
NAVISTAR®
Q4 EARNINGS PRESENTATION
December 16, 2014
INTERNATIONAL

Safe Harbor Statement

Information provided and statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements only speak as of the date of this report and the Company assumes no obligation to update the information included in this report. Such forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements often include words such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” or similar expressions. These statements are not guarantees of performance or results and they involve risks, uncertainties, and assumptions. For a further description of these factors, see the risk factors set forth in our filings with the Securities and Exchange Commission, including our annual report on Form 10-K for the fiscal year ended October 31, 2014. Although we believe that these forward-looking statements are based on reasonable assumptions, there are many factors that could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. All future written and oral forward-looking statements by us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to above. Except for our ongoing obligations to disclose material information as required by the federal securities laws, we do not have any obligations or intention to release publicly any revisions to any forward-looking statements to reflect events or circumstances in the future or to reflect the occurrence of unanticipated events.

Other Cautionary Notes

The financial information herein contains audited and unaudited information and has been prepared by management in good faith and based on data currently available to the Company.

Certain non-GAAP measures are used in this presentation to assist the reader in understanding our core manufacturing business. We believe this information is useful and relevant to assess and measure the performance of our core manufacturing business as it illustrates manufacturing performance. It also excludes financial services and other items that may not be related to the core manufacturing business or underlying results. Management often uses this information to assess and measure the underlying performance of our operating segments. We have chosen to provide this supplemental information to investors, analysts, and other interested parties to enable them to perform additional analyses of operating results. The non-GAAP numbers are reconciled to the most appropriate GAAP number in the appendix of this presentation.

4TH QUARTER 2014 RESULTS

Troy Clarke, President & CEO

Our New Leadership Team



Troy Clarke
President and Chief Executive Officer



Walter Borst
Executive Vice President and Chief Financial Officer



Persio Lisboa
President, Operations



Bill Kozek
President, Truck & Parts

Agenda

Overview	Troy Clarke
Financial Results	Walter Borst
Summary	Troy Clarke

4th Quarter Summary

- Hit Q4 adjusted EBITDA guidance
- Truck sales up quarter-over-quarter
- Declining warranty spend
- Over-performed on structural cost savings target
- Over-achieved on manufacturing cost improvements
- Realized significant material cost savings
- Challenging economy in Brazil
- Maintained strong cash balances



4th Quarter Summary

- Strong Class 6-8 truck and bus industry
- Rebuilding sales and market share: one of our highest priorities
- Making progress towards exiting 2015 at our 8-10% adjusted EBITDA margin goal



FINANCIAL RESULTS

Walter Borst, Executive Vice President & CFO

Income Statement Summary

$ in millions, except per share

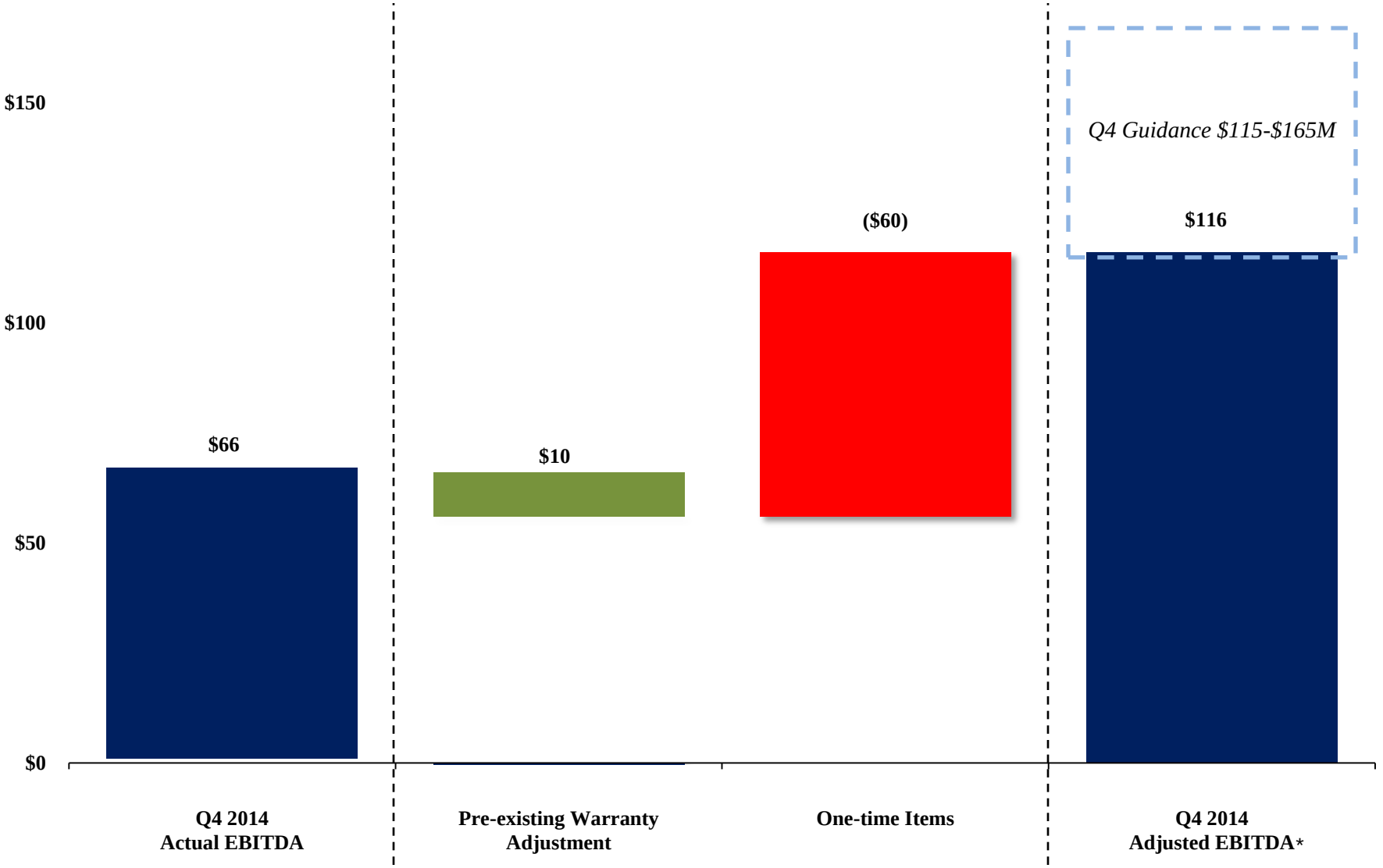
	Quarters Ended October 31	
	2014	**2013**
Traditional Chargeouts	16,800	13,700
Sales and Revenues	$3,008	$2,751
EBITDA	$66	($227)
Income (Loss) from Continuing Operations, Net of Tax(A)	($72)	($153)
Diluted Loss Per Share from Continuing Operations(A)	($0.88)	($1.90)

(A) Amounts attributable to Navistar International Corporation.

Note: This slide contains non-GAAP information; please see the REG G in appendix for a detailed reconciliation.

Q4 2014 EBITDA

$ in millions



* Excluding pre-existing warranty and one-time items.

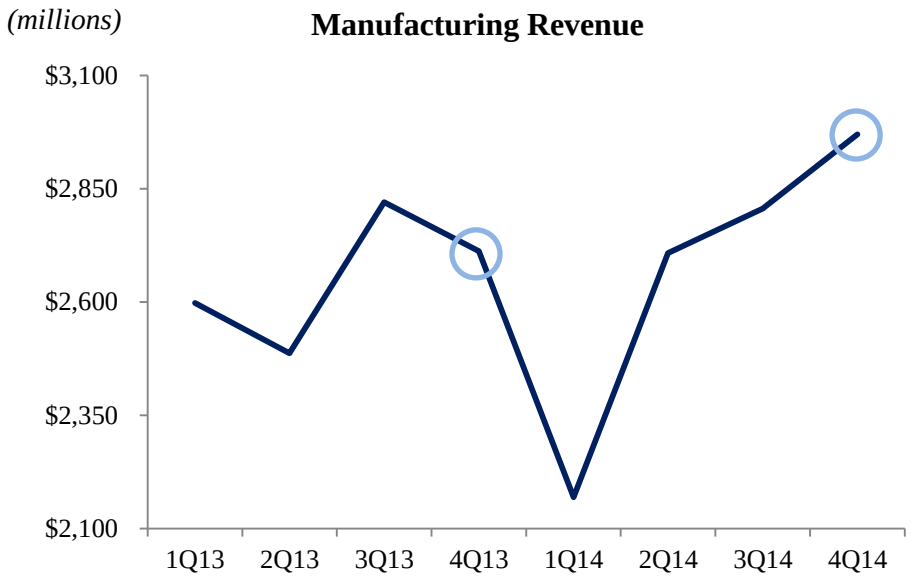
Note: This slide contains non-GAAP information; please see the REG G in appendix for a detailed reconciliation.

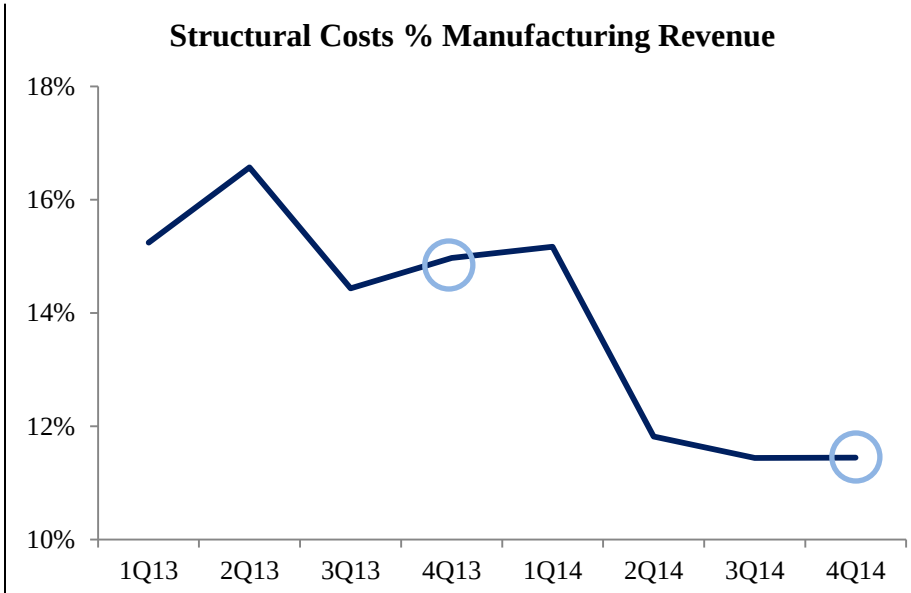
Q4 2014 Segment Results

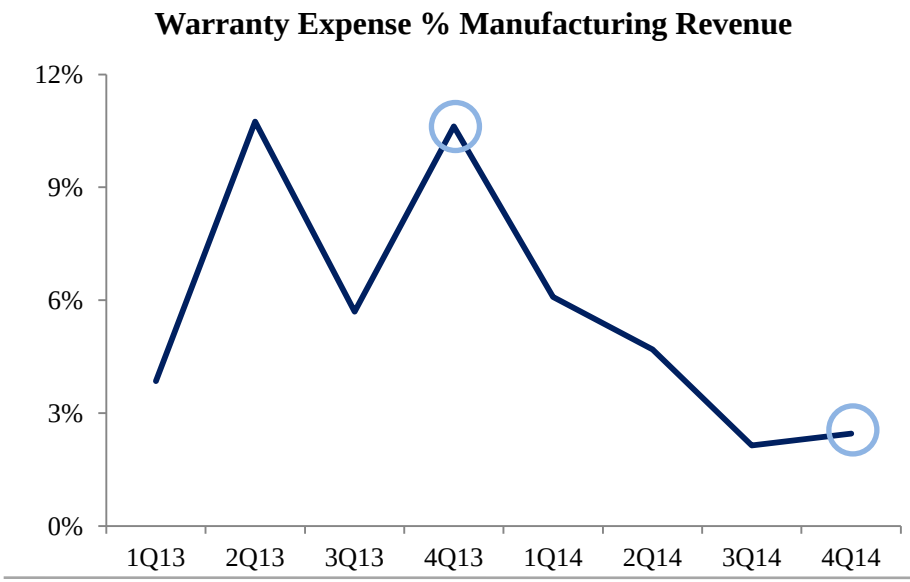
$ in millions

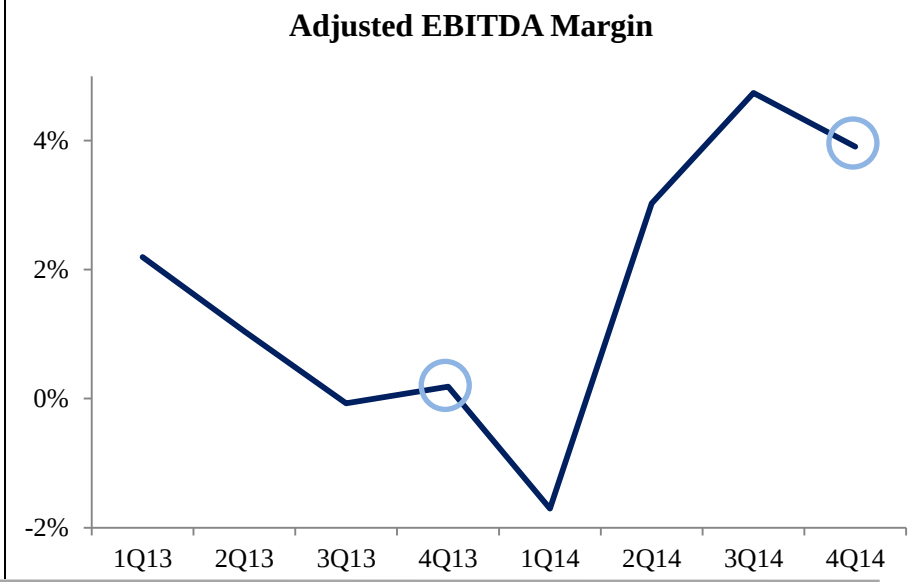
Segment Results:	Quarters Ended October 31 2014	2013
North America Truck	($55)	($355)
North America Parts	$143	$147
Global Operations	($33)	($6)
Financial Services	$26	$17

Drive to Deliver Metrics









Q4 2014 Manufacturing Cash Update

$ in millions

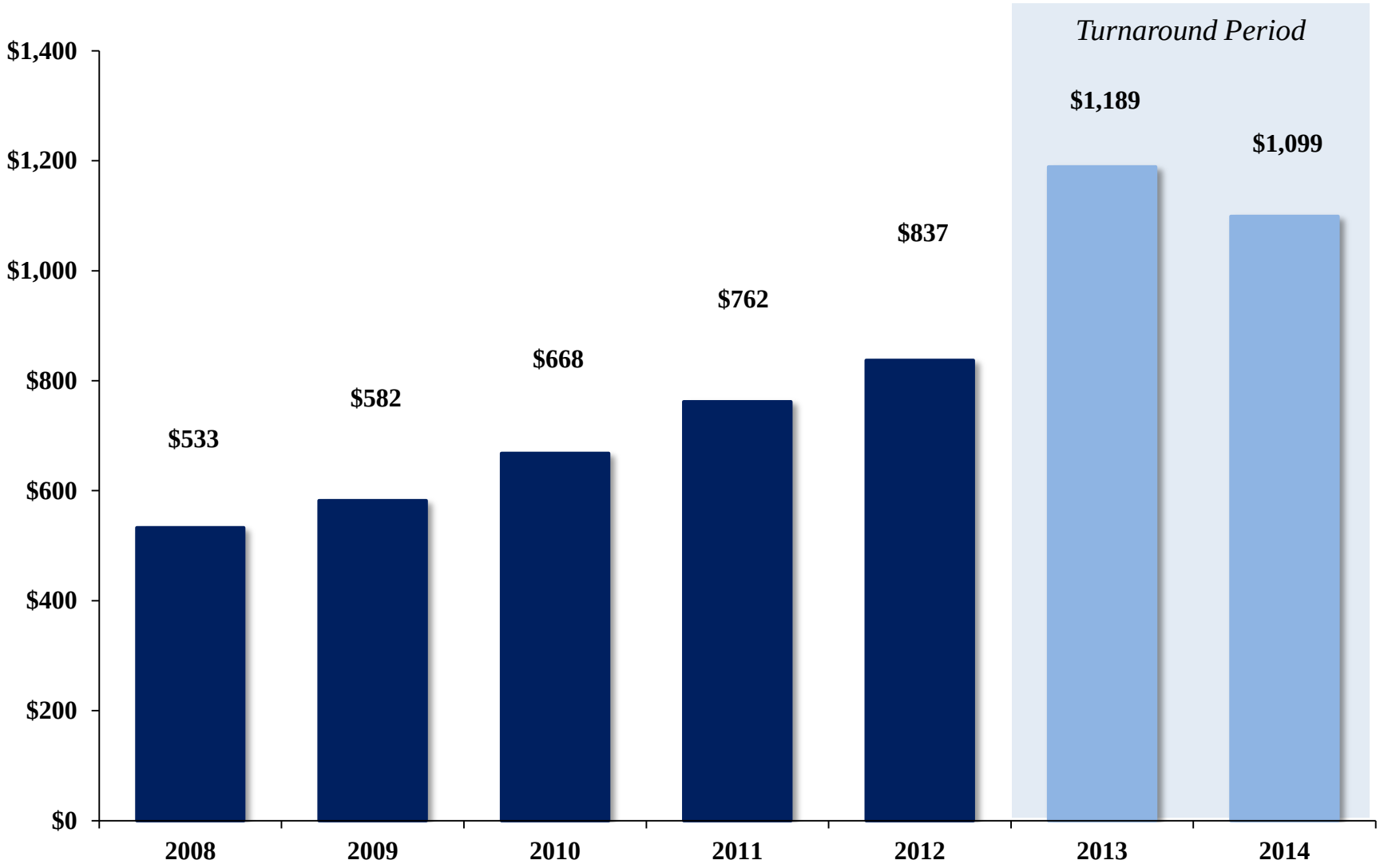
	Guidance*	Actual
Q3 2014 Manufacturing Cash Balance**	**$1,098**	**$1,098**
Consolidated Adjusted EBITDA^	$115 - $165	$116
Capex/Cash Interest/Pension & OPEB Funding	($170) - ($185)	($176)
Change in Net Working Capital/Debt Payments/Other	($43) - $22	($20)
Q4 2014 Manufacturing Cash Balance**	**$1,000-1,100**	**$1,018^^**

*Guidance as provided on 9/3/2014 **Cash balance includes marketable securities ^ Excluding one-time items and pre-existing warranty ^^Includes incremental $91 million NFC intercompany loan

Note: This slide contains non-GAAP information; please see the REG G in appendix for a detailed reconciliation.

Historical Q1 Manufacturing Cash Levels

$ in millions



* Cash balance includes marketable securities.
** Excluding one-time items and pre-existing warranty

Note: This slide contains non-GAAP information; please see the REG G in appendix for a detailed reconciliation.

Guidance: Q1 2015 Manufacturing Cash

$ in millions

	Q1 2015 Guidance
Q4 2014 Manufacturing Cash Balance*	**$1,018**
Consolidated Adjusted EBITDA**	$0 - $50
Capex/Cash Interest/Pension & OPEB Funding	($160) - ($170)
Change in Net Working Capital/Debt Payments/Other	($158) - ($98)
Q1 2015 Manufacturing Cash Balance*	**$700 - $800**

* Cash balance includes marketable securities.
** Excluding one-time items and pre-existing warranty

Note: This slide contains non-GAAP information; please see the REG G in appendix for a detailed reconciliation.

Long-term EBITDA Goals

4 Pronged Action Plan to Improve EBITDA

Volume increase → Material cost savings → Structural cost savings → Warranty cost reductions

	2014 Actual		2015 Exiting & Long Term*
Class 6 - 8 Truck & Bus industry	342,100	G	325 - 350,000
Class 6 - 8 Truck & Bus combined market share	17.5%	R	22 - 24%
Material cost	Decreased	G	5% decrease
Structural cost savings	$311 million	G	< 10% of sales
Warranty expense	3.7%	G	4 ppt decrease *versus 7.7% in 2013*
Exiting Adjusted EBITDA Margin	**3.9%**		**8 – 10%**

* As shown in the fourth quarter earnings presentation on 12/20/13

Additional Insights into 2015

- In 2015, we expect:
  - Class 6 - 8 truck & bus industry of 350,000 to 380,000 units
  - Pension and OPEB expense flat to 2014
  - Pension cash contributions of $148 million
  - Capital expenditures of $150 million
  - Manufacturing interest expense down ~5%



Summing It Up

- 2014 Accomplishments:
  - Grew revenue each consecutive quarter
  - Lowered break-even point by reducing structural costs and warranty expense
  - Managed cash balances
  - Extended debt maturity profile
- 2015 exiting adjusted EBITDA goal of 8-10%: on track



2015 Analyst Day

February 4, 2015
World Headquarters
2701 Navistar Drive, Lisle, IL



APPENDIX

Navistar Financial Corporation

Highlights

- Financial Services Segment profit of $97 million for 2014, $26 million for Q4
- Total U.S. financing availability of $307 million as of October 31, 2014
- Financial Services Debt/Equity Leverage of 3.2:1
- Dealer funding facility issued November 2014 for $250 million

Dealer Floor Plan

- **NFSC wholesale trust as of October 2014**
  - $950 million funding facility
  - Variable portion matures March 2015
  - Term portions mature January 2015 and September 2015
- **On balance sheet**

Retail Notes

NAVISTAR® CAPITAL
a GE Capital program

- **Broader product offering**
- **Enhanced ability to support large fleets**
- **Better access to less expensive capital**

Bank Facility

- **$840 million facility ($500 million revolver and $340 million term loan matures in December 2016)**
  - Funding for retail notes, wholesale notes, retail accounts, and dealer open accounts
- **On balance sheet**

Retail Market Share in Commercial Vehicle Segments

	2014	2013	2012
Traditional Markets (U.S. and Canada)			
School buses[A]	**35 %**	37 %	41 %
Class 6 and 7 medium trucks[B]	**21 %**	24 %	32 %
Class 8 heavy trucks	**14 %**	12 %	15 %
Class 8 severe service trucks[C]	**16 %**	22 %	29 %
Total Traditional Markets	**17 %**	18 %	22 %
Combined class 8 trucks	**14 %**	15 %	18 %



School Bus

B/C/D

Retail Market Share[A]:
Q4 2014: 39%
Q3 2014: 31%



Class 6/7

Medium-Duty

Retail Market Share:
Q4 2014: 19%
Q3 2014: 20%



Class 8

Heavy

Retail Market Share:
Q4 2014: 15%
Q3 2014: 14%



Class 8

Severe Service

Retail Market Share:
Q4 2014: 14%
Q3 2014: 15%

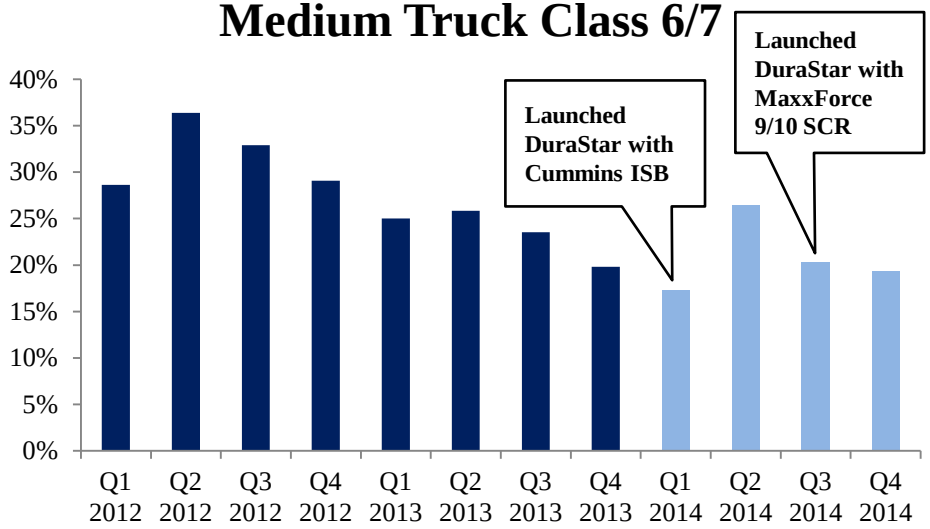
(A) The Company uses bus registration data from Polk to report U.S. and Canada School bus retail market deliveries. Additionally, the School bus retail market deliveries include buses classified as B, C, and D and are being reported on a one-month lag. These changes are reflected in all periods presented.
(B) Retail delivery market share for 2012 was updated to reflect the impact of excluding units related to discontinued operations.
(C) Retail delivery market share includes CAT-branded units sold to Caterpillar under our North America supply agreement.

Combined Class 8

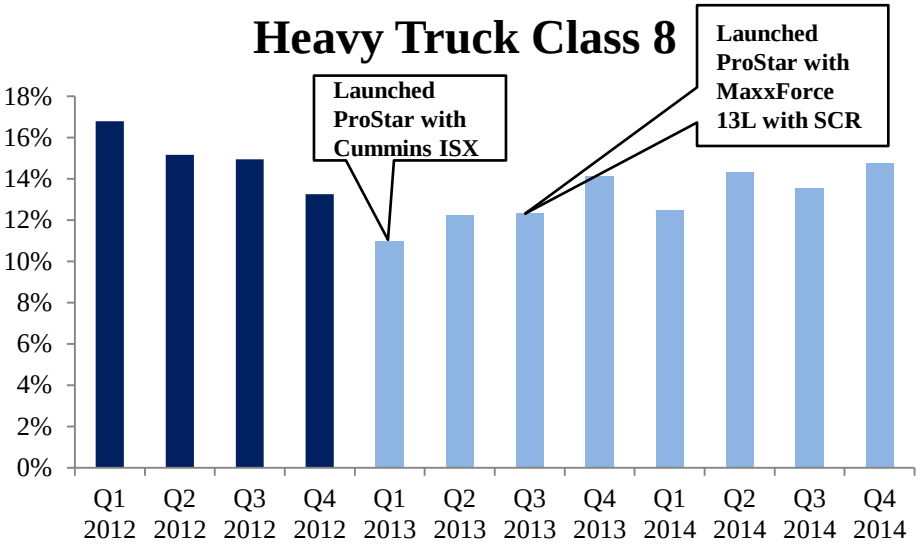
Retail Market Share: Q4 2014: 15% / Q3 2014: 14%

U.S. and Canada Class 6-8 Retail Market Share

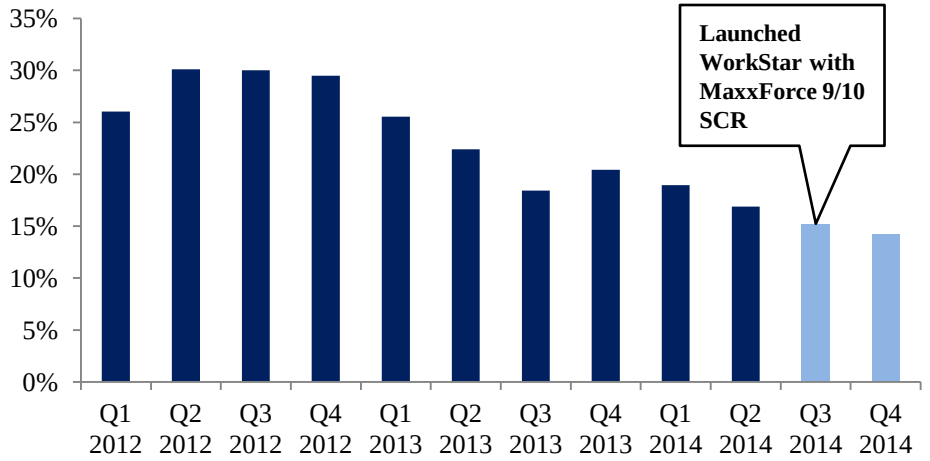
Medium Truck Class 6/7



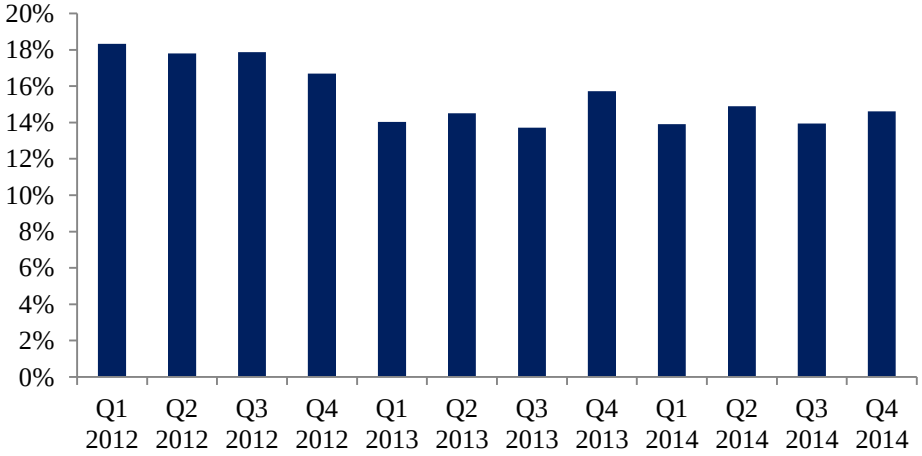
Heavy Truck Class 8



Severe Service Class 8



Class 8 Combined



Worldwide Truck Chargeouts

(in units)	Three Months Ended Oct 31, 2014	2013	Change	% Change	Years Ended Oct 31, 2014	2013	Change	% Change
Traditional Markets (U.S. and Canada)								
School buses	**3,100**	2,300	800	35 %	**10,800**	9,500	1,300	14 %
Class 6 and 7 medium trucks	**3,800**	2,700	1,100	41 %	**16,000**	14,700	1,300	9 %
Class 8 heavy trucks	**7,400**	6,100	1,300	21 %	**26,000**	21,100	4,900	23 %
Class 8 severe service trucks	**2,500**	2,600	(100)	(4) %	**8,700**	9,800	(1,100)	(11)%
Total Traditional markets	**16,800**	13,700	3,100	23 %	**61,500**	55,100	6,400	12 %
Military vehicles	-	-	-	0 %	**100**	800	(700)	(88)%
Expansion markets[(A)]	**8,600**	8,100	500	6 %	**28,400**	28,500	(100)	(0)%
Total worldwide units[(B)]	**25,400**	21,800	3,600	17 %	**90,000**	84,400	5,600	7 %
Combined Class 8 trucks	**9,900**	8,700	1.200	14 %	**34,700**	30,900	3,800	12 %

We define chargeouts as trucks that have been invoiced to customers. The units held in dealer inventory represent the principal difference between retail deliveries and chargeouts. This table summarizes our approximate worldwide chargeouts from our continuing operations.

We define our “traditional” markets to include U.S. and Canada School bus and Class 6 through 8 medium and heavy truck. Our “traditional” markets include CAT-branded units sold to Caterpillar under our North America supply agreement.

(A) Includes: chargeouts related to Blue Diamond Truck ("BDT") of 3,400 units and 3,200 units during the three months ended October 31, 2014 and 2013, respectively, and 11,000 and 9,900 units during the fiscal years 2014 and 2013.

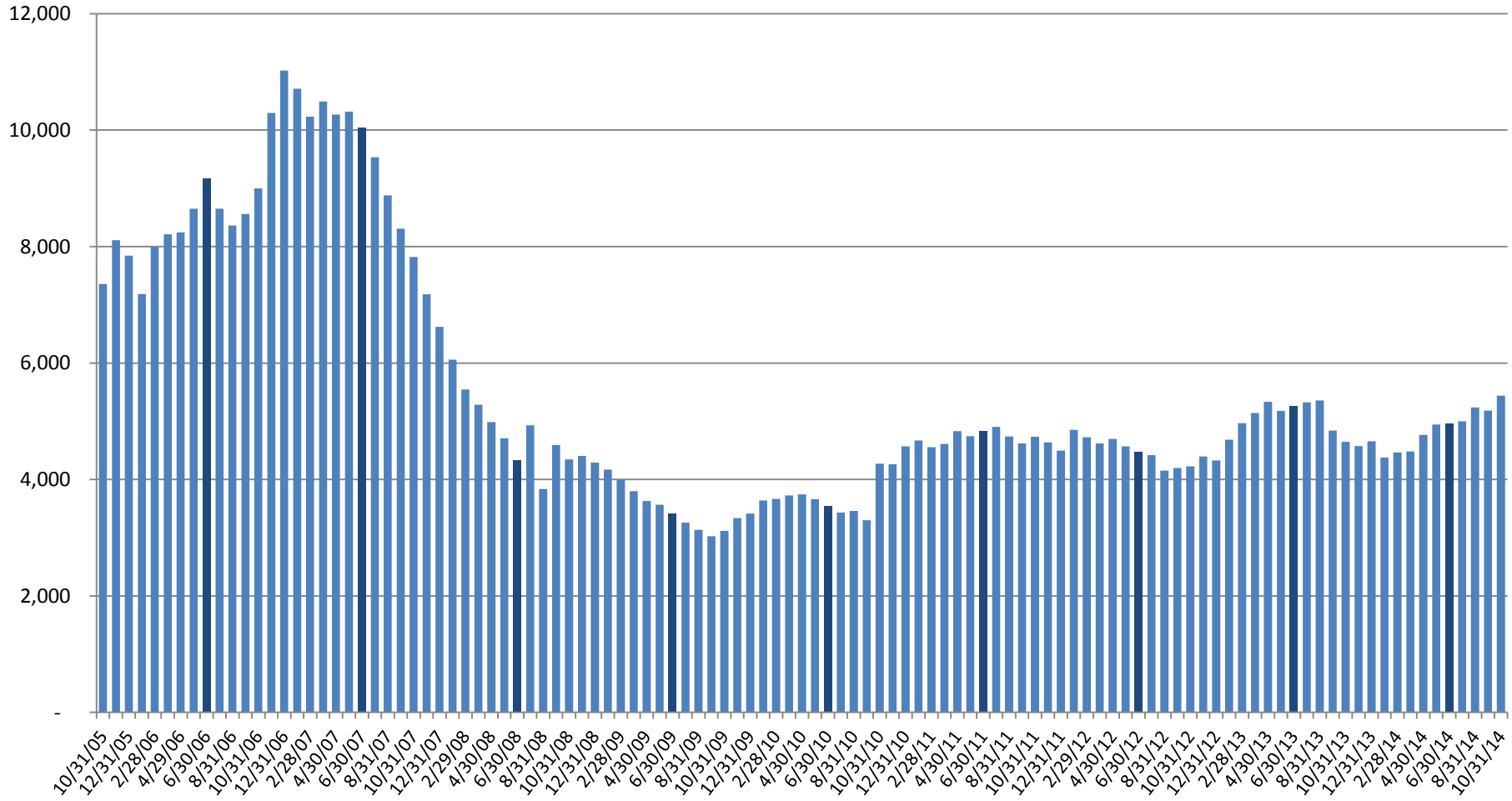
(B) Excludes: All RV towable units which were related to the Bison Coach trailer business sold in October 2013 and (ii) all units related to Monaco and WCC, both of which have been classified as discontinued operations. There were no units related to RV towables, Monaco, or WCC in 2014.

Worldwide Engine Shipments

Engine Shipments	Three Months Ended Oct 31,				Years Ended Oct 31,			
(in units)	**2014**	**2013**	**Change**	**% Change**	**2014**	**2013**	**Change**	**% Change**
OEM sales-South America	**22,600**	28,800	(6,200)	(22)%	**89,100**	116,200	(27,100)	(23)%
Intercompany sales	**8,800**	13,400	(4,600)	(34)%	**37,900**	59,900	(22,000)	(37)%
Other OEM sales	**3,400**	2,500	900	36 %	**11,700**	9,300	2,400	26 %
Total sales	**34,800**	44,700	(9,900)	(22)%	**138,700**	185,400	(46,700)	(25)%



U.S. and Canada Dealer Stock Inventory*



*Includes U.S. and Canada Class 4-8 and school bus inventory, but does not include U.S. IC Bus.

Frequently Asked Questions

Q1: What is included in Corporate and Eliminations?

A: The primary drivers of Corporate and Eliminations are Corporate SG&A, pension and OPEB expense (excluding amounts allocated to the segments), annual incentive, manufacturing interest expense, and the elimination of intercompany sales and profit between segments.

Q2: What is included in your equity in loss of non-consolidated affiliates?

A: Equity in loss of non-consolidated affiliates is derived from our ownership interests in partially-owned affiliates that are not consolidated.

Q3: What is your net income attributable to non-controlling interests?

A: Net income attributable to non-controlling interests is the result of the consolidation of subsidiaries in which we do not own 100%, and is primarily comprised of Ford's non-controlling interest in our Blue Diamond Parts joint venture.

Q4: What are your expected 2015 and beyond pension funding requirements?

A: Future contributions are dependent upon a number of factors, principally the changes in values of plan assets, changes in interest rates and the impact of any funding relief currently under consideration. In 2014, we contributed $164 million to meet the minimum required contributions for all plans. In August 2014, the Highway and Transportation Funding Act of 2014, which included an extension of the pension funding interest rate relief, was signed into law. As a result, we lowered our funding expectations. We expect to contribute $148 million to our pension plans during 2015. We currently expect that from 2016 through 2017, the Company will be required to contribute at least $100 million per year to the plans, depending on asset performance and discount rates.

Frequently Asked Questions

Q5: What is your expectation for future cash tax payments?

A: Our cash tax payments are expect to remain low in 2015 and will gradually increase as we utilize available net operating losses (NOLs) and tax credits in future years.

Q6: What is the current balance of net operating losses as compared to other deferred tax assets?

A: As of October 31, 2014 the Company has deferred tax assets for U.S. federal NOLs valued at $870 million, state NOLs valued at $144 million, and foreign NOLs valued at $199 million, for a total undiscounted cash value of $1,213 million. In addition to NOLs, the Company has deferred tax assets for accumulated tax credits of $256 million and other deferred tax assets of $1.9 billion resulting in net deferred tax assets before valuation allowances of approximately $3.4 billion. Of this amount, $3.2 billion is subject to a valuation allowance at the end of FY2014.

Q7: How does your FY 2014 Class 8 industry outlook compare to ACT Research?

A:

U.S. and Canadian Class 8 Truck Sales

Reconciliation to ACT - Retail Sales	2014	
ACT*	257,700	
CY to FY adjustment	(10,418)	
Total (ACT comparable Class 8 to Navistar)	**247,282**	
Navistar Industry Retail Deliveries Combined Class 8 Trucks	235,000	240,000
Navistar difference from ACT	12,282	7,282
*Source: ACT N.A. Commercial Vehicle Outlook - November 2014	5.0%	2.9%

Reconciliation to ACT - Retail Sales	2015	
ACT*	287,700	
CY to FY adjustment	(77)	
Total (ACT comparable Class 8 to Navistar)	**287,623**	
Navistar Industry Retail Deliveries Combined Class 8 Trucks	250,000	280,000
Navistar difference from ACT	37,623	7,623
*Source: ACT N.A. Commercial Vehicle Outlook - November 2014	13.1%	2.7%

Frequently Asked Questions

Q8: What is your manufacturing interest expense for Fiscal Year 2015?

A: Manufacturing interest for 2015 is forecasted to be down approximately 5% compared to 2014. For reference, interest expense was $243 million and $251 million for FY 2014 and 2013, respectively.

Q9: What should we assume for capital expenditures in Fiscal Year 2014?

A: Capital expenditures for 2015 is forecasted to be around $150 million. In comparison, capital expenditures were $88 million and $167 million for FY 2014 and 2013, respectively.



Outstanding Debt Balances

(in millions)	October 31, 2014	October 31, 2013
Manufacturing operations		
Senior Secured Term Loan Credit Facility, as Amended, due 2017, net of unamortized discount of $3 and $4, respectively	**$ 694**	$ 693
8.25% Senior Notes, due 2021, net of unamortized discount of $20 and $22, respectively	**1,180**	1,178
3.00% Senior Subordinated Convertible Notes, due 2014, net of unamortized discount of $26	**—**	544
4.50% Senior Subordinated Convertible Notes, due 2018, net of unamortized discount of $19 and $23, respectively	**181**	177
4.75% Senior Subordinated Convertible Notes, due 2019, net of unamortized discount of $40	**371**	—
Debt of majority-owned dealerships	**30**	48
Financing arrangements and capital lease obligations	**54**	77
Loan Agreement related to 6.5% Tax Exempt Bonds, due 2040	**225**	225
Promissory Note	**10**	20
Financed lease obligations	**184**	218
Other	**29**	39
Total Manufacturing operations debt	**2,958**	3,219
Less: Current portion	**100**	658
Net long-term Manufacturing operations debt	**$ 2,858**	$ 2,561

(in millions)	October 31, 2014	October 31, 2013
Financial Services operations		
Asset-backed debt issued by consolidated SPEs, at fixed and variable rates, due serially through 2019	**$ 914**	$ 778
Bank revolvers, at fixed and variable rates, due dates from 2014 through 2020	**1,242**	1,018
Commercial paper, at variable rates, program matures in 2015	**74**	21
Borrowings secured by operating and finance leases, at various rates, due serially through 2018	**36**	49
Total Financial Services operations debt	**2,266**	1,866
Less: Current portion	**1,195**	505
Net long-term Financial Services operations debt	**$ 1,071**	$ 1,361

SEC Regulation G Non-GAAP Reconciliation

SEC Regulation G Non-GAAP Reconciliation

The financial measures presented below are unaudited and not in accordance with, or an alternative for, financial measures presented in accordance with U.S. generally accepted accounting principles ("GAAP"). The non-GAAP financial information presented herein should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP and are reconciled to the most appropriate GAAP number below.

Earnings (loss) Before Interest, Income Taxes, Depreciation, and Amortization ("EBITDA"):

We define EBITDA as our consolidated net income (loss) from continuing operations attributable to Navistar International Corporation, net of tax, plus manufacturing interest expense, income taxes, and depreciation and amortization. We believe EBITDA provides meaningful information to the performance of our business and therefore we use it to supplement our GAAP reporting. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of operating results.

Adjusted EBITDA:

We believe that adjusted EBITDA, which excludes certain identified items that we do not consider to be part of our ongoing business, improves the comparability of year to year results, and is representative of our underlying performance. Management uses this information to assess and measure the performance of our operating segments. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of operating results, to illustrate the results of operations giving effect to the non-GAAP adjustments shown in the below reconciliations, and to provide an additional measure of performance.

Manufacturing Cash, Cash Equivalents, and Marketable Securities:

Manufacturing cash, cash equivalents, and marketable securities represents the Company's consolidated cash, cash equivalents, and marketable securities excluding cash, cash equivalents, and marketable securities of our financial services operations. We include marketable securities with our cash and cash equivalents when assessing our liquidity position as our investments are highly liquid in nature. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of our ability to meet our operating requirements, capital expenditures, equity investments, and financial obligations.

***Structural costs** consists of Selling, general and administrative expenses and Engineering and product development costs.*

SEC Regulation G Non-GAAP Reconciliations

Manufacturing segment cash and cash equivalents and marketable securities reconciliation:

	2008	2009	2010	2011	2012	2013	2014			
(in millions)	**Jan. 31,**	**Jan. 31,**	**Jan. 31,**	**Jan. 31,**	**Jan. 31,**	**Jan. 31,**	**Jan. 31,**	**Apr 30,**	**Jul. 31,**	**Oct. 31,**
Manufacturing Operations:										
Cash and cash equivalents	$ 512	$ 433	$ 618	$ 372	$ 418	$ 438	$ 503	$ 563	$ 517	$ 440
Marketable securities	21	149	50	390	419	751	596	497	581	578
Manufacturing Cash and cash equivalents and Marketable	**$ 533**	**$ 582**	**$ 668**	**$ 762**	**$ 837**	**$ 1,189**	**$ 1,099**	**$ 1,060**	**$ 1,098**	**$ 1,018**
Financial Services Operations:										
Cash and cash equivalents	$ 82	$ 64	$ 72	$ 27	$ 70	$ 59	$ 46	$ 31	**$ 30**	**$ 57**
Marketable securities	—	—	—	20	20	20	34	37	**37**	**27**
Financial Services Cash and cash equivalents and Marketable	**$ 82**	**$ 64**	**$ 72**	**$ 47**	**$ 90**	**$ 79**	**$ 80**	**$ 68**	**$ 67**	**$ 84**
Consolidated Balance Sheet										
Cash and cash equivalents	$ 594	$ 497	$ 690	$ 399	$ 488	$ 497	$ 549	$ 594	$ 547	$ 497
Marketable securities	21	149	50	410	439	771	630	534	618	605
Consolidated Cash and cash equivalents and Marketable	**$ 615**	**$ 646**	**$ 740**	**$ 809**	**$ 927**	**$ 1,268**	**$ 1,179**	**$ 1,128**	**$ 1,165**	**$ 1,102**

SEC Regulation G Non-GAAP Reconciliations

Earnings (loss) before interest, taxes, depreciation, and amortization ("EBITDA") reconciliation

(in millions)	Quarters Ended October 31, 2014	Quarters Ended October 31, 2013	Years Ended October 31, 2014	Years Ended October 31, 2013
Loss from continuing operations attributable to NIC, net of tax	**$ (72)**	$ (153)	**$ (622)**	**$ (857)**
Plus:				
Depreciation and amortization expense	**76**	87	**332**	**417**
Manufacturing interest expense(A)	**61**	63	**243**	**251**
Less:				
Income tax benefit (expense)	**(1)**	224	**(26)**	**171**
EBITDA	**$ 66**	$ (227)	**$ (21)**	**$ (360)**

(A) Manufacturing interest expense is the net interest expense primarily generated for borrowings that support the manufacturing and corporate operations, adjusted to eliminate intercompany interest expense with our Financial Services segment. The following table reconciles Manufacturing interest expense to the consolidated interest expense:

(in millions)	Quarters Ended October 31, 2014	Quarters Ended October 31, 2013	Years Ended October 31, 2014	Years Ended October 31, 2013
Interest Expense	**80**	81	**$ 314**	**$ 321**
Less: Financial services interest expense	**19**	18	**71**	**70**
Manufacturing interest expense	**$ 61**	$ 63	**$ 243**	**$ 251**

Adjusted EBITDA reconciliation:

(in millions)	Quarter Ended October 31, 2014
EBITDA *(reconciled above)*	**$ 66**
Less significant items of:	
Adjustments to pre-existing warranties*	**(10)**
Brazil truck business actions*	**29**
Foundry actions*	**27**
Other restructuring charges and strategic initiatives*	**4**
	50
Adjusted EBITDA	**$ 116**

* For more detail on the items noted, please see slides 35-36 footnotes (B), (C), (D), and (G)

Significant Items Included Within Our Results

(in millions)	Quarters Ended October 31, 2014	Quarters Ended October 31, 2013	Years Ended October 31, 2014	Years Ended October 31, 2013
Expense (income):				
Brazil engine reporting unit impairment charges [A]	**$ —**	$ —	**$ 149**	$ —
Adjustments to pre-existing warranties[B]	**(10)**	152	**55**	404
Brazil truck business actions [C]	**29**	—	**29**	—
Foundry actions [D]	**27**	—	**27**	—
Continental Mixer asset impairment [E]	**—**	—	**19**	—
Canadian FSCO Tribunal Ruling [F]	**—**	—	**14**	—
Restructuring charges and other strategic initiatives [G]	**4**	—	**22**	25
Brazilian tax adjustments[H]	**(16)**	—	**13**	—
North America asset impairment charges [I]	**—**	80	**—**	97
Monaco RV divestiture [J]	**—**	—	**—**	24
Charges for non-conformance penalties [K]	**—**	7	**2**	36
Accelerated depreciation [L]	**—**	2	**—**	41
Mahindra Joint Ventures divestiture [M]	**—**	—	**—**	(26)
Intraperiod tax allocation[N]	**—**	(220)	**—**	(220)
Legal settlement[O]	**—**	—	**—**	(35)
Bison divestiture[P]	**—**	—	**—**	(16)

(A) In the second quarter of 2014, the Global Operations segment recorded asset impairment charges of $149 million for the impairment of certain intangible assets of our Brazilian engine reporting unit.

(B) Adjustments to pre-existing warranties reflect changes in our estimate of warranty costs for products sold in prior periods.

(C) In the fourth quarter of 2014 our Global Operations segment recorded approximately $29 million in charges to the right size the Brazil Truck business these charge primarily related to inventory.

(D) In the fourth quarter of 2014 the North America Truck segment recorded $11 million of charges related to our anticipated exit from our Indianapolis, Indiana foundry facility and certain assets in our Waukesha, Wisconsin foundry operations which were impaired and certain other charges were recorded. The charges included $13 million of restructuring charges, $7 million of fixed asset impairment charges and $7 million of charges for inventory reserves.

(E) In 2014 , the North America Truck segment recorded impairment charges related to certain amortizing intangible assets and long-lived assets which were determined to be fully impaired.

(F) In the third quarter of 2014, the North America Truck segment recorded $14 million of charges related to the 2011 closure of its Chatham, Ontario plant, based on a ruling received from the Financial Services Tribunal in Ontario Canada.

Significant Items Included Within Our Results

(G) In 2014 the Company recorded additional restructuring charges related to cost reduction actions that included a reduction-in-force in the U.S and Brazil. In 2013 the Company recorded additional restructuring charges related to cost reduction actions that included a reduction-in-force in the U.S.

(H) In the second quarter of 2014, our evaluation of the realizability of our Brazilian deferred tax assets resulted in a determination that a valuation allowance was required. As a result, we recorded an income tax expense of $29 million, reflecting the establishment of the valuation allowance, and the tax impact of the impairment of certain intangible assets. In the fourth quarter of 2014, we recorded an offsetting benefit of $16 million to reflect a tax law change in Brazil that allowed us to utilize a portion of the net operating loss carryforwards to satisfy other taxes.

(I) In 2013, the North America Truck segment recognized asset impairment charges consisting of: $77 million related to the impairment of the North America Truck segment's entire goodwill balance, which was recorded in the fourth quarter of 2013, and $20 million which were primarily the result of our ongoing evaluation of our portfolio of assets to validate their strategic and financial fit, which led to the discontinuation of certain engineering programs related to products that were determined to be outside of our core operations or not performing to our expectations.

(J) In May 2013, the Company divested substantially all of its interest in the operations of Monaco. As a result of the divestiture, charges of $24 million relating to the impairment of certain assets and the expected loss from the divestiture were recognized and are included in the Loss from discontinued operations.

(K) The North America Truck segment recorded charges for non-conformance penalties, primarily for certain 13L engine sales.

(L) Of the total charges for accelerated depreciation in 2013, $21 million, which included the $2 million recognized in the fourth quarter of 2013, were primarily related to certain assets affected by the discontinuation of certain engine programs, particularly the MaxxForce15L, and $20 million was related to certain assets related to the closure of our Garland Facility.

(M) In the second quarter of 2013, the Company sold its stake in the Mahindra Joint Ventures to Mahindra for $33 million and the Global Operations segment recognized a gain of $26 million.

(N) In the fourth quarter of 2013, the Company met the criteria necessary to apply the exception within the intraperiod tax allocation rules, since it incurred a loss from continuing operations and income was recognized in both *Total other comprehensive income (loss)* and *Additional paid in capital*. As a result, an income tax benefit of $220 million was recorded in *Income tax benefit (expense)* related to continuing operations and an offsetting tax expense of $212 million and $8 million in *Total other comprehensive income (loss)* and Additional paid in capital, respectively.

(O) In the first quarter of 2013 as a result of the legal settlement with Deloitte and Touche LLP, the Company received cash proceeds of $35 million.

(P) In the first quarter of 2013, as a result of the divestiture of Bison the company recognized a gain of $16 million.

The above items, except for the Brazilian tax adjustments, did not have a material impact on taxes due to the valuation allowances on our U.S. and Brazil deferred tax assets.