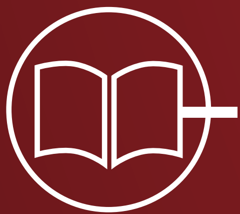
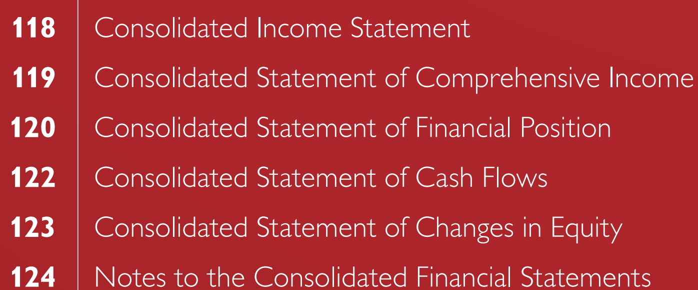


03 CNH INDUSTRIAL CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2014



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CONSOLIDATED INCOME STATEMENT

($ million)	Note	2014	2013(*)
Net revenues	(1)	**32,957**	34,231
Cost of sales	(2)	**26,841**	27,750
Selling, general and administrative costs	(3)	**2,753**	2,961
Research and development costs	(4)	**878**	797
Other income/(expenses)	(5)	**(86)**	(86)
TRADING PROFIT/(LOSS)		**2,399**	2,637
Gains/(losses) on the disposal of investments	(6)	**-**	(25)
Restructuring costs	(7)	**192**	54
Other unusual income/(expenses)	(8)	**(40)**	(77)
OPERATING PROFIT/(LOSS)		**2,167**	2,481
Financial income/(expenses)	(9)	**(776)**	(615)
Result from investments:	(10)	**91**	136
Share of the profit/(loss) of investees accounted for using the equity method		**90**	135
Other income/(expenses) from investments		**1**	1
PROFIT/(LOSS) BEFORE TAXES		**1,482**	2,002
Income taxes	(11)	**566**	784
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**916**	1,218
Profit/(loss) from discontinued operations		**-**	-
PROFIT/(LOSS)		**916**	1,218
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		**917**	1,048
Non-controlling interests		**(1)**	170

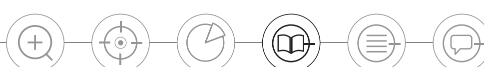
(in $)			
BASIC EARNINGS/(LOSS) PER COMMON SHARE	(13)	**0.68**	0.83
DILUTED EARNINGS/(LOSS) PER COMMON SHARE	(13)	**0.68**	0.83

(*) Amounts recast in order to reflect the change in presentation currency from euro to U.S. dollar. Reference should be made to the section "Significant accounting policies", paragraph "Change in presentation currency", for further details.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

($ million)	Note	2014	2013(*)
PROFIT/(LOSS) (A)		**916**	1,218
Other comprehensive income that will not be reclassified subsequently to profit or loss:			
Gains/(losses) on the remeasurement of defined benefits plans	(24)	**(417)**	155
Income tax relating to Other comprehensive income that will not be reclassified subsequently to profit or loss	(24)	**102**	(88)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1)		**(315)**	67
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges	(24)	**(215)**	144
Gains/(losses) on fair value of available-for-sale financial assets	(24)	**-**	-
Gains/(losses) on exchange differences on translating foreign operations	(24)	**(141)**	(520)
Share of other comprehensive income of entities consolidated by using the equity method	(24)	**(45)**	(23)
Income tax relating to components of Other comprehensive income that may be reclassified subsequently to profit or loss	(24)	**63**	(42)
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2)		**(338)**	(441)
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX (B) = (B1) + (B2)		**(653)**	(374)
TOTAL COMPREHENSIVE INCOME (A)+(B)		**263**	844
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		**269**	663
Non-controlling interests		**(6)**	181

(*) Amounts recast in order to reflect the change in presentation currency from euro to U.S. dollar. Reference should be made to the section "Significant accounting policies", paragraph "Change in presentation currency", for further details.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

($ million)	Note	At December 31, 2014	At December 31, 2013(*)
ASSETS			
Intangible assets	(14)	**6,031**	6,046
Property, plant and equipment	(15)	**6,733**	6,967
Investments and other financial assets:	(16)	**690**	758
Investments accounted for using the equity method		**633**	674
Other investments and financial assets		**57**	84
Leased assets	(17)	**1,518**	1,059
Defined benefit plan assets		**20**	44
Deferred tax assets	(11)	**1,655**	1,672
Total Non-current assets		**16,647**	**16,546**
Inventories	(18)	**7,140**	7,536
Trade receivables	(19)	**1,054**	1,362
Receivables from financing activities	(19)	**21,472**	21,986
Current tax receivables	(19)	**324**	348
Other current assets	(19)	**1,434**	1,900
Current financial assets:		**205**	261
Current securities	(20)	**-**	-
Other financial assets	(21)	**205**	261
Cash and cash equivalents	(22)	**6,141**	6,489
Total Current assets		**37,770**	**39,882**
Assets held for sale	(23)	**24**	34
TOTAL ASSETS		**54,441**	**56,462**

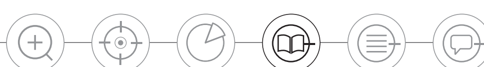
(*) Amounts recast in order to reflect the change in presentation currency from euro to U.S. dollar. Reference should be made to the section "Significant accounting policies", paragraph "Change in presentation currency", for further details.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

($ million)	Note	At December 31, 2014	At December 31, 2013(*)
EQUITY AND LIABILITIES			
Issued capital and reserves attributable to owners of the parent		**7,534**	7,591
Non-controlling interests		**43**	71
Total Equity	(24)	**7,577**	**7,662**
Provisions:		**6,386**	6,528
Employee benefits	(25)	**2,831**	2,713
Other provisions	(26)	**3,555**	3,815
Debt:	(27)	**29,701**	29,946
Asset-backed financing	(27)	**13,587**	14,727
Other debt	(27)	**16,114**	15,219
Other financial liabilities	(21)	**235**	94
Trade payables	(28)	**5,982**	7,369
Current tax payables		**206**	418
Deferred tax liabilities	(11)	**399**	302
Other current liabilities	(29)	**3,955**	4,143
Liabilities held for sale		**-**	-
Total Liabilities		**46,864**	**48,800**
TOTAL EQUITY AND LIABILITIES		**54,441**	**56,462**

(*) Amounts recast in order to reflect the change in presentation currency from euro to U.S. dollar. Reference should be made to the section "Significant accounting policies", paragraph "Change in presentation currency", for further details.



CONSOLIDATED STATEMENT OF CASH FLOWS

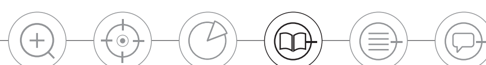
($ million)	Note	2014	2013(*)
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(22)	6,489	6,084
B) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:			
Profit/(loss)		916	1,218
Amortization and depreciation (net of vehicles sold under buy-back commitments and operating lease)		1,151	997
(Gains)/losses on disposal of:			
Property plant and equipment and intangible assets (net of vehicles sold under buy-back commitments)		(1)	3
Investments		-	25
Other non-cash items	(37)	157	38
Dividends received		88	81
Change in provisions		(70)	132
Change in deferred income taxes		108	(49)
Change in items due to buy-back commitments	(37)	111	105
Change in operating lease items	(37)	(582)	(210)
Change in working capital	(37)	(705)	97
TOTAL		1,173	2,437
C) CASH FLOWS FROM/(USED IN) INVESTMENT ACTIVITIES:			
Investments in:			
Property, plant and equipment and intangible assets (net of vehicles sold under buy-back commitments and operating lease)		(1,698)	(1,985)
Consolidated subsidiaries, net of cash acquired		-	-
Other investments		(104)	(113)
Proceeds from the sale of:			
Property, plant and equipment and intangible assets (net of vehicles sold under buy-back commitments)		25	7
Other investments		-	-
Net change in receivables from financing activities	(37)	(923)	(2,399)
Change in current securities		-	5
Other changes		320	(70)
TOTAL		(2,380)	(4,555)
D) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:			
Bonds issued		2,759	1,100
Repayment of bonds		-	(1,000)
Issuance of other medium-term borrowings		2,306	2,520
Repayment of other medium-term borrowings		(2,520)	(2,297)
Net change in other financial payables and other financial assets/liabilities	(37)	(808)	2,583
Capital increase		18	4
Dividends paid		(382)	(368)
(Purchase)/sale of treasury shares		-	8
(Purchase)/sale of ownership interests in subsidiaries		-	(18)
TOTAL		1,373	2,532
Translation exchange differences		(514)	(9)
E) TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		(348)	405
F) CASH AND CASH EQUIVALENTS AT END OF YEAR	(22)	6,141	6,489

(*) Amounts recast in order to reflect the change in presentation currency from euro to U.S. dollar. Reference should be made to the section "Significant accounting policies", paragraph "Change in presentation currency", for further details.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY(*)

($ million)	Share capital	Capital reserves	Earnings reserves	Cash flow hedge reserve	Cumulative translation adjustment reserve	Available-for-sale financial assets reserve	Defined benefit plans remeasurement reserve	Cumulative share of OCI of entities consolidated under the equity method	Non-controlling interests	Total
AT DECEMBER 31, 2012	**2,565**	**581**	**3,131**	**(42)**	**111**	**-**	**(247)**	**8**	**986**	**7,093**
Capital increase	-	-	-	-	-	-	-	-	4	4
Dividends distributed	-	-	(366)	-	-	-	-	-	(2)	(368)
Purchase and sale of ownership interests in subsidiaries from/to non-controlling interests	-	(38)	-	-	-	-	2	-	64	28
Increase/(decrease) in the Reserve for share-based payments	-	29	(8)	-	-	-	-	-	-	21
Total comprehensive income for the year	-	-	1,049	95	(495)	-	68	(20)	147	844
Other changes	-	-	21	-	-	-	-	-	19	40
Presentation of the effects of the Merger:										
Cancellation of Fiat Industrial S.p.A. share capital and issuance of CNH Industrial N.V. share capital	(2,541)	2,541	-	-	-	-	-	-	-	-
Purchase of ownership interests in CNH Global N.V. from non-controlling interests	1	1	1,178	2	5	-	(30)	(10)	(1,147)	-
AT DECEMBER 31, 2013	**25**	**3,114**	**5,005**	**55**	**(379)**	**-**	**(207)**	**(22)**	**71**	**7,662**
Capital increase	-	18	-	-	-	-	-	-	-	18
Dividends distributed	-	-	(375)	-	-	-	-	-	(7)	(382)
Increase/(decrease) in the Reserve for share-based payments	-	38	-	-	-	-	-	-	-	38
Total comprehensive income for the year	-	-	917	(152)	(139)	-	(312)	(45)	(6)	263
Other changes	-	-	(7)	-	-	-	-	-	(15)	(22)
AT DECEMBER 31, 2014	**25**	**3,170**	**5,540**	**(97)**	**(518)**	**-**	**(519)**	**(67)**	**43**	**7,577**

(*) Amounts recast in order to reflect the change in presentation currency from euro to U.S. dollar. Reference should be made to the section "Significant accounting policies", paragraph "Change in presentation currency", for further details.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOREWORD

Until December 31, 2013, CNH Industrial N.V. (or the "Company" and collectively with its subsidiaries, "CNH Industrial" or the "CNH Industrial Group" or the "Group") presented its Consolidated Financial Statements, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, in euros and including three reportable segments: Agricultural and Construction Equipment inclusive of its financial services activities, Trucks and Commercial Vehicles inclusive of its financial services activities, and Powertrain.

Beginning with the filing with the SEC of its Annual Report on Form 20-F for the fiscal year ended December 31, 2013, prepared in accordance with accounting standards generally accepted in the United States ("U.S. GAAP"), CNH Industrial reports quarterly and annual financial results both under U.S. GAAP for SEC reporting purposes and under IFRS for European listing purposes and Dutch law requirements. Financial statements under both sets of accounting principles use the U.S. dollar as the reporting currency. Prior period results, prepared in euro, have been consistently recast. The functional currency of the parent company (CNH Industrial N.V.) remained the euro.

IFRS differs in certain significant respects from U.S. GAAP. In order to help readers understand the difference between the CNH Industrial's two sets of financial statements, the Group has provided, on a voluntary basis, a reconciliation from IFRS to U.S. GAAP as included in Note 38 "IFRS to U.S. GAAP reconciliation".

In addition, CNH Industrial has expanded its reportable segments from three (Agricultural and Construction Equipment inclusive of its financial services activities, Trucks and Commercial Vehicles inclusive of its financial services activities, and Powertrain) to five (Agricultural Equipment, Construction Equipment, Commercial Vehicles, Powertrain and Financial Services). The activities carried out by the four industrial segments Agricultural Equipment, Construction Equipment, Commercial Vehicles and Powertrain, as well as Corporate functions, are collectively referred to as "Industrial Activities". Prior period results have been consistently recast.

For a description of the accounting treatment of the change in the presentation currency and in the reportable segments, refer to paragraphs "Change in presentation currency" and "Change in reportable segments", in section "Significant accounting policies".

PRINCIPAL ACTIVITIES

CNH Industrial N.V. is the company formed by the merger, completed on September 29, 2013, between Fiat Industrial S.p.A. and its majority owned subsidiary CNH Global N.V (the "Merger"). The Merger represented a "business combination involving entities or businesses under common control" and was outside the scope of application of IFRS 3 – *Business Combinations*, and its main effect was the acquisition of the non-controlling interests in the profit and loss and shareholder's equity of former CNH Global N.V. since the closing date for no consideration. This effect was immaterial on the CNH Industrial's consolidated profit and loss for the year ended December 31, 2013.

CNH Industrial N.V. is incorporated in, and under the laws of, The Netherlands. CNH Industrial N.V. has its corporate seat in Amsterdam, The Netherlands, and its principal office in Basildon, United Kingdom. The Group is involved in the manufacture and sale of agricultural and construction equipment, trucks and commercial vehicles, industrial and marine engines and transmission systems and axles.

The Consolidated Financial Statements are presented in U.S. dollars.

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These Consolidated Financial Statements have been prepared in accordance with IFRS as issued by the IASB and adopted by the European Union. The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the IFRS Interpretations Committee, formerly the Standing Interpretations Committee ("SIC") and then the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements are prepared under the historical cost convention, modified as required for the measurement of certain financial instruments, as well as on a going concern basis. In this respect, despite operating in a continuingly difficult economic and financial environment, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about its ability to continue as a going concern, in view also of the measures already undertaken by the Group to adapt to the changed levels of demand and its industrial and financial flexibility.

Change in presentation currency

Until December 31, 2013, CNH Industrial presented its Consolidated Financial Statements, prepared in accordance with IFRS, in euros.

As previously described in the Foreword, in order to improve comparability with its main peers, CNH Industrial changed its presentation currency from euro to U.S. dollars for all financial reporting publications subsequent to its Annual report at December 31, 2013 prepared in accordance with IFRS.

Under IFRS, a change in the presentation currency is a change in accounting policy that, in accordance with IAS 8 - *Accounting Policies, Changes in Accounting Estimates*, is accounted for retrospectively as if the new presentation currency had always been the presentation currency.

As a consequence, comparative figures included in these Consolidated Financial Statements, previously reported in euros, have been recast into U.S. dollars as follows:

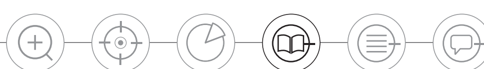
- assets and liabilities denominated in non-U.S. dollar currencies were translated into U.S. dollars at the closing rates of exchange on the relevant balance sheet date, as detailed in paragraph "Basis of consolidation" of this section;
- income and expenditure denominated in non-U.S. dollar currencies were translated at the average rates of exchange for the relevant period, as detailed in paragraph "Basis of consolidation" of this section;
- cumulative translation reserve had been set to nil at January 1, 2004, the date of transition to IFRS of the Group, and this reserve was recast on the basis that the Group reported in U.S. dollars since that date. Share capital, share premium and the other reserves were translated at the historic rates and subsequent rates on the date of each transaction.

Change in reportable segments

Until December 31, 2013, CNH Industrial presented its Consolidated Financial Statements, prepared in accordance with IFRS, including three reportable segments: (i) Agricultural and Construction Equipment inclusive of its financial services activities, (ii) Trucks and Commercial Vehicles inclusive of its financial services activities, and (iii) Powertrain.

In order to enhance its reporting following the merger between Fiat Industrial S.p.A. and CNH Global N.V., CNH Industrial 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 use vehicles; (iv) 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; and (v) Financial Services, which offers a range of financial services to dealers and customers.

The activities carried out by the four industrial segments Agricultural Equipment, Construction Equipment, Commercial Vehicles and Powertrain, as well as Corporate functions, are collectively referred to as "Industrial Activities".



The segment information presented in these Consolidated Financial Statements reflects the five reportable segments above described. Segment information presented for comparative purposes has been recast, as required by IFRS 8 – *Operating Segments*, to conform to the current year's presentation. For further information, refer to Note 31 "Segment reporting".

Format of the financial statements

The Group presents an income statement using a classification based on the function of expenses (otherwise known as the "cost of sales" method), rather than one based on their nature, as this is believed to provide information that is more relevant. The format selected is that used for managing the business and for management reporting purposes. In this income statement, the Group also presents subtotals for both Trading Profit and Operating Profit. Trading Profit is one of the measures used by the Chief Operating Decision Maker to assess the trading performance of the Group's businesses and is therefore, together with Operating Profit, one of the measures of segment profit that the Group presents under IFRS. Trading Profit represents Operating Profit before specific items that are considered to hinder comparison of the trading performance of the Group's businesses either on a year-on-year basis or with other businesses. In detail, Trading Profit is a measure that excludes Gains/(losses) on the disposal of investments, Restructuring costs and Other unusual income/(expenses) which impact, and are indicative of, operational performance, but whose effects occur on a less frequent basis; each of these items is described as follows:

- Gains/(losses) on the disposal of investments are defined as gains or losses incurred on the disposal of investments (both consolidated subsidiaries and unconsolidated associates or other investments), inclusive of transaction costs. The caption also includes gains/losses recognized in business combinations achieved in stages, when the Group's previously held equity interest in the acquiree is re-measured at its acquisition-date fair value;
- Restructuring costs are defined as costs associated with involuntary employee termination benefits pursuant to a one-time benefit arrangement, costs to consolidate or close facilities and relocate employees, and any other cost incurred for the implementation of restructuring plans; those plans reflect specific actions taken by management to improve the Group's future profitability;
- Other unusual income/(expenses) are defined as asset write-downs (of plant, equipment or inventory) and provisions (or their subsequent reversal) arising from infrequent external events or market conditions.

CNH Industrial excludes the above items from Trading Profit because they are individually or collectively material items that are not considered to be representative of the routine trading performance of the Group's businesses. Operating Profit captures all items which are operational in nature regardless of the rate of occurrence. By distinguishing operational items between Trading Profit and Operating Profit, the Group's performance may be evaluated in a more effective manner, while still disclosing a higher level of detail.

For the statement of financial position, a mixed format has been selected to present current and non-current assets and liabilities, as permitted by IAS 1. Companies carrying out industrial activities and those carrying out financial activities are both consolidated in the Group's financial statements. The investment portfolios of Financial Services are included in current assets, as the investments will be realized in their normal operating cycle. Financial Services, though, obtains funds only partially from the market: the remainder are obtained from CNH Industrial N.V. through the Group's treasury companies (included in Industrial Activities), which lend funds both to Industrial Activities and to Financial Services companies as the need arises. This Financial Services structure within the Group means that any attempt to separate current and non-current liabilities in the consolidated statement of financial position is not meaningful. Disclosure of the due dates of liabilities is however provided in the notes.

The statement of cash flows is presented using the indirect method.

Basis of consolidation

Subsidiaries

Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Non-controlling interests in the net assets of consolidated subsidiaries and non-controlling interests in the profit or loss of consolidated subsidiaries are presented separately from the interests of the owners of the parent in the consolidated statement of financial position and income statement respectively. Losses applicable to non-controlling interests which exceed the non-controlling interests in the subsidiary's equity are debited to non-controlling interests.

Changes in the Group's ownership interests in subsidiaries that do not result in the loss of control are accounted for as equity transactions. The carrying amounts of the equity attributable to owners of the parent and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the book value of the non-controlling interests and the fair value of the relevant consideration is recognized directly in the equity attributable to the owners of the parent.

If the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the relevant consideration and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Any profits or losses recognized in other comprehensive income in respect of the subsidiary are accounted for as if the subsidiary had been sold (i.e. are reclassified to profit or loss or transferred directly to retained earnings depending on the applicable IFRS).

Subsidiaries that are either dormant or generate a negligible volume of business, are not consolidated. Their impact on the Group's assets, liabilities, financial position and profit/(loss) attributable to the owners of the parent is immaterial.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investments in joint ventures are accounted for using the equity method from the date that joint control commences until the date that joint control ceases.

Associates

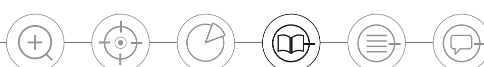
Associates are enterprises over which the Group has significant influence. As defined in IAS 28 – *Investments in Associates and Joint Ventures*, significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses of an associate, if any, exceeds the carrying amount of the associate in the Group's statement of financial position, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Investments in other companies

Investments in other companies that are available-for-sale financial assets are measured at fair value, when this can be reliably determined. Gains or losses arising from changes in fair value are recognized directly in other comprehensive income until the assets are sold or are impaired, when the cumulative gains and losses previously recognized in equity are recognized in profit or loss of the period.

Investments in other companies for which fair value is not available or is not reliable are stated at cost less any impairment losses.

Dividends received from these investments are included in Other income/(expenses) from investments.



Transactions eliminated on consolidation

All significant intragroup balances and transactions and any unrealized gains and losses arising from intragroup transactions are eliminated in preparing the Consolidated Financial Statements. Unrealized gains and losses arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in those entities.

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in profit or loss.

Consolidation of foreign entities

All assets and liabilities of foreign consolidated companies with a functional currency other than the U.S. dollar are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Translation differences resulting from the application of this method are classified as equity until the disposal of the investment. Average rates of exchange are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows.

The goodwill, assets acquired and liabilities assumed arising from the acquisition of entities with a functional currency other than the U.S. dollar are recognized in the functional currency and translated at the exchange rate at the acquisition date. These balances are subsequently retranslated at the exchange rate at the balance sheet date.

The principal exchange rates used to translate into U.S. dollars the financial statements prepared in currencies other than the U.S. dollar were as follows:

	Average 2014	At December 31, 2014	Average 2013	At December 31, 2013
Euro	**0.753**	**0.824**	0.753	0.725
Pound sterling	**0.607**	**0.642**	0.640	0.605
Swiss franc	**0.914**	**0.990**	0.927	0.890
Polish zloty	**3.149**	**3.520**	3.161	3.012
Brazilian real	**2.349**	**2.653**	2.159	2.362
Canadian dollar	**1.104**	**1.158**	1.030	1.064
Argentine peso	**8.115**	**8.551**	5.469	6.518
Turkish lira	**2.188**	**2.333**	1.907	2.147

Re-measurement of Venezuelan assets

Based on changes to the way Venezuela's exchange rate mechanism operates, CNH Industrial has changed the bolivar fuerte ("Bs.F.") rate used to re-measure its Venezuelan Commercial Vehicles operations financial statements in U.S. dollars. Effective March 31, 2014, CNH Industrial started to use the exchange rate determined by U.S. dollar auctions conducted under Venezuela's Complementary System of Foreign Currency Administration (SICAD I). The SICAD I exchange rate which CNH Industrial used at December 31, 2014 is 12.0 Bs.F to the U.S. dollar compared with a previously used Official Exchange Rate of 6.3 Bs.F. to the U.S. dollar before March 31, 2014. As a result, CNH Industrial recorded a pre-tax re-measurement charge of $71 million for the year ended December 31, 2014. At December 31, 2014, the Venezuelan subsidiary had net monetary assets of $125 million, including $106 million of cash and cash equivalents. As the SICAD I rate is based on periodic auctions, there may be significant changes to the exchange rate in future years, as well as other related developments in Venezuela, which may impact the Consolidated Financial Statements.

The operating environment in Venezuela continues to be challenging, reflecting economic uncertainty and the CNH Industrial's limited ability to convert Bs.F. to U.S. dollars. Various restrictions on CNH Industrial's ability to manage its operations, including restrictions on the distribution of foreign exchange by the authorities, have affected CNH Industrial's Venezuelan operation's ability to pay obligations denominated in U.S. dollars, thereby restricting CNH Industrial's ability to benefit from its investment in this operation. However, the participation in some SICAD auctions resulted in the opportunity to generate some new business in the country. Moreover, SICAD rules allow CNH Industrial to generate this additional business keeping the current foreign currency exposure, considering its suppliers' prepayment mechanism. As such, Commercial Vehicles resumed limited manufacturing operations in Venezuela during the third quarter of 2014 after temporarily suspending operations in April 2014.

Business combinations

Business combinations are accounted for using the acquisition method. Under this method:

- the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities assumed by the Group and the equity interests issued in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred;
- at the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at that date, except for deferred tax assets and liabilities, assets and liabilities relating to employee benefit arrangements, liabilities or equity instruments relating to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire, assets (or disposal groups) that are classified as held for sale, which are measured in accordance with the relevant standard;
- goodwill is measured as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a gain from a bargain purchase;
- non-controlling interest is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The selection of the measurement method is made on a transaction-by-transaction basis;
- any contingent consideration arrangement in the business combination is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination in order to determine goodwill. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are recognized retrospectively, with corresponding adjustments to goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which may not exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date. Any changes in fair value after the measurement period are recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Changes in the equity interest in the acquiree that have been recognized in Other comprehensive income in prior reporting periods are reclassified to profit or loss as if the interest had been disposed of.

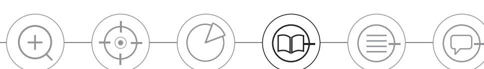
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete in the Consolidated Financial Statements. Those provisional amounts are adjusted during the above-mentioned measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date which, if known, would have affected the amounts recognized at that date.

Business combinations that took place prior to January 1, 2010 were accounted for in accordance with the version of IFRS 3 effective before the 2008 amendments, as permitted by the revised standard.

Fair value measurement

Some of the Group's assets and liabilities are measured at fair value at the balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In estimating the fair value of an asset or a liability, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Additional information about fair value, fair value hierarchy, valuation techniques and inputs used in determining the fair value of assets and liabilities is provided in Note 21, Note 34 and, where required, in the individual notes relating to the assets and liabilities whose fair value were determined.



In addition, fair value measurements are categorized within the fair value hierarchy, described as follows, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) on the market;
- Level 3 — inputs that are not based on observable market data.

Intangible assets

Goodwill

Goodwill is not amortized, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Development costs

Development costs for vehicle production project (trucks, buses, agricultural and construction equipment and engines) are recognized as an asset if and only if both of the following conditions are met: a) development costs can be measured reliably and b) the technical feasibility of the product, volumes and pricing support the view that the development expenditure will generate future economic benefits. Capitalized development costs include all direct and indirect costs that may be directly attributed to the development process. Capitalized development costs are amortized on a systematic basis from the start of production of the related product over the product's estimated average life, as follows:

	N° of years
Trucks and buses	4-8
Agricultural and construction equipment	5
Engines	8-10

All other development costs are expensed as incurred.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives consist principally of acquired trademarks which have no legal, contractual, competitive, economic, or other factors that limit their useful lives. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently whenever there is an indication that the asset may be impaired.

Other intangible assets

Other purchased and internally-generated intangible assets are recognized as assets in accordance with IAS 38 – *Intangible Assets*, where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably.

Such assets are measured at purchase or manufacturing cost and amortized on a straight-line basis over their estimated useful lives, if these assets have finite useful lives.

Other intangible assets acquired as part of the acquisition of a business are capitalized separately from goodwill if their fair value can be measured reliably.

Property, plant and equipment

Cost

Property, plant and equipment are stated at acquisition or production cost.

Subsequent expenditures and the cost of replacing parts of an asset are capitalized only if they increase the future economic benefits embodied in that asset. All other expenditures are expensed as incurred. When such replacement costs are capitalized, the carrying amount of the parts that are replaced is recognized in profit or loss.

Property, plant and equipment also include vehicles sold with a buy-back commitment, which are recognized under the method described in the paragraph Revenue recognition if the buy-back commitment originates from Commercial Vehicles.

Assets held under finance lease, which provide the Group with substantially all the risks and rewards of ownership, are recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statement as a debt. The assets are depreciated by the method and at the rates indicated below.

Leases under which the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating lease. Operating lease expenditures are expensed on a straight-line basis over the lease terms.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Depreciation rates
Buildings	2.5% - 10%
Plant, machinery and equipment	4% - 20%
Other assets	10% - 33%

Land is not depreciated.

Finance leases

Future minimum lease payments from lessees are classified as Receivables from financing activities. Lease payments are recognized as the repayment of the principal and financial income remunerating the initial investment and the services provided.

Leased assets

Leased assets include vehicles leased to retail customers by the Group's leasing companies under operating lease arrangements. They are stated at cost and depreciated at annual rates of between 20% and 33%.

When such assets are no longer leased and become held for sale, the Group reclassifies their carrying amount to Inventories.

Borrowing costs

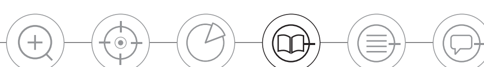
Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets (as defined under IAS 23 – *Borrowing Costs*), which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized and amortized over the useful life of the class of assets to which they refer.

All other borrowing costs are expensed when incurred.

Impairment of assets

The Group reviews, at least annually, the recoverability of the carrying amount of intangible assets (including capitalized development costs) and property, plant and equipment, in order to determine whether there is any indication that those assets have suffered an impairment loss. Goodwill and Intangible assets with indefinite useful lives are tested for impairment annually or more frequently, if there is an indication that an asset may be impaired.

If indicators of impairment are present, the carrying amount of the assets is reduced to its recoverable amount that is the higher of its fair value less disposal costs and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating



unit to which the asset belongs. In assessing its value in use, the pre-tax estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized when the recoverable amount is lower than the carrying amount.

Where a previous impairment loss for assets other than goodwill no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased up to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognized. A reversal of an impairment loss is recognized in profit or loss immediately.

Financial instruments

Presentation

Financial instruments held by the Group are presented in the financial statements as described in the following paragraphs.

Investments and other non-current financial assets comprise investments in unconsolidated companies and other non-current financial assets (held-to-maturity securities, non-current loans and receivables and other non-current available-for-sale financial assets).

Current financial assets, as defined in IAS 39, include trade receivables, receivables from financing activities (retail financing, dealer financing, lease financing and other current loans to third parties), current securities and other current financial assets (which include derivative financial instruments stated at fair value as assets), as well as cash and cash equivalents.

In particular, Cash and cash equivalents include cash at banks, units in liquidity funds and other money market securities that are readily convertible into cash and are subject to an insignificant risk of changes in value.

Current securities include short-term or marketable securities which represent temporary investments of available funds and do not satisfy the requirements for being classified as cash equivalents; current securities include both available-for-sale and held-for-trading securities.

Financial liabilities refer to debt, which includes asset-backed financing, and other financial liabilities (which include derivative financial instruments stated at fair value as liabilities), trade payables and other payables.

Measurement

Investments in unconsolidated companies classified as non-current financial assets are accounted for as described in the paragraph "Basis of consolidation".

Non-current financial assets other than investments, as well as current financial assets and financial liabilities, are accounted for in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*.

Current financial assets and held-to-maturity securities are recognized on the basis of the settlement date and, on initial recognition, are measured at fair value, including transaction costs.

Subsequent to initial recognition, available-for-sale and held-for-trading financial assets are measured at fair value. When market prices are not available, the fair value of available-for-sale financial assets is measured using appropriate valuation techniques (e.g. discounted cash flow analysis based on market information available at the balance sheet date).

Gains and losses on available-for-sale financial assets are recognized directly in other comprehensive income until the financial asset is disposed of or is determined to be impaired; when the asset is disposed of, the cumulative gains or losses, including those previously recognized in other comprehensive income, are reclassified to profit or loss for the period; when the asset is impaired, accumulated losses are recognized to profit or loss. Gains and losses arising from changes in the fair value of held-for-trading financial instruments are included in profit or loss for the period.

Loans and receivables which are not held by the Group for trading (loans and receivables originating in the course of business), held-to-maturity securities and all financial assets for which published price quotations in an active market are not available and whose fair value cannot be determined reliably, are measured, to the extent that they have a fixed term, at amortized cost, using the effective interest method. When the financial assets do not have a fixed term, they are measured at acquisition cost. Receivables with maturities of over one year which bear no interest or an interest rate significantly lower than market rates are discounted using market rates.

Assessments are made regularly as to whether there is any objective evidence that a financial asset or group of assets may be impaired. If any such evidence exists, an impairment loss is included in profit or loss for the period.

Except for derivative instruments, financial liabilities are measured at amortized cost using the effective interest method.

Financial assets and liabilities hedged by derivative instruments are measured in accordance with hedge accounting principles applicable to fair value hedges: gains and losses arising from remeasurement at fair value, due to changes in the respective hedged risk, are recognized in profit or loss and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument.

Derivative financial instruments

Derivative financial instruments are used for hedging purposes, in order to reduce currency, interest rate and market price risks. In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which it is designated.

All derivative financial instruments are measured in accordance with IAS 39 at fair value.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

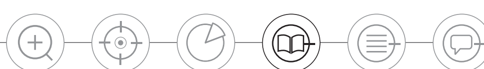
- *Fair value hedges* – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability that is attributable to a particular risk and could affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value is recognized in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in profit or loss.
- *Cash flow hedges* – Where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognized asset or liability or a highly probable forecasted transaction and could affect profit or loss, the effective portion of any gain or loss on the derivative financial instrument is recognized directly in other comprehensive income. The cumulative gain or loss is removed from other comprehensive income and recognized in profit or loss at the same time as the economic effect arising from the hedged item affects income. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognized in profit or loss immediately. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realized to the point of termination remains in other comprehensive income and is recognized in profit or loss at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss held in other comprehensive income is recognized in profit or loss immediately.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately in profit or loss.

Transfers of financial assets

The Group derecognizes financial assets when, and only when, the contractual rights to the cash flows arising from the assets no longer hold or if the Group transfers the financial activities. When the Group transfers a financial asset:

- if the Group transfers substantially all the risks and rewards of ownership of the financial asset, it derecognizes the financial asset and recognizes separately as assets or liabilities any possible rights and obligations created or retained in the transfer;
- if the Group retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset;
- if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it determines whether it has retained control of the financial asset. In this case:
  - if the Group has not maintained control, it derecognizes the financial asset and recognizes separately as assets and liabilities any possible rights and obligations created or retained in the transfer;
  - if the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.



On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received or receivable for the transfer of the asset is recognized in profit or loss.

Inventories

Inventories of raw materials, semi-finished products and finished goods, (including assets leased out under operating lease) are stated at the lower of cost and net realizable value, cost being determined on a first-in-first-out (FIFO) basis. Cost includes the direct costs of materials, labor and indirect costs (variable and fixed). Provision is made for obsolete and slow-moving raw materials, finished goods, spare parts and other supplies based on their expected future use and realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs for sale and distribution.

The measurement of construction contracts is based on the stage of completion determined as the proportion that cost incurred to the balance sheet date bears to the estimated total contract cost. These items are presented net of progress billings received from customers. Any losses on such contracts are fully recorded in profit or loss when they become known.

Assets and liabilities held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or the disposal group) is available for immediate sale in its present condition. When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell.

Employee benefits

Pension plans

The present value of a defined benefit obligation and the related current service cost (and past service cost, where applicable) for defined benefit pension plans are determined on an actuarial basis using the projected unit credit method.

The net defined benefit liability that the Group recognizes in the statement of financial position represents the present value of the defined benefit obligation reduced by the fair value of any plan assets (deficit). In case of a surplus, a net defined benefit asset is recognized at the lower of the surplus and the asset ceiling.

Remeasurements of the net defined benefit liability/asset (that comprise: a) actuarial gains and losses, b) return on plan assets, excluding amounts included in net interest on the net defined benefit liability/asset, and c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability/asset) are recognized directly in other comprehensive income without reclassification to profit or loss in subsequent years.

Past service cost resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction in the number of employees covered by a plan) and gain or loss on settlements (a transaction that eliminates all further legal or constructive obligations for part or all of the benefits) are recognized in profit or loss in the period in which they occur (or, in case of past service costs, when the entity recognizes related restructuring costs or termination benefits, if earlier).

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset and is recognized as Financial income/(expenses) in profit or loss. Current service cost and all other costs and income arising from the measurement of pension plan provisions are allocated to costs by function in profit or loss.

Post-employment plans other than pensions

The Group provides certain post-employment defined benefits, mainly healthcare plans. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension plans.

Defined contribution plans

Costs arising from defined contribution plans are recognized as an expense in profit or loss as incurred.

Share-based compensation plans

The Group provides additional benefits to certain members of senior management and employees through equity compensation plans (stock option plans and stock grants). In accordance with IFRS 2 – *Share-based Payment*, these plans represent a component of recipient remuneration. The compensation expense, corresponding to the fair value of the instruments at the grant date, is recognized in profit or loss on a straight-line basis over the period from the grant date to the vesting date, with the offsetting credit recognized directly in equity. Any subsequent changes to fair value do not have any effect on the initial measurement.

Provisions

The Group records provisions when it has an obligation, legal or constructive, to a third party, as a result from a past event, when it is probable that an outflow of Group resources will be required to satisfy the obligation and when a reliable estimate of the amount can be made.

Changes in estimates are reflected in profit or loss in the period in which the change occurs.

Treasury shares

Treasury shares are presented as a deduction from equity. The original cost of treasury shares and the proceeds of any subsequent sale are presented as movements in equity.

Revenue recognition

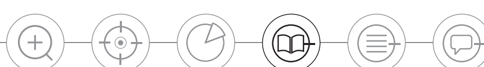
Revenue is recognized if it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue can be measured reliably. Revenues are stated net of discounts, allowances, settlement discounts and rebates, as well as costs for sales incentive programs, determined on the basis of historical costs, country by country, and charged against profit for the period in which the corresponding sales are recognized. The Group's sales incentive programs include the granting of retail financing at significant discount to market interest rates. The corresponding cost is recognized at the time of the initial sale.

Revenues from the sale of products are recognized when the risks and rewards of ownership of the goods are transferred to the customer, the sales price is agreed or determinable and receipt of payment can be assumed: this corresponds generally to the date when the vehicles are made available to non-group dealers, or the delivery date in the case of direct sales. New vehicle sales with a buy-back commitment are not recognized at the time of delivery but are accounted for as operating lease. More specifically, vehicles sold with a buy-back commitment from Commercial Vehicles are accounted for as Property, plant and equipment because agreements usually have a long-term buy-back commitment. The difference between the carrying value (corresponding to the manufacturing cost) and the estimated resale value (net of refurbishing costs) at the end of the buy-back period is depreciated on a straight-line basis over the same period. The initial sale price received is recognized as an advance payment (liability). The difference between the initial sale price and the buy-back price is recognized as rental revenue on a straight-line basis over the term of the operating lease. Assets sold under a buy-back commitment that are initially recognized in Property, plant and equipment are reclassified to Inventories at the end of the agreement term if they are held for sale. The proceeds from the sale of such assets are recognized as Revenues.

Revenues from construction contracts are recognized by reference to the stage of completion.

Revenues from the sale of extended warranties and maintenance contracts are recognized over the life of the contract and matched to related costs. Given their nature, margins on these contracts are recognized only when all associated costs can be estimated reliably, which is generally in the final period of the contractual term. In the event that estimated costs to fulfill the contract obligations exceed contract revenues, the estimated contract loss is recognized as soon as it is identified.

Revenues also include lease rentals and interest income from Financial Services.



Cost of sales

Cost of sales comprises the cost of manufacturing products and the acquisition cost of purchased merchandise which has been sold. It includes all directly attributable material and production costs and all production overheads. These include the depreciation of property, plant and equipment and the amortization of intangible assets relating to production and write-downs of inventories. Cost of sales also includes freight and insurance costs relating to deliveries to dealers and agency fees in the case of direct sales.

Cost of sales also includes provisions made to cover the estimated cost of product warranties at the time of sale to dealer networks or to the end customer.

Expenses which are directly attributable to the Financial Services business, including the interest expense related to the financing of Financial Services business as a whole and charges for risk provisions and write-downs, are reported in cost of sales.

Research and development costs

This item includes research costs, development costs not eligible for capitalization and the amortization of development costs recognized as assets in accordance with IAS 38.

Government grants

Government grants are recognized in the financial statements when there is reasonable assurance that the grants themselves will be received and that the company concerned will comply with the conditions for receiving such grants. Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to offset.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying amount of the loan (fair value plus transaction costs) and the proceeds received, and is accounted for in accordance with the policies already used for the recognition of government grants.

Income taxes

Income taxes include all taxes based upon the taxable profits of the Group. Taxes on income are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income, in which case the related tax effect is recognized directly in equity or in other comprehensive income. Provisions for income taxes that could arise on the distribution of a subsidiary's undistributed profits are only made where there is a current intention to distribute such profits. Other taxes not based on income, such as property taxes and taxes on capital, are included in operating expenses. Deferred taxes are provided using the full liability method. They are calculated on all temporary differences between the tax base of an asset or liability and the carrying amounts in the Consolidated Financial Statements, except for those arising from non-tax-deductible goodwill and for those related to investments in subsidiaries where it is possible to control the reversal of the differences and reversal will not take place in the foreseeable future. Deferred tax assets relating to the carry-forward of unused tax losses and tax credits, as well as those arising from temporary differences, are recognized to the extent that it is probable that future profits will be available against which they can be utilized. Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and where there is a legally enforceable right of offset. Deferred tax assets and liabilities are measured at the substantively enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to taxable income in the periods in which temporary differences reverse or expire.

Dividends

Dividends payable by the Group are reported as a change in equity in the period in which they are approved by shareholders in their Annual General Meeting.

Earnings per share

Basic earnings per share is calculated by dividing the Profit/(loss) attributable to owners of the parent by the weighted average number of common shares outstanding during the year. Special voting shares are not included in the earnings per share calculation as they are not eligible for dividends and have only limited economic rights.

For diluted earnings per share, the weighted average number of common shares outstanding is adjusted assuming conversion of dilutive potential common shares. Before the Transaction, Fiat Industrial S.p.A. had no equity instruments with potential dilutive effect.

Use of estimates

The preparation of financial statements and related disclosures that conform to IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, 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, on historical experience and other relevant factors. Actual results may differ from the estimates.

Particularly in light of the current economic uncertainty, developments occurring during 2014 and following years may differ from CNH Industrial's estimates and assumptions, and therefore might require significant adjustments to the carrying amount of certain items, which as of the date of these Consolidated Financial Statements cannot be accurately estimated or predicted. The principal items affected by estimates are the allowances for doubtful accounts receivable and inventories, non-current assets (tangible and intangible assets), the residual values of vehicles leased out under operating lease arrangements or sold with buy-back clauses, sales allowances, product warranties, pension and other post-employment 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 management has made in the process of applying the Group's accounting policies and that may have the most significant effect on the amounts recognized in the Consolidated Financial Statements or that have 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 management's estimate of losses inherent in the wholesale and retail credit portfolio. This allowance is based on CNH Industrial's 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 even worsen, there could be a further deterioration in the financial situation of the Group's debtors compared to that already taken into consideration in calculating the allowances recognized in the financial statements.

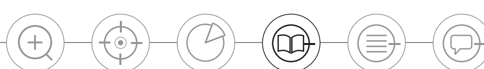
Allowance for obsolete and slow-moving inventory

The allowance for obsolete and slow-moving inventory reflects management's 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 non-current assets (including goodwill)

Non-current assets include property, plant and equipment, intangible assets (including goodwill), investments and other financial assets. The Group reviews the carrying value of non-current assets held and used and that of assets to be disposed of when events and circumstances warrant such a review. For goodwill and intangible assets with indefinite useful lives such analysis is carried out at least annually and when events and circumstances warrant such a review.

The analysis of the recoverable amount of non-current assets other than goodwill is usually performed using estimates of future expected cash flows from the use or disposal of the asset and an appropriate discount rate in order to calculate present value. If the carrying amount is deemed to be impaired, the Group recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds its estimated recoverable amount from use or disposal determined by reference to the cash flows included in its most recent business forecasts.



With reference to goodwill, around 68% of capitalized goodwill relates to Agricultural Equipment amounting to $1,704 million at December 31, 2014, while around 24% of capitalized goodwill relates to Construction Equipment amounting to $588 million at December 31, 2014. The impairment test of such goodwill is performed at the cash generating unit level, the segment level. The recoverable amount of the cash generating units is determined using multiple valuation methodologies, relying largely on an income approach (based on the present value of estimated future cash flows) but also incorporating value indicators from a market approach. The carrying amount of a cash generating unit is then compared to the recoverable amount to determine if there is an impairment loss. Further details on the goodwill impairment test are included in Note 14.

In view of the present economic and financial situation, the Group has the following considerations in respect of its future prospects:

- When carrying out impairment testing of tangible and intangible assets, the Group took into account its expected performance in the period 2015-2018 consistent with the business plan presented to the financial community in May 2014, as adjusted to take into consideration changes in the applicable economic environment for each cash-generating unit. The analysis performed in the current year (and consistently with prior year) did not indicate the need to recognize any significant impairment loss.
- Should the assumptions underlying the forecast deteriorate further the following is noted:
  - The Group's tangible and intangible assets with a finite useful life (mostly development costs) relate to models or products with high technological content in line with the latest environmental laws and regulations, which consequently makes them competitive in the current economic environment, especially in the more mature economies in which particular attention is placed on the eco-sustainability of those types of products. Consequently, despite the fact that the capital goods sector (in particular, commercial vehicles and construction equipment in certain specific geographical areas) is one of the markets most affected by the crisis in the immediate term, management considers that is highly probable that the life cycle of these products can be lengthened to extend over the period of time involved in a slower economic recovery, allowing the Group to achieve sufficient cash flows to cover the investments, although over a longer period of time.
  - With reference to goodwill, the Group performed a sensitivity analysis on impairment, as disclosed in Note 14.

Residual values of assets leased out under operating lease arrangements or sold with a buy-back commitment

CNH Industrial records assets rented to customers or leased to them under operating lease 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 lease if it is probable that the vehicle will be bought back. Income from such operating lease is recognized on a straight-line basis over the term of the lease. Depreciation expense for assets subject to operating lease 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 CNH Industrial's future ability to market the assets under the then-prevailing market conditions. The Group continually evaluates whether events and circumstances have occurred which impact the estimated residual values of the assets on operating lease. The used vehicle market was carefully monitored throughout 2014 to ensure that write-downs were properly determined. However, it cannot be dismissed that 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, CNH Industrial records 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 management to make estimates based upon historical data, estimated future market demand for CNH Industrial products, dealer inventory levels, announced incentive programs, competitive pricing and interest rates among other factors.

Product warranties

CNH Industrial makes provisions for estimated expenses related to product warranties at the time products are sold. Management establishes these estimates based on historical information on the nature, frequency and average cost of warranty claims. The Group seeks 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 post-employment benefits

Group companies sponsor pension and other post-employment benefits in various countries, mainly in the United States, the United Kingdom and Germany.

Employee benefit liabilities, related assets, costs and net interest connected with them are measured on an actuarial basis which requires the use of estimates and assumptions to determine the net defined benefit liability/asset for the Group. The actuarial method takes into consideration parameters of a financial nature such as the discount rate, the rate for expected return on plan assets, the rate of salary increases and the healthcare costs trend rate and takes into consideration the likelihood of potential future events by using certain demographic parameters such as mortality rates and dismissal or retirement rates. The discount rates selected are based on yields or yield curves of high quality corporate bonds in the relevant market. Trends in healthcare costs are developed on the basis of historical experience, the near-term outlook for costs and likely long-term trends. Rates of salary increases reflect the Group's long-term actual expectations in the reference market and inflation trends. Changes in any of these assumptions may have an effect on future contributions to the plans.

The effects resulting from revising the estimates for the above parameters ("re-measurements") are recognized directly in other comprehensive income without reclassification to profit or loss in subsequent years: refer to Employee benefits section above for further details.

Significant future changes in the yields of corporate bonds, other actuarial assumptions referred to above and returns on plan assets may significantly impact the net liability/asset.

Realization of deferred tax assets

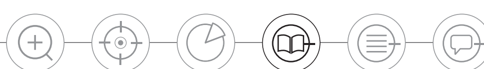
At December 31, 2014, CNH Industrial had net deferred tax assets and theoretical tax benefits arising from tax loss carry forwards of $2,000 million, of which $744 million is not recognized in the financial statements. The corresponding amounts at December 31, 2013 were $2,054 million and $684 million, respectively. Management has recorded deferred tax assets at the amount that it believes is more likely than not to be recovered. In making such adjustments, management has taken into consideration figures from budgets and plans consistent with those used for the impairment testing and discussed in paragraph "Recoverability of non-current assets (including goodwill)" above. CNH Industrial believes that the adjustments that have been recognized are sufficient to protect against the risk of a further deterioration of the assumptions in these forecasts, taking into account that the net deferred assets accordingly recognized relate to temporary differences and tax losses which, to a significant extent, may be recovered over a very long period.

Contingent liabilities

CNH Industrial is 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 CNH Industrial 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 management consults with legal counsel and certain other experts on matters related to litigation and taxes. The Group accrues 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.

Accounting standards, amendments and interpretations adopted from January 1, 2014

On December 16, 2011, the IASB issued certain amendments to IAS 32 – *Financial Instruments: Presentation*, to clarify the application of certain offsetting criteria for financial assets and financial liabilities in IAS 32.



CNH Industrial retrospectively applied these amendments from January 1, 2014. The application of these amendments did not have any significant effect on these Consolidated Financial Statements.

On May 20, 2013, the IASB issued IFRIC Interpretation 21: *Levies*, an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*, on the accounting for levies imposed by governments other than income taxes. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy and includes guidance illustrating how it should be applied. The interpretation is effective retrospectively for annual periods beginning on or after January 1, 2014. The application of this interpretation had no effect on these Consolidated Financial Statements.

On May 29, 2013, the IASB issued amendments to IAS 36 – *Impairment of Assets*, entitled *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)*, addressing the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The Group retrospectively applied these amendments from January 1, 2014 excluding periods and comparative periods in which IFRS 13 – *Fair Value Measurement*, was not applied. The application of these amendments did not have any effect on these Consolidated Financial Statements.

On June 27, 2013, the IASB issued amendments to IAS 39 – *Financial Instruments: Recognition and Measurement*, entitled *Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)*, that allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. CNH Industrial retrospectively applied these amendments from January 1, 2014. The application of these amendments did not have any effect on these Consolidated Financial Statements.

Accounting standards, amendments and interpretations not yet applicable and not early adopted by the Group

The Group is in the process of assessing the impacts on its Consolidated Financial Statements of the adoption of the following standards and amendments not yet applicable and not early adopted by the Group.

On November 21, 2013, the IASB issued an amendment to IAS 19 – *Employee Benefits*, entitled *Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)*. The amendment applies to contributions from employees or third parties to defined benefit plans, in order to simplify the accounting for contributions that are independent of the number of years of employee service (for example, employee contributions that are calculated according to a fixed percentage of salary). The amendment is effective, retrospectively, from July 1, 2014, with earlier application permitted.

On December 12, 2013, the IASB issued the *Annual Improvements to IFRSs 2010–2012* Cycle and *Annual Improvements to IFRSs 2011– 2013 Cycle*. The most important topics addressed in these amendments are, among others, the definition of vesting conditions in IFRS 2 – *Share Based Payment*, the aggregation of operating segments in IFRS 8 – *Operating Segments,* the definition of key management personnel in IAS 24 – *Related Party Disclosures*, the extension of the exclusion from the scope of IFRS 3 – *Business Combinations* to all types of joint arrangements (as defined in IFRS 11 – *Joint Arrangements*) and clarifications about the application of certain exceptions in IFRS 13 – *Fair Value Measurement.* These amendments are effective for annual periods beginning on or after July 1, 2014, with early application permitted.

At the date of these Consolidated Financial Statements, the European Union has not yet completed its endorsement process for the following standards and amendments.

On May 6, 2014 the IASB issued amendments to IFRS 11 – *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*, adding a new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. These amendments are effective, retrospectively, for annual periods beginning on or after January 1, 2016, with earlier application permitted.

On May 12, 2014, the IASB issued an amendment to IAS 16 – *Property, Plant and Equipment* and to IAS 38 – *Intangible Assets*. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. These amendments are effective for annual periods beginning on or after January 1, 2016, with early application permitted.

On May 28, 2014, the IASB issued the new standard IFRS 15 – *Revenue from Contracts with Customers.* The standard requires that an entity recognizes revenue to depict the transfer of goods or services to customers in

amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard supersedes IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRICs 13, 15 and 18, as well as SIC-31, and is effective on a retrospectively basis for annual periods beginning on or after January 1, 2017.

On July 24, 2014 the IASB completed and issued the new IFRS 9 – *Financial Instruments*. The improvement package introduced by the new standard includes a logical model for classification and measurement of financial instruments, a single expected loss impairment model for financial assets and a substantially reformed approach for hedge accounting. Entities should apply this new standard retrospectively from January 1, 2018. Early application is permitted.

On September 11, 2014, the IASB issued amendments to IFRS 10 - *Consolidated Financial Statements* and IAS 28 - *Investments in Associates and Joint Ventures* (2011). The amendments deal with the sale or contribution of assets between an investor and its associate or joint venture, and provide that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after January 1, 2016.

On September 25, 2014, the IASB issued the *Annual Improvements to IFRSs 2012–2014* Cycle. The most important topics addressed in these amendments are changes in method of disposal in IFRS 5 – *Non-current Assets Held for Sale and Discontinued operations*, the definition of servicing contracts and the applicability of the amendments to IFRS 7 – *Financial Instruments: Disclosures* to condensed interim financial statements, the issue of the discount rate to be used for regional markets in IAS 19 – *Employee benefits* and other disclosures to be incorporated by cross-reference to information outside the interim financial statements according to IAS 34 – *Interim Financial Reporting*. These amendments are effective for annual periods beginning on or after January 1, 2016.

On December 18, 2014, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The application of these amendments is mandatory for annual periods beginning on or after January 1, 2016, with early application permitted.

RISK MANAGEMENT

Credit risk

The Group's credit concentration risk differs in relation to the activities carried out by the individual segments and various sales markets in which the Group operates; in all cases, however, the risk is mitigated by the large number of counterparties and customers. Considered from a global point of view, however, there is a concentration of credit risk in trade receivables and receivables from financing activities, in particular dealer financing and finance leases in the European Union market and in North America, as well as in Latin America for the main segments.

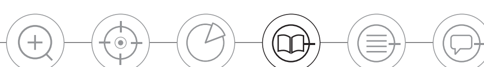
Financial assets are recognized in the statement of financial position net of write-downs for the risk that counterparties may be unable to fulfill their contractual obligations, determined on the basis of the available information as to the creditworthiness of the customer and historical data.

Liquidity risk

The Group is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.

The cash flows, funding requirements and liquidity of Group companies are monitored on a centralized basis, under the control of the Group Treasury. The aim of this centralized system is to optimize the efficiency and effectiveness of the management of the Group's capital resources.

Additionally, as part of its activities the Group regularly carries out funding operations on the various financial markets which may take on different technical forms and which are aimed at ensuring that it has an adequate level of current and future liquidity.



The continuation of a difficult economic situation in the markets in which the Group operates and the uncertainties that characterize the financial markets necessitate giving special attention to the management of liquidity risk. In that sense measures taken to generate financial resources through operations and to maintain an adequate level of available liquidity are an important factor in ensuring normal operating conditions and addressing strategic challenges over the next few years. The Group therefore plans to meet its requirements to settle liabilities as they fall due and to cover expected capital expenditures by using cash flows from operations and available liquidity, renewing or refinancing bank loans and making recourse to the bond market and other forms of funding.

Interest rate risk and currency risk

As a multinational group that has operations throughout the world, the Group is exposed to market risks from fluctuations in foreign currency exchange and interest rates.

The exposure to foreign currency risk arises both in connection with the geographical distribution of the Group's industrial activities compared to the markets in which it sells its products, and in relation to the use of external borrowing denominated in foreign currencies.

The exposure to interest rate risk arises from the need to fund industrial and financial operating activities and the necessity to deploy surplus funds. Changes in market interest rates may have the effect of either increasing or decreasing the Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.

The Group regularly assesses its exposure to interest rate and foreign currency risk and manages those risks through the use of derivative financial instruments in accordance with its established risk management policies.

The Group's policy permits derivatives to be used only for managing the exposure to fluctuations in exchange and interest rates connected with future cash flows and assets and liabilities, and not for speculative purposes.

The Group utilizes derivative financial instruments designated as fair value hedges, mainly to hedge:

- the currency risk on financial instruments denominated in foreign currency;
- the interest rate risk on fixed rate loans and borrowings.

The instruments used for these hedges are mainly currency swaps, forward contracts, interest rate swaps and combined interest rate and currency financial instruments.

The Group uses derivative financial instruments as cash flow hedges for the purpose of pre-determining:

- the exchange rate at which forecasted transactions denominated in foreign currencies will be accounted for;
- the interest paid on borrowings, both to match the fixed interest received on loans (customer financing activity), and to achieve a pre-defined mix of floating versus fixed rate funding structured loans.

The exchange rate exposure on forecasted commercial flows is hedged by currency swaps, forward contracts and currency options. Interest rate exposures are usually hedged by interest rate swaps and, in limited cases, by forward rate agreements.

Counterparties to these agreements are major and diverse financial institutions.

Information on the fair value of derivative financial instruments held at the balance sheet date is provided in Note 21 "Other financial assets and Other financial liabilities".

Additional qualitative information on the financial risks to which the Group is exposed is provided in Note 33 "Information on financial risks".

SCOPE OF CONSOLIDATION

The Consolidated Financial Statements of the Group as of December 31, 2014 include CNH Industrial N.V. and 192 consolidated subsidiaries in which CNH Industrial N.V., directly or indirectly, has a majority of the voting rights, over which it exercises control, or from which it is able to derive benefit by virtue of its power to govern corporate financial and operating policies. A total of 199 subsidiaries were consolidated at December 31, 2013.

Excluded from consolidation are 17 subsidiaries that are either dormant or generate a negligible volume of business: their proportion of the Group's assets, liabilities, financial position and earnings is immaterial. In particular, 15 of such subsidiaries are accounted for using the cost method, and represent in aggregate less than 0.01 percent of Group revenues, equity and total assets.

The Group has not subsidiaries with material non-controlling interests and has no unconsolidated structured entities.

There have been no significant changes in the scope of consolidation during 2014.

Interests in joint ventures consist of 17 companies at December 31, 2014 (16 companies at December 31, 2013) and mainly include:

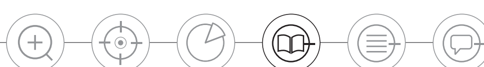
- Turk Traktor Ve Ziraat Makineleri A.S., Turkey: listed entity (37.5% CNH Industrial and 37.5% Koç Holding) for the production of tractors under the Case IH Agriculture and New Holland Agriculture brands, and import and distribution of agricultural equipment in Turkey;
- Naveco (Nanjing IVECO Motor Co.) Ltd, People's Rep. of China: joint venture (50% Iveco S.p.A. and 50% Nanjing Automotive Corporation, a subsidiary of the SAIC Group) which designs, produces and sells Daily model and light trucks.

Interests in joint ventures are all accounted for using the equity method.

Summarized financial information relating to the material joint ventures of the Group, prepared in accordance with IFRS, is as follows:

	At December 31, 2014		At December 31, 2013	
($ million)	Naveco Ltd.	Turk Traktor Ve Ziraat Makineleri A.S.	Naveco Ltd.	Turk Traktor Ve Ziraat Makineleri A.S.
Cash and cash equivalents	434	142	463	66
Non-current assets	211	245	221	145
Current assets	665	448	699	382
Total Assets	1,310	835	1,383	593
Debt	256	298	230	95
Other liabilities	624	246	679	186
Total Liabilities	880	544	909	281
Total Equity	430	291	474	312

	2014		2013	
($ million)	Naveco Ltd.	Turk Traktor Ve Ziraat Makineleri A.S.	Naveco Ltd.	Turk Traktor Ve Ziraat Makineleri A.S.
Net revenues	1,307	1,228	1,422	1,066
Depreciation and amortization	53	16	41	13
Trading profit/(loss)	8	140	57	168
Operating profit/(loss)	10	140	59	168
Net Financial income/(expenses)	11	(8)	9	(12)
Profit/(loss) before taxes	21	137	68	156
Income taxes	3	17	9	21
Profit/(loss) from continuing operations	18	120	59	135
Profit/(loss) from discontinued operations	-	-	-	-
Profit/(loss)	18	120	59	135
Total Other comprehensive income, net of tax	-	-	-	-
Total Comprehensive income	18	120	59	135



This summarized financial information may be reconciled to the carrying amount of the % interest held in the joint ventures as follows:

	At December 31, 2014		At December 31, 2013	
($ million)	Naveco Ltd.	Turk Traktor Ve Ziraat Makineleri A.S.	Naveco Ltd.	Turk Traktor Ve Ziraat Makineleri A.S.
Total Equity	**430**	**291**	**474**	**312**
Group's interest (%)	50.0	37.5	50.0	37.5
Pro-quota equity	**215**	**109**	**237**	**117**
Adjustments made by using the equity method	-	(2)	-	9
Carrying amount	**215**	**107**	**237**	**126**

Summarized financial information relating to the % interest held in the other joint ventures that are not individually material, is as follows:

($ million)	2014	2013
Profit/(loss) from continuing operations	21	36
Profit/(loss) from discontinued operations	-	-
Profit/(loss)	21	36
Total Other comprehensive income, net of tax	-	-
Total Comprehensive income	21	36

At December 31, 2014, 5 associates are accounted for using the equity method (6 associates at December 31, 2013), and mainly include CNH Industrial Capital Europe S.a.S. (49.9% CNH Industrial N. V. and 50.1% BNP Paribas Group), managing end-customer financing in Europe.

At December 31, 2014, 4 associates (4 associates at December 31, 2013), that are not individually material, are accounted for using the cost method.

Summarized financial information relating to CNH Industrial Capital Europe S.a.S., material associate of the Group, is as follows:

($ million)	At December 31, 2014	At December 31, 2013
Non-current assets	-	-
Current assets	2,836	2,492
Total Assets	**2,836**	**2,492**
Debt	2,465	2,117
Other liabilities	155	170
Total Liabilities	**2,620**	**2,287**
Total Equity	**216**	**205**

($ million)	2014	2013
Net revenues	79	66
Trading profit/(loss)	50	39
Operating profit/(loss)	50	39
Profit/(loss) before taxes	50	39
Profit/(loss) from continuing operations	33	28
Profit/(loss) from discontinued operations	-	-
Profit/(loss)	33	28
Total Other comprehensive income, net of tax	-	-
Total Comprehensive income	33	28

This summarized financial information may be reconciled to the carrying amount of the % interest held in the associate as follows:

($ million)	At December 31, 2014	At December 31, 2013
Total Equity	**216**	205
Group's interest (%)	49.9	49.9
Pro-quota equity	**108**	102
Adjustments made by using the equity method	2	6
Carrying amount	**110**	108

Summarized financial information relating to the Group's pro-rata interest in associates that are not individually material, accounted for using the equity method, is as follows:

($ million)	2014	2013
Profit/(loss) from continuing operations	(2)	8
Profit/(loss) from discontinued operations	-	-
Profit/(loss)	(2)	8
Total Other comprehensive income, net of tax	-	-
Total Comprehensive income	(2)	8

BUSINESS COMBINATIONS

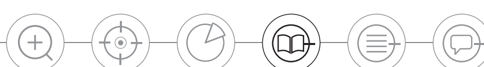
On November 26, 2014, the Group completed the acquisition of substantially all of the assets of Miller-St. Nazianz, Inc. ("Miller") for total consideration of $106 million. The acquisition was funded using existing cash balances. Miller is a leading manufacturer of precision spraying equipment. The results of the acquired business for the period from the acquisition date are included in the accompanying Consolidated Financial Statements and are reported in the Agricultural Equipment.

Of the $106 million purchase price, $12 million was attributable to accounts receivable, $18 million to inventory, $16 million to property, plant and equipment, $8 million to goodwill, $62 million to other intangible assets and $10 million to liabilities assumed. Any subsequent changes to the fair value of the assets and liabilities will be recorded as adjustments to those assets and liabilities and the residual amounts will be allocated to goodwill in 2015.

For the intangible assets acquired, the dealer network has a useful life of 20 years, trademarks have a useful life of 3 years, the order backlog has a useful life of 1 year, the patent portfolio has a useful life of 10 years, and developed technology has a useful life of 10 years.

Goodwill generated from the business acquisition is primarily attributable to access to Miller technology and expected synergies from geographic and network expansion, utilization of Powertrain engines in Miller sprayers and cost savings as a result of increased purchasing power and operational synergies. Goodwill of $8 million is deductible for tax purposes.

No significant business combinations took place in 2013, except for the Merger described in the above section "Principal activities".



COMPOSITION AND PRINCIPAL CHANGES

1. Net revenues

Net revenues may be analyzed as follows:

($ million)	2014	2013
Revenues from:		
Sales of goods	30,556	31,920
Interest income from customers and other financial income of Financial Services	1,015	962
Rendering of services	799	814
Rents on assets sold with a buy-back commitment	274	300
Rents on operating lease	248	211
Other	65	24
Total Net revenues	**32,957**	**34,231**

2. Cost of sales

Cost of sales comprises the following:

($ million)	2014	2013
Interest cost and other financial charges from Financial Services	791	721
Other costs of sales	26,050	27,029
Total Cost of sales	**26,841**	**27,750**

3. Selling, general and administrative costs

Selling costs amount to $1,284 million in 2014 ($1,372 million in 2013) and comprise mainly marketing, advertising and sales personnel costs.

General and administrative costs amount to $1,469 million in 2014 ($1,589 million in 2013) and comprise mainly expenses for administration which are not attributable to sales, production and research and development functions.

Selling, general and administrative costs decreased $208 million compared to 2013 mainly due to cost containment actions at Commercial Vehicles and Construction Equipment.

4. Research and development costs

In 2014, Research and development costs of $878 million ($797 million in 2013) comprise all the research and development costs not recognized as assets in the year, amounting to $446 million ($481 million in 2013), the depreciation of capitalized development costs of $12 million (zero million in 2013) and the amortization of capitalized development costs of $420 million ($316 million in 2013). During 2014, the Group incurred new expenditure for capitalized development costs of $676 million ($759 million in 2013).

5. Other income/(expenses)

This item consists of miscellaneous operating costs which cannot be allocated to specific functional areas, such as indirect taxes and duties, and accruals for various provisions not attributable to other items of Cost of sales or Selling, general and administrative costs, net of income arising from trading operations which is not attributable to the sale of goods and services.

6. Gains/(losses) on the disposal of investments

Gains/(losses) on the disposal of investments amount to zero in 2014. In 2013, this item mainly included an additional loss of $26 million on the sale of the investment in Kobelco Construction Machinery Co. Ltd. occurred in 2012, following an adverse ruling issued by the arbitrator on the price of the transaction.

7. Restructuring costs

In 2014, restructuring costs amounted to $192 million, as part of the Group's Efficiency Program announced in July 2014. Agricultural Equipment recorded $46 million primarily for the planned closure of a 60% owned joint venture in China and cost reduction activities as a result of negative demand conditions. Construction Equipment recorded $43 million restructuring costs mainly due to the realignment of the dealer networks in EMEA as a result of the re-positioning of the Case and New Holland brand offerings, and the announced closure of an assembly plant in

Calhoun, Georgia, USA. Commercial Vehicles recorded $103 million mainly due to actions to reduce SG&A costs and business support costs as a result of the transition to CNH Industrial's regional structure, and costs related to the completion of manufacturing product specialization programs. For 2013, restructuring costs were $54 million, mainly related to Commercial Vehicles as a consequence of the actions initiated in 2012 to rationalize the heavy truck and firefighting businesses.

8. Other unusual income/(expenses)

Other unusual expenses were $40 million in 2014, mainly due to the closure of an indirect taxes claim, to costs for the rationalization of strategic suppliers and other minor items. In 2013, Other unusual expenses amounted to $77 million, mainly including expenses related to the dissolution of the previous joint venture with Barclays and its consolidation into the Group's Financial Services business of $41 million, as well as costs for the rationalization of strategic suppliers.

9. Financial income/(expenses)

In addition to the items forming part of the specific lines of profit or loss, the following analysis of Net financial income/(expenses) in 2014 also takes into account the Interest income from customers and other financial income of Financial Services included in Net revenues for $1,015 million ($962 million in 2013) and the costs incurred by Financial Services included in Interest expense and other financial charges from Financial Services included in Cost of sales for $791 million ($721 million in 2013).

A reconciliation to the income statement is provided under the following table.

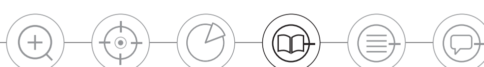
($ million)	2014	2013
Financial income:		
Interest income and other financial income	67	55
Interest income from customers and other financial income of Financial Services	1,015	962
Total financial income	**1,082**	**1,017**
of which:		
Financial income, excluding Financial Services (a)	67	55
Interest and other financial expenses:		
Interest cost and other financial expenses	1,269	1,186
Write-downs of financial assets	151	124
Interest costs on employee benefits	82	82
Total interest and other financial expenses	**1,502**	**1,392**
Net (income)/expenses from derivative financial instruments and exchange differences	132	(1)
Total interest and other financial expenses, net (income)/expenses from derivative financial instruments and exchange differences	**1,634**	**1,391**
of which:		
Interest and other financial expenses, effects resulting from derivative financial instruments and exchange differences, excluding Financial Services (b)	843	670
Net financial income/(expenses) excluding Financial Services (a) - (b)	**(776)**	**(615)**

Interest earned and other financial income may be analyzed as follows:

($ million)	2014	2013
Interest income from banks	18	15
Other interest income and financial income	49	40
Total Interest income and other financial income	**67**	**55**

Interest cost and other financial expenses may be analyzed as follows:

($ million)	2014	2013
Interest expenses on bonds	458	494
Bank interest expenses	326	225
Interest expenses on trade payables	1	1
Commission expenses	16	17
Other interest cost and other financial expenses	468	449
Total Interest cost and other financial expenses	**1,269**	**1,186**



Interest cost and other financial expenses includes in 2014 a pre-tax charge of $71 million due to the re-measurement of Venezuelan assets denominated in bolivares following the changes in Venezuela's exchange rate mechanism.

Other interest cost and other financial expenses include, amongst other things, interest cost on asset-backed financing.

10. Result from investments

In 2014 the net gain of $91 million (a net gain amounting to $136 million in 2013) includes the Group's share of $90 million ($135 million in 2013) in the net profit or loss of the investees accounted for using the equity method, and a net gain of $1 million (net gain of $1 million in 2013) consisting of impairment losses and reversals of impairment losses, accruals to the investment provision and dividend income. In detail the item mainly includes: entities of Agricultural Equipment $75 million ($91 million in 2013), entities of Construction Equipment zero (zero in 2013), entities of Commercial Vehicles $-2 million ($30 million in 2013) and entities of Financial Services $18 million ($15 million in 2013). In particular, in 2014 dividend income includes: Turk Traktor Ve Ziraat Makineleri A.S. $52 million ($41 million in 2013), Naveco Ltd $25 million ($23 million in 2013) and CNH Industrial Capital Europe S.a.S. zero ($6 million in 2013).

11. Income taxes

Income taxes recognized in the consolidated income statement consist of the following:

($ million)	2014	2013
Current taxes	568	808
Deferred taxes	68	(41)
Taxes relating to prior periods	(70)	17
Total Income taxes	**566**	**784**

Taxes relating to prior periods include the costs arising from certain disputes with tax authorities net of adjustments to tax contingency reserves.

The effective tax rate for 2014 was 38.2% (effective tax rate of 39.2% in 2013). The decrease of the effective tax rate in 2014 was primarily due to the net result of the exceptional pre-tax charge relating to the re-measurement of Venezuelan assets recognized in 2014, for which no corresponding tax benefit was recorded, that was more than offset by the favorable resolution of tax audits recorded during 2014.

The reconciliation between the tax charges recorded in the Consolidated Financial Statements and the product of the Profit before taxes multiplied by the applicable tax rate is as follows:

($ million)	2014	2013
Statutory income taxes	**319**	**465**
Tax effect of permanent differences	10	8
Taxes relating to prior years	(70)	17
Difference between foreign tax rates and the statutory tax rate	171	272
Deferred taxes relating to prior years	(70)	(72)
Deferred tax assets not recognized	104	120
Use of tax losses for which no deferred tax assets were recognized	(1)	(39)
Other differences	103	13
Current and deferred income tax recognized in the Consolidated Financial Statements	**566**	**784**

In the tax rate reconciliation the applicable tax rate (average UK tax rate) is 21.5% for 2014 and 23.25% for 2013. Permanent differences in the above reconciliations include the tax effect of non-taxable income of $166 million in 2014 ($219 million in 2013) and of non-deductible costs of $176 million in 2014 ($227 million in 2013).

In 2014, deferred tax assets had an overall negative effect of $33 million on the reconciliation as the result of the non-recognition of deferred tax assets on temporary differences and tax losses arising during the year of $104 million, partially offset by the recognition of previously unrecognized deferred tax assets of $71 million.

In 2013, deferred tax assets had an overall negative effect of $9 million on the reconciliation as the result of the non-recognition of deferred tax assets on temporary differences and tax losses arising during the year of $120 million, partially offset by the recognition of previously unrecognized deferred tax assets of $111 million.

Other differences include local taxes, including Italy IRAP taxes.

CNH Industrial recognizes in its consolidated statement of financial position within Deferred tax asset, the amount of Deferred tax assets less the Deferred tax liabilities of the individual consolidated companies, where these may be offset. Amounts recognized are as follows:

($ million)	At December 31, 2014	At December 31, 2013
Deferred tax assets	1,655	1,672
Deferred tax liabilities	(399)	(302)
Total	**1,256**	**1,370**

The decrease of $114 million in net deferred tax assets is mainly due to the following:

- for $75 million to the positive tax effect of items recognized directly in equity;
- for $68 million to the negative effect recognized in profit or loss of the utilization, net of valuation allowances, of deferred tax assets/liabilities recognized on temporary differences and tax losses arising during the year; and
- for $121 million to the negative effect of foreign exchange differences (exchange losses of $136 million) and other changes (increases of $15 million).

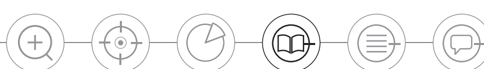
In 2014 and 2013, Deferred tax assets, net of Deferred tax liabilities may be analyzed by source as follows:

($ million)	At December 31, 2013	Recognized in income statement	Charged to equity	Translation differences and other changes	At December 31, 2014
Deferred tax assets arising from:					
Taxed provisions	1,061	84	-	(88)	**1,057**
Inventories	237	20	-	(12)	**245**
Taxed allowances for doubtful accounts	229	(2)	-	(27)	**200**
Provision for employee benefits	561	(54)	13	53	**573**
Intangible assets	232	(44)	-	(26)	**162**
Write-downs of financial assets	95	(15)	-	(10)	**70**
Measurement of derivative financial instruments	(21)	66	4	-	**49**
Other	374	26	6	(40)	**366**
Total	**2,768**	**81**	**23**	**(150)**	**2,722**
Deferred tax liabilities arising from:					
Accelerated depreciation	(466)	(101)	-	6	**(561)**
Deferred tax on gains on disposal	-	-	-	-	**-**
Inventories	(134)	(4)	-	3	**(135)**
Provision from employee benefits	(17)	1	2	2	**(12)**
Capitalisation of development costs	(477)	(51)	-	28	**(500)**
Other	(339)	(77)	59	23	**(334)**
Total	**(1,433)**	**(232)**	**61**	**62**	**(1,542)**
Theoretical tax benefit arising from tax loss carryforwards	**719**	**132**	**2**	**(33)**	**820**
Adjustments for assets whose recoverability is not probable	**(684)**	**(49)**	**(11)**	**-**	**(744)**
Total Deferred tax assets, net of Deferred tax liabilities	**1,370**	**(68)**	**75**	**(121)**	**1,256**

The decision to recognize Deferred tax assets is taken for each company in the Group by assessing critically whether the conditions exist for the future recoverability of such assets on the basis of updated strategic plans, accompanied by the related tax plans. For this reason, the total theoretical future tax benefits arising from deductible temporary differences of $2,722 million at December 31, 2014 and of $2,768 million at December 31, 2013 and tax loss carryforwards of $820 million at December 31, 2014 and of $719 million at December 31, 2013 have been reduced by $744 million at December 31, 2014 and by $684 million at December 31, 2013.

In particular, Deferred tax assets, net of Deferred tax liabilities, include $343 million at December 31, 2014 ($305 million at December 31, 2013) of tax benefits arising from tax loss carryforwards. At December 31, 2014, a further tax benefit of $477 million ($414 million at December 31, 2013) arising from tax loss carryforwards has not been recognized.

Deferred taxes have not been provided on the undistributed earnings of subsidiaries since the Group is able to control the timing of the distribution of these reserves and it is probable that they will not be distributed in the foreseeable future.



The totals of deductible and taxable temporary differences and accumulated tax losses at December 31, 2014, together with the amounts for which deferred tax assets have not been recognized, analyzed by year of expiry, are as follows:

($ million)	Total at December 31, 2014	2015	2016	2017	2018	Beyond 2018	Unlimited/ indeterminable
		Year of expiry					
Temporary differences and tax losses:							
Deductible temporary differences	**10,162**	4,190	1,610	1,479	1,172	1,704	7
Taxable temporary differences	**(4,617)**	(760)	(969)	(961)	(877)	(994)	(56)
Tax losses	**3,596**	29	23	29	683	523	2,309
Temporary differences and tax losses for which deferred tax assets have not been recognized	**(3,923)**	(331)	(282)	(362)	(970)	(793)	(1,185)
Temporary differences and tax losses	**5,218**	**3,128**	**382**	**185**	**8**	**440**	**1,075**

12. Other information by nature

The income statement includes personnel costs for $4,552 million in 2014 ($4,662 million in 2013).

An analysis of the average number of employees by category is as follows:

	2014	2013
Managers	**890**	889
White-collar	**24,839**	24,165
Blue-collar	**44,770**	44,980
Average number of employees	**70,499**	**70,034**

13. Earnings per share

The basic earnings per common share for 2014 and 2013 is determined by dividing the Profit/(loss) attributable to the owners of the parent by the weighted average number of common shares outstanding during the year.

For 2013, newly issued CNH Industrial N.V. common shares were counted for three months only, consistently with the accounting treatment of the mergers of Fiat Industrial S.p.A. and CNH Global N.V. with and into CNH Industrial N.V. (completed on September 29, 2013).

The special voting shares have minimal economic entitlements as the purpose of the special voting shares is to grant long-term shareholders with an extra voting right by means of granting an additional special voting share, without granting such shareholders with any additional economic rights. However, as a matter of Dutch law, such special voting shares cannot be fully excluded from economic entitlements. Therefore, the Articles of Association provide that only a minimal dividend accrues to the special voting shares, which is not distributed, but allocated to a separate special dividend reserve. The impact of this special voting dividend reserve on the earnings per share of the common shares is not material. For more detailed information on the composition of share capital, refer to Note 24 "Equity".

The following table sets out the Profit/(loss) attributable to the owners of the parent and the weighted average number of common shares outstanding used to calculate basic earnings per share for 2014 and 2013:

		2014	2013
Profit/(loss) attributable to the owners of the parent	$ million	**917**	1,048
Weighted average number of common shares outstanding during the year – basic	thousand	**1,354,008**	1,255,082
Basic earnings per common share	$	**0.68**	**0.83**

The diluted earnings per common share for 2014 and 2013 has been determined by increasing the weighted average number of common shares outstanding to take into consideration the dilutive share equivalents outstanding during each period, deriving from the CNH Industrial share-based payments awards.

In connection with the Merger, CNH Industrial N.V. assumed the sponsorship of the share-based payment awards issued on Fiat Industrial S.p.A. shares and on CNH Global N.V. shares. The diluted earnings per share for 2013 has been determined by increasing the weighted average number of common shares outstanding to take into consideration the theoretical effect, counted for three months only for the reasons above specified, that would arise if the share-based payments awards on CNH Industrial N.V. shares have been exercised.

The following table sets out for 2014 and 2013 the Profit/(loss) attributable to the owners of the parent and the weighted average number of common shares outstanding during the period used in the calculation of diluted earnings per share:

		2014	2013
Profit/(loss) attributable to the owners of the parent	$ million	917	1,048
Weighted average number of common shares outstanding during the year – diluted (a)	thousand	1,359,501	1,256,546
Diluted earnings per common share	$	**0.68**	0.83

(a) At December 31, 2014, approximately 2.9 million shares of Restricted Shares and 1.5 million of shares of Stock option plans were outstanding but not included in the calculation of diluted earnings per share as the impact of these shares would have been anti-dilutive.

14. Intangible assets

In 2014 and in 2013 changes in the gross carrying amount of Intangible assets were as follows:

($ million)	At December 31, 2013	Additions	Divestitures	Translation differences and other changes	At December 31, 2014
Goodwill	3,163	-	-	(22)	3,141
Trademarks and other intangible assets with indefinite useful lives	293	2	-	-	295
Development costs externally acquired	1,183	115	-	(232)	1,066
Development costs internally generated	4,271	561	(49)	(310)	4,473
Total Development costs	5,454	676	(49)	(542)	5,539
Patents, concessions and licenses externally acquired	992	43	-	(65)	970
Other intangible assets externally acquired	736	69	(1)	22	826
Advances and intangible assets in progress externally acquired	29	14	-	(25)	18
Total gross carrying amount of Intangible assets	10,667	804	(50)	(632)	10,789

($ million)	At December 31, 2012	Additions	Divestitures	Translation differences and other changes	At December 31, 2013
Goodwill	3,197	-	-	(34)	3,163
Trademarks and other intangible assets with indefinite useful lives	293	-	-	-	293
Development costs externally acquired	983	150	-	50	1,183
Development costs internally generated	3,602	609	(18)	78	4,271
Total Development costs	4,585	759	(18)	128	5,454
Patents, concessions and licenses externally acquired	940	20	(1)	33	992
Other intangible assets externally acquired	655	69	(25)	37	736
Advances and intangible assets in progress externally acquired	15	17	-	(3)	29
Total gross carrying amount of Intangible assets	9,685	865	(44)	161	10,667

In 2014 and in 2013 changes in accumulated amortization and impairment losses were as follows:

($ million)	At December 31, 2013	Amortization	Impairment losses	Divestitures	Translation differences and other changes	At December 31, 2014
Goodwill	**649**	-	-	-	(2)	**647**
Trademarks and other intangible assets with indefinite useful lives	**60**	-	-	-	-	**60**
Development costs externally acquired	**648**	70	12	-	(93)	**637**
Development costs internally generated	**1,944**	350	13	(35)	(189)	**2,083**
Total Development costs	**2,592**	420	25	(35)	(282)	**2,720**
Patents, concessions and licenses externally acquired	**806**	48	-	-	(71)	**783**
Other intangible assets externally acquired	**514**	60	-	-	(26)	**548**
Advances and intangible assets in progress externally acquired	**-**	-	-	-	-	**-**
Total accumulated amortization and impairment of Intangible assets	**4,621**	**528**	**25**	**(35)**	**(381)**	**4,758**

($ million)	At December 31, 2012	Amortization	Impairment losses	Divestitures	Translation differences and other changes	At December 31, 2013
Goodwill	**682**	-	-	-	(33)	**649**
Trademarks and other intangible assets with indefinite useful lives	**60**	-	-	-	-	**60**
Development costs externally acquired	**519**	102	-	-	27	**648**
Development costs internally generated	**1,705**	214	-	(16)	41	**1,944**
Total Development costs	**2,224**	316	-	(16)	68	**2,592**
Patents, concessions and licenses externally acquired	**728**	53	-	-	25	**806**
Other intangible assets externally acquired	**484**	48	-	(21)	3	**514**
Advances and intangible assets in progress externally acquired	**-**	-	-	-	-	**-**
Total accumulated amortization and impairment of Intangible assets	**4,178**	**417**	**-**	**(37)**	**63**	**4,621**

In 2014 and in 2013 changes in the net carrying amount of Intangible assets were as follows:

($ million)	At December 31, 2013	Additions	Amortization	Impairment losses	Divestitures	Translation differences and other changes	At December 31, 2014
Goodwill	**2,514**	-	-	-	-	(20)	**2,494**
Trademarks and other intangible assets with indefinite useful lives	**233**	2	-	-	-	-	**235**
Development costs externally acquired	**535**	115	(70)	(12)	-	(139)	**429**
Development costs internally generated	**2,327**	561	(350)	(13)	(14)	(121)	**2,390**
Total Development costs	**2,862**	676	(420)	(25)	(14)	(260)	**2,819**
Patents, concessions and licenses externally acquired	**186**	43	(48)	-	-	6	**187**
Other intangible assets externally acquired	**222**	69	(60)	-	(1)	48	**278**
Advances and intangible assets in progress externally acquired	**29**	14	-	-	-	(25)	**18**
Total net carrying amount of Intangible assets	**6,046**	**804**	**(528)**	**(25)**	**(15)**	**(251)**	**6,031**

($ million)	At December 31, 2012	Additions	Amortization	Impairment losses	Divestitures	Translation differences and other changes	At December 31, 2013
Goodwill	**2,515**	-	-	-	-	(1)	**2,514**
Trademarks and other intangible assets with indefinite useful lives	**233**	-	-	-	-	-	**233**
Development costs externally acquired	**464**	150	(102)	-	-	23	**535**
Development costs internally generated	**1,897**	609	(214)	-	(2)	37	**2,327**
Total Development costs	**2,361**	759	(316)	-	(2)	60	**2,862**
Patents, concessions and licenses externally acquired	**212**	20	(53)	-	(1)	8	**186**
Other intangible assets externally acquired	**171**	69	(48)	-	(4)	34	**222**
Advances and intangible assets in progress externally acquired	**15**	17	-	-	-	(3)	**29**
Total net carrying amount of Intangible assets	**5,507**	**865**	**(417)**	**-**	**(7)**	**98**	**6,046**

Foreign exchange losses of $327 million in 2014 (gains of $54 million in 2013) principally reflect the devaluation of the euro against the U.S. dollar.

Goodwill, trademarks and intangible assets with indefinite useful lives

Goodwill is allocated to the Group's cash-generating units identified as the Group's operating segments. The following table presents the allocation of goodwill across the segments:

($ million)	At December 31, 2014	At December 31, 2013
Agricultural Equipment	1,704	1,709
Construction Equipment	588	588
Commercial Vehicles	61	72
Powertrain	5	6
Financial Services	136	139
Goodwill net carrying amount	**2,494**	**2,514**

Trademarks and Other intangible assets with indefinite useful lives are mainly attributable to Agricultural Equipment and Construction Equipment and consist of acquired trademarks and similar rights which have no legal, contractual, competitive or economic factors that limit their useful lives. For the purposes of impairment testing, these assets were attributed to the respective cash-generating units. No impairment loss was recognized.

The vast majority of goodwill, representing approximately 92% of the total, relates to Agricultural Equipment (68%) and to Construction Equipment (24%), where the cash-generating units considered for the testing of the recoverability of the goodwill are the segments.

To determine the recoverable amount of these cash-generating units, multiple valuation methodologies are used, relying largely on an income approach but also incorporating value indicators from a market approach.

Under the income approach, the recoverable amount of a cash-generating unit is calculated 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 cash-generating units. The following discount rates before taxes as of December 31, 2014 and 2013 were selected:

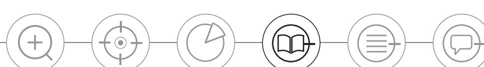
	2014	2013
Agricultural Equipment	17.4%	17.4%
Construction Equipment	14.3%	15.4%
Financial Services	22.6%	20.2%

Expected cash flows used under the income approach are developed in conjunction with the Group budgeting and forecasting processes. The Group uses nine years of expected cash flows for the Agricultural Equipment and Construction Equipment cash-generating units and four years of expected cash flows for the Financial Services cash-generating unit as management believes that these periods generally reflect the underlying market cycles for its businesses. Under the market approach, the Group estimates the recoverable amount of the Agricultural Equipment and Construction Equipment cash-generating units using revenue and EBITDA multiples and estimates the recoverable amount of the Financial Services cash-generating unit using book value, tangible book value and interest margin multiples. The multiples are derived from comparable publicly-traded companies with similar operating and investment characteristics as the respective cash-generating 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.

A terminal value is included at the end of the projection period used in the discounted cash flow analyses in order to reflect the remaining value that each cash-generating unit is expected to generate. The terminal value represents the present value in the last year of the projection period of all subsequent cash flows into perpetuity. The terminal value growth rate is a key assumption used in determining the terminal value as it represents the annual growth of all subsequent cash flows into perpetuity. The terminal value growth rate for the Agricultural Equipment cash-generating unit was 1% in 2014 and 2013, respectively, and for Construction Equipment was 3% in 2014 and 2013, respectively. The terminal value growth rate for Financial Services was 1.5% in 2014 and 2013, respectively.

As of December 31, 2014, the estimated recoverable amount, calculated using the above method, of the Agricultural Equipment and Financial Services cash-generating units substantially exceeded the respective carrying values. The Construction Equipment cash-generating unit's excess of recoverable amount over carrying value was approximately 7%. A 0.8% increase in the discount rate, holding all other assumptions constant, or a further decline in market demand for construction equipment could result in an impairment loss in future reporting periods.

The results obtained for the Commercial Vehicles and related sensitivity analyses confirmed the absence of an impairment loss.



Finally, the estimates and budget data to which the above mentioned parameters have been applied are those determined by management based on past performance and expectations of developments in the markets in which the Group operates. Estimating the recoverable amount of cash generating units requires discretion and the use of estimates by management. The Group cannot guarantee that there will be no goodwill impairment in future periods. Circumstances and events, which could potentially cause further impairment losses, are constantly monitored by the Group.

Development costs

The amortization of development costs and impairment losses are reported in the income statement as Research and development costs.

Development costs are tested for impairment at the cash-generating unit level.

15. Property, plant and equipment

In 2014 and in 2013, changes in the gross carrying amount of Property, plant and equipment were as follows:

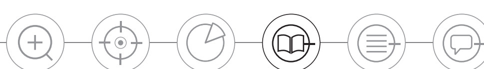
($ million)	At December 31, 2013	Additions	Divestitures	Translation differences	Other changes	At December 31, 2014
Land	**331**	-	(2)	(28)	(1)	**300**
Owned industrial buildings	**3,083**	132	(45)	(277)	58	**2,951**
Industrial buildings leased under finance leases	**64**	5	-	(6)	(8)	**55**
Total Industrial buildings	**3,147**	137	(45)	(283)	50	**3,006**
Owned plant, machinery and equipment	**8,387**	620	(109)	(869)	234	**8,263**
Plant, machinery and equipment leased under finance leases	**94**	12	-	(12)	-	**94**
Total Plant, machinery and equipment	**8,481**	632	(109)	(881)	234	**8,357**
Assets sold with a buy-back commitment	**2,611**	793	(143)	(330)	(389)	**2,542**
Owned other tangible assets	**960**	40	(13)	(86)	(34)	**867**
Other tangible assets leased under finance leases	**-**	-	-	-	1	**1**
Total Other tangible assets	**960**	40	(13)	(86)	(33)	**868**
Advances and tangible assets in progress	**516**	85	(11)	(22)	(355)	**213**
Total gross carrying amount of Property, plant and equipment	**16,046**	**1,687**	**(323)**	**(1,630)**	**(494)**	**15,286**

($ million)	At December 31, 2012	Additions	Divestitures	Translation differences	Other changes	At December 31, 2013
Land	**304**	1	(1)	3	24	**331**
Owned industrial buildings	**2,780**	189	(11)	34	91	**3,083**
Industrial buildings leased under finance leases	**52**	10	-	1	1	**64**
Total Industrial buildings	**2,832**	199	(11)	35	92	**3,147**
Owned plant, machinery and equipment	**8,015**	369	(387)	156	234	**8,387**
Plant, machinery and equipment leased under finance leases	**81**	13	(1)	4	(3)	**94**
Total Plant, machinery and equipment	**8,096**	382	(388)	160	231	**8,481**
Assets sold with a buy-back commitment	**2,059**	796	-	104	(348)	**2,611**
Owned other tangible assets	**943**	23	(47)	15	26	**960**
Other tangible assets leased under finance leases	**3**	-	(3)	-	-	**-**
Total Other tangible assets	**946**	23	(50)	15	26	**960**
Advances and tangible assets in progress	**324**	515	(2)	4	(325)	**516**
Total gross carrying amount of Property, plant and equipment	**14,561**	**1,916**	**(452)**	**321**	**(300)**	**16,046**

In 2014 and in 2013, changes in accumulated depreciation and impairment losses were as follows:

($ million)	At December 31, 2013	Depreciation	Impairment losses	Divestitures	Translation differences	Other changes	At December 31, 2014
Land	4	-	-	-	-	1	5
Owned industrial buildings	1,627	109	-	(38)	(158)	(38)	1,502
Industrial buildings leased under finance leases	8	1	-	-	(1)	(2)	6
Total Industrial buildings	1,635	110	-	(38)	(159)	(40)	1,508
Owned plant, machinery and equipment	6,052	455	-	(103)	(649)	(10)	5,745
Plant, machinery and equipment leased under finance leases	30	6	-	-	-	-	36
Total Plant, machinery and equipment	6,082	461	-	(103)	(649)	(10)	5,781
Assets sold with a buy-back commitment	611	250	22	(62)	(80)	(152)	589
Owned other tangible assets	747	52	-	(16)	(73)	(40)	670
Other tangible assets leased under finance leases	-	-	-	-	-	-	-
Total Other tangible assets	747	52	-	(16)	(73)	(40)	670
Advances and tangible assets in progress	-	-	-	-	-	-	-
Total accumulated depreciation and impairment of Property, plant and equipment	9,079	873	22	(219)	(961)	(241)	8,553

($ million)	At December 31, 2012	Depreciation	Impairment losses	Divestitures	Translation differences	Other changes	At December 31, 2013
Land	4	-	-	-	-	-	4
Owned industrial buildings	1,502	97	-	(9)	37	-	1,627
Industrial buildings leased under finance leases	7	1	-	-	-	-	8
Total Industrial buildings	1,509	98	-	(9)	37	-	1,635
Owned plant, machinery and equipment	5,830	426	-	(372)	148	20	6,052
Plant, machinery and equipment leased under finance leases	25	6	-	(1)	1	(1)	30
Total Plant, machinery and equipment	5,855	432	-	(373)	149	19	6,082
Assets sold with a buy-back commitment	442	274	37	-	24	(166)	611
Owned other tangible assets	717	50	-	(45)	17	8	747
Other tangible assets leased under finance leases	2	-	-	(2)	-	-	-
Total Other tangible assets	719	50	-	(47)	17	8	747
Advances and tangible assets in progress	-	-	-	-	-	-	-
Total accumulated depreciation and impairment of Property, plant and equipment	8,529	854	37	(429)	227	(139)	9,079



In 2014 and in 2013, changes in the net carrying amount of Property, plant and equipment were as follows:

($ million)	At December 31, 2013	Additions	Depreciation	Impairment losses	Divestitures	Translation differences	Other changes	At December 31, 2014
Land	327	-	-	-	(2)	(28)	(2)	295
Owned industrial buildings	1,456	132	(109)	-	(7)	(119)	96	1,449
Industrial buildings leased under finance leases	56	5	(1)	-	-	(5)	(6)	49
Total Industrial buildings	1,512	137	(110)	-	(7)	(124)	90	1,498
Owned plant, machinery and equipment	2,335	620	(455)	-	(6)	(220)	244	2,518
Plant, machinery and equipment leased under finance leases	64	12	(6)	-	-	(12)	-	58
Total Plant, machinery and equipment	2,399	632	(461)	-	(6)	(232)	244	2,576
Assets sold with a buy-back commitment	2,000	793	(250)	(22)	(81)	(250)	(237)	1,953
Owned other tangible assets	213	40	(52)	-	3	(13)	6	197
Other tangible assets leased under finance leases	-	-	-	-	-	-	1	1
Total Other tangible assets	213	40	(52)	-	3	(13)	7	198
Advances and tangible assets in progress	516	85	-	-	(11)	(22)	(355)	213
Total net carrying amount of Property, plant and equipment	6,967	1,687	(873)	(22)	(104)	(669)	(253)	6,733

($ million)	At December 31, 2012	Additions	Depreciation	Impairment losses	Divestitures	Translation differences	Other changes	At December 31, 2013
Land	300	1	-	-	(1)	3	24	327
Owned industrial buildings	1,278	189	(97)	-	(2)	(3)	91	1,456
Industrial buildings leased under finance leases	45	10	(1)	-	-	1	1	56
Total Industrial buildings	1,323	199	(98)	-	(2)	(2)	92	1,512
Owned plant, machinery and equipment	2,185	369	(426)	-	(15)	8	214	2,335
Plant, machinery and equipment leased under finance leases	56	13	(6)	-	-	3	(2)	64
Total Plant, machinery and equipment	2,241	382	(432)	-	(15)	11	212	2,399
Assets sold with a buy-back commitment	1,617	796	(274)	(37)	-	80	(182)	2,000
Owned other tangible assets	226	23	(50)	-	(2)	(2)	18	213
Other tangible assets leased under finance leases	1	-	-	-	(1)	-	-	-
Total Other tangible assets	227	23	(50)	-	(3)	(2)	18	213
Advances and tangible assets in progress	324	515	-	-	(2)	4	(325)	516
Total net carrying amount of Property, plant and equipment	6,032	1,916	(854)	(37)	(23)	94	(161)	6,967

Additions of $1,687 million in 2014 mainly relate to Agricultural Equipment, Construction Equipment and Commercial Vehicles.

During 2014 Commercial Vehicles recognized impairment losses on Assets sold with a buy-back commitment for an amount of $22 million ($37 million in 2013) in order to align their carrying amount to market value. These losses are fully recognized in Cost of sales.

The column Other changes mainly includes the reclassification of the prior year balances for Advances and tangible assets in progress to the appropriate categories when the assets were effectively acquired and put into operation, as well as the reclassification to Inventory of Assets sold with a buy-back commitment that are held for sale at the agreement expiry date of $237 million.

At December 31, 2014, land and industrial buildings of the Group pledged as security for debt amounted to $93 million ($101 million at December 31, 2013); plant, machinery and equipment pledged as security for debt and other commitments amounted to $98 million ($103 million at December 31, 2013) and other assets pledged as security for debt and other commitments amounted to $1 million (zero at December 31, 2013); these relate to suppliers' assets recognized in the Consolidated Financial Statements in accordance with IFRIC 4, with the simultaneous recognition of a financial lease payable.

At December 31, 2014, the Group had contractual commitments for the acquisition of property, plant and equipment amounting to $397 million ($348 million at December 31, 2013).

16. Investments and other financial assets

($ million)	At December 31, 2014	At December 31, 2013
Investments accounted for using the equity method	633	674
Investments at cost	12	7
Total Investments	645	681
Other securities	1	1
Non-current financial receivables	44	76
Total Investments and other financial assets	**690**	**758**

Investments

Changes in Investments in 2014 and in 2013 are set out below:

($ million)	At December 31, 2013	Revaluations/ (Write-downs)	Acquisitions and capitalizations	Translation differences	Disposals and other changes	At December 31, 2014
Investments in:						
Unconsolidated subsidiaries	8	-	2	(1)	3	**12**
Joint ventures	526	76	5	(32)	(86)	**489**
Associates	147	14	-	(12)	(5)	**144**
Total Investments	**681**	**90**	**7**	**(45)**	**(88)**	**645**

($ million)	At December 31, 2012	Revaluations/ (Write-downs)	Acquisitions and capitalizations	Translation differences	Disposals and other changes	At December 31, 2013
Investments in:						
Unconsolidated subsidiaries	10	(2)	-	-	-	**8**
Joint ventures	473	116	33	(24)	(72)	**526**
Associates	137	21	-	-	(11)	**147**
Total Investments	**620**	**135**	**33**	**(24)**	**(83)**	**681**

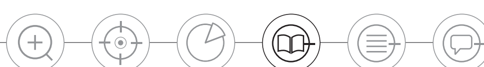
Revaluations and Write-downs include the Group's share of the profit or loss for the year of investments accounted for using the equity method for an amount of $90 million in 2014 ($135 million in 2013).

Disposals and other changes, a decrease of $88 million in 2014, mainly consist of dividends by companies accounted for using the equity method. The item Investments in joint ventures comprises the following:

	At December 31, 2014		At December 31, 2013	
	% of interest	($ million)	% of interest	($ million)
Naveco (Nanjing Iveco Motor Co.) Ltd.	**50.0**	**215**	50.0	237
Turk Traktor Ve Ziraat Makineleri A.S.	**37.5**	**107**	37.5	126
Other Joint ventures:				
New Holland HFT Japan Inc.	**50.0**	**69**	50.0	63
CNH de Mexico SA de CV	**50.0**	**30**	50.0	30
SAIC Iveco Investment Company Limited	**50.0**	**63**	50.0	61
Other		**5**		9
Total Other Joint ventures		**167**		163
Total Investments in joint ventures		**489**		**526**

The item Investments in associates comprises the following:

	At December 31, 2014		At December 31, 2013	
	% of interest	($ million)	% of interest	($ million)
CNH Industrial Capital Europe S.a.S.	**49.9**	**110**	49.9	108
Other associates:				
Al-Ghazi Tractors Ltd.	**43.2**	**34**	43.2	31
Other		**-**		8
Total Other associates		**34**		39
Total Investments in associates		**144**		**147**



At December 31, 2014, the fair value of Investments in main listed joint ventures and listed associates, based on prices quoted on regulated markets, is as follows:

($ million)	Carrying value	Fair value
Turk Traktor Ve Ziraat Makineleri A.S.	107	659

At December 31, 2014 and 2013, no Non-current financial receivables had been pledged as security for loans.

17. Leased assets

This item changed as follows in 2014 and 2013:

($ million)	At December 31, 2013	Additions	Depreciation	Translation differences	Disposals and other changes	At December 31, 2014
Gross carrying amount	1,343	1,021	-	(46)	(504)	**1,814**
Less: Depreciation and impairment	(284)	-	(159)	17	130	**(296)**
Net carrying amount of Leased assets	**1,059**	**1,021**	**(159)**	**(29)**	**(374)**	**1,518**

($ million)	At December 31, 2012	Additions	Depreciation	Translation differences	Disposals and other changes	At December 31, 2013
Gross carrying amount	1,070	643	-	(13)	(357)	**1,343**
Less: Depreciation and impairment	(249)	-	(140)	1	104	**(284)**
Net carrying amount of Leased assets	**821**	**643**	**(140)**	**(12)**	**(253)**	**1,059**

At December 31, 2014 minimum lease payments from non-cancellable operating lease amount to $357 million ($314 million at December 31, 2013) and fall due as follows:

($ million)	At December 31, 2014	At December 31, 2013
Within one year	**162**	145
Between one and five years	**192**	160
Beyond five years	**3**	9
Total Minimum lease payments	**357**	**314**

Assets leased out under operating lease and acting as security for loans received amount to zero at December 31, 2014 and to $4 million at December 31, 2013.

18. Inventories

($ million)	At December 31, 2014	At December 31, 2013
Raw materials, supplies and finished goods	**7,107**	7,509
Gross amount due from customers for contract works	**33**	27
Total Inventories	**7,140**	**7,536**

At December 31, 2014, Inventories include assets which are no longer subject to operating lease arrangements or buy-back commitments and are held for sale for $283 million ($202 million at December 31, 2013). Excluding this item, Inventories decreased by $477 million in 2014.

At December 31, 2014, the amount of Inventories measured at net realizable value (estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale) is $1,803 million ($1,764 million at December 31, 2013).

The amount of inventory write-downs recognized as an expense during 2014 is $124 million ($58 million in 2013). Amounts recognized as income from the reversal of write-downs on items sold during the year were not significant.

There were no inventories pledged as security at December 31, 2014 and 2013.

19. Current receivables and Other current assets

This item may be analyzed as follows:

($ million)	At December 31, 2014	At December 31, 2013
Trade receivables	1,054	1,362
Receivables from financing activities	21,472	21,986
Current tax receivables	324	348
Other current assets:		
Other current receivables	1,264	1,674
Accrued income and prepaid expenses	170	226
Total Other current assets	1,434	1,900
Total Current receivables and Other current assets	**24,284**	**25,596**

An analysis by due date is as follows:

	At December 31, 2014				At December 31, 2013			
($ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Trade receivables	1,043	10	1	1,054	1,351	11	-	1,362
Receivables from financing activities	12,659	8,500	313	21,472	13,270	8,574	142	21,986
Current tax receivables	291	33	-	324	212	136	-	348
Other current receivables	1,077	146	41	1,264	1,507	130	37	1,674
Total Current receivables	**15,070**	**8,689**	**355**	**24,114**	**16,340**	**8,851**	**179**	**25,370**

Trade receivables

Trade receivables are shown net of allowances for doubtful accounts of $207 million at December 31, 2014 ($248 million at December 31, 2013), determined on the basis of historical losses on receivables. Changes in the allowance accounts during 2014 were as follows:

($ million)	At December 31, 2013	Provision	Use and other changes	At December 31, 2014
Allowances for doubtful accounts	248	53	(94)	207

The carrying amount of Trade receivables is considered in line with their fair value at the date.

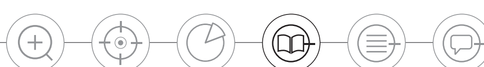
Receivables from financing activities

Receivables from financing activities include the following:

($ million)	At December 31, 2014	At December 31, 2013
Retail financing	11,023	11,202
Dealer financing	9,400	9,113
Finance leases	955	1,535
Other	94	136
Total Receivables from financing activities	**21,472**	**21,986**

CNH Industrial provides and administers financing for stock and retail purchases of new and used equipment sold through its dealer network. The terms of retail financing generally range from two to six years and interest rates vary depending on prevailing market interest rates and certain incentive programs offered by Industrial Activities.

Wholesale receivables arise primarily from the sale of goods to dealers and distributors and, to a lesser extent, the financing of dealer operations. Under the standard terms of the wholesale receivable agreements, these receivables typically have "interest-free" periods of up to twelve months and stated original maturities of up to twenty-four months, with repayment accelerated upon the sale of the underlying equipment by the dealer. During the "interest free" period, Financial Services is compensated by Industrial Activities for the difference between market interest rates and the amount paid by the dealer. After the expiration of any "interest-free" period, interest is charged to dealers on outstanding balances until CNH Industrial receives payment in full. The "interest-free" periods are determined based on the type of equipment sold and the time of year of the sale. Interest rates are set based on market factors and based on Euribor or the equivalent financial market rate (e.g. FHBR, Finance House Base Rate for UK). CNH Industrial evaluates and assesses dealers on an ongoing basis as to their credit



worthiness. CNH Industrial may be obligated to repurchase the dealer's equipment upon cancellation or termination of the dealer's contract for such causes as change in ownership, closeout of the business, or default. There were no significant losses in 2014 and 2013 relating to the termination of dealer contracts.

Total Receivables from financing activities increased by $799 million over the period excluding currency translation differences which decreased the portfolio by $1,321 million. The increase, on a constant currency basis, was mainly due to increases in retail and wholesale receivables in NAFTA, as well as in wholesale receivables in LATAM. The negative impact of currency translation was mainly due to the changes between the U.S. dollar and the euro, the Brazilian real, the Canadian dollar and the British pound.

Receivables from financing activities are shown net of an allowance for doubtful accounts determined on the basis of specific insolvency risks. At December 31, 2014 the allowance amounts to $650 million ($726 million at December 31, 2013). Changes in the allowance accounts during 2014 were as follows:

($ million)	At December 31, 2013	Provision	Use and other changes	At December 31, 2014
Allowance for receivables regarding:				
Retail financing	249	46	(51)	**244**
Dealer financing	160	71	(49)	**182**
Finance leases	317	40	(133)	**224**
Total Allowance on Receivables from financing activities	**726**	**157**	**(233)**	**650**

Finance lease receivables mainly relate to vehicles of Commercial Vehicles, Agricultural Equipment and Construction Equipment leased out under finance lease arrangements. The interest rate implicit in the lease is determined at the commencement of the lease for the whole lease term. The average interest rate implicit in total finance lease receivables varies depending on prevailing market interest rates.

The item may be analyzed as follows stated gross of an allowance of $224 million at December 31, 2014 ($317 million at December 31, 2013):

	At December 31, 2014				At December 31, 2013			
($ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Receivables for future minimum lease payments	671	760	77	1,508	949	1,292	123	2,364
Less: unrealized interest income	(125)	(191)	(13)	(329)	(190)	(302)	(20)	(512)
Present value of future minimum lease payments	**546**	**569**	**64**	**1,179**	759	990	103	1,852

No contingent rents were recognized as finance lease income during 2014 or 2013 and unguaranteed residual values at December 31, 2014 and 2013 are not significant.

Other current assets

At December 31, 2014, Other current assets mainly consist of other tax receivables for VAT and other indirect taxes of $954 million ($1,267 million at December 31, 2013), Receivables from employees of $57 million ($51 million at December 31, 2013) and Accrued income and prepaid expenses of $170 million ($226 million at December 31, 2013).

At the balance sheet date the carrying amount of Other current assets is considered to be in line with their fair value.

Refer to section "Risk Management" and Note 33 "Information on financial risks" for additional information on the credit risk to which CNH Industrial is exposed and the way it is managed by the Group.

Transfers of financial assets

The Group transfers a number of its financial, trade and tax receivables under securitization programs or factoring transactions.

A securitization transaction entails the sale of a portfolio of receivables to a securitization vehicle. This structured entity finances the purchase of the receivables by issuing asset-backed securities (i.e. securities whose repayment and interest flow depend upon the cash flow generated by the portfolio). Asset-backed securities are divided into classes according to their degree of seniority and rating: the most senior classes are placed with investors on the market; the junior class, whose repayment is subordinated to the senior classes, is normally subscribed for by the seller. The residual interest in the receivables retained by the seller is therefore limited to the junior securities it has subscribed for. In accordance with IFRS 10, all securitization vehicles are included in the scope of consolidation because the subscription of the junior asset-backed securities by the seller implies its control in substance over the structured entity.

Furthermore, factoring transactions may be either with recourse or without recourse; certain without recourse transfers include deferred payment clauses (for example, when the payment by the factor of a minor part of the purchase price is dependent on the total amount collected from the receivables), requiring first loss cover, meaning that the transferor takes priority participation in the losses, or require a significant exposure to the cash flows arising from the transferred receivables to be retained. These types of transactions do not comply with the requirements of IAS 39 for the derecognition of the assets since the risks and rewards connected with collection are not substantially transferred, and accordingly the Group continues to recognize the receivables transferred by this means in its balance sheet and recognizes a financial liability of the same amount under Asset-backed financing (Note 27). The gains and losses arising from the transfer of these assets are only recognized when the assets are derecognized.

At December 31, 2014 and 2013, the carrying amount of such transferred financial assets and the related liability and the respective fair values were as follows:

	At December 31, 2014				At December 31, 2013			
($ million)	Trade receivables	Receivables from financing activities	Other financial assets	Total	Trade receivables	Receivables from financing activities	Other financial assets	Total
Carrying amount of assets	429	13,631	1,241	15,301	584	14,048	1,284	15,916
Carrying amount of the related liabilities	(429)	(11,917)	(1,241)	(13,587)	(584)	(12,859)	(1,284)	(14,727)
Liabilities for which the counterparty has the right to obtain relief on the transferred assets:								
Fair value of the assets	429	13,694	1,241	15,364	584	14,070	1,284	15,938
Fair value of the liabilities	(429)	(11,916)	(1,241)	(13,586)	(584)	(12,879)	(1,284)	(14,747)
Net position	-	1,778	-	1,778	-	1,191	-	1,191

Other financial assets also include the cash with a pre-determined use restricted to the repayment of the securitization debt.

For completeness of information, it is recalled that the Group has discounted receivables without recourse having due dates after December 31, 2014 amounting to $654 million ($1,091 million at December 31, 2013, with due date after that date), which refer to trade receivables and other receivables for $585 million ($1,043 million at December 31, 2013) and receivables from financing activities for $69 million ($48 million at December 31, 2013).

20. Current securities

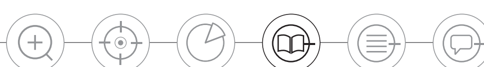
This item amounts to zero at December 31, 2014 and 2013.

21. Other financial assets and Other financial liabilities

These items consist of derivative financial instruments measured at fair value at the balance sheet date.

Specifically:

	At December 31, 2014		At December 31, 2013	
($ million)	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Fair value hedges:				
Interest rate risk - Interest rate swaps	37	(1)	46	(3)
Total Fair value hedges	37	(1)	46	(3)
Cash flow hedges:				
Currency risks - Forward contracts, Currency swaps and Currency options	74	(177)	159	(41)
Interest rate risk - Interest rate swaps	-	(12)	3	(11)
Other derivatives	1	-	-	(1)
Total Cash flow hedges	75	(189)	162	(53)
Derivatives for trading	93	(45)	53	(38)
Other financial assets/(liabilities)	205	(235)	261	(94)



The fair value of derivative financial instruments is calculated by using market parameters at the balance sheet date and using valuation techniques widely accepted in the financial business environment. In particular:

- the fair value of forward contracts and currency swaps is calculated by taking the prevailing exchange rate and interest rates in the two currencies at the balance sheet date;
- the fair value of currency options is calculated by using appropriate valuation techniques and market parameters at the balance sheet date (in particular exchange rates, interest rates and volatility rates);
- the fair value of interest rate swaps and forward rate agreements is calculated by using the discounted cash flow method;
- the fair value of derivatives hedging commodity price risk is calculated by using the discounted cash flow method, taking the market parameters at the balance sheet date (and in particular the future price of the underlying and interest rates).

All these valuation techniques take into consideration also the credit quality of counterparties that, at December 31, 2014, is not significant.

The overall decrease in Other financial assets from $261 million at December 31, 2013 to $205 million at December 31, 2014, and the increase in Other financial liabilities from $94 million at December 31, 2013 to $235 million at December 31, 2014 is mostly due to changes in exchange rates and interest rates during the year.

As this item consists principally of hedging instruments, the change in their value is offset by the change in the value of the hedged item.

Derivatives for trading consist mainly of derivatives (mostly currency based derivatives) acquired to hedge receivables and payables subject to currency risk and/or interest rate risk which are not formally designated as hedges at Group level.

At December 31, 2014, the notional amount of outstanding derivative financial instruments is as follows:

($ million)	At December 31, 2014	At December 31, 2013
Currency risk	8,606	9,725
Interest rate risk	5,585	5,672
Interest rate and currency risk	34	-
Other derivative financial instruments	10	11
Total notional amount	**14,235**	**15,408**

At December 31, 2014 and 2013, the notional amount of Other derivative instruments consists of the notional amount of derivatives linked to commodity prices hedging specific exposures arising from supply agreements. Under these agreements there is a regular updating of the prices on the basis of trends in the quoted prices of the raw material.

The following table provides an analysis by due date of outstanding derivative financial instruments at December 31, 2014 and 2013 based on their notional amounts:

	At December 31, 2014				At December 31, 2013			
($ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Currency risk	8,421	185	-	8,606	9,414	311	-	9,725
Interest rate risk	1,184	4,065	336	5,585	1,331	3,856	485	5,672
Interest rate and currency risk	34	-	-	34	-	-	-	-
Other derivative financial instruments	10	-	-	10	11	-	-	11
Total notional amount	**9,649**	**4,250**	**336**	**14,235**	**10,756**	**4,167**	**485**	**15,408**

Cash flow hedges

The effects on profit or loss mainly refer to the management of the currency risk and, to a lesser extent, to the hedges relating to the debt of the Group's financial companies and Group treasury.

The policy of the Group for managing currency risk normally requires that future cash flows from trading activities which will occur for accounting purposes within the following twelve months, and from orders acquired (or contracts in progress), whatever their due dates, be hedged. As a result, it is considered reasonable to suppose that the hedging effect arising from this and recognized in the cash flow hedge reserve will be recognized in profit or loss, mainly during the following year.

In 2014 the Group reclassified loss of $35 million (gains of $54 million in 2013) stated net of the tax effect, to the following profit or loss items; these had previously been recognized directly in Other comprehensive income:

($ million)	2014	2013
Currency risk:		
Increase/(decrease) in Net revenues	14	15
Decrease/(increase) in Cost of sales	(7)	17
Financial income/(expenses)	(30)	49
Interest rate risk:		
Decrease/(increase) in Cost of sales	(8)	(10)
Financial income/(expenses)	(3)	(5)
Taxes income/(expenses)	(1)	(12)
Total recognized in profit or loss	**(35)**	**54**

The ineffectiveness of cash flow hedges was not material in 2014 or 2013.

The total economic effect of hedges which subsequently turned out to be in excess of the future flows being hedged (overhedges) amounted to $1 million in 2014 and $12 million in 2013.

Fair value hedges

The gains and losses arising from the measurement of interest rate and currency derivatives (mostly for managing currency risk) and interest rate derivatives (for managing the interest rate risk) recognized in accordance with fair value hedge accounting and the gains and losses arising from the respective hedged items are set out in the following table:

($ million)	2014	2013
Interest rate risk:		
Net gains/(losses) on qualifying hedges	35	42
Fair value changes in hedged items	(34)	(40)
Net gains/(losses)	**1**	**2**

The ineffective portion of transactions treated as fair value hedges amounted to $1 million in 2014 ($2 million in 2013).

22. Cash and cash equivalents

Cash and cash equivalents consist of:

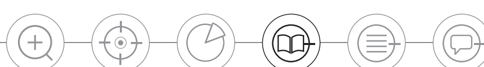
($ million)	At December 31, 2014	At December 31, 2013
Cash at banks	4,568	5,119
Cash with a pre-determined use	978	922
Money market securities	595	448
Total Cash and cash equivalents	**6,141**	**6,489**

Amounts shown are readily convertible into cash and are subject to an insignificant risk of changes in value. The carrying amount of cash and cash equivalents is considered to be in line with their fair value at the balance sheet date.

Cash with a pre-determined use mainly consists of amounts whose use is restricted to the repayment of the debt relating to securitizations classified as Asset-backed financing.

At December 31, 2014, cash and cash equivalents includes $106 million of cash and cash equivalents held by CNH Industrial's Venezuelan subsidiary.

The credit risk associated with Cash and cash equivalents is considered not significant, because it mainly relates to deposits spread across primary national and international financial institutions.



23. Assets held for sale

At December 31, 2014 and 2013, Assets held for sale consist of buildings and factories mainly attributable to Financial Services and Agricultural Equipment.

The items included in Assets held for sale may be summarized as follows:

($ million)	At December 31, 2014	At December 31, 2013
Property, plant and equipment	24	34
Total Assets	**24**	**34**

24. Equity

Consolidated shareholder's equity at December 31, 2014 decreased for an amount of $85 million compared to December 31, 2013. The profit for the year of $916 million has been more than offset by dividend distributed of $382 million and by negative changes in Other comprehensive income arising from losses on the remeasurement of defined benefit plans ($315 million), from a decrease in cash flow hedge reserve ($152 million) and the effect of currency translation differences negative for $186 million.

Share capital

Share capital, fully paid-in, amounts to €18,297,939.16 (equivalent to $25 million) at December 31, 2014 and consists of 1,355,319,640 common shares and 474,474,276 special voting shares, of which 59,074,773 acquired by CNH Industrial N.V. ("the Company") following the de-registration of the corresponding amount of qualifying common shares from the Loyalty Register, all with a par value of €0.01 each.

Upon the completion of the merger of Fiat Industrial S.p.A. and CNH Global N.V. with and into CNH Industrial N.V., CNH Industrial N.V. issued 1,348,867,772 common shares - which were allotted to Fiat Industrial S.p.A. and CNH Global N.V. shareholders on the basis of established exchange ratios - and 474,474,276 special voting shares (non-tradable) - which were allotted to eligible Fiat Industrial S.p.A. and CNH Global N.V. shareholders who had elected to receive special voting shares – both with a par value of €0.01 each. See the following paragraph "Special voting shares" for more detailed information about Special voting shares and the special-voting structure.

During 2014, the Company issued a total of 5,246,110 new common shares in relation to certain share-based incentive plans (1,205,758 common shares issued during 2013 relating to certain share-based incentive plans granted by the predecessor companies CNH Global N.V. and Fiat Industrial S.p.A. before the completion of the Merger).

The following table shows a reconciliation between the composition of the share capital of CNH Industrial N.V. at September 30, 2013 on the basis of the shares issued according to the exchange ratios with Fiat Industrial S.p.A. and CNH Global N.V. shares upon the completion of the Merger, and the composition of the share capital of CNH Industrial N.V. at December 31, 2014:

(number of shares)	At September 29, 2013	Effects of the Merger	At September 30, 2013	Capital increase	(Purchases)/ Sales of treasury shares	At December 31, 2013	Capital increase	(Purchases)/ Sales of treasury shares	At December 31, 2014
Fiat Industrial S.p.A. common shares pre- merger issued	1,222,568,882	(1,222,568,882)	-	-	-	-	-	-	**-**
Less: Treasury shares pre-merger	(8,635)	8,635	-	-	-	-	-	-	**-**
Total Fiat Industrial S.p.A. common shares pre- merger outstanding	1,222,560,247	(1,222,560,247)	-	-	-	-	-	-	**-**
CNH Global N.V. Common Shares pre-merger (non-controlling interests)	32,995,696	(32,995,696)	-	-	-	-	-	-	**-**
CNH Industrial N.V. common shares issued		1,348,867,772 (*)	1,348,867,772	1,205,758	-	1,350,073,530	5,246,110	-	**1,355,319,640**
Less: Treasury shares		-	-	-	-	-	-	-	**-**
CNH Industrial N.V. common shares outstanding		1,348,867,772	1,348,867,772	1,205,758	-	1,350,073,530	5,246,110	-	**1,355,319,640**
CNH Industrial N.V. special voting shares issued		474,474,276 (**)	474,474,276	-	-	474,474,276	-	-	**474,474,276**
Less: Treasury shares (a)		-	-	-	(5,479,890)	(5,479,890)	-	(53,594,883)	**(59,074,773)**
CNH Industrial N.V. special voting shares outstanding		474,474,276	474,474,276	-	(5,479,890)	468,994,386	-	(53,594,883)	**415,399,503**
Total Shares issued by CNH Industrial N.V.			**1,823,342,048**	**1,205,758**	**-**	**1,824,547,806**	**5,246,110**	**-**	**1,829,793,916**
Less: Treasury shares			**-**	**-**	**(5,479,890)**	**(5,479,890)**	**-**	**(53,594,883)**	**(59,074,773)**
Total CNH Industrial N.V. outstanding shares			**1,823,342,048**	**1,205,758**	**(5,479,890)**	**1,819,067,916**	**5,246,110**	**(53,594,883)**	**1,770,719,143**

(a) Special voting shares acquired by the Company following the de-registration of the corresponding amount of qualifying common shares from the Loyalty Register.
(*) Allotted on the basis of the established exchange ratios of one common share of CNH Industrial N.V. for each share of Fiat Industrial S.p.A. and 3.828 common shares of CNH Industrial N.V for each share of CNH Global N.V.
(**) Allotted to eligible Fiat Industrial S.p.A. and CNH Global N.V. shareholders who had elected to receive special voting shares.

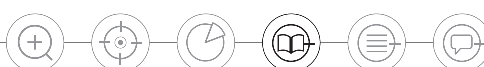
The Company shall maintain a special capital reserve to be credited against the share premium exclusively for the purpose of facilitating any issuance or cancellation of special voting shares. The special voting shares shall not carry any entitlement to the balance of the special capital reserve. The Board of Directors shall be authorized to resolve upon (i) any distribution out of the special capital reserve to pay up special voting shares or (ii) re-allocation of amounts to credit or debit the special capital reserve against or in favor of the share premium reserve.

The Company shall maintain a separate dividend reserve for the special voting shares. The special voting shares shall not carry any entitlement to any other reserve of the Company. Any distribution out of the special voting shares dividend reserve or the partial or full release of such reserve will require a prior proposal from the Board of Directors and a subsequent resolution of the general meeting of holders of special voting shares.

From the profits, shown in the annual accounts, as adopted, such amounts shall be reserved as the Board of Directors may determine.

The profits remaining thereafter shall first be applied to allocate and add to the special voting shares dividend reserve an amount equal to one percent (1%) of the aggregate nominal amount of all outstanding special voting shares. The calculation of the amount to be allocated and added to the special voting shares dividend reserve shall occur on a time-proportionate basis. If special voting shares are issued during the financial year to which the allocation and addition pertains, then the amount to be allocated and added to the special voting shares dividend reserve in respect of these newly issued special voting shares shall be calculated as from the date on which such special voting shares were issued until the last day of the financial year concerned. The special voting shares shall not carry any other entitlement to the profits.

Any profits remaining thereafter shall be at the disposal of the general meeting of shareholders for distribution of dividend on the common shares only subject to the provision that the distribution of profits shall be made after the adoption of the annual accounts, from which it appears that the same is permitted.



Subject to a prior proposal of the Board of Directors, the general meeting of shareholders may declare and pay dividends in U.S. dollars. Furthermore, subject to the approval of the general meeting of shareholders and the Board of Directors having been designated as the body competent to pass a resolution for the issuance of shares in accordance with Article 5 of the Articles of Association, the Board of Directors may decide that a distribution shall be made in the form of shares or that shareholders shall be given the option to receive a distribution either in cash or in the form of shares.

At the Annual General Meeting (the "AGM") held by CNH Industrial on April 16, 2014 shareholders approved a dividend of €0.20 per common share. The cash dividend was declared in euro and paid on April 30, 2014 for a total amount of $375 million (€271 million). Shareholders who held common shares on the record date traded on the New York Stock Exchange received the dividend in U.S. dollars at the USD/EUR exchange rate reported by the European Central Bank on April 17, 2014 ($0.2771 per common share).

On March 2, 2015, the Board of Directors of CNH Industrial N.V. recommended to the Company's shareholders a dividend of €0.20 per common share, totaling approximately $305 million at the exchange rate of 1.124 U.S. dollars per euro (€271 million). The proposal will be submitted for approval to the AGM to be held on April 15, 2015.

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

The Board of Directors shall have power to declare one or more interim dividends, provided that the requirements of the Article 22 paragraph 5 of the Articles of Association are duly observed as evidenced by an interim statement of assets and liabilities as referred to in Article 2:105 paragraph 4 of the Dutch Civil Code and provided further that the policy of the Company on additions to reserves and dividends is duly observed. The provisions of the Article 22 paragraphs 2 and 3 of the Articles of Association shall apply mutatis mutandis.

The Board of Directors may determine that dividends or interim dividends, as the case may be, shall be paid, in whole or in part, from the Company's share premium reserve or from any other reserve, provided that payments from reserves may only be made to the shareholders that are entitled to the relevant reserve upon the dissolution of the Company.

Dividends and other distributions of profit shall be made payable in the manner and at such date(s) - within four weeks after declaration thereof - and notice thereof shall be given, as the general meeting of shareholders, or in the case of interim dividends, the Board of Directors shall determine, provided, however, that the Board of Directors shall have the right to determine that each payment of annual dividends in respect of shares be deferred for a period not exceeding five consecutive annual periods.

Dividends and other distributions of profit, which have not been collected within five years and one day after the same have become payable, shall become the property of the Company.

In the event of a winding-up, a resolution to dissolve the Company can only be passed by a general meeting of shareholders pursuant to a prior proposal of the Board of Directors. In the event a resolution is passed to dissolve the Company, the Company shall be wound-up by the Board of Directors, unless the general meeting of shareholders would resolve otherwise.

The general meeting of shareholders shall appoint and decide on the remuneration of the liquidators.

Until the winding-up of the Company has been completed, the Articles of Association of the Company shall to the extent possible, remain in full force and effect.

Policies and processes for managing capital

The objectives identified by the Group for managing capital are to create value for shareholders as a whole, safeguard business continuity and support the growth of the Group. As a result, the Group endeavors to maintain an adequate level of capital that at the same time enables it to obtain a satisfactory economic return for its shareholders and guarantee economic access to external sources of funds, including by means of achieving an adequate rating.

The Group constantly monitors the evolution of its debt/equity ratio and in particular the level of net debt and the generation of cash from its Industrial Activities.

To reach these objectives the Group aims at a continuous improvement in the profitability of the business in which it operates. Further, in general, it may sell part of its assets to reduce the level of its debt, while the Board of Directors may make proposals to shareholders in general meeting to reduce or increase share capital or, where permitted by law, to distribute reserves.

The Company shall at all times have the authority to acquire fully paid-up shares in its own share capital, provided that such acquisition is made for no consideration (*om niet*).

The Company shall also have authority to acquire fully paid-up shares in its own share capital for consideration, if:

- the general meeting of shareholders has authorized the Board of Directors to make such acquisition – which authorization shall be valid for no more than eighteen months – and has specified the number of shares which may be acquired, the manner in which they may be acquired and the limits within which the price must be set;
- the Company's equity, after deduction of the acquisition price of the relevant shares, is not less than the sum of the paid-up portion of the share capital and the reserves that have to be maintained by provision of law; and
- the aggregate par value of the shares to be acquired and the shares in its share capital the Company already holds, holds as pledgee or are held by a subsidiary company, does not amount to more than one half of the aggregate par value of the issued share capital.

If no annual accounts have been confirmed and adopted when more than six months have expired after the end of any financial year, then it shall not be allowed any acquisition.

No authorization shall be required, if the Company acquires its own shares for the purpose of transferring the same to directors or employees of the Company or a Group company as defined in Article 2:24b of the Dutch Civil Code, under a scheme applicable to such employees. Such own shares must be officially listed on a price list of an exchange.

The preceding provisions shall not apply to shares which the Company acquires under universal title of succession (*algemene titel*).

No voting rights may be exercised in the general meeting of shareholders for any share held by the Company or any of its subsidiaries. Beneficiaries of a life interest on shares that are held by the Company and its subsidiaries are not excluded from exercising the voting rights provided that the life interest was created before the shares were held by the Company or any of its subsidiaries. The Company or any of its subsidiaries may not exercise voting rights for shares in respect of which it holds a usufruct.

Any acquisition by the Company of shares that have not been fully paid up shall be void.

Any disposal of shares held by the Company will require a resolution of the Board of Directors. Such resolution shall also stipulate the conditions of the disposal.

Special voting shares

In order to foster the development and continued involvement of a core base of long-term shareholders in a manner that reinforces the Group's stability, as well as providing the Group enhanced flexibility in pursuing strategic opportunities in the future, CNH Industrial's Articles of association provide for a special-voting structure that rewards shareholder loyalty by granting long-term Group shareholders with the equivalent of two votes for each CNH Industrial N.V. common share that they hold through the issuance of special voting shares.

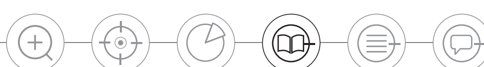
After closing of the above Merger, a shareholder may at any time elect to participate in the loyalty voting structure by requesting the registration of all or some of the common shares held by such shareholder in a separate register (the "Loyalty Register") of the Company. If such common shares have been registered in the Loyalty Register for an uninterrupted period of three years in the name of the same shareholder, such shares will become "Qualifying Common Shares" and the relevant shareholder will be entitled to receive one special voting share for each such Qualifying Common Share.

As mentioned above, CNH Industrial N.V. issued special voting shares with a nominal value of €0.01 each to those eligible shareholders for and elect to receive such special voting shares upon completion of the merger of Fiat Industrial S.p.A. and of CNH Global N.V. respectively with and into CNH Industrial N.V.; the Company could issue further special voting shares, following the completion of such merger, pursuant to the "Terms and Conditions" of the special voting shares.

The electing shareholders are not required to pay any amount to the Company in connection with the allocation of the special voting shares.

Common shares are freely transferable, while, as described below, special voting shares are transferable exclusively in limited circumstances, as described below, and they are not admitted to listing. In particular, at any time, a holder of common shares that are Qualifying Common Shares wishing to transfer such common shares other than in limited specified circumstances (e.g., transfers to affiliates or relatives through succession, donation or other transfers) must first request a de-registration of such Qualifying Common Shares from the Loyalty Register and to move back into the Regular Trading System. After de-registration from the Loyalty Register, such common shares no longer qualify as Qualifying Common Shares and, as a result, the holder of such common shares is required to offer and transfer the special voting shares associated with the transferred common shares to the Company for no consideration.

The special voting shares have minimal economic entitlements as per the purpose of the special voting shares is to grant long-term shareholders with an extra voting right by means of granting an additional special voting share, without granting such shareholders with any economic rights additional to the ones pertaining to the common shares. However, as a matter of Dutch law, such special voting shares cannot be fully excluded from economic entitlements. Therefore, the Articles of Association provide that only a minimal dividend accrues to the special voting shares, which is not distributed, but allocated to a separate special dividend reserve.



Treasury shares

At the AGM held on April 16, 2014 shareholders granted the Board of Directors (the "Board") the authority to acquire up to a maximum of 10% of the Company's issued common shares at the same date. The authorization is an instrument available to the Board, but places no obligation on the Company to repurchase its own shares. Under the authorization, which is valid for a period of 18 months from the date of the AGM and therefore up to and including October 15, 2015, the Board may acquire the Company's common shares in accordance with applicable regulations at a price not exceeding 10% of the market price of such common shares on the New York Stock Exchange (NYSE) and/or the Mercato Telematico Azionario (MTA), the market price being the average of the highest price on each of the five days of trading prior to the date of acquisition, as shown in the Official Price List of the selected stock exchange.

At December 31, 2014, CNH Industrial N.V. does not own directly or indirectly treasury common shares since that instrument was not exercised by the Board. As above discussed with reference to Share capital, at December 31, 2014 the Company only owns 59,074,773 special voting shares acquired following the de-registration of the corresponding amount of qualifying common shares from the Loyalty Register. At the AGM on April 15, 2015 the Board will present a proposal to replace the existing authority for a period of 18 months and therefore up to and including October 14, 2016.

Capital reserves

At December 31, 2014 capital reserves amounting to $3,170 million ($3,114 million at December 31, 2013) mainly include the effects of the Merger.

Earnings reserves

Earnings reserves, amounting to $5,540 million at December 31, 2014 ($5,005 million at December 31, 2013) consist mainly of retained earnings and profits attributable to the owners of the parent.

Other comprehensive income

The amount of Other comprehensive income can be analyzed as follows:

($ million)	2014	2013
Other comprehensive income that will not be reclassified subsequently to profit or loss:		
Gains/(losses) on the remeasurement of defined benefit plans	(417)	155
Total Other comprehensive income that will not be reclassified subsequently to profit or loss (A)	**(417)**	**155**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedging instruments arising during the period	(249)	210
Gains/(losses) on cash flow hedging instruments reclassified to profit or loss	34	(66)
Gains/(losses) on cash flow hedging instruments	(215)	144
Gains/(losses) on the remeasurement of available-for-sale financial assets arising during the period	-	-
Gains/(losses) on the remeasurement of available-for-sale financial assets reclassified to profit or loss	-	-
Gains/(losses) on the remeasurement of available-for-sale financial assets	-	-
Exchange gains/(losses) on translating foreign operations arising during the period	(141)	(520)
Exchange gains/(losses) on translating foreign operations reclassified to profit or loss	-	-
Exchange gains/(losses) on translating foreign operations	(141)	(520)
Share of Other comprehensive income of entities accounted for using the equity method arising during the period	(45)	(23)
Reclassification adjustment for the share of Other comprehensive income of entities accounted for using the equity method	-	-
Share of Other comprehensive income of entities accounted for using the equity method	(45)	(23)
Total Other comprehensive income that may be reclassified subsequently to profit or loss (B)	**(401)**	**(399)**
Tax effect of the other components of Other comprehensive income (C)	**165**	**(130)**
Total Other comprehensive income, net of tax (A) + (B) + (C)	**(653)**	**(374)**

The income tax effect relating to Other comprehensive income can be analyzed as follows:

($ million)	2014 Before tax amount	2014 Tax (expense)/ benefit	2014 Net-of-tax amount	2013 Before tax amount	2013 Tax (expense)/ benefit	2013 Net-of-tax amount
Other comprehensive income that will not be reclassified subsequently to profit or loss:						
Gains/(losses) on the remeasurement of defined benefit plans	(417)	102	(315)	155	(88)	67
Total Other comprehensive income that will not be reclassified subsequently to profit or loss	(417)	102	(315)	155	(88)	67
Other comprehensive income that may be reclassified subsequently to profit or loss:						
Gains/(losses) on cash flow hedging instruments	(215)	63	(152)	144	(42)	102
Gains/(Losses) on the remeasurement of available-for-sale financial assets	-	-	-	-	-	-
Exchange gains/(losses) on translating foreign operations	(141)	-	(141)	(520)	-	(520)
Share of Other comprehensive income of entities accounted for using the equity method	(45)	-	(45)	(23)	-	(23)
Total Other comprehensive income that may be reclassified subsequently to profit or loss	(401)	63	(338)	(399)	(42)	(441)
Total Other comprehensive income	**(818)**	**165**	**(653)**	**(244)**	**(130)**	**(374)**

Share-based compensation

In connection with the Merger, CNH Industrial N.V. assumed the sponsorship of the Fiat Industrial Long-Term Incentive Plan (the "Fiat Industrial Plan"), the CNH Global N.V. Equity Incentive Plan (the "CNH EIP") and the CNH Global N.V. Directors' Compensation Plan ("CNH DCP"), effective as of September 29, 2013.

For the year ended December 31, 2014 and 2013 CNH Industrial recognized total share-based compensation expense of $49 million and $39 million, respectively. For the years ended December 31, 2014 and 2013, CNH Industrial recognized a total tax benefit relating to share-based compensation expense of $10 million and $9 million, respectively. As of December 31, 2014, CNH Industrial had unrecognized share-based compensation expense related to non-vested awards of approximately $110 million based on current assumptions related to achievement of specified performance objectives, when applicable. Unrecognized share-based compensation costs will be recognized over a weighted-average period of 2.8 years.

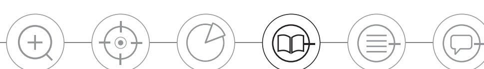
CNH Industrial's equity awards are governed by several plans: (i) CNH Industrial N.V. Directors' Compensation Plan ("CNH Industrial DCP"); (ii) CNH Industrial N.V. Equity Incentive Plan ("CNH Industrial EIP"); (iii) CNH Global N.V. Directors' Compensation Plan ("CNH DCP"); (iv) CNH Global N.V. Equity Incentive Plan ("CNH EIP"); and, (v) Fiat Industrial Long-Term Incentive Plan ("Fiat Industrial Plan").

CNH Industrial N.V. Directors' Compensation Plan ("CNH Industrial DCP")

On September 9, 2013 the CNH Industrial DCP was approved by the shareholders and adopted by the Board of Directors of CNH Industrial N.V. This plan provides for the payment of the following to eligible members of the CNH Industrial N.V. Board in the form of cash, and/or common shares of CNH Industrial N.V., and/or options to purchase common shares of CNH Industrial N.V., provided that such members do not receive salary or other employment compensation from CNH Industrial N.V. or Fiat S.p.A. (which, effective October 12, 2014, was merged into Fiat Chrysler Automobiles N.V., "FCA"), and their subsidiaries and affiliates:

- $125,000 annual retainer fee for each Non-Executive Director;
- an additional $25,000 for each member of the Audit Committee and $35,000 for the Audit Committee Chairman;
- an additional $20,000 for each member of every other Board committee and $25,000 for the committee chairman (collectively, the "fees");

Each quarter of the CNH Industrial DCP year, the eligible directors elect the form of payment of their fees. If the elected form is common shares, the eligible director will receive as many common shares as equal to the amount of fees the director elects to be paid in common shares, divided by the fair market value of a CNH Industrial N.V. common share on the date that the quarterly payment is made. Common shares issued to the eligible director vest immediately upon grant. If an eligible director elects to receive all or a portion of fees in the form of a stock option, the number of common shares underlying the stock option is determined by dividing (i) by (ii) where (i) equals the dollar amount of the quarterly payment that the eligible director elects to receive in the form of stock options multiplied by four and (ii) the fair market value of the common shares on the date that the quarterly payment is made. The CNH Industrial DCP defines fair market value, as applied to each ordinary share, to be equal to the average of the highest and lowest sale price of a CNH Industrial N.V. common share during normal trading hours on the last trading day of each plan quarter in which sales of common shares on the New York Stock Exchange are recorded. Stock



options granted as a result of such an election vest immediately, but shares purchased under options cannot be sold for six months following the date of exercise. Stock options terminate upon the earlier of: (1) ten years after the grant date; or (2) six months after the date an individual ceases to be a director.

There were 200,000 common shares authorized for issuance under the CNH Industrial DCP. In 2014, 31,563 stock options were issued under the CNH Industrial DCP at a weighted average exercise price of $9.19 per share and weighted average fair value of $2.72 per share.

CNH Industrial N.V. Equity Incentive Plan ("CNH Industrial EIP")

At the AGM held on April 16, 2014, shareholders approved the adoption of the CNH Industrial Equity Incentive Plan ("EIP"), an umbrella program defining the terms and conditions for any subsequent long-term incentive program, whose main features are as follows:

- The EIP allows grants of the following specific types of equity awards to any current or prospective executive director, officer or employee of, or service provider to, CNH Industrial: stock options, stock appreciation rights, restricted share units, restricted stock, performance shares or performance share units and other stock-based awards that are payable in cash, common shares or any combination thereof subject to the terms and conditions established by the Compensation Committee.
- The EIP authorizes 25 million common shares over a five-year period, of which a maximum of 7 million would be authorized for awards to executive directors. These shares may be newly issued shares or treasury shares.
- The EIP will terminate at, and no more awards will be permitted to be granted thereunder ten years after its adoption by the Board of Directors of CNH Industrial N.V. The termination of the EIP will not affect previously granted awards.

The following paragraphs describe the new grants occurred during 2014.

Performance Share Units

In 2014, CNH Industrial issued to its Chief Executive Officer and selected key employees approximately 12 million Performance Share Units (PSUs) with financial performance goals covering a five-year period from January 1, 2014 to December 31, 2018. The performance goals include a performance condition as well as a market condition, with each weighted at 50% and paying out independently of the other. Half of the award will vest if the performance condition is met; whereas the other half, which is based on the market condition, has a payout scale ranging from 0% to 150%. Accordingly, the total number of shares that will eventually be granted may vary from the original estimate of 12 million shares. One third of total grant will vest in February 2017, a cumulative two-thirds in February 2018, and a cumulative 100% in February 2019 if the respective financial goals for 2014 to 2016, 2014 to 2017 and 2014 to 2018 are achieved.

The fair values of the awards that are contingent upon the achievement of the performance condition were measured using stock prices on respective grant dates adjusted for the present value of future dividends that employees will not receive during the vesting period. The weighted average fair value for the PSUs that were issued in 2014 and based on the performance condition is $9.48 per share.

The fair values of the awards that are based on the market condition were calculated using the Monte Carlo Simulation model. The weighted average fair value for the awards that were issued in 2014 is $8.19 per share. As a significant majority of the awards were issued on June 9 and 25, 2014, the key assumptions utilized to calculate the grant-date fair values for awards issued on these two grant dates are listed below:

	Key Assumptions for awards issued on:	
	June 9, 2014	June 25, 2014
Grant date stock price (in $)	10.88	10.19
Expected Volatility (%)	44.5	44.1
Dividend yield (%)	2.6	2.7
Risk-free rate (%)	1.69	1.68

The expected volatility is based on a weighted average of historical volatility experienced by the common shares of CNH Global N.V., Fiat Industrial S.p.A. and CNH Industrial N.V. over a five-year period ending on the grant date. The expected dividend yield was based on CNH Industrial's historical dividend payout as management expected the dividend payout for future years to be consistent. The risk-free interest rate was based on the yields of five-year U.S. Treasury bonds.

The following table reflects the activity of performance-based share units under the CNH Industrial EIP for the year ended December 31, 2014:

		2014
	Performance shares	Weighted average grant date fair value (in $)
Non-vested at the beginning of the year	-	-
Granted	12,237,960	8.84
Forfeited	(136,200)	8.72
Vested	-	-
Non-vested at the end of the year	12,101,760	8.84

Restricted Share Units

In 2014, CNH Industrial issued to selected employees approximately one million shares of Restricted Share Units (RSUs) with a weighted average fair value of $9.21 per share. These shares will vest in three equal tranches over a three-year period. The fair value of the award is measured using the stock price on the grant date adjusted for the present value of future dividends that employees will not receive during the vesting period.

Additionally, CNH Industrial issued 3 million restricted share units to the Chairman of CNH Industrial N.V., in June 2014. These shares are service based and will vest in five tranches at the end of each year. The weighted average fair value of these shares is $10.41 per share, measured using the stock price on the grant date adjusted for the present value of future dividends that the Chairman will not receive during the vesting period. The first tranche of 750 thousand shares were vested on December 31, 2014 and were exercised on February 23, 2015.

The following table reflects restricted share activity under the CNH Industrial EIP for the year ended December 31, 2014:

		2014
	Restricted shares	Weighted average grant date fair value (in $)
Non-vested at the beginning of the year	-	-
Granted	4,283,859	10.05
Forfeited	(21,720)	9.40
Vested	(750,000)	10.88
Non-vested at the end of the year	3,512,139	9.88

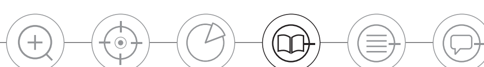
CNH Global Directors' Compensation Plan ("CNH DCP")

CNH Global Director's Compensation Plan stipulates the right for directors of former CNH Global to be compensated in the form of cash, and/or common shares of CNH Global N.V., and/or options to purchase common shares of CNH Global N.V. On September 29, 2013, CNH Industrial N.V. assumed the sponsorship of the CNH DCP in connection with the Merger. Stock options issued under the CNH DCP were converted using the CNH Global exchange ratio of 3.828 CNH Industrial N.V. shares for each CNH Global N.V. common share and exercisable for common shares of CNH Industrial N.V. upon September 29, 2013. As of December 31, 2014, approximately 143 thousand stock options from the CNH DCP were still outstanding. The CNH DCP was terminated effective as of the Merger and no new equity awards will be issued under the CNH DCP.

CNH Global Equity Incentive Plan (the "CNH EIP")

This plan provides for grants of stock options, restricted share units and performance share units to former officers and employees of CNH Global. On September 29, 2013, CNH Industrial N.V. assumed the sponsorship of the CNH EIP in connection with the Merger. CNH Industrial can not issue any new equity awards under the CNH EIP; however, CNH Industrial is required to issue shares under the CNH EIP to settle the exercise or vesting of the existing equity awards.

On September 29, 2013, outstanding stock options, unvested restricted share units and performance share units under the CNH EIP became exercisable or convertible for common shares of CNH Industrial N.V. The number of shares of outstanding equity awards was increased and exercise price of stock options reduced to take into account the CNH Global exchange ratio of 3.828 CNH Industrial N.V. shares for each CNH Global N.V. common share. The conversion did not change the aggregate fair value of the outstanding equity awards and, therefore, resulted in no additional share-based compensation expense in 2013.



Stock option plan

In September 2012, approximately 2,680 thousand performance-based stock options (at target award levels) were issued under the CNH EIP (the "2012 Grant"). Upon the achievement of CNH Global's 2012 target performance objective, approximately four million of options were granted. These options vested in three equal tranches in February 2012, 2013 and 2014. Options granted under the CNH EIP have a contractual life of five years from the initial vesting date.

No stock options were issued in 2014 and 2013 under the CNH EIP.

The following table summarizes outstanding stock options under the CNH EIP:

	At December 31, 2014			At December 31, 2013	
Exercise Price (in US$)	Number of options outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price (in $)	Number of options outstanding	Weighted average exercise price (in $)
2.92 - 5.00	13,688	0.1	2.92	495,631	2.92
5.01 - 10.00	5,873,839	2.4	8.09	6,522,657	8.03
10.01 - 15.00	4,974,025	2.2	10.15	5,603,457	10.16
Total	**10,861,552**			**12,621,745**	

Changes during the period in stock option plans are as follows:

	2014		2013	
	Number of options	Weighted average exercise price (in $)	Number of options	Weighted average exercise price (in $)
Outstanding at the beginning of the year	**12,621,745**	**8.77**	**17,666,452**	**10.57**
Anti-dilution adjustment for special dividend	-	-	3,796,997	8.70
Granted	-	-	171,575	8.77
Forfeited	(222,861)	9.64	(390,612)	9.36
Exercised	(1,398,229)	6.51	(8,277,318)	8.45
Expired	(139,103)	10.35	(345,349)	11.04
Outstanding at the end of the year	**10,861,552**	**9.03**	**12,621,745**	**8.77**
Exercisable at the end of the year	**9,320,898**	**9.07**	**6,731,719**	**8.23**

The Black-Scholes pricing model was used to calculate the fair value of stock options for the 2012 Grant. As part of the 2012 Grant, options issued in 2013 had the same per share fair value. The assumptions used under the Black-Scholes pricing model were as follows:

	2012 Equity Incentive Plan
Option life (years)	3.39
Price volatility of CNH Global N.V. shares (%)	51.7
Expected dividend yield (%)	0.0
Risk-free interest rate (%)	0.4

The risk-free interest rate was based on the U.S. Treasury rate for a bond of approximately the expected life of the options. The expected volatility was based on the historical activity of common shares of CNH Global N.V. over a period at least equal to the expected life of the options. The expected life for the CNH EIP grant was based on the average of the vesting period of each tranche and the original contract term of 65 to 70 months. The expected dividend yield was determined to be zero as management did not expect CNH Global N.V. to pay ordinary dividends.

Based on this model, the weighted-average fair value of stock options awarded for the 2012 Grant, before the Merger, under CNH EIP was $3.60 each.

Performance Share Units

In 2012, CNH Global issued several grants of performance-based share units. These shares were originally designed to cliff vest in February 2015 based on the achievement of their respective performance targets of CNH Global. In the context of the Merger, the performance targets for these awards had been deemed to be met and the outstanding shares continued to vest in February 2015 when employees have provided the required service. Awards that were modified in the same manner included the third tranche of several performance-based share units issued prior to 2012 which were scheduled to vest in February 2015 upon the achievement of certain performance targets of CNH Global. Overall approximately 3 million of performance-based share units were converted to service based restricted shares. This modification did not result in any additional compensation cost in 2014.

The total number of shares granted in 2012 was 520,371 with a weighted average fair value of $10.62 per share. No performance-based shares were granted in 2014 and 2013 under the CNH EIP.

The following table reflects performance-based share activity under the CNH EIP:

	2014		2013	
	Number of shares	Weighted average grant date fair value (in $)	Number of shares	Weighted average grant date fair value (in $)
Non-vested at the beginning of the year	**5,615,524**	**7.61**	**7,367,897**	**9.21**
Anti-dilution adjustment for special dividend	-	-	1,584,060	7.58
Converted to Restricted Share Units (RSU)	(3,103,937)	7.67	-	-
Granted	-	-	-	-
Forfeited	-	-	(415,239)	7.54
Vested	(2,511,587)	7.53	(2,921,194)	7.54
Non-vested at the end of the year	**-**	**-**	**5,615,524**	**7.61**

Restricted Share Units

In 2012, 723,236 restricted share units were granted under the CNH EIP with a weighted average fair value of $11.40 per share. Restricted share units are service based and vest in three equal installments over three years starting from the grant date. Compensation cost for the restricted share units is recognized on a straight-line basis over the requisite service period for each separate vesting portion of the award as of the award was, in substance, multiple award.

No restricted shares units were granted in 2014 and 2013 under the CNH EIP.

The following table reflects restricted share activity under the CNH EIP:

	2014		2013	
	Number of shares	Weighted average grant date fair value (in $)	Number of shares	Weighted average grant date fair value (in $)
Non-vested at the beginning of the year	**930,525**	**7.95**	**1,696,715**	**9.28**
Anti-dilution adjustment for special dividend	-	-	363,988	7.64
Converted from Performance Share Units (PSU)	3,103,937	7.67	-	-
Granted	-	-	-	-
Forfeited	(240,415)	7.65	(102,703)	7.66
Vested	(602,603)	7.32	(1,027,475)	7.36
Non-vested at the end of the year	**3,191,444**	**7.82**	**930,525**	**7.95**

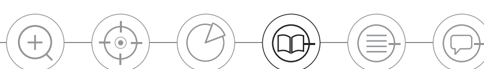
The fair value of performance-based shares and restricted shares under the CNH EIP was based on the market value of CNH Global's common shares on the date of the grant.

Special Dividend

On December 28, 2012, CNH Global had paid a special dividend of $10 per common share to its minority shareholders of record as of December 20, 2012, as part of the merger agreement with Fiat Industrial S.p.A. In accordance with the anti-dilutive provisions of both the CNH EIP and CNH DCP, on January 28, 2013, the CNH Global Corporate Governance and Compensation Committee approved required equitable adjustments to outstanding equity awards. The adjustments were retrospectively made to outstanding options under the CNH EIP and CNH DCP, unvested performance share units and unvested restricted share units under the CNH EIP, as of the ex-dividend date on December 18, 2012. The exercise price was reduced and the number of outstanding options increased for stock options, and the number of unvested share units was increased for performance share units and restricted share units, to maintain the pre-dividend fair value. The weighted average exercise price of outstanding options decreased from $40.45 to $33.34, the number of outstanding options increased from 4.6 million to 5.6 million, the number of unvested performance share units increased from 1.9 million to 2.3 million and the number of unvested restricted share units increased from 451,000 to 548,000. These additional shares were issued in January 2013. The aggregate fair value, the aggregate intrinsic value and the ratio of the exercise price to the market price are approximately equal immediately before and after the adjustment. Therefore, no additional compensation expense was recognized in 2013.

Fiat Industrial Plan

In the Annual General Meeting of shareholders held on April 5, 2012, Fiat Industrial S.p.A. shareholders approved the adoption of a Long Term Incentive Plan (the "Fiat Industrial Plan") consisting of two components (Company Performance LTI and Retention LTI) taking the form of stock



grants. According to the Fiat Industrial Plan, Fiat Industrial granted the Chairman of Fiat Industrial S.p.A. 1 million rights as part of the Company Performance LTI and 1.1 million rights as part of the Retention LTI.

On September 29, 2013, CNH Industrial N.V. assumed the sponsorship of the Fiat Industrial Plan. On the effective date, the unvested equity awards under the former Fiat Industrial Plan became convertible for common shares of CNH Industrial N.V. on a one-for-one basis.

The conversion did not change the aggregate fair value of the outstanding equity awards and, therefore, resulted in no additional share-based compensation expense in 2013.

1.1 million rights from the Retention LTI have vested ratably over three years on February 22, 2013, 2014 and 2015.

Under the terms of the Long Term Incentive Plan, the rights to the Company Performance LTI will vest on condition that predetermined financial performance targets for the period from January 1, 2012 to December 31, 2014 are met and on condition that the beneficiary remains in office up to the date of approval of the Consolidated Financial Statements at December 31, 2014 by the Board of Directors; the rights will become exercisable and may be exercised in a single installment subsequent to the date of approval of the Consolidated Financial Statements at December 31, 2014 by the Board of Directors.

In the context of the Merger, upon recommendation of the Compensation Committee, the Board of Directors of CNH Industrial resolved to consider the performance conditions met for the Chairman's Company performance share units. This modification did not result in any additional compensation expenses. The units vested on February 1, 2015.

The two awards were settled by issuing new shares.

At December 31, 2014, the contractual terms of the Long Term Incentive Plan were therefore as follows:

Plan	Beneficiary	Number of shares	Vesting date	Vesting portion
Company Performance LTI	Chairman	1,000,000 (*)	February 1, 2015	1,000,000
Retention LTI	Chairman	366,666 (*)	February 22, 2015	366,666

(*) These share units were exercised on February 23, 2015.

The following table reflects share activity under the Company Performance LTI:

	2014		2013	
	Number of shares	Weighted average grant date fair value (in €)	Number of shares	Weighted average grant date fair value (in €)
Non-vested at the beginning of the year	**1,000,000**	**7.795**	**1,000,000**	**7.795**
Granted	-	-	-	-
Forfeited	-	-	-	-
Vested	-	-	-	-
Non-vested at the end of the year	**1,000,000**	**7.795**	**1,000,000**	**7.795**

The following table reflects share activity under the Retention LTI:

	2014		2013	
	Number of shares	Weighted average grant date fair value (in €)	Number of shares	Weighted average grant date fair value (in €)
Non-vested at the beginning of the year	**733,333**	**7.795**	**1,100,000**	**7.795**
Granted	-	-	-	-
Forfeited	-	-	-	-
Vested	(366,667)	7.795	(366,667)	7.795
Non-vested at the end of the year	**366,666**	**7.795**	**733,333**	**7.795**

The fair value of these awards was based on the market value of Fiat Industrial S.p.A.'s common shares on the date of the grant.

25. Provisions for employee benefits

Group companies provide post-employment benefits for their active employees and for retirees, either directly or by contributing to independently administered funds. The way these benefits are provided varies according to the legal, fiscal and economic conditions of each country in which the Group operates, the benefits generally being based on the employees' remuneration and years of service.

Group companies provide post-employment benefits under defined contribution and defined benefit plans.

In the case of defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations. The entity recognizes the contribution cost when the employee has rendered his service and includes this cost by function in Cost of sales, Selling, general and administrative costs and Research and development costs. In 2014, these expenses , inclusive of social security contributions, totaled $698 million ($644 million in 2013).

Defined benefit plans may be unfunded, or they may be wholly or partly funded by contributions made by an entity, and sometimes by its employees, into an entity, or fund, that is legally separate from the employer from which the employee benefits are paid. Benefits are generally payable under these plans after the completion of employment. The plans are classified by the Group on the basis of the type of benefit provided as follows: Healthcare plans, Pension plans and Other post-employment benefits.

Healthcare plans

The item Healthcare plans comprises obligations for healthcare and insurance plans granted to employees of the Group working in the United States and Canada (relating to Agricultural Equipment and Construction Equipment). These plans generally cover employees retiring on or after reaching the age of 55 who have had at least 10 years of service. CNH Industrial United States salaried and non-represented hourly employees and Canadian employees hired after January 1, 2001 and January 1, 2002, respectively, are not eligible for postretirement healthcare and life insurance benefits under the CNH Industrial plans. These benefits may be subject to deductibles, co-payment provisions and other limitations, and CNH Industrial has reserved the right to change or terminate these benefits, subject to the provisions of any collective bargaining agreement. Until December 31, 2006 these plans were fully unfunded; starting in 2007, the Group began making contributions on a voluntary basis to a separate and independently managed fund established to finance the North American healthcare plans.

Pension plans

The item Pension plans consists principally of the obligations of companies operating in the United States, in the United Kingdom and in Germany (towards certain employees and former employees of the Group).

Under these plans, a contribution is generally made to a separate fund (trust) which independently administers the plan assets. The Group's funding policy is to contribute amounts to the plan equal to the amounts required to satisfy the minimum funding requirements prescribed by the laws and regulations of each individual country. Prudently the Group makes discretionary contributions in addition to the funding requirements. If these funds are overfunded, that is if they present a surplus compared to the requirements of law, the Group companies concerned could not be required to contribute to the plan in respect of a minimum performance requirement as long as the fund is in surplus.

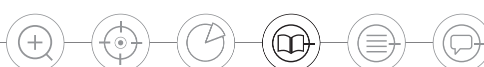
The investment strategy varies by country depending on the circumstances of the underlying plan. Typically, less mature plan benefit obligations are funded by using more equity securities as they are expected to achieve long-term growth while exceeding inflation. More mature plan benefit obligations 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.

Other post-employment benefits

The item Other post-employment benefits mainly includes loyalty bonuses, which are due to employees who reach a specified seniority and are generally settled when an employee leaves the company as well as the Italian employee leaving entitlements (*TFR*) for those benefits accruing up to December 31, 2006 as, after the legislation changes occurred in 2007, this scheme is classified as a defined contribution plan. Schemes included in this item are unfunded.

Provisions for employee benefits at December 31, 2014 and 2013 are as follows:

($ million)	At December 31, 2014	At December 31, 2013
Post-employment benefits:		
Healthcare plans	1,136	1,010
Pension plans	958	848
Other	449	498
Total Post-employment benefits	2,543	2,356
Other provisions for employees	210	266
Other long-term employee benefits	78	91
Total Provision for employee benefits	**2,831**	**2,713**
Defined benefit plan assets	20	44
Total Defined benefit plan assets	**20**	**44**



The item Other provisions for employees consists of the best estimate at the balance sheet date of short-term employee benefits payable by the Group within twelve months from the end of the period in which the employees render the related service.

The item Other long-term employee benefits consists of the Group's obligation for those benefits generally payable during employment on reaching a certain level of seniority in the company or when a specified event occurs, and reflects the probability of payment and the length of time over which this will be made.

In 2014 and in 2013 changes in Other provisions for employees and in Other long-term employee benefits are as follows:

($ million)	At December 31, 2013	Provision	Utilization	Change in the scope of consolidation and other changes	At December 31, 2014
Other provisions for employees	266	186	(230)	(12)	**210**
Other long-term employee benefits	91	16	(10)	(19)	**78**
Total	**357**	**202**	**(240)**	**(31)**	**288**

($ million)	At December 31, 2012	Provision	Utilization	Change in the scope of consolidation and other changes	At December 31, 2013
Other provisions for employees	317	238	(274)	(15)	**266**
Other long-term employee benefits	94	6	(12)	3	**91**
Total	**411**	**244**	**(286)**	**(12)**	**357**

Post-employment benefits are calculated on the basis of the following main assumptions:

	Assumptions used to determine funded status at year-end					
	At December 31, 2014			At December 31, 2013		
(in %)	Healthcare plans	Pension plans	Other	Healthcare plans	Pension plans	Other
Weighted-average discount rates	**3.96**	**3.21**	**1.81**	4.67	4.05	2.97
Weighted-average rate of compensation increase	**3.00**	**3.11**	**2.27**	3.42	3.35	2.63
Weighted-average, initial healthcare cost trend rate	**7.23**	**n/a**	**n/a**	8.19	n/a	n/a
Weighted-average, ultimate healthcare cost trend rate	**5.00**	**n/a**	**n/a**	5.00	n/a	n/a

	Assumptions used to determine expense at year-end					
	At December 31, 2014			At December 31, 2013		
(in %)	Healthcare plans	Pension plans	Other	Healthcare plans	Pension plans	Other
Weighted-average discount rates	**4.67**	**4.05**	**2.97**	3.79	3.75	3.30
Weighted-average rate of compensation increase	**3.42**	**3.35**	**2.64**	3.42	2.99	2.75
Weighted-average, initial healthcare cost trend rate	**8.19**	**n/a**	**n/a**	7.04	n/a	n/a
Weighted-average, ultimate healthcare cost trend rate	**5.00**	**n/a**	**n/a**	5.00	n/a	n/a

The weighted-average discount rates are used in measurements of pension and postretirement benefit obligations and net interest on the net defined benefit liability/asset. The weighted-average discount rates are based on a benefit cash flow-matching approach and represent the rates at which the benefit obligations could effectively be settled as of the measurement date. The benefit cash flow-matching approach involves analyzing Group's projected cash flows against a high quality bond yield curve, mainly calculated using a wide population of AA-graded corporate bonds subject to minimum amounts outstanding and meeting other defined selection criteria. The discount rates for the Group's remaining obligations are based on benchmark yield data of high-quality fixed income investments for which the timing and amounts of payments approximate the timing and amounts of projected benefit payments.

The weighted-average healthcare trend rate represents the rate at which healthcare costs are assumed to increase. Rates are determined based on CNH Industrial's specific experience, consultation with actuaries and outside consultants, and various trend factors including general and healthcare sector-specific inflation projections from the United States Department of Health and Human Services Health Care Financing Administration for CNH Industrial's U.S. assumptions. The weighted-average initial trend is a short-term assumption based on recent experience and prevailing market conditions. The weighted-average ultimate trend is a long-term assumption of healthcare cost inflation based on general inflation, incremental medical inflation, technology, new medicine, government cost-shifting, utilization changes, aging population, and a changing mix of medical services. CNH Industrial expects to achieve the ultimate healthcare cost trend rate in 2017 and 2018 for US and Canada plans, respectively.

In October 2014, the Society of Actuaries ("SOA") in the United States issued an updated mortality table ("RP-2014") and mortality improvement scale ("MP-2014"). Accordingly, CNH Industrial reviewed the historical mortality experience and demographic characteristics of its U.S. Pension and Healthcare plan participants and has decided to adopt variants of the Blue Collar tables of RP-2014, set back to 2006, as the based mortality tables, and Male Scale BB as opposed to MP-2014 as the mortality improvement scale. CNH Industrial management believes the new mortality assumptions most appropriately represent its plan's experience and characteristics. The adoption of the new mortality assumptions resulted in a total increase of $69 million to the Group's benefit obligations at December 31, 2014, of which, $37 million was related to Pension plans and $32 million to Healthcare plans.

Assumed discount rates and healthcare cost trend rates have a significant effect on the amount recognized in the 2014 financial statements. A one percentage point change in assumed discount rates would have the following effects:

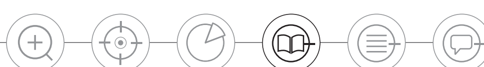
($ million)	One percentage point increase	One percentage point decrease
Effect on healthcare defined benefit obligation at December 31, 2014	(142)	163
Effect on pension plans defined benefit obligation at December 31, 2014	(426)	511

A one percentage point change in assumed healthcare cost trend rates would have the following effects:

($ million)	One percentage point increase	One percentage point decrease
Effect on healthcare defined benefit obligation at December 31, 2014	181	(152)

The amounts recognized in the statement of financial position for post-employment benefits at December 31, 2014 and 2013 are as follows:

	Healthcare plans		Pension plans		Other	
	At December 31,		At December 31,		At December 31,	
($ million)	**2014**	2013	**2014**	2013	**2014**	2013
Present value of obligations	**1,243**	1,108	**3,621**	3,445	**449**	498
Less: Fair value of plan assets	**(107)**	(98)	**(2,689)**	(2,669)	**-**	-
Deficit/(surplus)	**1,136**	1,010	**932**	776	**449**	498
Effect of the asset ceiling	**-**	-	**6**	28	**-**	-
Net liability/(Net asset)	**1,136**	**1,010**	**938**	**804**	**449**	**498**
Reimbursement rights	**-**	-	**1**	-	**-**	-
Amounts at year-end:						
Liabilities	**1,136**	1,010	**958**	848	**449**	498
Assets	**-**	-	**(20)**	(44)	**-**	-
Net liability	**1,136**	**1,010**	**938**	**804**	**449**	**498**



Changes in the present value of post-employment obligations in 2014 and 2013 are as follows:

	Healthcare plans		Pension plans		Other	
($ million)	2014	2013	2014	2013	2014	2013
Present value of obligation at the beginning of the year	1,108	1,191	3,445	3,458	498	496
Current service cost	9	9	25	27	12	13
Interest expense	51	43	134	126	8	10
Other costs	-	-	4	4	-	-
Contribution by plan participants	9	7	3	3	-	-
Remeasurements:						
Actuarial losses/(gains) from changes in demographic assumptions	31	2	60	7	-	(1)
Actuarial losses/(gains) from changes in financial assumptions	136	(59)	363	(51)	48	12
Other remeasurements	(17)	(16)	4	15	1	3
Total remeasurements	150	(73)	427	(29)	49	14
Exchange rate differences	(5)	(3)	(177)	55	(60)	22
Benefits paid	(78)	(78)	(200)	(199)	(31)	(36)
Past service cost	(12)	-	1	-	(24)	-
Change in scope of consolidation	-	-	-	-	-	-
Curtailments	-	-	-	-	-	-
Settlements	-	-	(41)	-	-	-
Other changes	11	12	-	-	(3)	(21)
Present value of obligation at the end of the year	1,243	1,108	3,621	3,445	449	498

Other remeasurements mainly include in 2014 and 2013 the amount of experience adjustments.

Changes in the fair value of plan assets in 2014 and 2013 are as follows:

	Healthcare plans		Pension plans	
($ million)	2014	2013	2014	2013
Fair value of plan assets at the beginning of the year	98	91	2,669	2,604
Interest income	5	3	110	97
Remeasurements:				
Return on plan assets	6	6	180	84
Actuarial gains/(losses) from changes in financial assumptions	-	-	-	-
Total remeasurements	6	6	180	84
Exchange rate differences	-	-	(99)	23
Contribution by employer	-	70	28	54
Contribution by plan participants	-	6	3	3
Benefits paid	(2)	(78)	(165)	(186)
Change in scope of consolidation	-	-	-	-
Settlements	-	-	(37)	-
Other changes	-	-	-	(10)
Fair value of plan assets at the end of the year	107	98	2,689	2,669

Net benefit cost/(income) recognized during 2014 and 2013 is as follows:

	Healthcare plans		Pension plans		Other	
($ million)	2014	2013	2014	2013	2014	2013
Service cost:						
Current service cost	9	9	25	27	12	13
Past service cost and (gain)/loss from curtailments and settlements	(12)	-	(3)	-	(24)	-
Total Service cost	(3)	9	22	27	(12)	13
Net interest expense	46	40	24	29	8	10
Other costs	-	-	4	4	-	-
Net benefit cost/(income) recognized to profit or loss	43	49	50	60	(4)	23
Remeasurements:						
Return on plan assets	(6)	(6)	(180)	(84)	-	-
Actuarial losses/(gains) from changes in demographic assumptions	31	2	60	7	-	(1)
Actuarial losses/(gains) from changes in financial assumptions	136	(58)	363	(51)	48	12
Other remeasurements	(17)	(16)	4	15	1	3
Total remeasurements	144	(78)	247	(113)	49	14
Exchange rate differences	(5)	(3)	(78)	32	(60)	22
Net benefit cost/(income) recognized to other comprehensive income	139	(81)	169	(81)	(11)	36
Total net benefit cost/(income) recognized during the year	182	(32)	219	(21)	(15)	59

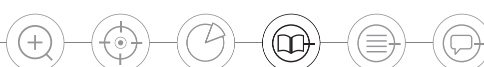
Changes in the effects of the asset ceiling for 2014 and 2013 are as follows:

($ million)	Healthcare plans 2014	Healthcare plans 2013	Pension plans 2014	Pension plans 2013
Effect of the asset ceiling at the beginning of the year	-	-	28	9
Other comprehensive (income)/loss	-	-	(23)	23
Other increase/(decrease)	-	-	1	(4)
Effect of the asset ceiling at the end of the year	-	-	6	28

Plan assets do not include treasury shares of CNH Industrial N.V. or properties occupied by Group companies. The fair value of the plan assets at December 31, 2014 may be disaggregated by asset class and level as follows. Fair value levels presented below are described in the "Significant accounting policies – Fair value measurement" section of these Notes.

								At December 31, 2014
	Healthcare plans				Pension plans			
($ million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity securities:								
U.S. equities – Large cap	-	-	-	-	-	-	-	-
U.S. equities – Mid cap	-	-	-	-	-	-	-	-
U.S. equities – Small cap	-	-	-	-	-	-	-	-
Non-U.S. equities	15	-	-	15	-	-	-	-
Total equity securities	15	-	-	15	-	-	-	-
Fixed income securities:								
U.S. government bonds	5	5	-	10	331	5	-	336
Non-U.S. government bonds	-	25	-	25	-	509	-	509
U.S. corporate bonds	-	2	-	2	17	663	-	680
Non-U.S. corporate bonds	-	6	-	6	-	110	-	110
Mortgage backed securities	-	1	-	1	-	-	-	-
Other fixed income securities	-	5	-	5	-	26	-	26
Total fixed income securities	5	44	-	49	348	1,313	-	1,661
Other types of investments:								
Mutual funds (1)	-	-	-	-	-	556	-	556
Investment funds	-	-	-	-	-	-	-	-
Insurance contracts	-	-	-	-	-	-	128	128
Derivatives - Credit contracts	-	-	-	-	4	-	-	4
Real estate	-	-	-	-	-	-	-	-
Other (2)	-	40	-	40	-	310	-	310
Total other types of investments	-	40	-	40	4	866	128	998
Cash and cash equivalents	-	3	-	3	-	30	-	30
Total	20	87	-	107	352	2,209	128	2,689

(1) This category includes mutual funds which primarily invest in non-U.S. equities and non-U.S. corporate bonds.
(2) This category includes one commingle fund, which invests in both U.S. and non-U.S. equity securities.



The fair value of the plan assets at December 31, 2013 may be disaggregated by asset class and level as follows. Fair value levels presented below are described in the Significant accounting policies – Fair value measurement section of these Notes.

								At December 31, 2013
	Healthcare plans				Pension Plans			
($ million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity securities:								
U.S. equities – Large cap	-	-	-	-	113	-	-	113
U.S. equities – Mid cap	-	-	-	-	36	-	-	36
U.S. equities – Small cap	-	-	-	-	45	-	-	45
Non-U.S. equities	15	-	-	15	94	-	-	94
Total equity securities	15	-	-	15	288	-	-	288
Fixed income securities:								
U.S. government bonds	-	-	-	-	345	-	-	345
Non-U.S. government bonds	-	-	-	-	101	382	-	483
U.S. corporate bonds	-	-	-	-	-	323	-	323
Non-U.S. corporate bonds	-	-	-	-	1	109	-	110
Mortgage backed securities	-	-	-	-	-	9	-	9
Other fixed income securities	-	-	-	-	37	38	-	75
Total fixed income securities	-	-	-	-	484	861	-	1,345
Other types of investments:								
Mutual funds (1)	-	-	-	-	-	708	-	708
Investment funds	-	-	-	-	-	-	-	-
Insurance contracts	-	-	-	-	1	-	33	34
Derivatives - Credit contracts	-	-	-	-	-	14	-	14
Real estate	-	-	-	-	35	-	-	35
Other (2)	-	83	-	83	-	184	-	184
Total other types of investments	-	83	-	83	36	906	33	975
Cash and cash equivalents	-	-	-	-	32	29	-	61
Total	**15**	**83**	**-**	**98**	**840**	**1,796**	**33**	**2,669**

(1) This category includes mutual funds which primarily invest in non-U.S. equities and non-U.S. corporate bonds.
(2) This category includes primarily commingled funds, which invest in equities.

The best estimate of expected contribution to pension and healthcare plans for 2015 is as follows:

($ million)	2015
Pension plans	28
Healthcare plans	-
Total expected contribution	**28**

The best estimate of expected benefit payments in 2015 and in the following ten years is as follows:

							Expected benefit payments
($ million)	2015	2016	2017	2018	2019	2020 to 2025	Total
Post-employment benefits:							
Healthcare plans	72	72	73	72	71	335	695
Pension plans	192	191	191	189	194	977	1,934
Other	33	27	30	36	32	151	309
Total Post-employment benefits	297	290	294	297	297	1,463	2,938
Other long-term employee benefits	6	6	6	7	7	30	62
Total	**303**	**296**	**300**	**304**	**304**	**1,493**	**3,000**

Potential outflows in the years after 2015 are subject to a number of uncertainties, including future asset performance and changes in assumptions.

The weighted average durations of post-employment benefits obligations are as follows:

	N° of years
Healthcare plans	12
Pension plans	13
Other	9

26. Other provisions

Changes in Other provisions are as follows:

($ million)	At December 31, 2013	Charge	Utilization	Release to income	Other changes	At December 31, 2014
Warranty and technical assistance provision	**1,111**	866	(837)	(19)	(101)	**1,020**
Restructuring provision	**83**	115	(79)	-	(12)	**107**
Investment provision	**7**	-	-	-	(1)	**6**
Other risks	**2,614**	4,163	(4,014)	(92)	(249)	**2,422**
Total Other provisions	**3,815**	**5,144**	**(4,930)**	**(111)**	**(363)**	**3,555**

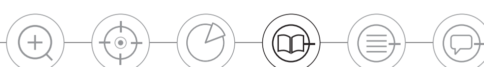
The warranty and technical assistance provision represents management's best estimate of commitments given by the Group for contractual, legal or constructive obligations arising from product warranties given for a specified period of time which begins at the date of delivery to the customer. This estimate has been calculated considering past experience and specific contractual terms. This provision also includes management's best estimate of the costs that are expected to be incurred in connection with product defects that could result in a larger recall of vehicles. This provision for risks is developed through an assessment of reported damages or returns on a case-by-case basis.

The restructuring provision comprises the estimated amount of benefits payable to employees on termination in connection with restructuring plans amounting to $80 million at December 31, 2014 ($76 million at December 31, 2013), costs for exit activities amounting to $22 million at December 31, 2013 ($1 million at December 31, 2013) and other costs totaling $5 million at December 31, 2013 ($6 million at December 31, 2013).

The total balance at December 31, 2014 relates to restructuring programs of the following segments: Commercial Vehicles $58 million ($73 million at December 31, 2013), Agricultural Equipment $21 million ($6 million at December 31, 2013), Construction Equipment $25 million (nil at December 31, 2013), Powertrain $3 million ($4 million at December 31, 2013).

The provision for other risks represents the amounts set aside by the individual companies of the Group principally in connection with contractual and commercial risks and disputes. The more significant balances of these provisions are as follows:

($ million)	At December 31, 2014	At December 31, 2013
Sales incentives	**1,413**	1,340
Legal proceedings and other disputes	**414**	572
Commercial risks	**390**	467
Environmental risks	**38**	46
Other reserves for risk and charges	**167**	189
Total Other risks	**2,422**	**2,614**



A description of these follows:

- *Sales incentives* - these provisions relate to sales incentives that are offered on a contractual basis to the dealer networks and primarily given if the dealers achieve a specific cumulative level of sales transactions during the calendar year. This provision is estimated based on information available for the sales made by the dealers during the calendar year.
- *Legal proceedings and other disputes* - this provision represents management's best estimate of the liability to be recognized by the Group with regard to:
  - Legal proceedings arising in the ordinary course of business with dealers, customers, suppliers or regulators (such as contractual, patent or antitrust disputes).
  - Legal proceedings involving claims with active and former employees.
  - Legal proceedings involving certain tax authorities.

  None of these provisions is individually significant. Each Group company recognizes a provision for legal proceedings when it is deemed probable that the proceedings will result in an outflow of resources. In determining their best estimate of the probable liability, each Group company assesses its legal proceedings on a case-by-case basis to estimate the probable losses that typically arise from events of the type giving rise to the liability. Their estimate takes into account, as applicable, the views of legal counsel and other experts, the experience of the company and others in similar situations and the company's intentions with regard to further action in each proceeding. CNH Industrial's consolidated provision combines the individual provisions established by each of the Group's companies.
- *Commercial risks* - this provision includes the amount of obligations arising in connection with the sale of products and services such as maintenance contracts. An accrual is made when the expected costs to complete the services under these contracts exceed the revenues expected to be realized.
- *Environmental risks* – this provision represents management's best estimate of the Group's probable environmental obligations. Amounts included in the estimate comprise direct costs to be incurred in connection with environmental obligations associated with current or formerly owned facilities and sites. This provision also includes costs related to claims on environmental matters.

27. Debt

An analysis of debt by nature and due date is as follows:

	At December 31, 2014				At December 31, 2013			
($ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Asset-backed financing	6,173	7,350	64	13,587	7,534	7,039	154	14,727
Other debt:								
Bonds	2,112	6,557	850	9,519	147	7,182	-	7,329
Borrowings from banks	2,257	3,127	163	5,547	2,477	4,380	244	7,101
Payables represented by securities	392	309	-	701	120	421	-	541
Other	211	54	82	347	109	56	83	248
Total Other debt	4,972	10,047	1,095	16,114	2,853	12,039	327	15,219
Total Debt	11,145	17,397	1,159	29,701	10,387	19,078	481	29,946

The item Asset-backed financing represents the financing received through both securitization and factoring transactions which does not meet IAS 39 derecognition requirements and is recognized as an asset in the statement of financial position. In 2014 there was a decrease of approximately $507 million in asset backed financing, excluding exchange differences.

During the year Other debt increased, net of exchange differences, by $2,259 million. This increase is mainly due to the issue of new bonds for $2,759 million net of a decrease of $497 million in borrowings from banks.

The major bond issues outstanding at December 31, 2014 by the Group are the following:

	Currency	Face value of outstanding bonds (in million)	Coupon	Maturity	Outstanding amount ($ million)
Global Medium Term Notes:					
CNH Industrial Finance Europe S.A. (1)	EUR	1,000	5.25%	March 11, 2015	1,214
CNH Industrial Finance Europe S.A. (1)	EUR	1,200	6.25%	March 9, 2018	1,457
CNH Industrial Finance Europe S.A. (1)	EUR	1,000	2.75%	March 18, 2019	1,214
CNH Industrial Finance Europe S.A. (1)	EUR	700	2.875%	September 27, 2021	850
Total Global Medium Term Notes					4,735
Other bonds:					
CNH Industrial Capital LLC	USD	750	3.875%	November 1, 2015	750
CNH Industrial America LLC	USD	254	7.25%	January 15, 2016	254
CNH Industrial Capital LLC	USD	500	6.25%	November 1, 2016	500
CNH Industrial Capital LLC	USD	500	3.25%	February 1, 2017	500
Case New Holland Industrial Inc.	USD	1,500	7.875%	December 1, 2017	1,500
CNH Industrial Capital LLC	USD	600	3.625%	April 15, 2018	600
CNH Industrial Capital LLC	USD	500	3.375%	July 15, 2019	500
Total Other bonds					4,604
Hedging effect and amortized cost valuation					180
Total Bonds					9,519

(1) Bond listed at the Irish Stock Exchange.

During 2014, the following bonds were issued:

- in March 2014, in the context of the Global Medium Term Note Programme, CNH Industrial Finance Europe S.A. issued a €1 billion bond (equivalent to $1.3 billion) at a price of 99.471% of the principal amount, maturing in 2019 and bearing fixed interest at a rate of 2.75% payable annually;
- in June 2014, CNH Industrial Capital LLC issued a $500 million bond at a price of 99.426% of the principal amount, maturing in 2019 and bearing fixed interest at a rate of 3.375% payable semi-annually;
- in September 2014, in the context of the Global Medium Term Note Programme, CNH Industrial Finance Europe S.A. issued a €700 million bond (equivalent to $930 million) at a price of 99.22% of the principal amount, maturing in 2021 and bearing fixed interest at a rate of 2.875% payable annually.

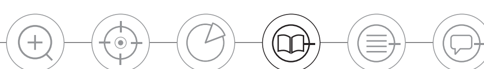
The unaudited prospectuses and offering circulars, or their abstracts, relating to the above-mentioned principal bond issues are available on the Group's website at www.cnhindustrial.com under "Investors – Fixed income investors".

The bonds issued by the Group may contain commitments of the issuer, and in certain cases commitments of CNH Industrial N.V. in its capacity as guarantor, which are typical of international practice for bond issues of this type such as, in particular, negative pledge, *pari passu* and cross default clauses. A breach of these commitments can lead to the early repayment of the issued notes. In addition, the bonds guaranteed by CNH Industrial N.V. under the Global Medium Term Note Programme, contain clauses which could lead to early repayment if there is a change of control of CNH Industrial N.V. associated with a downgrading by a ratings agency.

The Group intends to repay the issued bonds in cash at the due date by utilizing available liquid resources. In addition, the companies in the Group may from time to time buy back their issued bonds, also for purposes of their cancellation. Such buy backs, if made, depend upon market conditions, the financial situation of the Group and other factors which could affect such decisions.

Available committed credit lines expiring after twelve months amount to $2.7 billion at December 31, 2014 ($2.2 billion at December 31, 2013). During the year, a €1.75 billion five-year committed multi-currency revolving credit facility was signed, replacing an existing €2 billion three-year committed revolving credit facility due to mature in February 2016. The €1.75 billion ($2.1 billion) facility, guaranteed by the parent company with cross-guarantees from each of the borrowers (i.e., CNH Industrial Finance S.p.A., CNH Industrial Finance Europe S.A. and CNH Industrial Finance North America Inc.), envisages typical provisions for contracts of this type and size, such as: financial covenants (Net debt/EBITDA and EBITDA/Net interest ratios relating to Industrial Activities), other covenants mainly relating to Industrial Activities including negative pledges, *pari passu*, restrictions on the incurrence of indebtedness by certain subsidiaries, customary events of default (some of which are subject to minimum thresholds and customary mitigants) including cross-default provisions, failure to pay amounts due or to comply with certain provisions under the loan agreement, the occurrence of certain bankruptcy-related events and mandatory prepayment obligations upon a change in control of CNH Industrial or the borrowers. The failure to comply with these provisions, in certain cases if not suitably remedied, can lead to the requirement to make early repayment of the outstanding advances.

At December 31, 2014 there were no breaches of the above commitments.



The annual interest rates and the nominal currencies of debt at December 31, 2014 are as follows:

	Interest rate					
($ million)	less than 5%	from 5% to 7.5%	from 7.5% to 10%	from 10% to 12.5%	greater than 12.5%	Total at December 31, 2014
U.S. dollar	11,310	767	1,500	-	-	**13,577**
Euro	8,120	1,463	-	-	-	**9,583**
Brazilian real	131	1,359	412	610	781	**3,293**
Canadian dollar	1,787	-	-	-	-	**1,787**
Australian dollar	717	-	-	-	-	**717**
British pound	249	-	-	-	-	**249**
Chinese renminbi	1	202	-	-	-	**203**
Argentine peso	-	-	22	-	121	**143**
Polish zloty	82	-	-	-	-	**82**
Danish krone	21	1	-	-	-	**22**
South African rand	-	17	-	-	-	**17**
Other	1	-	3	2	22	**28**
Total Debt	**22,419**	**3,809**	**1,937**	**612**	**924**	**29,701**

Debt with annual nominal interest rates in excess of 12.5% relates principally to the companies operating in Argentina and Brazil.

For further information on the management of interest rate and currency risk reference should be made to the section "Risk Management" and to Note 33.

At December 31, 2014 the Group had outstanding financial lease agreements for certain property, plant and equipment whose net carrying amount totaling $108 million ($119 million at December 31, 2013) is included in Property, plant and equipment (Note 15). Payables for finance leases included in Other debt amount to $64 million at December 31, 2014 ($74 million at December 31, 2013) and may be analyzed as follows:

	At December 31, 2014				At December 31, 2013			
($ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Minimum future lease payments	7	28	31	66	8	27	39	74
Interest expense	-	(1)	(1)	(2)	-	-	-	-
Present value of minimum lease payments	7	27	30	64	8	27	39	74

As discussed in Note 15, finance lease payables also relate to suppliers' assets recognized in the Consolidated Financial Statements in accordance with IFRIC 4.

Debt secured with mortgages and other liens on assets of the Group amounts to $150 million at December 31, 2014 ($160 million at December 31, 2013); this amount includes $64 million ($74 million at December 31, 2013) due to creditors for assets acquired under finance leases. The total carrying amount of assets acting as security for loans amounts to $192 million at December 31, 2014 ($208 million at December 31, 2013). In addition, the Group's assets include current receivables and cash with a pre-determined use to settle asset-backed financing of $13,587 million at December 31, 2014 ($14,727 million at December 31, 2013).

28. Trade payables

An analysis by due date of trade payables is as follows:

	At December 31, 2014				At December 31, 2013			
($ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Trade payables	5,975	6	1	5,982	7,358	10	1	7,369

The carrying amount of Trade payables is in line with their fair value at the balance sheet date.

29. Other current liabilities

An analysis of Other current liabilities is as follows:

($ million)	At December 31, 2014	At December 31, 2013
Advances on buy-back agreements	1,962	1,902
Indirect tax payables	471	559
Accrued expenses and deferred income	570	624
Payables to personnel	260	312
Social security payables	228	252
Other	464	494
Total Other current liabilities	**3,955**	**4,143**

An analysis of Other current liabilities (excluding Accrued expenses and deferred income) by due date is as follows:

	At December 31, 2014				At December 31, 2013			
($ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Other current liabilities (excluding Accrued expenses and deferred income)	2,262	1,040	83	3,385	2,458	935	126	3,519

Advances on buy-back agreements refer to agreements entered into by the Group during the year or which still remain effective at the balance sheet date, and relate to assets included in Property, plant and equipment. The item Advances on buy-back agreements consists of the following:

- at the date of the sale, the price received for the product is recognized as an advance in liabilities;
- subsequently, since the difference between the original sales price and the repurchase price is recognized in profit or loss as operating lease installments on a straight-line basis over the lease term, the balance represents the remaining lease installments yet to be recognized in income plus the repurchase price.

The carrying amount of Other current liabilities is in line with their fair value.

30. Guarantees granted, commitments and other contingent liabilities

Guarantees granted

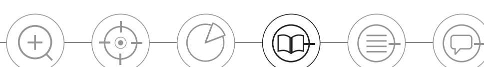
At December 31, 2014, the Group has provided guarantees on the debt or commitments of third parties or unconsolidated subsidiaries, joint ventures and associates totaling $383 million ($513 million at December 31, 2013). These guarantees mainly consist of obligations of certain CNH Industrial's companies undertaken in the interest of certain dealers in relation to bank financings, as well as performance guarantees in the interest of a joint venture of Commercial Vehicles.

Operating lease contracts

The Group has entered operating lease contracts for the right to use industrial buildings and equipment with an average term of 10-20 years and 3-5 years, respectively. Total future minimum lease payments under non-cancellable lease contracts are as follows:

	At December 31, 2014				At December 31, 2013			
($ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Future minimum lease payments under operating lease contracts	72	146	35	253	64	143	48	255

In 2014, the Group recognized costs for lease payments of $58 million ($64 million in 2013).



Contingent liabilities

As a global Group with a diverse business portfolio, CNH Industrial is exposed to numerous legal risks, particularly in the areas of product liability, product performance, retail and wholesale credit, competition and antitrust law, intellectual property matters, disputes with dealers and suppliers and service providers, environmental risks, and tax and employment matters. 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 CNH Industrial's financial position and results. When it is probable that an outflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, CNH Industrial recognizes specific provisions for this purpose. At December 31, 2014, contingent liabilities estimated by the Group amount to approximately $41 million (approximately $48 million at December 31, 2013), for which no provisions have been recognized since an outflow of resources is not considered probable at the present time.

At December 31, 2014 and 2013, no contingent assets and expected reimbursements have been estimated.

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

Starting January 2011, Iveco and certain of its competitors have been subject to an investigation being conducted by the European Commission into certain business practices of the leading manufacturers of trucks and commercial vehicles in the European Union in relation to possible anti-competitive behavior.

On November 20, 2014, Iveco received a Statement of Objections from the European Commission alleging that Iveco and other companies in the heavy and medium truck industry had breached EU antitrust rules. The Commission indicated that it would seek to impose significant fines on the manufacturers. The Statement of Objections is a formal step in the Commission's investigative process and details the Commission's preliminary view of the conduct of the companies involved.

The Statement of Objections is not a final decision and, as such, it does not prejudice the final outcome of the proceedings. Under the applicable procedural rules, the Commission will review the manufacturers' responses before issuing a decision and any decision would be subject to further appeals.

Iveco is evaluating the Statement of Objections and the documents on the Commission's case file, and intends to issue its response to the Commission in due course and to avail itself of any opportunity allowed by the procedure to clarify its position in this matter. Given the numerous uncertainties in the next stages of the investigation, CNH Industrial is unable to predict the outcome or to estimate the potential fine at this time.

CNH Industrial N.V. is successor to Fiat Industrial S.p.A., the company formed as a result of the demerger of Fiat S.p.A. (now FCA) (the "Demerger"). As such, CNH Industrial N.V. continues to be liable jointly with FCA for the liabilities of FCA that arose prior to the effective date of the Demerger (January 1, 2011) and were still outstanding at that date ("the Liabilities"). This statutory provision is limited to the value of the net assets transferred to Fiat Industrial in the Demerger and survives until the Liabilities are satisfied in full. Furthermore, CNH Industrial N.V. may be responsible jointly with FCA in relation to tax liabilities, even if such tax liabilities exceed the value of the net assets transferred to Fiat Industrial in the Demerger. At December 31, 2014, the outstanding Liabilities amount to approximately $3.5 billion (of which $3.2 billion consists of bonds guaranteed by FCA). CNH Industrial evaluated as extremely remote the risk of FCA's insolvency and therefore no specific provision has been accrued in respect of the above mentioned potential joint liability.

31. Segment reporting

The operating segments through which CNH Industrial manages its operations are based on the internal reporting used by the CNH Industrial's Chief Operating Decision Maker ("CODM") to assess performance and make decisions about resource allocation. The segments are organized based on products and services provided by CNH Industrial.

As described in the Foreword, until December 31, 2013, CNH Industrial presented its Consolidated Financial Statements, prepared in accordance with IFRS, including three reportable segments: (i) Agricultural and Construction Equipment inclusive of its financial services activities, (ii) Trucks and Commercial Vehicles inclusive of its financial services activities, and (iii) Powertrain.

In order to enhance its reporting, CNH Industrial 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 comparative periods has been recast to conform to the current year's presentation.

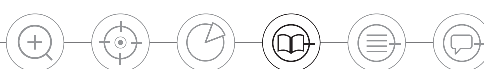
CNH Industrial has the following five operating segments:

- *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, 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. Subsequent to the acquisition of Miller in November 2014, certain products are also sold under the Miller brand, primarily in North America.
- *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 Equipment 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 the Iveco Astra brand, 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, transmission systems and axles for on and off-road applications, as well as engines for marine application and power generation through the FPT Industrial brand; and
- *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's dealers. In addition, Financial Services provides wholesale financing to CNH Industrial's dealers, which primarily consists of floor plan financing and allows the dealers to purchase and maintain a representative inventory of products.

The activities carried out by the four industrial segments Agricultural Equipment, Construction Equipment, Commercial Vehicles and Powertrain, as well as Corporate functions, are collectively referred to as "Industrial Activities".

Revenues for each reported segment are those directly generated by or attributable to the segment as a result of its usual business activities and include revenues from transactions with third parties as well as those deriving from transactions with other segments, recognized at normal market prices. Segment expenses represent expenses deriving from each segment's business activities both with third parties and other operating segments or which may otherwise be directly attributable to it. Expenses deriving from business activities with other segments are recognized at normal market prices.

Historically and through 2014, the CODM assessed the performance of the operating segments mainly on the basis of Trading profit/(loss), earned by those segments, prepared in accordance with IFRS. Due to the CNH Industrial's transition to reporting under U.S. GAAP during 2014, the CODM also reviewed the performance of operating segments using Operating profit prepared in accordance with U.S.GAAP. Operating profit of Industrial Activities under U.S. GAAP 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 under U.S. GAAP is defined as revenues, less selling, general and administrative expenses, interest expenses and certain other operating expenses. The CODM will utilize Operating profit under US GAAP to assess segment performance in 2015 and, accordingly, CNH Industrial is presenting segment performance using both Trading profit under IFRS and Operating profit under U.S. GAAP. The CODM also reviews expenditures for long-lived assets under US GAAP by operating segment, therefore, this information is presented below as well.



The income statements under IFRS by reportable segment for the years 2014 and 2013 are as follows:

									2014
($ million)	Agricultural Equipment	Construction Equipment	Commercial Vehicles	Powertrain	Unallocated items, eliminations and other	Total Industrial Activities	Financial Services	Eliminations and other	CNH Industrial Group
Segment revenues	15,204	3,346	11,087	4,475	(2,704)	31,408	2,086	(537)	**32,957**
Revenues from transactions with other operating segments	(3)	(1)	(60)	(2,640)	2,704	-	(537)	537	**-**
Revenues from external customers	**15,201**	**3,345**	**11,027**	**1,835**	**-**	**31,408**	**1,549**	**-**	**32,957**
Trading profit/(loss)	**1,689**	**66**	**2**	**220**	**(110)**	**1,867**	**532**	**-**	**2,399**
Unusual income/(expense)	(48)	(56)	(124)	-	(4)	(232)	-	-	**(232)**
Operating profit/(loss)	**1,641**	**10**	**(122)**	**220**	**(114)**	**1,635**	**532**	**-**	**2,167**
Financial income/(expense)					(776)	(776)	-	-	**(776)**
Interest in profit/(loss) of joint ventures and associates accounted for using the equity method	75	-	(3)	-	-	72	18	-	**90**
Other profit/(loss) from investments	-	-	1	-	-	1	-	-	**1**
Result from investments	**75**	**-**	**(2)**	**-**	**-**	**73**	**18**	**-**	**91**
Profit/(loss) before taxes						**932**	**550**	**-**	**1,482**
Income taxes					378	378	188	-	**566**
Profit/(loss) from Continuing Operations						**554**	**362**	**-**	**916**
Result from intersegment investments						362	2	(364)	**-**
Profit/(loss) from Continuing Operations						**916**	**364**	**(364)**	**916**
Amortization and depreciation	(464)	(128)	(353)	(201)	1	(1,145)	(6)	-	**(1,151)**
Goodwill impairment	-	-	-	-	-	-	-	-	**-**
Non-cash items other than depreciation and amortization	(3,794)	(497)	(837)	(65)	-	(5,193)	2	-	**(5,191)**
Reversal of impairment losses on Intangible assets and Property, plant and equipment	-	-	-	-	-	-	-	-	**-**

									2013
($ million)	Agricultural Equipment	Construction Equipment	Commercial Vehicles	Powertrain	Unallocated items, eliminations and other	Total Industrial Activities	Financial Services	Eliminations and other	CNH Industrial Group
Segment revenues	16,763	3,258	11,447	4,423	(3,050)	32,841	1,950	(560)	**34,231**
Revenues from transactions with other operating segments	-	-	(113)	(2,937)	3,050	-	(560)	560	**-**
Revenues from external customers	**16,763**	**3,258**	**11,334**	**1,486**	**-**	**32,841**	**1,390**	**-**	**34,231**
Trading profit/(loss)	**1,949**	**(109)**	**145**	**210**	**(76)**	**2,119**	**518**	**-**	**2,637**
Unusual income/(expense)	-	(31)	(72)	(1)	(11)	(115)	(41)	-	**(156)**
Operating profit/(loss)	**1,949**	**(140)**	**73**	**209**	**(87)**	**2,004**	**477**	**-**	**2,481**
Financial income/(expense)					(615)	(615)	-	-	**(615)**
Interest in profit/(loss) of joint ventures and associates accounted for using the equity method	91	-	29	-	-	120	15	-	**135**
Other profit/(loss) from investments	-	-	1	-	-	1	-	-	**1**
Result from investments	**91**	**-**	**30**	**-**	**-**	**121**	**15**	**-**	**136**
Profit/(loss) before taxes						**1,510**	**492**	**-**	**2,002**
Income taxes						632	152	-	**784**
Profit/(loss) from Continuing Operations						**878**	**340**	**-**	**1,218**
Result from intersegment investments						340	(1)	(339)	**-**
Profit/(loss) from Continuing Operations						**1,218**	**339**	**(339)**	**1,218**
Amortization and depreciation	(392)	(114)	(283)	(208)	3	(994)	(3)	-	**(997)**
Goodwill impairment	-	-	-	-	-	-	-	-	**-**
Non-cash items other than depreciation and amortization	(3,960)	(323)	(895)	(95)	(39)	(5,312)	-	-	**(5,312)**
Reversal of impairment losses on Intangible assets and Property, plant and equipment	-	-	-	-	-	-	-	-	**-**

Operating profit under U.S. GAAP by reportable segment is summarized as follows:

($ million)	2014	2013
Agricultural Equipment	1,770	2,008
Construction Equipment	79	(97)
Commercial Vehicles	29	74
Powertrain	223	187
Eliminations and other	(113)	(77)
Total Industrial Activities	1,988	2,095
Financial Services	554	514
Eliminations and other	(343)	(332)
Total Operating profit under U.S. GAAP	**2,199**	**2,277**

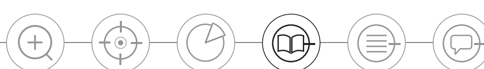
A reconciliation from consolidated Operating profit under U.S. GAAP to Profit/(loss) before taxes under IFRS for the years ended December 31, 2014 and 2013 is provided below:

($ million)	2014	2013
Operating profit under U.S. GAAP	**2,199**	**2,277**
Adjustments/reclassifications to convert from Operating profit under U.S. GAAP to Profit/(loss) before taxes under IFRS:		
Gains/(losses) on the disposal of investments under IFRS	-	(25)
Other unusual income/(expenses) under IFRS	(40)	(77)
Financial income/(expenses) under IFRS	(776)	(615)
Result from investments under IFRS	91	136
Development costs, net	231	443
Restructuring provisions	(192)	(54)
Other adjustments	(31)	(83)
Total adjustments/reclassifications	(717)	(275)
Profit/(loss) before taxes under IFRS	**1,482**	**2,002**

Expenditures for long-lived assets by operating segment for the years ended December 31, 2014 and 2013 are summarized as follows:

($ million)	2014	2013
Agricultural Equipment	408	542
Construction Equipment	65	72
Commercial Vehicles	391	458
Powertrain	136	148
Other	5	1
Total Industrial Activities	1,005	1,221
Financial Services	17	6
Total Expenditures for long-lived assets [(1)] under U.S. GAAP	**1,022**	**1,227**

(1) Excluding assets sold with buy-back commitments and equipment on operating lease. It should be noted that these amounts do not include expenditure for development costs, as not capitalized under U.S. GAAP (for additional information, refer to Note 38 "IFRS to U.S. GAAP reconciliation").



32. Information by geographical area

CNH Industrial N.V. has its principal office in Basildon, United Kingdom. In 2014, Group's revenues earned in the United Kingdom from external customers totaled $1,064 million ($1,001 million in 2013) and Group's revenues earned in the Rest of the World from external customers totaled $31,893 million ($33,230 million in 2013). The following is an analysis of revenues earned from external customers in the Rest of the World:

($ million)	2014	2013
United States	7,679	7,908
Brazil	3,688	4,737
France	2,970	3,081
Italy	2,854	2,686
Germany	1,922	1,741
Canada	1,656	1,734
Australia	926	1,015
Argentina	553	920
Spain	843	700
Poland	561	503
Other	8,241	8,205
Total revenues from external customers in RoW	**31,893**	**33,230**

Total non-current Assets located in United Kingdom, excluding financial assets, deferred tax assets, defined benefit assets and rights arising under insurance contracts totaled $284 million at December 31, 2014 ($268 million at December 31, 2013) and the total of such assets located in the Rest of the World totaled $14,644 million at December 31, 2014 ($14,487 million at December 31, 2013). Non-current assets located in the Rest of the World may be analyzed as follows:

($ million)	At December 31, 2014	At December 31, 2013
United States	5,531	4,940
Italy	3,061	3.198
France	1,133	1,196
Germany	856	880
Spain	733	852
Brazil	633	673
China	560	538
Canada	485	479
Other	1,652	1,731
Total non-current assets in RoW	**14,644**	**14,487**

In 2014 and 2013, no single external customer of the Group accounted for 10% or more of consolidated revenues.

33. Information on financial risks

The Group is exposed to the following financial risks connected with its operations:

- credit risk, regarding its normal business relations with customers and dealers, and its financing activities;
- liquidity risk, with particular reference to the availability of funds and access to the credit market and to financial instruments in general;
- market risk (principally relating to exchange rates, interest rates), since the Group operates at an international level in different currencies and uses financial instruments which generate interest.

As described in the section "Risk management", the Group constantly monitors the financial risks to which it is exposed, in order to detect those risks in advance and take the necessary action to mitigate them.

The following paragraphs provide qualitative and quantitative disclosures on the effect that these risks may have upon the Group.

The quantitative data reported in the following do not have any predictive value, in particular the sensitivity analysis on market risks cannot reflect the complexity of the market or the associated market reaction which may result from any of the assumed changes.

Credit risk

The maximum credit risk to which the Group is theoretically exposed at December 31, 2014 is represented by the carrying amounts stated for financial assets in the statement of financial position and the nominal value of the guarantees provided on liabilities or commitments of third parties as discussed in Note 30.

Dealers and final customers are subject to specific assessments of their creditworthiness under a detailed scoring system; in addition to carrying out this screening process, the Group also obtains financial and non-financial guarantees for risks arising from credit granted for the sale of trucks and commercial vehicles and agricultural and construction equipment. These guarantees are further strengthened where possible by retention of title clauses or specific guarantees on financed vehicle sales to the sales network and on vehicles assigned under finance lease agreements.

Balances which are objectively uncollectible either in part or for the whole amount are written down on a specific basis if they are individually significant. The amount of the write-down takes into account an estimate of the recoverable cash flows and the date of receipt, the costs of recovery and the fair value of any guarantees received. Impairment losses are recognized for receivables which are not written down on a specific basis, determined on the basis of historical experience and statistical information.

Receivables for financing activities amounting to $21,472 million at December 31, 2014 ($21,986 million at December 31, 2013) include balances totaling $128 million ($106 million at December 31, 2013) that have been written down on an individual basis. Of the remainder, balances totaling $405 million ($494 million at December 31, 2013) are past due by up to one month, while balances totaling $375 million are past due by more than one month ($582 million at December 31, 2013). In the event of installment payments, even if only one installment is overdue, the whole amount of the receivable is classified as such.

Trade receivables and Other current receivables totaling $2,318 million at December 31, 2014 ($3,038 million at December 31, 2013) include balances totaling $85 million ($73 million at December 31, 2013) that have been written down on an individual basis. Of the remainder, balances totaling $28 million ($139 million at December 31, 2013) are past due by up to one month, while balances totaling $239 million ($308 million at December 31, 2013) are past due by more than one month.

The significant decrease in the past due component in receivables from financing activities is primarily attributable to a reduction in EMEA past dues related to the Commercial vehicles related portfolio.

Liquidity risk

Liquidity risk arises if the Group is unable to obtain the funds needed to carry out its operations under economic conditions.

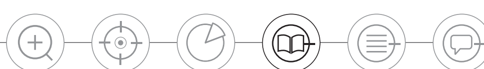
The two main factors that determine the Group's liquidity situation are on the one hand the funds generated by or used in operating and investing activities and on the other the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

CNH Industrial has adopted a series of policies and procedures whose purpose is to optimize the management of funds and to reduce the liquidity risk, as follows:

- centralizing the management of receipts and payments, where it may be economical in the context of the local statutory, currency and fiscal regulations of the countries in which the Group is present;
- maintaining an adequate level of available liquidity;
- diversifying the means by which funds are obtained and maintaining a continuous and active presence on the capital markets;
- obtaining adequate credit lines; and
- monitoring future liquidity on the basis of business planning.

Details as to the repayment structure of the Group's financial assets and liabilities are provided in Note 19 "Current receivables and Other current assets" and in Note 27 "Debt". Details of the repayment structure of derivative financial instruments are provided in Note 21.

Management believes that the funds currently available, together with the funds that will be generated from operating and financing activities, will enable the Group to satisfy its requirements resulting from its investing activities and its working capital needs and to fulfill its obligations to repay its debts at their natural due date.



Currency risk

The Group is exposed to risk resulting from changes in exchange rates, which can affect its earnings and equity. In particular:

- Where a Group company incurs costs in a currency different from that of its revenues, any change in exchange rates can affect the operating profit/(loss) of that company. In 2014, the total net trade flows exposed to currency risk amounted to the equivalent of 18% of the Group's turnover (19% in 2013). The principal exchange rates to which the Group is exposed are the following:
  - US$/EUR, in relation to the production/purchases of Agricultural Equipment and Construction Equipment in the Euro area and to sales in dollars made by Commercial Vehicles; US$/BRL and EUR/BRL, in relation to production in Brazil and the respective import/export flows;
  - US$/AUD, mainly in relation to sales made by Agricultural Equipment and Construction Equipment in Australia;
  - US$/GBP, in relation to the production/purchases of Agricultural Equipment and Construction Equipment in the UK;
  - EUR/GBP, predominately in relation to sales made by Commercial Vehicles on the UK market and purchases made by Agricultural Equipment and Construction Equipment in the Euro area.

Taken overall trade flows exposed to changes in these exchange rates in 2014 made up approximately 72% of the exposure to currency risk from trade transactions.

- It is the Group's policy to use derivative financial instruments to hedge a certain percentage, on average between 55% and 85%, of the forecast trading transaction exchange risk exposure for the coming 12 months (including such risk beyond that date where it is believed to be appropriate in relation to the characteristics of the business) and to hedge completely the exposure resulting from firm commitments.
- Group companies may find themselves with trade receivables or payables denominated in a currency different from the functional currency of the company itself. In addition, in a limited number of cases, it may be convenient from an economic point of view, or it may be required under local market conditions, for companies to obtain financing or use funds in a currency different from their functional currency. Changes in exchange rates may result in exchange gains or losses arising from these situations. It is the Group's policy to hedge fully, whenever possible, the exposure resulting from receivables, payables and securities denominated in foreign currencies different from the company's functional currency.
- Certain of the Group's subsidiaries are located in countries not adopting the U.S. dollar as local currency, such as the members of the European monetary union, the United Kingdom, Brazil, Australia, Canada, India, China, Argentina and Poland. As the Group's reference currency is the U.S. dollar, the income statements of those countries are converted into U.S. dollar using the average exchange rate for the period, and while revenues and margins are unchanged in local currency, changes in exchange rates may lead to effects on the converted balances of revenues, costs and the result in U.S. dollar.
- The assets and liabilities of consolidated companies whose functional currency is different from the U.S. dollar may acquire converted values in U.S. dollar which differ as a function of the fluctuation in exchange rates. The effects of these changes are recognized directly in the Cumulative Translation Adjustments reserve, included in Other comprehensive income (see Note 24).

The Group monitors its principal exposure to translation exchange risk, although there was no specific hedging in this respect at the balance sheet date.

There were no substantial changes in 2014 in the nature or structure of exposure to currency risk or in the Group's hedging policies.

Sensitivity analysis

The potential loss in fair value of derivative financial instruments held for currency risk management (currency swaps/forwards, currency options, interest rate and currency swaps) at December 31, 2014 resulting from a hypothetical, unfavorable and instantaneous change of 10% in the exchange rates amounts to approximately $255 million ($281 million at December 31, 2013).

Receivables, payables and future trade flows whose hedging transactions have been analyzed were not considered in this analysis. It is reasonable to assume that changes in exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

Interest rate risk

The manufacturing companies and treasuries of the Group make use of external funds obtained in the form of financing and invest in monetary and financial market instruments. In addition, Group companies make sales of receivables resulting from their trading activities on a continuing basis. Changes in market interest rates can affect the cost and return of the various forms of financing, including the sale of receivables, and the employment of funds, causing an impact on the level of net financial expenses incurred by the Group.

In addition, Financial Services companies provide loans (mainly to customers and dealers), financing themselves primarily using various forms of direct debt or asset-backed financing (e.g. securitization of receivables). Where the characteristics of the variability of the interest rate applied to loans granted differ from those of the variability of the cost of the financing obtained, changes in the current level of interest rates can affect the operating profit/(loss) of those companies and the Group as a whole.

In order to manage these risks, the Group uses interest rate derivative financial instruments, mainly interest rate swaps and forward rate agreements, with the object of mitigating, under economically acceptable conditions, the potential variability of interest rates on net profit/(loss).

Sensitivity analysis

In assessing the potential impact of changes in interest rates, the Group separates out fixed rate financial instruments (for which the impact is assessed in terms of fair value) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).

The fixed rate financial instruments used by the Group consist principally of part of the portfolio of the Financial Services companies (basically customer financing and financial leases) and part of debt (including subsidized loans and bonds).

The potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) held at December 31, 2014 resulting from a hypothetical, unfavorable and instantaneous change of 10% in market interest rates, would have been approximately $25 million (approximately $34 million at December 31, 2013).

Floating rate financial instruments consist principally of cash and cash equivalents, loans provided by the Financial Services companies to the sales network and part of debt. The effect of the sale of receivables is also considered in the sensitivity analysis as well as the effect of hedging derivative instruments.

A hypothetical, unfavorable and instantaneous change of 10% in short-term interest rates at December 31, 2014, applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivative financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately $5 million (approximately $5 million at December 31, 2013).

This analysis is based on the assumption that there is a general and instantaneous change of 10% in interest rates across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

Other risks on derivative financial instruments

The Group has entered derivative contracts linked to commodity prices to hedge specific exposures on supply contracts.

Sensitivity analysis

In the event of a hypothetical, unfavorable and instantaneous change of 10% in the underlying raw materials prices, the potential loss in fair value of outstanding derivative financial instruments at December 31, 2014 linked to commodity prices would have been not significant (not significant at December 31, 2013).

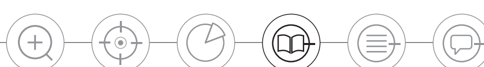
34. Fair value measurement

Fair value levels presented below are described in the "Significant accounting policies – Fair value measurement" section of these Notes.

Assets and liabilities measured at fair value

The following table provides the fair value hierarchy for financial assets and liabilities that are measured at fair value, on a recurring or non-recurring basis, in the statement of financial position at December 31, 2014 and 2013:

		At December 31, 2014				At December 31, 2013			
($ million)	Note	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Other non-current securities	(16)	1	-	-	1	1	-	-	1
Other financial assets	(21)	-	205	-	205	-	261	-	261
Total Assets		1	205	-	206	1	261	-	262
Other financial liabilities	(21)	-	(235)	-	(235)	-	(94)	-	(94)
Total Liabilities		-	(235)	-	(235)	-	(94)	-	(94)



In 2014 and 2013 there were no transfers between levels in the fair value hierarchy.

Description of the valuation techniques used to determine the fair value of derivative financial instruments is included in Note 21 "Other financial assets and Other financial liabilities".

Assets and liabilities not measured at fair value

With reference to Cash and cash equivalents, Trade receivables, Current tax receivables, Other current assets, Trade payables and Other current liabilities, their carrying amount approximates their fair value due to the short maturity of these items.

The following tables provide the fair value and fair value hierarchy for the most relevant categories of financial assets and liabilities that are not measured at fair value in the Statement of financial position at December 31, 2014 and 2013:

		At December 31, 2014				
($ million)	Note	Level 1	Level 2	Level 3	Total Fair Value	Carrying value
Retail financing	(19)	-	-	10,976	10,976	11,023
Dealer financing	(19)	-	-	9,398	9,398	9,400
Finance leases	(19)	-	-	959	959	955
Other receivables from financing activities	(19)	-	-	94	94	94
Total Receivables from financing activities		-	-	21,427	21,427	21,472
Asset-backed financing	(27)	-	13,586	-	13,586	13,587
Bonds	(27)	5,119	4,789	-	9,908	9,519
Borrowings from banks	(27)	-	5,343	-	5,343	5,547
Payables represented by securities	(27)	-	699	-	699	701
Other debt	(27)	-	347	-	347	347
Total Debt		5,119	24,764	-	29,883	29,701

		At December 31, 2013				
($ million)	Note	Level 1	Level 2	Level 3	Total Fair Value	Carrying value
Retail financing	(19)	-	-	11,200	11,200	11,202
Dealer financing	(19)	-	-	9,119	9,119	9,113
Finance leases	(19)	-	-	1,529	1,529	1,535
Other receivables from financing activities	(19)	-	-	136	136	136
Total Receivables from financing activities		-	-	21,984	21,984	21,986
Asset-backed financing	(27)	-	14,747	-	14,747	14,727
Bonds	(27)	3,471	4,497	-	7,968	7,329
Borrowings from banks	(27)	-	6,940	-	6,940	7,101
Payables represented by securities	(27)	-	538	-	538	541
Other debt	(27)	-	248	-	248	248
Total Debt		3,471	26,970	-	30,441	29,946

The fair values of Receivables from financing activities are included in the Level 3 and have been estimated based on discounted cash flows analysis with the most significant inputs being the market discount rates that reflect conditions applied in various reference markets on receivables with similar characteristic, adjusted to take into account the credit risk of the counterparties.

The fair values of Bonds are included in the Level 2, with the exception of the bonds issued by CNH Industrial Finance Europe S.A. which are included in the Level 1 and have been estimated with reference to quoted prices in active markets.

The fair value of Asset backed financing, Borrowings from banks, Payable represented by securities and Other debt are included in the Level 2 and have been estimated based on discounted cash flows analysis using the current market interest rates at year-end adjusted for the Group non-performance risk over the remaining term of the financial liability.

35. Related party transactions

In accordance with IAS 24, CNH Industrial's related parties are companies and persons who are capable of exercising control or joint control or who have a significant influence over the Group, CNH Industrial N.V.'s parent company EXOR S.p.A. and the companies that EXOR S.p.A. controls or has a significant influence over, including Fiat Chrysler Automobiles N.V. and its subsidiaries and affiliates ("FCA"), unconsolidated subsidiaries of CNH Industrial and the associates or joint ventures of CNH Industrial. Finally, the members of the Board of Directors, the statutory auditors (in 2013 for Fiat Industrial S.p.A.) and managers of CNH Industrial with strategic responsibility and members of their families are considered related parties too.

As of December 31, 2014, on the basis of the information published on the website of the Netherlands Authority for the Financial Markets and in reference to the up-to-date information on the files of CNH Industrial, EXOR S.p.A. held 41.44% of CNH Industrial's voting power and had the ability to significantly influence the decisions submitted to a vote of CNH Industrial's shareholders, including approval of annual dividends, the election and removal of directors, mergers or other business combinations, the acquisition or disposition of assets and issuances of equity and the incurrence of indebtedness. The percentage above has been calculated as the ratio of (i) the aggregate number of common shares and special voting shares beneficially owned by EXOR S.p.A. and (ii) the aggregate number of outstanding common shares and special voting shares of CNH Industrial as of December 31, 2014.

CNH Industrial engages in transactions with unconsolidated subsidiaries, joint ventures, associates and other related parties on commercial terms that are normal in the respective markets, considering the characteristics of the goods or services involved. The Company's Audit Committee conducts a review to determine that all related party transactions are on what the Committee believes to be arm's-length terms.

Relations between CNH Industrial N.V. and its unconsolidated subsidiaries, its joint ventures, its associates and other related parties consist mainly of transactions of a commercial nature, which have an effect on revenues, cost of sales and trade receivables and payables.

Transactions with FCA

In connection with the Demerger, Fiat and Fiat Industrial entered into a Master Services Agreement ("MSA") which sets forth the primary terms and conditions pursuant to which the various service provider subsidiaries of such entities provide services (such as purchasing, tax, accounting and other back office services, security and training) to the various service receiving subsidiaries. As structured, the applicable service provider and service receiver subsidiaries become parties to the MSA through the execution of an Opt-In letter which may contain additional terms and conditions. Pursuant to the MSA, service receivers are required to pay to service providers the actual cost of the services plus a negotiated margin. In 2011, various entities of CNH Industrial approved the MSA and the applicable related Opt-In letters. Companies of FCA provide CNH Industrial with administrative services such as accounting, cash management, maintenance of plant and equipment, security, research and development, information systems and training under the terms and conditions of the MSA and the applicable Opt-in Letters.

Additionally, CNH Industrial sells engines and light commercial vehicles to, and purchases engine blocks and other components from, the companies of FCA. The main effects of such transactions reflected on this Consolidated Annual Report are as follows:

($ million)	2014	2013
Net revenues	943	904
Cost of sales	551	631
Selling, general and administrative costs	234	275

($ million)	At December 31, 2014	At December 31, 2013
Trade receivables	27	36
Trade payables	139	178

Transactions with joint ventures

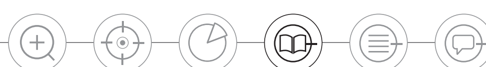
CNH Industrial sells commercial vehicles, agricultural and construction equipment, and provides technical services to joint ventures such as Iveco Oto Melara Società consortile, CNH de Mexico SA de CV, Turk Traktor ve Ziraat Makineleri A.S., SAIC Iveco Commercial Vehicle Investment Company Limited and New Holland HFT Japan Inc. CNH Industrial also purchases equipment from joint ventures, such as Turk Traktor ve Ziraat Makineleri A.S. The main effects of such transactions reflected on this Consolidated Annual Report are as follows:

($ million)	2014	2013
Net revenues	746	664
Cost of sales	564	505

($ million)	At December 31, 2014	At December 31, 2013
Trade receivables	79	68
Trade payables	132	154

Transactions with associates

CNH Industrial sells trucks and commercial vehicles and provides services to associates. In 2014, revenues from associates totaled $97 million ($54 million in 2013) and mainly related to transactions with IVECO-AMT Ltd. At December 31, 2014 receivables arising from the revenues discussed above amounted to $68 million ($26 million at December 31, 2013).



Transactions with other related parties

In 2014, no such transactions occurred. In 2013, the cost of sales included $25 million due to purchases of components from the Brembo Group, controlled by Alberto Bombassei who was a member of the Board of Directors of Fiat Industrial S.p.A. until the Merger.

Compensation to Directors, Statutory Auditors and Key Management

The fees of the Directors and Statutory Auditors of CNH Industrial N.V. for carrying out their respective functions, including those in other consolidated companies, are as follows:

(in thousands of dollars)	2014	2013
Directors (a)	30,003	17,652
Statutory Auditors (b)	-	252
Total Compensation	**30,003**	**17,904**

(a.) This amount includes the notional compensation cost of $25,084 thousand in 2014 ($9,950 thousand in 2013) arising from stock grants awarded to the Chairman, the Chief Executive Officer and certain Directors.
(b.) Statutory Auditors refer to Fiat Industrial S.p.A. before the Merger.

The aggregate expense incurred in 2014 for the compensation of Executives with strategic responsibilities of the Group amounts to approximately $28 million ($27 million in 2013). This amount is inclusive of the notional compensation cost for share-based payments.

Commitments and guarantees with related parties

At December 31, 2014 the Group had issued guarantees on commitments of its joint ventures for amount of $277 million ($272 million at December 31, 2013), mainly related to Iveco - Oto Melara Società consortile.

36. Acquisitions and Disposals of subsidiaries and other investments

Acquisitions

As discussed in the section "Business combinations", on November 26, 2014, CNH Industrial completed the acquisition of substantially all of the assets of Miller, a leading manufacturer of precision spraying equipment, for total consideration of $106 million. This transaction has been accounted for as an acquisition in accordance with IFRS 3 - *Business Combinations*, and the Group has accordingly applied the acquisition method, finalized in December.

The identifiable assets acquired and liabilities assumed have been recognized at their fair values at the Acquisition date (November 26, 2014) and are set out below:

($ million)	At the Acquisition date
Non-current assets	86
Current assets	30
Total assets acquired (a)	**116**
Liabilities assumed (b)	**10**
Net assets acquired/(Net liabilities assumed) (a) – (b)	**106**

The transaction led to the recognition of goodwill of $8 million given the favorable earnings prospects of the business forming part of the transaction.

The consideration paid in this business combination is set out below, together with the resulting cash flows:

($ million)	At the Acquisition date
Consideration due	106
Consideration deferred	-
Total Consideration	**106**
Cash outflows:	
Cash and cash equivalents paid	106
Cash and cash equivalents received	-
Total cash flows paid/(received)	**106**

The Group made no significant acquisitions of subsidiaries in 2013.

During 2013 the Group acquired non-controlling interests in companies in which it already held control, leading to the recognition of a total cash outflow of $19 million. In particular, the Group purchased:

- a non-controlling interest of 35.0% in Case Construction Machinery America LLC, with a cash outflow of $6 million;
- a non-controlling interest of 49.0% of CNH Industrial (Russia) Commercial Operations B.V. and of 50.0% in CNH Industrial (Russia) Industrial Operations B.V., for a total outflow of $13 million.

The changes in the ownership interests in subsidiaries described above did not have any significant effect on the Group's equity attributable to the owners of the parent.

With reference to the Merger occurred in 2013, the main effect was the acquisition of the non-controlling interests in the profit and loss and shareholder's equity of former CNH Global N.V. for no consideration. This effect was immaterial on the CNH Industrial's consolidated profit and loss for the year ended December 31, 2013.

Disposals

The Group made no significant disposals of investments in 2014 and 2013.

37. Explanatory notes to the Statement of Cash Flows

The Statement of cash flows sets out changes in cash and cash equivalents during the year. As required by IAS 7 - *Cash Flow Statements*, cash flows are separated into operating, investing and financing activities. The effects of changes in exchange rates on cash and cash equivalents are shown separately under the line item Translation exchange differences.

The Group presents supplemental discussion and disclosure regarding the statement of cash flows within this Note for the purpose of additional analysis. Certain items discussed below, are reflected within the consolidated statement of cash flows either on an aggregate or net basis, and accordingly have been discussed further as set forth below.

Operating activities

Cash flows from/(used in) operating activities derive mainly from the Group's main revenue producing activities.

Adjustments to exclude non-cash effects related to the sale of vehicles under buy-back commitments are included under operating activities in a single line item which includes changes in working capital, capital expenditures, amortization, depreciation and impairment losses. This item also includes gains and losses arising from the sales of vehicles transferred under buy-back commitments that occur before the end of the agreement term without repossession of the vehicle.

Change in operating lease items comprises capital expenditures for assets under operating lease and reflects adjustments to exclude non-cash items such as amortization, depreciation, impairment losses and changes in inventories.

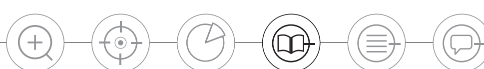
The adjustment to exclude Other non-cash items of $157 million in 2014 ($38 million in 2013) includes an amount of $108 million ($-9 million in 2013) related to result from investments net of impairment losses on assets recognized during the year.

Changes in working capital for 2014 and 2013 are summarized as follows:

($ million)	2014	2013
Change in trade receivables	281	408
Change in inventories	(167)	(1,227)
Change in trade payables	(862)	969
Change in other receivables/payables	43	(53)
Change in working capital	**(705)**	**97**

The Cash flows for income tax payments net of refunds in 2014 amount to $744 million ($521 million in 2013).

Total interest of $944 million was paid and interest of $1,000 million was received in 2014 (interest of $1,013 million was paid in 2013, and interest of $942 million was received in 2013).



Investing activities

Cash flows from/(used in) investing activities represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures resulting in an asset recognized in the balance sheet are classified as investing activities in the Statement of cash flows. In particular, Cash flows from/(used in) investing activities include net change in receivables from financing activities that may be analyzed as follows:

($ million)	2014	2013
Change in dealer financing	(1,089)	(1,094)
Change in retail financing	(300)	(1,640)
Change in finance leases	405	227
Change in other receivables from financing activities	61	108
Net change in receivables from financing activities	**(923)**	**(2,399)**

Liquidity absorbed by the increase in receivables from financing activities in 2014 principally referred to higher levels of financing provided to both dealers and customers in NAFTA and dealers in LATAM.

Consideration for the acquisition and disposal of subsidiaries and of other investments is discussed in Note 36.

Financing activities

The net change in other financial payables and other financial assets/liabilities mainly reflects changes in borrowings from banks and in asset-backed financing, together with changes in other financial assets and other financial liabilities (consisting of derivative financial instruments measured at fair value at the balance sheet date, as indicated in Note 21 above).

Changes in 2014 and 2013 are summarized as follows:

($ million)	2014	2013
Change in asset-backed financing	(507)	1,993
Change in borrowings from banks and other financial payables	(286)	579
Net change in other financial payables	(793)	2,572
Net change in other financial assets and other financial liabilities	(15)	11
Net change in other financial payables and other financial assets/liabilities	**(808)**	**2,583**

38. IFRS to U.S. GAAP reconciliation

These Consolidated Financial Statements have been prepared in accordance with the IFRS as issued by the IASB and as adopted by the European Union (refer to section "Significant accounting policies", paragraph "Basis of preparation", for additional information).

Starting from the Annual Report on Form 20-F at December 31, 2013, CNH Industrial has begun to report financial results under U.S. GAAP for U.S. reporting and investor presentation purposes, continuing to report under IFRS for European listing purposes and Dutch law requirements.

IFRS differ in certain significant respects from U.S. GAAP. In order to help readers to understand the difference between the Group's two sets of financial statements, CNH Industrial has provided, on a voluntary basis, a reconciliation from IFRS to U.S. GAAP as follows:

Reconciliation of Profit

($ million)	Note	2014	2013
Profit in accordance with IFRS		**916**	**1,218**
Adjustments to conform with U.S. GAAP:			
Development costs, net	(a)	(231)	(443)
Goodwill and other intangible assets	(b)	(8)	(8)
Defined benefit plans	(c)	(56)	(16)
Restructuring provisions	(d)	8	(17)
Other adjustments	(e)	(20)	(19)
Tax impact on adjustments	(f)	103	158
Deferred tax assets and tax contingencies recognition	(g)	(4)	(45)
Total adjustments		(208)	(390)
Net income in accordance with U.S. GAAP		**708**	**828**

Reconciliation of Total Equity

($ million)	Note	At December 31, 2014	At December 31, 2013
Total Equity in accordance with IFRS		7,577	7,662
Adjustments to conform with U.S. GAAP:			
Development costs, net	(a)	(2,819)	(2,862)
Goodwill and other intangible assets	(b)	122	130
Defined benefit plans	(c)	6	29
Restructuring provisions	(d)	12	6
Other adjustments	(e)	16	15
Tax impact on adjustments	(f)	815	773
Deferred tax assets and tax contingencies recognition	(g)	(768)	(798)
Total adjustments		(2,616)	(2,707)
Total Equity in accordance with U.S. GAAP		4,961	4,955

Description of reconciling items

Reconciling items presented in the tables above are described as follows:

a. *Development costs, net*

Under IFRS, costs relating to development projects are recognized as intangible assets when costs can be measured reliably and the technical feasibility of the product, volumes and pricing support the view that the development expenditure will generate future economic benefits. Under U.S. GAAP, development costs are expensed as incurred. As a result, costs incurred related to development projects that have been capitalized under IFRS are expensed as incurred under U.S. GAAP. Amortization expenses, net result on disposal and impairment charges of previously capitalized development costs recorded under IFRS have been reversed under U.S. GAAP. In 2014, under IFRS the Group capitalized $676 million ($759 million in 2013) of development costs, amortized $420 million ($316 million in 2013) of previously capitalized development costs that were reversed under U.S. GAAP, and recognized an impairment for an amount of $25 million. In 2013, no impairment charges and no result on disposal were recorded.

b. *Goodwill and other intangible assets*

Goodwill is not amortized but rather tested for impairment at least annually under both IFRS and U.S. GAAP. The difference in goodwill and other intangible assets between the Group's two sets of financial statements is primarily due to the different times when IFRS and ASC 350 - *Intangibles – Goodwill and Other,* where adopted. CNH Industrial transitioned to IFRS on January 1, 2004. Prior to the adoption of IFRS, goodwill was recorded as an intangible asset and amortized to income on a straight-line basis over its estimated period of recoverability, not exceeding 20 years. CNH Industrial adopted ASC 350 on January 1, 2002. Under U.S. GAAP, through December 31, 2001, goodwill was recorded as an intangible asset and amortized to income on a straight-line basis over a period not exceeding 40 years. In addition, IFRS and U.S. GAAP differ in the determination of the goodwill impairment amount, if any goodwill impairment needs to be recognized. However, no difference arose as no goodwill impairment was required in 2014 and 2013.

c. *Defined benefit plans*

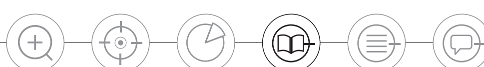
The differences related to defined benefit plans are mainly due to the different accounting for actuarial gains and losses and the net interest component of the defined benefit cost between IFRS and U.S. GAAP. Under IFRS, actuarial gains and losses are recognized immediately in other comprehensive income without reclassification to profit or loss in subsequent years; net interest expense or income is recognized by applying the discount rate to the net defined benefit liability or asset (the defined benefit obligation less the fair value of plan assets, allowing for any assets ceiling restriction). Under U.S. GAAP, actuarial gain and losses are deferred through the use of the corridor method; interest cost applicable to the liability is recognized using the discount rate, while an expected return on assets is recognized reflecting management's expectations on long-term average rates of return on funds invested to provide for benefits included in the projected benefit obligations.

d. *Restructuring provisions*

The principal difference between IFRS and U.S. GAAP with respect to accruing for restructuring costs is that IFRS places emphasis on the recognition of the costs of the exit plan as a whole, whereas U.S. GAAP requires that each type of cost is examined individually to determine when it may be accrued. Under IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*, a provision for restructuring costs is recognized when the Group has a constructive obligation to restructure. Under U.S. GAAP, termination benefits are recognized in the period in which a liability is incurred. The application of U.S. GAAP often results in different timing recognition for the Group's restructuring activities.

e. *Other adjustments*

Other adjustments refer to differences that are not individually material for the Group and are therefore shown as a combined total.



f. *Tax impact on adjustments*

This item includes the tax effects of adjustments from (a) to (e) and mainly refers to development costs.

g. *Deferred tax assets and tax contingencies recognition*

The Group's policy for accounting for deferred income taxes under IFRS is described in section "Significant accounting policies". This policy is similar to U.S. GAAP which states that a deferred tax asset or liability is recognized for the estimated future tax effects attributable to temporary differences and tax loss carry forwards. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized based on available evidence. The most significant accounting difference between IFRS and U.S. GAAP relates to development costs, which also has a significant impact on accumulated deferred tax assets or liabilities and on U.S. GAAP pretax book income or loss in certain jurisdictions. As a result, the assessment of tax contingencies and recoverability of deferred tax assets in each jurisdiction can vary significantly between IFRS and U.S. GAAP for financial reporting purposes. This adjustment relates primarily to foreign jurisdictions with U.S. GAAP pretax book losses in recent years higher than those recorded for IFRS purposes.

39. Subsequent events

No subsequent events to be reported.

March 2, 2015

The Board of Directors

Sergio Marchionne

Richard J. Tobin

Jacqueline A. Tammenoms Bakker

John Elkann

Mina Gerowin

Maria Patrizia Grieco

Léo W. Houle

Peter Kalantzis

John Lanaway

Guido Tabellini

Jacques Theurillat