CNH GLOBAL N V
Form 20-F
April 29, 2005

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

[ ] REGISTRATION STATEMENT PURSUANT TO SECTIONS 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934
or
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2004
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 1-14528
CNH GLOBAL N.V.
(Exact name of registrant as specified in its charter)
Kingdom of The Netherlands
(State or other jurisdiction of
incorporation or organization)
World Trade Center, Amsterdam Airport
Tower B, 10th Floor
Schiphol Boulevard 217
1118 BH Amsterdam
The Netherlands
(Address of principal executive offices)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Shares, par value 2.25	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report: 133,782,675 Common Shares

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

Indicate by check mark which financial statement item the registrant has elected to follow: Item 17 o or Item 18 x.

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PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

CNH Global N.V., (CNH), is incorporated in The Netherlands under Dutch law. CNH combines the operations of New Holland N.V. (New Holland) and Case Corporation (Case), as a result of their business merger on November 12, 1999. As used in this report, all references to New Holland or Case refer to (1) the pre-merger business and/or operating results of either New Holland or Case (now a part of CNH America LLC (CNH America)) on a stand-alone basis, or (2) the continued use of the New Holland and Case product brands.

CNH has prepared its annual consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). CNH has prepared its consolidated financial statements in U.S. dollars and, unless otherwise indicated, all financial data set forth in this annual report is expressed in U.S. dollars. Our worldwide Agricultural Equipment and Construction Equipment operations are collectively referred to as Equipment Operations. The equipment finance operations are referred to as Financial Services.

As of December 31, 2004, Fiat S.p.A. (Fiat) owned approximately 84% of CNH s common shares through Fiat Netherlands Holding N.V. (Fiat Netherlands), excluding the impact of a conversion of the 8 million shares of Series A Preference Shares (Series A Preferred Stock) discussed below. Fiat is engaged principally in the manufacture and sale of automobiles, commercial vehicles and agricultural and construction equipment. Fiat also manufactures, for use by its automotive sectors and for sale to third parties, other products and systems, principally components, metallurgical products and production systems.

On April 7 and 8, 2003, CNH Global issued a total of 8 million shares of Series A Preferred Stock to Fiat and an affiliate of Fiat in exchange for the retirement of $2 billion in Equipment Operations indebtedness owed to Fiat Group companies.

Beginning in 2006, based on 2005 results, the Series A Preferred Stock will pay a dividend at the then prevailing common dividend yield. However, should CNH achieve certain defined financial performance measures, the annual dividend will be fixed at the prevailing common dividend yield plus an additional 150 basis points. Dividends will be payable annually in arrears, subject to certain provisions that allow for a deferral for a period not to exceed five consecutive years. The Series A Preferred Stock has a liquidation preference of $250 per share and each share is entitled to one vote on all matters submitted to CNH s shareholders. The Series A Preferred Stock will automatically convert into 100 million CNH common shares at a conversion price of $20 per share if the market price of the common shares, defined as the average of the closing price per share for 30 consecutive trading days, is greater than $24 at any time through and including December 31, 2006 or $21 at any time on or after January 1, 2007, subject to anti-dilution adjustment. On a converted basis, this transaction would increase Fiat s ownership of our common stock to approximately 91% as of December 31, 2004. In the event of dissolution or liquidation, prior to conversion whatever remains of the company s equity, after all its debts have been discharged, will first be applied to distribute to the holders of the Series A Preferred Stock the nominal amount of their preference shares and thereafter the amount of the share premium reserve relating to the Series A Preferred Stock. Any remaining assets will be distributed to the holders of common shares in proportion to the aggregate nominal amount of their common shares.

On October 13, 2004 the Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) ratified the consensus reached on Issue No. 04-8, The Effect of Contingently Convertible Instruments on Diluted Earnings per Share (Issue No. 04-8) which changes the timing of when CNH must reflect the impact of contingently issuable shares from the potential conversion of the Series A Preferred Stock in diluted weighted average shares outstanding. Under the provisions of Issue No. 04-8, CNH was required to retroactively reflect the contingent issuance of 100 million common shares in its computation of diluted weighted average shares outstanding, when inclusion is dilutive, in 2004.

Certain financial information in this annual report has been presented separately by geographic area. CNH defines its geographic areas as (1) North America, (2) Western Europe, (3) Latin America and

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(4) Rest of World. As used in this report, all references to North America, Western Europe, Latin America and Rest of World are defined as follows:

North America United States and Canada.

Western Europe Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

Latin America Mexico, Central and South America, and the Caribbean Islands.

Rest of World Those areas not included in North America, Western Europe and Latin America, as defined above.

Certain market and share information in this report has been presented as worldwide, which includes all countries, with the exception of India. In this report, management estimates of market share information are generally based on registrations of equipment in most of Europe and Rest of World markets and on retail data collected by a central information bureau from equipment manufacturers in North America and Brazil, as well as on shipment data collected by an independent service bureau. Not all agricultural and construction equipment is registered, and registration data may thus underestimate actual retail demand. In many countries, there may also be a period of time between the delivery, sale and registration of a vehicle; as a result, delivery or registration data for a particular period may not correspond directly to retail sales in such a period.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. *Selected Financial Data.*

The following table sets forth summary historical financial data for CNH for the periods indicated. The historical financial data set forth below as of December 31, 2004 and 2003 and for the years ended December 31, 2004, 2003 and 2002 has been derived from the audited consolidated financial statements of CNH included herein. Financial data as of December 31, 2002, 2001 and 2000 and for the years ended December 31, 2001 and 2000 has been derived from our published financial statements.

CNH has presented the selected historical financial data as of and for each of the five years ended December 31, 2004 in accordance with U.S. GAAP.

	For the Years Ended December 31,				
	2004	**2003**	**2002**	**2001**	**2000**
	(in millions, except per share data)				
Consolidated Statements of Operations Data:					
Revenues:					
Net sales	$ 11,545	$ 10,069	$ 9,331	$ 9,030	$ 9,337
Finance and interest income	634	597	609	685	704
Total revenues	$ 12,179	$ 10,666	$ 9,940	$ 9,715	$ 10,041
Net income (loss) before cumulative effect of change in accounting principle, net of tax	$ 125	$ (157)	$ (101)	$ (332)	$ (381)
Cumulative effect of change in accounting principle, net of tax			(325)		
Net income (loss)	$ 125	$ (157)	$ (426)	$ (332)	$ (381)
Per share data:					
Basic earnings (loss) per share before cumulative effect of change in accounting principle, net of tax	$ 0.94	$ (1.19)	$ (1.05)	$ (6.00)	$ (8.95)
Cumulative effect of change in accounting principle, net of tax			(3.35)		
Basic earnings (loss) per share	$ 0.94	$ (1.19)	$ (4.40)	$ (6.00)	$ (8.95)
Diluted earnings (loss) per share before cumulative effect of change in accounting principle	$ 0.54	$ (1.19)	$ (1.05)	$ (6.00)	$ (8.95)
Cumulative effect of change in accounting principle, net of tax			(3.35)		

Diluted earnings (loss) per share	$	0.54	$	(1.19)	$	(4.40)	$	(6.00)	$	(8.95)
Cash dividends declared per common share	$	0.25	$	0.25	$	0.50	$	0.50	$	2.75

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	As of December 31,				
	2004	2003	2002	2001	2000
	(in millions)				
Consolidated Balance Sheet Data:					
Total assets	$ 18,080	$ 17,727	$ 16,760	$ 17,212	$ 17,577
Short-term debt	$ 2,057	$ 2,110	$ 2,749	$ 3,217	$ 4,186
Long-term debt, including current maturities	$ 4,906	$ 4,886	$ 5,115	$ 6,646	$ 5,539
Common shares, 2.25 par value	$ 312	$ 309	$ 305	$ 143	$ 143
Common shares outstanding	134	133	131	55	55
Shareholders equity	$ 5,029	$ 4,874	$ 2,761	$ 1,909	$ 2,514

B. ***Capitalization and Indebtedness.***

Not applicable.

C. ***Reasons for the Offer and Use of Proceeds.***

Not applicable.

D. ***Risk Factors.***

Risks Related to Our Business, Strategy and Operations

We may not fully realize, or realize within the anticipated time frame, the benefits of our profit improvement initiatives.

We combined the operations of New Holland and Case as a result of their merger on November 12, 1999. At the time of the merger, we formulated a plan to restructure and integrate the operations of the Case and New Holland businesses and develop new products. In the five years since the merger, we believe that these actions have made a substantial contribution to our improved profitability. In total, we estimate that these actions have contributed a total of $1 billion towards our profit improvements since 1999, including approximately $200 million in the year-ended December 31, 2004.

With the ending of this major five year restructuring period, our goal is to build upon our existing strengths to achieve our strategic objectives. The key elements of our initiatives are:

Strengthening our support for our customers and dealers;

Ongoing improvements in product features, quality and reliability;

Continuing efforts to develop new products;

Continuing efforts to reduce the costs of developing and manufacturing our products;

Reducing the amount of capital employed in the business; and

Continuing to develop our Financial Services activities.

We anticipate that through the accomplishment of these initiatives, by the end of 2007, we should expect approximately $500 million in profit improvements as compared with the base levels of revenues and costs incurred by CNH for the full year 2004. If we achieve the anticipated results of our actions, we believe we will have a substantially improved position in the global agricultural and construction equipment markets and in our financial position.

Our failure to complete our initiatives could cause us not to realize fully our anticipated profit improvements, which could weaken our competitive position and adversely affect our financial condition and results of operations.

Our success depends on the implementation of new product introductions, which will require substantial expenditures.

Our long-term results depend upon our ability to introduce and market new products successfully. The success of our new products will depend on a number of factors, including the economy, product quality, competition, customer acceptance and the strength of our dealer networks.

As both we and our competitors continuously introduce new products or refine versions of existing products, we cannot predict the market shares our new products will achieve. Any manufacturing delays or problems with new product launches or increased warranty costs from new products could adversely affect our operating results. We have experienced delays in the introduction of new products in the past and we cannot assure you that we will not experience delays in the future. In addition, introducing new products could result in a decrease in revenues or an increase in costs from our existing products. You should read the discussion under the heading Item 4.B. Business Overview Products and Markets for a more detailed discussion regarding our new and existing products.

Consistent with our strategy of offering new products and product refinements, we expect to continue to use a substantial amount of capital for further product development and refinement. We may need more capital for product development and refinement than is available to us, which could adversely affect our business, financial position or results of operations.

We depend on key suppliers for certain raw materials and components.

We purchase a number of materials and components from third-party suppliers. In general, we are not dependent on any single supplier or exposed in any substantial way to individual price fluctuations in respect of the materials or commodities we purchase, although we have increased our dependence on individual suppliers as we have rationalized our supply chain and reduced the number of our global suppliers from 6,000 at the time of the merger to approximately 3,000 at December 31, 2004.

We rely upon single suppliers for certain components, primarily those that require joint development between us and our suppliers. An interruption in the supply of, or a significant increase in the price of, any component part could adversely affect our profitability or our ability to obtain and fulfill orders. We cannot avoid exposure to global price fluctuations such as occurred in 2004 with the costs of steel and related products, and our ability to realize the full extent of the profit improvements expected in our profit improvement initiatives depends on, among other things, our ability to raise equipment and parts prices sufficiently enough to recover any such material or component cost increases.

Our unionized labor force and our contractual and legal obligations under collective bargaining agreements and labor laws could subject us to greater risks of work interruption or stoppage and impair our ability to achieve cost savings.

Labor unions represent most of our production and maintenance employees worldwide. Although we believe our relations with our unions are generally positive, we cannot be certain that current or future issues with labor unions will be resolved favorably or that we will not experience a work interruption or stoppage which could adversely affect our business.

In the United States, the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (the UAW) represents approximately 650 of our workers at facilities in Burlington, Iowa; Burr Ridge, Illinois; Racine, Wisconsin; and St. Paul, Minnesota. On March 21, 2005, following a strike that began November 3, 2004, the UAW ratified a new labor contract that continues through 2011. As a result of the strike, we had implemented contingency plans for continuing production utilizing salaried employees and temporary replacement workers. Following the ratification of the new UAW contract, we have transitioned work at these facilities from salaried employees and temporary workers back to the employees represented by the UAW.

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In Europe, our employees are protected by various worker protection laws which afford employees, through local and central works councils, rights of consultation with respect to specific matters involving their employers business and operations, including the downsizing or closure of facilities and employment terminations. Labor agreements covering employees in certain European countries generally expire annually. For the past several years new annual contracts have been negotiated without any significant disruptions although we cannot provide any assurance that future renewals will be obtained without disruptions.

The European worker protection laws and the collective bargaining agreements to which we are subject could impair our flexibility in streamlining existing manufacturing facilities and in restructuring our business.

An increase in health care or pension costs could adversely affect our results of operations and financial position.

The funded status of our pension and postretirement benefit plans is subject to developments and changes in actuarial and other related assumptions. At December 31, 2004 and 2003, our pension plans had an underfunded status of $1.1 billion and $1.0 billion, respectively. Pension plan obligations for plans that we do not currently fund were $443 million and $332 million at December 31, 2004 and 2003, respectively. After deducting the accrued liabilities recognized on our consolidated balance sheets for our pension obligations at December 31, 2004 and 2003 of $224 million and $298 million, respectively, we had underfunded pension obligations of $907 million and $735 million at December 31, 2004 and 2003, respectively, which were unrecognized.

At December 31, 2004 and 2003, our other postretirement benefit obligations had an underfunded status of $1.6 billion and $1.5 billion, respectively. We do not currently fund our postretirement benefit obligations. After deducting the accrued liabilities recognized on our consolidated balance sheets for our other postretirement benefit obligations at December 31, 2004 and 2003 of $862 million and $794 million, respectively, we had underfunded other postretirement benefit obligations of $754 million and $700 million at December 31, 2004 and 2003, respectively, which were unrecognized.

Actual developments, such as a significant change in the performance of the investments in plan assets or a change in the portfolio mix of plan assets, may result in corresponding increases or decreases in the valuation of plan assets, particularly with respect to equity securities. Lower or higher plan assets and a change in the rate of expected return on plan assets can result in significant changes to the expected return on plan assets in the following year and, as a consequence, could result in higher or lower net periodic pension cost in the following year.

In addition, pension and postretirement benefit plan valuation assumptions could have an effect on the funded status of our plans. Changes in assumptions, such as discount rates, rates for compensation increase, mortality rates, retirement rates, health care cost trend rates and other factors, may lead to significant increases or decreases in the value of the respective obligations, which would affect the reported funded status of our plans and, as a consequence, could affect the net periodic pension cost in the following year.

See Item 5. Operating and Financial Review and Prospects for discussions under the headings Application of Critical Accounting Estimates and Liquidity and Capital Resources, as well as Note 13: Employee Benefit Plans and Postretirement Benefits of our consolidated financial statements for additional information on pension accounting.

Future unanticipated events may require us to take additional reserves relating to our non-core financing activities.

Non-core financing activities, consisting of financing of trucks and trailers, marine vessels and agricultural and construction equipment sold through competitors dealers were discontinued during 2001. During 2003 and 2004, the non-core portfolio decreased 41% and 60% respectively due to liquidations and write-offs. At December 31, 2004, the non-core portfolio totaled $131 million against which we had established reserves of $50 million. We believe we have established adequate reserves for possible losses on these receivables; however, future unanticipated events may affect our customers ability to repay their obligations or reduce the value of the underlying assets and therefore require us to increase our reserves, which could materially adversely affect our financial position and results of operations.

We are subject to currency exchange rate fluctuations and interest rate changes, which could adversely affect our financial performance.

We conduct operations in many areas of the world involving transactions denominated in a variety of currencies other than the U.S. dollar, including the euro, the British pound, the Canadian and Australian dollars, the Japanese yen and the Brazilian real. We are subject to currency exchange rate risk to the extent that our costs are denominated in currencies other than those in which we earn revenues. In 2004, compared to 2003, foreign exchange translation and transaction effects resulted in a slightly positive impact ($2 million) on our net income, before the effects of our hedging activities. Similarly, changes in interest rates affect our results of operations by increasing or decreasing borrowing costs, finance income and the amount of compensation provided by Equipment Operations to Financial Services companies for wholesale financing activities. In 2004, compared to 2003, the interest rate environment for our principal countries was mixed, with an increase in the U.S. but a decrease in Brazil, while European markets were stable. The slight reduction in net interest expense for Equipment Operations resulted from reduced variable rate interest expenses partially offset by an increase in fixed rate expenses as we refinanced debt incurring higher borrowing rates.

We attempt to mitigate these risks, which arise in the ordinary course of business, through the use of financial hedging instruments. In 2004, compared to 2003, hedging of foreign exchange transaction risk resulted in a slight negative impact ($6 million) on our net income, offsetting in part the positive effects of our transaction exposures ($15 million). We do not hedge translation risk. We have historically entered into, and expect to continue to enter into, hedging arrangements, a substantial portion of which are with counterparties that are subsidiaries of Fiat. As with all hedging instruments, there are risks associated with the use of foreign currency forward exchange contracts, as well as interest rate swap agreements and other risk management contracts. While the use of such hedging instruments provides us with protection from certain fluctuations in currency exchange and interest rates, we potentially forego the benefits that might result from favorable fluctuations in currency exchange and interest rates. In addition, any default by the counterparties to these transactions, including by counterparties that are subsidiaries of Fiat, could adversely affect us.

Despite our use of financial hedging transactions, we cannot assure you that future currency exchange rate or interest rate fluctuations will not adversely affect our results of operations, cash flows or financial position.

We are exposed to political, economic and other risks from operating a multinational business.

Our business is multinational and subject to the political, economic and other risks that are inherent in operating in numerous countries. These risks include those of adverse government regulation, including the imposition of import and export duties and quotas, currency restrictions, expropriation and potentially burdensome taxation. We cannot predict with any degree of certainty the costs of compliance or other liability related to such laws and regulations in the future and such future costs could significantly affect our business, financial position and results of operations.

Political developments and government regulations and policies in the countries in which we operate directly affect the demand for agricultural equipment. For example, a decrease, change or elimination of current price protections for commodities in the European Union (EU), of government sponsored equipment financing programs in Brazil or of subsidy payments for farmers in the United States would likely result in a decrease in demand for agricultural equipment. A decrease in the demand for agricultural equipment could adversely affect our sales, growth and results of operations.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expense and make it more difficult to recruit directors and officers.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new United States Securities and Exchange Commission (SEC) regulations and New York Stock Exchange (NYSE) rules, are creating uncertainty for companies such as ours. These new or changing laws, regulations and standards are subject to varying

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interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased costs for compliance activities.

Our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations regarding our management s required assessment of internal control over financial reporting and our independent registered public accounting firm s attestation of that assessment has required, and continues to require, the commitment of significant financial and managerial resources. If we fail to timely complete this evaluation which is required by December 31, 2006, or if our independent registered public accounting firm cannot timely attest to our evaluation, we could be subject to regulatory scrutiny and a loss of public confidence in our internal controls, which could have an adverse effect on our business and our stock price. Further, our board members, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified board members and executive officers, which could harm our business. If our efforts to comply with new or changing laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

Risks Particular to the Industries in Which We Operate

We operate in a highly cyclical industry, which could adversely affect our growth and results of operations.

Our business depends upon general activity levels in the agricultural and construction industries. Historically, these industries have been highly cyclical. Our Equipment Operations and Financial Services operations are subject to many factors beyond our control, such as:

the credit quality, availability and prevailing terms of credit for customers, including interest rates;

our access to credit;

adverse geopolitical, political and economic developments in our existing markets;

the effect of changes in laws and regulations;

the response of our competitors to adverse cyclical conditions; and

dealer inventory management.

In addition, our operating profits are susceptible to a number of industry-specific factors, including:

Agricultural Equipment Industry

changes in farm income and farmland value;

the level of worldwide farm output and demand for farm products;

commodity prices;

government agricultural policies and subsidies;

animal diseases and crop pests;

limits on agricultural imports; and

weather.

Construction Equipment Industry

- prevailing levels of construction, especially housing starts, and levels of industrial production;
- public spending on infrastructure;
- volatility of sales to rental companies;
- real estate values; and
- consumer confidence.

Financial Services

- cyclical nature of the above-mentioned agricultural and construction equipment industries which are the primary markets for our financial services;
- interest rates;
- general economic and capital market conditions;
- used equipment prices; and
- availability of funding through the Asset-Backed Securitization (ABS) markets.

The nature of the agricultural and construction equipment industries is such that a downturn in demand can occur suddenly, resulting in excess inventories, un-utilized production capacity and reduced prices for new and used equipment. These downturns may be prolonged and may result in significant losses to us during affected periods. Equipment manufacturers, including us, have responded to downturns in the past by reducing production and discounting product prices. These actions have resulted in restructuring charges and lower earnings for us in past affected periods. In the event of future downturns, we may need to undertake similar actions.

Changes in governmental agricultural policy in the U.S. and Europe could adversely affect industry sales of agricultural equipment.

Government subsidies are a key income driver for farmers raising certain commodity crops. In the United States, the United States Department of Agriculture (the USDA) administers agriculture programs for the government. The budget of the USDA for 2006 has been proposed by President Bush. The overall budget amount approximates the amounts in the 2005 USDA budget. However, certain reforms are proposed that would reduce the amount of payments to individual farmers. We cannot predict the outcome of proposals relating to the 2006 USDA budget. To the extent the final budget adversely impacts farm income, we could experience a decline in sales.

The Common Agricultural Policy (CAP) of the European Union (EU) was last revised in 2000 and typically is revised approximately every seven years, depending on the timing of changes to U.S. farm policy, negotiations conducted by the World Trade Organization (WTO) or other significant, relevant changes. The CAP revision of 2000 brought no dramatic lowering of subsidies but shifted emphasis towards production of higher quality, value-added crops and support for rural development and rural quality of life. In June 2003, the farm ministers from EU member nations reached an agreement to fundamentally change the CAP, in particular by making payments to farmers much less dependent than before on the amounts that farmers produce. Under the new system, the amount spent on the CAP approximately 43 billion per year would not be reduced below previously projected levels. However, the way in which the money is distributed would be altered. Under the new program, single farm payments would go to farmers based on the size of their farms rather than their output, although the old system would be permitted to continue in limited circumstances, particularly for cereal grains and beef, if there is a risk of farmers abandoning the land. Also, a strengthened rural development policy will be funded through a reduction in direct payments for bigger farms. The revisions to the CAP delegate to individual states of the EU more control over the structure and level of

agricultural subsidy payments. Member states had the possibility to apply the reforms between 2005 and 2007. Ten member states (Austria, Belgium, Denmark, Germany, Ireland, Italy, Luxembourg, Portugal, Sweden and the United Kingdom) started applying these reforms on January 1, 2005. Finland, France, Greece, the Netherlands and Spain will apply the reforms in 2006 with two new member states (Malta and Slovenia) applying the reforms in 2007. In eight other new member states, the single area payment scheme applies. The single area payment scheme means that uniform per-hectare entitlements are granted within any one region from regional financial budgets. These eight new member states will apply the single payment system reforms no later than 2009.

There can be no assurances that the reforms will successfully curb the overproduction and dumping of crop surpluses by European nations or that the implementation of the reforms will not cause severe dislocations within the farming industry as farmers shift production to take advantage of the various provisions of the new program. With the uncertainty created by these changes and the continuing negotiation of the Doha round of the WTO talks, farmers could delay purchasing agricultural equipment, causing a decline in industry unit volumes.

Significant competition in the industries in which we operate may result in our competitors offering new or better products and services or lower prices, which could result in a loss of customers and a decrease in our revenues.

The agricultural equipment industry is highly competitive. We compete with large global full-line suppliers, including Deere & Company and AGCO Corporation; manufacturers focused on particular industry segments, including Kubota Corporation and various implement manufacturers; regional manufacturers in mature markets, including The CLAAS Group, the ARGO Group and the SAME Deutz-Fahr Group, that are expanding worldwide to build a global presence; and local, low-cost manufacturers in individual markets, particularly in emerging markets such as Eastern Europe, India and China. Our worldwide market share declined by about one percentage point in 2004 compared to 2003, and our combine market share declined approximately three and one-half percentage points.

The construction equipment industry also is highly competitive. We compete with global full-line suppliers with a presence in every market and a broad range of products that cover most customer needs, including Caterpillar, Komatsu Construction Equipment, TEREX and Volvo Construction Equipment Corporation; regional full-line manufacturers, including Deere & Company, J.C. Bamford Excavators Ltd. and Liebherr-Holding GmbH; and product specialists operating on either a global or a regional basis, including Ingersoll-Rand Company (Bobcat), Hitachi Construction Machinery, Ltd. (Hitachi), Sumitomo Construction (Linkbelt), Manitou B.F., Merlo UK Ltd., Gehl Company, and Mustang Manufacturing Company, Inc. On a unit basis, our construction market penetration declined by approximately one percentage point in 2004. In North America, our largest market, our market penetration was consistent with the prior year.

In 2002, we terminated our European alliance with Hitachi and finalized our global alliance with Kobelco Construction Machinery Co. Ltd. (Kobelco Japan). Our alliance with Kobelco Japan has led to an increase in competition with Hitachi. In Europe and Latin America, we have recently rationalized our non-Case construction equipment brand family into one brand, New Holland. In connection with this brand rationalization, we have terminated certain dealer relationships in Europe where overlapping geographic presence would have made ongoing business impractical for maintaining multiple dealerships. We expect that, long-term, this consolidation will generate additional incremental revenue, allow us to provide better support to our dealers, strengthen our dealer network, and result in the availability of a greater range of products. In the near term, this action may result in some product line adjustments and increasing support costs. We cannot make any assurance, however, that such actions will ultimately improve the competitive position or financial results of our construction equipment operations in Europe.

In addition, we have entered into various alliances with other entities. We enter into these alliances to reinforce our international competitiveness. While we expect our alliances to be successful, if differences were

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to arise among the parties due to managerial, financial or other reasons, such alliances may result in losses which in turn could adversely affect our results of operations and financial conditions.

Competitive pricing pressures, overcapacity, failure to develop new product designs and technologies for our products, as well as other factors could cause us to lose existing business or opportunities to generate new business and could result in decreased profitability. These factors could have a material adverse effect on our business, financial condition and results of operations.

Banks, finance companies and other financial institutions compete with our Financial Services operations. We may be unable to compete successfully in our Financial Services operations with larger companies that have substantially greater resources or that offer more services than we do.

Structural declines in the demand for agricultural or construction equipment could adversely affect our sales and results of operations.

The agricultural equipment business in North America and Western Europe experienced a period of major structural decline in the number of tractors and combines sold and substantial industry-wide overcapacity during the 1970s, 1980s and early 1990s followed by a period of consolidation among agricultural equipment manufacturers. This unit decline was consistent with farm consolidation and the decline in the number of farms and the corresponding increase in average farm size and machinery capacity. Industry volumes reached a low in North America in 1992 and in Western Europe in 1993. The agricultural equipment industry, in most markets, then began to experience an increase in demand as a result of both higher commodity prices from an increased demand for food and low levels of grain stocks worldwide. The amount of land under cultivation also increased as government agricultural support programs shifted away from mandatory set-aside programs.

In North America, and to a lesser extent in certain other regions, there has been significant growth in the under 40-horsepower tractor industry since 1992. In 2004, approximately 156,800 under 40-horsepower tractors were sold worldwide, compared to approximately 146,500 in 2003, 116,500 in 2002, 93,900 in 1999 and 36,300 in 1992. The growth in this segment has been due primarily to the generally favorable economic conditions in North America, which accounted for 90% of the under 40-horsepower tractors sold in 2004.

In North America, industry sales of over 40-horsepower tractors also have been growing since the 1992 low of approximately 62,700 units, with an intermediate high in the 1997-1998 period, a retrenchment in the 1999 through 2003 period, rising to a peak of approximately 105,000 units in 2004. Sustained growth has occurred in the 40- to 100-horsepower class, while the over 100-horsepower tractors (including 4 wheel drive tractors) tend to experience a more cyclical level of sales, between about 22,000 and 37,000 units depending upon commodity price levels. Combine industry sales for most of the 1990 s ranged from about 10,000 to 13,000 units. However, in 1999 sales declined by almost 50% to almost 6,600 units. Since that time, industry sales have cycled with commodity prices, but in 2004 reached a new high since the 1990 s of approximately 8,250 units.

In Western Europe, industry unit sales of tractors last reached their low point in 1993 and then recovered to a peak level of approximately 186,000 units in 1999, but in general have been fluctuating between approximately 160,000 and 180,000 units since 1995. Industry unit sales of combines peaked in 1997 from the last trough in 1994. From 1998 to 2001, industry unit sales of combines dropped about 40%, recovering slightly in 2002, but declining again in 2003 and 2004 to levels below the 2003 trough.

In Latin America, tractor industry volumes have generally been increasing since the last trough in 1996. The industry increased approximately 11% in 2004. Combine industry unit volumes also have increased since 1995 and volumes in 2004 were at the highest levels in ten years.

In markets in Rest of World, tractor volumes peaked in 2000, declined sharply in 2001, but have since rebounded to new highs in 2004. Combine industry volumes have generally been increasing since 1991, from a low of less than 2,000 units, to a high in 2004 of approximately 9,800 units.

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In total, worldwide demand for agricultural tractors has been on an increasing trend since 1992. Volumes reached an intermediate peak in 2000 but declined in 2001. Since that time, tractor industry volumes have continued to increase, ending 2004 at levels approximately 25% higher than in 2000. Worldwide combine industry sales have generally increased since 1992, peaking in 1998. Since that time, industry sales have been cyclical, with their most recent high in 2004. Industry sales in North America and Western Europe have generally been declining while sales in Latin America and Rest of World markets have been increasing.

The construction equipment business in North America generally increased from 1992 through the late 1990 s. Industry sales of heavy equipment peaked in 1998 and sales of light equipment peaked in 2000. Industry sales of both product segments have, in general, declined in 2001 and 2002 but increased in 2003 and again in 2004 to levels approximately 10% higher than in 2000 on a combined basis. In Western Europe, industry sales of both heavy and light equipment increased from the trough of 1993 until 2000. Industry sales for heavy and light equipment declined through 2002 but have rebounded with an increase in 2004 of approximately 27% over 2003 levels and to approximately the same level as the last peak in 2000. The construction equipment markets in Latin America are very small compared with those in North America and Western Europe. Rest of World markets, and in particular the Asia-Pacific Rim markets are similar in size to the Western European or North American markets, but we do not have a significant direct presence in those markets.

In the past, we have recorded a charge to reduce the carrying value of goodwill attributed to our Construction Equipment reporting unit. This charge primarily reflected the decline in the construction equipment market that we and our competitors experienced in 2000 and 2001. We cannot assure you that further decreases in demand will not result in additional goodwill impairment charges by our various reporting units in the future. In making our determination concerning the recoverability of our deferred tax assets, we must take into account our expectations of sufficient future taxable income in certain jurisdictions. Future decreases in demand could result in a change in our expectations and result in an impairment charge to our deferred tax assets.

A decrease in industry-wide demand for agricultural and construction equipment could result in lower sales of our equipment and hinder our ability to operate profitably.

An oversupply of used and rental equipment may adversely affect our sales and results of operations.

In recent years, short-term lease programs and commercial rental agencies for agricultural and construction equipment have expanded significantly in North America. In addition, larger rental companies have become sizeable purchasers of new equipment and can have a significant impact on total industry sales, prices and terms.

When this equipment comes off lease or is replaced with newer equipment by rental agencies, there may be a significant increase in the availability of late-model used equipment which could adversely impact used equipment prices. If used equipment prices decline significantly, sales of new equipment could be depressed. As a result, an oversupply of used equipment could adversely affect demand for, or the market prices of, our new and used equipment. In addition, a decline in used equipment prices could have an adverse effect on residual values for leased equipment, which could adversely affect our results of operations and financial position.

The agricultural equipment industry is highly seasonal, and seasonal fluctuations may cause our results of operations and working capital to fluctuate significantly from quarter to quarter.

The agricultural equipment business is highly seasonal, because farmers traditionally purchase agricultural equipment in the spring and fall in connection with the main planting and harvesting seasons. Our net sales and income from operations have historically been the highest in the second quarter reflecting the spring selling season in the Northern Hemisphere and lowest in the third quarter when many of our production facilities experience summer shut down periods, especially in Europe. Seasonal conditions also affect our construction equipment business, but to a lesser extent.

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Our production levels are based upon estimated retail demand. These estimates take into account the timing of dealer shipments, which occur in advance of retail demand, dealer inventory levels, the need to retool manufacturing facilities to produce new or different models and the efficient use of manpower and facilities. We adjust our production levels to reflect changes in estimated demand, dealer inventory levels, labor disruptions and other matters within our control. However, because we spread our production and wholesale shipments throughout the year to take into account the factors described above, wholesale sales of agricultural equipment products in any given period may not reflect the timing of dealer orders and retail demand.

Estimated retail demand may exceed or be exceeded by actual production capacity in any given calendar quarter because we spread the production throughout the year. If retail demand is expected to exceed production capacity for a quarter, then we may schedule higher production in anticipation of the expected retail demand. Often we anticipate that spring selling season demand may exceed production capacity in that period and schedule higher production, company and dealer inventories and wholesale shipments to dealers in the first quarter of the year. Thus our working capital and dealer inventories are generally at their highest levels during the February to May period, and decline to the end of the year as both company and dealers inventories are reduced.

As economic, geopolitical, weather and other conditions may change during the year and as actual industry demand might differ from expectations, we cannot assure you that sudden or significant declines in industry demand would not adversely affect our working capital and debt levels, financial position or results of operations.

We are subject to extensive environmental laws and regulations, and our costs related to compliance with, or our failure to comply with, existing or future laws and regulations could adversely affect our business, financial position and results of operations.

Our operations and products are subject to increasingly stringent environmental laws and regulations in the countries in which we operate. Such laws and regulations govern, among other things, emissions into the air, discharges into water, the use, handling and disposal of hazardous substances, waste disposal and the remediation of soil and groundwater contamination. We regularly expend significant resources to comply with regulations concerning the emissions levels of our manufacturing facilities and the emissions levels of our manufactured equipment. In addition, we are currently conducting environmental investigations or remedial activities involving soil and groundwater contamination at a number of properties. Our management estimates and maintains a reserve for potential environmental liabilities for remediation, closure and related costs, and other claims and contingent liabilities and establishes reserves to address these potential liabilities. Although we believe our reserves are adequate based on existing information, we cannot guarantee that our ultimate liability will not exceed our reserves. We expect to make environmental and related capital expenditures in connection with reducing the emissions of our existing facilities and our manufactured equipment in the future, depending on the levels and timing of new standards. Our costs of complying with existing or future environmental laws and regulations may be significant. In addition, if we fail to comply with existing or future laws and regulations, we may be subject to governmental or judicial fines or sanctions.

Delinquencies and collateral recovery rates experienced by Financial Services can be adversely impacted by a variety of factors, many of which are outside our control.

An increase in delinquencies or a reduction in collateral recovery rates could have an adverse impact on the performance of Financial Services. Delinquencies on loans held in our loan portfolio and our ability to recover collateral and mitigate loan losses can be adversely impacted by a variety of factors, many of which are outside our control. When loans become delinquent and Financial Services forecloses on a loan, its ability to sell collateral to recover or mitigate losses is subject to the market value of such collateral. Those values may be affected by levels of new and used inventory of agricultural and construction equipment on the market, a factor over which we have little control. It is also dependent upon the strength or weakness of market demand for new and used agricultural and construction equipment, which is tied to economic factors in the general economy. In addition, repossessed collateral may be in poor condition, which would reduce its value. Finally, relative pricing of used equipment, compared with new equipment, can affect levels of market demand and the resale volume of the repossessed equipment. An industry wide decrease in demand for agricultural and construction equipment could result in lower resale values for repossessed equipment which could increase levels of losses on loans and leases.

An economic downturn may lead to a deterioration in our asset quality and adversely affect the earnings and cash flow of Financial Services.

The risks associated with our finance business become more acute in any economic slowdown or recession. Periods of economic slowdown or recession may be accompanied by decreased demand for credit and declining asset values. Delinquencies, foreclosures and losses generally increase during economic slowdowns or recessions. In addition, in an economic slowdown or recession, our servicing and litigation costs increase. Any sustained period of increased delinquencies, foreclosures, losses or increased costs could adversely affect our financial condition and results of operations.

Risks Related to Our Indebtedness

Our indebtedness could adversely affect our financial condition.

As of December 31, 2004, we had an aggregate of $7.0 billion of outstanding total consolidated indebtedness, and our shareholders equity was $5.0 billion. In addition, we are heavily dependent on ABS transactions, both term and asset-backed commercial paper (ABCP), for a total of $6.5 billion as of December 31, 2004. These transactions fund our Financial Services activities in North America and Australia, and we have also begun to extend our ABS activity to include ABCP transactions that provide funding for receivables generated by our Equipment Operations subsidiaries in Europe.

Our level of debt could have important consequences to our investors, including:

- we may not be able to secure additional funds for working capital, capital expenditures, debt service requirements or general corporate purposes;

- we will need to use a substantial portion of our projected future cash flow from operations to pay principal and interest on our debt, which will reduce the amount of funds available to us for other purposes;

- we may be more highly leveraged than some of our primary competitors, which could put us at a competitive disadvantage;

- we may not be able to adjust rapidly to changing market conditions, which may make us more vulnerable in the event of a downturn in general economic conditions or our business;

- we may not be able to access the ABS markets on as favorable terms, which may adversely affect our ability to fund our Financial Services business and have an unfavorable impact on our results of operations; and

- we may not be able to access Brazilian government-sponsored subsidized funding schemes for our retail Financial Services customers in that country, which may adversely affect our ability to fund our Financial Services business and have an unfavorable impact on our results of operations.

Servicing our debt obligations requires a significant amount of cash, and our ability to generate cash depends on many factors that may be beyond our control.

Our ability to satisfy our debt service obligations will depend, among other things, upon our future operating performance and our ability to refinance indebtedness when necessary. Each of these factors partially depends on economic, financial, competitive and other factors beyond our control. If, in the future, we cannot generate sufficient cash from our operations to meet our debt service obligations, we may need to reduce or delay capital expenditures or curtail anticipated operating improvements. In addition, we may need to refinance our debt, obtain additional financing or sell assets, which we may not be able to do on commercially reasonable terms, if at all. Our business may not generate sufficient cash flow to satisfy our debt service obligations, and we may not be able to obtain funding sufficient to do so. In addition, any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The failure to generate sufficient funds to pay our debts or to successfully undertake any of these actions could, among other things, materially adversely affect our business.

Restrictive covenants in our debt instruments could limit our financial and operating flexibility and subject us to other risks.

The indentures governing the Case New Holland, Inc. 9 1/4% Senior Notes due 2011 (the 9 1/4% Senior Notes) and Case New Holland, Inc. 6% Senior Notes due 2009 (the 6% Senior Notes), include certain covenants that restrict the ability of us and our subsidiaries to, among other things:

incur additional debt;

pay dividends on our capital stock or repurchase our capital stock;

make certain investments;

enter into certain types of transactions with affiliates;

restrict dividend or other payments by our restricted subsidiaries to us;

use assets as security in other transactions;

enter into sale and leaseback transactions; and

sell certain assets or merge with or into other companies.

In addition, certain agreements governing our subsidiaries indebtedness contain covenants limiting their incurrence of secured debt or debt that is structurally senior debt to the 9 1/4% Senior Notes or the 6% Senior Notes. The agreements governing our other indebtedness include certain covenants that restrict, among other things:

sales and leaseback of assets above certain levels of tangible assets;

the creation of certain liens; and

consolidations, mergers and transfers of all or substantially all of our assets.

These restrictions may limit our ability to operate our businesses and may prohibit or limit our ability to enhance our operations or take advantage of potential business opportunities as they arise. The breach of any of these covenants by us or the failure by us to meet any of these conditions could result in a default under any or all of such indebtedness. As of December 31, 2004, we are in compliance with the covenants and restrictions contained in our debt agreements. However, our ability to continue to comply with such agreements may be affected by events beyond our control, including prevailing economic, financial and industry conditions. In addition, upon the occurrence of an event of default under our debt agreements, all of the amounts outstanding thereunder, together with accrued interest, could become immediately due and payable. In addition, these restrictions may limit our ability to take full advantage of the treasury and debt financing arrangements that Fiat has committed to provide to us for so long as it controls us.

Credit downgrades of us and Fiat have affected our ability to borrow funds and may continue to do so.

Our ability to borrow funds and our cost of funding depend on our and Fiat s credit ratings, as Fiat currently provides us with direct funding, as well as guarantees in connection with some of our external financing arrangements.

Beginning in the fourth quarter of 2000, Case, CNH Capital America LLC (formerly known as Case Credit Corporation) and New Holland Credit Company, LLC (NHCC) suffered a series of credit rating

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downgrades, which resulted in all three companies being rated below investment grade. The immediate impact of these ratings downgrades was to preclude us from accessing the commercial paper market through the NHCC, CNH Capital America LLC and Case programs. On a longer-term basis, as we have renewed a number of borrowing facilities since these ratings downgrades, we have found that the terms offered to us have been adversely impacted.

In February 2004, Moody s reaffirmed their Ba3 rating of Fiat s long-term unsecured debt, with a negative outlook.

On August 9, 2004 Standard & Poor s (S&P) reaffirmed its BB- rating on CNH but revised its outlook to negative from stable, following the same outlook action taken on Fiat, citing concerns regarding the turnaround of Fiat s automotive business and due to the still close ties between the two entities.

At December 31, 2004 and as of the date of this report, our long-term unsecured debt was rated BB- by S&P and Ba3 by Moody s, with negative outlook. In addition, our long-term unsecured debt was rated BB (high) by Dominion Bond Ratings Service. Fiat s long-term unsecured debt was rated on par with ours, by both Moody s and S&P.

We cannot assure you that the rating agencies will not further downgrade our or Fiat s credit ratings. These downgrades have already affected our borrowing costs and the terms of our borrowings entered into subsequent to the ratings downgrades, and further downgrades of either our or Fiat s debt could adversely affect our ability to access the capital markets, the cost of certain existing asset-backed commercial paper facilities and the cost of any future borrowing. Further ratings downgrades of either our or Fiat s debt could adversely affect our ability to access the capital markets or borrow funds at current rates and therefore could put us at a competitive disadvantage.

The performance of our Financial Services business is dependent on access to funding at competitive rates; we depend upon securitization programs to fund our Financial Services business.

Access to funding at competitive rates is key to the growth of our Financial Services business and expansion of our financing activities into new product and geographic markets. Further ratings downgrades of either our or Fiat s debt could adversely affect the ability of Financial Services to continue to offer attractive financing to our dealers and end-user customers. The most significant source of liquidity for our finance operations has been our ability to finance the receivables we originate through loan securitizations. Accordingly, adverse changes in the securitization market could impair our ability to originate, purchase and sell loans or other assets on a favorable or timely basis. Any such impairment could have a material adverse effect upon our business and results of operations. The securitization market is sensitive to the performance of our portfolio in connection with our securitization program. A negative trend in the collateral performance of CNH could have a material adverse effect on our ability to access capital through the securitization market. In addition, the levels of asset collateralization and fees that we pay in connection with these programs are subject to increase as a result of further ratings downgrades and may have a material impact on results of operations and financial position of Financial Services. On a global level, we will continue to evaluate financing alternatives to ensure that our Financial Services business continues to have access to capital on favorable terms in support of our business, including, without limitation, through equity investments by global or regional partners in joint venture or partnership opportunities, new funding arrangements or a combination of any of the foregoing.

In the event that we were to consummate any of the above-described alternatives relating to our Financial Services business, it is possible that there would be a material impact on the results of operations, financial position, liquidity and capital resources of Financial Services.

At December 31, 2004, we had $1.7 billion of committed capacity under our asset-backed commercial paper liquidity facilities to fund our finance operations, subject to certain conditions. At December 31, 2004, we had borrowed approximately $450 million under these agreements, leaving approximately $1.25 billion available to borrow. Excluding our asset-backed commercial paper liquidity facilities, we had total credit facilities of approximately $5.3 billion with approximately $2.8 billion of remaining availability at December 31, 2004, subject to certain conditions.

Although we expect to be able to obtain replacement financing when our current securitization facilities expire, there can be no assurance that financing will be obtainable on favorable terms, if at all. To the extent that we are unable to arrange any third party or other financing, our loan origination activities would be adversely affected, which could have a material adverse effect on our operations, financial results and cash position.

The performance of our Financial Services business may be subject to volatility due to possible impairment charges relating to the valuation of interest-only securities.

We hold substantial residual interests in securitization transactions, which we refer to collectively as retained interests. We carry these securities at estimated fair value, which we determine by discounting the projected cash flows over the expected life of the receivables sold using prepayment, default, loss and interest rate assumptions.

We are required to recognize declines in the value of our retained interests, and resulting charges to earnings, when: (i) their fair value is less than their carrying value, and (ii) the timing and/or amount of cash expected to be received from these securities has changed adversely from the previous valuation that determined the carrying value. The assumptions we use to determine fair values are based on our internal evaluations and consultation with external advisors having significant experience in valuing these securities. Although we believe our methodology is reasonable, many of the assumptions and expectations underlying our determinations may vary from expectations, in which case there may be an adverse effect on our financial results. Largely as a result of adverse changes in the underlying assumptions, we recognized impairment charges of $7 million in 2004, $12 million in 2003, and $24 million in 2002 to reduce the book value of our retained interests. At December 31, 2004, the carrying value of our retained interests, net of servicing liabilities, was $1.4 billion (including unrealized gains of $29 million). No assurances can be given that our current valuation of retained interests will prove accurate in future periods.

Risks Related to Our Relationship with Fiat

Fiat owns a significant majority of our capital stock and controls the outcome of any shareholder vote, and its interests may conflict with those of the other holders of our debt and equity securities.

As of December 31, 2004, Fiat owns, indirectly through Fiat Netherlands, approximately 84% of our outstanding common shares and a total of 8 million shares of Series A Preferred Stock. In total, Fiat voting power approximates 85% of our outstanding capital stock. If the Series A Preferred Stock were converted to common stock as of December 31, 2004, Fiat s ownership of our common stock would rise to approximately 91%. For at least as long as Fiat continues to own shares representing more than 50% of the combined voting power of our capital stock, it will be able to direct the election of all of the members of our board of directors and determine the outcome of all matters submitted to a vote of our shareholders, including matters involving:

- mergers or other business combinations;
- the acquisition or disposition of assets;
- the incurrence of indebtedness; and
- the payment of dividends on our shares.

Circumstances may occur in which the interests of Fiat could be in conflict with the interests of our other debt and equity security holders. In addition, Fiat may pursue certain transactions that in its view will enhance its equity investment, even though such transactions may not be in the interest of our other debt and equity security holders.

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Fiat s ownership of our capital stock may create conflicts of interest between Fiat and CNH.

We rely on Fiat to provide us with financial support, and we purchase goods and services from Fiat and other subsidiaries of Fiat (the Fiat Group). Fiat owns a substantial majority of our capital stock and is able to direct the election of all of the members of our board of directors. We currently have five independent directors out of a total of nine directors. Nevertheless, Fiat s ownership of our capital stock and ability to direct the election of our directors could create, or appear to create, potential conflicts of interest when Fiat is faced with decisions that could have different implications for Fiat and us.

We are exposed to Fiat credit risk due to our participation in the Fiat affiliates cash management pools.

Like other companies that are part of multinational groups, we participate in a group-wide cash management system with the Fiat Group. Under this system, which is operated by Fiat in a number of jurisdictions, the cash balances of Fiat Group members, including us, are aggregated at the end of each business day in central pooling accounts, the Fiat affiliates cash management pools (Deposits with Fiat). As well as being invested by Fiat in highly rated, highly liquid money market instruments or bank deposits, our positive cash deposits, if any, at the end of any given business day may be applied by Fiat to offset negative balances of other Fiat Group members and vice versa. Alternatively, in certain other jurisdictions where cash deposits are not aggregated daily, third-party lenders to other participating Fiat Group members may be entitled to rights to set off against Fiat Group member funds present in the cash management pools or may benefit from guarantees of payment by certain Fiat Group members.

As a result of our participation in the Fiat affiliates cash management pools, we are exposed to Fiat Group credit risk to the extent that Fiat is unable to return our funds. In the event of a bankruptcy or insolvency of Fiat (or any other Fiat Group member in the jurisdictions with set off agreements) or in the event of a bankruptcy or insolvency of the Fiat entity in whose name the deposit is pooled, we may be unable to secure the return of such funds to the extent they belong to us, and we may be viewed as a creditor of such Fiat entity with respect to such deposits. Because of the affiliated nature of CNH s relationship with the Fiat Group, it is possible that CNH s claims as a creditor could be subordinate to the rights of third party creditors in certain situations.

At December 31, 2004, CNH had approximately $1.2 billion deposited in the Fiat affiliates cash management pools. Of the total amount deposited with Fiat as of December 31, 2004, the principal components included $472 million deposited by our U.S. subsidiaries with a Fiat treasury vehicle in the United States, $418 million deposited by certain of our European subsidiaries with a vehicle managing cash in most of Europe excluding Italy, and $187 million deposited by one of our Italian subsidiaries with a vehicle managing cash in Italy. While, with the primary exception of the United States, where our deposits exceeded our indebtedness to the local Fiat treasury vehicle by $325 million as of December 31, 2004, our debt exposure towards each of these vehicles usually is higher than the amounts deposited with them, we may not, in the event of a bankruptcy or insolvency of these Fiat entities, be able to offset our debt against our deposit with each vehicle. However, our indebtedness to Fiat entities has been reduced in recent years, and most of our outstanding indebtedness to Fiat entities matures in 2005 and 2006. Approximately $1.1 billion of long-term debt to Fiat entities matures in 2006. An additional $672 million of short-term debt is due to Fiat entities, mainly drawn under a $1 billion revolving credit line which is scheduled to mature on October 1, 2005, but may be renewed or replaced by a new Fiat related facility.

We cannot assure you that in the future the operation of the cash management pools may not adversely impact our ability to recover our deposits to the extent one or more of the above-described events were to occur, and if we are not able to recover our deposits, our financial condition and results of operations may be materially and adversely impacted depending upon the amount of cash deposited with the Fiat Group at the date of any such event.

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In the event that Fiat is unable to continue to finance our operations or provide us with financial products and services, our costs could increase, which would adversely affect our financial position and results of operations.

We currently rely on Fiat to provide either guarantees or funding in connection with some of our external financing needs, including certain short-term credit facilities. At December 31, 2004, we had total credit facilities with Fiat affiliates or guaranteed by Fiat affiliates of approximately $4.3 billion with outstanding borrowings of approximately $1.6 billion. These facilities include a $1.8 billion unutilized allocation to CNH under a $2 billion committed backup credit line guaranteed by Fiat maturing in July 2005. We have no assurance that Fiat will obtain a new credit line to replace the $2 billion line at its maturity, that the terms of such new credit line will be as favorable as those currently available, and that we shall obtain an allocation equivalent in amount to the allocation currently available to us. Fiat has agreed to maintain its existing treasury and debt financing arrangements with us for as long as it maintains control of us. After that time, Fiat has committed that it will not terminate our access to these financing arrangements without affording us an appropriate time period to develop suitable substitutes. The terms of any alternative sources of financing may not be as favorable as those provided or facilitated by Fiat. To the extent our financing sources view providing credit to us as part of their overall financings with the Fiat Group, the timing and overall availability of our funding independent of Fiat may be adversely impacted. We also rely on Fiat to provide us with some other financial products to hedge our foreign exchange and interest rate risk, cash management services and other accounting and administrative services. The terms of any alternative sources of these products or services may not be as favorable as those provided or facilitated by Fiat.

Item 4. Information on the Company

A. *History and Development of the Company.*

CNH Global N.V. is a corporation organized under the laws of the Kingdom of The Netherlands, with a registered office in the World Trade Center, Amsterdam Airport, Tower B, 10th Floor, Schiphol Boulevard 217, 1118 BH Amsterdam, The Netherlands (telephone number: +(31)-20-46-0429). It was incorporated on August 30, 1996. CNH s agent for U.S. federal securities law purposes is Mr. Roberto Miotto, 100 South Saunders Road, Lake Forest, Illinois 60045 (telephone number: +(1)-847-955-3910).

B. *Business Overview.*

General

We are a global, full-line company in both the agricultural and construction equipment industries, with strong and usually leading positions in most significant geographic and product categories in both agricultural and construction equipment. Our global scope and scale includes integrated engineering, manufacturing, marketing and distribution of equipment on five continents. We organize our operations into three business segments: agricultural equipment, construction equipment and financial services. We believe that we are, based on units sold, one of the largest manufacturers of agricultural equipment and one of the largest manufacturers of construction equipment in the world. We believe we have one of the industry s largest equipment finance operations.

We market our products globally through our two highly recognized brand families, Case and New Holland. The Case agricultural brand family includes the Case IH and Steyr brand names, while the Case construction equipment brand family is represented by the Case brand name. The New Holland agricultural brand family is represented by the New Holland name, and the New Holland construction equipment brand family includes the New Holland and Kobelco brand names. We manufacture our products in 39 facilities throughout the world and distribute our products in approximately 160 countries through an extensive network of approximately 11,400 dealers and distributors.

In agricultural equipment, we believe we are one of the leading global manufacturers of agricultural tractors and combines based on units sold, and we have leading positions in hay and forage equipment and specialty harvesting equipment. In construction equipment, we have leading positions in backhoe loaders, in skid steer loaders in North America and a leading position in crawler excavators in Western Europe. In addition, we provide a complete range of replacement parts and services to support our equipment. For the year ended December 31, 2004, our sales of agricultural equipment represented approximately 66% of our net revenues, sales of construction equipment represented approximately 29% of our net revenues and Financial Services represented approximately 5% of our net revenues.

We believe that we are the most geographically diversified manufacturer and distributor of agricultural equipment in the industry. For the year ended December 31, 2004, approximately 42% of our net sales of agricultural equipment were generated from sales in North America, approximately 34% in Western Europe, approximately 9% in Latin America and approximately 15% in the Rest of World. For the same period, approximately 52% of our net sales of construction equipment were generated in North America, approximately 33% in Western Europe, approximately 6% in Latin America and approximately 9% in the Rest of World. Our broad manufacturing base includes facilities in Europe, Latin America, North America, China, India and Uzbekistan.

We offer a range of Financial Services products, including retail financing for the purchase or lease of new and used CNH equipment. To facilitate the sale of our products, we offer wholesale financing to our dealers. Wholesale financing consists primarily of floor plan financing and allows dealers to maintain a representative inventory of products. Our retail financing alternatives are intended to be competitive with financing available from third parties. We also offer retail financing in Brazil and Australia through wholly-owned subsidiaries and in Western Europe through our joint venture with BNP Paribas Lease Group (BPLG). We believe that these activities are a core component of our business. As of December 31, 2004, Financial Services managed a portfolio of receivables, both on- and off-book, of approximately $13.3 billion.

Industry Overview

Agricultural Equipment

The operators of food, livestock and grain producing farms, as well as independent contractors that provide services to such farms, purchase most agricultural equipment. The key factors influencing sales of agricultural equipment are the level of total farm cash receipts and, to a lesser extent, general economic conditions, interest rates and the availability of financing. Farm cash receipts are primarily impacted by the volume of acreage planted, commodity and/or livestock prices, crop yields, farm operating expenses, including fuel and fertilizer costs, fluctuations in currency exchange rates, and government subsidies or payments. Farmers tend to postpone the purchase of equipment when the farm economy is depressed and to increase their purchases when economic conditions improve. Weather conditions are a major determinant of crop yields and therefore also affect equipment buying decisions. In addition, the geographical variations in weather from season to season may result in one market contracting while another market is experiencing growth. Government policies affect the market for our agricultural equipment by regulating the levels of acreage planted and with direct subsidies affecting specific commodity prices.

Demand for agricultural equipment also varies seasonally by region and product, primarily due to differing climates and farming calendars. Peak retail demand for tractors and tillage machines occurs in the March through June months in the Northern Hemisphere and in the September through November months in the Southern Hemisphere. Equipment dealers generally order harvesting equipment in the Northern Hemisphere in the fall and winter so they can receive inventory during the winter and spring prior to the peak retail selling season, which extends from March through June. Similarly, in the Southern Hemisphere, equipment dealers generally order between September and November for the primary retail selling season, which extends from November through February. For combine harvesters and hay and forage equipment, the retail selling season is concentrated in the few months around harvest time. Furthermore, manufacturers may choose to space their production and dealer shipments throughout the year so that wholesale sales of these products in a particular period are not necessarily indicative of retail demand.

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

Government subsidies are a key income driver for farmers raising certain commodities in the United States and Western Europe. The level of support can range from 30% to over 50% of the annual income for these farms in years of low global commodity prices or natural disasters. The existence of a high level of subsidies in these markets for agricultural equipment reduces the effects of cyclicality in the agricultural equipment business. The ability to forecast the effect of these subsidies on agricultural equipment demand depends on the U.S. Farm Bill (typically revised every five years), the CAP of the European Union (typically revised every seven years) and WTO negotiations. On May 13, 2002, President Bush signed into law the Farm Security and Rural Investment Act of 2002. This law increases subsidies to the U.S. farming industry by $31 billion over six years. Additionally, Brazil subsidizes the financing of agricultural equipment for various periods of time, as determined by government legislation. These programs can greatly influence sales in the region. The USDA administers agriculture programs for the government. The budget of the USDA for 2006 has been proposed by President Bush. The overall budget amount approximates the amounts in the 2005 USDA budget. However, certain reforms are proposed that would reduce the amount of payments to individual farmers. We cannot predict the outcome of the proposals relating to the 2006 USDA budget. To the extent the final budget adversely impacts farm income, we could experience a decline in sales.

The CAP of the European Union was last revised in 2000 and typically is revised approximately every seven years, depending on the timing of changes to U.S. farm policy and negotiations conducted by the WTO or other significant, relevant changes. The CAP revision of 2000 brought no dramatic lowering of subsidies but shifted emphasis towards production of higher quality, value-added crops and support for rural development and rural quality of life. In June 2003, the farm ministers from EU member nations reached an agreement to fundamentally change the CAP, by making payments to farmers much less dependent than before on the amounts that farmers produce. Under the new system, the amount spent on the CAP approximately 43 billion per year would not be reduced below previously projected levels. However, the way in which the money is distributed would be altered. Under the new program, single farm payments would go to farmers based on the size of their farms rather than their output, although the old system would be permitted to continue in limited circumstances, particularly for cereal grains and beef, if there is a risk of farmers abandoning the land. Also, a strengthened rural development policy will be funded through a reduction in direct payments for bigger farms. The revisions to the CAP delegates to individual states of the EU15 more control over the structure and level of agricultural subsidy payments. Member states had the possibility to apply the reforms between 2005 and 2007. Ten member states (Austria, Belgium, Denmark, Germany, Ireland, Italy, Luxembourg, Portugal, Sweden and the United Kingdom) started applying these reforms on January 1, 2005. Finland, France, Greece, the Netherlands and Spain will apply the reforms in 2006 with two new member states (Malta and Slovenia) applying the reforms in 2007. In eight other new member states, the single area payment scheme applies. The single area payment scheme means that uniform per-hectare entitlements are granted within any one region from regional financial budgets. These eight new member states will apply the single payment system reforms no later than 2009. There can be no assurances that the reforms will successfully curb the overproduction and dumping of crop surpluses by European nations or that the implementation of the reforms will not cause severe dislocations within the farming industry as farmers shift production to take advantage of the various provisions of the new program. With the uncertainty created

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by these changes and the continuing negotiations of the Doha round of the WTO talks, farmers could delay purchasing agricultural equipment, causing a decline in industry unit volumes.

Major trends in the North American and Western European agricultural industries include a growth in farm size and machinery capacity, concurrent with a decline in the number of farms. In Latin America, however, the agricultural industry is growing and developing.

The following graph sets forth agricultural tractor retail unit sales in North and Latin America and Western Europe during the periods indicated:

Sources: North America Association of Equipment Manufacturers; Canadian Farm and Industrial Equipment Institute. Western Europe sourced from national government agencies within each market. Latin America Management estimates based on data reported by ANFAVEA, AFAT and Systematics.

In North America, prior to the early 1990s, under 40-horsepower tractors were principally used for farming applications. However, beginning in the early 1990s a new non-farm customer began to emerge in the market for the under 40-horsepower tractors. These new customers included homeowners, turf and land care industries, commercial contractors, public agencies, rental businesses, golf courses, hobby and part-time farmers and industrial plants. Purchasers of these products also use a large number of attachments, such as front-end loaders, mowers and snow blowers. Customers often purchase multiple attachments, which can provide additional revenue and margin opportunities for suppliers of the core products. Factors driving market demand for under 40-horsepower tractors tend to be more related to the general level of gross domestic product (GDP), consumer spending, disposable income and the health of the leisure sector of the economy. Consequently, this market should be looked at separately from the demand for over 40-horsepower tractors where demand is more related to net cash farm income, commodity prices, levels of government subsidies and other farm related factors. The under 40-horsepower tractor market segment is the fastest growing segment of the North American market, from a low of approximately 36,000 units sold in 1992 to a high in 2004 of approximately 141,000 units.

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Industry sales of over 40-horsepower tractors in North America also have been growing since the 1992 low of approximately 62,700 units, with an intermediate high in the 1997-1998 period, a retrenchment in the 1999 through 2003 period, rising to a peak of approximately 105,000 units in 2004. Sustained growth has occurred in the 40- to 100-horsepower class, while the over 100-horsepower tractors tend to experience a more cyclical level of sales, between about 22,000 and 37,000 units depending upon commodity price levels.

In Western Europe, where average farm sizes are significantly smaller than in North America, industry unit sales of agricultural tractors have been in general decline, to a low of approximately 143,000 units in 1993. Sales recovered to a peak level of approximately 186,000 units in 1999, but in general have been cycling between approximately 160,000 and 180,000 units since 1995, depending on the annual impacts of fluctuating process, government subsidies, animal diseases and unusual weather patterns.

In Latin America, tractor industry volumes have generally been increasing since the last trough in 1996. The largest tractor market in Latin America is Brazil and since that time the Brazilian government has continued to support the agricultural economy through financing subsidies. Brazilian tractor sales increased from a low of approximately 10,000 units in 1996 to a high of 33,200 units in 2002, with subsequent declines due to declining commodity prices, and in particular, soybean prices. However, other markets, such as Argentina, have been improving, and in total the Latin American tractor market has continued to increase to approximately 53,000 units in 2004.

In total, worldwide demand for agricultural tractors hit a low in 1992 and has been on an increasing trend since. Volumes reached an intermediate peak in 2000 but declined in 2001. Since that time, tractor industry volumes have continued to increase, ending 2004 at levels approximately 25% higher than in 2000.

Worldwide combine industry volumes started the 1990 s at relatively low levels, between 23,000 and 25,000 units. Industry sales generally increased through the 1990 s, peaking at approximately 32,500 units in 1998. Since that time, industry sales have cycled between 23,500 units and a high of approximately 29,400 units in 2004. Industry sales in North America and Western Europe have generally been declining while sales in Latin America and Rest of World markets have been increasing.

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The following graph sets forth agricultural combine harvester retail unit sales in North and Latin America and Western Europe during the periods indicated:

Sources: North America Association of Equipment Manufacturers; Canadian Farm and Industrial Equipment Institute. Western Europe Management estimates based on information obtained from Systematics. Latin America Management estimates based on date reported by ANFAVEA, AFAT and Systematics.

In North America, combine industry sales for most of the 1990 s ranged from about 10,000 to 13,000 units. However, in 1999 sales declined by almost 50% to almost 6,600 units. Since that time, industry sales have cycled with the commodity prices, but in 2004 reached a new high since the 1990 s of approximately 8,250 units.

In Western Europe, industry sales have generally been declining. After reaching a low of approximately 6,700 units in 1993, they rose to approximately 11,400 units in 1997 but have continued declining since that time. In 2004, industry sales of approximately 6,400 units had declined to a level below the 1993 trough.

In Latin America, however, combine industry sales have generally been increasing since 1991, from a low of less than 2,000 units to a high in 2004 of approximately 9,800 units.

Construction Equipment

We divide the construction equipment market that we serve into two principal segments: heavy construction equipment, which is over 12 metric tons (but excludes mining, quarrying and forestry equipment), and light construction equipment, which is under 12 metric tons. Purchasers of heavy construction equipment include construction companies, municipalities, local governments, rental fleet owners, quarrying and mining companies, waste management companies and forestry related concerns. Purchasers of light construction equipment include contractors, residential builders, utilities, road construction companies, rental fleet owners, landscapers, logistics companies and farmers.

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The principal factor influencing sales of light construction equipment is the level of residential and commercial construction, remodeling and renovation, which in turn is influenced by interest rates. Other major factors include the level of light infrastructure construction such as utilities, cabling and piping and maintenance expenditures. The principal use of light construction equipment is to replace relatively high cost, slower, manual work. Product demand in the United States and Europe has generally tended to mirror housing starts, but with lags of six to twelve months. Purchasing activities of the national rental companies also can have a significant impact on the market depending on whether they are either building or reducing the size of their fleet of rental units. In areas where labor is abundant and the cost is inexpensive relative to other inputs such as in Africa, China and Latin America, the light construction equipment market segment is virtually non-existent. These areas represent potential growth areas for light equipment in the medium to long-term as the cost of labor rises relative to the cost of equipment.

Sales of heavy construction equipment are particularly dependent on the level of major infrastructure construction and repair projects such as highways, dams and harbors, which is a function of government spending and economic growth. Furthermore, demand for mining and quarrying equipment applications is linked more to the general economy and commodity prices, while growing demand for environmental equipment applications is becoming less sensitive to the economic cycle.

The heavy equipment industry in North America, as well as in Europe, has generally been thought to be a replacement market that follows cyclical economic patterns. However, overall volumes have been increasing between 1992 and 2004; industry unit sales in North America have more than doubled and in Western Europe industry unit sales have increased by 50%. The industry in emerging markets generally exhibits an overall growth trend, but with unpredictable and volatile cycles.

The equipment rental business is a significant factor in the construction equipment industry. With the exception of the U.K. and Japanese markets, where there is a long history of machine rentals due to the structure of the local tax codes, the rental market started with short period rentals of light equipment to individuals or small contractors who could not afford to purchase the equipment. In this environment, the backhoe loader in North America and the mini-excavator in Western Europe were the principal rental products. As the market evolved, a greater variety of light equipment products as well as many types of heavy equipment have become available to rent. In addition, rental companies have allowed contractors to rent machines for longer periods instead of purchasing the equipment, which allows contractors to complete specific job requirements with greater flexibility and cost control. Furthermore, in some countries, longer-term rentals also benefit from favorable tax treatment. In the late 1990 s, local and regional rental companies in North America experienced a period of rapid consolidation into national and large regional companies. The economic and financial market declines in 2000 and 2001 created financial pressures on these market participants. They in turn, substantially reduced their new equipment purchases through the first half of 2003, despite a relatively solid level of general economic activity. Overall, this trend toward higher levels of rental activity in the market may tend to reduce the correlation of industry unit demand for new equipment with the basic economic industry drivers. On the other hand, increased rental market activity could lead to more pronounced demand cyclicality in the industry, as rental companies rush to adjust the size of their fleets as demand or rental rates change. In North America, captive rental companies appeared to be increasing the size of their fleets during the second half of 2003 and throughout 2004.

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

Worldwide customer preferences for construction equipment products are similar to preferences for agricultural equipment products. In developed markets, customers tend to favor more sophisticated machines equipped with the latest technology and comfort features. In developing markets, customers tend to favor equipment that is more basic with greater perceived durability. Customers in North America and Europe, where operator cost often exceeds fuel cost and machine depreciation, place strong emphasis on product

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reliability. In other markets, customers often continue to use a particular piece of equipment even after its performance and efficiency begins to diminish. Customer demand for power capacity does not vary significantly from one market to another. However, in many countries, restrictions on the weight or dimensions of the equipment, such as road regulations or job site constraints, may limit demand for large machines.

In general, much of the construction equipment sold in mature markets such as North America and Europe replaces older equipment. In contrast, demand in less mature markets includes replacements as well as net increases in equipment demand for new products. In these markets, equipment demand also is partially covered by used equipment sourced from the more developed and mature markets including: used heavy construction equipment from North America in the Latin American markets; both heavy and light used equipment from Western Europe in Central and Eastern European, North African and Middle Eastern markets; both heavy and light used equipment from Japan in other Southeast Asian markets; and excavators from the Japanese market in almost every other market in the world. These flows of used equipment are highly influenced by exchange rates and the weight and dimensions of the sourced equipment, which limit the market for large equipment due to road regulations and job site constraints.

The following graph sets forth heavy and light construction equipment retail unit sales in North America and Western Europe during the periods indicated:

Sources: North America Association of Equipment Manufacturers; Canadian Farm and Industrial Equipment Institute. Western Europe Management estimates based on shipment data from CECE for Europe and national and local agencies in individual markets.

Major trends in the construction equipment industry include the growth in usage of hydraulic excavators and wheel loaders in excavation and material handling applications. In addition, the light equipment sector has experienced significant growth as more manual labor is being replaced on construction sites by machines with a myriad of attachments for each specialized application, such as skid steer loaders, mini-crawler excavators and telehandlers in North America and mini- crawler excavators in the European and Rest of World markets.

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The construction equipment business in North America generally increased from 1992 through the late 1990 s. Industry sales of heavy equipment peaked in 1998 and sales of light equipment peaked in 2000. Industry sales of both product segments declined through 2002 but have since increased to levels approximately 10% higher than in 2000 on a combined basis. In Western Europe, industry sales of both heavy and light equipment increased from the trough of 1993 until peaking in 2000. Industry sales for heavy and light equipment declined in the 2001 to 2003 period but have rebounded with an increase in 2004 of approximately 17% over 2003 levels and to approximately the same level as the last peak in 2000. The construction equipment markets in Latin America are very small compared with those in North America and Western Europe. Rest of World markets, and in particular the Asia-Pacific Rim markets, are similar in size to the Western European or North American markets but CNH does not have a significant direct presence in those markets.

Our Competitive Strengths

We believe that we have a number of competitive strengths that enable us to focus on markets and products with growth potential while attempting to maintain and improve our position in the markets in which we are already established. We believe our competitive strengths include:

Well-Recognized Brands. We market our products globally primarily through our two highly recognized brands, Case and New Holland. Our agricultural brands include Case IH, New Holland and Steyr. Our construction equipment brands include Case, New Holland and, in North America, Kobelco. We believe all of our brands have strong histories of quality and superior performance. We expect to continue to leverage these strengths in the future.

Full Range of Competitive Products. In agricultural equipment, we believe we are one of the leading global manufacturers of agricultural tractors, combines, hay and forage equipment and specialty harvesting equipment. In construction equipment, we are one of the leading global manufacturers of backhoe loaders and skid steer loaders. In addition, we provide a complete range of replacement parts and services to support both our agricultural and construction equipment offerings.

Global Presence and Distribution Network. We manufacture our products in 39 facilities throughout the world and distribute our products in approximately 160 countries through a network of approximately 11,400 dealers and distributors. We are a full-line company in both the agricultural and construction equipment industries, with strong and usually leading positions in most significant geographic and product categories in both businesses. Our global scope and scale include integrated engineering, manufacturing, marketing and distribution of equipment on five continents.

Strong Financial Services Capabilities. In North America, we offer a range of Financial Services products, including, among others, retail financing for the purchase or lease of new and used CNH and other equipment manufacturers products sold by our dealers. To further facilitate the sale of our products, we also offer wholesale financing to dealers. Wholesale financing consists primarily of floor plan financing and allows dealers to maintain a representative inventory of products. The principal objective of our retail financing operations is to facilitate the sale of our equipment and provide competitive alternatives to financing available from third parties. We offer retail financing in Brazil and Australia through wholly-owned subsidiaries and in Western Europe through our joint venture with BPLG.

Support of the Fiat Group. Our operations have the support of the Fiat Group, one of the largest industrial groups in the world, with major operations in auto and truck making, automotive components and other non-automotive sectors. Fiat s management has stated that it considers the global production and sale of agricultural and construction equipment to be a primary focus of the Fiat Group and a significant component of Fiat s global strategy. Fiat s truck-making subsidiary, Iveco N.V. (Iveco), is a partner with CNH and Cummins in a joint venture that designs and produces the next generation of diesel engines to meet evolving emission requirements. We believe shared services provided by Fiat, such as purchasing, accounting, information technology, treasury and cash management, lower our administrative costs by leveraging Fiat s economies of scale. Cash pooling leverages Fiat and Fiat Group financial resources while minimizing banking and transaction costs and reducing cross-border financing costs and potential penalties, such as withholding taxes. As of December 31, 2004, Fiat provided us with approximately $1.8 billion in debt funding, as well as other forms of financial support which is an important source of liquidity for our operations. Fiat has agreed to maintain its existing treasury and debt financing arrangements with us for as long as it maintains control of us. Fiat has committed that it will not terminate our access to these financing arrangements without affording us an appropriate time period to develop suitable substitutes. See Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources.

CNH Business Strategy

As a global full-line competitor in both the agricultural and construction equipment markets, we plan to grow our business through market expansion and increasing our product offerings. We expect that our commitment to cost controls and more efficient use of resources will create value for our shareholders through improved profitability and an enhanced financial position. We believe that our focus on further improving our products, distribution and services will lead to increased customer satisfaction and loyalty, promoting future financial stability and improved returns.

Our strategic objectives are to:

- generate cash through improved earnings, reduced working capital and improved asset utilization, and use that cash to reduce our debt and strengthen our consolidated balance sheet;

- deliver profitability throughout the cycle and achieve higher margins than either Case or New Holland earned prior to the merger by strengthening our dealer and customer support and achieving best-in-class product quality and reliability, realizing product cost reductions and profit improvements, continuing sales growth and increasing customer satisfaction; and

- continue to position CNH to take advantage of future opportunities for product and market expansion, both in the short to medium-term in areas such as Latin America and Eastern Europe and, in the longer-term, in areas such as China and India and through our global construction equipment alliance with Kobelco Japan.

Merger Integration over the Last Five Years

We combined the operations of New Holland and Case as a result of their merger on November 12, 1999. At the time of the merger, we formulated a plan to integrate the operations of the Case and New Holland businesses. The plan was based on maintaining the dual distribution networks of Case and New Holland to optimize worldwide market share of the combined company. In order to remain cost competitive while maintaining the two brands, management developed a plan to use common platforms and major product components while developing differentiated products that could satisfy the requirements of the different distribution networks. Use of common components and platforms would allow for a reduction in the number of product platforms, consolidation of suppliers, and consolidation and rationalization of manufacturing facilities and our parts depots. In addition, management planned to integrate systems and processes allowing for significant reductions in overhead costs.

In the five years since the merger, we have affected the major structural changes required to implement this strategy, including:

Establishment of Dual Brand Families: Capitalizing on our world-class brand names, Case, Case IH, New Holland and Kobelco, we believe we have firmly established our dual brand families with our dealers and customers throughout the world. We continue to work to strengthen our dealer networks, moving towards dealers that are more focused on particular brands. We believe that more focused dealers tend to be more dedicated to enhancing their brand s market position and building their own customer service capabilities in order to increase customer loyalty and earn a larger share of their customers equipment and service expenditures.

Development of Common Components/ Platforms for New Products: We have developed global product lines to support our dual brand families, renewing virtually our entire product range. By using common design elements and sharing capital-intensive components, we have reduced the total number of tractor, combine and construction equipment platforms while maintaining strong brand identities based on precision of handling, productivity, operation controllability, product serviceability, color and styling. Through use of common components and the manufacturing consolidations, we have reduced our number of suppliers from approximately 6,000 at the time of the merger to approximately 3,000 at December 31, 2004.

Restructured our Manufacturing Process and Reduced Manufacturing Capacity: We have consolidated and rationalized our manufacturing activities, reducing excess capacity and focusing our facilities to create a lean, flexible manufacturing system. In addition to downsizing certain facilities, we reduced our number of plants, both through required and voluntary divestitures or closures from 60 at the time of the merger to 37 (39 including the two plants acquired since the merger) by the end of 2004. In the process, we redistributed production of various products among the remaining plants to focus our facilities on either the production of components or the assembly of one product category across brand families. We have concentrated on certain key technologies or competencies while outsourcing other non-core activities. We have sized our manufacturing capacity to a flat market demand while introducing modularization of both product and process design to add flexibility to the manufacturing process. We believe we are also better able to manage the business cycle by establishing flexible work rules and setting staffing levels that are supported by temporary employees. Manufacturing capacity utilization has increased from approximately 44% utilization in 1999 to approximately 65% utilization in 2004.

Consolidated our Parts Distribution Network: We have reduced distribution complexity and costs by reducing the number of global parts depots and instituting a new global common parts system. As of December 31, 2004, we had reduced the number of parts depots to 33. The remaining 4 depots scheduled to be closed will be closed in 2005. Also, under our new global parts packaging system, some high volume common parts have been distinctly packaged for each brand or brand family while most other parts utilize common CNH packaging. This has further reduced our costs of servicing new products by capitalizing on the common spare parts requirements of the common components in the new products.

Integrated Systems and Processes to Create a Lean Structure: We have completed our plan to reduce selling, general and administrative (SG&A) costs to about 8% of net sales of Equipment Operations. This compares to 10.8% in the first year of operations after the merger. The reduction in SG&A costs has been achieved by eliminating duplicative functions and streamlining processes. Our consolidated worldwide total employment level has declined from approximately 36,000 at the time of the merger to approximately 25,700 at December 31, 2004, a decline of almost 29%. Similarly, our consolidated worldwide total salaried employment level has declined from approximately 15,300 at the time of the merger to approximately 9,900 at December 31, 2004, a decline of approximately 35%.

Refocused Financial Services Operations and Restored Profitability: Our Financial Services operations are now focused on the core business of supporting agricultural and construction equipment sales to our base of equipment dealers and retail customers throughout the world. Following the merger, we have exited the commercial lending and retail financing activities that were outside our own dealer networks. These actions generated positive cash flow through asset runoff, as the non-core portfolio assets have declined from approximately $2 billion at the time of the merger to approximately $131 million at December 31, 2004. We have enhanced the quality of our core portfolio through a focus on strict underwriting criteria, proactive risk management and efficient collection activities, augmented by intensive follow-up and remarketing efforts in troubled situations. Evidencing this improvement is the decline in our North American captive retail average loss ratio (losses as a percentage of total managed captive retail assets) from 1.4% in 2000 to 0.5% in 2004. Our continued access to the U.S., Canadian and Australian ABS markets also is evidence of the quality of our retail receivables portfolio, as has been the upgrading of certain subordinated classes of our 2000 through 2003 term retail ABS transactions to AAA by S&P, Moody s Investor Service, Fitch Ratings and Dominion Bond Rating Service Ltd.

We believe that the actions described above have made a substantial contribution to our improved profitability levels since the merger. Profit contributions from the initial cross-selling of products between the brands and margin improvements from the newly developed common platform products have increased our top line and our margins. Cost reductions were generated by SG&A savings, purchasing and supplier reduction savings and manufacturing rationalization actions. We estimate that these actions have contributed a total of $1 billion towards our profit improvements since 1999, including approximately $200 million in the year-ended December 31, 2004.

During 2004, we recorded $104 million in pre-tax restructuring costs, including $102 million in Equipment Operations and $2 million in Financial Services. These restructuring costs relate to severance and other employee-related costs, write-down of assets, loss on the sale of assets and businesses, and costs related to closing, selling, and downsizing existing facilities. Since the merger, we have recorded $687 million in pre-tax restructuring costs (excluding approximately $323 million originally recorded in purchase accounting), including $674 million in Equipment Operations and $13 million in Financial Services. In the 2005 through 2007 period, we expect to record approximately an additional $100 million in cash restructuring costs related to the actions described above. These charges cannot be recorded until incurred but relate directly back to previous actions to effect the above described changes. See Note 12: Restructuring of our consolidated financial statements for a detailed analysis of our restructuring programs.

Looking Forward

With the ending of this major five year restructuring period, we anticipate building upon our existing strengths to achieve our strategic objectives. These strengths include having a strong global presence with balanced market shares across the major markets, so that we are not overly dependent on any one market; having a new, revitalized product range supported by a light, flexible manufacturing structure and a lean corporate structure. In addition, we have a strong Financial Services platform that is growing in both assets under management and in profitability. Our new engine family, sourced from our engine joint venture with Cummins, Inc. and Iveco, has the technological capability to meet upcoming emission standards, and together, we believe we have the scale for economical production. We also have strong global construction equipment alliances with both Kobelco Japan and Sumitomo Construction Equipment.

Building upon these strengths, the key elements of our plan for achieving our strategic objectives are:

Strengthen our customer and dealer support: The overall quality and reliability of any local dealership is a very important consideration in our end customer s decision to purchase one brand of equipment compared with any other brand. We believe that, in our competitive marketplace, our dealer networks worldwide are one of the most important facets of our business. We are allocating new resources to provide additional dedicated sales and marketing personnel and materials, and additional technical support and training to our dealers. We believe these additional resources will allow our dealers to provide enhanced levels of service to our customers. We are also continuing to invest in our global supply chain systems to allow better visibility and reliability in delivery lead times for our equipment. Our depot and parts system rationalization, with the concurrent investment in a new global parts system, which began in 2003, should also lead to improved parts availability and customer satisfaction.

Ongoing product improvements: As discussed above, during the past five years we have sustained a significant product development effort leading to a completely renewed product lineup across all of our brands. We are now shifting our product development, management and manufacturing efforts to focus on improving product quality through key quality improvement activities embedded in our process, with the goal of achieving best-in-class product quality and reliability. In addition, we intend to introduce greater differentiation between the two brands to increase their market attractiveness. These actions are expected to take place while targeting research and development (R&D) costs at 3% of net sales through the continued use of common platforms; this also includes our continuing engine development efforts through our joint ventures as we introduce new engines to meet new emissions requirements. Improved product quality and reliability should lead to reduced future warranty and repair costs, and allow us to more fully capitalize on our market leadership positions to command better pricing for our products.

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Continuing efforts to reduce costs: Throughout the manufacturing capacity rationalization process our primary focus was on improving capacity utilization through the closing of manufacturing facilities, while shifting production among the remaining plants to further rationalize manufacturing costs by sharing facilities between the two brands and specializing sites on specific product ranges. With the completion of these major actions, the systems, processes and flows of our production and distribution systems now need to be fine-tuned for maximum efficiency. This includes such actions as (a) achieving product cost reductions through re-engineering efforts; (b) increasing manufacturing efficiencies within each production facility; (c) finding lower cost sources for purchased parts and components by continuing to extend supplier re-sourcing activities on additional parts and components to lower cost countries (including those where we already have a manufacturing presence and can work with the local suppliers to develop their capabilities for supplying us on a global basis); and (d) achieving freight and logistics savings through distribution process improvements. Additionally, we should benefit from additional savings related to actions taken during 2004, from which we did not receive a full year s worth of benefit in 2004. In total, by the end of 2007, we anticipate that these actions will result in approximately an additional $500 million in profit improvements as compared with the base levels of revenues and costs incurred by us for the full year 2004.

Reduce capital employed in the business: We expect that our continued investment in supply chain systems will allow us to shorten delivery lead times. We also believe that our depot and parts system rationalization, availability of a new global parts system and our continued efforts on increasing manufacturing efficiencies should allow us to improve both our raw materials and finished goods inventory efficiency in the system. In addition, we have started pilot programs in some of our plants to reduce work-in-process inventory levels.

Continue developing Financial Services: Our Financial Services operations are now firmly focused on the core business of supporting agricultural and construction equipment sales to our base of equipment dealers and retail customers throughout the world. We have separated our Financial Services marketing efforts into dedicated, specialized agricultural and construction equipment teams to develop solutions specifically tailored to the different needs of these customers and to capture a larger share of our customers financing requirements, including operating leases, rental, credit cards and insurance. We are continuing actions expected to improve our underwriting processes and remarketing efforts, in order to maintain the highest possible quality of receivables in our portfolio, and to enhance our ability to efficiently fund these portfolios. In addition, we have opportunities to take proven products and business practices developed for the North American market and adapt them for use in Western Europe, Australia and Brazil. We are upgrading our operations in Western Europe in anticipation of developing additional financing opportunities. In particular, we are extending to our operations in Western Europe and Brazil the business model developed in North America of centralizing management of all dealer receivables within our Financial Services business, with the goal of ensuring better financial control and funding optimization of all our receivables.

We anticipate that through the accomplishment of these initiatives we should improve our position in the global agricultural and construction equipment markets and also improve our financial position.

Competition

The agricultural equipment industry is highly competitive. We compete with large global full-line suppliers, including Deere & Company and AGCO Corporation; manufacturers focused on particular industry segments, including Kubota Corporation and various implement manufacturers; regional manufacturers in mature markets, including The CLAAS Group, the ARGO Group and the SAME Deutz-Fahr Group, that are expanding worldwide to build a global presence; and local, low-cost manufacturers in individual markets, particularly in emerging markets such as Eastern Europe, India and China.

The construction equipment industry also is highly competitive. We compete with global full-line suppliers with a presence in every market and a broad range of products that cover most customer needs,

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including Caterpillar, Komatsu Construction Equipment, TEREX and Volvo Construction Equipment Corporation; regional full-line manufacturers, including Deere & Company, J.C. Bamford Excavators Ltd. and Liebherr-Holding GmbH; and product specialists operating on either a global or a regional basis, including Ingersoll-Rand Company (Bobcat), Hitachi, Sumitomo Construction (Linkbelt), Manitou B.F., Merlo UK Ltd., Gehl Company, and Mustang Manufacturing Company, Inc.

We believe that multiple factors influence a buyer s choice of equipment. These factors include the strength and quality of a company s dealers, brand loyalty, product performance, availability of a full product range, the quality and pricing of products, technological innovations, product availability, financing terms, parts and warranty programs, resale value, customer service and satisfaction and timely delivery. We continually seek to improve in each of these areas, but focus primarily on providing high-quality and high-value products and supporting those products through our dealer networks. In both the agricultural and construction equipment industries, buyers tend to favor brands based on experience with the product and the dealer. Customers perceptions of value in terms of product productivity, reliability, resale value and dealer support are formed over many years.

The financial services industry is highly competitive. We compete primarily with banks, finance companies and other financial institutions. Typically, this competition is based upon customer service, financial terms and interest rates charged.

Products and Markets

Agricultural Equipment

Our primary product lines of agricultural equipment, sold under the Case IH and New Holland brands, include tractors, combine harvesters, hay and forage equipment, seeding and planting equipment, tillage equipment, sprayers, and grape, cotton, coffee and sugar cane harvesters. In addition, a large number of Construction Equipment products, such as telehandlers, skid steer loaders and backhoe loaders, are sold to agricultural equipment customers. We also sell tractors under the Steyr brand in Western Europe.

In order to capitalize on customer loyalty to dealers and our company, relative distribution strengths and historical brand identities, we continue to use the Case IH, Steyr (tractors only) and New Holland brands, and to produce equipment in the historical colors of each brand. We believe that these brands enjoy high levels of brand identification and loyalty among both customers and dealers. Although new generation tractors have a higher percentage of common mechanical components, each brand and product remains significantly differentiated by color, interior and exterior styling, internal operator features and model designation. In addition, flagship products such as row crop tractors and large combine harvesters have significantly greater differentiation. Distinctive features that are specific to a particular brand such as the Supersteer® axle for New Holland, the Case IH tracked four wheel drive tractor, Quadtrac®, and front axle mounted hitch for Steyr have been retained as part of each brand s identity.

Tractors Tractors are used to pull, push and provide power for farm machinery and other agricultural equipment. Tractors are classified by horsepower size. We manufacture and market a broad range of tractors under the Case IH, New Holland and Steyr brands. Tractors represented approximately 49% of our agricultural equipment sales in 2004.

Combine Harvesters Combine harvesters are large, self-propelled machines used for harvesting coarse and cereal grain crops, primarily soybeans, corn, wheat, barley, oats and rice. These machines cut, convey, thresh and clean grain. We offer two basic harvesting technologies, rotary and conventional, each of which possesses advantages with respect to certain crops and conditions. Our CX conventional combine, CR twin rotor combine and our AFX Axial-Flow rotor combine are a new generation of modular combines designed to allow us to offer the three different threshing concepts in one product platform.

Other Key Product Lines Hay and forage equipment is used primarily to harvest and mow, package and condition hay and forage crops for livestock feed. This product line includes: self-propelled windrowers and tractor-powered mower/conditioners, hay tedders and rakes, round balers, square balers, and forage harvesters which may be either self-propelled or pulled by a tractor. We also produce and market a full line of seeding and planting equipment, tillage equipment, sprayers, grape harvesters, sugar cane harvesters and cotton pickers.

Parts Support We offer a full line of parts for all of our various agricultural equipment product lines.

Construction Equipment

Our present brand and product portfolio is the heritage of many companies that have been merged into the global Case or New Holland brand families. Case Construction provides a full line of products on a global scale utilizing the Sumitomo technology for its key crawler excavator product. The New Holland brand family, in conjunction with its global alliance with Kobelco Japan, also provides a full product line on a global scale. In February, 2005 the New Holland brand family reorganized all of its networks outside of North America to focus on the New Holland brand name.

Our new generation products share common components to achieve economies of scale in R&D and manufacturing. We differentiate these products based on the relative product value and volume in areas such as precision of handling, productivity, operator controllability, product serviceability, color and styling to preserve the unique identity of each brand.

<u>Heavy Construction Equipment</u>

Crawler Excavators Crawler excavators are anthropomorphic machines on a 360-degree rotating crawler tread base equipped with one arm that can perform a wide variety of applications with extremely precise control by the operator. Excavators are classified by the weight of the machine and for CNH, heavy crawler excavators include those that weigh from more than 12 metric tons up to 90 metric tons. Excavators are versatile machines that can utilize a wide variety of attachments and are very efficient in terms of operating cost per ton of earth moved. Generally, the crawler excavator is the principal heavy construction equipment product that draws customers into dealerships. Upon purchasing a particular excavator, they tend to purchase additional heavy construction products of the same brand to simplify maintenance and service requirements. Crawler excavators are the most popular construction equipment machine in the Asia-Pacific market.

Wheeled Excavators Wheeled excavators are a specialty excavator product on a wheeled base rather than a crawler base, typically used in the Western European market. Wheeled excavators, like backhoes, are self-transporting, while crawler excavators must be transported by truck from location to location.

Wheel Loaders Wheel loaders are four wheel drive articulated machines equipped with a front loader bucket. The engine is located behind the driver for better operator visibility. Wheel loaders are classified by engine horsepower, and we offer a broad product range from 80-horsepower to 450-horsepower. One of the more traditional earth moving machines, wheel loaders also are popular for non-construction applications such as bulk material handling, waste management and snow removal, contributing to a more stable level of industry demand for these products.

Other Key Product Lines In addition, we offer a full range of heavy equipment product lines including wheeled excavators, graders for all applications, dozers, and both articulated and rigid dumpers.

Parts Support We offer a full line of parts for all of our various heavy construction equipment product lines.

<u>Light Construction Equipment</u>

Backhoe Loaders Backhoe loaders, based on a tractor shaped chassis, combine two of the most important operations of earth-moving equipment, loading and excavating. Our backhoe loaders range from the newest mini-backhoe loader designed for light maintenance and landscaping activities to the largest four wheel drive, four wheel steering machine, which combines the excavating capability of a mini-excavator with the loading capacity and maneuverability of a compact wheel loader. The backhoe loader is one of the most popular light equipment products in the North American market, with a fundamental role in construction applications where flexibility and mobility are required.

Skid Steer Loaders The skid steer loader is a versatile, compact four-wheeled machine. It can be considered a tool carrier with a wide array of tool-type attachments that can be utilized for a variety of operations, such as loading, digging, cleaning, snow removal, boring, lifting, transporting, towing or planting trees. Skid steer loaders are classified by their lifting capacity. Our products cover all market segments from 500 pounds to 2,900 pounds lifting capacity. We are the second largest producer of skid steer loaders in the world and offer industry leading products in each of the two different lifting arm designs, parallel lift and radial lift. North America is the largest market for this product, accounting for over 74% of world demand. In 2005, we have started to launch our newest models, which use tracks instead of wheels, called compact track loaders.

Mini-Excavators Mini-excavators include all excavators that weigh less than 12 tons. Mini-excavators are the most popular light equipment product in the Western European and Japanese markets. Our new global alliance partner, Kobelco Japan, is a world leader in mini-excavators and is the developer of the short radius technology, which allows the machine s arm to turn 360 degrees within the space of its own tracks. This flexibility creates additional opportunities for machine usage in extremely tight working conditions.

Other Key Products In addition, we offer a full range of compact wheel loaders and telehandlers, which are four wheel drive, four wheel steering machines popular in Europe, equipped with a telescoping arm designed for lifting, digging and loading. Smaller telehandler machines are often used in agricultural applications while larger machines are often used for industrial and construction applications. Both can accommodate a wide range of attachments.

Parts Support We offer a full line of parts for all of our various light construction equipment product lines.

New Products and Markets

We continuously review opportunities for the expansion of our product lines and the geographic range of our activities. We are focusing on improving product quality, with a goal of achieving best-in-class product quality and reliability. In addition, we are emphasizing enhanced differentiation between the Case and New Holland brands to increase their market attractiveness. This also includes our continuing engine development efforts and combining the introduction of new engines to meet new emissions requirements with additional innovations anticipated to refresh our product line. Improved product quality and reliability coupled with our initiatives to improve our dealer and customer support should allow us to more fully capitalize on our market leadership positions throughout the world.

To increase our global presence and gain access to technology, we participate in a number of international manufacturing joint ventures and strategic partnerships. We have integrated our manufacturing facilities and joint ventures into a global manufacturing network designed to source products from the most economically advantageous locations and to reduce our exposure to any particular market.

See Item 5. Operating and Financial Review and Prospects Operating Results for information concerning the principal markets in which we compete, including the breakdown of total revenues by geographic market for each of the last three years.

Suppliers

We purchase a number of materials and components from third-party suppliers. In general, we are not dependent on any single supplier or exposed in any substantial way to individual price fluctuations in respect of the materials or commodities we purchase, although we have increased our dependence on individual suppliers as we have rationalized our supply chain and reduced the number of our global suppliers from 6,000 at the time of the merger to approximately 3,000 at December 31, 2004. In addition, we cannot avoid exposure to global price fluctuations such as occurred in 2004 with the costs of steel and related products. In 2004, purchases from our 10 largest suppliers totaled approximately $1.0 billion and represented approximately 21% of our total material/component purchases.

In addition to the equipment manufactured by our joint ventures and us, we also purchase both agricultural and construction equipment from other sources for resale to our dealers. The terms of purchase from an original equipment manufacturer (OEM), allow us to market the equipment under our brands. As part of our normal course of business, under these arrangements we generally forecast our equipment needs based on market demand for periods of two to four months and thereafter are effectively committed to purchase such equipment for those periods. Certain manufactured components are also purchased on an OEM basis. OEM purchases allow us to offer a broader line of products and range of models to our dealer network and global customer base. In 2004, the total value of OEM purchases comprised less than 15% of our total purchases.

Distribution and Sales

We sell and distribute our products through approximately 11,400 dealers and distributors in approximately 160 countries worldwide. Dealers typically sell either agricultural equipment or construction equipment, although some dealers sell both types of equipment. Construction equipment dealers tend to be fewer in number, larger in size, better capitalized and located in more urban areas. Agricultural dealers tend to be greater in number, but smaller in size and located in rural areas.

Large construction equipment dealers often complete their product offering with products from more than one manufacturer due to historical relationships that have persisted through the consolidation of the industry.

In connection with our program of promoting our unified brand names and identity, we generally seek to have our dealers sell a full line of our products (such as tractors, crop production and crop harvesting). Generally, we achieve greater market penetration where each of our dealers sells the full line of products from only one CNH brand. Although appointing dealers that sell more than one of our brands is not part of our business model, some joint dealers exist, either for historical reasons or in limited markets where it is not feasible to have separate dealers for each CNH brand. In some limited cases, dealerships are operated under common ownership with separate facilities for each of our brands.

Exclusive, dedicated dealers generally provide a higher level of market penetration. Therefore, such dealers complement our strategy of full product lines for all global brands. Some of our dealers in the United States, Germany and Australia may sell more than one brand of equipment, including models sold by our competitors. Elsewhere, our dealers are generally exclusive, but may share complementary products manufactured by other suppliers in other product categories in order to complete their product offerings, or where there was a historical relationship with another product line that existed before that product was available through us. This is particularly true of specialty products, such as equipment adapted for particular crops.

In the United States, Canada, Mexico, most of Western Europe, Brazil and Australia, the distribution of our products is generally accomplished directly through the dealer network. In other parts of the world, our products are sold initially to distributors who then resell them to dealers in an effort to take advantage of such distributors expertise and to minimize our marketing costs. Generally, each of our distributors has responsibility for an entire country.

We believe that it is generally more cost-effective to distribute our products through independent dealers, and therefore we maintain company-owned dealerships only in markets where we have experienced difficulty in establishing satisfactory independent dealer relationships. At December 31, 2004, we operated 23 company-owned dealerships, located in the United States, Canada, Germany, Austria and Spain. In the mature markets, we expect a decrease in the number of our dealers in the coming years, as the process of farm consolidation pressures dealers financial positions. In North America, we operate a dealer development program that allows approved dealer candidates to purchase dealerships from us over a fixed period of time, with payments being made from the dealer s profits.

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A strong dealer network with wide geographic coverage is a critical element in the success of any manufacturer of agricultural and construction equipment. We continually work to enhance our dealer network through the expansion of our lines of products and customer services, including enhanced Financial Services, and an increased focus on dealer support. To assist our dealers in building rewarding relationships with their customers, we have introduced focused customer satisfaction programs and seek to incorporate customer input into our product development and service delivery processes.

As the equipment rental business becomes a more significant factor in both agricultural and construction equipment markets, we are continuing to support our dealer network by facilitating sales of equipment to the local, regional and national rental companies through our dealers as well as by encouraging dealers to develop their own rental activities. We believe that a strong dealer service network is required to maintain the rental equipment and to insure that the equipment remains at peak performance levels both during its life as rental equipment and afterward when resold into the second hand market. As a leader in light construction equipment (the most requested rental products), our product performance is key to maintaining our quality reputation, its attractiveness to the rental customer and its resale value on the used equipment markets. We have launched several programs to support our dealer service and rental operations including training, improved dealer standards, financing, and advertising. Also, as the rental market is a capital-intensive activity and sensitive to variations in construction demand, we believe that any such activities should be expanded gradually, with special attention to managing the resale of rental units into the secondary market by our dealers, who can utilize this opportunity to improve their customer base and generate additional parts business.

In Europe and Latin America, we have recently rationalized our non-Case construction equipment brand family into one brand, New Holland. In connection with this brand rationalization, we have terminated certain dealer relationships in Europe where overlapping geographic presence would have made ongoing business impractical for maintaining multiple dealerships. We expect that, long-term, this consolidation will generate additional incremental revenue, allow us to provide better support to our dealers, strengthen our dealer network, and result in the availability of a greater range of products. In the near term, this action may result in some product line adjustments and increasing support costs. We cannot make any assurance, however, that such actions will ultimately improve the competitive position or financial results of our construction equipment operations in Europe.

In the United States and Canada, we are contractually obligated to repurchase new equipment, new parts, business signs and manuals from former dealers following our termination of the dealership if the former dealer so elects. Outside of North America, repurchase obligations and practices vary by region. In addition to the contractual repurchase obligation, certain jurisdictions have agricultural and construction equipment dealership laws that require us to repurchase new equipment and new parts at statutory amounts.

In Japan, we own 50% of New Holland HFT Japan Inc. (HFT), which distributes our products in that country. HFT imports and sells a full range of New Holland s agricultural equipment through approximately 50 retail sales and service centers located throughout Japan. In order to complete its product offering, HFT also sells certain equipment manufactured by other producers. HFT is a leading importer of agricultural tractors in the highly competitive Japanese market and has a leading share of the Japanese markets for combine harvesters and self-propelled forage harvesters.

Pricing and Promotion

The actual retail price of any particular piece of equipment is determined by the individual dealer or distributor and generally depends on market conditions, features and options. Actual retail sales prices may be lower than the suggested list prices. We sell equipment to our dealers and distributors at wholesale prices, which reflect a discount from the suggested list price. In the ordinary course of our business, we engage in promotional campaigns that may include price incentives or preferential credit terms on the purchase of certain products.

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

Parts and Services

The replacement parts business is a major source of revenue for our company. The quality and timely availability of parts and service are important competitive factors, as they are significant elements in overall customer satisfaction and strong contributors to the original equipment purchase decision. Our sales of parts represented approximately 18% of our total net sales in 2004.

We supply a complete range of parts, many of which are proprietary, to support items in our current product line as well as for products that we have sold in the past. As many of the products that we sell can have economically productive lives of up to 20 years when properly maintained, each unit that is retailed into the marketplace has the potential to produce a long-term revenue stream for both us and our dealers. Sales of replacement parts have historically been less subject to sharp changes in demand than sales of new equipment and typically generate higher gross margins than sales of new equipment.

At December 31, 2004, we operated and administered 33 parts depots worldwide, either directly or through arrangements with our warehouse service providers, including 17 in North America, 11 in Europe, 2 in Latin America and 3 in Australia and New Zealand. These depots supply parts to dealers and distributors, which are responsible for sales to retail customers. Management believes that these parts depots and our parts delivery systems provide our customers with timely access to substantially all of the parts required to support our equipment.

In order to improve the distribution of replacement parts and the efficiency of our parts and services network, we have entered into arrangements with two major suppliers of warehousing services. TNT Logistics, a subsidiary of TPG N.V., provides warehousing services in Latin America. In North America, Caterpillar Logistics Services, Inc., a subsidiary of Caterpillar Inc., provides warehousing services to us on a fee for service basis. We handle logistical arrangements directly with respect to parts operations in other areas of the world.

Through the establishment of common platforms and systems for various product lines, we have enhanced the efficiency and cost effectiveness of our parts business by centralizing the production of these components.

As part of the expansion of our product range and the renewal of most of our agricultural and construction equipment product lines, many new parts have entered or will enter into our parts system. To take advantage of the significant number of shared parts being designed for the new common component system, we have developed a new common parts packaging system for parts that can be used by any of our multiple brands. A small number of high volume parts will be distinctly packaged for each brand or brand family, even if the parts are identical. These would typically be the parts that a customer might see in a dealer s showroom. All remaining parts will utilize common CNH packaging to minimize costs and distribution complexity.

The development of a common global parts system for all products and brands is another key merger profit improvement action that is facilitating the depot rationalization program. We also expect the new parts system to improve parts inventory management and customer service levels. The new system was launched for the North American market in January 2003 and we are developing systems integration and implementation plans for Western Europe.

Service and Warranty

Our products are warranted to the end-user to ensure confidence in design, workmanship and material quality. Warranty lengths vary depending on competitive standards established within individual markets. In general, warranties tend to be for one to three years, with some as short as six months, and cover all parts and

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labor for non-maintenance repairs and wear items, provided operator abuse, improper use or negligence did not necessitate the repair. Warranty on some products is limited by hours of use, and a purchased warranty is available on most products in major markets. Dealers submit claims for warranty reimbursement to us and are credited for the cost of repairs if the repairs meet our prescribed standards. Warranty expense is accrued at the time of sale, and purchased warranty revenue is deferred and amortized over the life of the warranty contract.

Our distributors and dealers provide service support outside of the warranty period. Our service engineers or service training specialists train service personnel in one of several of our training facilities around the world or on location at dealerships.

Seasonality and Production Schedules

Seasonal industry conditions affect our sales of agricultural equipment and, to a lesser extent, construction equipment. Our production levels are based upon estimated retail demand. These estimates take into account the timing of dealer shipments, which are in advance of retail demand, dealer inventory levels, the need to retool manufacturing facilities to produce new or different models and the efficient use of manpower and facilities. We adjust our production levels to reflect changes in estimated demand, dealer inventory levels, labor disruptions and other matters not within our control. However, because we spread our production and wholesale shipments throughout the year to take into account the factors described above, wholesale sales of agricultural equipment products in any given period may not reflect the timing of dealer orders and retail demand.

Financial Services

Overview

Financial Services is our captive financing arm, providing financial services to dealers and customers in North America, Australia and Brazil. Through our joint venture with BPLG, Financial Services provides customer financing in Western Europe and has begun the process of managing dealer receivables in certain countries in Western Europe. The principal products offered on a worldwide basis are retail loans to final customers and wholesale financing to our dealers. As of December 31, 2004, Financial Services managed a portfolio of receivables of approximately $13.3 billion, including both on- and off-book assets and receivables managed for our joint venture in Western Europe. North America accounts for 63% of the managed portfolio, Western Europe 22% (which includes the revenue of our joint venture with BPLG, in which we have a 49% interest), Brazil 9% and Australia 6%. Financial Services provides retail loans, leases and insurance products to end-user customers as the local market requires and provides a variety of wholesale and insurance products to our dealer network.

Financial Services mission is to improve the effectiveness of its finance activities in supporting the growth of our equipment sales and to contribute to building dealer and end-user loyalty. Its strategy for meeting these objectives is to grow its core financing business through higher financing penetration of our equipment sales, expansion of its services offering, new product development and marketing promotions and events. In addition, Financial Services is focused on improving credit quality and service levels and increasing operational effectiveness. Financial Services also continues to grow its financing business in Western Europe as it leverages its joint venture arrangement with BPLG to broaden its financing activities to cover CNH-branded products in all the countries it services. Financial Services also seeks to expand its financing of used equipment through our dealers and related services, including expanded insurance offerings. In Western Europe and Brazil, we have begun extending our North American business model for centralizing the management of wholesale receivables within Financial Services.

Access to funding at competitive rates is key to the growth of Financial Services core business and expansion of its financing activities into new and existing geographic markets with new retail and wholesale product offerings. On a global level, we will continue to evaluate alternatives to help ensure that Financial Services continues to have access to capital on favorable terms in support of its business, including through equity investments by global or regional partners in joint venture or partnership opportunities, new funding

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arrangements or a combination of any of the foregoing. Joint venture or partnerships, similar to the BPLG arrangement entered in 2002, allow us to be more responsive to customer needs, introduce a wider range of products more rapidly and to enter geographic and product markets at a faster pace. Beginning in September 2005, either we or BPLG may terminate the BPLG joint venture by providing nine months prior written notice. We do not believe BPLG will terminate our joint venture with them. However, we believe the required nine month advance notice would provide us with sufficient time to secure alternative financing for our retail financing in the European countries where the BPLG joint venture operates.

Finance Operations

In North America, Financial Services offers a wide variety of financial products including wholesale equipment financing for our dealers and end users, retail loans, finance leases, operating leases, credit cards, rental programs and insurance products. We have established separate sales and underwriting groups to service the Agricultural Equipment and Construction Equipment businesses. This distinction allows Financial Services to strengthen customer service and reduce risk by deploying industry-specific expertise in each of these businesses.

Financial Services is focused on being a captive financial services company dedicated solely to the support of our dealers and customers across all our brands. Despite discontinuing diversified retail financing in 2001, Financial Services continues to service its existing non-core portfolio, which represents approximately 1% of Financial Services current managed portfolio. Financial Services also strengthened its organization by hiring personnel with specific expertise in our Equipment Operations industries, and by creating a special work-out team to manage troubled accounts more effectively.

Outside of North America, Financial Services is developing its capabilities to service our dealers and customers in more stable markets as legal regulations, business and funding conditions and market and economic conditions permit. Building on our experience in North America, we are introducing products developed in North America into other markets to expand the product offerings and customer service capabilities in those markets. Financial Services continues to evaluate and implement what it believes to be the most efficient cost structures for expanding its Financial Services business outside of North America. Through joint venture agreements, such as the BPLG arrangement in Western Europe, we seek to leverage our partners established expertise, cost efficiencies, access to low cost sources of funding and established market presence.

Financial Services focuses primarily on efficient risk management, operational efficiency and strong customer service. We have significantly expanded our risk management procedures at all stages of the financing process, including definition, underwriting, remarketing and recovery. Financial Services has a dedicated team to address operational improvement opportunities, including the complete re-engineering of some key processes. We and our predecessors have a long history of successful financing relationships with North American agricultural and construction equipment customers.

At the retail level, Financial Services sells retail financial products primarily through our dealers, whom we train in the use of the various financial products. Our sales force may assist directly with some of the larger or more complex financing proposals. Dedicated credit analysis teams perform retail credit underwriting.

At the dealer financing level in North America, Financial Services provides wholesale floor plan financing for our dealers, which allows dealers to maintain a representative inventory of products. Financial Services also provides some working capital and real estate loans on a limited basis. For our floor plan financing, we generally provide a fixed period of free financing for the dealers, during which Equipment Operations pays the finance charges. This practice helps to level fluctuations in factory demand and provides a buffer from the impact of seasonal sales. After the free period, if the equipment remains unsold, the dealer pays interest costs.

A wholesale underwriting group reviews dealer financials and payment performance to establish credit lines for each dealer. In setting these credit lines, we seek to meet the reasonable requirements of each dealer

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while controlling our exposure to any one dealer. The credit lines are secured by the dealer s unsold equipment assets and are used to facilitate wholesale sales. The dealer credit agreements include a requirement to pay at the time of the retail sale. Financial Services employees or third-party contractors conduct periodic stock audits at each dealership to help confirm that financed equipment is still in inventory. The frequency of these audits varies by dealer and depends on the dealer s financial strength, payment history and prior performance.

Marketing personnel from Financial Services work with our equipment operations commercial staff to develop and structure financial products that will optimize equipment sales and generate Financial Services income. Financial Services also develops products to finance non-CNH equipment sold through our dealer network or within the core businesses of agricultural or construction equipment. This equipment includes used equipment taken in trade on new CNH product or equipment used in conjunction with or attached to our equipment.

We compete primarily with banks, finance companies and other financial institutions. Typically, this competition is based upon customer service and finance rates charged to the borrower. Financial Services finances the majority of our new equipment sales in the regions where it is present due to its ability to offer, in some circumstances, below market finance rates as part of special marketing programs offered by our commercial organization. Long-term profitability in our Financial Services operations is largely dependent on the cyclical nature of the agricultural and construction equipment industries, interest rate volatility and access to low-cost funding sources. Financial Services relies on the financial markets, ABS, intercompany lending and cash flows to provide funding for its activities. Currently, Financial Services funding strategy in North America is twofold; (i) access capital markets through ABS transactions and (ii) expand the use of ABCP securitization financing to other portfolios such as credit cards and finance leases with the goal of reducing reliance on intercompany and intersegment funding.

Asset-Backed Securitizations

Financial Services periodically accesses the public asset-backed securities market in the United States, Canada and Australia, and will continue to rely on the availability of liquidity through that market to fund its retail financing programs. We anticipate that, depending on continued market interest and other economic factors, Financial Services will continue to securitize its retail receivables in the United States, Canadian and Australian markets. Financial Services access to the asset-backed securities market will depend, in part, upon its financial condition, portfolio performance and market conditions. These factors can be negatively affected by cyclical swings in the industries we serve. Securitization transactions in the United States are typically about $1.0 billion to $1.5 billion in size, in Canada are C$250 million to C$300 million and in Australia are A$400 million to A$500 million. Financial Services applies the proceeds of the securitizations to repay outstanding debt that was funding the receivables while on our consolidated balance sheet.

Insurance

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

Legal Proceedings

We are party to various legal proceedings in the ordinary course of our business, including, product warranty, environmental, asbestos, dealer disputes, disputes with suppliers and service providers, workers compensation, patent infringement, and customer and employment matters. The ultimate outcome of all of these other legal matters pending against us or our subsidiaries cannot be predicted, and although such lawsuits are not expected individually to have a material adverse effect on us, such lawsuits could have, in the aggregate, a material adverse effect on our consolidated financial condition, cash flows or results of operations.

Product Liability

Product liability claims against us arise from time to time in the ordinary course of business. There is an inherent uncertainty as to the eventual resolution of unsettled claims. However, in the opinion of management, any losses with respect to these existing claims will not have a material adverse effect on our financial position or results of operations.

Other Litigation

In December 2002, six named individuals filed a purported class action lawsuit in the Federal District Court for the Eastern District of Michigan against El Paso Tennessee Pipeline Co. (formerly Tenneco, Inc.) (El Paso) and Case. (Yolton, et. Al v. El Paso Tennessee Pipeline Co., and Case Corporation a/k/a/ Case Power Equipment Corporation, Docket number 02-74276). The lawsuit alleged breach of contract and violations of various provisions of the Employee Retirement Income Security Act arising due to alleged changes in health insurance benefits provided to employees of the Tenneco, Inc. agriculture and construction equipment business who retired before selected assets of that business were transferred to us in June 1994. The changes resulted from an agreement between an El Paso subsidiary and the UAW to cap (prior to the transfer of the agricultural and construction equipment business to us) the amount of retiree health insurance costs (the Cap). The UAW retirees were to bear the costs above the Cap. El Paso administers the health insurance programs for the purported plaintiff class, and we and El Paso are parties to a 1994 agreement under which El Paso has agreed to indemnify us for the costs of the health insurance program. The lawsuit arose after El Paso notified the retirees that the retirees will be required to pay a portion of the cost of those benefits because the Cap had been reached. The plaintiffs also filed a motion for preliminary injunction, asking the court to prevent El Paso and/ or us from requesting the retirees to pay a portion of the health benefits. On December 31, 2003, the court entered a preliminary injunction order requiring El Paso to pay the full costs of health insurance benefits for the purported plaintiff class. El Paso filed a motion for reconsideration. On March 9, 2004, the court entered an order granting plaintiffs motion for preliminary injunction. Pursuant to the March 9, 2004 order, the court vacated its December 31, 2003 order and ordered Case to pay the full costs of health insurance benefits for the purported plaintiff class from March 2004. However, El Paso has not disputed its responsibility to pay amounts up to the Cap. We filed a motion with the court seeking to have the preliminary injunction stayed and the order reconsidered. The district court denied such motions. We have appealed the district court s denials to the 6th Circuit Court of Appeals. We also had filed a motion for summary judgment that El Paso indemnify us pursuant to the terms of the 1994 agreement. The district court ruled in our favor on our summary judgment motion and ordered that El Paso must make the monthly payments of approximately $1.8 million to cover the amounts above the Cap. El Paso moved for reconsideration of that decision. On November 3, 2004, the district court denied El Paso s motion for reconsideration and allowed an immediate appeal to the 6th Circuit. El Paso filed its appeal of the November 3, 2004 order, and the Court certified the appeal, consolidating it with the appeal of the preliminary injunction. While we are unable to predict the outcome of this proceeding, we believe we have good legal and factual claims and defenses, and we will continue to vigorously pursue our claims and defend against this lawsuit.

C. *Organizational Structure.*

As of December 31, 2004, Fiat Netherlands, a wholly owned subsidiary of Fiat, owns approximately 84% of CNH s outstanding common shares and all of our outstanding Series A Preferred Stock. Fiat was founded in Turin, Italy on July 11, 1899.

The Fiat Group is a global industrial manufacturer with a primary focus on the production and sale of automobiles, agricultural and construction equipment and commercial vehicles. The Fiat Group also manufactures products and systems for use by its automotive sectors and for sale to third parties, principally components, metallurgical products and production systems. In addition, the Fiat Group is involved in other sectors, including publishing and communications and service operations.

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The Fiat Group s operations are currently conducted through nine operating sectors: Automobiles, Agricultural and Construction Equipment, Commercial Vehicles, Ferrari, Components, Production Systems, Metallurgical Products, Services, Publishing and Communications. These companies include Fiat Auto Holdings, CNH, Iveco, Ferrari, Magneti Marelli, Comau, Teksid, Business Solutions and Itedi.

A listing of our significant directly and indirectly owned subsidiaries as of December 31, 2004 is set forth in an exhibit to this Form 20-F.

D. *Property, Plants and Equipment.*

We believe our facilities are well maintained, in good operating condition and are suitable for their present purposes. These facilities, including the planned restructuring actions and planned capital expenditures, are expected to meet our manufacturing needs in the foreseeable future. Planned capacity is adequate to satisfy anticipated retail demand and the operations are designed to be flexible enough to accommodate the planned product design changes required to meet market conditions and new product programs. We anticipate no difficulty in retaining occupancy of any leased facilities, either by renewing leases prior to expiration or by replacing them with equivalent leased facilities.

The following table provides information about our principal manufacturing, engineering and administrative facilities, as of December 31, 2004:

Location	Primary Functions	Approximate Covered Area*	Ownership Status
United States			
Belleville, PA	Hay and Forage	540	Owned
Benson, MN	Agricultural Sprayers	219	Owned
Burlington, IA	Backhoe Loaders; Fork Lift Trucks	989	Owned
Burr Ridge, IL	Technology (Engineering) Center	549	Owned
Calhoun, GA	Crawler Excavators and Dozers	267	Owned**
Dublin, GA	Compact Tractors	60	Owned
Fargo, ND	Tractors; Wheel Loaders	531	Owned
Goodfield, IL	Soil Management (Tillage Equipment)	233	Owned
Grand Island, NE	Combine Harvesters	680	Owned
Lake Forest, IL	Global Management Offices	65	Leased
New Holland, PA	Administrative Facilities; Hay and Forage; Engineering Center	1,190	Owned
Racine, WI	Administrative Facilities; Tractor Assembly; Transmissions	2,015	Owned/Leased
Wichita, KS	Skid Steer Loaders	455	Owned
Italy			
Imola	Backhoe Loaders; Engineering Center	384	Owned
Jesi	Tractors	710	Owned
Lecce	Construction Equipment; Engineering Center	1,550	Owned
Modena	Components	1,150	Owned
San Matteo	Engineering Center	540	Owned
San Mauro	Crawler Excavators	590	Owned**
France			
Coex	Grape Harvesters; Engineering Center	280	Owned
Croix	Cabs	466	Owned

Tracy-Le-Mont	Hydraulic Cylinders	204	Owned
United Kingdom			
Basildon	Tractors; Components; Engineering Center; Administrative Facilities	1,390	Owned

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Location	Primary Functions	Approximate Covered Area*	Ownership Status
Germany			
Berlin	Construction Equipment; Engineering Center	1,113	Leased
Dortmund	Administrative Facilities; Test and Parts Centers	348	Leased
Heidelberg	Administrative and Warehouse Facilities	162	Owned
Brazil			
Belo Horizonte	Construction Equipment; Engineering Center	510	Owned
Curitiba	Tractors; Combine Harvesters; Engineering Center	760	Owned
Piracicaba	Sugar Cane Harvesters	108	Owned
Canada			
Saskatoon	Planting and Seeding Equipment; Components; Engineering Center	750	Owned
Belgium			
Antwerp	Components	645	Leased
Zedelgem	Combine Harvesters; Hay and Forage; Engineering Center	1,655	Owned
Others			
St. Valentin, Austria	Tractors	398	Leased
Shanghai, China	Tractors	775	Leased**
New Delhi, India	Tractors; Engineering Center	360	Owned
Plock, Poland	Combine Harvesters	1,020	Owned
Queretao, Mexico	Components	205	Leased
Amsterdam, The Netherlands	Administrative	2	Leased

* in thousands of square feet
** consolidated joint venture

In addition, we own or lease a number of other manufacturing and non-manufacturing facilities, including office facilities, parts depots and dealerships worldwide, some of which are not currently active.

Environmental Matters

Our operations and products are subject to extensive environmental laws and regulations in the countries in which we operate. We have an ongoing Pollution Prevention Program to reduce industrial waste, air emissions and water usage. We also have regional programs designed to implement environmental management practices and compliance, to promote continuing environmental improvements and to identify and evaluate environmental risks at manufacturing and other facilities worldwide.

Our engines and equipment are subject to extensive statutory and regulatory requirements that impose standards with respect to air emissions. Further emissions reductions in the future from non-road engines and equipment have been promulgated or are contemplated in the United States as well as by non-U.S. regulatory authorities in many jurisdictions throughout the world. We expect that we may make significant capital and research expenditures to comply with these standards now and in the future. We anticipate that these costs are likely to increase as emissions limits become more stringent. At this time, however, we are not able to quantify the dollar amount of such expenditures as the levels and timing are not agreed by the regulatory bodies. The failure to comply with these current and anticipated emission limits could result in adverse effects on future financial results.

Capital expenditures for environmental control and compliance in 2004 were approximately $3.8 million and we expect to spend approximately $3.8 million in 2005. The Clean Air Act Amendments of 1990 and European Commission directives directly affect the operations of all of our manufacturing facilities in the United States and Europe, respectively, currently and in the future. The manufacturing processes affected include painting and coating operations. Although capital expenditures for environmental control equipment and compliance costs in future years will depend on legislative, regulatory and technological developments that cannot accurately be predicted at this time, we anticipate that these costs are likely to increase as environmental requirements become more stringent. We believe that these capital costs, exclusive of product-related costs, will not have a material adverse effect on our business, financial position or results of operations.

Pursuant to the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), which imposes strict and, under certain circumstances, joint and several liability for remediation and liability for natural resource damages, and other federal and state laws that impose similar liabilities, we have received inquiries for information or notices of our potential liability regarding 46 non-owned sites at which hazardous substances allegedly generated by us were released or disposed (Waste Sites). Of the Waste Sites, 20 are on the National Priority List promulgated pursuant to CERCLA. For 39 of the Waste Sites, the monetary amount or extent of our liability has either been resolved; we have not been named as a potentially responsible party (PRP); or our liability is likely *de minimis.* In September 2004, the United States Environmental Protection Agency (U.S. EPA) proposed the Parkview Well Site in Grand Island, Nebraska for listing on the National Priorities List (NPL). Within its proposal U.S. EPA discussed two alleged alternatives, one of which identified historical on-site activities that occurred during prior ownership at CNH America LLC s Grand Island manufacturing plant property as a possible contributing source of area groundwater contamination. CNH America LLC filed comments on the proposed listing which reflected its opinion that the data does not support U.S. EPA s alleged scenario. In December 2004, a toxic tort suit was filed by area residents against us, certain of our subsidiaries including CNH America LLC, and prior owners of the property. While we are unable to predict the outcome of this proceeding, we believe that we have strong legal and factual defenses, and we will vigorously defend this lawsuit. Because estimates of remediation costs are subject to revision as more information becomes available about the extent and cost of remediation and because settlement agreements can be reopened under certain circumstances, our potential liability for remediation costs associated with the 46 Waste Sites could change. Moreover, because liability under CERCLA and similar laws can be joint and several, we could be required to pay amounts in excess of our pro rata share of remediation costs. However, when appropriate, our understanding of the financial strength of other PRPs has been considered in the determination of our potential liability. We believe that the costs associated with the Waste Sites will not have a material adverse effect on our business, financial position or results of operations.

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

The actual costs for environmental matters could differ materially from those costs currently anticipated due to the nature of historical handling and disposal of hazardous substances typical of manufacturing and related operations, the discovery of currently unknown conditions, and as a result of more aggressive enforcement by regulatory authorities and changes in existing laws and regulations. As in the past, we plan to continue funding our costs of environmental compliance from operating cash flows.

Item 5. Operating and Financial Review and Prospects

The Consolidated data in this section includes CNH Global N.V. and its consolidated subsidiaries and conforms to the requirements of Statement of Financial Accounting Standards (SFAS) No. 94. In the supplemental consolidating data in this section, Equipment Operations (with Financial Services on the equity basis) include primarily CNH Global N.V. s agricultural and construction equipment operations. The supplemental Financial Services consolidating data in this section include primarily CNH Global N.V. s financial services business. Transactions between Equipment Operations and Financial Services have been eliminated to arrive at the Consolidated data. This presentation is consistent with the other consolidated and supplemental financial information presented throughout this report.

A. ***Operating Results.***

2004 Compared to 2003

Overview

Our net income of $125 million in 2004 compared to a net loss of $157 million in 2003. The increase in earnings resulted primarily from the positive results of Financial Services and the strength of our Agricultural and Construction Equipment businesses in the Americas.

Our Agricultural Equipment business gross margin increased in dollars but remained flat as a percent of net sales compared with 2003. Higher pricing, favorable currency and higher volume and mix offset unfavorable economics, particularly higher steel costs. Improvements in North America were offset by declines in Europe, where the competitive conditions did not allow for sufficient price increases to recover increased steel costs and other economics.

Construction Equipment s results improved significantly in 2004, as gross margin increased both in dollars and as a percent of net sales. Improved price realization, volume and mix, and impacts of our manufacturing rationalization actions more than offset higher steel costs and other economics.

Financial Services net income increased to $159 million in 2004, compared to $93 million in 2003. The significant increase in the results of Financial Services reflects better spreads on our ABS transactions and improved margins. Continued improvements in portfolio quality have resulted in steady declines in past due and delinquency rates in the core business of Financial Services and lower provisions for loan losses for the year. The total managed portfolio at the end of 2004 increased by 6% compared to the December 31, 2003 level.

Revenues

Consolidated revenues for 2004 totaled approximately $12.2 billion as compared to approximately $10.7 billion in 2003. Consolidated revenues were up approximately 14% (including variations in foreign exchange rates of $544 million or 5%) compared to 2003. This reflects stronger worldwide agricultural and construction equipment markets and higher revenues at Financial Services. The largest component of our consolidated revenues is our net sales of agricultural and construction equipment, which were $11.5 billion in 2004 as compared to approximately $10.1 billion in 2003. Adjusted for the impact of variations in foreign exchange rates, net sales of equipment were up 9% from 2003 levels.

Net Sales of Equipment

Net sales of our Equipment Operations for the years ended December 31, 2004 and 2003 by geographic area were as follows:

	2004	2003
	(in millions)	
Net sales		
North America	$ 5,241	$ 4,206
Western Europe	3,834	3,739
Latin America	913	712
Rest of World	1,557	1,412
Total net sales	$ 11,545	$ 10,069

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Net sales of equipment were up 15% in 2004, $557 million of which was due to variations in foreign exchange rates. The increase in net sales reflected increases in net sales of both agricultural and construction equipment.

Agricultural Equipment

	2004	2003
	(in millions)	
Net sales		
North America	$ 3,383	$ 2,893
Western Europe	2,681	2,543
Latin America	715	579
Rest of World	1,221	1,110
Total net sales	$ 8,000	$ 7,125

Net sales of agricultural equipment in 2004 were approximately 12% higher than in 2003. Approximately 6% of this increase resulted from variations in foreign exchange rates. Worldwide, in addition to the currency impact, net sales increased primarily from improved volume and mix, improved price realization and from new products.

Overall in 2004, worldwide market demand, on a unit basis, for major agricultural equipment product lines was approximately 17% higher than in 2003. Worldwide demand for tractors increased by about 18%, with increases of approximately 12% in North America, 42% in Rest of World markets, 11% in Latin America and 4% in Western Europe. Worldwide demand for combines was up approximately 15% over the level in 2003. Demand in North America increased by about 40% while demand in Western Europe declined by about 10%. Combine demand in Latin America, however, was up approximately 17% and in Rest of World markets by about 15%. On a unit basis, our agricultural equipment sales increased but by less than the market. Our overall tractor market share declined by about one percentage point from 2003, and our combine market share declined approximately three and one-half percentage points. In total, we under produced retail demand by about 1% in order to slightly reduce company and dealer inventories. At year-end total company and dealer inventories are consistent with prior year levels, on a forward months supply basis.

In North America, net sales of agricultural equipment increased by about 17% in 2004 compared with 2003, including increases related to variations in foreign exchange rates of approximately 1%. Wholesale unit sales of tractors and combines increased by approximately 21%. Total market demand for agricultural tractors in North America increased by about 12%. Demand for under 40-horsepower tractors increased by 7%. Industry demand for mid-sized (40- to 100-horsepower) tractors increased by about 16%; demand for large two wheel drive tractors over 100-horsepower increased by approximately 29% while demand for four wheel drive articulated tractors increased by 24%. Combine market demand increased by about 40%. Our overall agricultural equipment market penetration increased slightly principally related to segment mix between under and over 40-horsepower tractors, while our combine market penetration decreased by more than six percentage points to a level consistent with 2002.

In Western Europe, net sales of agricultural equipment increased by 5%, primarily related to the effects of variations in foreign exchange rates. Excluding currency, net sales declined by approximately 4% in Western Europe. Overall tractor market demand, as measured in units, increased by about 4% in 2004 and overall combine market demand declined by about 10%. Our wholesale unit sales declined slightly as market penetration decreased slightly for both tractors and combines, and we underproduced retail by approximately 7% to reduce company and dealer inventories.

In Latin America, net sales of agricultural equipment in 2004 were 23% higher than in 2003, including approximately 4% due to variations in foreign exchange rates. Pricing and volumes were strong. Market demand for tractors increased by approximately 11% and demand for combines increased by 17% despite a slow-down of the combine market in the second half of the year. Year-over-year our unit wholesale volumes

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increased by approximately 5%, with a substantially improved mix of higher valued combines. This increase in total market demand for agricultural tractors in Latin America occurred despite a decline of approximately 2% in market demand for tractors in Brazil, based on reported unit sales. Tractor market demand in Argentina, however, increased by about 50%, continuing the recovery started in 2003 from the low levels experienced in 2002 after the devaluation of the Argentine peso. The increase in total market demand for combines included the continued resurgence of the Argentine combine market, rebounding from the 2002 low, a smaller increase of total industry unit sales of combines in Brazil by about 3% and general strength through the rest of the countries in Latin America.

In markets throughout the Rest of World, net sales of agricultural equipment in 2004 increased by approximately 10% compared to 2003. Variations in foreign exchange rates, in particular the 13% strengthening of the Australian dollar, accounted for about eight percentage points of the increase. Wholesale unit sales of tractors and combines in 2004 were about 13% higher than in 2003 despite under-producing retail demand by about 2%.

Construction Equipment

	2004	2003
	(in millions)	
Net sales		
North America	$ 1,858	$ 1,313