compared to 2014:

Commercial Vehicles Deliveries – by geographic area:

(units in thousands)	2015	2014	% Change	
France	20.5	18.5	10.8	%
Germany & Switzerland	18.8	17.8	5.6	%
U.K.	9.2	6.3	46.0	%
Italy	16.8	14.4	16.7	%
Iberia (Spain & Portugal)	12.5	8.2	52.4	%
Rest of EMEA	37.4	32.2	16.1	%
EMEA	115.2	97.4	18.3	%
LATAM	14.8	18.8	(21.3)	)%
APAC	10.2	12.0	(15.0)	)%
Total Sales	140.2	128.2	9.4	%
Naveco*	77.0	97.5	(21.0)	)%
SAIC Iveco Hongyan*	8.7	25.0	(65.2)	)%
Total	225.9	250.7	(9.9)	)%

(\*)Joint ventures accounted for under the equity method

Commercial Vehicles Deliveries – by product:

(units in thousands)	2015	2014	% Change	
Heavy	33.5	30.8	8.8	%
Medium	15.3	15.4	(0.6)	)%
Light	78.1	69.5	12.4	%
Buses	9.3	8.6	8.1	%
Specialty vehicles**	4.0	3.9	2.6	%
Total	140.2	128.2	9.4	%

(\*\*)Defense and firefighting vehicles  
Operating Profit

In 2015, Commercial Vehicles recorded an operating profit of \$283 million compared to \$29 million in 2014 with an operating margin of 3.0% (0.3% in 2014). The increase was due to higher volumes in EMEA, positive pricing, manufacturing efficiencies and SG&A expense reduction as a result of the Company's Efficiency Program launched in 2014. In LATAM, positive pricing as well as manufacturing and SG&A cost containment actions offset a large portion of the lower volumes in Brazil.



## Powertrain

### Net Sales

Powertrain net sales were \$3,560 million in 2015, a decrease of 20.3% (down 5.2% on a constant currency basis) compared to 2014. The decrease was primarily attributable to lower captive agricultural equipment demand and the 2014 build-up of Tier 4 final transition engine inventory for the off-road segment. Sales to external customers accounted for 46% of total net sales in 2015, up from 41% in 2014.

During 2015, Powertrain sold 507,700 engines, a decrease of 13% compared to 2014. By major customer, 31% of engines were supplied to Commercial Vehicles, 10% to Agricultural Equipment, 4% to Construction Equipment, and the remaining 55% to external customers (units sold to third parties were up 2% compared to 2014). Additionally, Powertrain delivered approximately 67,800 transmissions and 182,000 axles, an increase of 6% and 16%, respectively, compared to 2014.

### Operating Profit

For 2015, Powertrain recorded an operating profit of \$186 million compared to \$223 million in 2014 with an operating margin of 5.2% (5.0% in 2014). Net of the impact of currency translation, operating profit was in line with the previous year as the lower volumes were offset by manufacturing efficiencies and SG&A expense reductions.

## Financial Services

### Finance and Interest Income

Financial Services reported revenues of \$1,603 million in 2015, down 12.3% (down 0.8% on a constant currency basis) relative to 2014 due to the negative impact of currency translation.

### Net Income

For 2015, net income was \$368 million compared to \$364 million in 2014. Lower provisions for credit losses, less SG&A expenses and reduced income taxes were partially offset by the negative impact of currency translation.

Retail loan originations in the year were \$9.4 billion, down \$1.4 billion compared to 2014, mostly due to the decline in Agricultural Equipment sales in NAFTA and the negative impact of currency translation in EMEA and LATAM. The managed portfolio (including unconsolidated joint ventures) of \$24.7 billion (of which retail was 65% and wholesale 35%) was down \$2.6 billion compared to December 31, 2014. Excluding the impact of currency translation, our managed portfolio was flat compared to 2014.

## Reconciliation of Operating Profit to Net Income

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

	2015	2014	Change
	(in millions)		
Operating Profit:			
Industrial Activities	\$1,432	\$1,988	\$(556 )
Financial Services	515	554	(39 )
Eliminations and other	(312 )	(343 )	31
Total Operating profit	1,635	2,199	(564 )
Restructuring expenses	(84 )	(184 )	100
Interest expenses of Industrial Activities, net of interest income and eliminations	(479 )	(613 )	134
Other, net	(505 )	(313 )	(192 )
Income before income taxes and equity in income of unconsolidated subsidiaries and affiliates	567	1,089	(522 )
Income taxes	(360 )	(467 )	107
Equity in income of unconsolidated subsidiaries and affiliates	41	86	(45 )
Net income	\$248	708	(460 )
Application of Critical Accounting Estimates			

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

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

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

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

## Allowance for Doubtful Accounts

The allowance for doubtful accounts reflects our estimate of losses inherent in the wholesale and retail credit portfolios. This allowance is based on our estimate of the losses to be incurred, which derives from past experience

with similar receivables, current and historical past due amounts, dealer termination rates, write-offs and collections, the careful monitoring of portfolio credit quality and current and projected economic and market conditions. Should the present economic and financial situation persist or worsen, there could be a further deterioration in the financial situation of our debtors compared to that taken into consideration in calculating the allowances recognized in the financial statements.

#### Allowance for Obsolete and Slow-moving Inventory

The allowance for obsolete and slow-moving inventory reflects our estimate of the expected loss in value, and has been determined on the basis of past experience and historical and expected future trends in the used vehicle market. A worsening of the

economic and financial situation could cause a further deterioration in conditions in the used vehicle market compared to that taken into consideration in calculating the allowances recognized in the financial statements.

#### Recoverability of Long-lived Assets (including Goodwill)

Long-lived assets include property, plant and equipment, goodwill and other intangible assets such as patents and trademarks. We evaluate the recoverability of property, plant and equipment and finite-lived other intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. We assess the recoverability of property, plant and equipment and finite-lived other intangible assets by comparing the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of the long-lived asset is not recoverable in full on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value.

Goodwill and indefinite-lived other intangible assets are tested for impairment at least annually. In 2016 and 2015, 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 using a two-step test. Under the first step of the goodwill impairment test, our estimate of the fair value of the reporting unit is compared with its carrying value. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and we must perform step two of the impairment test (measurement). Step two of the impairment test, when necessary, requires the identification and estimation of the fair value of the reporting unit's individual assets, including intangible assets with definite and indefinite lives regardless of whether such intangible assets are currently recorded as an asset of the reporting unit, and liabilities in order to calculate the implied fair value of the reporting unit's goodwill. Under step two, an impairment loss is recognized to the extent the carrying amount of the reporting unit's goodwill exceeds the implied fair value of goodwill.

The vast majority of goodwill, representing approximately 97% of the total, as of December 31, 2016 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, 2016, the estimated fair values of the Agricultural Equipment and Financial Services reporting units exceeded the carrying values by approximately 70% and 29%, respectively. The Construction Equipment reporting unit had an excess of fair value over carrying value of approximately 24%. Although the excess of fair value over carrying value is over 20%, the Construction Equipment reporting unit is considered to be at higher risk of potential failure of step one of the impairment test in future reporting periods, due primarily to declines in market demand for construction equipment. Holding all other assumptions constant, a 3.9 p.p. increase in the discount rate could result in an impairment loss in future reporting periods.

The sum of the fair values of our reporting units was in excess of our market capitalization at December 31, 2016. 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 2016 to ensure that write-downs were properly determined; however, additional write-downs may be required if market conditions should deteriorate further.

### Sales Allowances

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

### Product Warranties

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

### Pension and Other Postemployment Benefits

As more fully described in “Note 11: Employee Benefit Plans and Postretirement Benefits” to our consolidated financial statements for the year ended December 31, 2016, 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 2016 version of the mortality improvement scale (“MP-2016”). In 2016, CNH Industrial adopted the MP-2016 mortality improvement scale, which reflects significant improvement over the previous mortality improvement scales. Management believes the new mortality assumptions most appropriately represent the experience and characteristics of our U.S. plans. The adoption of the new mortality assumptions resulted in a total decrease of \$32 million to the Company’s benefit obligations at December 31, 2016, of which, \$15 million was related to pension plans and \$17 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:

	2017 Benefit Cost		Year End Benefit Obligation	
	One	One	One	One
	Percentage-Point		Percentage-Point	
	Increase	Decrease	Increase	Decrease
	(in millions)			
<b>Pension benefits</b>				
Assumed discount rate	(22)	27	(371 )	465
Expected long-term rate of return on plan assets	(23)	23	n/a	n/a
<b>Healthcare benefits:</b>				
Assumed discount rate	(1 )	14	(110 )	131
Assumed health care cost trend rate (initial and ultimate)	25	(10 )	128	(103 )
<b>Other benefits:</b>				
Assumed discount rate	1	(1 )	(31 )	47
Realization of Deferred Tax Assets				

At December 31, 2016, we had net deferred tax assets on temporary differences and theoretical tax benefits arising from tax loss carry forwards of \$2,343 million, of which \$1,490 million is not recognized in the financial statements. The corresponding totals at December 31, 2015 were \$2,277 million and \$1,361 million, respectively. We have recorded deferred tax assets at the amount that we believe is more likely than not to be recovered. The need to record a valuation allowance is based on an assessment of the relative impact of positive and negative evidence available, whereby objectively verifiable evidence takes precedence over other forms of evidence. A recent period (three-years) of cumulative losses incurred is considered a significant piece of negative evidence that is difficult to be overcome by positive evidence based on management's forward-looking plans.

### 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 2017. 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, 2016, we had cash and cash equivalents of \$5,017 million, a decrease of \$367 million or 6.8% from \$5,384 million at December 31, 2015. Cash and cash equivalents at December 31, 2016 did not include restricted cash of \$837 million (\$927 million at December 31, 2015), 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 \$5,854 million at December 31, 2016, a decrease of \$457 million, or 7.2%, from the total at the end of 2015 of \$6,311 million.

The decrease of liquidity compared to December 31, 2015 was mainly attributable to a reduction in third party debt of \$1,213 million, the €495 million payment (\$543 million at payment date) of the European Commission settlement, \$207 million in dividends paid to shareholders, and the negative foreign exchange translation impacts. These decreases were partially offset by the net industrial cash flow generation and a reduction in the lending portfolio of Financial Services. At December 31, 2016, available liquidity was \$8,744, inclusive of \$2,890 million in undrawn committed facilities (\$2,995 million at December 31, 2015), compared to \$9,306 million at December 31, 2015.

The following table summarizes the changes to cash flows from operating, investing and financing activities for each of the years ended December 31, 2016, 2015 and 2014.

	2016	2015	2014
	(in millions)		
Cash provided by (used in):			
Operating activities	\$2,108	\$2,786	\$681
Investing activities	(921 )	(948 )	(1,970)
Financing activities	(1,538)	(919 )	1,376
Translation exchange differences	(16 )	(698 )	(491 )
Net increase (decrease) in cash and cash equivalents	\$(367 )	\$221	\$(404 )

#### Net Cash from Operating Activities

Cash provided by operating activities in 2016 totaled \$2,108 million and comprised the following elements:

- \$(249) million in net loss for 2016;
- plus \$1,261 million in non-cash charges for depreciation and amortization (\$716 million excluding assets sold with buy-back commitments and equipment on operating leases);
- plus \$199 million in losses on the disposal of assets and other non-cash items;
- plus \$60 million in cost of repurchase of Case New Holland Industrial Inc. 7.875% Notes due 2017;
- plus \$5 million in dividends (netted against equity income) received from equity investees;
- plus changes in deferred income taxes of \$65 million and in other liabilities of \$46 million; and
- plus \$721 million in change in working capital and other operating assets and liabilities.

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

In 2014, \$2,195 million of the \$681 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), offset by a \$1,514 million decrease in cash resulting from an increase in working capital.

#### Net Cash from Investing Activities

In 2016, cash used in investing activities was \$921 million. The negative flows were primarily generated by:

- investments in tangible and intangible assets that used \$2,134 million in cash. Excluding investments for our long-term rental operations and relating to vehicles sold under buy-back commitments, investments amounted to

\$503 million in 2016;

less \$618 million of net collections of retail receivables; and

less \$672 million of proceeds from the sale of assets, mainly related to assets sold with buy-back commitments and equipment on operating leases.

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

In 2014, cash used in investing activities totaled \$1,970 million. Expenditures on tangible and intangible assets totaled \$2,836 million. Excluding investments for our long-term rental operations and relating to vehicles sold under buy-back commitments, investments amounted to \$1,022 million in 2014. Net collections of receivables from retail financing activities amounted to \$39 million, and the proceeds from the sale of assets amounted to \$602 million (\$25 million excluding those related to our long-term rental operations and relating to vehicles sold under buy-back commitments).

The following table summarizes our investments in tangible assets (excluding assets sold with buy-back commitments and assets leased on operating lease) by segment and intangible assets for each of the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
	(in millions)		
Agricultural Equipment	\$150	\$255	\$361
Construction Equipment	26	38	45
Commercial Vehicles	150	165	358
Powertrain	92	106	128
Total Industrial Activities investments in tangible assets	418	564	892
Industrial Activities investments in intangible assets	83	89	113
Total Industrial Activities capital expenditures	501	653	1,005
Financial Services investments in tangible assets	—	—	1
Financial Services investments in intangible assets	2	3	16
Total Capital expenditures	\$503	\$656	\$1,022

We incurred these capital expenditures in the regions in which we operate principally related to initiatives to introduce new products, enhance manufacturing efficiency and increase capacity, and for maintenance and engineering. The decrease in capital expenditures in 2016 from 2015 is primarily related to the investment cycles of our products and reductions in discretionary spending.

#### Net Cash from Financing Activities

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

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

In 2014, cash provided by financing activities totaled \$1,376 million. Increased debt funding from Industrial Activities, as a result of an increase in working capital, and Financial Services, as a result of an increase in our long-term rental assets, was partially offset by dividend payments of \$382 million.

## Capital Resources

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

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

In the continuing environment of uncertainty in the financial markets, 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. In managing our liquidity requirements, we are pursuing a financing strategy that includes open access to a variety of financing sources, including capital markets, bank facilities and asset-backed securitizations (“ABS”).

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 may 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. We expect securitizations and sale of receivables (factoring) to continue to represent a substantial portion of our capital structure, while intersegment borrowings remain a marginal source of funding to bridge the timing of the securitizations and sale of receivables transactions. However, we will continue to diversify our funding sources and expand our investor base within Financial Services to create a stand-alone funding profile and support the achievement of investment grade credit ratings. We will continue to look at the public ABS market as an important source of funding in North America and Australia. In addition to our current funding and liquidity sources, which include a combination of term receivables, securitizations, committed asset-backed facilities, and unsecured and secured borrowings, we expect changes to our funding profile as costs and terms of accessing the unsecured term market are favorable. In addition to offering unsecured notes and accessing unsecured committed bank facilities, Financial Services will continue to evaluate financing alternatives to further diversify its funding base.

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. Currently, we are rated below investment grade, with long-term corporate credit ratings of "BB+" (with a stable outlook) and a short-term rating of "B" from S&P, and a "Ba1" corporate family rating with a stable outlook from Moody's. 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, 2016, and 2015, our consolidated debt was as detailed in the table below:

	Consolidated		Industrial Activities		Financial Services	
	2016	2015	2016	2015	2016	2015
	(in millions)					
<b>Total Debt</b>	<b>\$25,276</b>	<b>\$26,301</b>	<b>\$7,691</b>	<b>\$8,260</b>	<b>\$20,061</b>	<b>\$21,176</b>

At December 31, 2016, Group's available committed unsecured facilities expiring after twelve months amounted to \$2.9 billion (\$3.0 billion at December 31, 2015).

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

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

The calculation of Net Debt as of December 31, 2016 and 2015 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	
	2016	2015	2016	2015	2016	2015
	(in millions)					
Third party debt *	\$25,276	\$26,301	\$6,694	\$7,214	\$18,582	\$19,087
Intersegment notes payable **	—	—	997	1,046	1,479	2,089
Total Debt ***	\$25,276	\$26,301	\$7,691	\$8,260	\$20,061	\$21,176
Less:						
Cash and cash equivalents	5,017	5,384	4,649	4,551	368	833
Restricted cash	837	927	—	15	837	912
Intersegment notes receivables **	—	—	1,479	2,089	997	1,046
Derivatives hedging debt	2	27	2	27	—	—
Net Debt (Cash)	\$19,420	\$19,963	\$1,561	\$1,578	\$17,859	\$18,385

(\*)Includes adjustments related to fair value hedges.

(\*\*)The net intersegment payable balance owed by Financial Services to Industrial Activities was \$482 million and \$1,043 million as of December 31, 2016 and 2015, respectively.

(\*\*\*)Total Debt of Industrial Activities includes Intersegment notes payable to Financial Services of \$997 million and \$1,046 million at December 31, 2016 and 2015, respectively. Total Debt of Financial Services includes Intersegment notes payable to Industrial Activities of \$1,479 million and \$2,089 million at December 31, 2016 and 2015, respectively.

The decrease in the Net Debt position from December 31, 2015 to December 31, 2016 was primarily due to a decrease in net debt of Financial Services. Net Debt of Industrial Activities was \$1.6 billion at December 31, 2016, in line with December 31, 2015, as net industrial cash flow generated during the year offset the impact of the \$0.5 billion European Commission settlement payment, the \$0.2 billion in dividends paid, and the negative foreign exchange translation impacts. The decrease in Net Debt of Financial Services reflects a reduction in the lending portfolio, mainly due to lower levels of financing for Agricultural Equipment.

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

(\$ million)	2016
Net Debt of Industrial Activities at beginning of year	\$(1,578)
Net loss	(249 )
Add back European Commission settlement	551
Add back cost of repurchase of 2017 notes	60
Amortization and depreciation*	710
Changes in provisions and similar, and items related to assets sold under buy-back commitments, and assets under operating lease	194
Change in working capital	330
Investments in property, plant and equipment, and intangible assets*	(501 )
Other changes	(50 )
Net industrial cash flow	1,045
Dividends and capital increases, net **	(221 )
Currency translation differences and other ***	(807 )
Change in Net Debt of Industrial Activities	17
Net Debt of Industrial Activities at end of year	\$(1,561)

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



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

(\*\*\*)Includes charge of \$60 million related to the repurchase of portions of the Case New Holland Industrial Inc. 7.875% Notes due 2017 as well as the payment of the European Commission settlement.

#### Industrial Activities

#### Capital Market

At December 31, 2016, we had an aggregate amount of \$8,613 million in bonds outstanding, of which \$4,944 million was issued by our Industrial Activities. For information on the terms and conditions of the bonds, including applicable financial covenants, see “Note 9: Debt” to our consolidated financial statements for the year ended December 31, 2016.

The capital market debt of Industrial Activities mainly related to notes issued under the Global Medium Term Note Program, the Case New Holland Industrial Inc. 7.875% Notes due 2017 and \$600 million of senior unsecured debt securities issued by CNH Industrial N.V. in August 2016, as described below. In order to manage its liabilities, in August 2016 and in December 2016, Case New Holland Industrial Inc. a wholly owned subsidiary of the Company, repurchased \$450 million and \$414 million, respectively, in aggregate principal amount of its 7.875% Notes due 2017, following cash tender offers, and incurred a total charge of \$60 million.

Global Medium Term Note (GMTN) Program. We have a global medium-term note program 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, 2016, €3.6 billion (\$3.7 billion) was outstanding under the program, 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 Program included €500 million of notes issued in May 2016 at a fixed rate of 2.875% due in May 2023 at an issue price of 99.221 percent of their principal amount, and €50 million of notes issued in April 2016 as a private placement at a fixed rate of 3.875% due in April 2028 at an issue price of 98.827 percent of their principal amount.

CNH Industrial N.V. Senior Notes. In August 2016, CNH Industrial N.V. issued \$600 million of notes at an interest rate of 4.50%, due August 2023 at an issue price of 100 percent of their principal amount (the “CNH Industrial N.V. Senior Notes”).

The notes issued under the GMTN 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, 2016, CNH Industrial was in compliance with the covenants of the notes issued under the GMTN and the CNH Industrial N.V. Senior Notes.

#### Bank Debt

At December 31, 2016, Industrial Activities available committed unsecured facilities expiring after twelve months amounted to \$2.5 billion (\$2.7 billion at December 31, 2015).

Euro 1.75 billion Revolving Credit Facility. On June 20, 2016, we signed the renewal of a €1.75 billion (\$1.8 billion at year-end 2016 exchange rate) five-year revolving credit facility. The facility expires in June 2021 and includes:

- financial covenants (Net debt/EBITDA and EBITDA/Net interest ratios 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, 2016, CNH Industrial was in compliance with the covenants of the €1.75 billion Revolving Credit Facility.

#### Financial Services

Total Debt of Financial Services was \$20.1 billion at December 31, 2016 compared to \$21.2 billion at December 31, 2015.

#### Bank Debt

At December 31, 2016, Financial Services available committed unsecured facilities expiring after twelve months amounted to \$0.4 billion (\$0.3 billion at December 31, 2015).

#### Asset-Backed Financing

At December 31, 2016, Financials Services' committed asset-backed facilities expiring after twelve months amounted to \$3.2 billion (\$3.1 billion at December 31, 2015), of which, \$2.5 billion was utilized at December 31, 2016 (\$2.6 billion at December 31, 2015).

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

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

At December 31, 2016, our receivables from financing activities included receivables sold and financed through both ABS and factoring transactions of \$13.6 billion (\$13.9 billion at December 31, 2015), which do not meet derecognition requirements, and therefore must be recorded on our statement of financial position. These receivables are recognized as such in our financial statements even though they have been legally sold; a corresponding financial liability is recorded in the consolidated balance sheets as debt (see "Note 3: Receivables").

#### Capital Market

In March 2016, CNH Industrial Capital LLC issued \$500 million of notes at an interest rate of 4.875%, due in April 2021 at an issue price of 99.447 percent of their principal amount, and in October 2016, CNH Industrial Capital LLC issued \$400 million of notes at an interest rate of 3.875% due in October 2021 at an issue price of 99.441 percent of their principal amount.

#### Support Agreement in the interest of CNH Industrial Capital LLC

CNH Industrial Capital LLC benefits from a support agreement issued by CNH Industrial N.V., pursuant to which CNH Industrial N.V. agrees to, among other things, (a) make cash capital contributions to CNH Industrial Capital LLC, to the extent necessary to cause its ratio of net earnings available for fixed charges to fixed charges to be not less than 1.05 for each fiscal quarter (with such ratio determined, on a consolidated basis and in accordance with U.S. GAAP, for such fiscal quarter and the immediately preceding three fiscal quarters taken as a whole), (b) generally maintain an ownership of at least 51% of the voting equity interests in CNH Industrial Capital LLC and (c) cause CNH Industrial Capital LLC to have, as of the end of any fiscal quarter, a consolidated tangible net worth of at least \$50 million. The support agreement is not intended to be, and is not, a guarantee by CNH Industrial N.V. of the indebtedness or other obligations of CNH Industrial Capital LLC. The obligations of CNH Industrial N.V. to CNH Industrial Capital LLC pursuant to this support agreement are to the company only and do not run to, and are not enforceable directly by, any creditor of CNH Industrial Capital LLC, including holders of the CNH Industrial Capital LLC's notes or the trustee under the indenture governing the notes. The support agreement may be modified, amended or terminated, at CNH Industrial N.V.'s election, upon thirty days' prior written notice to CNH Industrial Capital LLC and the rating agencies of CNH Industrial Capital LLC, if (a) the modification, amendment or termination would not result in a downgrade of CNH Industrial Capital LLC rated indebtedness; (b) the modification, amendment or notice of termination provides that the support agreement will continue in effect with respect to the company's rated indebtedness then outstanding; or (c) CNH Industrial Capital LLC has no long-term rated indebtedness outstanding.

For more information on our outstanding indebtedness, see "Note 9: Debt" to our consolidated financial statements for the year ended December 31, 2016.

#### Future Liquidity

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

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

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.

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

## Pension and Other Postemployment Benefits

### Pension Plans

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

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

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

At December 31, 2016 and 2015, the difference between the present value of the pension plan obligations and the fair value of the related plan assets was a deficit of \$860 million and \$801 million, respectively. In 2016, we contributed \$35 million to the plan assets and made direct benefit payments of \$28 million for our pension plans. Our expected total contribution to pension plan assets and direct benefit payments is estimated to be \$63 million for 2017.

### Healthcare Plans

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

At December 31, 2016 and 2015, the difference between the present value of the healthcare plan obligations and the fair value of the related plan assets was a deficit of \$994 million and \$1,052 million, respectively. During 2016, benefits paid directly by us for healthcare plans amounted to \$59 million and we expect to make direct benefit payments of \$69 million in 2017.

### 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, 2016 and 2015, the present value of the obligation for other postemployment benefits amounted to \$418 million and \$423 million, respectively.

In 2016, we made direct benefit payments of \$31 million for other postemployment benefits and expect to make direct benefit payments of \$32 million in 2017.

For further information on pension and other postemployment benefits, see “Note 11: Employee Benefit Plans and Postretirement Benefits” to our consolidated financial statements for the year ended December 31, 2016.

### Joint Liability for Certain Obligations of FCA

CNH Industrial is successor to Fiat Industrial, a company formed as a result of the demerger of Fiat (which, effective October 12, 2014, was merged into FCA in favor of Fiat Industrial. As such, CNH Industrial continues to be liable jointly with FCA for the liabilities of FCA that arose prior to the effective date of the Demerger (January 1, 2011) and were still outstanding at that date (the “Liabilities”). This statutory provision is limited to the value of the net assets transferred to Fiat Industrial in the Demerger and survives until the Liabilities are satisfied in full. Furthermore, CNH Industrial may be responsible jointly with FCA in relation to tax liabilities, even if such tax liabilities exceed the value of the net assets transferred to Fiat Industrial in the Demerger. At December 31, 2016, the outstanding Liabilities amounted to approximately \$1.3 billion (of which \$1.1 billion consisted of bonds due June 2017 and guaranteed by FCA). CNH Industrial evaluated as extremely remote the risk of FCA’s insolvency and therefore no specific provision has been accrued in respect of the above mentioned potential joint liability.

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

Our research, development and engineering personnel design, engineer, manufacture and test new products, components, and systems. We incurred \$860 million, \$856 million, and \$1,106 million of R&D costs in the years ended December 31, 2016, 2015, and 2014, respectively.

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

R&D activities involved approximately 6,000 employees at 49 sites around the world during 2016.

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, 2016, we had 8,463 active granted patents, including 1,134 new patents registered during the year (in addition to 3,743 pending applications). We file patent applications in Europe, the United States and in other jurisdictions around the world to protect technology and improvements considered important to the business. Certain trademarks contribute to our identity and the recognition of our products and services and are an integral part of our business, and their loss could have a material adverse effect on us.

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

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

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

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



#### D. Trend Information

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

#### E. Off-Balance Sheet Arrangements

We use certain off-balance sheet arrangements with unconsolidated third parties in the ordinary course of business, including financial guarantees. Our arrangements are described in more detail below. For additional information, see “Note 13: Commitments and Contingencies” to our consolidated financial statements for the year ended December 31, 2016.

##### 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 \$291 million as of December 31, 2016.

#### 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, 2016:

	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
	(in millions)				
<b>Contractual Obligations<sup>(1)</sup></b>					
<b>Debt obligations<sup>(2)</sup></b>					
Bonds	\$8,613	\$1,079	\$4,019	\$2,238	\$1,277
Borrowings from banks	4,264	1,606	2,049	460	149
Asset-backed financing	11,784	7,254	3,395	1,086	49
Other debt	561	334	130	68	29
Capital lease obligations	54	6	11	10	27
Operating lease obligations	236	72	90	53	21
Purchase obligations	1,780	702	837	213	28
<b>Total</b>	<b>\$27,292</b>	<b>\$11,053</b>	<b>\$10,531</b>	<b>\$4,128</b>	<b>\$1,580</b>

(1) The total amount of our tax contingencies was \$153 million at December 31, 2016. Payment of these liabilities would result from settlements with tax authorities. Due to the high degree of uncertainty relating to the timing of future cash outflows associated with these liabilities, we are unable to reasonably estimate the timing of any settlement with tax authorities.

(2) 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 2017 to pension plans, healthcare plans and other postemployment plans is \$63 million, \$69 million and \$32 million, respectively. Potential outflows in the years after 2017 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 2017.

#### Debt Obligations

For information on our debt obligations, see “Capital Resources” above and “Note 9: Debt” to our consolidated financial statements for the year ended December 31, 2016. The debt obligations reflected in the table above can be reconciled to the amount in the December 31, 2016 consolidated balance sheet as follows:

(in millions)	Amount
Debt reflected in the December 31, 2016 consolidated balance sheet	\$25,276
Less:	

Capital lease obligations	(54 )
Total Debt obligations	\$25,222

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, 2016, 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 \$1,661 million; and commitments to purchase tangible fixed assets, largely in connection with planned capital expenditures, in an aggregate amount of approximately \$119 million.

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

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

Factors, risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among others: the many interrelated factors that affect consumer confidence and worldwide demand for capital goods and capital goods-related products; general economic conditions in each of our markets; changes in government policies regarding banking, monetary and fiscal policies; legislation, particularly relating to capital goods-related issues such as agriculture, the environment, debt relief and subsidy program policies, trade and commerce and infrastructure development; government policies on international trade and investment, including sanctions, import quotas, capital controls and tariffs; actions of competitors in the various industries in which we compete; development and use of new technologies and technological difficulties; the interpretation of, or adoption of new, compliance requirements with respect to engine emissions, safety or other aspects of our products; production difficulties, including capacity and supply constraints and excess inventory levels; labor relations; interest rates and currency exchange rates; inflation and deflation; energy prices; prices for agricultural commodities; housing starts and other construction activity; our ability to obtain financing or to refinance existing debt; a decline in the price of used vehicles; the resolution of pending litigation and investigations on a wide range of topics, including dealer and supplier litigation, follow-on private litigation in various jurisdictions after the recently settled EU antitrust investigation announced 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 postemployment obligations; political and civil unrest; volatility and deterioration of capital and financial markets, including further deterioration of the Eurozone sovereign debt crisis, possible effects of Brexit, political evolutions in Turkey, 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 speak only as of the date on which such statements are made.

Furthermore, in light of ongoing difficult macroeconomic conditions, both globally and in the industries in which we operate, it is particularly difficult to forecast our results and any estimates or forecasts of particular periods that we provide are uncertain. Accordingly, investors should not place undue reliance on such forward-looking statements. We can give no assurance that the expectations reflected in our forward-looking statements will prove to be correct. Actual results could differ materially from those anticipated in such forward-looking statements. Our outlook is based upon assumptions, 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. We undertake no obligation to update or revise publicly our forward-looking statements.

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

## Item 6. Directors, Senior Management and Employees

## A. Directors and Senior Management

The Board of Directors consists of eleven directors, who were elected on April 15, 2016 at the Annual General Meeting of Shareholders (“AGM”). Eight of the directors were independent, as provided in the listing standards and rules of the NYSE, as of December 31, 2016. The term of office of the current Board of Directors is expected to expire on April 14, 2017 (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, 2017, our directors and certain senior managers are as set forth below:

Name	Position with CNH Industrial
Jacqueline Tammenoms Bakker	Director, Member of the Governance and Sustainability Committee
Mina Gerowin	Director, Member of the Governance and Sustainability Committee
Suzanne Heywood	Director, Chairperson of the Governance and Sustainability Committee, Member of the Compensation Committee
Léo W. Houle	Senior Non-Executive Director, Chairperson of the Compensation Committee, Member of the Governance and Sustainability Committee
Peter Kalantzis	Director, Member of the Audit Committee, Member of the Compensation Committee
John Lanaway	Director, Member of the Audit Committee
Sergio Marchionne	Director, Chairman
Silke Christina Scheiber	Director, Member of the Audit Committee
Guido Tabellini	Director, Member of the Compensation Committee
Jacques Theurillat	Director, Chairperson of the Audit Committee
Richard Tobin	Director, Chief Executive Officer
Luc Billiet	President, Parts & Service
Sergio Carpentiere	Chief Purchasing Officer
Massimiliano Chiara	Chief Financial Officer, Chief Sustainability Officer
Brad Crews	Chief Operating Officer-NAFTA, President, Agricultural Equipment Products Segment
Vilmar Fistarol	Chief Operating Officer-LATAM
Carl Gustaf Göransson	Brand President, Case Construction Equipment and New Holland Construction Equipment, President, Construction Equipment Products Segment
Oddone Incisa	President, Financial Services
Andreas Klauser	Brand President, Case IH Agricultural Equipment
Linda I. Knoll	Chief Human Resources Officer
Pierre Lahutte	Brand President, Iveco
Carlo Lambro	Brand President, New Holland Agricultural Equipment
Alessandro Nasi	President, Specialty Vehicles, Group Executive Council Executive Coordinator
Derek Neilson	Chief Operating Officer-EMEA, President, Commercial Vehicles Products Segment
Stefano Pampalone	Chief Operating Officer-APAC
Adrian Pipe	Chief Quality Officer
Annalisa Stupenengo	Brand President, FPT Industrial, President, Powertrain Products Segment
Tom Verbaeten	Chief Manufacturing Officer
Jacqueline 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 Director of Lafarge S.A. and a member of the Advisory Board of the Royal United Services Institute. She is a former Director of EXOR S.p.A. and a former member of the Global Advisory Committee of Samsung Asset Management. Born in 1951, American citizenship. Date of first appointment: September 29, 2013.

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

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

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

Mr. Houle was a Director of CNH Global N.V. from April 7, 2006 until the merger of the company into CNH Industrial. On September 6, 2011, Mr. Houle was appointed to the Board of Directors of Chrysler Group LLC now known as FCA US LLC until June 2016 when all public debt of the company was repaid and its public listing ceased. Mr. Houle was Chief Talent Officer of BCE Inc. and Bell Canada, Canada's largest communications company, from June 2001 until his retirement in July 2008. Prior to joining BCE and Bell Canada, Mr. Houle was Senior Vice-President, Corporate Human Resources of Algroup Ltd., a Swiss-based diversified industrial company. From 1966 to 1987, Mr. Houle held various managerial positions with the Bank of Montreal, the last of which was Senior Manager, Human Resources, Administration Centers. In 1987, Mr. Houle joined the Lawson Mardon Group Limited and served as Group Vice-President, Human Resources until 1994 when Algroup Ltd. acquired Lawson Mardon Group at which time he was appointed Head of Human Resources for the packaging division of Algroup and in 1997 Head of Corporate Human Resources of Algroup, Ltd. Mr. Houle completed his studies at the College Saint Jean in Edmonton, attended the Executive Development Program in Human Resources at the University of Western Ontario in 1987 and holds the designation of Certified Human Resources Professional (CHRP) from the Province of Ontario. Born in 1947, Canadian citizenship. Date of first appointment: September 29, 2013.



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

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

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

**Sergio Marchionne, Chairman (Executive-Director)**  
Sergio Marchionne is Chairman of CNH Industrial N.V. He was Chairman of Fiat Industrial S.p.A. and CNH Global N.V. until the integration of these companies into CNH Industrial. He also serves as CEO of Fiat Chrysler Automobiles N.V. and Chairman and CEO of Ferrari N.V. and of FCA US LLC. He holds a Bachelor of Arts with a major in Philosophy from the University of Toronto and a Bachelor of Laws from Osgoode Hall Law School at York University in Toronto, as well as a Master of Business Administration and a Bachelor of Commerce from the University of Windsor (Canada). Mr. Marchionne is a barrister, solicitor and chartered accountant. He began his professional career in Canada. From 1983 to 1985, he worked for Deloitte & Touche. From 1985 to 1988, at the Lawson Mardon Group of Toronto. From 1989 to 1990, he served as Executive Vice President of Glenex Industries. From 1990 to 1992, he was Chief Financial Officer (CFO) at Acklands Ltd. From 1992 to 1994, also in Toronto, he held the position of Vice President of Legal and Corporate Development and CFO of the Lawson Mardon Group. From 1994 to 2000, he covered various positions of increasing responsibility at Algroup, headquartered in Zurich (Switzerland), until becoming its CEO. He then went on to head the Lonza Group Ltd first as CEO (2000-2001) and then as Chairman (2002). In February 2002, he became CEO of the SGS Group of Geneva. In March 2006, he was appointed Chairman of the company, a position that he continues to hold. He was non-executive Vice Chairman and

Senior Independent Director of UBS from 2008 until April 2010. Mr. Marchionne has been a member of the Board of Fiat S.p.A. since May 2003 and was appointed CEO in June 2004. He became CEO of FCA US LLC in June 2009, as well as Chairman in September 2011. On October 13, 2014, he became CEO of Fiat Chrysler Automobiles N.V. and Chairman of Ferrari S.p.A. In May 2010, he joined the Board of Directors of EXOR N.V. and in May 2015 was appointed Non-executive Vice Chairman. He is a member of the Board of Philip Morris International Inc. and of the Board of the Peterson Institute for International Economics as well as Chairman of the Council for the United States and Italy, and member of the J.P. Morgan International Council. Born in 1952, dual Canadian and Italian citizenship. Date of first appointment: November 23, 2012.

¶ **Silke C. Scheiber, Director (Non-Executive Director—Independent), Member of the Audit Committee**  
Silke C. Scheiber was at Kohlberg Kravis Roberts & Co. LLP, London, U.K. (“KKR”) from July 1999 to December 2015. She was a Member and Head of the European Industrials Group, responsible for identifying and executing a number of investment opportunities within the broader industrials space for KKR’s European private equity funds. From 1996 to 1999, Ms. Scheiber worked as a financial analyst at Goldman, Sachs & Company oHG Frankfurt, Germany. Ms. Scheiber obtained her MBA from the University of St. Gallen in St. Gallen, Switzerland, majoring in Finance and Accounting. Ms. Scheiber also attended the Ecole des Hautes Etudes Commerciales (HEC) in Paris, France where she majored in European Management and International Business Studies. Ms. Scheiber currently holds a non-executive director role with Jungbunzlauer Holding AG, Basel, Switzerland. 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 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 columnist for Il Sole 24 Ore. Board memberships at other listed companies: CIR. Born in 1956, Italian citizenship. Date of first appointment: September 29, 2013.

¶ **Jacques Theurillat, Director (Non-Executive Director—Independent), Chairperson of the Audit Committee**  
Jacques Theurillat is a member of the Boards of Purdue Inc./Mundipharma, CNH Industrial N.V. and ADC Therapeutics S.A. He is a Venture Consultant with Sofinnova Partners SAS, a venture capital firm focused on life sciences. From April 2008 to August 2015, Mr. Theurillat served as CEO of Ares Life Sciences AG, a privately owned investment fund with the objective to build and manage a portfolio of companies in life sciences. From March 2007 to March 2008, he has served as CEO and Chairman of Albea Pharmaceuticals AG, a Swiss company involved in venture financing for life sciences companies. Mr. Theurillat served as the Serono’s SA Deputy CEO until December 2006. In addition to his role as Deputy CEO, he was appointed Senior Executive Vice President, Strategic Corporate Development in May 2006 and was responsible for developing Serono’s global strategy and pursuing its acquisition and in-licensing initiatives. From 2002 to 2006, Mr. Theurillat served as Serono’s President of European and International Sales & Marketing. In this position, he was responsible for Serono’s commercial operations in Europe, IBO, Asia-Pacific, Oceania/Japan, Latin America and Canada. He became a Board member in May 2000. From 1996 to 2002, Mr. Theurillat was Chief Financial Officer. He previously served as Managing Director of the Istituto Farmacologico Serono in Rome, where he started in 1994. In 1993, he was appointed Vice President Taxes and Financial Planning for Serono. In 1990-1993, Mr. Theurillat worked outside Serono, running his own law and tax firm. Before that, he was Serono’s Corporate Tax Director, a post to which he was appointed in 1988. He first joined Serono in 1987 as a Corporate Lawyer working on projects such as the company’s initial public offering. Mr. Theurillat is a Swiss barrister and holds Bachelor of Law degrees from both Madrid University and Geneva University. He also holds a Swiss Federal Diploma (Tax Expert) and has a Master’s degree in Finance. Born in 1959, Swiss citizenship. Date of first appointment: September 29, 2013.

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

Mr. Tobin is Chief Executive Officer of CNH Industrial N.V. Prior to the merger of Fiat Industrial S.p.A. and CNH Global he was the Chief Executive Officer of CNH Global and group Chief Operating Officer of Fiat Industrial S.p.A., roles he assumed after two years as Chief Financial Officer for CNH Global. Mr. Tobin has extensive experience in international finance and management that he acquired through global leadership positions of growing responsibility and scope. Prior to joining CNH Global in 2010, he held the role of Chief Financial Officer and Head of Information of SGS SA of Geneva Switzerland. He has also held roles in international marketing and management with GTE Corporation in Stamford, Connecticut, AluSuisse-Lonza SA of Zurich Switzerland, and Alcan Aluminum of Montreal Canada. Prior to beginning his business career, Mr. Tobin was an officer in the United States Army. Mr. Tobin holds Bachelor of Arts and

Master of Business Administration degrees from Norwich University and Drexel University, respectively. He holds the position of Vice Chairman of Turk Traktor ve Ziraat Makineleri AS of Ankara Turkey, and serves on the Board of Directors for the Dover Corporation of Downers Grove Illinois. He currently sits on the U.S. Chamber of Commerce Board of Directors, and is a member of the Business Roundtable. Born in 1963, American citizenship. Date of first appointment: November 23, 2012.

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

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

**Sergio Carpentiere, Chief Purchasing Officer**

Sergio Carpentiere assumed the role of Chief Purchasing Officer for CNH Industrial in June 2015. He joined Fiat Group in 1996 in the Sales & Marketing area as after sales services area manager. Between 1998 and 2000, he was a Quality Specialist in the prototype area of Fiat Auto. From 2000, Carpentiere started his career in the JV GM-Fiat Worldwide Purchasing as a Senior Buyer then as a Purchasing Platform Manager and finally as a Metallic Commodity Manager. In 2005 he joined Fiat Powertrain Technologies S.p.A. starting as Global Commodity Director in the Purchasing Area and then, in 2008 as Business Development Manager responsible for the NAFTA region. In 2009, at the beginning of the alliance with Chrysler, he assumed the role of Project Manager within Fiat Group Purchasing being responsible for the integration between Fiat and Chrysler Purchasing activities. In 2011, Sergio Carpentiere was appointed Chief Purchasing Officer for Ferrari managing both road car and racing activities. He was subsequently appointed Head of EMEA Powertrain Purchasing for Fiat Chrysler Automobiles in March 2015. Sergio Carpentiere earned a degree in Electronic Engineering from the University of Pisa.

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

Massimiliano (Max) Chiara was appointed Chief Financial Officer of CNH Industrial N.V. in August 2013 and assumed the role of Chief Sustainability Officer in June 2016. He previously served as Chief Financial Officer and Head of Business Development for Fiat Chrysler in Latin America since January 2013. From 2011 to 2012, he served as Vice President Finance in the position of Head of Financial Planning and Analysis and Business Development Finance for Fiat Chrysler. Previously he held various positions with Chrysler Group LLC including Controller for the Fiat, Chrysler and Dodge Brands, Marketing Controller and Head of Financial Planning and Analysis, a position he held since he joined Chrysler Group LLC in 2009. Previously he held the position of Director of Business Development Finance for Fiat Powertrain SpA. Prior to that, he was Director of Financial Operations and Director of Global Treasury for Teksid Aluminum. Previously, and since 1993, Max held various managerial roles at PricewaterhouseCoopers, R. Bosch SpA, Wuerth Group and was a M&A financial analyst with Dresdner Kleinwort Benson. Max 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). Max held the position of Chairman of the Italian Association of Corporate Treasurers (AITI) for the years 2004-2007.

**Brad Crews, Chief Operating Officer-NAFTA and President, Agricultural Equipment Products Segment**

Brad Crews assumed the role of Chief Operating Officer NAFTA in April 2014, and was assigned responsibility as President, Agricultural Equipment Products Segment in February 2015. Mr. Crews joined CNH from General Motors in 1994 as a Reliability Specialist, bringing with him diverse experience in facilities, reliability engineering, product management and product development. In 2000, he was appointed Director of Industrial Operations for Crop Production Global Product Line, and, from 2002-2005, served as Plant Manager of CNH's facility in New Holland, Pennsylvania (U.S.). In 2006, he became Vice President of North American Agricultural Manufacturing, where he served until he was appointed as Senior Vice President of Product Quality and Technical Support in 2009. With the formation of CNH

Industrial in 2012, he served as Chief Quality Officer with responsibility for Quality and Product Support. Mr. Crews holds a Bachelor of Science degree in Engineering from the University of Illinois, a Master's degree in Engineering from the University of Michigan and a Master's degree in Management from Rensselaer Polytechnic Institute.

◆ **Wilmar Fistarol, Chief Operating Officer-LATAM**

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

◆ **Carl Gustaf Göransson, Brand President, Case Construction Equipment and New Holland Construction Equipment, President, Construction Equipment Products Segment**

Carl Gustaf Göransson assumed the roles of Brand President, Case Construction Equipment and New Holland Construction, together with that of President, Construction Equipment Products Segment in September 2016. He has some 25 years of experience in the construction equipment industry, much of which he has gained through roles of increasing importance within Volvo Construction Equipment and most recently Cargotec Corporation. Mr. Göransson started his career in 1993 at Volvo Construction Equipment as Area Manager Product Marketing for Volvo Articulated Haulers. Following a series of European Market responsibilities of increasing importance, in 1999 Carl Gustaf was appointed European Project Manager for Excavator Projects. From 2004 through 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. Carl Gustaf Göransson holds a degree in Marketing and Business Administration from Eductus IHM Business School, Växjö, Sweden, and an officers degree from the Swedish Officers Academy School, Halmstad, Sweden.

◆ **Oddone Incisa, President, Financial Services**

Oddone Incisa, is the President of CNH Industrial Financial Services, and prior to joining CNH Industrial in his current position, Mr. Incisa had been CEO and General Manager of FGA Capital since March 2011. Mr. Incisa started his professional career with the Fiat Group in the finance team of Fiat Bank in Germany in 1997. He spent four years with this team and ultimately became Head of Control and Treasury. In 2001, he moved to Brazil and was the CFO of Banco Fiat for two years. Mr. Incisa then moved to Turin, Italy in 2003 as the Head of Financial Planning & Analysis for Fidis Retail and FGA Capital. In 2008, he moved to Racine, Wisconsin as the CFO for CNH Capital. He was born in Italy and holds degrees in Economics, cum laude, from the University of Turin and a Master's degree in Management from ESCP-Europe (formerly, EAP) Paris, Oxford and Berlin.

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



Andreas Klauser assumed the role of President of Case IH Agricultural Equipment in December 2009. He has more than 20 years of experience in the agricultural industry, much of which he has gained through roles of increasing importance within CNH. Mr. Klauser joined the Case IH brand in 1990 as Export Manager for Steyr tractors in Western and Eastern Europe. From 1997-2006, he served as Business Director, Austria and Central Europe for the Case IH, New Holland Agriculture and Steyr brands. In addition to this role, he also became Sales and Marketing Director, Poland, in 2001. In November 2006, Mr. Klauser assumed responsibility for brand activities for Case IH and Steyr as Vice President and General Manager Europe. Being responsible for the two brands worldwide he was appointed Brand President in 2009, and

also joined the Group Executive Council of CNH Industrial. From 2012 to 2015 he served as Chief Operating Officer for CNH Industrial for the EMEA region. Since 2012, in addition to his role as Brand President Case IH and Steyr, Mr. Klauser assumed additional leadership responsibilities as the Chairman of the Iveco Magirus AG board. Mr. Klauser holds a degree from Steyr's HTBLA program, a Federal Higher Technical Institute for Mechanical Engineering, and a degree in Export Business from the University of Linz, Austria.

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

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

**Pierre Lahutte, Brand President, IVECO**

Pierre Lahutte assumed the role of IVECO Brand President in June 2014. He has 20 years of experience in the Agricultural Equipment and Truck & Bus industries, much of which he has gained through roles of increasing responsibility within New Holland, CNH and IVECO. Mr. Lahutte started his career in 1997 in New Holland NV joining a Graduate Training program with three successive postings at the Jesi plant in Italy, at the North American Commercial Training Center in New Holland Pennsylvania and finally at the Latin American Combine Harvesters Sales & Marketing operations in Curitiba, Brazil. From 1999-2001, he was Product Manager for New Holland Handling Equipment for Western Europe based at Basildon, U.K. From 2002-2005, he was Marketing and Logistics Manager for the New Holland Agriculture and Case IH brands in Spain and Portugal, then continued his international career, becoming Business Manager for New Holland Agriculture and Case IH in AME and Japan. From 2006-2007, he served as Business Director for New Holland Agriculture and Case IH/Steyr in the Benelux markets, then he moved to the global role of Director of Product Management for Tractors and Telehandlers for New Holland Agriculture in 2008-2010. Subsequently, he also assumed responsibility for brand communications. In 2011, he was appointed Marketing Director for the International Region of CNH. In 2012, he then moved to IVECO where he became Vice President of Irisbus in charge of the global Bus business. Mr. Lahutte holds a Tank Officer degree from the French Armored Cavalry School in Saumur, a Masters in Marketing and Technology Management from the Rouen Business School, France and a MBA from the UMASS ISENBURG School of Management, Amherst, USA. He speaks seven languages acquired during the course of his international career. Since 2014, Mr. Lahutte has sat on the ACEA (European Automobile Manufacturers Association) Board.

**Carlo Lambro, Brand President, New Holland Agricultural Equipment**

Carlo Lambro was appointed Vice President New Holland Agriculture EMEA in January 2013. In September 2013 he became Brand President of New Holland Agricultural Equipment, and also joined the Group Executive Council of CNH Industrial. Mr. Lambro joined the New Holland Agriculture brand more than 25 years ago. Throughout his career he gained extensive, commercial experience in Europe, Middle East, Africa and Asia. As such, he was appointed as Sales Manager New Holland Brand Portugal in 1993. In 1994, he assumed commercial responsibility for

all Eastern Europe countries and became Business Director for CIS area, China and Far East in 1999. One year later he was appointed Business Director for Russia and CIS, with responsibility for all agricultural brands within the Fiat Group. In 2004, Mr. Lambro was appointed General Manager of Shanghai New Holland Agriculture Machine Corporation in addition to his responsibilities as CNH Country Manager for China. Mr. Lambro was appointed Business Director New Holland Agriculture for Italy in 2006 and one year later he was appointed Business Director New Holland Agriculture Europe. Mr. Lambro holds a Master degree of Agricultural Engineering from the University of Bologna.

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

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

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

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

◆Stefano Pampalone, Chief Operating Officer-APAC

Stefano Pampalone assumed the role of General Manager for CNH in India, Far East and Japan in February 2013, and subsequently assumed responsibility for the entire APAC region. Since joining CNH in 1998, Mr. Pampalone has always been involved in international assignments. In 2001, after gaining commercial experience in parts and whole goods in Poland, India, Africa and Middle East, he was appointed Business Manager Southern Africa and Iran for all Agricultural Brands in the Fiat Group. In 2004 he became Marketing Director for Agricultural Equipment in Asia, Africa and Middle East. From 2006 to 2009 he first served as Business Director for the CNH Agricultural Business in Italy for one year and subsequently as Business Director Africa & Middle East. In 2009, he was appointed General Manager of the Agricultural and Construction Equipment Business in India and Pakistan. Mr. Pampalone holds a degree in Engineering from the University of Trieste, Italy and an MBA from Profingest of Bologna, Italy.

◆Adrian Pipe, Chief Quality Officer

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

◆Annalisa Stupenengo, Brand President, FPT Industrial and President, Powertrain Products Segment

Annalisa Stupenengo assumed the roles of Brand President FPT Industrial and President, Powertrain Products Segment in June 2015. Ms. Stupenengo has extensive international experience in the Powertrain sector that she gained through roles of increasing importance and scope within the CNH Industrial and FCA Groups. Annalisa Stupenengo started her career in 1996 in the Sales & Marketing area of Fiat Group. In 2000, after leading a cost reduction task force and being the CEO assistant in Morocco, she moved to the GM Fiat Worldwide Purchasing joint venture. Following this, she assumed the role of Purchasing Platform Manager and was responsible for an international team based in Sweden and Italy. From 2003

to 2005, she managed the electrical and electronics components division, a position she also held for FGA Company Purchasing until 2006 when she was appointed Global Commodity Purchasing Director and created the new Powertrain Purchasing department in Fiat Powertrain Technologies S.p.A. In 2008, Ms. Stupenengo became Powertrain System Commodity Director at Fiat Group Purchasing and, in July of the same year, she was appointed Vice President of the Electrical Commodity & FPT Sector with global responsibility. Subsequently, she was appointed Senior Vice President of Purchasing for CNH with joint responsibility for Mechanical Commodity at Fiat Group Purchasing. In January 2013, she became Head of Group Purchasing EMEA Region for Fiat Chrysler and Chief Purchasing Officer for CNH Industrial. Annalisa Stupenengo has been a member of the CNH Industrial Group Executive Counsel (GEC) since September 2013 and in December 2015, she joined the Board of Directors at Welltec International ApS. Ms. Stupenengo earned a degree in Management Engineering from Polytechnic University of Turin.

•Tom Verbaeten, Chief Manufacturing Officer

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

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

## B. Compensation

### Remuneration Report

The quality of our leadership and their commitment to the Company are fundamental to our success. Our remuneration principles support 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 with respect to the compensation for Executive Directors, with reference to the Company’s Remuneration Policy for Executive Directors (the “Remuneration Policy”). The Non-Executive Directors determine the 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, which is available on the Company’s website, [www.cnhindustrial.com](http://www.cnhindustrial.com).

The Compensation Committee reviews the Remuneration Policy and its implementation. The Compensation Committee concluded that there are no reasons to recommend to shareholders adjustments to the Remuneration Policy at the Annual General Meeting of shareholders scheduled to be held on April 14, 2017.

Financial Year 2016 – Select Business Highlights

A key tenet of the Remuneration Policy is payment for performance. The following table highlights some of the key Company achievements and initiatives in 2016.

Financial Highlights	Strategic Developments and Initiatives
<ul style="list-style-type: none"> <li>Maintained competitive margins among OEMs in Agricultural Equipment segment, and increased margins in our Commercial Vehicles and Powertrain segments</li> </ul>	<ul style="list-style-type: none"> <li>Alliance with Hyundai Heavy Industries for the production and development of mini-excavators, completing CNH Industrial’s product strategy for its excavator product portfolio expansion</li> </ul>
<ul style="list-style-type: none"> <li>Generated \$482 million in adjusted net income<sup>(1)</sup></li> </ul>	<ul style="list-style-type: none"> <li>Acquisition of Kongskilde, an agricultural grass and soil implement business, which strengthens New Holland Agricultural Equipment’s tillage, seeding, and forage product offering</li> </ul>
<ul style="list-style-type: none"> <li>Generated net industrial cash flow of \$1,045 million, a 38% increase year-over-year, with a significant contribution from working capital in the fourth quarter, primarily as a result of an inventory realignment to prevailing market conditions in the Agriculture Equipment and Construction Equipment segments</li> </ul>	<ul style="list-style-type: none"> <li>Helping to make transport safer, cleaner and more efficient, IVECO showcased new technologies in connectivity and autonomous guiding support systems, through its first voyage of semi-automatic truck platoons and the Z-Truck, zero emissions concept for freight transport</li> </ul>
<ul style="list-style-type: none"> <li>Maintained a dedicated approach to careful cost control and containment of discretionary spending</li> </ul>	<ul style="list-style-type: none"> <li>FPT Industrial, market leader and innovator of Compressed Natural Gas (CNG) engines, extended its range of on-road alternative fuel solutions with the first real 9 liter diesel equivalent, the new best-in-class Cursor 9 CNG, providing market leading power and torque, ideal heavy transport, waste collection and urban and inter-urban transport applications</li> </ul>
<ul style="list-style-type: none"> <li>Increased market share in our key European markets in Commercial Vehicles while continuing to improve our profitability in the major product categories</li> </ul>	<ul style="list-style-type: none"> <li>Confirmed Industry Leader for the sixth consecutive year by the Dow Jones Sustainability Indices, with a score of 90/100</li> <li>Continued focus on quality and process improvement through World Class Manufacturing (WCM) achievements, 14 silver and 22 bronze medaling plants by the end of 2016, an increase of 4 silver and 3 bronzes during the year.</li> </ul>



(1) Adjusted Net Income is defined as Net Income less restructuring charges and non-recurring items, after tax. In particular, non-recurring items are specifically disclosed items that management considers rare or discreet events that are infrequent in nature and not reflective of ongoing operational activities.

We are effectively managing our businesses through challenging market conditions by reducing our structural costs, retaining our market share positions and positioning ourselves to take full advantage of opportunities as they arise in the industry cycles.

Notable achievements across all segments include:

- SG&A spending levels held essentially at 2015 levels, emphasizing the lasting impact of the structural changes made in recent prior years;
- continued tight inventory management in all segments that enabled further net reduction of channel inventory (that is, combined Company and dealer inventories) beyond realignments made in 2015;
- overall, net price realization was again positive year-over-year in addition to lower manufacturing and purchasing costs;

the investment in World Class Manufacturing and the continued addition of WCM medaling plants have real economic benefits for the company; and margins remained very competitive while experiencing extremely depressed market conditions in certain of our largest agricultural markets, benefiting from the cost containment and inventory control discipline noted above and enabling offsets to downturns in volume.

#### Remuneration Principles

The guiding principle of our Remuneration Policy is to provide a compensation structure that allows CNH Industrial to attract and retain the most highly qualified executive talent and to motivate such executives to achieve business and financial goals that create value for shareholders and other stakeholders in a manner consistent with our core business and leadership values. CNH Industrial’s compensation philosophy, as set forth in the Remuneration Policy, aims to provide compensation to its Executive Directors as outlined below.

Alignment with CNH Industrial’s Strategy	<ul style="list-style-type: none"> <li>• Compensation is strongly linked to the achievement of targets aligned with the Company’s publically disclosed objectives.</li> </ul>
Pay for Performance	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
Competitiveness	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
Long-Term Shareholder Value	<ul style="list-style-type: none"> <li>• Targets triggering any variable compensation payment will align with interests of shareholders.</li> </ul>
Creation	
Compliance	<ul style="list-style-type: none"> <li>• Our compensation policies and plans will be designed to comply with applicable laws and corporate governance requirements.</li> </ul>
Risk Prudence	<ul style="list-style-type: none"> <li>• The compensation structure will avoid incentives that encourage unnecessary or excessive risks that could threaten the Company’s value.</li> </ul>
Peer Group Development	

In 2016, the Compensation Committee reviewed potential compensation peer companies, which are companies operating in similar industries and geographies with whom we are most likely to compete for talent at the executive level. The Compensation Committee strives to develop a compensation peer group that best reflects all aspects of CNH Industrial’s business and considers public listing, industry practices, geographic reach and revenue proximity. Market capitalization was considered a secondary characteristic. Our Company has few direct business competitors, which makes it difficult to create a compensation peer group based on industry, revenues or market capitalization alone. Additionally, notwithstanding CNH Industrial being a European headquartered company, evaluation against peer companies incorporated in only the European geographic region was believed to be artificial and inappropriate, in particular in light of being listed in both the New York and Milan stock exchanges. Accordingly, the compensation peer group for the Chief Executive Officer (“CEO”) and the Chairman includes a blend of U.S. S&P 500 industrial and non-U.S. global industrial companies with revenues greater than \$10 billion as shown in the table below. A blend of both U.S. and non-U.S. companies for the compensation peer group is deemed necessary for meaningful comparisons to the relevant talent market for our executives.

The compensation peer group has not changed from 2015.



2016 Compensation Peer Group

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

Summary Overview of Remuneration Elements

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

Remuneration Element	Description	Strategic Role
Base Salary	<ul style="list-style-type: none"> <li>• Fixed cash compensation</li> </ul>	<ul style="list-style-type: none"> <li>• Attracts and rewards high performing executives via market competitive pay</li> </ul>
Short-Term Variable	<ul style="list-style-type: none"> <li>• Based on achievement of annually predetermined performance objectives</li> <li>• Comprised of two equally weighted financial metrics: net income and net industrial cash flow</li> <li>• Target payout is 100% and maximum payout is 200% of base salary for both CEO and Chairman</li> </ul>	<ul style="list-style-type: none"> <li>• Drives company-wide and individual performance</li> <li>• Rewards annual performance</li> <li>• Motivates executives to achieve performance objectives that are critical to our annual operating and strategic plans</li> </ul>
Long-Term Variable	<ul style="list-style-type: none"> <li>• Based on achievement of publicly disclosed multi-year financial targets</li> <li>• Performance criteria are comprised of equally weighted metrics: relative total shareholder return (TSR) and net income</li> <li>• Awards have three vesting opportunities, one-third each, after growth years three, four and five, based on cumulative results</li> </ul>	<ul style="list-style-type: none"> <li>• Aligns executives' and shareholder interests</li> <li>• Encourage executives to achieve long-term strategic and financial objectives</li> <li>• Motivates executives to deliver sustained long-term</li> <li>• Aligns executives' and shareholder interests through</li> </ul>

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

## 2016 Remuneration of Executive Directors

Our executive compensation program is designed to align the interests of our Executive Directors with those of our shareholders. It is designed to reward our executives based on the achievement of sustained financial and operating performance as well as demonstrated leadership. We aim to attract, engage, and retain high-performing executives who help us achieve short-term and long-term success and maintain our position as an industry leader. We support a shared, one-company mindset of performance and accountability to deliver on business objectives.

For 2016, no changes were made to any of the elements of compensation set forth above for either of the Executive Directors.

The total annual target compensation of the Executive Directors is comprised of base compensation, annual variable pay and long-term variable pay as follows:

### Executive Directors 2016 Realized Compensation

The narrative and chart below is intended to provide additional context for understanding the realized, that is, the actual compensation received, in 2016 of the three primary components of pay: base salary, annual cash incentives and equity awards. This narrative is intended to complement and not serve as a substitute for the amounts reported in the compensation tables and to provide a helpful comparison to the targeted pay mix illustrated in the charts above.

In 2016, the CEO's realized compensation included \$1.31 million in base compensation and \$1.27 million in annual cash performance incentive paid in 2016, with no equity compensation vesting during the year, totaling \$2.58 million. The Chairman's realized compensation included \$1.6 million in base compensation, no annual cash performance incentive paid in 2016 and \$5.2 million in equity compensation that vested during the year, totaling \$6.8 million.

\*The CEO has a five year (2014-2018) performance share grant with an initial vesting opportunity in the first quarter of 2017. No equity pay for the CEO has been realized in 2014, 2015 or 2016 under the current LTI plan.

\*\*The Chairman did not receive any annual cash incentive payment in 2016.

#### Base Salary

The Company does not guarantee annual base salary increases for the Executive Directors. In 2016, the base salary of the Executive Directors did not increase relative to 2015. Base salary is the only fixed component of our Executive Directors' total cash compensation and is intended to provide market-competitive pay to attract and retain well-qualified senior executives and very effective leaders. The applicable amount of base salary takes into consideration the executive's skills, scope of job responsibilities, experience, and competitive market data. The base salaries of our Executive Directors are evaluated together with other components of compensation to ensure that they are in line with our overall compensation philosophy and aligned with performance.

With CNH Industrial's formation in September 2013, a new annual base salary of \$1.3 million for our CEO, and a new annual base salary of CHF 1.55 million for our Chairman were approved. These decisions were reached using the compensation program benchmarking and compensation peer group review process described above. The Company believes that paying our Executive Directors at or above these benchmarks is appropriate to retain them throughout the business cycle.

#### Variable Components

Our Executive Directors are also eligible to receive variable compensation subject to the achievement of pre-established, challenging financial and other designated performance objectives. The variable components of our Executive Directors' remuneration, both the short and the long-term incentives, are linked to predetermined, measurable objectives which serve to motivate strong performance and shareholder returns and are approved by the Company's Non-Executive Directors. The Non-Executive Directors believe that placing significantly more weight on the long-term component is appropriate for the Executive Directors because it focuses their efforts on the Company's long-term success.

Annually, scenario analyses are carried out to examine the relationship between the performance criteria chosen and the possible outcomes of the variable remuneration of the Executive Directors. Such analysis was also carried out for the 2016 financial year, and the Company found a strong link between remuneration and performance and concludes that the chosen performance criteria are appropriate under both the short-term and long-term incentive components of total remuneration and support the Company's strategic objectives.

#### OUR "ACHIEVE AND EARN" PHILOSOPHY REWARDS PERFORMANCE AND LEADERSHIP

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

## Short-Term Incentives

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

### Our Methodology for Determining Annual Bonus Awards

Links directly to current individual performance in reaching company results

Reflects actual performance achieved vs. Company objectives

Achieve

EARN

Reflects market

\*The individual performance and leadership assessment is applicable to the CEO but not the Chairman. The Chairman evaluates the CEO's performance and leadership each year using a nine box matrix that correlates to the overall individual performance evaluation. This score can increase or decrease the bonus earned in a given performance year.

In regards to the Executive Directors' annual performance bonus determination, the Compensation Committee and the Non-Executive Directors:

- approve the Executive Directors' objectives and maximum allowable bonus;
- select the choice and weighting of objectives;
- set the stretch objectives;
- review any unusual items that occurred in the performance year to determine the appropriate overall measurement of achievement of the objectives;
- review the performance evaluation score of the CEO assessed by the Chairman; and



• approve the final bonus determination.

For 2016, the Compensation Committee approved the same bonus plan design and metrics utilized in 2015. The two metrics, net income and net industrial cash flow, were equally weighted and the goals were set with challenging hurdles. Each objective pays out independently. There is no minimum bonus payout; if none of the threshold objectives are satisfied, there is no bonus payment.

The target incentive for the annual bonus program is 100% of base salary for both the CEO and the Chairman, linked to approved targets each year which are consistent with our public guidance to investors. To earn any incentive, the threshold performance must be at least 90% of the specific target established. To earn the maximum payout of 200% of target, actual results must be achieved at 150% of the target performance, or greater, for both performance metrics. For the 2016 annual bonus program, threshold, target, and maximum percentage opportunities for our CEO and Chairman did not change compared with 2015.

## CEO Annual Bonus

The bonus earned by the CEO for performance year 2016 was \$2.3 million, as determined by the achievement of the pre-determined objectives and corresponding company performance factors illustrated in the table below.

## 2016 Annual Bonus Program

2016 Performance Metric	Weight	Threshold (\$ million)	Target (\$ million)	Maximum (\$ million)	Company	Company Performance – Performance Factor	Individual
					Actual (\$ million)		Performance & Leadership Multiplier
Net Income (Adjusted)	50%	329	366	549	383 <sup>(1)</sup>	109.3%	
Net Industrial Cash Flow <sup>(2)</sup>	50%	170	189	284	1,045	200.0%	
Overall Company Performance Factor:						154.6%	

CEO's Individual Performance and Leadership Assessment\*:

115%

(1) 2016 Adjusted Net Income as disclosed in the Company's 2016 full year earnings release, was \$482 million. For CEO bonus purposes, certain non-recurring items (totaling \$59 million) in addition to the restructuring after tax adjustments (\$40 million) were included, notwithstanding their unusual nature.

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

\* The individual performance and leadership assessment is a set factor vs. target bonus % for each of the nine possible combinations of individual performance (low, medium and high) and leadership (low, medium and high) under the Company's defined performance management process. The factor of 1.15 is a set multiplier associated with the 2016 rating of high performance and medium leadership, as evaluated by the Chairman.

## Chairman Annual Bonus

In consultation with the Chairman and the Compensation Committee, the Non-Executive Directors approved that no annual performance bonus would be paid to the Chairman for the 2016 financial year.

## Discussion of 2016 Results

For the 2016 financial year, the bonus plan achievement for net income, adjusted for certain non-recurring items, deemed appropriate by the Non-Executive Directors, was \$383 million and net industrial cash flow was \$1,045 million. The net income result adjusted as described in footnote #1 above slightly exceeded target, while the net industrial cash flow achievement exceeded 150% of target, the upper limit for the bonus determination.

Both financial objectives were deemed challenging and in line with external analyst expectation at the time they were established. In spite of industry volumes hitting what is considered the trough in the Company's highest contributing business segment, the agricultural equipment industry, the Company's results reflect management's continued discipline and focus on cost control, inventory management and positive net price realization. The strength of our diverse business segments and geographical markets further helped the Company to overcome the industry volume declines and to exceed targets.

## Long-Term Incentives

Long-term incentive compensation is a critical component of our Executive Directors' compensation program. This compensation component is designed to motivate and reward long-term stockholder value creation and the attainment of Company performance goals, to retain top talent and create an ownership alignment with shareholders. Long-term incentives are also an important retention tool that management and the Compensation Committee use to align the financial interests of executives and other key contributors with sustained shareholder value creation. We believe the Executive Directors' compensation should be aligned with shareholders' interests.

In 2014, CNH Industrial introduced a new long-term incentive program ("LTIP"), covering a five-year performance period, (2014 to 2018), consistent with the Company's strategic planning horizon, under which equity awards can be granted to eligible individuals. The Chairman, CEO, Group Executive Council ("GEC") key managers and select others may participate in the LTIP. Approximately 400 senior leaders participate in the two facets of the LTIP – Company Performance Plan and Individual Performance Plan. The award mix and level vary by position. For the CEO and Chairman, target LTIP percentages were benchmarked against both U.S. and non-U.S. compensation peer group companies.

The Company Performance Plan component of the LTIP, measured by cumulative net income and relative TSR position among seven peer companies, provides an opportunity for interim partial vesting after 2016 (based upon cumulative 2014-2016 results) and

2017 (based upon cumulative 2014-2017 results), and full vesting in 2018 (based upon cumulative 2014-2018 results). The achieved awards vest in February, following each respective performance period and are settled in CNH Industrial common shares. The CEO was awarded a one-time Company Performance Plan share grant in 2014; the Chairman does not participate in this component of the LTIP.

The Individual Performance Plan component of the LTIP provides a retention-based award opportunity, subject to continued employment with the Company at time of vesting. The CEO does not participate in this component of the LTIP. The Chairman was awarded a one-time retention grant in 2014 with vesting over five years, 2014-2018 (the "Retention Award"). The retention-based awards are settled in CNH Industrial common shares.

Although the Executive Directors' equity awards have no required holding period after vesting, their respective full vesting period is five years. In practice, shares are generally held except, if deemed necessary, to sell shares to cover the tax obligations of the vested awards.

#### Discussion of 2016 Equity Awards

No new equity grants were awarded to the Executive Directors in 2016. The awards granted in 2014 were one-time grants covering a five-year period, 2014-2018. With respect to the Chairman's Retention Award, the third installment of 600,000 shares vested on December 31, 2016, which has been delivered in February 2017.

With regard to the first performance period under the Company Performance Plan component of the LTIP, 2014-2016, neither of the two metrics, net income and relative TSR position, achieved the threshold performance to earn a partial payout under the plan.

#### Pension and Retirement Savings

The CEO participates in Company sponsored retirement savings programs, which are available to all salaried employees of CNH Industrial America LLC. Currently, there are no additional executive retirement benefit plans available to our CEO. In 2016, CNH Industrial engaged Mercer to analyze and benchmark this executive remuneration component. The results of this analysis, and any proposed market competitive amendment, are expected to be reviewed by the Compensation Committee in 2017. For the Chairman, CNH Industrial N.V. pays social contribution fees mandatorily due under Swiss law and indemnifies Fiat Chrysler Automobiles N.V. (as the Chairman is the Chief Executive Officer of Fiat Chrysler Automobiles N.V.) for a fully vested retirement savings benefit equivalent to five times his fixed annual compensation at the time of retirement.

#### Other Benefits

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

#### Tax Equalization

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

In 2016, prior years' foreign sourced income obligations since the formation of CNH Industrial N.V. in 2013 were resolved. The Company expects that the benefit in future years will reflect only the applicable annual tax equalization.

## Stock Ownership

Our Board recognizes the critical role that executive stock ownership has in aligning the interests of management with those of shareholders. While we do not currently maintain a formal required stock ownership policy, as of the end of the 2016 financial year, our CEO's stock holdings, when viewed as a multiple of his 2016 base salary, is in line with common market practice.

Our CEO's year end 2016 stock ownership level as a multiple of base salary\*

CEO x1 x2 x3 .x10 x11 .x20 x21 .x30

Tobin  

\*The multiple of 3.4 for the CEO shown above represents holdings as of December 31, 2016 using a stock price of \$8.69.

## 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 2015, is shown in the table below.

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

Non-Executive Directors elect which portion of their annual retainer fee, committee membership and committee chair fee payments (collectively, the “Fees”) will be made in cash, common shares of CNH Industrial N.V., or options to purchase common shares. Remuneration of Non-Executive Directors is fixed and not dependent on the Company’s financial results. Non-Executive Directors are not eligible for variable compensation and do not participate in any Company incentive plans.

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

#### Implementation of Remuneration Policy in 2017

If, and to the extent, any changes are made to 2017 remuneration, such changes will be in line with the approved policy.

The following table summarizes remuneration paid or awarded to Directors for the year ended December 31, 2016.

(\$ actual)	Office Held	In Office From/To	Salary / Annual Fee (cash)	Compensation / Annual Fee (Equity)	Bonus and Other Incentives (Non-Equity)	Non Monetary Pension		Total Remuneration
						Compensation (Fringe Benefits)	Similar Benefits	
Directors of CNH Industrial N.V.								
MARCHIONNE Sergio	Chairman	01/01/2016—12/31/2016	\$1,573,874	\$—	\$—	\$160,384	\$995,653	\$2,729,911
TOBIN Richard	CEO	01/01/2016—12/31/2016	1,314,169	—	2,311,000	56,733	261,147	3,943,049
TAMMENOMS BAKKER Jacqueline	Director	01/01/2016—12/31/2016	145,000	—	—	—	19,515	164,515
ELKANN John	Senior Non-Executive Director	01/01/2016—04/14/2016	643,750	—	—	—	—	43,750
GEROWIN Mina	Director	01/01/2016—12/31/2016	145,000	—	—	—	19,515	164,515
GRIECO Patrizia	Director	01/01/2016—04/14/2016	36,250	—	—	—	—	36,250
HEYWOOD Suzanne (5)	Director	04/15/2016—12/31/2016	127,500	—	—	—	—	127,500
HOULE Léo W.	Director	01/01/2016—04/28/2016 04/29/2016—12/31/2016	163,750	—	—	—	—	163,750



	Senior Non-Executive Director							
KALANTZIS Peter	Director	01/01/2016—12/31/2016	170,000	—	—	—	—	170,000
LANAWAY John	Director	01/01/2016—12/31/2016	105,000	45,000	—	—	—	150,000
SCHEIBER Silke	Director	04/15/2016—12/31/2016	112,500	—	—	—	15,163	127,663
TABELLINI Guido	Director	01/01/2016—12/31/2016	140,000	—	—	—	—	140,000
THEURILLAT Jacques	Director	01/01/2016—12/31/2016	160,000	—	—	—	20,524	180,524
Total			\$4,236,793	\$45,000	\$2,311,000	\$217,117	\$1,331,517	\$8,141,427

- (1) No new equity awards were granted in 2016 to the Executive Directors, and no equity amount is shown, consistent with past years' disclosure. For the CEO, for the year ended December 31, 2016, the Company recognized a net share-based compensation income of \$3.0 million as a consequence of the reversal of previously recognized expense for performance share units granted to the CEO and linked to non-market conditions for which the Company does not believe it to be probable that the performance conditions will be achieved. For the Chairman, the Company recognized a share-based compensation expense of \$4.66 million in 2016.
- (2) The amount reflects the bonus earned for the performance year 2016 which will be paid in 2017. The bonus paid in 2016 for the 2015 performance year was \$1,270,000.
- (3) For the Chairman, the amount reflects tax equalization benefits related to earnings during the 2016 performance year. In addition, \$705,500 of tax equalization benefits related to the resolution of prior years' foreign sourced tax obligations since the formation of CNH Industrial N.V. in 2013 were incurred in 2016. For the CEO, the amount includes the use of a company-provided car for personal purposes in the amount of \$16,587, and tax equalization benefits in the amount of \$40,146.

(4) The amounts reflect pension, retirement and similar benefits set aside or accrued for Directors by CNH Industrial for the year ended December 31, 2016.

(5) Ms. Heywood's fees are paid to EXOR N.V., in accordance with EXOR's policy regarding Director compensation for EXOR employees.

Effective on September 20, 2013, 200,000 common shares were reserved for issuance under the CNH Industrial Directors' Compensation Plan, as approved by shareholders.

Refer to "Item 6.E: Share Ownership" for the stock option and share activity for the year ended December 31, 2016 under the CNH Industrial Directors' Compensation Plan and the predecessor companies' plans adopted by CNH Industrial pursuant to the Merger.

#### Executive Officers' Compensation

The aggregate amount of compensation paid to or accrued for executive officers that held office during 2016 was approximately \$11.4 million, including \$1.9 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, 2016.

#### C. Board Practices

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

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

#### Board of Directors

We have a one-tier management structure (i.e. management board that may be comprised of both members having responsibility for our day-to-day operations, who are referred to as "executive directors", and members not having such responsibility, who are referred to as "non-executive directors"). Pursuant to our Articles of Association, the Board of Directors may have three or more members. At the AGM held on September 9, 2013, the number of the members of the Board of Directors was set at eleven. The current directors were elected at the last AGM on April 15, 2016. See "Item 6A. Directors, Senior Management and Employees" above. The term of office of the current Board of Directors will expire on April 14, 2017, 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 2018. Each director may be re-elected at any subsequent general meeting of shareholders. None of our directors have service contracts with the Company (or any subsidiary) providing for benefits upon termination of employment as a director.

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

As of December 31, 2016, eight directors (representing a majority) qualified as independent for purposes of NYSE rules, Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the Dutch Code.

On September 9, 2013 the Board of Directors of the Company appointed—with effect as of the closing of the Merger – the following internal committees: (i) an Audit Committee, (ii) a Governance and Sustainability Committee, and (iii) a Compensation Committee. On April 29, 2016, the Board of Directors appointed Mr. Léo Houle Senior Non-Executive Director for the purpose of Section III.8.1 of the Dutch Corporate Governance Code. The Senior Non-Executive Director takes care of the proper functioning of the Board of Directors and its Committees. On certain key operational matters the Board of Directors is advised by the Group Executive Council (“GEC”). The GEC is an operational decision-making body that is responsible for reviewing the operating performance of the Company’s businesses and making decisions on certain operational matters.

## The Audit Committee

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

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

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

## The Compensation Committee

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

The Compensation Committee currently consists of Mr. Houle (Chairperson), Ms. Heywood and Messrs. Kalantzis and Tabellini. The Compensation Committee is elected by the Board of Directors, and is comprised of at least three directors. No more than one member may be non-independent under the Dutch Code. The members of the Compensation Committee are appointed for terms of up to two years. Unless decided otherwise by the Compensation Committee, the Company's Chief Human Resources Officer attends its meetings.

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

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

## The Governance and Sustainability Committee

The Governance and Sustainability Committee is responsible for, among other things, assisting the Board of Directors with: (i) the identification of the criteria, professional and personal qualifications for candidates to serve as directors of the Company, (ii) periodic assessment of the size and composition of the Board of Directors, (iii) periodic assessment of the functioning of individual Board members and reporting on this to the Board of Directors, (iv) proposals for appointment of executive and non-executive directors, (v) supervision of the selection criteria and appointment procedure for senior management, (vi) monitoring and evaluating reports on the Company's sustainable development policies and practices, management standards, strategy, performance and governance globally, and (vii) reviewing, assessing and making recommendations as to strategic guidelines for sustainability-related issues, and reviewing the Company's annual Sustainability Report.

The Governance and Sustainability Committee currently consists of Ms. Heywood (Chairperson), Ms. Gerowin , Mr. Houle and Ms. Tammenoms Bakker. The Governance and Sustainability Committee is elected by the Board of Directors, and is comprised of at

least three Directors. No more than two members may be non-independent, and none of the members may be executive directors. The members of the Governance and Sustainability Committee are appointed for terms of up to two years.

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

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

#### Indemnification of members of the Board of Directors

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

#### D. Employees

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

The following tables show the breakdown of the number of employees by segment and by region at December 31, 2016, 2015 and 2014:

(number)	2016	2015	2014
Agricultural Equipment	24,254	24,494	27,322
Construction Equipment	5,378	5,695	6,431
Commercial Vehicles	23,882	24,783	25,881
Powertrain	8,070	8,163	8,295
Financial Services	1,098	1,116	1,164
Other activities	146	140	114
Total	62,828	64,391	69,207

(number)	2016	2015	2014
EMEA	40,678	40,801	41,756
NAFTA	9,042	10,022	11,647
LATAM	8,298	8,812	10,485

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APAC	4,810	4,756	5,319
Total	62,828	64,391	69,207

In the United States, unions represent a small portion of our production and maintenance employees. The collective bargaining agreement with the United Automobile, Aerospace and Agricultural Implement Workers of America, which represents approximately 750 of the hourly production and maintenance employees, continues through April 30, 2022. The collective bargaining agreement with the International Association of Machinists and Aerospace Workers, which represents approximately 370 of our employees in Fargo, North Dakota, expires in April 2018.

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

In 2016, we renewed the CLA covering all CNH Industrial managers in Italy, which will expire at the end of 2017. The other approximately 17,100 CNH Industrial employees in Italy (excluding managers) are covered by the CLA that was renewed in 2015 and will expire at the end of 2018.

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

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

#### E. Share Ownership

The following table summarizes the number of CNH Industrial common shares owned by our directors and Group Executive Council members as of February 27, 2017:

	Common	Special Voting
(number)	Shares <sup>(1)</sup>	Shares
CNH Industrial Directors owning CNH Industrial Common Shares at February 27, 2017		
Sergio Marchionne	11,859,586	—
Richard Tobin	512,392	—
Mina Gerowin	2,208	—
Léo Houle	57,259	57,259
Peter Kalantzis	2,000	—
John Lanaway	62,166	23,859
Jacques Theurillat	18,422	—
CNH Industrial Group Executive Council owning CNH Industrial Common Shares at February 27, 2017		
Luc Billiet	69,355	—
Sergio Carpentiere	1,428	—
Massimiliano Chiara	22,311	—
Oddone Incisa	7,974	—
Linda I. Knoll	197,599	—
Carlo Lambro	10,000	—
Alessandro Nasi	269,495	—
Derek Neilson	157,888	—
William Pipe	4,665	—
Tom Verbaeten	508	—

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

The following table summarizes outstanding stock options held by CNH Industrial Directors as of December 31, 2016 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.

None of our directors or Group Executive Council members held options to purchase common shares representing one percent or more of our common shares at February 27, 2017.

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.





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	Grant Date	Exercise Price	Gerowin	Houle (3)	Lanaway	Theurillat (2)	Tobin (1)	Total
<b>Beginning Balance as of January 1, 2016</b>								
(automatic option)	04/07/2006	5.96	—	18,604	18,604	—	—	37,208
	10/03/2006	4.80	—	20,835	—	—	—	20,835
	12/29/2006	5.91	—	16,942	—	4,233	—	21,175
	03/30/2007	8.18	—	12,226	—	3,054	—	15,280
	06/30/2007	10.96	—	9,129	—	2,281	—	11,410
	09/28/2007	13.02	—	7,682	—	1,917	—	9,599
	12/27/2007	14.28	—	7,001	—	—	—	7,001
	03/19/2008	10.77	—	9,286	—	—	—	9,286
	06/17/2008	9.15	—	10,940	—	—	—	10,940
	04/29/2011	10.15	—	—	—	—	189,183	189,183
	09/28/2012	8.78	—	—	—	—	483,468	483,468
	12/28/2013	11.33	6,402	—	—	—	—	6,402
	03/28/2014	11.26	6,442	—	—	—	—	6,442
	06/26/2014	10.25	7,073	—	—	—	—	7,073
	09/24/2014	7.82	9,271	—	—	—	—	9,271
	12/28/2014	8.26	8,777	—	—	—	—	8,777
	4/14/2015	8.25	4,394	—	—	—	—	4,394
	7/13/2015	9.52	3,808	—	—	—	—	3,808
<b>Beginning Total</b>			46,167	112,645	18,604	11,485	672,651	861,552
– Vested/Not Exercised			46,167	112,645	18,604	11,485	672,651	861,552
– Not Vested			—	—	—	—	—	—
<b>Options Exercised in 2016</b>	04/07/2006	5.96	—	18,604	18,604	—	—	37,208
	10/3/2006	4.80	—	20,835	—	—	—	20,835
	12/29/2006	5.91	—	16,942	—	4,233	—	21,175
			—	56,381	18,604	4,233	—	79,218
<b>Granted in 2016</b>			—	—	—	—	—	—
			—	—	—	—	—	—
<b>Options Expired in 2016</b>			—	—	—	—	—	—
			—	—	—	—	—	—
<b>Ending Balance as of December 31, 2016</b>								
(automatic option)	04/07/2006	5.96	—	—	—	—	—	—
	10/03/2006	4.80	—	—	—	—	—	—
	12/29/2006	5.91	—	—	—	—	—	—
	03/30/2007	8.18	—	12,226	—	3,054	—	15,280
	06/30/2007	10.96	—	9,129	—	2,281	—	11,410
	09/28/2007	13.02	—	7,682	—	1,917	—	9,599
	12/27/2007	14.28	—	7,001	—	—	—	7,001
	03/19/2008	10.77	—	9,286	—	—	—	9,286
	06/17/2008	9.15	—	10,940	—	—	—	10,940
	04/29/2011	10.15	—	—	—	—	189,183	189,183
	09/28/2012	8.78	—	—	—	—	483,468	483,468

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12/28/2013	11.33	6,402	—	—	—	—	6,402
03/28/2014	11.26	6,442	—	—	—	—	6,442
06/26/2014	10.25	7,073	—	—	—	—	7,073
09/24/2014	7.82	9,271	—	—	—	—	9,271
12/28/2014	8.26	8,777	—	—	—	—	8,777
4/14/2015	8.25	4,394	—	—	—	—	4,394
7/13/2015	9.52	3,808	—	—	—	—	3,808
Closing Total		46,167	56,264	—	7,252	672,651	782,334

– Vested/Not Exercised	46,167	56,264	—7,252	672,651	782,334
– Not Vested	—	—	—	—	—

(1) Options granted on 4/29/2011 and 9/28/2012 with expiry on 2/26/2017 and 2/24/2018, respectively.

(2) On 2/15/2017, Mr. Theurillat exercised his options granted on 3/30/2007.

(3) On 2/6/2017, Mr. Houle exercised his options granted on 3/30/2007.

The following table summarizes unvested performance share units held by Executive Directors as of December 31, 2016.

	Grant Date	Value	Weighted Average Fair Market	Tobin	Marchionne	Total
Beginning Balance as of January 1, 2016						
	6/9/2014	USD 9.52		2,955,000		2,955,000
Beginning Total				2,955,000	—	2,955,000
Vested in 2016						
				—	—	—
Ending Balance as of December 31, 2016						
	6/9/2014	USD 9.52		2,955,000		2,955,000
Ending Total				2,955,000	—	2,955,000

The following table summarizes unvested restricted share units held by Executive Directors as of December 31, 2016:

	Note	Grant Date	Value	Weighted Average Fair Market	Tobin	Marchionne	Total
Beginning Balance as of January 1, 2016							
		06/09/2014	USD 10.41		—	1,500,000	1,500,000
Beginning Total					—	1,500,000	1,500,000
Vested in 2016							
	(1)	06/09/2014	USD 10.41			600,000	600,000
					—	600,000	600,000
Ending Balance as of December 31, 2016							

	06/09/2014 USD 10.41	—	900,000	900,000
Ending Total		—	900,000	900,000

(1) The shares vested on December 31, 2016 and were exercised on February 8, 2017.

## Item 7. Major Shareholders and Related Party Transactions

### A. Major Shareholders

As of January 31, 2017, our outstanding capital stock consisted of common shares and special voting shares, with each having a par value of €0.01 per share. As of January 31, 2017, there were 1,361,685,191 common shares and 412,264,203 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, 2017 based on publicly available information.

Name of Beneficial Owner	Number of Common Shares Owned	Percent		Special Voting Shares(b)	Percent of Combined Voting Power(c)
		of Common Shares(a)	%		
EXOR N.V.	366,927,900	26.9	%	366,927,900	41.4 %
Harris Associates L.P.	185,027,203	13.6	%	—	10.4 %
Southeastern Asset Management, Inc.	55,104,929	4.0	%	—	3.1 %

(a) There were 1,361,685,191 common shares outstanding as of January 31, 2017. The “Percent of Common Shares” was calculated by using the publicly disclosed number of beneficially owned shares as the numerator, respectively, and the number of the Company’s outstanding common shares as of January 31, 2017 as the denominator.

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

(c) Combined voting power represents common shares and the special voting shares. The “Percent of Combined Voting Power” was calculated as the ratio of (i) the aggregate number of common shares and special voting shares beneficially owned by the shareholder and (ii) the aggregate number of outstanding common shares and special voting shares of CNH Industrial as of January 31, 2017. There were 1,773,949,394 common shares and special voting shares outstanding at January 31, 2017.

As of January 31, 2017, EXOR N.V.’s voting power in CNH Industrial was approximately 41.4%. 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, 2017, there were 518 registered holders of our common stock in the United States, including 167 shareholders holding special voting shares. As of January 31, 2017, registered holders in the United States held 11,526,946 common shares and 11,410,466 special voting shares.

#### B. Related Party Transactions

Our related parties are primarily EXOR N.V. and the companies belonging to the EXOR Group including FCA and its subsidiaries and affiliates and Ferrari N.V. and its subsidiaries and affiliates. As of January 31, 2017, EXOR N.V. holds approximately 41.4% of our voting power and has the ability to significantly influence the decisions submitted to a vote of CNH Industrial's shareholders. In addition, CNH Industrial engages in transactions with its unconsolidated subsidiaries and affiliates which CNH Industrial has a significant influence over or that are jointly controlled. See "Note 20: Related Party Information" in the notes to our consolidated financial statements for the year ended December 31, 2016 for further information.

### Item 8. Financial Information

#### A. Consolidated Statements and Other Financial Information

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

## B. Significant Changes

On March 2, 2017, the Board of Directors recommended to the shareholders a dividend of €0.11 per common share, totaling approximately €150 million (equivalent to approximately \$160 million, translated at the exchange rate reported by the European Central Bank on February 27, 2017). The proposal is subject to the approval of the Company's shareholders at the AGM scheduled to be held on April 14, 2017.

### Item 9. The Offer and Listing

#### A. Offer and Listing Details

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

#### Common Share Price

	NYSE (1)		MTA (1)	
	High	Low	High	Low
	(USD)		(Euro)	
Most recent six months:				
February 2017	\$9.62	\$8.91	€9.04	€8.17
January 2017	\$9.46	\$8.67	€8.77	€8.20
December 2016	\$9.15	\$8.49	€8.48	€8.03
November 2016	\$8.63	\$7.17	€8.20	€6.46
October 2016	\$7.78	\$7.15	€7.11	€6.41
September 2016	\$7.45	\$7.04	€6.69	€6.26
Year ended December 31, 2016:				
First Quarter	\$7.06	\$5.76	€6.38	€5.17
Second Quarter	\$7.89	\$6.07	€6.92	€5.35
Third Quarter	\$7.64	\$6.36	€6.77	€5.70
Fourth Quarter	\$9.15	\$7.15	€8.48	€6.41
Full Year	\$9.15	\$5.76	€8.48	€5.17
Year ended December 31, 2015:				
First Quarter	\$8.52	\$7.18	€7.30	€5.95
Second Quarter	\$9.48	\$7.91	€8.22	€7.29
Third Quarter	\$9.64	\$6.38	€8.67	€5.57
Fourth Quarter	\$7.37	\$6.41	€6.80	€5.65
Full Year	\$9.64	\$6.38	€8.67	€5.57
Year ended December 31, 2014:	\$11.77	\$7.46	€8.58	€5.91
Year ended December 31, 2013:	\$11.90	\$10.19	€8.59	€7.39

(1) Our common shares began trading on the NYSE and the MTA on September 30, 2013. On February 27, 2017, the last reported sales price of our common shares as reported was \$9.33 per share on the NYSE and €8.81 per share on the MTA.

#### B. Plan of Distribution

Not applicable.

#### C. Markets



Our outstanding common shares are listed on the NYSE under the symbol “CNHI” and the MTA under the symbol “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](http://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](http://www.cnhindustrial.com)).

Following the completion of the Merger, CNH Industrial shareholders may at any time elect to participate in the loyalty voting structure by requesting that CNH Industrial register all or some of their CNH Industrial common shares in the Loyalty Register. If these CNH Industrial common shares have been registered in the Loyalty Register (and thus blocked from trading in the regular trading system) for an uninterrupted period of three years in the name of the same shareholder, such shares become eligible to receive special voting shares (the "Qualifying Common Shares") and the relevant shareholder will be entitled to receive one special voting share for each such Qualifying Common Share. If at any time such CNH Industrial common shares are de-registered from the Loyalty Register for whatever reason, the relevant shareholder shall lose his, her or its entitlement to hold a corresponding number of special voting shares.

A holder of Qualifying Common Shares may at any time request the de-registration of some or all such shares from the Loyalty Register, which will allow such shareholder to freely trade its CNH Industrial common shares. From the moment of such request, the holder of Qualifying Common Shares shall be considered to have waived his/her/its rights to cast any votes associated with the loyalty voting shares corresponding to its previously Qualifying Common Shares. Upon the de-registration from the Loyalty Register, the relevant common shares will therefore cease to be Qualifying Common Shares. Any de-registration request would automatically trigger a mandatory transfer requirement pursuant to which the special voting shares will be acquired by CNH Industrial for no consideration in accordance with the terms and conditions of the special voting shares.

CNH Industrial's common shares are freely transferable. However, any transfer or disposal of CNH Industrial's common shares with which special voting shares are associated would trigger the de-registration of such common shares from the Loyalty Register and the transfer of all applicable special voting shares to CNH Industrial. Special voting shares are not admitted to listing and are transferable only in very limited circumstances. In particular, no shareholder shall, directly or indirectly: (a) sell, dispose of or transfer any special voting share or otherwise grant any right or interest therein; or (b) create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over any special voting share or any interest in any special voting share.

The purpose of the loyalty voting structure is to grant long-term CNH Industrial shareholders an extra voting right by means of granting a special voting share (shareholders holding special voting shares are entitled to exercise one vote for each special voting share held and one vote for each CNH Industrial common share held), without entitling such shareholders to any economic rights, other than those pertaining to the CNH Industrial common shares. However, under Dutch law, the special voting shares cannot be excluded from economic entitlements. As a result, in accordance with our Articles of Association, holders of special voting shares are entitled to a minimum dividend, which is allocated to a separate special dividend reserve (the "Special Dividend Reserve"). The

distribution of dividends from the Special Dividend Reserve can only be approved by the general meeting of the holders of special voting shares upon proposal of the Board of Directors. The power to vote upon the distribution from the Special Dividend Reserve is the only power that is granted to that meeting, which can only be convened by the Board of Directors as it deems necessary. The special voting shares do not have any other economic entitlement.

Section 10 of the special voting share terms and conditions includes liquidated damages provisions intended to discourage any attempt by holders of special voting shares to violate the terms thereof. These liquidated damages provisions may be enforced by CNH Industrial by means of a legal action brought by the Company in the courts of the Netherlands. In particular, a violation of the provisions of the above-mentioned terms and conditions concerning the transfer of special voting shares may lead to the imposition of liquidated damages.

Pursuant to Section 12 of the special voting share terms and conditions, any amendment to the terms and conditions (other than merely technical, non-material amendments) may only be made with the approval of the general meeting of shareholders of CNH Industrial.

A shareholder must promptly notify CNH Industrial upon the occurrence of a change of control, which is defined in Article 4(1)(n) of the Articles of Association as including any direct or indirect transfer, carried out through one or a series of related transactions, by a CNH Industrial shareholder that is not an individual of (i) the ownership or control of 50% or more of the voting rights of such shareholder, (ii) the de facto ability to direct the casting of 50% or more of the votes which may be expressed at the general meetings of such shareholder, or (iii) the ability to appoint or remove half or more of the directors, executive directors or board members or executive officers of such shareholder or to direct the casting of 50% or more of the voting rights at meetings of the board, governing body or executive committee of such shareholder. In accordance with Article 4(1)(n) of the Articles of Association, no change of control shall be deemed to have occurred if (i) the transfer of ownership and/or control is the result of the succession or the liquidation of assets between spouses or the inheritance, inter vivos donation or other transfer to a spouse or a relative up to and including the fourth degree or (ii) the fair market value of the Qualifying Common Shares held by the relevant CNH Industrial shareholder represents less than 20% of the total assets of the Transferred Group at the time of the transfer and the Qualifying Common Shares, in the sole judgment of CNH Industrial, are not otherwise material to the Transferred Group or the change of control transaction. Article 4(1)(n) of the Articles of Association defines "Transferred Group" as comprising the relevant shareholder together with its affiliates, if any, over which control was transferred as part of the same change of control transaction, as such term is defined in Article 4(1)(n) of the Articles of Association. A change of control will trigger the de-registration of the applicable Qualifying Common Shares from the Loyalty Register and the suspension of the special voting rights attached to such Qualifying Common Shares.

## Issuance of Shares and Rights of Preference

### Issuance of Shares

Our Board of Directors has the authority to issue common shares if, and to the extent that, a general meeting of shareholders has designated the Board of Directors to act as the authorized body for this purpose. A designation of authority to the Board of Directors to issue shares remains effective for the period specified by the general meeting and may be up to five years from the date of designation. A general meeting of shareholders may renew this designation for additional periods of up to five years. Without this designation, only the general meeting of shareholders has the power to authorize the issuance of shares.

For a period of five years from September 28, 2013, the Board of Directors has been irrevocably authorized by the shareholders to issue special voting shares up to the maximum aggregate amount of special voting shares as provided for in the Company's authorized share capital as set forth in the Articles of Association. For a period of five years from September 29, 2013, the Board of Director has been irrevocably authorized by the shareholders to issue common



shares of the Company, which authorization is limited to 15% of the total number of common shares. In addition, and without application of the 15% limitation, the Board of Directors is authorized to issue common shares and grant rights to subscribe for common shares in the capital of the Company pursuant to equity incentive plans sponsored by the Company's predecessors (Fiat Industrial S.p.A. and CNH Global N.V.) and new equity incentive or compensation plans.

#### Rights of Pre-emption

Under Dutch law and our Articles of Association, each shareholder has a right of pre-emption in proportion to the aggregate nominal value of its shareholding upon issuance of new Company common shares (or granting of rights to subscribe for shares) unless a general meeting of shareholders, or its designee, limits or eliminates this right. Our shareholders have no pre-emption right with respect to (i) shares issued for consideration other than cash, (ii) shares issued to our employees and (iii) to persons exercising a previously granted right to subscribe for Company common shares.

If a general meeting of shareholders delegates its authority to the Board of Directors for this purpose, then the Board of Directors will have the power to limit or exclude the pre-emption rights of shareholders. In the absence of this designation, the general meeting of shareholders will have the power to limit or exclude these rights. Such a proposal requires the approval of at least two-thirds of the votes cast by shareholders at a general meeting if less than one-half of the issued share capital is represented at the meeting. Designations of authority to the Board of Directors may remain in effect for up to five years and may be renewed for additional periods of up to five years. The Board of Directors has also been designated by the shareholders as the authorized body to limit or exclude the rights of pre-emption of shareholders in connection with the authority of the Board of Directors to issue common shares and grant rights to subscribe for common shares. In the event of an issuance of special voting shares, shareholders shall not have any right of pre-emption.

#### Liability to Further Capital Calls

All of the outstanding Company common shares are fully paid and non-assessable.

#### Discriminating Provisions

There are no provisions in the Articles of Association that discriminate against a shareholder because of its ownership of a substantial number of shares.

#### Payment of Dividends

CNH Industrial may make distributions to the shareholders and other persons entitled to the distributable profits only to the extent that its shareholders' equity exceeds the sum of the paid-up portion of the share capital and the reserves that must be maintained in accordance with Dutch law. No distribution of profits may be made to the Company itself for shares that the Company holds in its own share capital.

The Company may only make a distribution of dividends to the shareholders after the adoption of its statutory annual accounts demonstrating that such distribution is legally permitted. The Board of Directors may determine that dividends or interim dividends shall be paid, in whole or in part, from the Company's share premium reserve or from any other reserve, provided that payments from reserves may only be made to the shareholders that are entitled to the relevant reserve upon the dissolution of the Company and provided further that the policy of the Company on additions to reserves and dividends is duly observed.

The Company maintains a Special Dividend Reserve for the special voting shares for the purpose of the allocation of the mandatory minimal profits that accrue to the special voting shares. The special voting shares do not carry any entitlement to any other reserve. Any distribution out of the Special Dividend Reserve or the partial or full release of such reserve requires a prior proposal from the Board of Directors and a subsequent resolution of the general meeting of holders of special voting shares.

Insofar as the profits have not been distributed or allocated to the reserves, they may be subject to approval at the general meeting to be distributed as dividends on the Company common shares only. The general meeting of shareholders may resolve, on the proposal of the Board of Directors, to declare and distribute dividends in United States dollars. The Board of Directors may decide, subject to the approval of the general meeting of shareholders and the Board of Directors having been designated as the body competent to pass a resolution for the issuance of shares, that a distribution shall, wholly or partially, be made in the form of shares.

The right to dividends and distributions will lapse if the dividends or distributions are not claimed within five years following the day after the date on which they were first made available.

On March 2, 2017, the Board of Directors recommended that a dividend, in the amount of €0.11 per share, be paid to the holders of our common shares.

Other than as described above, our Articles of Association do not include any redemption provisions or provide for any sinking or similar fund.

#### General Meetings of Shareholders and Voting Rights

##### Annual General Meeting of Shareholders

An AGM must be held within six months from the end of CNH Industrial's preceding financial year. The purpose of the AGM is to discuss, among other things, the annual report, the adoption of the annual accounts, allocation of profits (including the proposal to distribute dividends), release of members of the Board of Directors from liability for their management and supervision, appointment of directors and other proposals brought up for discussion or vote by the Board of Directors.

## General Meeting of Shareholders and Place of Meetings

Other general meetings will be held if requested by the Board of Directors, the chairman or co-chairman of the Board of Directors, the Senior Non-Executive Board Member or the Chief Executive Officer, or by the written request (stating the exact subjects to be discussed) of one or more shareholders representing in aggregate at least 10% of the issued share capital of the Company (taking into account the relevant provisions of Dutch law, and the Articles of Association and the applicable stock exchange regulations). General meetings will be held in Amsterdam or Haarlemmermeer (Schiphol Airport), the Netherlands.

## Convocation Notice and Agenda

General meetings of shareholders can be convened by a notice, specifying the subjects to be discussed, the place and the time of the meeting and admission and participation procedure, issued at least 42 days before the meeting. All convocations, announcements, notifications and communications to shareholders must be made on the company's corporate website in accordance with the relevant provisions of Dutch law. The agenda for a general meeting may contain the items requested by such number of shareholders who, by law, are entitled to make such proposals. Requests must be made in writing, including the reasons for adding the relevant item on the agenda, and received by the Board of Directors at least 60 days before the day of the meeting.

## Admission and Registration

Each shareholder entitled to vote shall be authorized to attend the general meeting of shareholders, to address the general meeting and to exercise its voting rights. The Board of Directors shall set a record date, which shall be the 28th day prior to the date of the general meeting, so as to establish which shareholders are entitled to attend and vote at the general meeting. Only holders of shares at such record date are entitled to attend and vote at the general meeting. The convocation notice for the meeting shall state the record date and the manner in which the persons entitled to attend the general meeting may register and exercise their rights.

Those entitled to attend a general meeting may be represented at a general meeting by a proxy authorized in writing. The requirement that a proxy must be in written form is also fulfilled when it is recorded electronically.

Members of the Board of Directors have the right to attend a general meeting. In these general meetings, each member of the Board of Directors has an advisory role.

## Voting Rights

Each common share and special voting share of the Company confers the right on the holder to cast one vote at a general meeting. Resolutions are passed by a simple majority of the votes cast, unless Dutch law or the Articles of Association prescribes a larger majority. Under Dutch law and/or the Articles of Association, the following matters require at least two-thirds of the votes cast at a meeting if less than one-half of the issued share capital is present or represented:

- a resolution to reduce the issued share capital;
- a resolution to amend the Articles of Association;
- a resolution to limit or exclude rights of pre-emption;
- a resolution to authorize the Board of Directors to limit or exclude rights of pre-emption;
- a resolution to enter into a legal merger or a legal demerger; or
- a resolution to dissolve the Company.

## Shareholders' Votes on Certain Transactions

Any important change in the identity or character of the Company must be approved by shareholders, including (i) the transfer to a third party of the business of the Company or practically the entire business of the Company; (ii) the entry into or breaking off of any long-term cooperation of the Company or a subsidiary with another legal entity or company or as a fully liable partner of a general partnership or limited partnership, where such entry into or breaking off is of far-reaching importance to the Company; and (iii) the acquisition or disposal by the Company or a subsidiary of an interest in the capital of a company with a value of at least one-third of the Company's assets according to the consolidated balance sheet with explanatory notes included in the last adopted annual accounts of the Company.

We are exempt from the proxy rules under the U.S. Securities Exchange Act of 1934, as amended.

## Dissolution

If the Company were to be dissolved and liquidated, after all the debts of the Company have been paid, any remaining balances would be distributed in the following order of priority: (i) first, to satisfy the aggregate balance of share premium reserves and other reserves than the Special Dividend Reserve to the holders of CNH Industrial common shares in proportion to the number of common shares held by each of them; (ii) second, an amount equal to the aggregate amount of the nominal value of the CNH Industrial common shares to the holders thereof in proportion to the number of common shares held by each of them; (iii) third, an amount equal to the aggregate amount of the Special Dividend Reserve to the holders of special voting shares in proportion to the number of special voting shares held by each of them; and (iv) fourth, the aggregate amount of the nominal value of the special voting shares to the holders thereof in proportion to the number of special voting shares held by each of them. No liquidation payments will be made on shares that we hold in treasury.

## Repurchase of Shares

We may acquire our shares, subject to applicable provisions of the laws of the Netherlands and of our Articles of Association, to the extent:

- the general meeting of shareholders has authorized the Board of Directors to make such acquisition—which authorization shall be valid for a period of not more than eighteen months—and has specified the number of shares which may be acquired, the manner in which they may be acquired and the limits within which the price must be set;
- our equity, less the amount to be paid for the shares to be acquired, exceeds the sum of (1) our share capital account, plus (2) any reserves required to be maintained by the laws of the Netherlands; and
- after the acquisition of shares, we and our subsidiaries would not hold, or hold as pledges, shares having an aggregate par value that exceeds 50% of our issued share capital account, as these amounts would be calculated under generally accepted accounting principles in the Netherlands.

At the AGM held on April 15, 2015, shareholders granted the Board of Directors the authority to acquire common shares in its own capital through stock exchange trading or otherwise to a maximum of up to 10% of the issued common shares on April 15, 2015 for a period expiring on October 14, 2016 (the “2015 Share Repurchase Authorization”), subject to certain maximum and minimum price requirements.

On January 29, 2016, the Company announced the launch of a share buyback program (the “Program”). The Program involves the repurchase from time to time of up to \$300 million in common shares. The Program is intended to optimize the capital structure of the Company. The purchases under the Program have been carried out on the Italian Stock Exchange only, in compliance with applicable rules and regulations, and in accordance with the existing 2015 Share Repurchase Authorization.

Up-to-date details of the transactions occurred under the Program are available in the dedicated section on the corporate website ([www.cnhindustrial.com](http://www.cnhindustrial.com)).

On April 15, 2016, shareholders renewed the grant of authority to the Board to acquire common shares in its own capital through stock exchange trading or otherwise for a period expiring on October 14, 2017.

The Board’s authority to acquire common shares is limited to a maximum of up to 10% of the issued common shares on April 15, 2016 and, in compliance with applicable rules and regulations and confirming the parameters of the Program, 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 or 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).

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.

#### 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.

## 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 (the “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.

## 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.

## Disclosure of Inside Information

Inside Information, as defined under MAR, is crucial for CNH Industrial since EU rules set forth a clear obligation upon the issuers to publicly disclose such Inside Information without delay. The above disclosure requirement shall be complied with through the publication of a press release in accordance with the modalities set forth under MAR disclosing to the public the relevant Inside Information. Delay in disclosure of Inside Information to the public is allowed on issuer’s own responsibility provided that all of the following conditions are met: (i) immediate disclosure is likely to prejudice the legitimate interests of the issuer or emission allowance market participant, (ii) delay of disclosure is not likely to mislead the public, and (iii) the issuer or emission allowance market participant is able to ensure the confidentiality of that information.

## Insiders Lists

Pursuant to Article 18 of MAR, CNH Industrial as well as persons acting on its behalf or for its account, shall draw up in accordance with a precise electronic format and keep regularly updated, a list of persons who, in the exercise of their employment, profession or duties, have access to Inside Information. CNH Industrial shall transmit the Insider list to the relevant competent authority, upon its request.

#### Public Tender Offers

Any offer launched for CNH Industrial's common shares (and /or for financial instruments linked to such common shares) with respect to both voluntary and mandatory public tender offers shall be managed in compliance with applicable laws and regulations, relevant provisions and with any requirement imposed by/or subject to national relevant authority's supervision, in particular, among other things, the provisions concerning the tender offer price, the content of the offer document and the disclosure of the tender offer.

#### Reduction of Issued Share Capital

At a general meeting of shareholders, our shareholders may vote to reduce the issued share capital by canceling shares held by the Company or by reducing the nominal amount of our shares by means of an amendment to the Company's Articles of Association.

In either case, this reduction would be subject to applicable statutory provisions. A resolution to reduce the capital shall require a simple majority of the votes cast in a general meeting of shareholders for approval; provided, however, that such a resolution shall require a majority of at least two-thirds of the votes cast in a general meeting of shareholders if less than one half of the issued capital is represented at the meeting in person or by proxy.

At the AGM on April 15, 2016, shareholders authorized the Board to reduce the issued share capital of the Company, in accordance with article 8 of the Articles of Association and in compliance with applicable rules and regulations, by cancelling up to 80 million special voting shares held by the Company in treasury. The authorization is an instrument available to the Board of Directors, but places no obligation on the Company to reduce the issued share capital of the Company.

#### 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 Merger, please see "Presentation of Financial and Certain Other Information."

For a discussion of the Company's equity plans, please see "Note 16: Share-Based Compensation" to our consolidated financial statements for the year ended December 31, 2016.

#### D. Exchange Controls.

Under existing laws of the Netherlands, there are no exchange controls applicable to the transfer to persons outside of the Netherlands of dividends or other distributions with respect to, or of the proceeds from the sale of, shares of a Dutch company.

#### E. Taxation.

##### United States Federal Income Taxation

This section summarizes the material U.S. federal income tax consequences of the ownership and disposition of CNH Industrial stock by a U.S. Shareholder (as defined below). It applies solely to persons that hold shares as capital assets for U.S. federal income tax purposes. This section does not apply to members of a special class of holders subject to special rules, including:

- a dealer in securities or foreign currencies;
- regulated investment companies;

- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a tax-exempt organization;
- a bank, financial institution, or insurance company;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more, by vote or value, of CNH Industrial;
- a person that holds shares as part of a straddle or a hedging, conversion, or other risk reduction transaction for U.S. federal income tax purposes;
- a person that acquired shares pursuant to the exercise of employee stock options or otherwise as compensation; or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing and proposed regulations, published rulings and court decisions, as well as on applicable tax treaties. These authorities are subject to change, possibly on a retroactive basis.

If a partnership holds shares, the U.S. federal income tax treatment of a partner will depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding shares should consult its tax advisor with regard to the U.S. federal income tax treatment of the ownership of CNH Industrial stock.

Prospective purchasers and holders of CNH Industrial stock should consult their own tax advisors regarding the U.S. federal, state and local and foreign and other tax consequences of owning and disposing of CNH Industrial stock in their particular circumstances.

For the purposes of this discussion, a “U.S. Shareholder” is a beneficial owner of shares that is:

- an individual that is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized under the laws of the United States;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

CNH Industrial Common Stock

#### Taxation of Dividends

Under the U.S. federal income tax laws, subject to the discussion of “passive foreign investment company” (“PFIC”) taxation below, a U.S. Shareholder must include in its gross income the gross amount of any dividend paid by CNH Industrial out of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Dividends will be taxed as ordinary income to the extent that they are paid out of CNH Industrial’s current or accumulated earnings and profits. Dividends paid to a noncorporate U.S. Shareholder by certain “qualified foreign corporations” that constitute qualified dividend income will be taxable to the shareholder at the preferential rates applicable to long-term capital gains provided that the shareholder holds the shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets other holding period requirements. Subject to the discussion regarding PFIC taxation below, CNH Industrial believes that dividends CNH Industrial pays with respect to the shares will be qualified dividend income, assuming the holding period requirements are met.

A U.S. Shareholder must include any foreign tax withheld from the dividend payment in this gross amount even though the shareholder does not in fact receive it. The dividend is taxable to a U.S. Shareholder when the U.S. Shareholder receives the dividend, actually or constructively.

The dividend will not be eligible for the dividends-received deduction allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the U.S. Shareholder’s basis in the shares of CNH Industrial stock, causing a reduction in the U.S. Shareholder’s adjusted basis in CNH Industrial stock, and thereafter as capital gain.

Subject to certain limitations, any non-U.S. tax withheld and paid over to a non-U.S. taxing authority is eligible for credit against a U.S. Shareholder’s U.S. federal income tax liability except to the extent a refund of the tax withheld is available to the U.S. Shareholder under non-U.S. tax law or under an applicable tax treaty. The amount allowed to a

U.S. Shareholder as a credit is limited to the amount of the U.S. Shareholder's U.S. federal income tax liability that is attributable to income from sources outside the United States and is computed separately with respect to different types of income that the U.S. Shareholder receives from non-U.S. sources. Subject to the discussion below regarding Section 904(h) of the Code, dividends paid by CNH Industrial will be foreign source income and depending on the circumstances of the U.S. Shareholder, will be either "passive" or "general" income for purposes of computing the foreign tax credit allowable to a U.S. Shareholder.

Under Section 904(h) of the Code, dividends paid by a foreign corporation that is treated as 50% or more owned, by vote or value, by United States persons may be treated as U.S. source income (rather than foreign source income) for foreign tax credit purposes, to the extent the foreign corporation earns U.S. source income. In most circumstances, U.S. Shareholders would be able to choose the benefits of Section 904(h)(10) of the Code and elect to treat dividends that would otherwise be U.S. source dividends as foreign source dividends, but in such a case the foreign tax credit limitations would be separately determined with respect to such "resourced" income. In general, therefore, the application of Section 904(h) of the Code may adversely affect a U.S. Shareholder's ability to use foreign tax credits. CNH Industrial does not believe that it is 50% or more owned by United States persons, but this conclusion is a factual determination and is subject to change; no assurance can therefore be given that CNH Industrial may not be

treated as 50% or more owned by United States persons for purposes of Section 904(h) of the Code. U.S. Shareholders are strongly urged to consult their own tax advisors regarding the possible impact if Section 904(h) of the Code should apply.

#### Taxation of Capital Gains

Subject to the discussion of PFIC taxation below, a U.S. Shareholder which sells or otherwise disposes of its CNH Industrial common shares will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the amount that the U.S. Shareholder realizes and the U.S. Shareholder's tax basis in those shares. Capital gain of a noncorporate U.S. Shareholder is taxed at preferential rates when the shareholder has a holding period greater than one year. The gain or loss will be U.S. source income or loss for foreign tax credit limitation purposes. The deduction of capital losses is subject to limitations.

#### Loyalty Voting Structure

No statutory, judicial or administrative authority directly discusses how the receipt, ownership or disposition of special voting shares should be treated for U.S. federal income tax purposes and as a result, the U.S. federal income tax consequences are uncertain. Accordingly, we urge U.S. shareholders to consult their tax advisor as to the tax consequences of the receipt, ownership and disposition of special voting shares.

#### Receipt of Special Voting Shares

If a U.S. Shareholder receives special voting shares after requesting its shares be held on the Loyalty Register, the tax consequences of the receipt of special voting shares is unclear. While distributions of stock are tax-free in certain circumstances, it is possible that the distribution of special voting shares could be treated as a distribution subject to tax as described above in "—Taxation of Dividends" if such distribution were considered to result in a "disproportionate distribution." If the distribution of special voting shares were so treated, the amount of the distribution should equal the fair market value of the special voting shares received. Because, among other things, the special voting shares are not transferrable and a U.S. Shareholder will receive amounts in respect of the special voting shares only if CNH Industrial is liquidated, CNH Industrial believes and intends to take the position that the value of each special voting share is minimal. However, because the fair market value of the special voting shares is factual and is not governed by any guidance that directly addresses such a situation, the IRS could assert that the value of the special voting shares (and thus the amount of the distribution) as determined by CNH Industrial is incorrect.

#### Ownership of Special Voting Shares

CNH Industrial believes that U.S. Shareholders holding special voting shares should not have to recognize income in respect of amounts transferred to the special voting shares dividend reserve that are not paid out as dividends. Section 305 of the Code may, in certain circumstances, require a holder of preferred shares to recognize income even if no dividends are actually received on such shares if the preferred shares are redeemable at a premium and the redemption premium results in a "constructive distribution." Preferred shares for this purpose refer to shares that do not participate in corporate growth to any significant extent. CNH Industrial believes that Section 305 of the Code should not apply to any amounts transferred to the special voting shares dividend reserve that are not paid out as dividends so as to require current income inclusion by U.S. Shareholders because, among other things, (i) the special voting shares are not redeemable on a specific date and a U.S. Shareholder is only entitled to receive amounts in respect of the special voting shares upon liquidation, (ii) Section 305 of the Code does not require the recognition of income in respect of a redemption premium if the redemption premium does not exceed a de minimis amount and, even if the amounts transferred to the special voting shares dividend reserve that are not paid out as dividends are considered redemption premium, the amount of the redemption premium is likely to be "de minimis" as such term is used in the



applicable Treasury Regulations. CNH Industrial therefore intends to take the position that the transfer of amounts to the special voting shares dividend reserve that are not paid out as dividends does not result in a “constructive distribution”, and this determination is binding on all U.S. Shareholders of special voting shares other than a U.S. Shareholder that explicitly discloses its contrary determination in the manner prescribed by the applicable regulations. However, because the tax treatment of the loyalty voting structure is unclear and because CNH Industrial’s determination is not binding on the IRS, it is possible that the IRS could disagree with CNH Industrial’s determination and require current income inclusion in respect of such amounts transferred to the special voting shares dividend reserve that are not paid out as dividends.

#### Disposition of Special Voting Shares

The tax treatment of a U.S. Shareholder that has its special voting shares redeemed for zero consideration after removing its common shares from the Loyalty Register is unclear. It is possible that a U.S. Shareholder would recognize a loss to the extent of the U.S. Shareholder’s basis in its special voting shares, which should equal the amount that was included in income upon receipt. Such loss would be a capital loss and would be a long-term capital loss if a U.S. Shareholder has held its special voting shares for more than

one year. It is also possible that a U.S. Shareholder would not be allowed to recognize a loss upon the redemption of its special voting shares and instead a U.S. Shareholder should increase the basis in its CNH Industrial common shares by an amount equal to the basis in its special voting shares. Such basis increase in a U.S. Shareholder's CNH Industrial common shares would decrease the gain, or increase the loss, that a U.S. Shareholder would recognize upon the sale or other taxable disposition of its CNH Industrial common shares.

The U.S. federal income tax treatment of the loyalty voting structure is unclear and U.S. shareholders are urged to consult their tax advisors in respect of the consequences of acquiring, owning, and disposing of special voting shares.

#### PFIC Considerations

CNH Industrial believes that shares of its stock are not stock of a PFIC for U.S. federal income tax purposes, but this conclusion is a factual determination made annually and thus may be subject to change. If CNH Industrial were to be treated as a PFIC, unless a U.S. Shareholder elects to be taxed annually on a mark-to-market basis with respect to its common shares (as discussed below), any gain realized on the sale or other disposition of CNH Industrial stock would in general not be treated as a capital gain. Instead, if you are a U.S. Shareholder, you would be treated as if you had realized such gain and certain "excess distributions" ratably over a U.S. Shareholder's holding period for its CNH Industrial stock and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to CNH Industrial each such year. With certain exceptions, CNH Industrial stock will be treated as stock in a PFIC if CNH Industrial was a PFIC at any time during a U.S. Shareholder's holding period in its shares. Dividends received from CNH Industrial will not be eligible for the special tax rates applicable to qualified dividend income if CNH Industrial is treated as a PFIC either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

If CNH Industrial were to be treated as a PFIC for any taxable year and provided that CNH Industrial common shares are treated as "marketable stock" within the meaning of applicable Treasury Regulations, which CNH Industrial believes will be the case, a U.S. Shareholder may make a mark-to-market election with respect to such U.S. Shareholder's common shares. Under a mark-to-market election, any excess of the fair market value of the CNH Industrial common shares at the close of any taxable year over the U.S. Shareholder's adjusted tax basis in the CNH Industrial common shares is included in the U.S. Shareholder's income as ordinary income. These amounts of ordinary income would not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. In addition, the excess, if any, of the U.S. Shareholder's adjusted tax basis at the close of any taxable year over the fair market value of the CNH Industrial common shares is deductible in an amount equal to the lesser of the amount of the excess or the amount of the net mark-to-market gains that the U.S. Shareholder included in income in prior years. A U.S. Shareholder's tax basis in CNH Industrial common shares would be adjusted to reflect any such income or loss. Gain realized on the sale, exchange or other disposition of CNH Industrial common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of CNH Industrial common shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Shareholder.

#### Material U.K. Tax Consequences

This section summarizes the material U.K. tax consequences of the ownership of CNH Industrial common shares for U.S. Shareholders. It is intended only as a general guide and does not purport to be a complete analysis of all potential U.K. tax consequences of holding CNH Industrial common shares. This section is based on current U.K. tax law and what is understood to be the current practice of H.M. Revenue and Customs, as well as on applicable tax treaties. This law and practice and these treaties are subject to change, possibly on a retroactive basis.

This section applies only to shareholders of CNH Industrial that are U.S. Shareholders, that are not resident or domiciled in the U.K., that are not individuals temporarily non-resident in the U.K. for a period of less than five complete tax years, that hold their shares as an investment, and that are the absolute beneficial owner of both the shares and any dividends paid on them. This section does not apply to members of any special class of shareholders subject to special rules, such as:

- a pension fund;
- a charity;
- persons acquiring their shares in connection with an office or employment;
- a dealer in securities;
- an insurance company; or
- a collective investment scheme.

In addition, this section may not apply to:

- any shareholders that, either alone or together, with one or more associated persons, such as personal trusts and connected persons, control directly or indirectly at least 10% of the voting rights or of any class of share capital of CNH Industrial; or
- any person holding shares as a borrower under a stock loan or an interim holder under a repo.

#### Taxation of Dividends

##### Withholding from dividend payments

Dividend payments may be made without withholding or deduction for or on account of U.K. income tax.

##### Non-U.K.-resident shareholders

A shareholder of CNH Industrial common shares that is not resident in the U.K. for U.K. tax purposes will not be liable to account for income or corporation tax in the U.K. on dividends paid on the shares unless the shareholder carries on a trade (or profession or vocation) in the U.K. and the dividends are either a receipt of that trade or, in the case of corporation tax, the shares are held by or for a U.K. permanent establishment through which the trade is carried on.

Some non-U.K.-resident individual shareholders of CNH Industrial common shares will be entitled to a non-repayable U.K. tax credit equal to one-ninth of the amount of the dividend received and brought into the charge to tax including any foreign tax withheld (or 10% of the aggregate of that dividend and tax credit). The U.K. government has issued a consultation draft legislation which would abolish the tax credit for dividends arising, or made, or treated as made, on or after April 6, 2016.

Non-U.K.-resident shareholders that are not otherwise liable to income or corporation tax on dividends will not generally be able to claim repayment of any significant part of the tax credit attaching to dividends from CNH Industrial as the U.K. will levy income tax at the source to offset the amount of the credit. A U.S. Shareholder will not ordinarily be entitled to any cash payment in respect of the tax credit.

A shareholder that is resident outside the U.K. for tax purposes should consult its own tax advisor as to its tax position on dividends received from CNH Industrial.

#### Taxation of Capital Gains

##### Non-U.K.-resident shareholders

A disposal of CNH Industrial common shares by a shareholder that is not resident in the U.K. for tax purposes will not give rise to a chargeable gain or allowable loss unless that shareholder carries on a trade, profession or vocation in the U.K. through a branch, agency or permanent establishment and has used, held or acquired CNH Industrial common shares for the purposes of that trade, profession or vocation or that branch, agency or permanent establishment.

#### Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

CNH Industrial does not and will not maintain any share register in the U.K. and, accordingly, (i) U.K. stamp duty will not normally be payable in connection with a transfer of common shares, provided that the instrument of transfer is executed and retained outside the U.K. and no other action is taken in the U.K. by the transferor or transferee, and (ii) no U.K. SDRT will be payable in respect of any agreement to transfer CNH Industrial common shares.

Tax Consequences of Participating in the Loyalty Voting Structure

A non-U.K.-resident shareholder that would not be subject to tax on dividends or capital gains in respect of CNH Industrial common shares will not be subject to tax in respect of the special voting shares.

CNH Industrial does not and will not maintain any share register in the U.K. and, accordingly, no liability to U.K. stamp duty or SDRT will arise to shareholders on the issue or repurchase of special voting shares.

Netherlands Taxation

This section summarizes solely the principal Dutch tax consequences of the acquisition, the ownership and the disposal of CNH Industrial common shares and / or special voting shares, by Non-resident holders of such shares (as defined below). It does not

consider every aspect of Dutch taxation that may be relevant to a particular holder of shares in CNH Industrial in special circumstances or who is subject to special treatment under applicable law. Shareholders should consult their own tax advisor regarding the Dutch tax consequences of owning and disposing of CNH Industrial common shares and, if applicable, CNH Industrial special voting shares in their particular circumstances.

Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this section the terms “the Netherlands” and “Dutch” are used, these refer solely to the European part of the Kingdom of the Netherlands.

This summary also assumes that the board shall control the conduct of the affairs of CNH Industrial and shall procure that CNH Industrial is organized in accordance with the facts, based upon which the competent authorities of the United Kingdom and the Netherlands have ruled that CNH Industrial should be treated as solely resident of the United Kingdom for the application of the tax treaty as concluded between the United Kingdom and the Netherlands. A change in facts and circumstances based upon which the ruling was issued may invalidate the contents of this section, which will not be updated to reflect any such change.

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this Form. The law upon which this summary is based is subject to change, perhaps with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

#### Scope of the Summary

The summary of Dutch taxes set out in this section “Material Dutch tax consequences” only applies to a holder of shares who is a Non-Resident holder of shares. For the purpose of this summary, a holder of shares is a Non-Resident holder of shares if such holder is neither a resident nor deemed to be resident in the Netherlands for purposes of Dutch income tax or corporation tax as the case may be. Where in this Dutch taxation discussion reference is made to “a holder of shares”, that concept includes, without limitation:

1. an owner of one or more shares who in addition to the title to such shares, has an economic interest in such shares;
2. a person who or an entity that holds the entire economic interest in one or more shares;
3. a person who or an entity that holds an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more shares, within the meaning of 1. or 2. above; or
4. a person who is deemed to hold an interest in shares, as referred to under 1. to 3., pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001 (Wet inkomstenbelasting 2001), with respect to property that has been segregated, for instance in a trust or a foundation.

Please note that this summary does not describe the tax considerations for holders of our shares who are individuals and derive benefits from our shares that are a remuneration or deemed to be a remuneration in connection with past, present or future employment performed in the Netherlands or management activities and functions or membership of a management board (bestuurder) or a supervisory board (commissaris) of a Netherlands resident entity by such holder or certain individuals related to such holder (as defined in The Dutch Income Tax Act 2001).

#### Dividend Withholding Tax

CNH Industrial is generally required to withhold Dutch dividend withholding tax at a rate of 15 percent from dividends distributed by it. The competent authorities of the United Kingdom and the Netherlands have ruled that CNH Industrial is resident of the United Kingdom for the application of the tax treaty as concluded between the Netherlands and the United Kingdom. Consequently payments made by CNH Industrial on the common shares and or

the special voting shares to non-resident shareholders may be made free from Dutch dividend withholding tax.

Taxes on income and capital gains from the ownership and disposition of CNH Industrial common shares and / or special voting shares

A Non-resident holder (as defined above) of CNH Industrial common shares and / or special voting shares will not be subject to any Dutch taxes on income or capital gains in respect of any benefits derived or deemed to be derived by such holder from such holder's CNH Industrial common shares and / or special voting shares, including any capital gain realized on the disposal thereof, unless:

1. such holder derives profits from an enterprise, directly, or pursuant to a co-entitlement to the net value of such enterprise, or other than as a holder of securities which enterprise is either managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative which is taxable in the Netherlands, and such holder's CNH Industrial common shares and/or special voting shares are attributable to such enterprise; or

2. such holder is an individual and such holder derives benefits from CNH Industrial common shares and/or special voting shares that are taxable as benefits from miscellaneous activities in the Netherlands. Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or the parents who exercise, authority over the child, irrespective of the country of residence of the child.

#### Gift and Inheritance Taxes

No Dutch gift or inheritance taxes will arise on the transfer of the shares by way of a gift by, or on the death of, a Non-Resident holder of CNH Industrial common shares, unless, in the case of a gift of the shares by an individual, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

For purposes of Dutch gift and inheritance taxes, amongst others, an individual that holds the Dutch nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his/her death. Additionally, for purposes of Dutch gift tax, amongst others, an individual not holding the Dutch nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

#### Other Taxes and Duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands by a holder in respect of or in connection with (i) the subscription, issue, placement or allotment of CNH Industrial common shares and / or special voting shares, (ii) the enforcement by way of legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of CNH Industrial common shares and / or special voting shares or the performance by CNH Industrial of CNH Industrial's obligations under such documents, or (iii) the transfer of CNH Industrial common shares and / or special voting shares.

#### F. Dividends and Paying Agents.

Not applicable.

#### G. Statement of Experts.

Not applicable.

#### H. Documents on Display.

We file reports, including annual reports on Form 20-F, furnish periodic reports on Form 6-K and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. These may be read without charge and copied, upon payment of prescribed rates, at the public reference facility maintained by the SEC at Room 1580, 100 F Street, N.E., Washington, D.C. 20549. To obtain information on the operation of the public reference facility, the telephone number is 1-800-SEC-0330. Any SEC filings may also be accessed by visiting the SEC's website at [www.sec.gov](http://www.sec.gov).

#### I. Subsidiary Information.

Not applicable.





#### Item 11. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to the following financial risks connected with our operations:

- credit risk related to our financing activities;
- market risk (primarily exchange rates and interest rates).

We attempt to actively manage these risks.

The quantitative data reported in the following sections does not have any predictive value. In particular, the sensitivity analysis on market risks does not reflect the complexity of the market or the reaction, which may result from any changes that are assumed to take place.

##### Credit Risk

The maximum credit risk to which we were theoretically exposed at December 31, 2016 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 assigned 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 \$18,662 million at December 31, 2016 (\$19,001 million at December 31, 2015) containing balances totaling \$574 million (\$552 million at December 31, 2015) that have been written down. In addition, balances totaling \$250 million (\$337 million at December 31, 2015) 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 \$623 at December 31, 2016 (\$580 million at December 31, 2015) contain balances totaling \$104 million (\$174 million at December 31, 2015) 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 2016, the total net trade flows exposed to currency risk amounted to the equivalent of 15% of our turnover (17% in 2015). 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 2016 made up approximately 66% of the exposure to currency risk from trade transactions.

It is our policy to use derivative financial instruments to hedge a certain percentage, on average between 55% and 85%, of the forecasted trading transaction exchange risk exposure for the coming 12 months with additional flexibility to reach 40% 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 Group 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, 2016. There were no substantial changes in 2016 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, 2016 resulting from a hypothetical change of 10% in the exchange rates amounts to approximately \$444 million (\$258 million at December 31, 2015). 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, 2016, resulting from a hypothetical, unfavorable and instantaneous change of 10% in market interest rates, would have been approximately \$34 million (approximately \$15 million at December 31, 2015).

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, 2016, 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 \$1 million (approximately \$5 million at December 31, 2015).

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, 2016 linked to commodity prices would not have been significant (not significant at December 31, 2015).

#### 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, 2016 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, 2016 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, 2016, 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, 2016, 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

The Board of Directors and Shareholders

CNH Industrial N.V.

We have audited CNH Industrial N.V.'s internal control over financial reporting as of December 31, 2016, 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). CNH Industrial N.V.'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 Annual 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

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.

In our opinion, CNH Industrial N.V. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of CNH Industrial N.V. and subsidiaries as of December 31, 2016 and 2015, and 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, 2016 of CNH Industrial N.V. and subsidiaries and our report dated March 2, 2017 expressed an unqualified opinion thereon.



/s/ Ernst & Young LLP

Chicago, Illinois

March 2, 2017

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## Item 16A. Audit Committee Financial Expert

Our Board of Directors has determined that members of the audit committee, namely, Peter Kalantzis, John Lanaway, Silke Christina Scheiber, and Jacques Theurillat, are each an audit committee financial expert. All are independent directors under the NYSE standards.

## Item 16B. Code of Ethics

We have adopted a code of ethics which is applicable to all employees including our principal executive officer, principal financial officer and the principal accounting officer and controller. This code of ethics is posted on our website, [www.cnhindustrial.com](http://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, 2016 and 2015. We incurred the following fees from the Ernst & Young Entities for professional services for the years ended December 31, 2016 and 2015, respectively:

	2016	2015
Audit fees	\$10,590,000	\$9,393,000
Audit-related fees	2,848,000	1,189,000
Other fees	30,000	77,000
Total	\$13,468,000	\$10,659,000

“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, 2016, 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, 2016.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (€)	Average Price Paid per Share (\$)(2)	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, 2016	—	€—	\$—	—	\$300,000,000
Feb 1 to Feb 29, 2016	800,000	€5.4206	\$6.1118	800,000	\$295,110,596
March 1 to March 31, 2016	—	€—	\$—	—	\$295,110,596
April 1 to April 30, 2016	—	€—	\$—	—	\$295,110,596
May 1 to May 31, 2016	1,311,781	€5.9775	\$6.7072	1,311,781	\$286,312,253
June 1 to June 30, 2016	—	€—	\$—	—	\$286,312,253
July 1 to July 31, 2016	—	€—	\$—	—	\$286,312,253
Aug 1 to Aug 31, 2016	—	€—	\$—	—	\$286,312,253
Sep 1 to Sep 30, 2016	—	€—	\$—	—	\$286,312,253
Oct 1 to Oct 31, 2016	—	€—	\$—	—	\$286,312,253
Nov 1 to Nov 30, 2016	—	€—	\$—	—	\$286,312,253
Dec 1 to Dec 31, 2016	—	€—	\$—	—	\$286,312,253
Total	2,111,781			2,111,781	\$286,312,253

(1) Implementing the resolution authorized by the shareholders at the AGM held on April 15, 2015, the Company announced a buy-back program to repurchase up to \$300 million in common shares on January 29, 2016. The repurchase authority was renewed by the shareholders at the AGM held on April 15, 2016. The authorization granted is for a period of 18 months from the date of the AGM, and therefore, expires on October 14, 2017. Please see the information set forth under “Item 10. Additional Information – B. Memorandum and Articles of Association – General Meeting of Shareholders – Repurchase of Shares.”

(2) Share repurchases are made on the Mercato Telematico Azionario (“MTA”) and have been translated from euros at the exchange rate reported by the European Central Bank on the respective transaction dates.

## Item 16F. Change in Registrant’s Certifying Accountant

Not applicable.

## Item 16G. Corporate Governance

CNH Industrial N.V. is a company organized under the laws of the Netherlands and qualifies as a foreign private issuer under the rules and regulations of the SEC and the listing standards of the NYSE. In accordance with the NYSE listing rules related to corporate governance, listed companies that are foreign private issuers are permitted to follow home-country practice in some circumstances in lieu of the provisions of the corporate governance rules contained in Section 303A of the NYSE Listed Company Manual that are otherwise applicable to listed companies. In addition, we must disclose any significant ways in which our corporate governance practices differ from those followed by domestic U.S. companies listed on the NYSE. In contrast to the NYSE rules applicable to domestic U.S. companies, the Dutch Code is based on a “comply or explain” principle, as a result of which deviation from the specific requirements of the Dutch Code is permissible as long as such deviation is explained.

Both the Dutch and NYSE corporate governance regimes were adopted with the goal of restoring trust and confidence in the honesty, integrity and transparency of how business is conducted at and by public companies. Because these corporate governance regimes are based on the same principles, they are similar in many respects. However, certain differences exist between Dutch and NYSE corporate governance rules, as summarized below. We believe that our corporate governance practices and guidelines are consistent, in principle, with those required of U.S. companies listed on the NYSE.

The discussion below summarizes the significant differences between our corporate governance practices and the NYSE standards applicable to U.S. companies.

Dutch legal requirements concerning director independence differ in certain respects from the rules applicable to U.S. companies listed on the NYSE. While under most circumstances both regimes require that a majority of board members be “independent,” the definition of this term under Dutch law differs from the definition used under the NYSE corporate governance standards. In some cases the Dutch requirements are more stringent, such as by requiring a longer “look-back” period (five years) for former executive directors and employees and by requiring that all but one non-executive board member be “independent”. Currently, a majority of our Board (eight of the eleven members) are “independent” under the NYSE definition and the Dutch Code. Under the

Dutch Code, non-executive directors of CNH Industrial N.V. must not be a non-executive director of more than five other “large” Dutch companies (as defined in the Dutch Code).

The NYSE requires that, when an audit committee member of a U.S. domestic listed company serves on four or more audit committees of public companies, the listed company should disclose (either on its website or in its annual proxy statement or annual report on Form 10-K) that the board of directors has determined that this simultaneous service would not impair the director’s service to the listed company. Dutch law does not require the Company to make such a determination.

NYSE rules require a domestic U.S. listed company to have a compensation committee and a nominating/corporate governance committee composed entirely of independent directors. As a foreign private issuer, we do not have to comply with this requirement, although we do have a Compensation Committee and a Governance and Sustainability Committee. Our Compensation Committee Charter states that a maximum of one member of the Compensation Committee may not be independent. One of the four members of the Compensation Committee is considered non-independent under the NYSE standards. Our Governance and Sustainability Committee Charter states that a maximum of two members of the Governance and Sustainability Committee may not be independent. One of the four members of the Governance and Sustainability Committee are considered non-independent under the NYSE standards.

In contrast to NYSE rules applicable to U.S. companies, which require that external auditors be appointed by the Audit Committee, the general rule under Dutch law is that external auditors are appointed by the company’s general meeting of shareholders. In accordance with the requirements of Dutch law, the appointment and removal of our independent registered public accounting firm must be resolved upon by our general meeting of shareholders. We seek to follow best practices as contemplated by the NYSE standards by vesting in our Audit Committee responsibility for the recommendation to the shareholders of the appointment and compensation of the independent registered public accounting firm. Our Audit Committee also oversees and evaluates the work of our independent registered public accounting firm.

Under NYSE listing standards, shareholders of U.S. companies must be given the opportunity to vote on all equity compensation plans and to approve material revisions to those plans, with limited exceptions set forth in the NYSE rules. As a foreign private issuer we are permitted to follow our home country laws regarding shareholder approval of compensation plans, and, under Dutch law and the Dutch Code, such approval from shareholders is not required for equity compensation plans for employees other than members of the Board, and to the extent the authority to grant equity rights has been delegated by the shareholders to the Board. For equity compensation plans for members of the Board and/or in the event that the authority to issue shares and/or rights to subscribe for shares has not been delegated to the Board, approval of the general meeting of shareholders is required.

While NYSE rules do not require listed companies to have shareholders approve or declare dividends, the Dutch Code requires that a dividend distribution be a separate agenda item in the general meeting of shareholders, in which the annual accounts are adopted. In our case, Articles 18 and 22 of our Articles of Association provide that annual dividends must be resolved upon by our general meeting of shareholders. For a discussion of our dividend policy, see “Item 10. Additional Information—B. Memorandum and Articles of Association—Payment of Dividends.”

In accordance with the corporate governance rules of the NYSE applicable to foreign private issuers, we also disclose these differences between our corporate governance practices and those required of domestic companies by the NYSE listing standards on our website at [www.cnhindustrial.com](http://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

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CNH INDUSTRIAL N.V. AND SUBSIDIARIES

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Consolidated statements of comprehensive income for the years ended December 31, 2016, 2015, and 2014 F-4

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Consolidated statements of changes in equity for the years ended December 31, 2016, 2015, and 2014 F-8

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Item 19. Exhibits

A list of exhibits included as part of this annual report on Form 20-F is set forth in the Index to Exhibits that immediately follows the signature page of this annual report on Form 20-F.



Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

CNH Industrial N.V.

We have audited the accompanying consolidated balance sheets of CNH Industrial N.V. and subsidiaries (the Company) as of December 31, 2016 and 2015, and 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, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CNH Industrial N.V. and subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental information in Note 21 to the consolidated financial statements for "Industrial Activities" and "Financial Services" has been subjected to audit procedures performed in conjunction with the audit of CNH Industrial N.V.'s consolidated financial statements. Such information is the responsibility of the Company's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CNH Industrial N.V.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 2, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois

March 2, 2017

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CNH INDUSTRIAL N.V.

## CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2016, 2015 and 2014

	2016	2015	2014
	(in millions)		
<b>Revenues</b>			
Net sales	\$23,669	\$24,677	\$31,196
Finance and interest income	1,203	1,235	1,359
<b>Total Revenues</b>	<b>\$24,872</b>	<b>\$25,912</b>	<b>\$32,555</b>
<b>Costs and Expenses</b>			
Cost of goods sold	\$19,539	\$20,357	\$25,534
Selling, general and administrative expenses	2,262	2,317	2,925
Research and development expenses	860	856	1,106
Restructuring expenses	44	84	184
Interest expense	1,028	1,106	1,318
Other, net	1,148	625	399
<b>Total Costs and Expenses</b>	<b>\$24,881</b>	<b>\$25,345</b>	<b>\$31,466</b>
Income (loss) before income taxes and equity in income of unconsolidated subsidiaries and affiliates	(9 )	567	1,089
Income tax (expense)	(298 )	(360 )	(467 )
Equity in income of unconsolidated subsidiaries and affiliates	58	41	86
<b>Net income (loss)</b>	<b>(249 )</b>	<b>248</b>	<b>708</b>
Net income (loss) attributable to noncontrolling interests	3	(5 )	(2 )
<b>Net income (loss) attributable to CNH Industrial N.V.</b>	<b>\$(252 )</b>	<b>\$253</b>	<b>\$710</b>
<b>Earnings (loss) per share attributable to common shareholders</b>			
Basic	\$(0.18 )	\$0.19	\$