CNH Industrial N.V.
Form 20-F
April 25, 2014
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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 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 31, 2013

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)

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

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

Title of Each Class	Name of Each Exchange on which Registered
Common Shares, par value 0.01	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: 1,350,073,530 common shares, par value 0.01 per share, and 468,994,386 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 þ

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 þ

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 þ No ¨

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

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

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer þ

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: U.S. GAAP þ 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 þ

(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 Basildon, United Kingdom. Unless otherwise indicated or the context otherwise requires, as used in this annual report, the terms we , us and our 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). These consolidated financial statements are expressed in U.S. dollars and, unless otherwise indicated, all financial data set forth in this annual report is 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. (now known as CNH Industrial) (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. (now known as CNH Industrial), 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. (now known as CNH Industrial) 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 allotted 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 allotted 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 which were allotted 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) which were allotted 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) 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,

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2011, CNH Global became a subsidiary of Fiat Industrial. In connection with the Demerger, shareholders of Fiat received shares of capital stock of Fiat Industrial. Accordingly, as of January 1, 2011 Fiat Industrial owned approximately 89% of CNH Global s outstanding common shares through FNH. Fiat Industrial was a corporation organized under the laws of the Republic of Italy whose stock was traded on the Milan stock exchange.

Following the merger between Fiat Industrial and CNH Global, the Company has realigned its reportable segments reflecting the five businesses now directly managed by CNH Industrial N.V., consisting of: (i) Agricultural Equipment, which designs, produces and sells agricultural equipment; (ii) Construction Equipment, which designs, produces and sells construction equipment; (iii) Commercial Vehicles, which designs, produces and sells trucks, commercial vehicles, buses, and special vehicles; (iv) Powertrain, which produces and sells engines and transmissions for those vehicles, equipment and engines for marine applications and (v) Financial Services, which provides financial services to the customers of our products. Our worldwide agricultural equipment, construction equipment, commercial vehicles and powertrain operations are collectively referred to as Industrial Activities . Segment information for prior years has been recast to conform to the current year s presentation. See Item 5. Operating and Financial Review and Note 19: Segment Reporting in the notes to our consolidated financial statements for the year ended December 31, 2013.

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 28 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. 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 (27 countries reflecting key markets where the segment competes) and LATAM (Brazil, Argentina and Venezuela). 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.

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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 as of December 31, 2013 and 2012, and for each of the three years ended December 31, 2013, 2012, and 2011 has been derived from and should be read in conjunction with our audited, consolidated financial statements included in Item 18. Financial Statements . This data should also be read in conjunction with Item 5. Operating and Financial Review. Financial data as of December 31, 2011 is derived from our consolidated balance sheet which is not included in this annual report. These consolidated financial statements are prepared in accordance with U.S. GAAP.

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 years ended December 31, 2012 and 2011 represents the consolidated information of Fiat Industrial and has 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 N.V. As a result of the Merger, $1,053 million of noncontrolling interests were reclassified to equity attributable to the parent.

Selected consolidated financial data as of and for the years ended December 31, 2010 and 2009, has been omitted because it cannot be made available without unreasonable effort and expense. Fiat Industrial was created on January 1, 2011 as a result of the Demerger. The financial information for Fiat for 2010 and 2009 had been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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The following table contains our selected historical financial data as of and for each of the three years ended December 31, 2013, 2012 and 2011.

	For the Years Ended December 31,		
	2013	2012	2011
	(in millions, except per share data)		
Consolidated Statement of Operations Data:			
Revenues:			
Net sales	$ 32,632	$ 31,529	$ 32,224
Finance and interest income	$ 1,204	$ 1,272	$ 1,256
Total revenues	$ 33,836	$ 32,801	$ 33,480
Net income	$ 828	$ 876	$ 639
Net income attributable to CNH Industrial N.V.	$ 677	$ 756	$ 545
Earnings per share attributable to CNH Industrial N.V.:			
Basic earnings per common share	$ 0.54	$ 0.62	$ 0.42
Diluted earnings per common share	$ 0.54	$ 0.62	$ 0.42
Basic and diluted earnings per preference share	$	$	$ 0.42
Basic and diluted earnings per savings share	$	$	$ 0.49
Cash dividends declared per common share(1)	$ 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,		
	2013	2012	2011
	(in millions)		
Consolidated Balance Sheet Data:			
Total assets	$ 53,843	$ 48,965	$ 48,003
Share capital(2)	$ 25	$ 2,565	$ 2,557
Common shares outstanding	1,350	1,223	1,092
Special voting shares outstanding	469		
Preference shares outstanding			103
Savings share outstanding			80
Equity	$ 4,955	$ 4,825	$ 4,857

(1) On February 27, 2014, the Board of Directors of CNH Industrial N.V. recommended to the Company s shareholders that the Company declare a dividend of 0.20 ($0.274) per common share, totaling approximately 270 million ($371 million). The proposal was approved by the Company s shareholders at the Annual General Meeting of shareholders held on April 16, 2014. The cash dividend will be declared in euro and is translated into U.S. dollars at the USD/EUR rate fixed by the European Central Bank on April 17, 2014.

For 2012, the Fiat Industrial dividend declared was 0.225 per ordinary share. For 2011, the declared dividend was 0.185, 0.185 and 0.2315 per share for ordinary share, preference share and savings share, respectively.

The cash dividend declared for 2011 and 2012 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 euro as certified by the Federal Reserve Bank of New York for customs purposes on the respective 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 and 2011, share capital of Fiat Industrial amounted to $2,565 million and $2,557 million, respectively.

Following the resolution adopted by shareholders in an extraordinary general meeting held on April 5, 2012, on May 21, 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.

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 beginning on page 38 and the other risks described in the Safe Harbor Statement beginning on page 70. These risks may affect our operating results and, individually or in the aggregate, could cause our actual results to differ materially from past and anticipated future results. The following discussion of risks may contain forward-looking statements which are intended to be covered by the Safe Harbor Statement beginning on page 70. 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. 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 earnings and financial position are and will continue to be influenced by various macroeconomic factors including increases or decreases in gross domestic product, the level of consumer and business confidence, changes in interest rates on consumer and business credit, energy prices, and the cost of commodities or other raw materials which exist in the various countries in which we operate. Such macroeconomic factors vary from time to time and their effect on our earnings and financial position cannot be specifically and singularly assessed and/or isolated.

Financial conditions in several regions continue to place significant economic pressures on existing and potential customers, including our dealer networks. As a result, 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. There is particular concern about economic conditions in Europe (and potentially the long-term viability of the euro currency), which is at risk of being impacted by sovereign debt levels (and government taxing and spending actions to address such issues) and other severe pressures on the banking system in certain European Union countries. It is uncertain whether central bank or governmental measures will reduce or eliminate this risk. In addition, other governments may continue to 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.

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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 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. Given the global nature of our activities, we are exposed to risks affecting global business operations, including:

- 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 and contractual rights;
  - where and to whom products may be sold, such as changing economic sanctions related to Iran, Russia and the crisis in Ukraine; 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; and

- war, civil unrest and terrorism.

Unfavorable developments in any one of these areas (which vary from country to country) could have a material adverse effect on our business prospects, results of operations and/or financial position.

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 possible 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. We could, therefore, 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. Any difficulty in obtaining financing could have a material adverse effect on our business prospects, results of operations and/or financial position.

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Our ability to access the capital markets or other forms of financing and related costs are highly dependent, among other things, on the credit ratings of CNH Industrial, CNH Industrial Capital LLC and our ABS and facilities transactions. 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 accordingly exposed to market risks stemming from fluctuations in currency and interest rates. The exposure to currency risk is mainly linked to the differences in the geographic distribution between our manufacturing and commercial activities, resulting in cash flows from exports denominated in currencies different from those associated with production activities and related purchasing.

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 implements a matching policy to offset the impact of differences in rates of interest 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.

Consistent with our risk management policies, we seek to manage currency and interest rate risk through the use of financial hedging instruments. Despite such hedges being in place, sudden fluctuations in currency or interest rates could have an adverse effect on our business prospects, results of operations and/or financial position. See Item 11. Quantitative and Qualitative Disclosures About Market Risk.

We are also subject to the risk of insolvency of dealers and customers, as well as unfavorable economic conditions in markets where these activities are carried out, which we seek to mitigate through credit policies applied to dealers and customers. In addition, we are subject to laws and government actions that may, among other things, prevent us from enforcing legal rights and remedies.

We face risks associated with our relationships with our employees. In many countries where we operate, our employees are protected by various 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 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. Industrial action by employees could also have an adverse impact on our business activities.

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

- the price of agricultural commodities and the relative level of inventories;
- the profitability of agricultural enterprises;
- 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.

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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.

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

- changes in global market conditions, including changes in levels of business investment and sales of commodities; 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.

We depend on key suppliers for certain raw materials, parts and components. We rely upon key suppliers for certain raw materials, parts and components. We cannot guarantee that we will be able to maintain appropriate supply arrangements with these suppliers or otherwise ensure access to raw materials, parts and components. In some cases this access may be affected by factors outside of our control and the control of our suppliers. Adverse financial conditions and natural disasters, such as the March 2011 earthquake and tsunami in Japan, have in the past caused, and could in the future cause, some of our suppliers to face severe financial hardship and disrupt our access to critical raw materials, parts and components. Any disruption or shortage in the supply of raw materials, parts and components could negatively impact our costs of production, our ability to fulfill orders and achieve growth in product sales and the profitability of our business.

Certain of our subsidiaries use a variety of raw materials in their 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, at times in recent periods, prices have increased significantly in response to changing market conditions. We seek to manage this exposure, but we may not be successful in hedging these risks. Substantial increases in the prices for raw materials would increase our operating costs and could reduce profitability if the increased costs were not offset by changes in product prices.

Competitive activity, or failure by us to respond to actions by our competitors, could adversely affect our results of operations. Substantially all of our revenues are generated in highly competitive sectors that include the production and distribution of agricultural and construction equipment, commercial vehicles, and related powertrain systems. We face competition from other international manufacturers and distributors of commercial vehicles in Europe, Asia and Latin America and from global, regional and local agricultural and construction equipment manufacturers, distributors and component suppliers in Europe, Asia, North America and Latin America. 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. 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 industry 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 our areas of activity in recent years. Should we be unable to adapt effectively to external market conditions, this could have an adverse effect on our business prospects, earnings and/or financial position.

Costs of ongoing compliance with, or failure to comply with, environmental laws could have an adverse effect on our results of operations. Our products and activities are subject to numerous local, national and international environmental laws, which are becoming increasingly stringent in many countries in which we operate. Such laws govern, among other things, products with requirements on emissions of polluting gases, increased fuel efficiency and safety becoming increasingly strict and industrial plants with requirements for

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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 would impact the products we sell and/or the markets in which such products are sold, which could adversely affect our financial position, results of operations and cash flows.

A decrease in government incentives may adversely affect our results. Government initiatives that 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. For example, on December 31, 2013, the additional first-year 50% bonus depreciation and increased expensing of property under the U.S. Internal Revenue Code section 179 expired. This could have an adverse effect on our business prospects in the U.S.

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 their 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, 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 entail various risks. 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. The emerging market economies may also be subject to a further slowdown in gross domestic product expansion and/or be impacted by domestic currency volatility, potential hyperinflationary conditions and/or increase of public debt. For example, we are subject to the rules and regulations of the Venezuelan government concerning our ability to exchange cash or marketable securities denominated in Venezuelan bolivar into U.S. dollars. Under these regulations, the purchase and sale of foreign currency must be at official rates of exchange and such transactions are subject to volume restrictions. These regulations limit our ability to access and transfer liquidity out of Venezuela to meet funding requirements in other countries and also subject us to increased risk of devaluation or other foreign exchange losses. As of March 31, 2014, we have net monetary assets of $94.6 million at 10.7 Venezuelan bolivar exchange rate to U.S. dollar.

We are subject to extensive anti-corruption and antitrust laws and regulations. Our worldwide operations must comply with all applicable laws, which include the U.S. Foreign Corrupt Practices Act (FCPA), the U.K. Bribery Act and other anti-corruption laws, as well as antitrust laws. Anti-corruption laws prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence government officials or other persons for the purpose of obtaining or retaining a business advantage regardless of whether those practices are legal or culturally expected in a particular jurisdiction. Antitrust laws prohibit or limit various types of conduct, agreements or other arrangements adversely affecting market competition. Recently, there has been a substantial increase in the global enforcement of anti-corruption and antitrust laws. We are committed to ongoing compliance with all applicable laws, and have a compliance

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program in place designed to reduce the likelihood of potential violations of such laws. Violations of these laws could result in criminal or civil sanctions and an adverse effect on our reputation, business prospects, results of operations and/or financial position. See also Item 4. Information on the Company B. Business Overview Legal Proceedings and Note 13: Commitments and Contingencies to our consolidated financial statements for the year ended December 31, 2013 for information regarding the investigation being conducted by the European Commission into certain business practices of the leading manufacturers of commercial vehicles in relation to possible anti-competitive practices.

Risks associated with our defined benefit pension plans and other postretirement obligations. At December 31, 2013, the funded status for our defined benefit pension, healthcare and other post-employment benefit plans was a deficit of $2,360 million. This amount included obligations of $2,219 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 A. Operating Results Application of Critical Accounting Estimates and Pension and Other Postretirement Benefits, as well as Note 11: Employee Benefit Plans and Postretirement Benefits to our consolidated financial statements for the year ended December 31, 2013.

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. Our dealers carry inventories of finished products as part of ongoing operations and adjust those inventories based on their assessment of future sales opportunities. 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. Accordingly, additional financial strains on members of our dealer network 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. A principal purpose of the Merger is to create a single class of liquid stock which, among other things, provides us with additional alternatives for funding future acquisitions and strategic alliances. 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 which could involve risks that could prevent us from realizing the expected benefits of the transactions or the achievement of strategic objectives. Such risks include:

- technological and product synergies, economies of scale and cost reductions not occurring as expected;
- unexpected liabilities;
- incompatibility in processes or systems;
- unexpected changes in laws or regulations;
- inability to retain key employees;
- inability to source certain products;

increased financing costs and inability to fund such costs;

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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.

Risks associated with the termination of CNH Global s strategic alliance with Kobelco Construction Machinery Co., Ltd. Effective December 31, 2012, CNH Global and Kobelco Construction Machinery Co., Ltd. (KCM) terminated by mutual consent their global alliance (consisting of industrial arrangements and a number of jointly-owned companies) in the construction equipment business. The agreements regulating the dissolution of the alliance provide that, starting from January 1, 2013 until December 31, 2017, we will be entitled to purchase components and parts from KCM on a non-exclusive basis in order to continue to manufacture excavators based upon KCM s technology in our plants. Moreover, starting from December 31, 2012, the territorial sales and marketing restrictions limiting the right of KCM to distribute its excavators in certain significant markets (such as the Americas and Europe) expired and similar restrictions which applied to our construction equipment activities expired in the Asia/Pacific region on July 31, 2013. While we expect a smooth transition with respect to implemented changes, commercial issues (such as, by way of example, the weakening of the distributorship network and the subsequent loss of market share) or industrial issues (such as, by way of example, difficulties in maintaining quality standards or inability to source certain components currently provided by KCM) in connection with the termination of the alliance might arise, which could have a material adverse effect upon our construction equipment product lines, construction equipment distribution network, financial position and results of operations.

Our business operations may be impacted by various types of claims, lawsuits, and other contingent obligations. We are involved in various product liability, warranty, product performance, asbestos, personal injury, environmental claims and lawsuits, governmental investigations and other legal proceedings that arise in the ordinary course of our business. We estimate such potential claims and contingent liabilities and, where appropriate, record provisions to address these contingent liabilities. 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, results of operations or profitability. 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. See also Note 13: Commitments and Contingencies to our consolidated financial statements for the year ended December 31, 2013 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

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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, 2013, we had an aggregate of $29,866 million (including $25,408 million relating to financial services activities) of consolidated gross indebtedness, and our equity was $4,955 million, including non-controlling 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 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 resulting from perceived strains on the finances and creditworthiness of several governments and financial institutions, particularly in the Eurozone.

Among the anticipated benefits of the Merger is the expected reduction in funding costs over time due to improved debt capital markets positioning of CNH Industrial. However, certain of the circumstances and risks described above may delay or reduce the expected cost savings from the future funding structures and the expected cost savings may not be achieved.

Restrictive covenants in our debt agreements could limit our financial and operating flexibility. The indentures governing the majority of our outstanding public indebtedness and other credit agreements to which our subsidiaries are a party, contain typical covenants that restrict our ability to, among other things:

- incur additional indebtedness;
- make certain investments;
- enter into certain types of transactions with affiliates;

- sell certain assets or merge with or into other companies;
- use assets as security in other transactions; and
- enter into sale and leaseback transactions.

Although we do not believe any of these covenants materially restrict our operations, 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, 2013 for additional information.

Risks related to increased information technology security threats. We rely upon information technology systems and networks in connection with a variety of business activities, and we collect and store sensitive data. Increased information technology security threats and more sophisticated computer crime, including advanced persistent threats, pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data.

In order to manage such risks, we implemented our information security system, an integrated set of policies, processes, methodologies, teams and technologies aimed at ensuring appropriate protection of our data. The information security system must be constantly aligned with evolving cyber threats scenarios in order for it to be effective. Recent security initiatives included in our information security roadmap concern product development data loss prevention, data classification (both structured and unstructured data) and laptop encryption. Actions are also in progress to increase our capability to prevent, detect, and react to malicious data leakage attempts.

Despite such efforts, 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, 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. In addition, such breaches in security could result in litigation, regulatory action and potential liability, as well as higher operational and other costs of implementing further data protection measures.

The loss of members of senior management could have an adverse effect on our business. Our success is largely dependent on the ability of our senior executives and other members of management to effectively manage our organization and individual areas of our business. 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.

Risks Related to Financial Services

We offer a wide range of financial services and products to dealers and customers. In particular, and by way of example, the principal financial services offered by the Agricultural Equipment and Construction Equipment businesses are represented by the retail financing for the purchase or lease of new and used agricultural and constructional equipment and wholesale financing to dealers, while the principal financial services offered by the Commercial Vehicles segment to customers are represented by lease and retail financing for the purchase of new and used vehicles.

In light of the above, the following risks associated with the financial services offered by us 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;

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- interest rates (and changes in the applicable 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 our financial services businesses. 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 loans default and our financial services business repossesses collateral securing the repayment of a 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

Our financial services businesses have traditionally relied upon the asset-backed securitization (ABS) market and committed asset-backed facilities as a primary source of funding and liquidity. Access to funding at competitive rates is essential to our financial services business. From mid-2007 through 2009, events occurred in the global financial market, including the weakened financial condition of several major financial institutions, problems related to subprime mortgages and other financial assets, the devaluation of various assets in secondary markets, the forced sale of asset-backed and other securities by certain investors, and the lowering of ratings on certain ABS transactions, which caused a significant reduction in liquidity in the secondary market for ABS transactions outstanding at such time and a significant increase in funding costs. During these periods, conditions in the ABS market adversely affected our ability to sell receivables on a favorable or timely basis. Similar conditions in the future would have an adverse impact on our access to funding, financial position and results of operations. As our financial services business finances a significant portion of sales of our equipment, to the extent our financial services business is unable to access funding on acceptable terms, our sales of equipment would be negatively impacted.

To maintain competitiveness in the capital markets and to promote the efficient use of various funding sources, we added additional reserve support to certain of our previously-issued ABS transactions. Such optional support may, in the future, be required to maintain credit ratings assigned to transactions if loss experiences are higher than anticipated. The need to provide additional reserve support could have an adverse effect on our financial position, results of operations and cash flows.

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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 future repurchases could have an adverse effect on our financial position, results of operations and cash flows.

Regulatory Risk

The operations of our financial services business are subject, in certain instances, to supervision and regulation by various governmental authorities. These operations are also subject to various laws, as well as to judicial and administrative decisions and interpretations, imposing requirements and restrictions, 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 a borrower.

To the extent that applicable laws are amended or construed differently, new laws are adopted to expand the scope of regulation imposed upon such financial services businesses, or applicable 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. The various requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), including the many implementing regulations yet to be released, may substantially affect the origination, servicing and securitization programs of our financial services business. For example, the Dodd-Frank Act strengthens the regulatory oversight of these securities and 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 the SEC to regulate credit rating agencies and adopt regulations governing these organizations. While we will continue to monitor these developments and their impact upon our access to the ABS market, these and future SEC regulations may impact our ability to engage in these activities or increase the effective cost of ABS transactions in the future, which could adversely affect our financial position, results of operations and cash flows.

Other Risks

CNH Industrial intends to operate in a manner to be treated as resident in the U.K. for tax purposes, but 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. Nevertheless, the decisions of the U.K. courts and the published practice of Her Majesty s Revenue & Customs, or HMRC, suggest that CNH Industrial is

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likely to be regarded as having become U.K.-resident on this basis from the date of its incorporation and remaining so. This analysis is supported by the competent ruling referred to below. 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.

Even if CNH Industrial s central management and control is in the U.K., CNH Industrial would normally be resident in The Netherlands for Dutch corporate income tax and Dutch dividend withholding tax purposes because CNH Industrial is incorporated in The Netherlands. Nonetheless, 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. 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 and in that case The Netherlands may levy corporate income tax on CNH Industrial and impose withholding taxes on dividends distributed by CNH Industrial.

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 and may be required to comply with withholding tax on dividends and other distributions (currently at a withholding rate of 20%, subject to any benefits from double taxation treaties or other reliefs or exemptions that may be available to shareholders) and/or reporting obligations under Italian law, which could result in additional costs and expenses.

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 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 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. Existing insurance arrangements may not provide protection for all of the costs that may arise from such events.

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 directly 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. 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.

We are subject to negative conditions in the financial markets and the cyclicality of the capital goods sector. More than other sectors, producers in the capital goods sector are subject to:

- the condition of financial markets, in particular, the ability to access the ABS market and prevailing interest rates in that market. In North America, in particular, we make considerable use of ABS transactions to fund financing offered to dealers and customers. Adverse conditions in the financial markets, and the ABS market in particular, could have a significant impact on our business prospects, earnings and/or financial position;

- cyclicality, which can cause sudden (and sometimes material) declines in demand, with negative effects on inventory levels and product pricing, both new and used. In general, demand in the capital goods sector is highly correlated to the economic cycle and can be subject to even greater levels of volatility.

CNH Industrial, as successor to Fiat Industrial, is jointly liable with Fiat, for certain obligations. Fiat Industrial was formed as a result of the Demerger. CNH Industrial, as successor to Fiat Industrial, continues to be liable jointly with Fiat for any liabilities of Fiat that arose prior to effectiveness of the Demerger and that remained unsatisfied at the effective date of the Demerger in the event that Fiat fails to satisfy such liabilities. The statutory liability assumed by CNH Industrial is limited to the value of the net assets transferred to Fiat Industrial in the Demerger and survives until all the liabilities of Fiat existing as of the Demerger are satisfied in full. Furthermore, CNH Industrial may be responsible jointly with Fiat in relation to tax liabilities, even if such liabilities exceed the value of the net assets transferred to Fiat Industrial in the Demerger. CNH Industrial estimates that the liabilities of Fiat that were outstanding as of December 31, 2013 for which CNH Industrial may be held jointly liable as described above in the event that Fiat fails to satisfy such obligations amounted to approximately $5.7 billion.

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. Exor S.p.A. has a voting interest in CNH Industrial of approximately 40%. 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. The loyalty voting structure could reduce the liquidity of our common shares and adversely affect the trading prices of our common shares. The 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 in 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.

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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 were 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. Exor S.p.A. has a voting interest in CNH Industrial of approximately 40%. 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 Cranes Farm Road, Basildon, United Kingdom (telephone number: +44-1268-292468). CNH Industrial s agent for U.S. federal securities law purposes is CNH Industrial America, LLC, Attn. General Counsel, 6900 Veterans Boulevard, Burr Ridge, Illinois 60527 (telephone number +1-630-887-2096).

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. (now known as CNH Industrial) (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. (now known as CNH Industrial), 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. (now known as CNH Industrial) 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 allotted 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 allotted 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 which were allotted 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) which were allotted 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 investments 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 also 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 and transmissions for those vehicles and engines for marine and power generation applications. We have industrial and financial services companies located in 44 countries and a commercial presence in approximately 190 countries around the world.

CNH Industrial has the following five operating segments:

Agricultural Equipment which designs, manufactures and distributes a full line of farm machinery and implements, including two-wheel and four-wheel drive tractors, crawler tractors (Quadtrac®), combines, cotton pickers, grape and sugar cane harvesters, hay and forage equipment, planting and seeding equipment, soil preparation and cultivation implements and material handling equipment. Agricultural equipment is sold under the New Holland Agriculture and Case IH Agriculture brands, as well as the Steyr brand in Europe.

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

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

Powertrain which designs, manufactures and offers a range of propulsion and transmission systems for on- and off-road applications, as well as engines for marine application and power generation through FPT Industrial brand.

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

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Net revenues by segment in the years ended December 31, 2013, 2012 and 2011 were as follows:

	2013	2012 (in millions)	2011
Revenues:			
Agricultural Equipment	$ 16,763	$ 15,657	$ 14,183
Construction Equipment	3,258	3,770	3,876
Commercial Vehicles	11,278	11,081	12,960
Powertrain	4,412	3,764	4,491
Eliminations and other	(3,050)	(2,706)	(3,269)
Total net sales of Industrial Activities	32,661	31,566	32,241
Financial Services	1,679	1,698	1,564
Eliminations and other	(504)	(463)	(325)
Total Revenues	$ 33,836	$ 32,801	$ 33,480

Net revenues by region in the years ended December 31, 2013, 2012 and 2011 were as follows:

	2013		2012		2011	
	(in millions)	(%)	(in millions)	(%)	(in millions)	(%)
Revenues:						
EMEA	$ 14,212	42.0%	$ 13,834	42.2%	$ 14,967	44.7%
NAFTA	9,474	28.0	9,301	28.4	8,260	24.7
LATAM	6,422	19.0	5,427	16.5	6,206	18.5
APAC	3,728	11.0	4,239	12.9	4,047	12.1
Total Revenues	$ 33,836	100.0	$ 32,801	100.0	$ 33,480	100.0

Industry Overview

Agricultural Equipment

The operators of food, livestock and grain 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, government subsidies, and tax incentives. 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, and government subsidies. Farmers tend to postpone the purchase of equipment when the farm economy is declining and to increase their purchases when economic conditions improve. Weather conditions are a major determinant of crop yields and therefore also 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 tillage machines typically occurs in March through June in the Northern hemisphere and in September through December in the Southern hemisphere. Dealers generally order harvesting equipment in the Northern hemisphere in the late fall and winter so they can receive inventory prior to the peak retail selling season, which generally extends from March through June. In the

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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 manpower 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, as well as genetically modified organism production, 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 also prefer relatively simple, low-cost agricultural equipment. Agricultural Equipment s position as a geographically diversified manufacturer of agricultural equipment and its broad geographic network of dealers allows it 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, the use of technology and other precision farming solutions to increase crop yield is becoming more established. In Latin America and in other emerging markets, the number of farms is growing and mechanization is replacing manual labor. Government subsidies (including crop insurance) are a key income driver for farmers growing certain commodity crops in the United States and Western Europe. The level of government 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 cyclicality in the agricultural equipment business. The effect of these subsidies on agricultural equipment demand depends to a large extent 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 BNDES. In Argentina, subsidized financing is granted by Banco de la Nacion. These programs have a significant influence on sales.

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 impacting 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 rises, biofuels become a more attractive alternative energy source. Although oil prices temporarily declined during 2009, oil prices generally continued to escalate through 2010, 2011 and 2012 and leveled in 2013, continuing to make biofuels an 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.

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.

Heavy Construction Equipment

Heavy construction equipment typically includes large wheel loaders and excavators, graders 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 cyclicality, linked to growth in gross domestic product.

Light Construction Equipment

Light construction equipment includes skid-steer loaders, backhoe loaders and small wheel loaders and excavators, and telehandlers. 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 mirrored 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.

As noted above, 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, mini-crawler excavators and telehandlers. Finally, the Chinese construction equipment market has grown significantly in recent years and is now the largest market.

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

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 technologies and production systems utilized in the heavy and medium segments of the market require more specialized engineering than those used in the light segment of the market (which has many engineering and design characteristics in common with the automobile industry). In addition, operators of heavy trucks often

require vehicles with a higher degree of customization than the more standardized products that serve the light and medium 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, 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 requirements 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, distribution requirements tend to grow 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 after-sales 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.

Buses

The global bus market is organized by missions, from city and intercity transport to tourism purposes, with a capacity ranging from seven up to 150 seating/standing passengers. The Iveco Bus (previously Iveco Irisbus) target market includes urban, intercity buses and long-distance touring coaches. Operators in this market 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.

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 sector.

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Sales for urban and intercity buses are generally higher in the second half of the year, due to public entities budgeting process, 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 factors (i.e., legislation on emissions and, increasingly, CO_2 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, light duty engines (below 3.9 liters) and heavy duty engines (above 8 liters in displacement) constitute the majority of demand, while medium engines (3.9-8 liters in displacement) cover the majority of needs in developing markets. Demand for heavy 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).

For the off-road market, engines in the 50 hp to 300 hp output range are dominant in all major markets worldwide, with demand for high-power engines predominantly in the European and U.S markets. 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. The demand for off-road applications in the agricultural business is affected by similar drivers as the construction business, and is in addition dependent on the level of net farm income.

The on-road market has some minimal local fluctuation during the year, tempered by the geographical distribution of Powertrain s customer base, while the off-road market usually has a seasonal decline between November and January.

Competition

The industries in which we operate are highly competitive. We believe 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.

Both Agricultural Equipment and Construction Equipment 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.

The competitive strengths of Agricultural Equipment and Construction Equipment include well-recognized brands, a full range of competitive products, a strong global presence and distribution network, and dedicated financial services capabilities. There are multiple factors which influence a buyer s choice of agricultural and construction 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 two segments continually seek to improve in each of these areas, but focus

primarily on providing high-quality and high-value agricultural and construction equipment products and supporting those products through their dealer networks. In both the agricultural and construction equipment industries, 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 the manufacturing, logistic and scheduling systems of Agricultural Equipment and Construction Equipment are dependent on forecasts of industry volumes and their anticipated share of industry sales, which is predicated on their ability to compete successfully with others in the marketplace. The segments compete on the basis of product performance, customer service, quality and price. The environment remains competitive from a pricing standpoint, but actions taken to maintain their competitive position in the current difficult economic environment could result in lower than anticipated price realization.

In the commercial vehicles business, factors that influence a customer s decision to buy a vehicle include product, parts and after-sales service availability, which is supported by the depth of the distribution network; price, features and performance of products; brand loyalty; technological innovations; availability and terms of financing; and resale value. The ability to meet or exceed applicable vehicle 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.

Commercial Vehicles competes on the basis of product features and performance, customer service, quality and price. We believe that Commercial Vehicles s competitive strengths include well-recognized brands, competitively priced products, technological innovations, a strong distribution and customer service network and dedicated financing for customers and dealers.

In the powertrain business, product competition is driven to a significant extent by developments in emission regulations in the various markets in which Powertrain s products are used.

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, Terex, Liebherr, Doosan and John Deere.

In the commercial vehicles business, the Iveco brand principally competes with major manufacturers that have similar product offerings such as: Daimler (including the Mercedes-Benz, Mitsubishi Fuso, Freightliner, Western Star and Bharat-Benz (India) brands), MAN, Paccar (including the DAF, Kenworth, Ken Mex and Peterbilt brands), Scania, and the Volvo Group (including the Volvo, Renault, MACK and UD Trucks brands). In the bus business, Iveco Bus and Heuliez Bus main competitors are Daimler Buses (Mercedes-Benz and Setra brands), Volvo Bus Corporation, MAN (MAN and Neoplan brands) and Scania. In the firefighting business, Magirus principal competitor worldwide is Rosenbauer International AG. Iveco Defence Vehicles principal competitors are Rheinmetall, Oshkosh, Navistar, Nexter, General Dynamics, BAE Systems for defense; Mercedes Benz, and MAN in the trucks business. In the heavy duty equipment business, Iveco and Iveco Astra s principal competitors are Caterpillar and the Volvo Group.

The principal competitors of Powertrain include Cummins, Deutz, Perkins (part of the Caterpillar group), John Deere, Volvo Penta, Weichai, and Isuzu.

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Products and Markets

Agricultural Equipment

The product lines of Agricultural Equipment are sold primarily under the Case IH and New Holland brands and under the Steyr brand in Europe. In order to capitalize on customer loyalty to dealers and the segment s brands, relative distribution strengths and historical brand identities, the segment will continue to use 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® axle for New Holland, the Case IH tracked four wheel drive tractor, Quadtrac®, and front axle mounted hitch for Steyr remain an important part of each brand s unique identity.

The Agricultural Equipment business product lines include tractors, combine harvesters, hay and forage equipment, seeding and planting equipment, tillage equipment and sprayers. The 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 Construction Machinery. The New Holland Construction brand family also markets a full product line of construction equipment in most regions.

The 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, 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. These 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.

Effective December 31, 2012 the initial term of our global alliance with KCM and Kobe Steel Ltd (KSL) expired and we entered a new phase of non-exclusive licensing and supply agreements. Subject to the terms of existing agreements, we continue to manufacture excavators, based on current Kobelco technology, in our plants and purchase select models of whole goods from KCM as well as component parts and will be able to do so until at least December 31, 2017. With the end of the initial term of the global alliance, we sold our 20% ownership interest in KCM to KSL and unwound the co-ownership with KCM of certain companies formed in connection with the global alliance. In addition, the territory and marketing restrictions in the Americas and EMEA expired on December 31, 2012 and such restrictions expired in Asia Pacific on July 31, 2013. 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.

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Commercial Vehicles

Trucks and Commercial Vehicles (Iveco)

Under the Iveco brand, we produce a series of light, medium and heavy transport vehicles for urban, intercity and off-road use. Light vehicles include on-road vans and chassis cabs used for short and medium distance transportation and distribution of goods, as well as 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 and materials, transport and mix concrete, maintain roads in winter and transport exceptionally heavy loads.

The key players in our product line-up are the Daily with GVW available from 2.8 to 7 tons, the Eurocargo from 6 to 16 tons, the Trakker (dedicated to off-road missions) and the Stralis, both over 16 tons.

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 compressed natural gas (CNG) and liquefied natural gas (LNG).

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 manufactures in the passenger transport sector and is steadily 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, Iveco Astra 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 Astra builds vehicles that can enter the most 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. Iveco Defence Vehicles develops and manufactures specialized vehicles for defense missions and civil protection. The Lince, Iveco s flagship armored vehicle, and the Freccia, a medium-weight armored vehicle, are sold to armed forces around the world.

Powertrain

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

Our product range is extensive, featuring engines ranging from 2.2 to 20 liters with an output of 15 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 which use alternative fuels, including those running on natural gas and engines compatible with biodiesel up to 20%.

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To meet the increasingly 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 strive to provide enhanced results in terms of cost, packaging and fuel consumption for each segment of the market. For example, Powertrain offers an external exhaust gas recirculation system combined with a diesel particulate filter for engines up to 205 hp for application on light commercial vehicles. For heavy-duty commercial applications, Powertrain has developed a high efficiency selective catalyst reduction system (HI-eSCR), which processes exhaust gases using a catalyzing liquid, lowering operating and maintenance costs. This unique SCR-only solution is capable of meeting required emissions levels without the cost and bulk of an exhaust gas recirculation valve, and, in particular, for the off-road market, this solution is maintenance-free (no diesel particulate filter).

Additionally, Powertrain produces a wide range of manual transmissions for light commercial vehicles, having either five or six gears, and ranging from 320 to 500 Nm. The segment boasts an extensive range of axle products to meet all customer requirements, including axle products for commercial vehicles, such as the Daily, and axle products for heavy mining, construction and special vehicles (military and fire-fighting) designed by our Commercial Vehicles segment.

Sales and Distribution

Agricultural Equipment and Construction Equipment

Agricultural Equipment and Construction Equipment businesses sell and distribute products through approximately 9,400 full-line dealers and distributors in approximately 170 countries. Agricultural Equipment and Construction Equipment dealers are almost all independently owned and operated. Dealers typically sell either agricultural or construction equipment, although some dealers sell both. Construction Equipment dealers tend to be fewer in number and larger in size than Agricultural Equipment dealers. In the United States, Canada, Mexico, most of Western Europe, Brazil and Australia, we generally distribute our products through the independent dealer network. In the rest of the world, we generally sell our products to independent distributors who then resell them to dealers, in order to take advantage of their knowledge of the market and minimize marketing costs.

Consistent with our brand promotion program, we generally seek to have dealers sell a full range of our products (such as tractors, combines, hay and forage equipment, crop production equipment and parts). 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 of equipment we manufacture 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.

Exclusive, dedicated dealers generally provide a higher level of market penetration. Some dealers in the United States, Germany and Australia may sell more than one brand of equipment, including models manufactured by our competitors. Elsewhere, dealers generally do not sell products that compete with our products, but may sell complementary products manufactured by other suppliers in order to complete their product offerings, or where there was a historical relationship with another product line that existed before that product was available through us, or to satisfy local demand for a particular specialty product.

A strong dealer network with wide geographic coverage is a critical element in the success of our Agricultural Equipment and Construction Equipment businesses. We work to enhance our dealer networks 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 were introduced and are expected to incorporate customer input into the relevant product development and service delivery processes.

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As the equipment rental business becomes a more significant factor in both agricultural and construction equipment markets, the Agricultural Equipment and Construction Equipment businesses 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. The Agricultural Equipment and Construction Equipment businesses 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, the Agricultural Equipment and Construction Equipment businesses expand such activities gradually, with special attention to managing the resale of rental units into the used equipment market by their dealers, who can utilize this opportunity to improve their customer base and generate additional parts and services business.

We believe that it is generally more cost-effective to distribute our agricultural and construction equipment products through independent dealers, although we maintain a limited number of company-owned dealerships in some markets. As of December 31, 2013, Agricultural Equipment and Construction Equipment operated a total of 12 company-owned dealerships, primarily in North America and Europe. The Agricultural Equipment and Construction Equipment businesses 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, aimed at providing high quality service combined with a widespread local presence. As of December 31, 2013, Commercial Vehicles had 688 dealers globally (of which 20 were directly owned by us and 11 were branches), including 303 in Western Europe, 83 in Eastern Europe, 117 in Africa and the Middle East, 65 in Latin America and 120 in the Asia-Pacific region. 532 of those dealers sell commercial vehicles, 97 sell buses and 59 sell special vehicles. 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 after-sales services.

Continuous strengthening of the sales network is a key element of Commercial Vehicles growth strategy. 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, the segment is one of the few OEMs that sells 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 distribution contracts cover a specific reference area (but without any exclusivity in terms of territory) and contain qualitative standards. Under the existing contracts, according to applicable law, Commercial Vehicles dealers are allowed to carry multiple brands, even if, as matter of fact, the corporate identity of such dealer is 100% the Commercial Vehicles brands.

Powertrain

Powertrain provides propulsion solution products for our Agricultural Equipment, Construction Equipment and Commercial Vehicles businesses. 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 Claas, Perkins, Komatsu, Tigercat, Merlo, Carraro, LS Mtron, Argo Tractors and Dieci for off-road applications; Daimler-Fuso, VDL, Ford, Tata, Daewoo, Hyundai Motors and Karsan for on-road applications; and Generac, Himoinsa and Greenpower for power generation applications.

Powertrain has a network of 100 sales points and 1,300 service centers 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.

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 after-sales customer assistance programs which 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 sold can have economically productive lives of up to 20 years when properly maintained, and each unit sold has the potential to produce a long-term parts and services revenue stream for us and our dealers.

As of December 31, 2013, we operated and administered 57 parts depots worldwide either directly, through a joint venture, or through arrangements with warehouse service providers. This network includes 11 parts depots in NAFTA, 20 in EMEA, 5 in LATAM, and 21 in APAC. 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 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, 2013, Commercial Vehicles had 4,800 service outlets (approximately 2,000 of which were in Europe). In addition to Commercial Vehicles standard one-year full vehicle warranty and two-year powertrain warranty, which are extended in certain jurisdictions including the United Kingdom and Germany to match competitors practices, Commercial Vehicles offers personalized after-sales customer assistance programs under its Elements program which provides 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. Elements maintenance and repair contracts are typically for a period of three to five years and subject to a mileage cap.

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% 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% of Al Ghazi Tractors Ltd., which manufactures and distributes New Holland tractors;
- in Turkey, we own 37% 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% of CNH de Mexico S.A. de C.V., which manufactures New Holland agricultural equipment and distributes equipment for all of Agricultural Equipment major brands through one or more of its wholly-owned subsidiaries.

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- in China, we own 50% of Naveco (Nanjing Iveco Motor Co.) Ltd, a well-established player in the Chinese light and medium truck and commercial vehicle market.

- in China, we own 33.5% SAIC Iveco Hongyan Commercial Vehicle (SIH), which designs, produces and sells heavy vehicles; and

- in China, we control 60% of SAIC Fiat Powertrain Hongyan Ltd (SFH), a manufacturing company located in Chongqing: 30% directly through Powertrain, with a 50/50 joint venture between Commercial Vehicles and SAIC group owning another 60%. SFH produces diesel engines under license from Powertrain to be sold in the Chinese market (mainly to SIH) and to be exported to Europe, the U.S. and Latin America.

In December 2013, we acquired full ownership of CNH-Kamaz Industrial B.V. and CNH-Kamaz Commercial B.V., two consolidated joint ventures formed in 2010 in Russia that, through their wholly-owned subsidiaries, manufacture, distribute and service certain New Holland agricultural and construction equipment for the Russian market. We owned 50% of CNH-Kamaz Industrial B.V. and 51% of CNH-Kamaz Commercial B.V. before the transaction.

In October 2013, we established a joint venture (in which we hold a 60% share) with the LARIMAR Group, a leading South African public transport operator and bus manufacturer, named Iveco South Africa Works (Pty) Ltd. This joint venture will manufacture, medium and heavy duty commercial vehicles and buses in Rosslyn, South Africa.

Suppliers

We purchase materials, parts, and components from third-party suppliers. We had approximately 6,150 global direct suppliers to our manufacturing facilities at December 31, 2013. 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. 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. 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.

In Europe, customer financing for customers of Agricultural Equipment and Construction Equipment is primarily managed through CNH Industrial Capital Europe S.a.S. (the former CNH Capital Europe), a joint venture with BNP Paribas Group (49.9% owned by CNH Industrial N.V. and accounted for under the equity method) that operates in Italy, France, Germany, Belgium, The Netherlands, Luxembourg, the U.K., Spain and Austria. 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 January, 2014, CNH Industrial and BNP Paribas reached an agreement to extend the joint-venture services to CNH Industrial s Commercial Vehicles business in Italy, Germany, France, the United Kingdom and other major European markets. As a result of this increase in scope, CNH Industrial Capital Europe is now the captive finance company for all our current businesses in major European countries.

In Brazil, our captive financial services company Banco CNH Capital S.A. offers both dealer and customer financing for customers of Agricultural Equipment and Construction Equipment. For customer financing, the company mainly serves as intermediary for funding provided by the Banco Nacional de Desenvolvimento Economico e Social (BNDES), a federally-owned company connected to the Brazilian Ministry of Development, Industry and Foreign Trade. Vendor programs offered jointly with banking partners are also in place.

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

In China and Latin America, financial services were historically provided to dealers and customers of Commercial Vehicles through the Fiat Group. However, starting from January 2014, financial services for the dealers and customers in Latin America are provided directly by Banco CNH Capital.

In Spain, financial services related to the Commercial Vehicles business are managed through Transolver Finance Establecimiento Financiero de Credito S.A., a joint venture with the Santander Group (50% owned by CNH Industrial N.V. and accounted for under the equity method) which offers retail and dealer financing services.

In Eastern Europe, financial services for customers of Commercial Vehicles are managed by fully-consolidated captive financial services companies.

Customer Financing

Financial Services has certain retail underwriting and portfolio management policies and procedures that are specific to the Agricultural Equipment, Construction Equipment and Commercial Vehicles businesses. This distinction allows the segment 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 (other than smaller items financed with unsecured revolving charge accounts) 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 the applicable Industrial Activities businesses 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 accounted for as a deduction in arriving at net sales for the applicable Industrial Activities businesses.

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 their 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 loan 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 still in inventory. These audits are unannounced and the frequency of these audits 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 our Industrial Activities operate in, 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 asset sales, 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 asset-backed securities markets in the United States, Canada and Australia, as part of its wholesale, retail and revolving charge account financing programs when those markets offer funding opportunities on competitive terms. The segment s 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 our Industrial Activities operate.

In December 2013, as scheduled, Financial Services repaid the residual debt under the secured financing provided by Barclays in 2012, at the end of its joint venture. The repayment was financed by new secured borrowings.

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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, particularly in the areas of product liability (including asbestos-related liability), product performance, retail and wholesale credit, competition and antitrust law, intellectual property matters (including patent infringement), disputes with dealers and suppliers and service providers, environmental risks, and tax and employment matters. 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, 2013.

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.

Since January 2011, Iveco (now the Commercial Vehicles segment), together with certain of its competitors, has been subject to an investigation being conducted by the European Commission into certain business practices of the leading manufacturers of commercial vehicles in the European Union in relation to possible anti-competitive practices. It is not possible at the present moment to predict when and in what way these investigations will be concluded.

C. *Organizational Structure*

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

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

A listing of our significant directly and indirectly owned subsidiaries as of December 31, 2013, is set forth in an exhibit to this annual report on Form 20-F.

D. ***Property, Plant and Equipment***

As of December 31, 2013, we owned 62 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. This indebtedness equaled approximately $101 million and $88 million at December 31, 2013 and 2012, respectively.

We make capital investments 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 2013, our total capital expenditures in long-lived assets, excluding assets sold with buy-back commitments and equipment on operating leases, were $1,227 million of which 15% was spent in NAFTA, 18% in LATAM, and 56% in EMEA and 11% in APAC. These capital expenditures were funded through a combination of cash generated from operating activities and borrowings under short-term facilities. In 2012, our total capital expenditures were $1,048 million.

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The following table provides information about our significant manufacturing and engineering facilities as of December 31, 2013:

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	Construction Equipment; R&D center	130
Piacenza	Special purpose vehicles; R&D center	63
Brescia	Medium vehicles, cabs, chassis; R&D center	275
Suzzara	Light vehicles; R&D center	157
Brescia	Firefighting vehicles; R&D center	28
Bolzano	Defense vehicles; R&D center	81
Pregnana Milanese	Diesel engines	31
Torino	R&D center (Commercial Vehicles)	100
Torino	R&D center (Powertrain)	28
Torino	Diesel engines	142
Torino	Production of transmissions and axles	239
Foggia	Diesel engines; drive shafts	151
United States		
New Holland	Agricultural Equipment; R&D center	104
Grand Island	Agricultural Equipment 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 (Hinsdale)	R&D center (Agricultural Equipment and Construction Equipment)	43
Calhoun	Crawler excavators, dozers; R&D center	31
Burr Ridge	R&D center (Diesel engine)	1
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	22
Bourbon Lancy	Diesel engines; R&D center	102
Fecamp	Diesel engines	25
Brazil		
Belo Horizonte	Construction Equipment; 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	160
Sete Lagoas	Heavy and light vehicles, defense vehicles; R&D center	128
Sete Lagoas	Engines; R&D center	14
Germany		
Berlin	Construction Equipment; R&D center	59
Ulm	Firefighting vehicles; R&D center	35
Ulm	R&D center	144
Argentina		
Cordoba	Diesel Engines	20
Ferreira	Production of trucks and buses	44
Cordoba	Agricultural Equipment Tractors	30
Belgium		

Antwerp	Components (Agricultural Equipment)	79
Zedelgem	Combines, agricultural equipment; R&D center	159
Spain		
Madrid	Heavy vehicles; R&D center	165
Valladolid	Light vehicles	74
China		
Harbin	Tractors, balers; R&D center	7
Shanghai	Tractors, Components; R&D center	68
Chongqing	Diesel Engine; R&D centers	76

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Location	Primary Functions	Approximate Covered Area (Sqm/ 000)
India		
Pithampur	Backhoe Loaders, Earth Compactors	29
New Delhi	Tractors; R&D center	82
Others		
Basildon (U.K.)	Tractors; R&D center	129
Plock (Poland)	Combines; R&D center	95
Saskatoon (Canada)	Agricultural Equipment (sprayers, seeders); R&D Center	61
Dandenong (Australia)	Production of trucks; R&D center	37
St. Valentin (Austria)	Tractors; R&D center	56
Vysoke Myto (Czech Republic)	Production of buses; R&D center	121
Queretaro (Mexico)	Components (Agricultural Equipment and Construction Equipment)	15
Naberezhnye Chelny (Russia)	Agricultural Equipment	50
La Victoria (Venezuela)	Assembly of light and heavy vehicles and buses	56
Arbon (Switzerland)	R&D of Diesel Engines	6

Environmental Matters

We manufacture and sell our products and offer our services in several continents and numerous countries around the world. Our manufacturing facilities are subject to a variety of laws designed to protect the environment, particularly with respect to solid and liquid wastes, air emissions, energy usage and water consumption. The vehicles that we manufacture, and the engines that power them, must also comply with extensive regional (e.g., European Union), national and local laws and regulations, industry self-regulations (e.g., those of the European Automobile Manufacturers Association ACEA), including those that regulate vehicle safety, end-of-life vehicles, emissions and noise. We regularly monitor such requirements and adjust affected operations.

Our expenditure on environmental protection measures totaled approximately $49 million in 2013 (5% over 2012) and included: $31 million on waste disposal and emissions treatment and $18 million for prevention and environmental management.

For further information, see Note 13 Commitments and Contingencies to our consolidated financial statements for the year ended December 31, 2013 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, environmental laws could have an adverse effect on our results of operations.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review

The discussion in Item 5. Operating and Financial Review should be read in conjunction with our consolidated financial statements for the years ended December 31, 2013, 2012 and 2011.

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 and for the period on and after September 29, 2013, reflect the Merger between Fiat Industrial and CNH Global completed on that date. The Merger had no impact on the consolidated activities of the former Fiat Industrial and therefore the results presented in this annual report relating to the period before the closing date of the Merger represent the results of Fiat Industrial prepared under U.S. GAAP. However, starting from September 29, 2013, the closing date of the Merger, net profit and net equity that previously would have been attributed to the ex-CNH Global minority shareholders are included in the profit and net equity attributable to owners of the parent. Prior to the Merger, Fiat Industrial prepared its financial statements under IFRS. For information on a reconciliation from IFRS to U.S. GAAP, see Note 20: IFRS to U.S. GAAP Reconciliation to our consolidated financial statements for the year ended December 31, 2013. Additional information on the Merger and related accounting impacts is provided in the notes to our consolidated financial statements.

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 the Safe Harbor Statement beginning on page 70 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 and transmissions for those equipment and vehicles and engines for marine and power generation applications.

Following the Merger, the Company has realigned its reportable segments reflecting the five businesses now directly managed by CNH Industrial N.V., consisting of: (i) Agricultural Equipment, (ii) Construction Equipment, (iii) Commercial Vehicles, (iv) Powertrain, and (v) Financial Services. Segment information for prior years has been recast to conform to the current year s presentation. Our Industrial Activities include the Agricultural Equipment, Construction Equipment, Commercial Vehicles and Powertrain segments.

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 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 the Industrial Activities is recognized at the time of the initial sale and the revenues on 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. 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 boost 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 incomes 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, particularly in more developed markets. In developing countries, the processes of industrialization and infrastructure development generally drive long-term growth trends. Growth in local distribution requirements influences increases in demand for light vehicles. 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, naturally, 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 number of vehicles in use and the nature and extent of their use. The after-sales market is historically less volatile than the new vehicle market and, therefore, helps reduce the impact on operating results of fluctuations in new vehicle 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 reflecting clauses in 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

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operations, particularly the operations of Agricultural Equipment. 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: i) Operating Profit of Industrial Activities and Financial Services, ii) Trading Profit, iii) Net Debt and Net Debt of Industrial Activities, and iv) revenues on a constant currency basis. 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. They provide us with measures which facilitate management s ability to identify operational trends, as well as make decisions regarding future spending, resource allocations and other operational decisions. These and similar measures are widely used in the industry in which we operate.

These financial measures may not be comparable to other similarly titled measures of 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.

Operating Profit

Operating Profit of Industrial Activities is defined as net sales less cost of goods sold, selling, general and administrative expenses and research and development expenses.

Operating Profit of Financial Services is defined as revenues, less selling, general and administrative expenses, interest expenses and certain other operating expenses.

Trading Profit under IFRS

Trading Profit derived from financial information prepared in accordance with IFRS, is the internal financial measure management uses to assess the performance of operating segments. Trading Profit is defined as income before restructuring, gains/(losses) on disposal of investments and other unusual items, interest expense of Industrial Activities, income taxes, equity in income (loss) of unconsolidated subsidiaries and affiliates, and noncontrolling interests.

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

We provide the 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 rate fluctuations.

A. *Operating Results*

The operations and key financial measures and financial analysis differ significantly for manufacturing and distribution businesses and financial services businesses; therefore, management believes that certain supplemental disclosures are important in understanding our consolidated operations and financial results. For further information, see Note 22 Supplemental Information to our consolidated financial statements for the

year ended December 31, 2013, 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.

2013 Compared to 2012

Consolidated Results of Operations

	2013	2012
	(in millions)	
Revenues:		
Net sales	$ 32,632	$ 31,529
Finance and interest income	1,204	1,272
Total Revenues	33,836	32,801
Costs and Expenses:		
Cost of goods sold	26,551	25,569
Selling, general and administrative expenses	3,094	3,036
Research and development expenses	1,222	1,129
Restructuring expenses	71	231
Interest expense	1,196	1,209
Other, net	328	280
Total Costs and Expenses	32,462	31,454
Income before income taxes and equity in income of unconsolidated subsidiaries and affiliates	**1,374**	**1,347**
Income taxes	(671)	(564)
Equity in income of unconsolidated subsidiaries and affiliates	125	93
Net income	**828**	**876**
Net income attributable to noncontrolling interests	151	120
Net income attributable to CNH Industrial N.V.	**$ 677**	**$ 756**

Revenues

We recorded revenues of $33,836 million in 2013, an increase of 3.2% compared to 2012 (+4.3% on a constant currency basis), with strong revenue growth for Agricultural Equipment and Powertrain more than offsetting the declines for Construction Equipment. Agricultural Equipment reported net revenues of $16,763 million for 2013, a 7.1% increase over 2012 due to solid global demand for our products in all regions except APAC. Construction Equipment reported net revenues of $3,258 million, a 13.6% decrease from 2012 as continued weakness in other geographic regions was only partially offset by strength in LATAM. Commercial Vehicles posted revenues of $11,278 million for 2013, a 1.8% increase over 2012, with a modest recovery in demand in Europe, largely due to the Euro V pre-buy effect concentrated in the fourth quarter of 2013, and a significant increase in LATAM being largely offset by negative market mix and decreasing activity for parts and services business. Powertrain reported revenues of $4,412 million for 2013, a 17.2% increase compared with 2012, primarily attributable to higher volumes of engines sold to internal and external customers. Financial Services reported revenues of $1,679 million, down 1.1% over 2012.

Cost of Goods Sold

Cost of goods sold were $26,551 million in 2013 compared with $25,569 million in 2012. The increase of 3.8% was driven by increased volume at Agricultural Equipment and Powertrain partially offset by

manufacturing efficiencies at Agricultural Equipment and lower volumes at Construction Equipment. Cost of goods sold increased for Commercial Vehicles, mainly due to the Euro VI transitional cost in Europe, capacity ramp up costs in LATAM and the negative impact of exchange rates in Brazil, Russia and Turkey.

Selling, General and Administrative Expenses

Selling, general and administrative expenses amounted to $3,094 million in 2013 (9.1% of revenues), a 1.9% increase compared with the $3,036 million recorded in 2012 (9.3% of revenues). The increase was primarily due to increased advertising and promotional activities associated with Agricultural Equipment, increased labor costs and bad debt expenses associated with economic uncertainty in Southern Europe for Commercial Vehicles.

Research and Development Expenses

In 2013, research and development expenses were $1,222 million compared to $1,129 million in 2012. The increase was mainly attributable to continued investment in new products and engine emissions compliance programs.

Restructuring Expenses

Restructuring expenses were $71 million in 2013 compared to $231 million in 2012. For both periods, the costs were mainly related to Commercial Vehicles as a consequence of the actions initiated in 2012 to rationalize the heavy truck and firefighting businesses.

In 2012, the costs were principally attributable to the reorganization of Commercial Vehicles manufacturing activities in Europe, specifically the concentration of heavy truck production at the plant in Madrid, Spain (which already produced heavy trucks) and termination of those activities in Ulm, Germany. At the same time, certain other European fire-fighting vehicle plants were closed and the production transferred to Ulm, Germany.

Interest Expense

Interest expense was $1,196 million in 2013 ($1,209 million in 2012), of which $548 million was attributable to Industrial Activities, net of interest income and eliminations ($515 million in 2012). The decrease in 2013 is due to Financial Services, where a reduction in market rates of interest was partially offset by the increase in the average value of the managed portfolio.

Other, net

Other net expenses were $328 million, an increase of $48 million from $280 million in 2012. The increase primarily reflected expenses related to the dissolution of a joint venture with the Barclays group and its consolidation into Financial Services ($41 million) and costs for the rationalization of strategic suppliers. This item also includes net losses of $36 million on the disposal of investments in 2012, mainly due to the sale of the 20% interest in Kobelco Construction Machinery Co. Ltd. In 2013, we recorded an additional loss of $26 million on the sale of the Kobelco Construction Machinery Co. Ltd. investment, following an adverse ruling issued by the arbitrator on the price of the transaction.

Income Taxes

	2013	**2012**
	(in millions, except percents)	
Income before income taxes and equity in income of unconsolidated subsidiaries and affiliates	$ 1,374	$ 1,347
Income taxes	$ 671	$ 564
Effective tax rate	48.8%	41.9%

The increase in the effective tax rate from 2012 to 2013 was primarily due to the geographic mix of earnings and the provisioning of tax contingencies for certain tax positions.

Equity in Income of Unconsolidated Subsidiaries and Affiliates

Equity in income of unconsolidated subsidiaries and affiliates was $125 million in 2013 (compared to $93 million in 2012), mainly due to higher earnings from the joint ventures in China.

Business Segments

The following is a discussion of our results by segment.

	2013	2012	$ Change	% Change
		(in millions, except percentage)		
Revenues:				
Agricultural Equipment	$ 16,763	$ 15,657	$ 1,106	7.1%
Construction Equipment	3,258	3,770	(512)	-13.6%
Commercial Vehicles	11,278	11,081	197	1.8%
Powertrain	4,412	3,764	648	17.2%
Eliminations and other	(3,050)	(2,706)	(344)	
Total net sales of Industrial Activities	32,661	31,566	1,095	3.5%
Financial Services	1,679	1,698	(19)	-1.1%
Eliminations and other	(504)	(463)	(41)	
Total Revenues	$ 33,836	$ 32,801	$ 1,035	3.2%

	2013	2012	$ Change	% Change
		(in millions, except percentage)		
Operating Profit:				
Agricultural Equipment	$ 2,008	$ 1,681	$ 327	19.5%
Construction Equipment	(97)	(7)	(90)	1,285.7%
Commercial Vehicles	74	517	(443)	-85.7%
Powertrain	187	162	25	15.4%
Eliminations and other	(77)	(126)	49	
Total Industrial Activities Operating Profit	2,095	2,227	(132)	-5.9%
Financial Services	514	382	132	34.6%
Eliminations and other	(332)	(324)	(8)	
Total Operating Profit	$ 2,277	$ 2,285	$ (8)	-0.4%

	2013 (in millions)			
	Industrial Activities	Financial Services	Eliminations	Consolidated
Trading Profit under IFRS	$ 2,119	$ 518	$ -	$ 2,637

Development costs, net	(443)	-	-	(443)
Reclassification of Interest compensation to Financial Services	352	-	(352)	-
Other adjustments and reclassifications, net	67	(4)	20	83
Total adjustments and reclassifications	(24)	(4)	(332)	(360)
Operating Profit under U.S. GAAP	$ 2,095	$ 514	$ (332)	$ 2,277

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	2012 (in millions)			
	Industrial Activities	Financial Services	Eliminations	Consolidated
Trading Profit under IFRS	$ 2,273	$ 377	$ -	$ 2,650
Development costs, net	(429)	-	-	(429)
Reclassification of Interest compensation to Financial Services	344	-	(344)	-
Other adjustments and reclassifications, net	39	5	20	64
Total adjustments and reclassifications	(46)	5	(324)	(365)
Operating Profit under U.S. GAAP	$ 2,227	$ 382	$ (324)	$ 2,285

Net sales for Industrial Activities were $32,661 million in 2013, a 3.5% increase as compared to the prior year. The increase was primarily due to continued growth in Agricultural Equipment and Powertrain, partially offset by challenging market conditions in Construction Equipment and Commercial Vehicles.

Operating profit for Industrial Activities was $2,095 million in 2013, a decrease of $132 million compared to 2012 as higher volumes and positive mix in Agricultural Equipment and better capacity utilization for Powertrain were offset by Euro VI transitional costs, less favorable product mix and pricing environment for Commercial Vehicles and lower volumes for Construction Equipment.

Industrial Activities Performance by Business

Agricultural Equipment

Net Sales

The following table shows Agricultural Equipment net sales broken down by geographic region in 2013 compared to 2012:

Agricultural Equipment Sales by geographic region:

($ million)	2013	2012	% Change
NAFTA	$ 7,460	$ 6,972	7.0%
EMEA	4,889	4,787	2.1%
LATAM	2,613	1,937	34.9%
APAC	1,801	1,961	(8.2)%
Total	$ 16,763	$ 15,657	7.1%

Net sales for the Agricultural Equipment business were $16,763 million in 2013, a 7.1% increase compared to 2012 (+ 9% on a constant currency basis). The increase was primarily driven by positive net pricing, increased volumes and favorable product mix. All of the regions reported increases in revenue on a constant currency basis with the exception of APAC.

Worldwide agricultural equipment industry unit sales were up compared to 2012, with global demand for tractors up 7% and up 17% for combines. NAFTA tractor sales were up 7%, with the under 40 hp segment up 10% and the over 40 hp segment up 5%, and combine sales up 8%. LATAM tractor sales increased 16% and combine sales increased 35%. EMEA markets were down 2% for tractors and 4% for combines. APAC markets increased 8% for tractors and 73% for combines. Worldwide Agricultural Equipment market share performance was in line with the market for both tractors and combines. For tractors, our market share was down slightly in all regions with the exception of LATAM where it increased. For combines, our market share was up in LATAM and EMEA but down in NAFTA and APAC.

Operating Profit

Agricultural Equipment operating profit was $2,008 million (operating margin 12.0%), up $327 million from $1,681 million operating profit for 2012 (operating margin 10.7%), as higher revenues and positive pricing effects were only partly offset by increased selling, general and administrative costs due to higher advertising and promotional activity and research and development costs related to new products and engine emissions compliance.

Construction Equipment

Net Sales

The following table shows Construction Equipment net sales broken down by geographic region in 2013 compared to 2012:

Construction Equipment Sales by geographic region:

($ million)	2013	2012	% Change
NAFTA	$ 1,253	$ 1,609	(22.1)%
EMEA	633	707	(10.5)%
LATAM	986	975	1.1%
APAC	386	479	(19.4)%
Total	$ 3,258	$ 3,770	(13.6)%

Net sales for Construction Equipment were $3,258 million in 2013, a 13.6% decrease compared to 2012 (-11% on a constant currency basis). The decrease was primarily driven by weak economic conditions in all regions except LATAM.

Worldwide heavy and light construction equipment industry sales were down 1% and up 1%, respectively, from the prior year. Industry heavy construction equipment sales were down significantly in NAFTA and EMEA but increased in LATAM and APAC. Industry light construction equipment sales were up in all regions except for APAC. Our worldwide market share was in line with the market for heavy and light construction equipment. For heavy construction equipment, our market share increased in LATAM but decreased in NAFTA. For light construction equipment, our market share was down in LATAM and NAFTA and in line with the market in the other regions.

Operating Profit

Construction Equipment operating loss was $97 million, declining $90 million from the $7 million operating loss reported in 2012 due primarily to lower volumes, partially offset by favorable pricing.

Commercial Vehicles

Net Sales

Commercial Vehicles net sales were $11,278 million in 2013, a 1.8% increase over 2012 with a modest recovery in demand in Europe and a significant increase in LATAM being largely offset by negative market mix and decreasing activity for the parts and services business.

During 2013, Commercial Vehicles delivered a total of 135,681 vehicles (including buses and specialty vehicles), representing a 1% decrease from the prior year. The overall decrease was largely attributable to light vehicles, with deliveries down 7% for the year mainly to realign dealer inventory to retail demand. Volumes were up 16% for medium vehicles, 1% for heavy and 3% for buses. Deliveries were down 1% in EMEA and up 15% in LATAM.

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The European truck market (GVW ³3.5 tons) registered a 1.3% increase over 2012 to 659,400 units. Demand benefited from increased sales of Euro V vehicles in the heavy and medium categories (GVW >6.0 tons) during the second half of the year prior to the introduction of Euro VI emissions regulations in January 2014. Our share of the European truck market (GVW ³3.5 tons) remained stable year-over-year at an estimated 11.0% (11.1% in 2012), despite a less favorable product and market mix.

In LATAM, truck registrations (GVW ³3.5 tons) were up 8.9% over the prior year to 225,800 units, with increases of 12.1% in Brazil due to the recovery after the Euro V introduction in 2012, and 16.6% in Argentina, offset by a significant decline in Venezuela (-24.9%). Our share in LATAM was 11.0%, a decline of 0.6 percentage points over 2012, despite a 1.5 percentage point increase in Argentina to 23.8%.

Commercial Vehicles Deliveries by geographic area:

(units in thousands)	2013	2012	% Change
France	18.3	17.8	2.8
Germany	15.0	14.1	6.4
U.K.	6.6	7.0	(5.7)
Italy	14.8	13.9	6.5
Spain	5.8	5.4	7.4
Rest of EMEA	33.2	36.3	(8.5)
EMEA	93.7	94.5	(0.8)
LATAM	30.1	26.1	15.3
APAC	11.9	16.4	(27.4)
Total Sales	135.7	137.0	(0.9)
Naveco	126.9	114.8	10.5
SAIC Iveco Hongyan	28.0	17.0	64.7
Total	290.6	268.8	8.1

Commercial Vehicle Sales by product:

(units in thousands)	2013	2012	% change
Heavy	33.7	33.3	1.2
Medium	20.4	17.6	15.9
Light	68.0	73.3	-7.2
Buses	9.4	9.1	3.3
Specialty vehicles(*)	4.2	3.7	13.5
Total Sales	135.7	137.0	-0.9

(*) Defense and firefighting vehicles

Operating Profit

In 2013, Commercial Vehicles recorded an operating profit of $74 million (operating margin 0.7%), compared to $517 million in 2012 (operating margin 4.7%) as negative market and product mix and tight price competition continued to affect margins primarily in Southern Europe, and Euro VI transitional costs negatively impacted the business. In addition, new product launch costs and unfavorable foreign exchange rate impacts more than offset positive market trend and pricing in LATAM.

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Powertrain

Net Sales

Powertrain net sales were $4,412 million in 2013, an increase of 17.2% compared to 2012. The increase was primarily attributable to higher volumes of engines sold to both internal and external customers. Sales to external customers accounted for 34% of total net revenues, consistent with 2012.

During 2013, Powertrain sold a total of 544,812 engines, an increase of 14.3% relative to 2012. By major customer, 30% of Powertrain s engines were supplied to Commercial Vehicles, 25% to Agricultural Equipment, 5% to Construction Equipment, and the remaining 40% to external customers. Additionally, Powertrain delivered 62,133 transmissions (-3.2% compared with 2012) and 156,772 axles (+1.2% over 2012).

Operating Profit

For 2013, Powertrain recorded an operating profit of $187 million (operating margin 4.2%), compared to $162 million (operating margin 4.3%) in 2012. Higher sales and better capacity utilization drove the improvement, which was partially offset by an increase in research and development costs.

Financial Services Performance

Finance and Interest Income

Financial Services reported revenues of $1,679 million in 2013, down 1.1% relative to 2012. The increase in the average value of the managed portfolio, driven by higher volumes for Industrial Activities, was more than offset by a reduction in interest income due to lower market rates of interest.

Operating Profit

For 2013, Financial Services recorded an operating profit of $514 million, compared to $382 million in 2012. The improvement was mainly attributable to lower bad debt provisions.

Reconciliation of Operating Profit to Net Income

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

	2013	2012	Change
	(dollars in millions)		
Operating profit:			
Industrial Activities	$ 2,095	$ 2,227	$ (132)
Financial Services	514	382	132
Eliminations and other	(332)	(324)	(8)
Total Operating profit	2,277	2,285	(8)
Restructuring expenses	(71)	(231)	160
Interest expenses of Industrial Activities, net of interest income and eliminations	(548)	(515)	(33)
Other, net	(284)	(192)	(92)
Income before income taxes and equity in income of unconsolidated subsidiaries and affiliates	1,374	1,347	27
Income taxes	(671)	(564)	(107)

Equity in income of unconsolidated subsidiaries and affiliates	125	93	32
Net income	$ 828	$ 876	$ (48)

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2012 Compared to 2011

Consolidated Results of Operations

	2012	2011
	(in millions)	
Revenues:		
Net sales	$ 31,529	$ 32,224
Finance and interest income	1,272	1,256
Total Revenues	32,801	33,480
Costs and Expenses:		
Cost of goods sold	25,569	26,270
Selling, general and administrative expenses	3,036	3,214
Research and development expenses	1,129	1,026
Restructuring expenses	231	131
Interest expense	1,209	1,324
Other, net	280	335
Total Costs and Expenses	31,454	32,300
Income before income taxes and equity in income of unconsolidated subsidiaries and affiliates	**1,347**	**1,180**
Income taxes	(564)	(652)
Equity in income of unconsolidated subsidiaries and affiliates	93	111
Net income	**876**	**639**
Net income attributable to noncontrolling interests	120	94
Net income attributable to CNH Industrial N.V.	**$ 756**	**$ 545**

Revenues

We recorded revenues of $32,801 million in 2012, a decrease of 2.0% compared to 2011 (+4% on a constant currency basis), with strong revenue growth for Agricultural Equipment offset by declines for Commercial Vehicles, Powertrain and Construction Equipment. Agricultural Equipment reported net revenues of $15,657 million for 2012, a 10.4% increase over 2011 due to solid global demand in all regions. Construction Equipment reported net revenues of $3,770 million, a 2.7% decrease from 2011 as weakness in most geographic regions was only partially offset by strength in NAFTA. Commercial Vehicles posted revenues of $11,081 million for 2012, a 14.5% decline over 2011 reflecting a further deterioration in economic conditions in several major European markets and weakening demand in Latin America. Powertrain reported revenues of $3,764 million for 2012, a 16.2% decrease compared with 2011, primarily attributable to lower market demand in the on-road diesel engines. Financial Services reported revenues of $1,698 million, an increase of 8.6% over 2011.

Cost of Goods Sold

Cost of goods sold were $25,569 million in 2012 compared with $26,270 million in 2011. The decrease of 2.7% was driven by lower volumes at Commercial Vehicles, Powertrain and Construction Equipment partially offset by increased volumes at Agricultural Equipment.

Selling, General and Administrative Expenses

Selling, general and administrative expenses amounted to $3,036 million in 2012 (9.3% of revenues), a 5.5% decrease compared with the $3,214 million recorded in 2011 (9.6% of net revenues). The decrease was primarily due to reduced loss provisions for Financial Services.

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Research and Development Expenses

In 2012, research and development expenses were $1,129 million compared to $1,026 million in 2011. The increase was mainly attributable to continued investment in new products and engine emissions compliance programs.

Restructuring Expenses

Restructuring expenses were $231 million in 2012 compared to $131 million in 2011. For both periods, the costs were mainly related to Commercial Vehicles as a result of the rationalization of the heavy truck and firefighting businesses in 2012 and the manufacturing footprint for bus assembly plants in 2011.

In 2012, the costs were principally attributable to the reorganization of Commercial Vehicles manufacturing activities in Europe, specifically the concentration of heavy truck production at the plant in Madrid, Spain (which already produced heavy trucks) and termination of those activities in Ulm, Germany. At the same time, certain other European fire-fighting vehicle plants were closed and the production transferred to Ulm, Germany.

In 2011, restructuring expenses principally related to severance and other employee-related costs due to the closure of two of Commercial Vehicles bus assembly plants (located in Spain and Italy).

Interest Expense

Interest expense was $1,209 million in 2012 ($1,324 million in 2011), of which $515 million was attributable to Industrial Activities, net of interest income and eliminations ($640 million in 2011). The reduction in interest expense was primarily attributable to a reduction in average interest rates on short-term debt, as well as the non-recurring charges for break funding costs incurred in 2011 in connection with the Demerger, partly offset by higher average gross debt outstanding.

Other, net

Other net expenses were $280 million in 2012, a decrease of $55 million from $335 million in 2011. The decrease primarily reflected higher gains on disposals of fixed assets and lower pensions and other post-employment costs related to former employees. This item also includes net losses on the disposal of investments amounting to $36 million in 2012, mainly due to the sale of the 20% interest in Kobelco Construction Machinery Co. Ltd.

Income Taxes

	2012	2011
	(in millions, except percents)	
Income before income taxes and equity in income of unconsolidated subsidiaries and affiliates	$ 1,347	$ 1,180
Income taxes	$ 564	$ 652
Effective tax rate	41.9%	55.3%

The decrease in the effective tax rate from 2011 to 2012 was primarily due to the tax effects that negatively impacted the 2011 effective tax rate in certain jurisdictions where we did not record deferred tax assets.

Equity in Income of Unconsolidated Subsidiaries and Affiliates

Equity in income of unconsolidated subsidiaries and affiliates was $93 million in 2012 (compared to $111 million in 2011), mainly due to lower earnings from the unconsolidated joint ventures in China.

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Business Segments

The following is a discussion of our results by segment.

	2012	2011	$ Change	% Change
		(in millions, except percentage)		
Revenues:				
Agricultural Equipment	$ 15,657	$ 14,183	$ 1,474	10.4%
Construction Equipment	3,770	3,876	(106)	-2.7%
Commercial Vehicles	11,081	12,960	(1,879)	-14.5%
Powertrain	3,764	4,491	(727)	-16.2%
Eliminations and other	(2,706)	(3,269)	563	
Total net sales of Industrial Activities	31,566	32,241	(675)	-2.1%
Financial Services	1,698	1,564	134	8.6%
Eliminations and other	(463)	(325)	(138)	
Total Revenues	$ 32,801	$ 33,480	$ (679)	-2.0%

	2012	2011	$ Change	% Change
		(in millions, except percentage)		
Operating Profit:				
Agricultural Equipment	$ 1,681	$ 1,403	$ 278	19.8%
Construction Equipment	(7)	62	(69)	-111.3%
Commercial Vehicles	517	824	(307)	-37.6%
Powertrain	162	129	33	25.6%
Eliminations and other	(126)	(87)	(39)	
Total Industrial Activities Operating Profit	2,227	2,331	(104)	-4.5%
Financial Services	382	93	289	310.8%
Eliminations and other	(324)	(288)	(36)	
Total Operating Profit	$ 2,285	$ 2,136	$ 149	6.10%

Total net sales for Industrial Activities were $31,566 million in 2012, a 2.1% decrease as compared to the prior year. The decrease was primarily due to decreases at Commercial Vehicles, Construction Equipment and Powertrain as a result of the deterioration in economic conditions in several major European markets and weaker demand in LATAM partially offset by continued strength in Agricultural Equipment.

Industrial Activities operating profit was $2,227 million in 2012, a decrease of $104 million compared to 2011. Higher volumes for Agricultural Equipment and efficiency gains for Commercial Vehicles and Powertrain was more than offset by lower volumes for Commercial Vehicles and Powertrain and by higher research and development expenses.

For a complete presentation of financial results by Industrial Activities and Financial Services, please see Note 22 to our consolidated financial statements included in this annual report.

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Industrial Activities Performance by Business

Agricultural Equipment

Net Sales

The following table shows Agricultural Equipment net sales broken down by geographic region in 2012 compared to 2011:

Agricultural Equipment Sales by geographic region:

($ million)	2012	2011	% Change
NAFTA	$ 6,972	$ 6,067	14.9%
EMEA	4,787	4,455	7.5%
LATAM	1,937	1,835	5.6%
APAC	1,961	1,826	7.4%
Total	$ 15,657	$ 14,183	10.4%

Net sales for the Agricultural Equipment business were $15,657 million in 2012, a 10.4% increase compared to 2011. The increase was primarily driven by volume and mix and positive net pricing. All of the regions reported increases in revenue on a constant currency basis.

Worldwide agricultural equipment industry unit sales were flat compared to 2011, with global demand flat for tractors and up 3% for combines. NAFTA tractor sales were up 9%, with the under 40 hp segment up 8% and the over 40 hp segment up 10%, and combine sales were down 1%. LATAM tractor sales increased 4% and combine sales increased 3%. EMEA markets were down 3% despite combine sales being up 9%. APAC markets decreased 2% for tractors and 19% for combines. Worldwide Agricultural Equipment market share performance was in line with the market for both tractors and combines. For tractors, our market share was down in LATAM but flat in all other regions. For combines, our market share was up in APAC, and flat in all other regions.

Operating Profit

Agricultural Equipment operating profit was $1,681 million (operating margin 10.7%), up $278 million from $1,403 million operating profit for 2011 (operating margin 9.9%), as higher revenues and positive pricing effects were only partly offset by higher production costs, increased selling, general and administrative expenses due to increased labor costs and advertising activities in response to growth in the business and research and development expenses related to new products and engine emissions compliance.

Construction Equipment

Net Sales

The following table shows Construction Equipment net sales broken down by geographic region in 2012 compared to 2011:

Construction Equipment Sales by geographic region:

($ million)	2012	2011	% Change
NAFTA	$ 1,609	$ 1,447	11.2%
EMEA	707	796	(11.2)%
LATAM	975	1,071	(9.0)%
APAC	479	562	(14.8)%
Total	$ 3,770	$ 3,876	(2.7)%

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Net sales for Construction Equipment were $3,770 million in 2012, a 2.7% decrease compared to 2011. Excluding the negative impact of foreign currency, construction equipment sales increased 2.1%. On a constant currency basis, Construction Equipment sales were favorable in NAFTA and LATAM but unfavorable in APAC and EMEA. The increase in revenues (on a constant currency basis) was primarily driven by pricing.

Global construction equipment industry unit sales declined 6% over the prior year, with light equipment up 8% and heavy equipment down 18%. NAFTA demand was up 27% and EMEA markets 3%. In LATAM, the market was down 2%, driven by a 6% decline in the heavy line. In APAC markets, industry sales were down 22% for the year, with light equipment demand almost flat year-on-year. Our worldwide Construction Equipment market share for 2012 was flat compared with 2011 for both heavy and light construction equipment. For heavy construction equipment, our market share was flat except in LATAM where it increased slightly. For light construction equipment, our market share was up in LATAM but down in NAFTA.

Operating Profit

Construction Equipment operating loss was $7 million, down $69 million from $62 million operating profit for 2012, due primarily to the negative impact of foreign currency translation, partially offset by net pricing improvements.

Commercial Vehicles

Net Sales

Commercial Vehicles net sales were $11,081 million in 2012, a 14.5% decline from 2011. Significant volume declines, reflecting further deterioration in economic conditions in several major European markets as well as weaker demand in LATAM, were partially offset by a more favorable product mix.

A total of 137 thousand vehicles were delivered in 2012, including buses and specialty vehicles, representing a 10.7% year-over-year decrease with light vehicles down 11.8%, medium vehicles down 21.6% and heavy vehicles down 6.0%. In EMEA, Commercial Vehicles deliveries were down 13.1%, with declines in all European major markets: Germany -16.1%, France -17.7%, the U.K. -15.3%, Italy -37.1% and Spain -24.3%. Deliveries were also down 21.6% in LATAM and were up 43.9% in APAC.

The European truck market (GVW >3.5 tons) contracted by 7.1% in 2012 with trading conditions deteriorating throughout the year. Southern Europe experienced the largest decrease with the gap between Northern and Southern European markets continuing to widen. Our estimated market share in Europe (GVW >3.5 tons) was 11.1% for 2012, down 0.8 percentage point over 2011. The decrease reflects the heightened level of competition resulting from the drop in demand, further compounded by unfavorable conditions in our core geographic markets.

In LATAM, overall demand in 2012 decreased by 14.3% compared to 2011. The Venezuelan market recorded growth of 10.2%, while Argentina was down 4.4% over the prior year and Brazil contracted 18.3%. The year-on-year comparison for Brazil reflects higher purchase activity in the latter part of 2011 associated with the introduction of new emissions regulations. In LATAM, we registered an 11.6% share of the market (GVW >3.5 tons) in 2012, a 0.1 percentage point increase compared to 2011.

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The following tables show our unit sales by geographic area and by product in 2012 compared to 2011:

Commercial Vehicles Sales by geographic area

(units in thousands)	2012	2011	% Change
France	17.8	21.6	-17.7%
Germany	14.1	16.8	-16.1%
UK	7.0	8.3	-15.3%
Italy	13.9	22.1	-37.1%
Spain	5.4	7.1	-24.3%
Rest of EMEA	36.3	32.8	10.7%
EMEA	**94.5**	**108.7**	**-13.1%**
LATAM	26.1	33.3	-21.6%
APAC	16.4	11.4	43.9%
Total Sales	**137.0**	**153.4**	**-10.7%**
Naveco	114.8	101.5	13.1%
SAIC Iveco Hongyan	17.0	31.5	-46.0%
Grand Total	**268.8**	**286.4**	**-6.1%**

Commercial Vehicles Deliveries by product

(units in thousands)	2012	2011	% Change
Heavy	33.3	35.4	-6.0%
Medium	17.6	22.3	-21.6%
Light	73.3	83.5	-11.8%
Buses	9.1	9.5	-6.8%
Specialty vehicles (*)	3.7	2.7	40.1%
Total Sales	**137.0**	**153.4**	**-10.7%**

(*) Defense and firefighting vehicles.

Operating Profit

In 2012, Commercial Vehicles recorded an operating profit of $517 million (operating margin 4.7%), compared to $824 million in 2011 (operating margin 6.4%) as lower volumes and, to a lesser extent, lower pricing were partially offset by cost reduction measures.

Powertrain

Net Sales

Powertrain net sales were $3,764 million in 2012, a decrease of 16.2% compared to 2011. The decline was primarily attributable to lower volumes, to both internal and external customers. Sales to external customers accounted for 34.0% of total net revenues compared to 33.0% in 2011.

Powertrain delivered a total of 476,786 engines in 2012, a decrease of 15.0% compared with 2011. Of the engines sold, 31% were supplied to Commercial Vehicles, 21% to Agricultural Equipment and 6% to Construction Equipment, while the remaining 42% were sold to external customers (including Sevel the Fiat JV for light commercial vehicles which accounted for 24% of Powertrain s engines sold). In addition, Powertrain sold 64,154 transmissions (-14.0%) and 154,958 axles (-9.0%) in 2012.

Operating Profit

For 2012, Powertrain recorded an operating profit of $162 million (operating margin 4.3%), compared to $129 million (operating margin 2.9%) in 2011. Despite the decline in volumes, there was a significant improvement in trading margin (+1.4 p.p. to 4.3%) resulting from industrial efficiencies achieved during the year and the absence of the non-recurring costs recognized in 2011 in relation to production start-ups.

Financial Services Performance

Finance and Interest Income

Financial Services reported revenues of $1,698 million in 2012, up 8.6% over 2011 due to the acquisition of 100% of Iveco Capital Limited, a previously unconsolidated joint venture with Barclays which managed the financial services activities of Commercial Vehicles in Italy, Germany, France, the U.K. and Switzerland.

Operating Profit

For 2012, Financial Services recorded an operating profit of $382 million, compared to $93 million in 2011. The improvement was mainly attributable to the increase in the average portfolio and lower bad debt provisions.

Reconciliation of Operating Profit to Net Income

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

	2012	2011	Change
	(in millions)		
Operating profit:			
Industrial Activities	$ 2,227	$ 2,331	$ (104)
Financial Services	382	93	289
Eliminations and other	(324)	(288)	(36)
Total Operating profit	2,285	2,136	149
Restructuring expenses	(231)	(131)	(100)
Interest expense of Industrial Activities, net of interest income and eliminations	(515)	(640)	125
Other, net	(192)	(185)	(7)
Income before income taxes and equity in income of unconsolidated subsidiaries and affiliates	1,347	1,180	167
Income taxes	(564)	(652)	88
Equity in income of unconsolidated subsidiaries and affiliates	93	111	(18)
Net income	876	639	237
Net income attributable to noncontrolling interests	120	94	26
Net income attributable to CNH Industrial N.V.	$ 756	$ 545	$ 211

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.

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Particularly in light of the current economic uncertainty, developments occurring during 2014 and following years 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 portfolio. 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 2013 and 2012, 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.

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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 (including goodwill). 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 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 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, 2013, the estimated fair value of our Agricultural Equipment and Financial Services reporting units and indefinite-lived intangible assets substantially exceeded the respective carrying values. The Construction Equipment reporting unit s excess of fair value over carrying value was approximately 16%. This 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 decline in market demand for construction equipment, particularly in emerging markets and Europe.

The sum of the fair values of our reporting units was in excess of our market capitalization. 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 2013 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, 2013, 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 health care 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.

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

	2014 Benefit Cost		Year End Benefit Obligation	
	One Percentage-Point Increase	One Percentage-Point Decrease	One Percentage-Point Increase	One Percentage-Point Decrease
		(in millions)		
Pension benefits				
Assumed discount rate	$ (24)	$ 25	$ (371)	$ 452
Expected long-term rate of return on plan assets	(23)	23	NA	NA
Health care benefits:				
Assumed discount rate	(1)	13	(106)	129
Assumed health care cost trend rate (initial and ultimate)	26	(10)	135	(104)
Other benefits:				
Assumed discount rate	(2)		(48)	55

Realization of Deferred Tax Assets

At December 31, 2013, we had net deferred tax assets on temporary differences and theoretical tax benefits arising from tax loss carry forwards of $2,824 million, of which $1,530 million is not recognized in the financial statements. The corresponding totals at December 31, 2012 were $2,679 million and $1,360 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 possible or an estimate is not determinable, the matter is disclosed.

New Accounting Pronouncements Adopted

Troubled Debt Restructuring

In April 2011, the Financial Accounting Standards Board (FASB) issued accounting guidance that clarifies a creditor s determination of troubled debt restructurings. A troubled debt restructuring occurs when a creditor grants a concession it would not otherwise consider to a debtor that is experiencing financial difficulties. The guidance clarifies what would be considered a concession by the creditor and financial difficulties of the debtor. Certain disclosures are required for transactions that qualify as troubled debt restructurings. This new guidance was effective for the Company on January 1, 2011. The disclosures required by this guidance have been included in the notes to the consolidated financial statements. For further information see Note 3: Receivables to our consolidated financial statements for the year ended December 31, 2013.

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Comprehensive Income

In June 2011, the FASB issued Accounting Standards Update (ASU) 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU 2011-05). ASU 2011-05 increases the prominence of other comprehensive income in financial statements. ASU 2011-05 does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The standard initially required that reclassification adjustments from other comprehensive income be measured and presented by income statement line item on the face of the statement of operations. In December 2011, however, the FASB issued ASU 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05. This standard defers the requirement to present components of reclassifications of other comprehensive income on the face of the statement of operations. The Company adopted these standards by consecutively presenting the consolidated statements of operations and the consolidated statements of comprehensive income for the years ended December 31, 2012, 2011 and 2010.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02). ASU 2013-02 requires preparers to report information about reclassifications out of accumulated other comprehensive income. For significant items reclassified out of accumulated other comprehensive income to net income in their entirety in the same reporting period, reporting (either on the face of the statement where net income is presented or in the notes) is required about the effect of the reclassifications on the respective line items in the statement where net income is presented. For items that are not reclassified to net income in their entirety in the same reporting period, a cross reference to other disclosures currently required under U.S. GAAP (e.g., pension amounts that are included in inventory) is required in the notes. The above information must be presented in one place (parenthetically on the face of the financial statements by income statement line item or in a note). Please see Note 18: Accumulated Other Comprehensive Income (Loss) to our consolidated financial statements for the year ended December 31, 2013 for the disclosures required under this pronouncement.

Fair Value

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). ASU 2011-04 clarifies existing fair value measurement concepts and continues the convergence towards a uniform framework for applying fair value measurement principles. This standard requires additional disclosures for fair value measurements, primarily Level 3 measurements. ASU 2011-04 is effective for fiscal years and interim periods beginning after December 15, 2011 and is to be applied prospectively. The adoption of this standard did not have a material impact on the Company s consolidated financial statements or footnote disclosures.

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 2014. See Item 3. Key Information D. Risk Factors for additional information concerning risks related to our business, strategy and operations.

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Cash Flow Analysis

At December 31, 2013, we had cash and cash equivalents of $5,567 million, an increase of $368 million, or 7.1%, from $5,199 million at December 31, 2012. Cash and cash equivalents at December 31, 2013 did not include $922 million ($885 million at December 31, 2012) of restricted 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, totaled $6,489 million at December 31, 2013, an increase of $405 million or 6.7% from the total at the end of year 2012 ($6,084 million).

The following table summarizes the changes to cash flows from operating, investing and financing activities for each of the years ended December 31, 2013, 2012 and 2011.

	2013	**2012**	**2011**
		(in millions)	
Cash provided by (used in):			
Operating activities	$ 1,522	$ 842	$ 2,165
Investing activities	(3,788)	(2,597)	(2,335)
Financing activities	2,616	599	2,815
Translation exchange differences	18		(300)
Net increase (decrease) in cash and cash equivalents	**$ 368**	**$ (1,156)**	**$ 2,345**

Net Cash from Operating Activities

Cash provided by operating activities in 2013 totaled $1,522 million, compared to $842 million in 2012, and comprised the following elements:

$828 million in net income for 2013;

plus $1,103 million in non-cash charges for depreciation and amortization ($690 excluding assets sold with buy-back commitments and equipment on operating leases);

plus $221 million in losses on the disposal of assets and other non-cash items;

plus $81 million in dividends received less $125 million in equity income;

plus changes in other liabilities of $107 million and a negative change in deferred income taxes of $59 million;

minus $634 million in change in working capital.

In 2012, $2,415 million of the $842 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), with $1,573 million resulting from an increase in working capital (calculated on a comparable scope of operations and at constant exchange rates).

In 2011, cash generated from operating activities was $2,165 million, of which $2,528 million was from income-related inflows, offset by an increase of $363 million in working capital (calculated on a comparable scope of operations and at constant exchange rates).

Net Cash from Investing Activities

In 2013, investing activities absorbed $3,788 million in cash (compared to $2,597 million in cash used by investing activities in 2012). The negative flows were generated by:

$1,468 million increase in receivables from financing provided to retail customers;

plus investments in tangible and intangible assets that used $2,666 million in cash (compared to $2,234 million in 2012). Excluding investments for our long-term rental operations and relating to vehicles sold under buy-back commitments, investments amounted to $1,227 million in 2013 ($1,048 million in 2012); and

minus $473 million of proceeds from the sale of assets, mainly related to assets sold with buy-back commitments and equipment on operating leases.

In 2012, cash used in investing activities totaled $2,597 million. Expenditure on tangible and intangible assets totaled $2,234 million. Excluding investments for our long-term rental operations and relating to vehicles sold under buy-back commitments, investments amounted to $1,048 million in 2012 ($820 million in 2011). The increase in receivables from retail financing activities amounted to $873 million, and the proceeds from the sale of assets amounted to $509 million ($97 million excluding those related to our long-term rental operations and relating to vehicles sold under buy-back commitments).

In 2011, cash used in investing activities totaled $2,335 million. Expenditure on tangible and intangible assets totaled $1,974 million. Excluding investments for our long-term rental operations and relating to vehicles sold under buy-back commitments, investments amounted to $820 million. The increase in receivables from retail financing activities amounted to $472 million, and the proceeds from the sale of assets amounted to $554 million, mainly related to assets sold with buy-back commitments and equipment on operating leases.

The following table summarizes our investments in tangible assets (excluding assets sold with buy-back commitments and assets leased on operating lease) by segment for each of the years ended December 31, 2013, 2012 and 2011:

	2013	2012	2011
		(in millions)	
Agricultural Equipment	$ 495	$ 459	$ 328
Construction Equipment	61	96	85
Commercial Vehicles	424	259	201
Powertrain	139	134	132
Financial Services	1		
Total	**$ 1,120**	**$ 948**	**$ 746**

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.

Net Cash from Financing Activities

Cash generated from financing activities totaled $2,616 million in 2013 (compared to a total of $599 million cash generated in 2012). Increased debt funding from our Financial Services activities was partially offset by dividend payments of $368 million.

In 2012, cash generated from financing activities totaled $599 million. Dividend payments of $616 million, which included the $259 million payment of the extraordinary dividend to CNH noncontrolling interests, and repayment in 2012 of debt outstanding with Barclays at year-end 2011 were offset by increased utilization of credit facilities and the $750 million in cash proceeds from new bond issues.

In 2011, cash generated by financing activities totaled $2,815 million, with cash proceeds from new bond issues (totaling $3,562 million) and bank loans being offset by repayment to Fiat following the Demerger of Net Debt outstanding at December 31, 2010 (totaling $3.7 billion).

Capital Resources

The cash flows, funding requirements and liquidity of our companies are managed on a standard and centralized basis. This centralized system is aimed at optimizing the efficiency, effectiveness and security 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 credit lines and asset-backed securitizations.

Our access to external sources of financing, as well as the cost of financing, is dependent on various factors, including our unsecured debt ratings. Currently, we are rated below investment grade, with ratings on our long-term debt 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. Debt 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, 2013, and 2012, our consolidated debt was as detailed in the table below:

	Consolidated		Industrial Activities		Financial Services	
	2013	2012	2013	2012	2013	2012
	(in millions)					
Total Debt	$ 29,866	$ 27,052	$ 11,948	$ 12,032	$ 25,408	$ 22,678

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.

The calculation of Net Debt as of December 31, 2013 and 2012 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	
	2013	2012	2013	2012	2013	2012
			(in millions)			
Total Debt(*)	$ 29,866	$ 27,052	$ 11,948	$ 12,032	$ 25,408	$ 22,678
Less:						
Cash and cash equivalents	5,567	5,199	4,010	3,890	1,557	1,309
Restricted cash	922	885			922	885
Intersegment notes receivables			5,680	6,090	1,810	1,568
Derivatives hedging debt	44	91	44	91		
Net Debt (Cash)	$ 23,333	$ 20,877	$ 2,214	$ 1,961	$ 21,119	$ 18,916

(*) Inclusive of adjustments related to fair value hedges

The increase in the Net Debt position in 2013, compared to 2012, mainly reflects the increase in managed receivables portfolios by Financial Services.

The following table shows the change in Net Debt of Industrial Activities for 2013:

($ million)	2013
Net Debt of Industrial Activities at beginning of year	$ (1,961)
Net income	828
Amortization and depreciation(*)	686
Changes in provisions and similar, and items related to assets sold under buy-back commitments, and assets under operating lease	59
Change in working capital	(19)
Investments in property, plant and equipment, and intangible assets(*)	(1,220)
Other changes	(34)
Net industrial cash flow	300
Capital increases and dividends	(374)
Currency translation differences	(179)
Change in Net Debt of Industrial Activities	(253)
Net Debt of Industrial Activities at end of year	$ (2,214)

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

At December 31, 2013, we had an aggregate amount of $7,182 million in bonds outstanding. For information on the terms and conditions of the bonds, including applicable financial covenants, see Note 9 to our consolidated financial statements for the year ended December 31, 2013.

Global Medium Term Note (GMTN) Program. We have a global medium-term note program allowing for the placement of debt securities with institutional investors outside of the United States which was established in February 2011 and has a total authorized amount of 10 billion. At December 31, 2013, 2,200 million 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. In March 2014, CNH Industrial Finance Europe S.A. issued an additional 1 billion of 2.750% bonds at 99.471% due in March 2019.

Euro 2.0 billion Revolving Credit Facility. On February 7, 2013, we renewed a 2 billion three-year, multi-currency revolving credit facility with 21 banks. The facility, which had 750 million outstanding at December 31, 2013, expires in February 2016 and includes:

financial and other customary covenants (including a negative pledge, *pari passu* and restrictions on the incurrence of indebtedness by certain subsidiaries);

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- 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., CNH Industrial Finance North America Inc.).

For more information on our outstanding indebtedness, see Note 9 to our consolidated financial statements for the year ended December 31, 2013.

We also 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 securitization transactions and involves mainly accounts receivable from final (retail) customers and from the network of dealers to our financial services companies.

At December 31, 2013, our receivables from financing activities included receivables sold and financed through both securitization and factoring transactions of $15.0 billion ($13.8 billion at December 31, 2012), 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 to our consolidated financial statements for the year ended December 31, 2013).

Total interest-bearing debt of Financial Services was $25.4 billion at December 31, 2013 compared to $22.7 billion at December 31, 2012 and $20.7 billion at December 31, 2011. Total borrowing increased to fund the growth in the level of receivables financed by Financial Services and in the increase in operating leases.

During 2013, CNH Industrial Capital LLC (formerly known as CNH Capital LLC, a Financial Services subsidiary in NAFTA) continued to diversify its funding sources with two issues of unsecured debt securities, for an aggregate amount of $1.1 billion, including an issue of debt securities in the amount of $600 million, at an annual fixed rate of 3.625% due in 2018 and an issue of debt securities in the amount of $500 million at an annual fixed rate of 3.250% due in 2017. In 2012, CNH Industrial Capital LLC entered into a $250 million unsecured three-year revolving credit facility and issued $750 million of unsecured three-year notes.

Future Liquidity

We have adopted formal policies and decision-making processes aimed at optimizing our overall financial situation and 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, 2013, we had available committed lines of credit of $5.1 billion, $2.2 billion of which were unused.

CNH Industrial Capital s 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. CNH Industrial Capital has traditionally relied upon the term asset-backed securities market and committed asset-backed facilities as a primary source of funding and liquidity.

If CNH Industrial Capital were unable to obtain asset-backed securities funding at competitive rates, CNH Industrial s ability to conduct its financial services activities would be limited.

Pension and Other Post-Employment Benefits

Pension Plans

Pension plan obligations primarily comprise the obligations of our companies operating in the United States, the United Kingdom and Germany (with respect to certain employees and former employees).

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. 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, 2013 and 2012, the difference between the present value of the pension plan obligations and the fair value of the related plan assets was a deficit of $776 million and $881 million, respectively. In 2013, we contributed $33 million to the plan assets and made direct benefit payments of $35 million for our pension plans. Our expected total contribution to pension plan assets and direct benefit payments is estimated to be $69 million for 2014.

Health Care Plans

Health care plan obligations comprise obligations for health care 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 health care and life insurance benefits under our plans. These plans are not required to be funded. Beginning in 2007, we made contributions on a voluntary basis to a separate and independently managed fund established to finance the North American health care plans.

At December 31, 2013 and 2012, the difference between the present value of the health care plan obligations and the fair value of the related plan assets was a deficit of $1,019 million and $1,121 million, respectively. During 2013, benefits paid directly by us for health care plans amounted to $70 million and we expect to make direct benefit payments of $75 million in 2014.

Other Post-Employment Benefits

Other post-employment benefits consists of benefits for Italian Employee Leaving Entitlements (TFR) before December 31, 2006, loyalty bonus in Italy and various other similar plans in France, Germany and

Belgium. Before 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 prior 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, 2013 and 2012, the present value of the obligation for other post-employment benefits amounted to $565 million and $552 million, respectively.

In 2013, we made direct benefit payments of $43 million for other post-employment benefits and expect to make direct benefit payments of $24 million in 2014.

For further information on pension and other post-employment benefits, see Note 11: Employee Benefit Plans and Postretirement Benefits to our consolidated financial statements for the year ended December 31, 2013.

Joint Liability for Certain Obligations of Fiat

Fiat Industrial was formed as a result of the Demerger. CNH Industrial, as successor to Fiat Industrial, continues to be liable jointly with Fiat for any liabilities of Fiat that arose prior to effectiveness of the Demerger and that remained unsatisfied at the effective date of the Demerger in the event that Fiat fails to satisfy such liabilities. The statutory liability assumed by CNH Industrial is limited to the value of the net assets transferred to Fiat Industrial in the Demerger and survives until all the liabilities of Fiat existing as of the Demerger are satisfied in full. Furthermore, CNH Industrial may be responsible jointly with Fiat in relation to tax liabilities, even if such liabilities exceed the value of the net assets transferred to Fiat Industrial in the Demerger. CNH Industrial estimates that the liabilities of Fiat that were outstanding as of December 31, 2013 for which CNH Industrial may be held jointly liable as described above in the event that Fiat fails to satisfy such obligations amount to approximately $5.7 billion. CNH Industrial evaluated as extremely remote the risk of Fiat s insolvency and therefore no specific provision has been accrued in respect of the above mentioned joint-liabilities.

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 $1,222 million, $1,129 million, and $1,026 million of research and development costs in the years ended December 31, 2013, 2012, and 2011, respectively.

In a continuously and rapidly changing competitive environment, our research 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. Technical and operational synergies and rapid technical communication form the basis of our research and development process.

Research and development activities involved approximately 6,300 employees at 48 sites around the world during 2013.

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 technological innovation continues. At December 31, 2013, we had 7,710 active granted patents, including 1,036 new patents registered during the year (in addition to 2,242 pending applications). We file patent applications in Europe, the United States and 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 and Steyr 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 and, through December 31, 2012, Kobelco brands in particular regions of the world. For construction equipment under Case, we are promoting the Case construction 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 A. Operating Results and Item 5. Operating and Financial Review 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, 2013.

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.

At December 31, 2013, we had granted guarantees on the debt or commitments of third parties or unconsolidated subsidiaries totaling $513 million. These guarantees consist of obligations of certain CNH Industrial companies in favor of certain dealers in relation to bank financings as well as performance guarantees on behalf of an unconsolidated subsidiary in relation to commercial commitments for military vehicles.

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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, 2013:

	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
		(in millions of US Dollars)			
Contractual Obligations*					
Debt Obligations*					
Bonds	$ 7,182	$	$ 2,887	$	