
\$500,000,000



Case New Holland

CASE NEW HOLLAND INC. 7.125% Senior Notes due 2014

Notes

- ▶ We are offering \$500,000,000 aggregate principal amount of our 7.125% Senior Notes due 2014.
- ▶ We will pay interest semi-annually on March 1 and September 1 of each year, starting on September 1, 2006.
- ▶ The notes will mature on March 1, 2014.
- ▶ We intend to loan (i) approximately \$246 million of the net proceeds to CNH Global N.V., our parent company, which plans to use the funds to prepay existing debt to an affiliate of Fiat S.p.A., which debt matures in May 2006; (ii) approximately \$154 million of the net proceeds to CNH America LLC, one of our subsidiaries and a guarantor of the notes, which plans to use the funds to retire existing debt to a third party, \$99 million of which debt matures in July 2006 and \$55 million of which debt matures in January 2007; (iii) approximately \$61 million of the net proceeds to CNH Canada, Ltd., a subsidiary of CNH Global and a guarantor of the notes, which plans to use the funds to reduce short term debt owed to a Fiat affiliate; and (iv) approximately \$30 million of the net proceeds to CNH U.K. Limited, a subsidiary of CNH Global and a guarantor of the notes, which plans to use the funds to reduce short term debt owed to a Fiat affiliate.
- ▶ CNH Global, and certain of its direct and indirect subsidiaries, including certain of Case New Holland's direct and indirect subsidiaries, will guarantee the notes on a senior basis.

Redemption and Repurchase

- ▶ We will have the option to redeem some or all of the notes at any time on or after March 1, 2010, at a redemption price equal to 100% of the principal amount of the notes plus a premium declining ratably to par and accrued and unpaid interest to the date of redemption.
- ▶ At any time before March 1, 2009, we may redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 107.125% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, with money we raise from one or more qualified equity offerings.
- ▶ At any time before March 1, 2010, we may redeem some or all of the notes at a redemption price equal to 100% of the principal amount of the notes, plus a "make-whole" premium and accrued and unpaid interest to the date of redemption.
- ▶ If we experience a change of control, as defined in the indenture relating to the notes, we may be required to offer to purchase the notes at 101% of the aggregate principal amount of the notes purchased plus accrued and unpaid interest to the date of purchase.

Ranking

- ▶ The notes will be our senior obligations and will rank equally with all of our existing and future senior obligations and senior to our subordinated indebtedness. The notes will be effectively subordinated to our existing and future secured indebtedness to the extent of the assets securing that indebtedness. The guarantees will rank equally with all existing and future senior obligations of the guarantors and will be effectively subordinated to existing and future secured debt of the guarantors to the extent of the assets securing that indebtedness.

Offering

- ▶ We are not registering the notes under the Securities Act of 1933 or under any state securities laws. We are offering the notes only to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933 and to persons outside the United States in compliance with Regulation S of the Securities Act of 1933.
- ▶ There is currently no public market for the notes. The notes are expected to be eligible to be traded in The PORTAL Market of the National Association of Securities Dealers Inc.
- ▶ We have agreed to file a registration statement with the Securities and Exchange Commission with respect to an exchange offer of notes which will be substantially identical to these notes.

Investment in the notes involves risks. See the "Risk factors" section beginning on page 24.

PRICE 100% PLUS ACCRUED INTEREST IF ANY

We expect that the notes will be ready for delivery in book-entry form through The Depository Trust Company on or about March 3, 2006. The initial purchaser is:

UBS Investment Bank

Important notice to readers

This offering memorandum is not an offer to sell the notes and we are not soliciting an offer to buy the notes in any jurisdiction where the offer or sale is prohibited. Neither the delivery of this offering memorandum nor any sale made under the terms described herein shall imply that the information herein is correct as of any date after the date hereof.

This offering is being made in reliance upon exemptions from registration under the Securities Act of 1933, as amended (“Securities Act”), for an offer and sale of securities which does not involve a public offering. The notes will be initially purchased by UBS Securities LLC (the “initial purchaser”) in accordance with such exemptions. If you purchase any of the notes, you will be deemed to make certain acknowledgments, representations and agreements set forth herein under the caption “Notice to investors.” You may be required to bear the financial risks of this investment for an indefinite period of time.

We prepared this offering memorandum solely for use in connection with this offering. In accepting this offering memorandum, you have agreed that this offering memorandum is highly confidential and that you will hold the information contained or referred to herein in confidence. We and the initial purchaser reserve the right to reject any offer to purchase any of the notes for any reason, or to sell less than the principal amount of the notes for which any prospective purchaser has subscribed. This offering memorandum is personal to each offeree and is not an offer to any other person or to the public generally to subscribe for the notes. You represent that you are basing your investment decision solely on this offering memorandum and your own examination of us and the terms of this offering. You cannot distribute this offering memorandum or the information contained in it to any person other than your professional advisor without our prior written consent. You cannot make any photocopies of this offering memorandum or any documents delivered in connection with it. If you do not purchase any of the notes, or if this offering is terminated, you agree to return this offering memorandum and all documents delivered in connection with this offering to UBS Securities LLC, 677 Washington Blvd., Stamford, Connecticut 06901, Attn: High Yield Capital Markets.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS OFFERING MEMORANDUM, AN INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF THE INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTIONS DESCRIBED IN THIS OFFERING MEMORANDUM AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE.

By receiving this offering memorandum and by purchasing the notes, you acknowledge that (1) you have had the opportunity to ask us for and to review, and you have received and reviewed, all additional information considered by you to be necessary to verify the accuracy of or to supplement the information presented in this offering memorandum, (2) you have not relied on the initial purchaser or any person affiliated with the initial purchaser in connection with investigating the accuracy of such information or your investment decision and (3) no person has been authorized to give information or to make any representation concerning us or the notes other than as contained in this offering memorandum and information given by our duly authorized officers and employees in connection with your examination of us and the terms of this offering. You cannot rely on any such other information or representation.

The initial purchaser makes no representation or warranty, express or implied, concerning the accuracy or completeness of the information in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, from the initial purchaser whether as to the past or the future.

We cannot give you any assurance and you should not assume that the information contained in this offering memorandum is accurate or complete after the date appearing on the cover page. Our business, financial condition, results of operations and prospects may have changed since that date.

The contents of this offering memorandum are not legal, business or tax advice and neither we nor the initial purchaser are making any representation to any purchaser of the notes regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations. You should consult your own attorney, business advisor and tax advisor as to legal, business or tax advice related to a purchase of the notes.

We have agreed to register with the Securities and Exchange Commission, or the “SEC,” another series of notes. Those notes, which we will refer to as the “exchange notes,” will be offered in exchange for the notes, and will have substantially the same terms as the notes issued by us in the offering, but they will be freely transferable. Additional interest will be payable on the interest payment dates if we do not comply with our agreement regarding registration and the exchange of the exchange notes for the notes. See “Exchange offer; registration rights.”

The notes are expected to be eligible for trading in The PORTAL Market. Notes sold in reliance on Rule 144A under the Securities Act will initially be represented by a separate single permanent global certificate, and notes sold to persons other than U.S. persons in reliance on Regulation S under the Securities Act will initially be represented by a separate single temporary global certificate, in each case in fully registered form without coupons, and each such global certificate will be deposited in the name of a nominee of The Depository Trust Company, New York, New York, as depository. See “Book-entry, delivery and form.”

You must comply with all applicable laws and regulations (including obtaining required consents, approvals or permissions) in force in any jurisdiction in which you purchase, offer or sell the notes. Neither we nor the initial purchaser have any responsibility for any purchase, offer or sale of the notes by you.

If you have any questions relating to this offering memorandum or this offering, or if you reasonably require additional information in connection with your investment in the notes, direct your questions to the initial purchaser or us.

In connection with this offering, the initial purchaser participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the initial purchaser may over allot in connection with this offering, may bid for and purchase notes in the open market and may impose penalty bids. For a description of these activities, see “Plan of distribution.”

Neither the SEC, any state or provincial securities commission nor any other U.S. regulatory authority has approved or disapproved the securities nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us or the initial purchaser.

In The Kingdom of The Netherlands, the notes will only be offered to natural or legal persons who trade or invest in securities in a professional or commercial capacity.

Notice to New Hampshire residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS

LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to United Kingdom investors

The notes will not be offered or sold to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995. This offering memorandum may be issued or passed on in or into the United Kingdom to only a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (investment advertisements) (exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

SEC review

We have agreed to file a registration statement with the SEC with respect to an exchange offer for the notes or, under specified circumstances, a shelf registration with respect to the resale of the notes. In the course of the SEC's review of the registration statement that we have agreed to file, we may make changes to the description of our business, financial information and other information included in this offering memorandum. The registration statement we intend to file to satisfy this obligation will differ in important ways from this offering memorandum in order to comply with SEC rules, particularly rules governing the presentation of non-GAAP financial measures. In particular, the registration statement will not include the measures "Adjusted EBITDA," "EBITDA," the presentation of financial data for the twelve months ended September 30, 2005 and any ratios related thereto which are presented in this offering memorandum, many of which items may not be included in a registration statement filed with the SEC. In addition, this offering memorandum does not include certain condensed consolidating footnote disclosure regarding Case New Holland, Inc. ("Case New Holland") and the guarantors separately from the non-guarantor subsidiaries for certain periods, which would be required to be included in a registration statement relating to the notes. Comments by the SEC on the registration statement may require modification or reformulation of our financial statements and other information we present in this offering memorandum. Any such modification, reformulation or deletion could be material.

Market and industry data

In this offering memorandum, we rely on and refer to information and statistics regarding the industries in which we operate. We obtained this market data from independent industry sources or other publicly available information. Although we believe that these sources are reliable, we have not independently verified and do not guarantee the accuracy and completeness of this information. Certain market and share information in this offering memorandum has been presented as "worldwide," which includes all countries, with the exception of India. In this offering memorandum, management estimates of market share information are generally based on registrations of equipment in most of Europe and Rest of World (as defined below) 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.

Presentation of financial and certain other information

CNH Global N.V. (“CNH” or “CNH Global”) 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 offering memorandum, 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, 2005, Fiat S.p.A. (“Fiat”) owned approximately 83% 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.

CNH Global has a total of 8 million shares of Series A Preferred Stock issued and outstanding, which are held by Fiat and an affiliate of Fiat (the “Fiat Group”). Beginning in 2006, the Series A Preferred Stock is expected to pay a dividend at the then prevailing common dividend yield, based on 2005 results. The prevailing common dividend yield is calculated based upon the average dividend yield of the common shares for the thirty trading days up to and including the date the shareholders approve the dividend on the common shares. The average dividend yield of the common shares means the amount of dividend per share of the common shares declared by the shareholders divided by the average of the closing price per share of the common shares on the New York Stock Exchange for each trading day during the period of 30 consecutive trading days ending on the trading day prior to the date the shareholders approve the common share dividend. However, should CNH achieve certain defined financial performance measures (which were not achieved for 2005), the annual dividend is expected to be fixed at the prevailing common dividend yield plus an additional 150 basis points (equating to \$30 million annually). Assuming prevailing dividend yield on the common shares of approximately 1.4% as in 2005 (taking into account the prevailing prices for our common shares during the relevant trading period prior to the dividend) when CNH paid a \$.25 per share dividend on its common shares, CNH would have paid a dividend of approximately \$28 million on the Series A Preferred Stock. Dividends are expected to 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 90% as of December 31, 2005. 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.

Beginning in 2005, CNH calculates basic earnings per share based on the requirements of Emerging Issues Task Force ("EITF") Issue No. 03-06, "Participating Securities and the Two-Class Method under Financial Accounting Standards Board ("FASB") Statement No. 128, Earnings per Share" ("EITF No. 03-06"). EITF No. 03-06 requires the two-class method of computing earnings per share when participating securities, such as CNH's Series A Preferred Stock, are outstanding. The two-class method is an earnings allocation formula that determines earnings per share for common stock and participating securities based upon an allocation of earnings as if all of the earnings for the period had been distributed in accordance with participation rights on undistributed earnings. The application of EITF No. 03-06 did not impact 2004 or earlier basic earnings per share as the Series A Preferred Stock was not considered participating during these periods. The application of EITF No. 03-06 has had an impact on the calculation of basic earnings per share in 2005. See "Note 12: Earnings Per Share" to our September 30, 2005 unaudited condensed consolidated financial statements.

Undistributed earnings, which represents net income, less dividends paid to common shareholders, are allocated to the Series A Preferred Stock based on the dividend yield of the common shares, which is impacted by the price of the company's common shares. For purposes of the basic earnings per share calculation, CNH uses the average closing price of the company's common shares over the last thirty trading days of the period ("Average Stock Price"). As of December 31, 2005, the Average Stock Price was \$17.47 per share. Had the Average Stock Price of the common shares been different, the calculation of the earnings allocated to Series A Preferred Stock would have changed. Additionally, the determination is impacted by the payment of dividends to common shareholders as the dividend paid is added to net income in the computation of basic earnings per share. For as long as shares of Series A Preferred Stock remain outstanding, future computations of basic earnings per share will continue to be impacted by changes in CNH's Average Stock Price and dividends paid to CNH common shareholders.

In October, 2004, the FASB EITF ratified the consensus reached on Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share" ("EITF No. 04-8") which changed 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. Beginning in the fourth quarter of 2004, under the provisions of EITF 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 not anti-dilutive, for all periods presented. Earnings per share for the three months and nine months ended September 30, 2004 have been adjusted to conform to the requirements of EITF No. 04-8. During reporting periods where the Average Stock Price of CNH is below approximately \$18.00, basic earnings per share may be reduced, subject to the impact of actual dividends paid to common shareholders which mitigates the dilutive impact of the computation. In periods where basic earnings per share may also be reduced, the possibility exists that diluted earnings per share may also be reduced. This would occur when basic earnings per share computed under EITF No. 03-06 results in an amount that is less than the computation of diluted earnings per share. If this occurs, diluted earnings per share is reduced to equal basic earnings per share.

Certain financial information in this offering memorandum has been presented separately by geographic area. CNH defines its geographic areas as (1) North America, (2) Western Europe, (3) Latin America and (4) Rest of World. As used in this offering memorandum, 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.

We have not completed the preparation of our full financial statements and related notes for the year ended December 31, 2005. Accordingly, our independent registered public accounting firm has not yet issued an audit opinion on such financial statements and notes. Our financial data as of and for the year ended December 31, 2005 included or incorporated by reference in this offering memorandum therefore remains subject to change pending the issuance of our full audited financial statements and notes. You should not place undue reliance on these condensed unaudited results.

Offering memorandum summary

This summary highlights information located elsewhere in this offering memorandum and in our Annual Report on Form 20-F for the year ended December 31, 2004 (our "Form 20-F"), portions of which are incorporated by reference in this offering memorandum. It does not contain all the information that is important to you. You should read this summary together with the more detailed information and consolidated financial statements and notes appearing elsewhere in this offering memorandum. You should carefully consider, among other factors, the matters discussed under "Risk factors" in this offering memorandum. Unless the context otherwise requires, as used in this offering memorandum, (1) the terms "CNH," "the company," "we" and "our" refer to CNH Global N.V. and its consolidated subsidiaries, (2) the term "Case New Holland" refers to Case New Holland Inc., the issuer of the notes, and (3) the term "CNH Global" refers to CNH Global N.V. (excluding its consolidated subsidiaries), a Netherlands corporation that owns 100% of the capital stock of Case New Holland and is one of the guarantors of the notes.

OUR BUSINESS

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. Case IH and New Holland make up our agricultural brand family. Case and New Holland Construction (along with Kobelco in North America) make up our construction equipment brand family. As of December 31, 2004, we were manufacturing our products in 39 facilities throughout the world and distributing 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, skid steer loaders in North America and crawler excavators in Western Europe. In addition, we provide a complete range of replacement parts and services to support our equipment. For the twelve months ended September 30, 2005, our sales of agricultural equipment represented approximately 63% of our net revenues, sales of construction equipment represented approximately 31% of our net revenues and Financial Services represented approximately 6% of our net revenues.

We believe that we are the most geographically diversified manufacturer and distributor of agricultural equipment in the industry. For the twelve months ended September 30, 2005, approximately 44% of our net sales of agricultural equipment were generated from sales in North America, approximately 33% in Western Europe, approximately 6% in Latin America and approximately 17% in the Rest of World. For the same period, approximately 53% of our net sales of construction equipment were generated in North America, approximately 30% in Western Europe, approximately 7% in Latin America and approximately 10% in the Rest of World. Our broad manufacturing base includes facilities in Europe, Latin America, North America, China, India and Uzbekistan.

In North America, 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 September 30, 2005, Financial Services managed a portfolio of receivables, both on- and off-book, of approximately \$13.7 billion.

Case & New Holland Merger Integration — 1999 through 2004

Case and New Holland merged operations on November 12, 1999, creating CNH. The merger integration plan retained the separate brands and distribution networks of Case and New Holland with the goal of maintaining the historical customer base and optimizing worldwide market share. To remain cost competitive and replace products divested in the merger, differentiated products were developed on a reduced number of platforms with common major product components to satisfy distribution network requirements. Use of common components allowed for a reduction in product platforms, a consolidation of suppliers, and the consolidation and rationalization of manufacturing facilities and parts depots. In addition, integration of systems and processes allowed for significant reductions in overhead costs.

In the 1999 through 2004 period, major structural changes were implemented, including:

Dual Brand Families Established: Capitalizing on our world-class brand names, Case, Case IH, New Holland and New Holland Construction, we firmly established our dual brand families with our dealers and customers throughout the world and commenced an ongoing program designed to strengthen these networks.

New Common Components/Platform Products Developed: Global product lines were developed to support the dual brand families, filling in the gaps from required product divestitures and renewing virtually the entire product range. Use of common design elements and shared capital-intensive components allowed a reduction in our total number of tractor, combine and construction equipment platforms. Brand identities were maintained based on handling characteristics, productivity and operation controllability features, color and styling. Use of common components and the manufacturing consolidations allowed the reduction in our number of global direct suppliers to our manufacturing facilities from approximately 6,000 at the time of the merger to approximately 3,000 at December 31, 2004.

Manufacturing Processes Restructured and Manufacturing Capacity Reduced: Manufacturing facilities were consolidated and rationalized, reducing excess capacity and creating a lean, flexible manufacturing system with focused facilities. In addition to downsizing facilities, the total number of plants that CNH had at the time of the merger was reduced from 60 to 37 by the end of 2004, through required and voluntary divestitures or closures. Including two plants acquired post-merger, the total number of CNH facilities at the end of 2004 was 39. In the consolidation process, production of various products was redistributed within the manufacturing system to focus each facility on either the production of components or assembly, concentrating on certain key technologies or competencies and outsourcing other non-core activities. Manufacturing capacity was sized to meet flat market demand and add flexibility to the manufacturing process. Manufacturing capacity utilization increased in the period, from approximately 44% in 1999 to approximately 65% utilization in 2004.

Parts Distribution Network Consolidated: Distribution complexity and costs were reduced by consolidating the global parts system to 33 depots by the end of 2004. A new global parts packaging system was designed to reduce costs through common packaging of spare parts used by more than one brand, although some high volume parts have been distinctly packaged for each brand or brand family.

Systems and Processes Integrated, Creating a Lean Structure: Selling, general and administrative (“SG&A”) costs were reduced from 10.8% of net sales of Equipment in the first year after the merger to about 8% in 2004. The reduction was achieved by eliminating duplicative functions and streamlining processes. Consolidated worldwide total employment also declined by almost 29%, from approximately 36,000 persons at the time of the merger to approximately 25,700 at December 31, 2004. Similarly, consolidated worldwide total salaried employment declined by approximately 35%, from approximately 15,300 persons at the time of the merger to approximately 9,900 at December 31, 2004.

Financial Services Operations Refocused, Profitability Restored: Financial Services operations were re-focused to support agricultural and construction equipment sales to our equipment dealers and retail customers. Following the merger, we stopped originating new commercial lending and retail financings that were outside our dealer networks, allowing this non-core portfolio to run off from approximately \$2 billion at the time of the merger to approximately \$131 million at December 31, 2004. We adopted more disciplined underwriting criteria to enhance the initial quality of our portfolio and proactive risk management techniques for monitoring the portfolio. To manage troubled situations we developed more efficient collection activities, augmented by intensive follow-up and remarketing efforts. The 90 basis point 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, is evidence of the improvement in our portfolio performance. We believe that our continued access to the U.S., Canadian and Australian ABS markets also is evidence of the quality of our retail receivables portfolio.

The merger integration actions made a substantial contribution to improving CNH’s base level of profitability in the period. Including the initial cross-selling of products between the brands, margin improvements from common platform products, cost reductions from SG&A, purchasing negotiations, supplier reductions and manufacturing rationalization, we estimated that these actions contributed a total of \$1 billion of pre-tax profitability improvements from the 1999 base levels through 2004. In that same period, we recorded a total of \$687 million in pre-tax restructuring costs (excluding approximately \$284 million recorded in purchase accounting). These restructuring charges related to severance and other employee-related matters, write-down or loss on sale of assets and businesses, and costs related to closing, selling, and downsizing facilities. See “Note 12: Restructuring” of our consolidated audited financial statements for a detailed analysis of these restructuring programs.

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 brand families, Case and New Holland. Our agricultural brands include Case IH and New Holland. Our global construction equipment brands are Case and New Holland Construction. In North America, we also market under the Kobelco brand. We believe all of our brands have strong histories of quality and 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 and offer a full line of light and heavy products. The product line has been almost completely renewed since the merger. It is supported by a new engine family, sourced from our engine joint venture with Cummins and Iveco, which has the technological capability to meet the schedule of evolving emission standards and, we believe, the scale for economical production. We have strong global construction equipment alliances with both Kobelco Japan and Sumitomo Construction Equipment. In addition, we provide a complete range of replacement parts and services to support both our agricultural and construction equipment offerings.

Strong Global Presence and Distribution Network. We are a full-line company in both the agricultural and construction equipment industries. In each business, we have strong and usually leading positions in most significant markets and product categories. We have balanced market shares across the major markets and are not overly dependent on any one market. Our global scope and scale includes a product engineering and development program integrated with a flexible manufacturing system of 39 facilities on five continents. Our commercial operations are organized to more effectively satisfy the needs of our retail customers in approximately 160 countries and serve our network of approximately 11,400 dealers and distributors as of December 31, 2004.

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

Strategic Support of the Fiat Group. Our operations have the strategic 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. Iveco, Fiat's truck-making subsidiary, 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.

CNH Business Strategy

Building upon our competitive strengths and the business platform established during our merger integration period, we believe we have the base for improving our performance, narrowing the gap with our best competitors and creating value for our shareholders.

Our strategic objectives are to:

- refocus on our customers and further improve our distribution and service capabilities and product quality and reliability, all designed to increase customer satisfaction and market penetration;
- achieve higher margins than either Case or New Holland earned prior to the merger and deliver profitability throughout the industry cycles;
- generate cash to reduce our debt and strengthen our consolidated balance sheet; and
- continue to position CNH to take advantage of future opportunities for expansion.

The key elements of our plan for achieving our strategic objectives are to:

- *Recapture our brand heritages:* We are a full-line competitor in the agricultural and construction equipment markets, with a proud heritage that goes back through generations of our customer base. Our brands have survived by satisfying the needs of these customers. To sharpen our focus on satisfying customer needs, in the fourth quarter of 2005, we reorganized to concentrate on our four distinct global brands — Case IH and New Holland in agricultural equipment and Case and New Holland Construction in construction equipment. Each brand is now focused on maintaining their customer bases by more effectively providing the product features and requirements, quality and reliability, and service and support levels uniquely attributable to each brand. We believe that by recapturing this customer connection and increasing each customer's satisfaction with their

brand, we can stimulate sales growth, increase capacity utilization and improve the efficiency of invested capital.

- *Strengthen our customer and dealer support:* We believe focused dealers are more dedicated to enhancing their brand's market position, building customer service capabilities, increasing loyalty and earning a larger share of their customers' equipment and service expenditures. In our competitive marketplace, our dealer network is one of the most important facets of the retail customer relationship. The quality and reliability of a local dealership is an important consideration in a retail customer's decision to purchase one brand of equipment compared with any other. Dealers that are stronger, more reliable and better equipped to service a retail customer have a greater opportunity to positively influence that customer's purchase decision. As part of our enhanced brand focus, we are allocating new resources to assist our dealers in providing enhanced levels of service and reliability to the retail customer. We are dedicating additional sales and marketing personnel, materials, technical support and training to our dealers. 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.
- *Refocus spare parts activities:* Another key component of customer satisfaction is prompt parts availability to ensure best possible equipment performance. During critical periods of equipment usage, minimized downtime can be a major factor affecting customer satisfaction. When we reorganized to concentrate on brands, we also created a new activity focused on our worldwide parts business. This new organization's role is to more effectively satisfy our customers needs for parts. Combined with continuing investments to improve our depots and global parts system, we expect to provide improved parts availability and delivery reliability for our dealers and customers.
- *Improve product quality and reliability:* With an almost completely renewed product lineup since the merger, we are concentrating product development, management and manufacturing efforts to achieve best-in-class levels of product quality and reliability. As we introduce new engines and components to meet evolving environmental requirements, we are concentrating on increasing parts and component quality, reducing product complexity, facilitating product assembly and adjusting product content, features and controls to satisfy evolving and differentiated customer requirements. Our common platform efficiencies should facilitate accomplishing these actions while maintaining research and development costs at about 3% of net sales. Improved product quality and reliability and reduced product complexity should lead to reduced future warranty and repair costs. Providing products better aligned with the needs of customers should allow us to more fully capitalize on market leadership positions and command better pricing levels.
- *Continue developing Financial Services:* A strong Financial Services operation provides another lever for meeting customer requirements and tailoring offerings to better support customer needs. Our Financial Services operations are focused on supporting agricultural and construction equipment sales to our equipment dealers and retail customers. We have separated our marketing efforts into dedicated, specialized agricultural and construction equipment teams to respond quickly with specifically tailored financing solutions, including operating leases, rental, credit cards, commercial lending and insurance, to capture a larger share of our customers' financing requirements. We are continuing to emphasize underwriting processes and remarketing efforts, to maintain the quality of our receivables and our access to ABS funding. 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 the North American business model of centralizing dealer receivables management in Financial Services, with the goal of ensuring better financial control and optimizing funding.

- *Continue efforts to reduce costs:* With the completion of merger integration activities, our efforts now address eliminating excess costs in our systems, processes and flows of our production and distribution systems. Our goals for cost reductions include:
 - product cost reductions through design cost engineering and appropriate product simplification;
 - manufacturing efficiencies and eliminating non-value added activities and excess inventories;
 - finding lower cost sources for purchased parts and components, continuing re-sourcing activities in lower cost countries (including those where we already have a manufacturing presence and are working with local suppliers to develop their capabilities for supplying us on a global basis);
 - achieving freight and logistics savings through distribution process improvements and eliminating penalties from inefficient flows or processes;
 - minimizing excess capital employed in the business;
 - making more efficient capital expenditures; and
 - continuing to reduce overhead costs.

We believe successfully achieving our goals of meeting the needs of our dealers and customers, improving the quality and reliability of our products and reducing the costs of those products and of our overall operations, will result in increased volumes, a stronger market position and higher margins. We believe higher margins will generate better overall profitability, on average, throughout industry cycles. Our goal is to use improved cash flow, generated by improved profitability, to reduce debt and strengthen our balance sheet. Our target is to achieve a balance of liquidity and debt. We believe a stronger balance sheet, and a customer driven focus to the business, will position us to take advantage of future opportunities for product and market expansion as they arise. This could include short to medium-term opportunities, in areas such as Latin America and Eastern Europe and, longer-term opportunities, in areas such as China and India.

RECENT DEVELOPMENTS

On January 25, 2006, CNH announced its fourth quarter and full year 2005 results. CNH reported net income of \$163 million for the year ended December 31, 2005 compared to \$125 million for the year ended December 31, 2004. Equipment Operations reported net sales of equipment of \$11.8 billion for the full year 2005 compared to \$11.5 billion for 2004 and \$2.8 billion of net sales for the fourth quarter of 2005, essentially the same as 2004. Net cash from operating activities for Equipment Operations was \$165 million for the three months ended December 31, 2005 compared to \$174 million in the same period last year. In the fourth quarter of 2005, Adjusted EBITDA for Equipment Operations was \$171 million, or 6.1% of net sales, compared to \$165 million, or 5.8% of net sales in the fourth quarter of 2004. Net cash from operating activities for Equipment Operations was \$849 million for the year ended December 31, 2005 compared to \$879 million for the prior year. For the year ended December 31, 2005, Adjusted EBITDA for Equipment Operations increased to \$735 million, or 6.2% of net sales, compared to \$687 million, or 6.0% of net sales, in 2004. For further discussion of our unaudited results for the year ended December 31, 2005, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments.” Adjusted EBITDA is a “Non-GAAP Financial Measure.” For reconciliation of this non-GAAP financial measure to the most relevant U.S. GAAP equivalent see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—“Reconciliation of Non-GAAP Financial Measures — Three Months and Years Ended December 31, 2005” and “—Reconciliation of Non-GAAP Financial Measures — Three and Nine Months Ended September 30, 2005.”

CORPORATE STRUCTURE AND OWNERSHIP

The common shares of CNH Global are listed on the New York Stock Exchange under the symbol “CNH.” As of December 31, 2005, Fiat, through Fiat Netherlands, owned approximately 83% of CNH Global’s common shares and all of the Series A Preferred Stock.

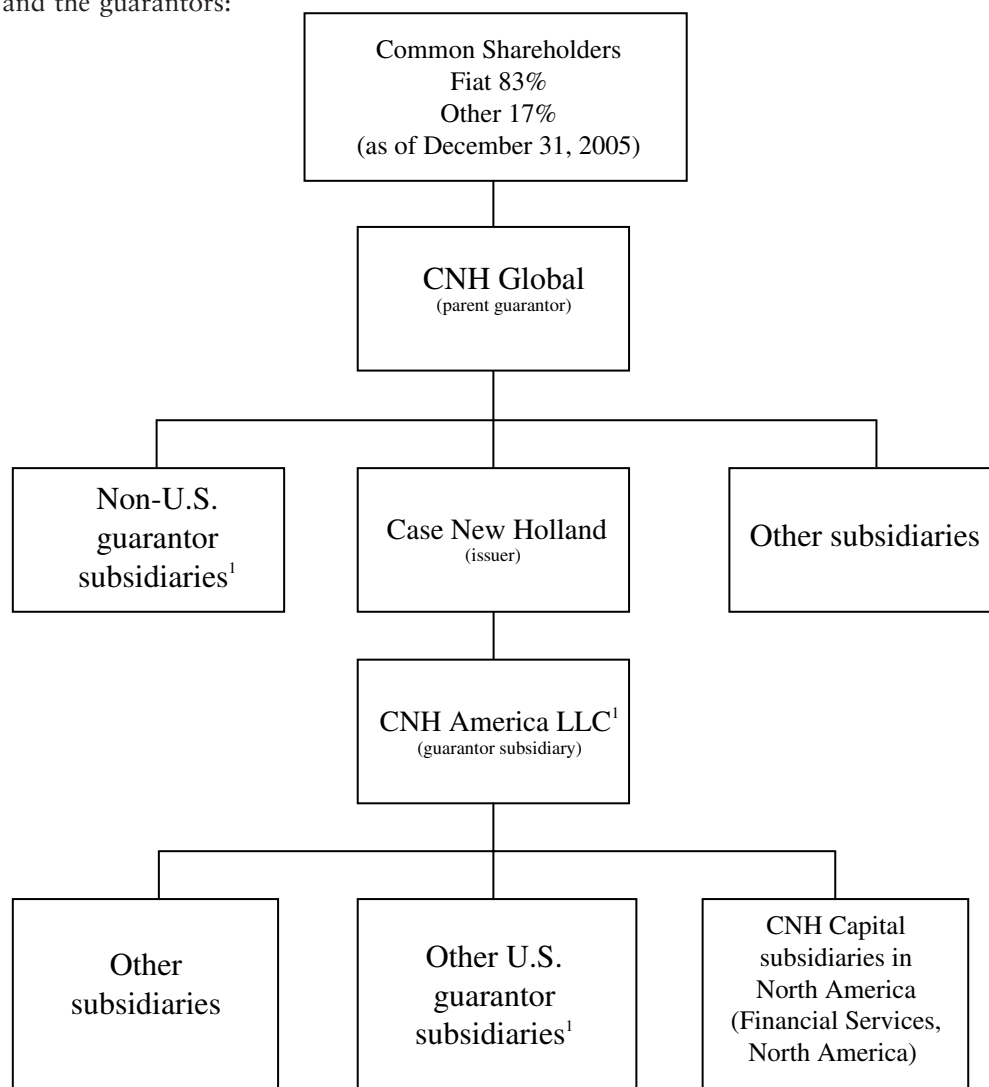
Case New Holland is a Delaware corporation and a direct wholly owned subsidiary of CNH Global. Case New Holland, indirectly through its subsidiaries, owns substantially all of the U.S. assets of CNH as well as certain of its non-U.S. assets.

Case New Holland is the issuer of the notes offered hereby. The guarantors of the notes are:

- (1) CNH Global;
- (2) certain direct and indirect subsidiaries of Case New Holland that are organized in the United States; and
- (3) certain direct and indirect subsidiaries of CNH Global organized outside the United States that are not also subsidiaries of Case New Holland.

For further information on the guarantors, see “Description of the notes—Guarantees.”

Set forth below is a simplified organizational chart showing the relationships among Case New Holland and the guarantors:



(1) As of and for the year ended December 31, 2004, the guarantor subsidiaries collectively accounted for approximately 63% of our adjusted net sales, 47% of our Equipment Operations Adjusted EBITDA and 68% of our Equipment Operations consolidated assets, excluding goodwill and intangibles. Equipment Operations consolidated assets reflects the consolidation of all majority-owned subsidiaries except for CNH's Financial Services business. CNH's Financial Services business has been included using the equity method of accounting.

Set forth below is a reconciliation of net sales on a combined basis to adjusted net sales for the year ended December 31, 2004:

	Case New Holland and guarantor subsidiaries	Non- guarantors	Total
Net sales on a combined basis	\$8,430	\$5,779	\$14,209
Less:			
Intercompany sales	<u>(1,464)</u>	<u>(1,200)</u>	<u>(2,664)</u>
Consolidated net sales	6,966	4,579	11,545
Net intercompany sales	<u>265</u>	<u>(265)</u>	<u>—</u>
Adjusted net sales	<u>\$7,231</u>	<u>\$4,314</u>	<u>\$11,545</u>
% of total.....	<u>63%</u>	<u>37%</u>	<u>100%</u>

CNH Global has its registered office in the World Trade Centre, 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. Our agent for U.S. federal securities law purposes is Roberto Miotto, 100 South Saunders Road, Lake Forest, Illinois 60045 (telephone number: + (1)-847-955-3910).

The Offering

The summary below describes the principal terms of the notes offering. Some of the terms and conditions described below are subject to important limitations and exceptions. You should carefully read the “Description of the notes” section of this offering memorandum for a more detailed description of the notes offering.

Issuer	Case New Holland Inc., a Delaware corporation.
Guarantees	CNH Global and certain of its direct and indirect subsidiaries, including certain of Case New Holland’s direct and indirect subsidiaries will guarantee the notes.
Notes Offered	We are offering \$500 million aggregate principal amount of our 7.125% Senior Notes due 2014 (the “notes”).
Interest	The notes will accrue interest from the date of their issuance at the rate of 7.125% per year. Interest on the notes will be payable semi-annually in arrears on each March 1 and September 1, commencing on September 1, 2006.
Maturity Date	March 1, 2014.
Ranking	The notes will be our unsecured senior obligations and will rank equally with all of our existing and future senior unsecured debt, including a total of \$1.05 billion of Case New Holland, Inc. 9¼% Senior Notes due 2011 (the “9¼% Senior Notes”) and \$500 million of Case New Holland, Inc. 6% Senior Notes due 2009 (the “6% Senior Notes”), and senior to any of our subordinated debt. The guarantees of the notes by CNH Global and certain of its direct and indirect subsidiaries, including certain of Case New Holland’s direct and indirect subsidiaries, will rank equally to all of CNH Global and such subsidiaries’ existing and future senior unsecured obligations, including their guarantees of our 9¼% Senior Notes and our 6% Senior Notes, the notes and the guarantees thereof will be effectively subordinated to all secured indebtedness of Case New Holland and the guarantors to the extent of the assets securing such indebtedness. As of September 30, 2005, Case New Holland and the guarantors had approximately \$378 million of secured debt. The notes will also be structurally subordinated to all debt and other obligations, including trade payables, of non-guarantor subsidiaries. As of September 30, 2005, such non-guarantor subsidiaries had \$3,339 million of outstanding debt, \$717 million of which is debt of Equipment Operations. The \$3,339 million does not include \$700 million of debt owed to Case New Holland or \$790 million

that other Financial Services subsidiaries owed to Equipment Operations subsidiaries. As of and for the year ended December 31, 2004, the guarantor subsidiaries collectively accounted for approximately 63% of our adjusted net sales, 47% of our Equipment Operations Adjusted EBITDA and 68% of our Equipment Operations consolidated assets, excluding goodwill and intangibles. Equipment Operations consolidated assets reflects the consolidation of all majority-owned subsidiaries except for CNH's Financial Services business. CNH's Financial Services business has been included using the equity method of accounting.

See “—Summary Financial Data” and “Capitalization.”

Optional Redemption

We may redeem the notes, in whole or in part, at any time on or after March 1, 2010, at a redemption price equal to 100% of the principal amount thereof, plus a premium declining ratably to par and accrued and unpaid interest.

At any time before March 1, 2009, we may redeem up to 35% of the aggregate principal amount of the notes issued under the indenture with the net cash proceeds of one or more qualified equity offerings at a redemption price equal to 107.125% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest; provided that:

- > at least 65% of the aggregate principal amount of the notes remains outstanding immediately after the occurrence of such redemption; and
- > such redemption occurs within 90 days of the date of the closing of any such qualified equity offering.

In addition, at any time before March 1, 2010, we may redeem some or all of the notes at a redemption price equal to 100% of the principal amount of the notes, plus a “make-whole” premium and accrued and unpaid interest to the date of redemption.

Change of Control

Upon a change of control, if we do not redeem the notes, each holder of notes will be entitled to require us to purchase all or a portion of its notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest. Our ability to purchase the notes upon a change of control will be limited by the terms of our debt agreements, including our senior secured credit facilities. We cannot assure you that we will have

Certain Covenants	<p>the financial resources to purchase the notes in such circumstances.</p> <p>The indenture governing the notes will contain covenants that, among other things, will limit our ability and the ability of certain of our subsidiaries to:</p> <ul style="list-style-type: none"> > incur additional indebtedness; > pay dividends or repurchase or redeem capital stock; > make certain investments; > enter into certain types of transactions with our affiliates; > limit dividends or other payments by our restricted subsidiaries to us; > use assets as security in other transactions; > sell certain assets or merge with or into other companies; and > enter into sale and leaseback transactions. <p>These and other covenants that will be contained in the indenture are subject to important exceptions and qualifications, which are described under “Description of the notes” including but not limited to exceptions whereby some of these covenants will cease to apply before the notes mature if the notes achieve investment grade ratings by both S&P and Moody’s, which are described under “Description of the notes.”</p>
Financial Services	<p>Under the terms of the indenture governing the notes, we will be able, subject to certain conditions, to dispose of the capital stock or assets of our Financial Services subsidiaries without complying with the requirement under the indenture to use the proceeds thereof to purchase the notes under certain circumstances. In addition, the indenture will permit us to designate our Financial Services subsidiaries as “unrestricted subsidiaries” if we comply with certain conditions, in which case they will not be subject to the restrictions of the indenture. As such, our Financial Services subsidiaries may incur substantial additional secured or unsecured indebtedness. See “Description of the notes.”</p>
Exchange Offer; Registration Rights	<p>Under a registration rights agreement to be entered into as part of this offering, we and the guarantors will agree to:</p> <ul style="list-style-type: none"> > not later than June 30, 2006, file a registration statement enabling holders of the notes to

exchange the privately placed notes for publicly registered exchange notes with substantially the same terms;

- > use reasonable best efforts to cause the registration statement to become effective within 90 days after filing of the registration statement;
- > effect an exchange offer within 120 days after the exchange offer registration statement is filed; and
- > file a shelf registration statement for the resale of the notes if we cannot consummate the exchange offer within the time period listed above and in certain other circumstances.

We have agreed to make additional interest payments to holders of the notes under certain circumstances if we do not comply with our obligations under the registration rights agreement.

Transfer Restrictions

We have not registered the notes under the Securities Act. The notes are subject to restrictions on transfer and may be offered only in transactions exempt from or not subject to the registration requirements of the Securities Act.

Use of Proceeds

We intend to loan (i) approximately \$246 million of the net proceeds to CNH Global which plans to use the funds to prepay existing debt to a Fiat affiliate, which debt matures in May 2006; (ii) approximately \$154 million of the net proceeds to CNH America LLC, one of our subsidiaries and a guarantor of the notes, which plans to use the funds to retire existing debt to a third party, \$99 million of which debt matures in July 2006 and \$55 million of which debt matures in January 2007; (iii) approximately \$61 million of the net proceeds to CNH Canada, Ltd., a subsidiary of CNH Global and a guarantor of the notes, which plans to use the funds to reduce short term debt owed to a Fiat affiliate; and (iv) approximately \$30 million of the net proceeds to CNH U.K. Limited, a subsidiary of CNH Global and a guarantor of the notes, which plans to use the funds to reduce short term debt owed to a Fiat affiliate. Before we apply the proceeds for the above stated purposes, we may hold some or all of the proceeds in the form of cash, cash equivalents or deposits in the cash management pools of Fiat affiliates.

Risk Factors

See “Risk factors” beginning on page 24 for discussion of factors you should carefully consider before deciding to invest in the notes.

Summary financial data

The following tables set forth summary financial data for CNH for the periods indicated. The summary historical financial data as of and for the years ended December 31, 2002, 2003 and 2004 have been derived from our audited consolidated financial statements. The summary historical financial data as of September 30, 2004 and 2005 and for the nine months ended September 30, 2004 and 2005 are derived from our unaudited condensed consolidated financial statements incorporated by reference herein. The unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, which we consider necessary for a fair presentation of our financial position and results of operations for these periods. The summary historical financial data for the twelve months ended September 30, 2005 has been compiled from our unaudited condensed consolidated financial statements for the nine months ended September 30, 2005 and our audited consolidated financial statements for the year ended December 31, 2004, excluding the data derived from our unaudited condensed consolidated financial statements for the nine months ended September 30, 2004. Equipment Operations data represents CNH's Agricultural and Construction Equipment operations with CNH's Financial Services operations accounted for under the equity method.

The unaudited as adjusted financial data as of September 30, 2005 and for the twelve months ended September 30, 2005 illustrate the impact of the issuance of the notes offered hereby and the contemplated application of the net proceeds therefrom. The unaudited as adjusted financial data should be read in conjunction with the consolidated financial statements and notes thereto, set forth elsewhere in this offering memorandum.

CNH has presented the summary financial data in accordance with U.S. GAAP.

CONSOLIDATED	Fiscal year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2002	2003	2004	2004	2005	September 30, 2005
	(in millions)					
<i>Statements of Operations Data:</i>						
Revenues:						
Net sales	\$9,331	\$10,069	\$11,545	\$8,714	\$8,985	\$11,816
Finance and interest income	609	597	634	464	551	721
Total	9,940	10,666	12,179	9,178	9,536	12,537
Costs and Expenses:						
Cost of goods sold	7,902	8,590	9,782	7,353	7,568	9,997
Selling, general and administrative	1,094	1,042	1,110	850	876	1,136
Research and development	283	259	267	197	216	286
Restructuring	51	271	104	72	30	62
Interest expense	554	481	492	364	402	530
Other, net	182	241	265	210	208	263
Total	10,066	10,884	12,020	9,046	9,300	12,274
Income (loss) before income taxes, minority interest, equity in income of unconsolidated subsidiaries and affiliates and before cumulative effect of change in accounting principle	(126)	(218)	159	132	236	263
Income tax provision (benefit)	(14)	(49)	39	38	95	96
Minority interest	8	7	23	16	19	26
Equity in income of unconsolidated subsidiaries and affiliates:						
Financial Services	4	6	8	6	7	9
Equipment Services	15	13	20	15	27	32
Net income (loss) before cumulative effect of change in accounting principle	(101)	(157)	125	99	156	182
Cumulative effect of change in accounting principle, net of tax	(325)	—	—	—	—	—
Net income (loss)	<u>\$(426)</u>	<u>\$(157)</u>	<u>\$125</u>	<u>\$99</u>	<u>\$156</u>	<u>\$182</u>

CONSOLIDATED	Fiscal year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2002	2003	2004	2004	2005	2005
(in millions, except ratios)						
<i>Balance sheet data (at end of period):</i>						
Cash and cash equivalents . . .	\$231	\$619	\$931	\$524	\$960	\$960
Deposits in Fiat affiliates cash management pools	544	1,325	1,151	1,887	587	587
Total assets	16,760	17,727	18,080	19,206	17,541	17,541
Total debt	7,864	6,996	6,963	7,236	6,171	6,171
Shareholders' equity	2,761	4,874	5,029	4,928	5,055	5,055
<i>Other data:</i>						
Ratio of earnings to fixed charges(1)	—	—	1.3x	1.4x	1.6x	1.5x
						As adjusted twelve months ended September 30, 2005 (in millions)
As Adjusted Data(2):						
Net income						\$174
Total debt (at period end)						6,180
Shareholders' equity (at period end)						5,047
<p>(1) Earnings were insufficient to cover fixed charges by approximately \$109 million and \$198 million in the years ended December 31, 2002 and 2003, respectively. For purposes of determining the ratio of earnings to fixed charges, earnings are defined as the sum of (i) pretax income (loss) before adjustment for minority interests in consolidated subsidiaries or income (loss) from equity investees, (ii) fixed charges, (iii) amortization of capitalized interest and (iv) distributed income of equity investees, less (i) interest capitalized and (ii) minority interest in pretax income of subsidiaries that have not incurred fixed charges. Fixed charges consist of (i) interest expense, including amortization of premiums, discounts and capitalized expenses related to indebtedness, (ii) interest capitalized and (iii) an estimate of the interest component of rental expense.</p> <p>(2) As adjusted to reflect the issuance of the notes and the application of the estimated net proceeds therefrom.</p>						

CONSOLIDATED	Fiscal year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2002	2003	2004	2004	2005	2005
	(in millions)					
Earnings						
Add:						
Income (loss) before income taxes, minority interest, equity in income of unconsolidated subsidiaries and affiliates and before cumulative effect of change in accounting principle	\$(126)	\$(218)	\$159	\$132	\$236	\$263
Fixed charges	565	490	502	372	410	540
Amortization of capitalized interest	4	4	4	3	3	4
Distributed income of equity investees . .	29	29	30	24	28	34
Less:						
Interest capitalized	8	6	6	5	5	6
Minority interest in pretax income of subsidiaries that have not incurred fixed charges	8	7	23	16	19	26
Earnings	<u>\$456</u>	<u>\$292</u>	<u>\$666</u>	<u>\$510</u>	<u>\$653</u>	<u>\$809</u>
Fixed charges						
Interest expense inclusive of amortized premiums, discounts and capitalized expenses related to indebtedness	\$554	\$481	\$492	\$364	\$402	\$530
Interest capitalized	8	6	6	5	5	6
Estimate of the interest component of rental expense	3	3	4	3	3	4
Fixed charges	<u>\$565</u>	<u>\$490</u>	<u>\$502</u>	<u>\$372</u>	<u>\$410</u>	<u>\$540</u>

	Fiscal year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2002	2003	2004	2004	2005	2005
(in millions)						
EQUIPMENT OPERATIONS(1)						
<i>Statements of Operations Data:</i>						
Revenues:						
Net sales	\$9,331	\$10,069	\$11,545	\$8,714	\$8,985	\$11,816
Finance and interest income	100	83	82	55	90	117
Total	9,431	10,152	11,627	8,769	9,075	11,933
Costs and Expenses:						
Cost of goods sold	7,902	8,590	9,782	7,353	7,568	9,997
Selling, general and administrative	884	839	929	697	723	955
Research and development	283	259	267	197	216	286
Restructuring	50	268	102	71	30	61
Interest expense	390	321	318	228	252	342
Interest compensation to Financial Services	76	79	113	85	115	143
Other, net	62	149	186	158	138	166
Total	9,647	10,505	11,697	8,789	9,042	11,950
Income (loss) before income taxes, minority interest, equity in income of unconsolidated subsidiaries and affiliates and before cumulative effect of change in accounting principle	(216)	(353)	(70)	(20)	33	(17)
Income tax provision (benefit)	(48)	(97)	(39)	(16)	30	7
Minority interest	8	7	23	16	19	26
Equity in income of unconsolidated subsidiaries and affiliates:						
Financial Services	60	93	159	104	145	200
Equipment Services	15	13	20	15	27	32
Net income (loss) before cumulative effect of change in accounting principle	(101)	(157)	125	99	156	182
Cumulative effect of change in accounting principle, net of tax	(325)	—	—	—	—	—
Net income (loss)	<u>\$(426)</u>	<u>\$(157)</u>	<u>\$125</u>	<u>\$99</u>	<u>\$156</u>	<u>\$182</u>
<i>Balance sheet data (at end of period):</i>						
Cash and cash equivalents	\$133	\$486	\$637	\$336	\$641	\$641
Deposit in Fiat affiliates cash management pools	336	1,315	1,136	1,492	580	580
Working capital(2)	2,520	2,989	2,432	3,135	2,297	2,297
Intersegment notes receivable	1,783	1,012	1,114	1,159	1,490	1,490
Total assets	14,367	15,382	14,994	15,856	14,679	14,679
Total debt	5,776	4,715	4,172	4,327	3,550	3,550
Net debt(3)	3,524	1,902	1,285	1,340	839	839
Shareholders' equity	2,761	4,874	5,029	4,928	5,055	5,055
<i>Other Data:</i>						
Net cash provided (used) by:						
Operating Activities	485	66	879	705	684	858
Investing Activities	(666)	(1,136)	22	(278)	424	724
Financing Activities	87	1,403	(754)	(576)	(1,099)	(1,277)
EBITDA(4)	545	392	778	590	739	927
Adjusted EBITDA(5)	420	501	687	522	564	729
Capital expenditures	237	192	179	100	81	160

EQUIPMENT OPERATIONS(1)

As adjusted
twelve months
ended September 30,
2005

(in millions, except ratios)

As Adjusted Data:

EBITDA(4)	\$927
Adjusted EBITDA(5)	729
Net interest expense(5)	238
Net income	174
Total debt (at period end)	3,559
Net debt (at period end)(3)	848
Shareholders' equity (at period end)	5,047
Adjusted EBITDA/Net interest expense(5)	3.1x
Net debt/Adjusted EBITDA(3)(5)	1.2x
Net debt/Net capitalization(3)(6)	0.1x

- (1) Equipment Operations data represents CNH's agricultural and construction equipment operations with CNH's Financial Services operations accounted for under the equity method.
- (2) Working capital is defined as accounts and notes receivable, excluding intersegment notes receivable, plus inventories less accounts payable. We believe that working capital, as defined, is a useful analytical tool for measuring our consumption of cash from our purchases of materials from our suppliers to our ultimate collection of cash from our end customers. The calculation of working capital is shown below:

EQUIPMENT OPERATIONS	December 31,			September 30,	
	2002	2003	2004	2004	2005
	(in millions)				
Accounts and notes receivable, excluding intersegment notes receivable	\$2,021	\$2,347	\$1,596	\$1,805	\$1,337
Inventories	2,054	2,478	2,515	2,487	2,610
Accounts payable	(1,555)	(1,836)	(1,679)	(1,573)	(1,650)
Working capital	<u>\$2,520</u>	<u>\$2,989</u>	<u>\$2,432</u>	<u>\$2,719</u>	<u>\$2,297</u>

(footnotes on following page)

- (3) Net debt of Equipment Operations means total debt of Equipment Operations less intersegment notes receivable, cash and cash equivalents and deposits in Fiat affiliates cash management pools. We believe that net debt, as defined, is a useful analytical tool for measuring our effective borrowing requirements, excluding our financial support of Financial Services and the effect of certain of our cash management practices. The calculation of net debt is shown below:

EQUIPMENT OPERATIONS	December 31,			September 30,		As adjusted
	2002	2003	2004	2004	2005	September 30, 2005
	(in millions)					
Current maturities of long-term debt—Fiat affiliates	\$514	\$17	\$19	\$18	\$676	\$430
Current maturities of long-term debt—other	310	71	238	238	117	18
Short-term debt—Fiat affiliates	817	403	331	452	305	214
Short-term debt—other	1,067	1,119	733	784	477	477
Intersegment short-term debt . .	354	—	24	19	—	—
Long-term debt—Fiat affiliates	1,918	1,363	873	859	78	78
Long-term debt—other	<u>796</u>	<u>1,742</u>	<u>1,954</u>	<u>1,957</u>	<u>1,897</u>	<u>2,342</u>
Total debt	5,776	4,715	4,172	4,327	3,550	3,559
Intersegment notes receivable . .	(1,083)	(312)	(414)	(459)	(1,490)	(1,490)
Intersegment long-term notes receivables	(700)	(700)	(700)	(700)	—	—
Cash and cash equivalents	(133)	(486)	(637)	(336)	(641)	(641)
Deposits in Fiat affiliates cash management pools	<u>(336)</u>	<u>(1,315)</u>	<u>(1,136)</u>	<u>(1,492)</u>	<u>(580)</u>	<u>(580)</u>
Net debt	<u>\$3,524</u>	<u>\$1,902</u>	<u>\$1,285</u>	<u>\$1,340</u>	<u>\$839</u>	<u>\$848</u>

- (4) EBITDA means net income (loss) before cumulative effect of change in accounting principle, net of tax, of Equipment Operations excluding (i) interest expense (including interest compensation to Financial Services), (ii) income tax provision (benefit) and (iii) depreciation and amortization. We present EBITDA because we believe that it is a measure commonly used by financial analysts because of its usefulness in evaluating cash flows. EBITDA does not represent cash flow from operations as defined by U.S. GAAP, is not necessarily indicative of cash available to fund all cash flow needs and should not be considered as an alternative to net income or net cash provided (used) by operating activities under U.S. GAAP for purposes of evaluating results of operations and cash flows.

(footnotes on following page)

EBITDA is a “non-GAAP financial measure” as this term is defined under the Securities Act. As a result, we have reconciled net cash provided (used) by operating activities, the U.S. GAAP financial measure which we believe to be most comparable, to EBITDA:

	Fiscal year ended December 31,			Nine months ended September 30,		Actual twelve months ended September 30,	As adjusted twelve months ended September 30,
	2002	2003	2004	2004	2005	2005	2005
(in millions)							
EQUIPMENT OPERATIONS							
Net cash provided (used) by							
operating activities	\$485	\$66	\$879	\$705	\$684	\$858	\$858
Interest expense (including							
interest compensation to							
Financial Services)	466	400	431	313	367	485	498
Income tax provision (benefit)	(48)	(97)	(39)	(16)	30	7	2
Changes in other operating							
activities	<u>(358)</u>	<u>23</u>	<u>(493)</u>	<u>(412)</u>	<u>(342)</u>	<u>(423)</u>	<u>(431)</u>
EBITDA	<u>\$545</u>	<u>\$392</u>	<u>\$778</u>	<u>\$590</u>	<u>\$739</u>	<u>\$927</u>	<u>\$927</u>

- (5) Adjusted EBITDA means net income (loss) before cumulative effect of change in accounting principle, net of tax, of Equipment Operations excluding (i) net interest expense, (ii) income tax provision (benefit), (iii) depreciation and amortization and (iv) restructuring and other merger related costs. Net interest expense means (i) interest expense (excluding interest compensation to Financial Services) less (ii) finance and interest income. We believe that Adjusted EBITDA is a useful analytical tool for measuring cash generated from operations that can be used to support our investing and financing activities. Adjusted EBITDA does not represent cash flow from operations as defined by U.S. GAAP, is not necessarily indicative of cash available to fund all cash flow needs and should not be considered as an alternative to net income or net cash provided (used) by operating activities under U.S. GAAP for purposes of evaluating our results of operations and cash flows. Adjusted EBITDA as presented by CNH may not be comparable to similarly titled measures reported by other companies.

(footnotes on following page)

Adjusted EBITDA is a “non-GAAP financial measure” as this term is defined under the Securities Act. As a result, we have reconciled net cash provided (used) by operating activities, the U.S. GAAP financial measure which we believe to be most comparable, to Adjusted EBITDA:

	Fiscal year ended December 31,			Nine months ended September 30,		Actual twelve months ended September 30,	As adjusted twelve months ended September 30,
	2002	2003	2004	2004	2005	2005	2005
(in millions)							
EQUIPMENT OPERATIONS							
Net cash provided (used) by							
operating activities	\$485	\$66	\$879	\$705	\$684	\$858	\$858
Net interest expense:							
Interest expense—Fiat							
affiliates	198	85	63	40	49	72	56
Interest expense—other	192	236	255	188	203	270	299
Less: finance and interest							
income	<u>100</u>	<u>83</u>	<u>82</u>	<u>55</u>	<u>90</u>	<u>117</u>	<u>117</u>
Net interest expense	290	238	236	173	162	225	238
Income tax provision (benefit)	(48)	(97)	(39)	(16)	30	7	2
Restructuring and other merger							
related costs:							
Equipment Operations	50	268	102	71	30	61	61
Financial Services	1	3	2	1	—	1	1
Changes in other operating							
activities	<u>(358)</u>	<u>23</u>	<u>(493)</u>	<u>(412)</u>	<u>(342)</u>	<u>(423)</u>	<u>(431)</u>
Adjusted EBITDA	<u>\$420</u>	<u>\$501</u>	<u>\$687</u>	<u>\$522</u>	<u>\$564</u>	<u>\$729</u>	<u>\$729</u>
Reconciliation of EBITDA to							
Adjusted EBITDA:							
EBITDA	\$545	\$392	\$778	\$590	\$739	\$927	\$927
Less:							
Finance and interest							
income	100	83	82	55	90	117	117
Interest compensation to							
Financial Services	76	79	113	85	115	143	143
Plus:							
Restructuring and other							
merger related costs:							
Equipment Operations	50	268	102	71	30	61	61
Financial Services	<u>1</u>	<u>3</u>	<u>2</u>	<u>1</u>	<u>—</u>	<u>1</u>	<u>1</u>
Adjusted EBITDA	<u>\$420</u>	<u>\$501</u>	<u>\$687</u>	<u>\$522</u>	<u>\$564</u>	<u>\$729</u>	<u>\$729</u>

(6) Net capitalization of Equipment Operations means total shareholders' equity of Equipment Operations plus net debt of Equipment Operations.

	Fiscal year ended			Nine months ended		Twelve months ended
	December 31,			September 30,		September 30,
	2002	2003	2004	2004	2005	2005
(in millions, except ratios)						
FINANCIAL SERVICES						
<i>Statements of Operations Data:</i>						
Revenues:						
Net sales	\$—	\$—	\$—	\$—	\$—	\$—
Finance and interest income	641	621	672	496	575	751
Total	641	621	672	496	575	751
Costs and Expenses:						
Cost of goods sold	—	—	—	—	—	—
Selling, general and administrative	210	203	181	153	153	181
Research and development	—	—	—	—	—	—
Restructuring	1	3	2	1	—	1
Interest expense	242	210	208	149	190	249
Other, net	98	71	52	41	29	40
Total	551	487	443	344	372	471
Income before income taxes, minority interest and equity in income of unconsolidated subsidiaries and affiliates	90	134	229	152	203	280
Income tax provision (benefit)	34	47	78	54	65	89
Minority interest	—	—	—	—	—	—
Equity in income of unconsolidated subsidiaries and affiliates:						
Financial Services	4	6	8	6	7	9
Equipment Services	—	—	—	—	—	—
Net income	\$60	\$93	\$159	\$104	\$145	\$200
<i>Balance Sheet Data (at end of period):</i>						
Cash and cash equivalents	\$98	\$133	\$294	\$188	\$319	\$319
Deposit in Fiat affiliates cash management pools ...	208	10	15	395	7	7
Intersegment notes receivable	354	—	24	19	—	—
Total assets	5,875	5,058	5,778	5,856	5,971	5,971
Total debt	4,225	3,293	3,929	4,087	4,111	4,111
Net debt(1)	3,565	3,150	3,596	3,485	3,785	3,785
Shareholders' equity	1,019	1,241	1,419	1,283	1,532	1,532
<i>Other Data:</i>						
Accounts and notes receivable	\$4,016	\$4,003	\$4,417	\$4,142	\$4,628	\$4,628
Operating lease equipment	544	353	215	236	175	175
Total portfolio assets	\$4,560	\$4,356	\$4,632	\$4,378	\$4,803	\$4,803
On-book receivables	\$3,954	\$3,720	\$3,617	\$3,842	\$4,447	\$4,447
Off-book receivables	7,316	8,709	9,592	9,283	9,284	9,284
Total managed assets	\$11,270	\$12,429	\$13,209	\$13,125	\$13,731	\$13,731
Core managed portfolio(2)	\$10,708	\$12,099	\$13,078	\$12,956	\$13,644	\$13,644
Non-core managed portfolio(3)	562	330	131	169	87	87
Total managed assets	\$11,270	\$12,429	\$13,209	\$13,125	\$13,731	\$13,731
Core delinquency %(2)(4)	3.83%	2.59%	2.49%	2.40%	3.51%	3.51%
Non-core delinquency %(3)(4)	30.43%	29.39%	26.72%	46.75%	26.44%	26.44%
Core net credit loss %(2)(5)	0.72%	0.72%	0.33%			0.29%
Non-core net credit loss %	8.67%	15.38%	3.91%			0.87%
Net debt/tangible equity(1)(6)	4.1x	2.9x	2.8x	3.1x	2.7x	2.7x

(footnotes on following page)

- (1) Net debt of Financial Services means total debt of Financial Services less intersegment notes receivable, cash and cash equivalents and deposits in Fiat affiliates cash management pools. We believe that net debt, as defined, is a useful analytical tool for measuring our effective borrowing requirements, excluding our financial support of Equipment Operations and the effect of certain of our cash management practices. The calculation of net debt is shown below:

	December 31,			September 30,	
	2002	2003	2004	2004	2005
FINANCIAL SERVICES					
Current maturities of long-term debt—Fiat Affiliates	\$—	\$45	\$71	\$72	\$142
Current maturities of long-term debt—other	294	710	558	852	644
Short-term debt—Fiat affiliates	269	295	341	233	74
Short-term debt—other	596	293	652	723	516
Intersegment short-term debt	1,083	312	414	459	1,490
Long-term debt—Fiat affiliates	367	306	148	174	69
Long-term debt—other	916	632	1,045	874	1,176
Intersegment long-term debt	700	700	700	700	—
Total debt	4,225	3,293	3,929	4,087	4,111
Intersegment notes receivable	(354)	—	(24)	(19)	—
Intersegment long-term notes receivables	—	—	—	—	—
Cash and cash equivalents	(98)	(133)	(294)	(188)	(319)
Deposits in Fiat affiliates cash management pools	(208)	(10)	(15)	(395)	(7)
Net debt	<u>\$3,565</u>	<u>\$3,150</u>	<u>\$3,596</u>	<u>\$3,485</u>	<u>\$3,785</u>

- (2) Core means continued managed portfolios of retail, wholesale and credit card receivables and equipment on operating leases.
- (3) Non-core means discontinued portfolios, primarily consisting of retail receivables originated through non-CNH dealers, certain commercial lending activities and loans collateralized by marine assets.
- (4) Delinquency means managed receivables that are past due over 30 days, expressed as a percentage of the respective managed portfolio.
- (5) Net credit losses means write-offs, net of recoveries, expressed as a percentage of the respective managed portfolio.
- (6) Tangible equity means shareholders' equity less goodwill and other intangibles.

Risk factors

Before investing in our notes, you should consider carefully the following factors, the risk factors contained in our Form 20-F as well as the information contained in the rest of this offering memorandum and the documents incorporated by reference herein.

RISKS RELATING TO THE NOTES

The notes will be effectively subordinated to Case New Holland's existing and future secured debt and other secured obligations, and the guarantees of the notes will be effectively subordinated to the guarantors' existing and future secured debt and other secured obligations.

Holders of Case New Holland's secured debt and any guarantor's secured debt will have claims that are prior to your claims as holders of the notes to the extent of the value of the assets securing such secured debt. The notes and the guarantees will be effectively subordinated to all such secured debt to the extent of the value the collateral securing such secured debt. In the event of any distribution or payment of Case New Holland's or any other guarantor's assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy or insolvency proceeding, holders of secured debt will have a prior claim to the assets that constitute their collateral. Holders of the notes will participate ratably with all holders of Case New Holland's and the guarantors' unsecured senior debt, and potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in Case New Holland's and the guarantor's respective assets remaining after payment of their secured debt. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the notes. As a result, holders of notes may receive less than holders of secured debt. As of September 30, 2005, after giving effect to this offering, Case New Holland and the guarantors would have had approximately \$224 million of secured debt. CNH Global and its subsidiaries, including Case New Holland and the guarantors, may also incur additional senior secured debt in the future, consistent with the terms of the indenture governing the notes and our other debt agreements.

If an active trading market for the notes does not develop, the liquidity and value of the notes could be harmed.

The notes have not been registered under the Securities Act. Accordingly, the notes may only be offered or sold pursuant to an exemption from the registration requirements of the Securities Act or pursuant to an effective registration statement. Case New Holland is required to commence an exchange offer for the notes or to register resales of the notes under the Securities Act, within specified time periods as described in this offering memorandum under the caption "Exchange offer; registration rights." However, there is no existing market for the notes and, although the notes are expected to be eligible for trading in The PORTAL Market, Case New Holland cannot assure you that an active trading market will develop for the notes. If no active trading market develops, you may not be able to resell your notes at their fair market value, or at all. Future trading prices of the notes will depend on, among other things, the ability of Case New Holland to effect the exchange offer or registration of the notes, prevailing interest rates, its and our operating results and the market for similar securities. The initial purchaser has advised Case New Holland that it currently intends to make a market in these notes after this offering is completed. However, the initial purchaser may cease its market-making at any time. Moreover, the initial purchaser's market-making activities will be subject to limits imposed by the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act") during the pendency of any exchange offer described under "Exchange offer; registration rights." Case New Holland does not intend to apply for listing of the notes on any securities exchange.

If the notes are rated investment grade, we will no longer be subject to most of the covenants in the indenture governing such notes.

If the notes are rated “investment grade” by both Standard & Poor’s and Moody’s, CNH Global and its subsidiaries will no longer be subject to most of the covenants contained in the indentures governing such notes. This may allow the taking of actions that could be adverse to the interests of the holders of the notes.

Both Case New Holland and CNH Global are holding companies with no direct operations and the notes will be effectively subordinated to all indebtedness of subsidiaries that are not guarantors of the notes.

Both Case New Holland and CNH Global are holding companies with no direct operations. Their principal assets are the equity interests and investments they hold in their subsidiaries. As a result, they depend on dividends and other payments from their subsidiaries to generate the funds necessary to meet their financial obligations, including the payment of principal of and interest on their outstanding debt. Their subsidiaries are legally distinct from them and have no obligation to pay amounts due on their debt or to make funds available to them for such payment except as provided in the note guarantees or pursuant to intercompany notes. Not all of Case New Holland’s or CNH Global’s subsidiaries will guarantee the notes. A holder of notes will not have any claim as a creditor against subsidiaries of Case New Holland and CNH Global that are not guarantors of the notes, and the indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those non-guarantor subsidiaries will be effectively senior to your claims. As of and for the year ended December 31, 2004, the guarantor subsidiaries collectively accounted for only approximately 63% of our adjusted net sales, 47% of our Equipment Operations Adjusted EBITDA and 68% of our Equipment Operations consolidated assets, excluding goodwill and intangibles. Equipment Operations consolidated assets reflects the consolidation of all majority-owned subsidiaries except for CNH’s Financial Services business. CNH’s Financial Services business has been included using the equity method of accounting. Our non-guarantor subsidiaries had approximately \$3,339 million of indebtedness as of September 30, 2005, \$717 million of which is debt of Equipment Operations. The \$3,339 million does not include \$700 million of debt owed to Case New Holland and \$790 million that other Financial Services subsidiaries owed to Equipment Operations subsidiaries. The amount of non-guarantor subsidiary indebtedness could increase over time, especially since we are considering incurring more indebtedness at our Financial Services subsidiaries and reducing borrowings by these subsidiaries from parent entities.

In the event of a change of control, CNH Global and Case New Holland may not be able to satisfy all of their obligations under our existing credit facilities, the notes or our other indebtedness.

If, following the issuance of the notes, CNH Global or Case New Holland experiences a change of control, as defined in the indenture relating to the notes, Case New Holland will be required to repurchase all outstanding notes. However, CNH Global’s existing credit facilities provide that certain change of control events will constitute an event of default. Such an event of default would entitle the lenders thereunder to, among other things, cause all outstanding debt obligations under the credit facility to become due and payable and to proceed against the collateral securing such credit facility. Any event of default or acceleration of one of our credit facilities will likely also cause a default under the terms of the other indebtedness of CNH Global. There can be no assurance that CNH Global or Case New Holland will have sufficient assets or be able to obtain sufficient third-party financing to satisfy all of its obligations under our credit facilities, the notes or our other indebtedness.

Risk factors

In addition, certain of our credit facilities contain, and any future credit facilities or other agreements to which CNH Global becomes a party may contain, restrictions on its ability to offer to repurchase the notes in connection with a change of control. In the event a change of control occurs at a time when it is prohibited from offering to purchase the notes, Case New Holland could seek consent to offer to purchase the notes or attempt to refinance the borrowings that contain such a prohibition. If it does not obtain the consent or refinance the borrowings, Case New Holland would remain prohibited from offering to purchase the notes. In such case, the failure by Case New Holland to offer to purchase any of the notes would constitute a default under the indenture governing the notes, which, in turn, could result in amounts outstanding under any future credit facility or other agreement relating to indebtedness being declared due and payable. Any such declaration could have adverse consequences to CNH Global, Case New Holland and the holders of the notes.

Your rights under the guarantees may be limited by laws in various jurisdictions, including fraudulent conveyance and insolvency laws.

The notes will be issued by Case New Holland, a Delaware corporation, and guaranteed by corporations organized under the laws of Delaware, The Netherlands, Germany, the United Kingdom, Canada, Australia and Belgium. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in any or all of such jurisdictions. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the guarantees will be subject to the bankruptcy, insolvency, administrative and other laws of multiple jurisdictions other than the United States and there can be no assurance that you will be able to effectively enforce your rights in any such complex and multiple bankruptcy, insolvency or similar proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of the guarantors' jurisdictions of organization may be materially different from, or in conflict with, each other and those of the United States, including in the areas of rights of creditors, payment priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceedings. The application of these laws, or any conflict among them, could (i) call into question whether any particular jurisdiction's law should apply, (ii) adversely affect your ability to enforce your rights under the notes and the guarantees in these jurisdictions or (iii) limit amounts that you may receive.

The laws of certain of the jurisdictions in which the subsidiary guarantors are organized limit the ability of these subsidiaries to guarantee debt of a sister company. These limitations arise under various provisions or principles of corporate law, which include, among others, provisions requiring a sister guarantor to receive adequate corporate benefit from the financing that is being guaranteed.

If these limitations were not observed, the guarantees of the notes by these subsidiary guarantors would be subject to legal challenge. In these jurisdictions, the guarantees of the notes will contain language providing that the guarantee will not be construed so as to give rise to a violation of the limitations imposed by applicable local law. Accordingly, if you were to enforce the guarantees of the notes of the subsidiary guarantors in these jurisdictions, your claims may be limited. Furthermore, although we believe that the guarantees of the notes of these subsidiary guarantors are enforceable (subject to such local law restrictions), there can be no assurance that a third-party creditor would not challenge these guarantees of the notes and prevail in court.

United States

Under U.S. federal bankruptcy laws or comparable provisions of state fraudulent transfer laws, the issuance of the guarantees by the U.S. subsidiary guarantors could be avoided, if, among other things,

Risk factors

at the time the U.S. subsidiary guarantors issued the related guarantees, the applicable subsidiary guarantor:

- incurred the obligations under the guarantees with an actual intent to hinder, delay or defraud any present or future creditor; or
- received less than reasonably equivalent value or fair consideration for the obligations incurred under the guarantees; and
 - was insolvent or rendered insolvent by reason of the incurrence of such obligations;
 - was engaged in a business or transaction for which its remaining assets constituted unreasonably small capital; or
 - intended to incur, or believed that it would incur, debts beyond its ability to pay as such debts mature.

The measures of insolvency for purposes of the foregoing considerations will vary depending upon the law applied in any proceeding with respect to the foregoing. Generally, however, a U.S. subsidiary guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the value of all of its assets at a fair valuation;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liabilities on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

By its terms, the guarantee of each U.S. subsidiary guarantor will limit the liability of each such guarantor to the maximum amount it can pay without the guarantee being deemed a fraudulent transfer. CNH Global believes that immediately after the issuance of the notes by Case New Holland and the issuance of the note guarantees by the guarantors, CNH Global and each of the U.S. subsidiary guarantors will be solvent, will have sufficient capital to carry on their respective businesses and will be able to pay their respective debts as they mature. However, there can be no assurance as to what standard a court would apply in making these determinations or that a court would reach the same conclusions with regard to these issues. In an evidentiary ruling in *In re W.R. Grace & Co.*, the federal bankruptcy court for the District of Delaware held that under the Uniform Fraudulent Transfer Act, whether a transferor is rendered insolvent by a transfer depends on the actual liabilities of the transferor, and not what the transferor knows about such liabilities at the time of the transfer. Therefore, under that court's analysis, liabilities that are unknown, or that are known to exist but whose magnitude is not fully appreciated at the time of the transfer, may be taken into account in the context of a future determination of insolvency. If the principle articulated by that court is upheld, it would make it very difficult to know whether a transferor is solvent at the time of transfer, and would increase the risk that a transfer may in the future be found to be a fraudulent transfer.

The Netherlands

CNH Global and CNH Trade N.V., two of the guarantors, are incorporated under the laws of The Netherlands. Any insolvency proceedings applicable to them may be governed by Dutch insolvency laws. Dutch insolvency laws differ significantly from the insolvency laws of the United States and may make it more difficult for holders of the notes to recover the amount in respect of the guarantees that they would have recovered in a liquidation or bankruptcy proceeding in the United States. There are two corporate insolvency regimes under Dutch law: (1) moratorium of payment (*surseance van*

Risk factors

betaling), which is intended to facilitate the reorganization of a debtor's debts and enable the debtor to continue as a going concern, and (2) bankruptcy (*faillissement*), which is primarily designed to liquidate and distribute the assets of a debtor to its creditors.

Unlike Chapter 11 proceedings under the U.S. bankruptcy law, during which both secured and unsecured creditors generally are barred from seeking to recover on their claims, during moratorium of payment proceedings, certain secured creditors (including the senior lenders as secured creditors under the senior credit facilities) and preferential creditors may seek to satisfy their claims by proceeding against the assets that secure their claims or to which they have preferential rights. Therefore, a recovery under Dutch law could involve a sale of the assets in a manner that does not reflect their respective going concern value. Consequently, Dutch insolvency laws could preclude or inhibit a restructuring and could reduce any recovery you might obtain in an insolvency proceeding.

In connection with Dutch bankruptcy proceedings, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors on the basis of the relative priority of the claims of those creditors and, to the extent claims of certain creditors have equal priority, in proportion to the amount of such claims. Certain parties, such as secured creditors (including senior lenders as secured creditors under senior credit facilities), will benefit from special rights. For example, secured creditors such as pledgees and mortgagees may enforce their rights separately from bankruptcy. In addition, any claims you may have may be limited depending on the date they become due and payable. All unsecured, pre-bankruptcy claims are submitted to a receiver (*curator*) for verification, and the receiver makes a determination as to the existence, ranking and value of the claim and whether and to what extent it should be admitted in the bankruptcy proceedings.

Creditors that wish to dispute the verification of their claims by the receiver will need to commence a court proceeding.

Although no interest is payable in respect of unsecured claims as of the date of a bankruptcy, if the net present value of a claim of a holder needs to be determined, such determination will in most cases be made by taking into account the agreed payment date and interest rate.

The performance of a due obligation prior to the bankruptcy of a debtor may be avoided if the creditor knew that a petition for the bankruptcy of the debtor had been filed or, in certain circumstances, where the performance of the obligation resulted from consultation between the debtor and the creditor with a view to creating a preference over other creditors of the debtor.

In addition, a transaction that a creditor entered into voluntarily is subject to avoidance if the debtor knew or should have known that the transaction would prejudice one or more of its other creditors. Such knowledge is assumed by law if the transaction has been entered into less than one year prior to the bankruptcy of the debtor. If the transaction is entered into for consideration, it may only be avoided if the creditor also knew or should have known that the transaction would prejudice the debtor's other creditors. Knowledge of the creditor and the debtor that a transaction would prejudice other creditors of the debtor is presumed by law if such transaction has been entered into less than one year prior to the bankruptcy of the debtor or within one year before the date the claim for fraudulent conveyance is made, unless the transaction is entered into pursuant to an obligation existing prior to such one year period, if it is also established that one of the conditions referred to in article 3:46 of the Dutch Civil Code or, respectively, article 43 of the Dutch Bankruptcy Act is fulfilled. These conditions include, but are not limited to, situations where (i) the value of the obligation of the debtor materially exceeds the value of the obligation of the creditor; (ii) the debtor pays or grants security for debts which are not yet due; (iii) an agreement is made or an obligation arises from one legal entity to another if a director of one of these legal entities is also a director of the other; or (iv) an agreement is made with a group company.

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Under Dutch law, a transaction entered into by any legal entity may be avoided by that entity if such transaction is beyond the corporate purpose of such entity and is therefore *ultra vires*. Since CNH Trade N.V. is not a shareholder of Case New Holland, the guarantee by CNH Trade N.V. may be considered *ultra vires* if entering into the guarantee was not considered to be in the best interests of CNH Trade N.V. In the event that the guarantee by CNH Trade N.V. is determined to be *ultra vires*, such guarantee may be declared null and void.

Although CNH Trade N.V. believes that entering into the guarantee is not *ultra vires*, there is limited law and jurisprudence on this issue. Therefore, there can be no assurance that the guarantee by CNH Trade N.V. would not be considered *ultra vires* and declared null and void.

Germany

CNH Deutschland GmbH, a guarantor, is incorporated in Germany. Consequently, in the event of its insolvency, insolvency proceedings may be initiated in Germany. Such proceedings would then be governed by German law.

Under German law insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor (*i.e.*, where its liabilities exceed the value of its assets) or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). In addition, the debtor can file for insolvency proceedings if it is imminently at risk of being unable to pay its debts as and when they fall due (*drohende Zahlungsunfähigkeit*). The insolvency proceedings are court controlled, and the court opens the insolvency proceedings if certain formal requirements are met and if there are sufficient assets to cover at least the cost of the proceedings. The court appoints an insolvency administrator who, once the main insolvency proceedings have been opened, has full power to dispose of the debtor's assets, whereas the debtor is no longer entitled to dispose of its assets.

All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)), who wish to assert claims against the debtor need to participate in the insolvency proceedings. Any individual enforcement action brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened and, under certain circumstances, once an insolvency petition has been filed. In the insolvency proceedings, however, secured creditors have certain preferential rights. If CNH Deutschland GmbH grants security over its assets such security may result in a preferred treatment of creditors secured by such security. Certain creditors who are secured by a pledge over a claim, or over a movable asset that such secured creditors have in their possession, are entitled to enforce their security interest by themselves. Other security interests are enforced by the insolvency administrator. In case of an enforcement by the insolvency administrator, the enforcement proceeds less certain contributory charges for (i) assessing the value of the secured assets and (ii) realizing the secured assets are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. In any event, the remaining amount, if any, will be distributed among the unsecured creditors who are satisfied on a pro rata basis only. The proceeds resulting from the realization of the insolvency estate (*Insolvenzmasse*) of CNH Deutschland GmbH may not be sufficient to satisfy unsecured creditors under the guarantees granted by CNH Deutschland GmbH after the secured creditors have been satisfied. A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and which requires, among others, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

In addition, under German insolvency laws, the insolvency administrator (*Insolvenzverwalter*) or a creditor may, under certain circumstances, avoid transactions effected for the benefit of the holders of

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the notes including payments of amounts to the holders of the notes or the granting of security for their benefit. If such transactions were successfully avoided, the holders of the notes would be under an obligation to repay the amounts received or to waive the relevant guarantee.

United Kingdom

CNH U.K. Limited and New Holland Holding Limited, two of the guarantors, are incorporated under U.K. law. Accordingly, insolvency proceedings with respect to these subsidiaries may proceed under, and be governed by, U.K. insolvency law. Despite recent changes to U.K. insolvency law, the procedural and substantive provisions of U.K. insolvency law remain generally more favorable to secured creditors than comparable provisions of U.S. law. These provisions afford debtors and unsecured creditors only limited protection from the claims of secured creditors. It will generally not be possible for the U.K. guarantors or their unsecured creditors to prevent secured creditors with security interests that are superior to the security interests of holders of notes from enforcing their security to repay the debts due to them. Although liquidators and administrators have, under U.K. insolvency law, an obligation to act in the interests of all creditors our secured creditors will have priority over the assets securing their debt. As a result, your ability to realize claims against us with respect to your notes if the U.K. guarantors become insolvent may be more limited than under U.S. and other laws.

In addition, under U.K. insolvency law, the U.K. guarantors' liabilities in respect of the notes may also, in the event of insolvency or similar proceedings, rank junior to some of its other debts that are entitled to priority under U.K. law. These debts entitled to priority may include (a) amounts owed in respect of occupational pension schemes, (b) certain amounts owed to employees and (c) liquidation or administration expenses.

Any interest accruing under or in respect of the notes in respect of any period after the commencement of liquidation or administration proceedings would only be recoverable by holders of the notes from any surplus remaining after payment of all other debts proved in such liquidation or administration and accrued and unpaid interest up to the date of the commencement of proceedings.

A liquidator or administrator of a U.K. guarantor could apply to the court to rescind the issuance of its guarantee if such liquidator or administrator believed that issuance of such guarantee constituted a transaction at less than market value. Under U.K. insolvency law, the liquidator or administrator of a company may, among other things, apply to the court to rescind a transaction entered into by a company, if such company was insolvent (as defined in the U.K. Insolvency Act 1986) at the time of, or if it became insolvent in consequence of, the transaction and enters into a formal insolvency process (of liquidation or administration) within two years of the completion of the transaction. A transaction might be subject to such rescission if it involved a gift by a company or if a company received consideration of significantly less value than the benefit given by such company. A court generally will not intervene, however, if a company entered into the transaction in good faith for the purpose of carrying on its business and that at the time it did so there were reasonable grounds for believing the transaction would benefit such company.

We believe that the guarantee given by each U.K. guarantor will not be provided in a transaction at less than fair value and that the guarantee will be provided in good faith for the purposes of carrying on the business of the guarantor and its subsidiaries and that there are reasonable grounds for believing that the transactions will benefit the guarantor. There can be no assurance, however, that the provisions of the guarantees by the U.K. guarantors will not be challenged by a liquidator or administrator or that a court would support our analysis.

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Canada

CNH Canada, Ltd., one of the guarantors, is organized under Canadian law. The granting of the guarantee of the notes by CNH Canada, Ltd. may be subject to review under applicable Canadian federal or provincial law if a bankruptcy or lawsuit is commenced by or on behalf of CNH Canada, Ltd.'s unpaid creditors. Under such laws, if a court were to find that, at the time such guarantor incurred the guarantee of the notes, such guarantor:

either:

- incurred the guarantee of the notes with the intent of defeating, hindering, delaying or defrauding current or future creditors; or
- received less than the fair market value for incurring the guarantee of the notes, and such guarantor:
 - was insolvent, was rendered insolvent by giving the guarantee or becomes subject to an insolvency proceeding within one year of giving the guarantee;
 - is insolvent or unable to pay its debts in full or knows that it is on the eve of insolvency and incurred the guarantee of the notes with the intent of giving an unjust preference over other creditors; or
 - intended to give a creditor a preference over other creditors, if such transaction was made within one year of the date of bankruptcy,

then the court could avoid the guarantee of such guarantor or subordinate the amounts owing under such guarantee to such guarantor's presently existing or future debt or take actions detrimental to you.

Generally, a company would be considered insolvent according to Canadian bankruptcy and insolvency laws if, at the time it incurs the debt or issues the guarantee:

- the company is for any reason unable to meet its obligations as they generally become due;
- the company has ceased paying its current obligations in the ordinary course of business as they generally become due; or
- the aggregate of the company's property is not, at a fair valuation, sufficient, or if disposed of at a fairly conducted sale under legal process, would not be sufficient to enable payment of all its obligations, due and accruing due.

If the guarantee is avoided as a reviewable transaction, settlement, preference or fraudulent conveyance or found to be unenforceable for any other reason, you will not have a claim against that guarantor and will only be a creditor of Case New Holland or any guarantor whose obligation was not set aside or found to be unenforceable.

Belgium

Bankruptcy

New Holland Tractor Limited N.V. and CNH Belgium N.V., two of the guarantors, are governed by Belgium law. As a rule, under Belgian law all transactions (including guarantees) prior to the date of bankruptcy remain valid. However, a Belgian bankruptcy judgment may contain a hardening period of a maximum of 6 months, or the Bankruptcy Court may decide later to introduce such a hardening period. Certain transactions that occur during this hardening period can be declared unenforceable against the bankrupt estate. Such a hardening period can only be imposed by the Bankruptcy Court

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when there are clear indications that the Belgian subsidiary was in a situation of suspension of payment before the date of bankruptcy.

The receiver of the bankrupt Belgian subsidiaries may request the Bankruptcy Court to declare the guarantee unenforceable against the bankrupt estate (article 17 Bankruptcy Code) if the guarantee has been entered into during the hardening period and can be qualified as:

- (i) a transaction with third parties which is entered into without due consideration or on extremely beneficial terms;
- (ii) a payment which was not yet due or a payment other than in money for debts due; and
- (iii) a security interest which is provided during the hardening period for old debts.

In addition, the receiver may request the Bankruptcy Court to declare the guarantee which could be qualified as a payment of due debts by the Belgian subsidiary unenforceable against the bankrupt estate if the third party was aware of the suspension of payment of the company (article 18 Bankruptcy Code).

Regardless of any declaration by the Bankruptcy Court of a hardening period, transactions entered into with fraudulent prejudice to other creditors may be declared unenforceable against the bankrupt estate (article 20 Bankruptcy Code).

Certain secured and privileged creditors shall enjoy special rights in the event of a bankruptcy of a Belgium subsidiary, and their debts shall enjoy a higher ranking than unsecured debts. Furthermore, certain secured creditors, for example creditors benefiting from security interests over financial instruments, shall be able to enforce their rights notwithstanding any bankruptcy proceedings.

Moratorium

The obligations of the Belgian subsidiaries may be frozen and reduced in accordance with Belgian moratorium procedures (similar to Chapter 11 procedures in the United States) in accordance with Belgian Moratorium Law.

Corporate Interest

A transaction entered into by a Belgian subsidiary which is outside the “corporate interest” of such company can be declared null and void. The Belgian subsidiaries believe that entering into the guarantees is within their “corporate interest.” However, there are no laws, conclusive case law or clear jurisprudence to indicate with certainty that the guarantees are within the corporate interest of the Belgian subsidiaries and, consequently, there remains a risk that the guarantees would fall outside the “corporate interest” and would be declared null and void.

Australia

CNH Australia Pty Ltd, one of the guarantors, is incorporated in Australia. Under Australian insolvency law, the liquidator of an Australian incorporated guarantor may seek to challenge the guarantee given by that Australian guarantor if the guarantee was an insolvent transaction and an uncommercial transaction. The guarantee will be an uncommercial transaction of an Australian guarantor if, and only if, it may be expected that a reasonable person in the Australian guarantor’s circumstances would not have entered into the transaction, having regard to the benefits (if any) to the Australian guarantor of entering into the transaction, the detriment to the company of entering into the transaction, the respective benefits to other parties to the transaction of entering into it and any other relevant matter. The transaction would be an insolvent transaction if it was an uncommercial transaction and either was entered into when the Australian guarantor was insolvent or the Australian

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guarantor becomes insolvent as a result of entering into the guarantee. A court generally will not intervene, however, if the Australian guarantor entered into the transaction when it was solvent and did so in good faith and for the purpose of carrying on its business and there were reasonable grounds for believing the transaction would benefit the Australian guarantor. Under Australian insolvency law, certain debts rank ahead of general unsecured obligations, such as those under a guarantee. These include certain liabilities to taxing authorities and employees.

Certain subsidiaries are not included as guarantor subsidiaries.

The guarantors of the notes include only CNH Global and certain of its direct and indirect subsidiaries. However, our historical consolidated financial information (including our consolidated financial statements included elsewhere in this offering memorandum) and the *pro forma* consolidated financial information included in this offering memorandum are presented on a consolidated basis, including all of our consolidated subsidiaries. As of and for the year ended December 31, 2004, the guarantor subsidiaries collectively accounted for only approximately 63% of our adjusted net sales, 47% of our Equipment Operations Adjusted EBITDA and 68% of our Equipment Operations consolidated assets, excluding goodwill and intangibles. Equipment Operations consolidated assets reflects the consolidation of all majority-owned subsidiaries except for CNH's Financial Services business. CNH's Financial Services business has been included using the equity method of accounting. The percentage of our net sales, Equipment Operations Adjusted EBITDA and Equipment Operations consolidated assets attributable to our non-guarantor subsidiaries (as compared to our guarantor subsidiaries) can fluctuate significantly from year to year as a result of the different drivers affecting our operations in the geographic regions in which our non-guarantor and guarantor subsidiaries do business.

Because a substantial portion of our operations is conducted by the non-guarantor subsidiaries, our cash flow and our ability to service debt, including our and the guarantor subsidiaries' ability to pay the interest on and principal of the notes when due, are dependent to a significant extent upon interest payments, cash dividends and distributions or other transfers from the non-guarantor subsidiaries. In addition, any payment of interest, dividends, distributions, loans or advances by the non-guarantor subsidiaries to us and to the guarantor subsidiaries, as applicable, could be subject to restrictions on dividends or repatriation of earnings under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which those non-guarantor subsidiaries operate. Moreover, payments to us and the guarantor subsidiaries by the non-guarantor subsidiaries will be contingent upon these subsidiaries' earnings.

Our non-guarantor subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the notes or the guarantees or to make any funds available herefore, whether by dividends, loans, distributions or other payments. Any right that we or the subsidiary guarantors have to receive any assets of any of the non-guarantor subsidiaries upon the liquidation or reorganization of those subsidiaries, and the consequent rights of holders of notes to realize proceeds from the sale of any of those subsidiaries' assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors and holders of debt of that subsidiary.

The subsidiaries in our Financial Services business (as well as certain other subsidiaries) may incur substantial additional secured or unsecured indebtedness.

Holders may not be able to effect service of process within the United States upon CNH Global or the other non-U.S. guarantors or to enforce against them judgments of U.S. courts.

CNH Global is a corporation organized under the laws of The Netherlands, and certain of the other guarantors are organized in jurisdictions outside the United States. In addition, some of the members of its Board of Directors and some of its officers reside outside the United States. As a result, you may not be able to effect service of process within the United States upon CNH Global or the other non-U.S. guarantors or those persons. In addition, you may not be able to enforce against them, either in the United States or outside the United States, judgments of U.S. courts, including judgments based on the civil liability provisions of the U.S. federal securities laws. Also, a substantial portion of CNH Global's assets and the assets of those persons is located outside the United States; therefore, you may not be able to collect a judgment within the United States.

RISKS RELATED TO OUR INDEBTEDNESS

Our substantial indebtedness could adversely affect our financial condition.

As of September 30, 2005, we had an aggregate of \$6.2 billion of outstanding total consolidated indebtedness, and our shareholders' equity was \$5.1 billion. In addition, we are heavily dependent on asset backed securitization ("ABS") transactions, both term and asset-backed commercial paper ("ABCP"), for a total of \$7.7 billion as of September 30, 2005. 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

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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 agreements could limit our financial and operating flexibility and subject us to other risks.

The indentures governing the 9¼% Senior Notes, the 6% Senior Notes and the notes offered hereby and our bank credit agreements, 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.

The new €1 billion bank credit facility that we entered into in July 2005 also contains a number of affirmative and negative covenants, including financial covenants based on Fiat results, limitations on indebtedness, liens, acquisitions and dispositions, and certain reporting obligations. Failure to comply with these covenants, payment defaults or other events of default under the new facility could cause the facility to terminate and all loans outstanding under this credit facility to become due, regardless of whether the default related to CNH Global. As of December 31, 2005, this facility was unutilized.

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 9¼% 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, 2005, 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

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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 may provide to 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 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 Investors Service ("Moody's") reaffirmed their Ba3 rating of Fiat's long-term unsecured debt, with a negative outlook.

On August 9, 2004 Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc. ("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, 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 Ltd. Fiat's long-term unsecured debt was rated BB- by S&P and Ba3 by Moody's, with negative outlook.

On August 1, 2005, S&P reaffirmed its BB- corporate credit ratings on CNH and Fiat and revised its outlook to stable from negative, citing improved financial flexibility at Fiat after several recent transactions as well as its views on the expected recovery of Fiat's auto operations. These transactions included a €1.55 billion cash payment to Fiat from General Motors Corp. to terminate an agreement related to the companies' joint holdings in Fiat Automotive, the anticipated exchange of convertible debt held by certain creditors of Fiat into Fiat stock and the cash raised by Fiat from selling the captive financial arm of its Iveco truck unit.

On January 30, 2006, Moody's affirmed Fiat's Ba3 corporate family rating and long-term senior unsecured ratings and changed the outlook to stable from negative, citing the improvements in the performance of Fiat Auto and the reduction of Fiat's net debt. Moody's also affirmed the stand alone rating of CNH of Ba3 and negative outlook.

On January 20, 2006, Fitch Ratings upgraded the outlook of Fiat to stable from negative and affirmed the BB- senior unsecured rating on Fiat, citing improvement in financial and operational position of Fiat.

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

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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 help 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 September 30, 2005, we had approximately \$2.0 billion of committed capacity under our asset-backed commercial paper liquidity facilities to fund our finance operations, subject to certain conditions. At September 30, 2005, we had borrowed approximately \$482 million under these agreements, leaving approximately \$1.5 billion available to borrow.

There can be no assurance that replacement 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

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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 September 30, 2005, the carrying value of our retained interests, net of servicing liabilities, was \$1.4 billion (including unrealized gains of \$13 million). No assurances can be given that our current valuation of retained interests will prove accurate in future periods.

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.

Case and New Holland merged operations on November 12, 1999 creating CNH. At the time of the merger, we formulated a merger interaction plan for 1999 through 2004 to restructure and integrate the operations of the Case and New Holland businesses. Under this plan major structural changes were implemented, establishing the business platform for further improvements in our performance.

Our goal is to build upon our strengths to achieve our strategic objectives. The key elements of our initiatives are to:

- recapture our brand heritage;
- strengthen our dealer and customer support;
- refocus spare parts activities;
- improve quality and reliability;
- continue developing Financial Services; and
- continue efforts to reduce costs.

Through the accomplishment of these initiatives, by 2008, our goal is to close our performance gap compared to our best-in-class competitors. 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 “Business—Products and Markets” for a more detailed discussion regarding our new and existing products.

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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 direct suppliers to our manufacturing facilities 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 and 2005 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. Upon the resolution of this strike, the employees represented by the UAW returned to work at the facilities.

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, 2005, 2004 and 2003, our pension plans had an underfunded status of \$1.0 billion, \$1.1 billion and \$1.0 billion, respectively. Pension plan obligations for plans that we do not currently fund were \$521 million, \$443 million and \$332 million at December 31, 2005, 2004 and 2003, respectively. After deducting the accrued liabilities recognized on our consolidated balance sheets for our pension obligations at December 31, 2005, 2004 and 2003 of \$142 million, \$224 million and \$298 million, respectively, we had underfunded pension obligations of \$852 million, \$907 million and \$735 million at December 31, 2005, 2004 and 2003, respectively, which were unrecognized.

Our United States pension plans are subject to the Employee Retirement Income Security Act of 1974, or ERISA. Under ERISA the Pension Benefit Guaranty Corporation, or PBGC, has the authority to terminate underfunded pension plans under limited circumstances. In the event our United States pension plans are terminated for any reason while the plans are underfunded, we will incur a liability to the PBGC that may be equal to the entire amount of the underfunding and, under certain circumstances, the liability could be senior to the notes.

At December 31, 2005, 2004 and 2003, our other postretirement benefit obligations had an underfunded status of \$1.7 billion, \$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, 2005, 2004 and 2003 of \$930 million, \$862 million and \$794 million, respectively, we had underfunded other postretirement benefit obligations of \$741 million, \$754 million and \$700 million at December 31, 2005, 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.

Proposed United States pension reform legislation would replace the interest rate used to calculate pension funding obligations, require more rapid funding of underfunded plans, restrict the use of techniques that reduce funding volatility, and limit pension increases in underfunded plans. It is not possible to predict whether Congress will adopt pension reform legislation, or what form any legislation might take. If legislation similar to the pending bills were enacted, it could materially increase our pension funding requirement. The FASB is considering changes in accounting for pension and other employee benefits obligations. Such accounting changes, if adopted, could result in a substantial increase in our liabilities for accounting purposes with respect to these obligations and, consequently, a substantial decrease in our shareholders' equity.

Risk factors

See the heading “Management’s discussion and analysis of financial condition and results of operations—Application of Critical Accounting Estimates” and “—Pension and Other Postretirement Benefits,” as well as “Note 13: Employee Benefit Plans and Postretirement Benefits” of our consolidated financial statements for the year ended December 31, 2004 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 and the nine months ended September 30, 2005, the non-core portfolio decreased 41%, 60% and 34% 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 and, at September 30, 2005, the non-core portfolio totaled \$87 million against which we had established reserves of \$39 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.

We may also enter into a swap arrangement to convert the notes offered hereby into floating rate debt which may result in an increase in our interest expense if an increase in short-term interest rates

Risk factors

increased the interest costs on the notes. The amount and terms of any such swap may vary or the swap may not occur at all depending on market conditions.

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 or subsidies for farmers in the European Union, of government sponsored equipment financing programs in Brazil or of subsidy or commodity support 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 SEC regulations and New York Stock Exchange rules, are creating uncertainty for companies such as ours. These new or changing laws, regulations and standards are subject to varying 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 ABS markets.

Risk factors

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 2007 has been proposed by President Bush. Certain reforms are proposed that would reduce the amount of payments to individual farmers. We cannot predict the outcome of proposals relating to the 2007 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 including old member states receiving a 5% cut in payments in the 2007 to 2013 period. 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 are expected to 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 Corporation and Volvo Construction Equipment Corporation; regional full-line manufacturers, including Deere & Company, J.C. Bamford Excavators Ltd. and Liebherr-International AG; and product specialists operating on either a global or a regional basis, including Ingersoll-Rand Company Limited (Bobcat), Hitachi Construction Machinery, Ltd. (“Hitachi”), Sumitomo Construction (Linkbelt), Manitou B.F. S.A., Merlo UK Ltd., Gehl Company, and JLG Industries 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 for 2004 was consistent with the prior year.

In 2002, we terminated our European alliance with Hitachi and finalized our global alliance with Kobelco Japan. Our alliance with Kobelco Japan has led to an increase in competition with Hitachi. In Europe and Latin America, in early 2005 we 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. 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, and enter into from time to time, 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 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. Combine industry unit volumes also have generally increased since 1995.

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.

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.

Risk factors

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.

The above discussion reflects industry data through 2004. See "Business — Industry Overview — Recent Industry Developments" for additional information.

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 (one of which has become a dealer of our equipment in the Northeastern United States) 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

Risk factors

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.

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, declining asset values or reductions in government subsidies. 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 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, 2005, Fiat owned, indirectly through Fiat Netherlands, approximately 83% of our outstanding common shares and a total of 8 million shares of Series A Preferred Stock. In total, Fiat voting power approximates 83% of our outstanding capital stock. If the Series A Preferred Stock were converted to common stock as of December 31, 2005, Fiat's ownership of our common stock would rise to approximately 90%. 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

Risk factors

view will enhance its equity investment, even though such transactions may not be in the interest of our other debt and equity security holders.

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 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. 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.

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 September 30, 2005, CNH had approximately \$587 million deposited in the Fiat affiliates cash management pools. Of the total amount deposited with Fiat as of September 30, 2005, the principal components included \$84 million deposited by our North American subsidiaries with a Fiat treasury vehicle in the United States, \$377 million deposited by certain of our European subsidiaries with a vehicle managing cash in most of Europe excluding Italy, \$124 million deposited by our Italian subsidiaries with a vehicle managing cash in Italy, and \$2 million deposited by Latin American subsidiaries with other local subsidiaries of the Fiat Group. Historically our debt exposure towards each of these vehicles usually is higher than the amounts deposited with them. However, 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. Furthermore, our indebtedness to Fiat entities has been reduced in recent years and will be further reduced with net proceeds from this offering. At September 30, 2005 after giving effect to this transaction, approximately \$571 million of the aggregate \$965 million of total long-term debt to Fiat entities matures in 2006. An additional \$379 million of short-term debt as of September 30, 2005 is due to Fiat entities, the majority of which is related to the funding of our Latin American subsidiaries.

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

Risk factors

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.

In the event that Fiat does not provide us financial support and services, we would need to increasingly rely on other sources, the availability and cost of which cannot be assured.

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 September 30, 2005, we had outstanding borrowings of approximately \$1.3 billion with Fiat affiliates or guaranteed by Fiat affiliates. As of that date, we had approximately \$2.2 billion of unused borrowing capacity under these facilities, after the termination in July 2005 of a \$1.8 billion unutilized allocation to CNH under a \$2.0 billion backup credit line guaranteed by Fiat and the allocation to CNH of €300 million of committed capacity and €700 million of uncommitted capacity under a new €1 billion facility from a group of banks to various Fiat subsidiaries (including CNH), which has been guaranteed by Fiat. We cannot assure you that we will continue to have access to this support from Fiat. The terms of any alternative sources of financing that may be available 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 that may be available may not be as favorable as those provided or facilitated by Fiat. Changes in the level of support from Fiat could materially and adversely affect our financial position and results of operations.

Special note regarding forward-looking statements

This offering memorandum includes, and incorporates by reference, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact contained in this offering memorandum, including statements regarding our competitive strengths, business strategy, future financial position, budgets, projected costs and plans and objectives of management, are forward-looking statements. These statements may include terminology such as “may,” “will,” “expect,” “could,” “should,” “intend,” “estimate,” “anticipate,” “believe,” “outlook,” “continue,” “remain,” “on track,” “comfortable with,” “design,” “target,” “objective,” “goal” or similar terminology.

Our outlook is predominantly based on our interpretation of what we consider key economic assumptions and involves risks and uncertainties that could cause actual results to differ. Crop production and commodity prices are strongly affected by weather and can fluctuate significantly. Housing starts and other construction activity are sensitive to interest rates and government spending. Some of the other significant factors for us include general economic and capital market conditions, the cyclical nature of our business, customer buying patterns and preferences, foreign currency exchange rate movements, our hedging practices, our and our customers’ access to credit, actions by rating agencies concerning the ratings on our debt and asset-backed securities and the ratings of Fiat, risks related to our relationship with Fiat, political uncertainty and civil unrest or war in various areas of the world, pricing, product initiatives and other actions taken by competitors, disruptions in production capacity, excess inventory levels, the effect of changes in laws and regulations (including government subsidies and international trade regulations), technological difficulties, results of our research and development activities, changes in environmental laws, employee and labor relations, pension and health care costs, relations with and strength of our dealers, the cost and availability of supplies from our suppliers, raw material costs and availability, energy prices, real estate values, animal diseases, crop pests, harvest yields, government farm programs and consumer confidence, housing starts and construction activity, concerns related to modified organisms and fertilizer costs. Additionally, our achievement of the anticipated benefits of our profit improvement initiatives depends upon, among other things, industry volumes as well as our ability to effectively rationalize our operations and to execute our dual brand strategy.

We can give no assurance that the expectations reflected in our forward-looking statements will prove to be correct. Our actual results could differ materially from those anticipated in these forward-looking statements. All written and oral forward-looking statements attributable to us are expressly qualified in their entirety by the factors we disclose that could cause our actual results to differ materially from our expectations. We undertake no obligation to update or revise publicly any forward-looking statements.

Use of proceeds

We estimate that the net proceeds from our issuance of these notes, after payment of offering and other related expenses, will be approximately \$491 million.

We intend to loan (i) approximately \$246 million of the net proceeds to CNH Global which plans to use the funds to prepay existing debt to a Fiat affiliate, which debt matures in May 2006; (ii) approximately \$154 million of the net proceeds to CNH America LLC, one of our subsidiaries and a guarantor of the notes, which plans to use the funds to retire existing debt to a third party, \$99 million of which debt matures in July 2006 and \$55 million of which debt matures in January 2007; (iii) approximately \$61 million of the net proceeds to CNH Canada, Ltd., a subsidiary of CNH Global and a guarantor of the notes, which plans to use the funds to reduce short term debt owed to a Fiat affiliate; and (iv) approximately \$30 million of the net proceeds to CNH U.K. Limited, a subsidiary of CNH Global and a guarantor of the notes, which plans to use the funds to reduce short term debt owed to a Fiat affiliate. Before we apply the proceeds for the above stated purposes, we may hold some or all of the proceeds in the form of cash, cash equivalents or deposits in the cash management pools of Fiat affiliates.

Capitalization

The following table sets forth the cash and cash equivalents and capitalization of CNH as of September 30, 2005 on an actual basis and as of December 31, 2005: (i) on an actual basis and (ii) as adjusted to reflect the issuance of these notes and the application of the estimated net proceeds therefrom, as described in this offering memorandum. The application of the net proceeds set forth in the table below reflects our current intention regarding the repayment of our debt, which is subject to change.

This table should be read in conjunction with our financial statements and accompanying notes and other financial data included elsewhere in this offering memorandum or incorporated by reference herein.

	Actual September 30, 2005	As of December 31, 2005	
		Actual	As adjusted for the offering(1)
(in millions, except share data)			
Cash and cash equivalents	\$ 960	\$ 1,245	\$ 1,245
Deposits in Fiat affiliates cash management pools	\$ 587	\$ 580	\$ 580
Debt (2):			
Short-term Debt			
Equipment Operations			
Credit agreements	477	347	347
Short-term debt with Fiat affiliates	305	479	388
Short-term debt and current maturities of long-term debt receivable from Financial Services	(1,490)	(1,067)	(1,067)
Total short-term debt, net of intersegment — Equipment Operations	(708)	(241)	(332)
Financial Services			
Credit agreements	34	91	91
Asset-backed commercial paper liquidity facility	482	519	519
Short-term debt with Fiat affiliates	74	86	86
Short-term debt and current maturities of long-term debt payable to Equipment Operations	1,490	1,067	1,067
Total short-term debt, net of intersegment — Financial Services	2,080	1,763	1,763
Total short-term debt	1,372	1,522	1,431
Long-term Debt (including current maturities except where noted)			
Equipment Operations			
Term loans due 2006-2011	235	242	88
6.00% Senior Notes due 2009, net of discount	481	482	482
9.25% Senior Notes due 2011, net of discount	743	743	743
9.25% Senior Notes due 2011, including premium	308	308	308
7.125% Senior Notes due 2014 offered hereby	—	—	500
7.25% Notes due 2016	247	247	247
Notes with Fiat	754	374	128
Total long-term debt — Equipment Operation	2,768	2,396	2,496

Capitalization

	Actual September 30, 2005	As of December 31, 2005	
		Actual	As adjusted for the offering(1)
	(in millions, except share data)		
Financial Services			
6.75% Notes due 2007, net of discount	125	125	125
Notes with Fiat due 2005-2008	211	172	172
Other debt	<u>1,695</u>	<u>2,072</u>	<u>2,072</u>
Total long-term debt — Financial Services	<u>2,031</u>	<u>2,369</u>	<u>2,369</u>
Total long-term debt	<u>4,799</u>	<u>4,765</u>	<u>4,865</u>
Total debt	6,171	6,287	6,296
Shareholders' Equity			
Common shares, par value €2.25 per share, 140,000,000 shares authorized and 133,201,076 shares issued	314	315	315
Series A Preference Shares, par value €2.25 per share, 200,000,000 authorized and 8,000,000 issued (aggregate liquidation preference \$2,000 million)	19	19	19
Paid-in capital	6,344	6,348	6,348
Retained earnings	(1,003)	(996)	(1,004)
Treasury shares, 116,706 shares, at cost	(8)	(8)	(8)
Other shareholders' equity	<u>(611)</u>	<u>(626)</u>	<u>(626)</u>
Total shareholders' equity	<u>5,055</u>	<u>5,052</u>	<u>5,044</u>
Total capital	<u>\$11,226</u>	<u>\$11,339</u>	<u>\$11,340</u>

- (1) As adjusted to reflect the full year impact on retained earnings of the issuance of the notes offered hereby and the application of the estimated net proceeds therefrom (together with approximately \$2 million of cash on hand) as described in the offering memorandum.

Capitalization

(2) The following table summarizes our credit facilities at December 31, 2005:

	Maturity	Amount (in millions)	Borrower*	Drawn			Available	Guarantor
				Equipment Operations	Financial Services (in millions)	Total		
Committed lines:								
CNH portion of Fiat revolving syndicated backup credit facility . . .	Jul 08	\$ 354	EO	\$	\$	\$	\$ 354	Fiat
Credit facilities with third parties	Jun 07	<u>150</u>	FS		<u>150</u>	<u>150</u>	<u>—</u>	Fiat
Other committed lines guaranteed by Fiat:								
Buyer's credit Proex	2006-2010	129	EO	129		129	—	Fiat
CNH Capital Australia/Canada facility with UBS	2006	<u>61</u>	FS	<u>—</u>	<u>61</u>	<u>61</u>	<u>—</u>	Fiat
Total other committed lines guaranteed by Fiat		<u>190</u>		<u>129</u>	<u>61</u>	<u>190</u>	<u>—</u>	Fiat
BNDES Subsidized Financing Brazil								
—2006	2006	470	FS		470	470	—	Fiat**
—2007	2007	337	FS		337	337	—	Fiat**
—2008 and Beyond	2008+	483	FS		473	473	10	Fiat**
Revolving credit facility with Fiat affiliate	Jan 2007	1,000	Both	205	77	282	718	Fiat
Various committed lines—Brazil	Jan 06-Sept 07	165	EO	165		165	—	
Various committed lines—Australia	Jan 06-Jul 06	<u>58</u>	FS	<u>—</u>	<u>51</u>	<u>51</u>	<u>7</u>	
Total committed lines		<u>3,207</u>		<u>499</u>	<u>1,619</u>	<u>2,118</u>	<u>1,089</u>	
Uncommitted Lines								
Portion of Fiat revolving syndicated backup credit facility shared with Fiat subs.								
	Jul 08	826	EO				826	
Factoring lines	Jan 06	185	EO	185		185	—	
Factoring lines	Jan 06	50	FS				50	
Other	Jan 06	8	EO				8	
Asset-backed Programs								
—United States	Jan 06	1,200	FS		157	157	1,043	
—United States (Credit Cards)	Jun 07	250	FS		129	129	121	
—Canada	Aug 06	257	FS		26	26	231	
—Australia	Apr 06	293	FS		206	206	87	
—ABS Retained Assets financing	Dec 08	<u>300</u>	FS	<u>—</u>	<u>247</u>	<u>247</u>	<u>53</u>	
Total uncommitted lines		<u>3,369</u>		<u>185</u>	<u>765</u>	<u>950</u>	<u>2,419</u>	
Total credit facilities		<u>\$6,576</u>		<u>\$684</u>	<u>\$2,384</u>	<u>\$3,068</u>	<u>\$3,508</u>	
Drawn short-term debt				<u>\$495</u>	<u>\$ 579</u>	<u>\$1,074</u>		
Drawn long-term debt				<u>\$189</u>	<u>\$1,805</u>	<u>\$1,994</u>		
Total credit facilities with Fiat affiliates or guaranteed by Fiat affiliates		<u>\$3,254</u>		<u>\$334</u>	<u>\$1,014</u>	<u>\$1,348</u>	<u>\$1,906</u>	

* EO = Equipment Operations; FS = Financial Services

** BNDES Subsidized Financing in Brazil is guaranteed by Fiat for up to \$726 million (1.7 billion reales equivalent).

Selected historical consolidated financial data

The financial data set forth below as of December 31, 2003 and 2004, and for the years ended December 31, 2002, 2003 and 2004, has been derived from our audited consolidated financial statements included herein. Financial data as of December 31, 2000, 2001 and 2002, and for the years ended December 31, 2000 and 2001, have been derived from our published financial statements. The selected financial data as of September 30, 2004 and 2005 and for the nine months ended September 30, 2004 and 2005 is derived from our unaudited condensed consolidated financial statements incorporated by reference herein. The unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, which we consider necessary for a fair presentation of our financial position and results of operations for these periods. The selected financial data for the twelve months ended September 30, 2005 has been compiled from our unaudited condensed consolidated financial statements for the nine months ended September 30, 2005 and our audited consolidated financial statements for the year ended December 31, 2004, excluding the data derived from our unaudited condensed consolidated financial statements for the nine months ended September 30, 2004. Operating results for the nine months ended September 30, 2005 and the twelve months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ended December 31, 2005 or for any other future period. Equipment Operations data represents CNH's agricultural and construction equipment operations with CNH's Financial Services operations accounted for under the equity method.

CNH has presented the selected historical financial data in accordance with U.S. GAAP.

Selected historical consolidated financial data

CONSOLIDATED	Fiscal year ended December 31,					Nine months ended September 30,		Twelve months ended September 30,
	2000	2001	2002	2003	2004	2004	2005	2005
	(in millions)							
<i>Statements of Operations Data:</i>								
Revenues:								
Net sales	\$9,337	\$9,030	\$9,331	\$10,069	\$11,545	\$8,714	\$8,985	\$11,816
Finance and interest income	704	685	609	597	634	464	551	721
Total	10,041	9,715	9,940	10,666	12,179	9,178	9,536	12,537
Costs and expenses:								
Cost of goods sold	7,820	7,586	7,902	8,590	9,782	7,353	7,568	9,997
Selling, general and administrative	1,277	1,224	1,094	1,042	1,110	850	876	1,136
Research and development ..	338	306	283	259	267	197	216	286
Restructuring	157	104	51	271	104	72	30	62
Interest expense	793	726	554	481	492	364	402	530
Other, net	186	193	182	241	265	210	208	263
Total	10,571	10,139	10,066	10,884	12,020	9,046	9,300	12,274
Income before income taxes, minority interest, equity in income of unconsolidated subsidiaries and affiliates and cumulative effect of change in accounting principle	(530)	(424)	(126)	(218)	159	132	236	263
Income tax provision (benefit)	(153)	(105)	(14)	(49)	39	38	95	96
Minority interest	10	5	8	7	23	16	19	26
Equity in income (loss) of unconsolidated subsidiaries and affiliates:								
Financial Services	2	6	4	6	8	6	7	9
Equipment Services	4	(14)	15	13	20	15	27	32
Net income (loss) before cumulative effect of change in accounting principle	(381)	(332)	(101)	(157)	125	99	156	182
Cumulative effect of change in accounting principle, net of tax	—	—	(325)	—	—	—	—	—
Net income (loss)	<u>\$(381)</u>	<u>\$(332)</u>	<u>\$(426)</u>	<u>\$(157)</u>	<u>\$125</u>	<u>\$99</u>	<u>\$156</u>	<u>\$182</u>

Selected historical consolidated financial data

CONSOLIDATED	Fiscal year ended December 31,					Nine months ended September 30,		Twelve months ended September 30,
	2000	2001	2002	2003	2004	2004	2005	2005
	(in millions, except ratios)							
<i>Balance sheet data (at end of period):</i>								
Cash and cash equivalents	\$886	\$663	\$231	\$619	\$931	\$524	\$960	\$960
Deposits in Fiat affiliates cash management pools	—	—	544	1,325	1,151	1,887	587	587
Total assets	17,577	17,212	16,760	17,727	18,080	19,206	17,541	17,541
Total debt	9,725	9,863	7,864	6,996	6,963	7,236	6,171	6,171
Shareholders' equity	2,514	1,909	2,761	4,874	5,029	4,928	5,055	5,055
<i>Other Data:</i>								
Ratio of earnings to fixed charges(1)	—x	—x	—x	—x	1.3x	1.4x	1.6x	1.5x
<i>Per share data:</i>								
Basic earnings (loss) per share before cumulative effect of change in accounting principle, net of tax ...	\$(8.95)	\$(6.00)	\$(1.05)	\$(1.19)	\$0.94	\$0.74	\$0.79	
Cumulative effect of change in accounting principle, net of tax ...	—	—	(3.35)	—	—	—	—	
Basic earnings (loss) per share	<u>\$(8.95)</u>	<u>\$(6.00)</u>	<u>\$(4.40)</u>	<u>\$(1.19)</u>	<u>\$0.94</u>	<u>\$0.74</u>	<u>\$0.79</u>	
Diluted earnings (loss) per share before cumulative effect of change in accounting principle, net of tax ...	\$(8.95)	\$(6.00)	\$(1.05)	\$(1.19)	\$0.54	\$0.42	\$0.67	
Cumulative effect of change in accounting principle, net of tax ...	—	—	(3.35)	—	—	—	—	
Diluted earnings (loss) per share	<u>\$(8.95)</u>	<u>\$(6.00)</u>	<u>\$(4.40)</u>	<u>\$(1.19)</u>	<u>\$0.54</u>	<u>\$0.42</u>	<u>\$0.67</u>	

Selected historical consolidated financial data

CONSOLIDATED	Fiscal year ended December 31,					Nine months ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
	(in millions, except per share data)						
Cash dividends declared per common share	<u>\$2.75</u>	<u>\$0.50</u>	<u>\$0.50</u>	<u>\$0.25</u>	<u>\$0.25</u>	<u>\$0.25</u>	<u>\$0.25</u>
Net cash from							
Operating activities	\$808	\$(182)	\$977	\$796	\$970	\$682	\$367
Investing activities	(296)	(272)	(659)	(980)	(396)	(980)	677
Financing activities	(42)	263	(576)	538	(277)	203	(1,038)

- (1) Earnings were insufficient to cover fixed charges by approximately \$546 million, \$424 million, \$109 million and \$198 million in the years ended December 31, 2000, 2001, 2002 and 2003, respectively. For purposes of determining the ratio of earnings to fixed charges, earnings are defined as the sum of (i) pretax income (loss) before adjustment for minority interests in consolidated subsidiaries or income (loss) from equity investees, (ii) fixed charges, (iii) amortization of capitalized interest and (iv) distributed income of equity investees, less (i) interest capitalized and (ii) minority interest in pretax income of subsidiaries that have not incurred fixed charges. Fixed charges consist of (i) interest expense, including amortization of premiums, discounts and capitalized expenses related to indebtedness, (ii) interest capitalized and (iii) an estimate of the interest component of rental expense.

Selected historical consolidated financial data

CONSOLIDATED	Fiscal Year Ended December 31,					Nine Months Ended September 30,		Twelve Months Ended September 30,
	2000	2001	2002	2003	2004	2004	2005	2005
	(in millions)							
Earnings								
Add:								
Income (loss) before income taxes, minority interest, equity in income of unconsolidated subsidiaries and affiliates and before cumulative effect of change in accounting principle	\$ (530)	\$ (424)	\$ (126)	\$ (218)	\$ 159	\$ 132	\$ 236	\$ 263
Fixed charges	805	738	565	490	502	372	410	540
Amortization of capitalized interest	3	4	4	4	4	3	3	4
Distributed income of equity investees	—	9	29	29	30	24	28	34
Less:								
Interest capitalized	9	8	8	6	6	5	5	6
Minority interest in pretax income of subsidiaries that have not incurred fixed charges	10	5	8	7	23	16	19	26
Earnings	<u>\$259</u>	<u>\$314</u>	<u>\$456</u>	<u>\$292</u>	<u>\$666</u>	<u>\$510</u>	<u>\$653</u>	<u>\$809</u>
Fixed charges								
Interest expense inclusive of amortized premiums, discounts and capitalized expenses related to indebtedness	\$793	\$726	\$554	\$481	\$492	\$364	\$402	\$530
Interest capitalized	9	8	8	6	6	5	5	6
Estimate of the interest component of rental expense	3	4	3	3	4	3	3	4
Fixed charges	<u>\$805</u>	<u>\$738</u>	<u>\$565</u>	<u>\$490</u>	<u>\$502</u>	<u>\$372</u>	<u>\$410</u>	<u>\$540</u>

Selected historical consolidated financial data

EQUIPMENT OPERATIONS(1)	Fiscal Year Ended December 31,					Nine Months Ended September 30,		Twelve Months Ended September 30,
	2000	2001	2002	2003	2004	2004	2005	2005
	(in millions)							
<i>Statements of Operations</i>								
<i>Data:</i>								
Revenues:								
Net sales	\$9,337	\$9,030	\$9,331	\$10,069	\$11,545	\$8,714	\$8,985	\$11,816
Finance and Interest Income	68	149	100	83	82	55	90	117
Total	9,405	9,179	9,431	10,152	11,627	8,769	9,075	11,933
Costs and Expenses:								
Cost of goods sold	7,820	7,586	7,902	8,590	9,782	7,353	7,568	9,997
Selling, general and administrative	1,007	915	884	839	929	697	723	955
Research and development	338	306	283	259	267	197	216	286
Restructuring	157	97	50	268	102	71	30	61
Interest expense	443	486	390	321	318	228	252	342
Interest compensation to Financial Services	99	99	76	79	113	85	115	143
Other, net	100	112	62	149	186	158	138	166
Total	9,964	9,601	9,647	10,505	11,697	8,789	9,042	11,950
Income (loss) before income taxes, minority interest, equity in income (loss) of unconsolidated subsidiaries and affiliates and before cumulative effect of change in accounting principle	(559)	(422)	(216)	(353)	(70)	(20)	33	(17)
Income tax provision (benefit)	(159)	(105)	(48)	(97)	(39)	(16)	30	7
Minority interest	11	5	8	7	23	16	19	26
Equity in income (loss) of unconsolidated subsidiaries and affiliates:								
Financial Services	26	4	60	93	159	104	145	200
Equipment Services	4	(14)	15	13	20	15	27	32
Net Income (loss) before cumulative effect of change in accounting principle	(381)	(332)	(101)	(157)	125	99	156	182
Cumulative effect of change in accounting principle, net of tax	—	—	(325)	—	—	—	—	—
Net income (loss)	<u>\$(381)</u>	<u>\$(332)</u>	<u>\$(426)</u>	<u>\$(157)</u>	<u>\$125</u>	<u>\$99</u>	<u>\$156</u>	<u>\$182</u>

Selected historical consolidated financial data

EQUIPMENT OPERATIONS(1)	Fiscal Year Ended December 31,					Nine Months Ended September 30,		Twelve Months Ended September 30,
	2000	2001	2002	2003	2004	2004	2005	2005
	(in millions)							
<i>Balance Sheet Data (at end of period):</i>								
Cash and cash equivalents . . .	\$593	\$378	\$133	\$486	\$637	\$336	\$641	\$641
Deposits in Fiat affiliates cash management pools	—	—	336	1,315	1,136	1,492	580	580
Working capital(2)	2,968	2,910	2,520	2,989	2,432	3,135	2,297	2,297
Intersegment notes receivable	590	1,636	1,783	1,012	1,114	1,159	1,490	1,490
Total assets	13,237	14,233	14,367	15,382	14,994	15,856	14,679	14,679
Total debt	5,790	7,243	5,776	4,715	4,172	4,327	3,550	3,550
Net debt	4,607	5,229	3,524	1,902	1,285	1,340	839	839
Shareholders' equity	2,514	1,909	2,761	4,874	5,029	4,928	5,055	5,055
<i>Other Data:</i>								
Net cash provided (used) by:								
Operating activities	285	(468)	485	66	879	705	684	858
Investing activities	(140)	(169)	(666)	(1,136)	22	(278)	424	724
Financing activities	107	441	87	1,403	(754)	(576)	(1,099)	(1,277)

(1) Equipment Operations data represents CNH's agricultural and construction equipment operations with CNH's Financial Services operations accounted for under the equity method.

(2) Working capital is defined as accounts and notes receivable, excluding intersegment notes receivable, plus inventories less accounts payable.

Selected historical consolidated financial data

FINANCIAL SERVICES	Fiscal Year Ended December 31,					Nine Months Ended September 30,		Twelve Months Ended September 30,
	2000	2001	2002	2003	2004	2004	2005	2005
	(in millions)							
<i>Statements of Operations Data:</i>								
Revenues:								
Net sales	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Finance and Interest income ...	<u>799</u>	<u>739</u>	<u>641</u>	<u>621</u>	<u>672</u>	<u>496</u>	<u>575</u>	<u>751</u>
Total	799	739	641	621	672	496	575	751
Costs and Expenses:								
Cost of goods sold	—	—	—	—	—	—	—	—
Selling, general and administrative	274	314	210	203	181	153	153	181
Research and development	—	—	—	—	—	—	—	—
Restructuring	—	7	1	3	2	1	—	1
Interest expense	410	339	242	210	208	149	190	249
Other, net	<u>86</u>	<u>81</u>	<u>98</u>	<u>71</u>	<u>52</u>	<u>41</u>	<u>29</u>	<u>40</u>
Total	770	741	551	487	443	344	372	471
Income (loss) before income taxes, minority interest and equity in income of unconsolidated subsidiaries and affiliates	29	(2)	90	134	229	152	203	280
Income tax provision (benefit) ...	6	—	34	47	78	54	65	89
Minority interest	(1)	—	—	—	—	—	—	—
Equity in income of unconsolidated subsidiaries and affiliates:								
Financial Services	2	6	4	6	8	6	7	9
Equipment Services	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net income (loss)	<u>\$26</u>	<u>\$4</u>	<u>\$60</u>	<u>\$93</u>	<u>\$159</u>	<u>\$104</u>	<u>\$145</u>	<u>\$200</u>
<i>Balance Sheet Data (at end of period)</i>								
Cash and cash equivalents	\$293	\$285	\$98	\$133	\$294	\$188	\$319	\$319
Deposits in Fiat affiliates cash management pools	—	—	208	10	15	395	7	7
Intersegment notes receivable	195	344	354	—	24	19	—	—
Total assets	6,400	6,352	5,875	5,058	5,778	5,856	5,971	5,971
Total debt	4,720	4,600	4,225	3,293	3,929	4,087	4,111	4,111
Net debt	4,427	3,971	3,565	3,150	3,596	3,485	3,785	3,785
Shareholders' equity	1,122	1,147	1,019	1,241	1,419	1,283	1,532	1,532

Management's discussion and analysis of financial condition and results of operations

This offering memorandum contains forward-looking statements within the meaning of the Securities Act. Discussions containing forward-looking statements may be found throughout this offering memorandum including the materials presented under "Offering memorandum summary," "Management's discussion and analysis of financial condition and results of operations" and "Business." Actual events or results may differ materially from those discussed in the forward-looking statements as a result of various factors, including the risks presented under "Risk factors" and the matters in this offering memorandum generally.

We have prepared our financial statements in accordance with U.S. GAAP.

Our agricultural and construction equipment businesses are collectively referred to as our Equipment Operations. Our financial services businesses are collectively referred to as Financial Services. Unless otherwise indicated, all financial data set forth herein is expressed in U.S. dollars.

The "Consolidated" data in this section includes CNH Global 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's agricultural and construction equipment operations. The supplemental "Financial Services" consolidating data in this section include primarily CNH Global'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.

RECENT DEVELOPMENTS

On January 25, 2006, CNH released its earnings and certain unaudited and condensed consolidated financial data as of and for the year ended December 31, 2005. The discussion that follows is derived from such data. Financial data as of, and for the year ended December 31, 2004 is also included for comparative purposes. We have not completed the preparation of our full financial statements and related notes for the year ended December 31, 2005. Accordingly, our independent registered public accounting firm has not yet issued an audit opinion on such financial statements and notes. Our financial data as of and for the year ended December 31, 2005 included in this offering memorandum therefore remains subject to change pending the issuance of our full audited financial statements and notes. You should not place undue reliance on these condensed unaudited results.

CNH utilizes "net income before restructuring," "earnings per share before restructuring, net of tax," "industrial gross margin," "industrial operating margin," "Adjusted EBITDA," "interest coverage ratio," "net debt," "net debt to net capitalization" and "working capital" all of which are "Non-GAAP Financial Measures" as this term is defined under Regulation G as promulgated by the SEC. For reconciliation of these non-GAAP financial measures to the most relevant U.S. GAAP equivalent see "—Reconciliation of Non-GAAP Financial Measures—Three Months and Years Ended December 31, 2005" and "—Reconciliation of Non-GAAP Financial Measures—Three and Nine Months Ended September 30, 2005" included in this management's discussion and analysis.

CONSOLIDATED — Fourth Quarter 2005 Financial Results

CNH's fourth quarter 2005 net income was \$7 million, compared to \$26 million for 2004. Results include restructuring charges, net of tax, of \$36 million in the fourth quarter of 2005, and \$22 million during the same period last year. Net income excluding restructuring charges was \$43 million in the

Management's discussion and analysis of financial condition and results of operations

fourth quarter of 2005, compared to \$48 million in the prior year. Fourth quarter diluted earnings per share of \$.03 compared with \$.11 in 2004. Before restructuring, fourth quarter diluted earnings per share were \$.17, compared with \$.21 in 2004.

CNH's net income for the full year 2005 improved by approximately 30% to \$163 million, compared to \$125 million for 2004. Results include restructuring charges, net of tax, of \$60 million in 2005 compared to \$68 million in the same period of 2004. Net income excluding restructuring charges was \$223 million, up 16% from \$193 million in 2004. Diluted earnings per share were \$.70, compared to \$.54 in 2004. Before restructuring, full-year diluted earnings per share increased to \$.95 compared to \$.83 in the prior year.

EQUIPMENT OPERATIONS—Fourth Quarter 2005 Financial Results

Net sales of equipment were \$2.8 billion for the fourth quarter, essentially the same as in 2004.

Agricultural Equipment Net Sales

- Agricultural equipment net sales were \$1.8 billion for the fourth quarter, down 2% excluding currency variations, compared to the prior year.
- Excluding currency variations, CNH sales in North America were up 4%. Sales in Europe were down 2%. The industry decline in Latin America continued in the fourth quarter, driving down CNH's sales in the region by approximately 37%. Sales in Rest-of-World markets were flat.
- In the fourth quarter, CNH's production of tractors and combines was approximately 1% lower than retail unit sales in the quarter.

Construction Equipment Net Sales

- Construction equipment net sales were \$1.0 billion for the fourth quarter, up 9% excluding currency variations, compared to the prior year.
- Excluding currency variations, North American sales were up 14%. In Europe, sales decreased by 3%. Sales in Latin America and Rest-of-World markets also were up, 44% and 13% respectively.
- In the fourth quarter, CNH's production of major construction equipment products was approximately 15% lower than retail unit sales in the quarter.

Gross Margin

In the quarter, Equipment Operations gross margin (net sales of equipment less cost of goods sold) expressed as a percent of net sales, improved by 1.9 percentage points to 16.1%.

In dollars, Equipment Operations gross margin increased by \$53 million to \$455 million in the fourth quarter of 2005, reflecting improvements at both Agricultural and Construction equipment operations. The Agricultural equipment gross margin improvement reflects better volume and mix and manufacturing efficiencies. Construction equipment margin improvements came from positive net price recovery, new products and manufacturing efficiencies.

Industrial Operating Margin

In the quarter, Equipment Operations industrial operating margin (defined as net sales of equipment, less cost of goods sold, SG&A and R&D costs) expressed as a percent of net sales, improved by 1 percentage point to 4.5%.

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In dollars, Equipment Operations industrial operating margin increased by \$27 million to \$127 million in the fourth quarter of 2005. The improvement in gross margin dollars, noted above, accounted for the increase. Planned increases in R&D expenditures, primarily for new Tier 3 emission-compliant products, and planned increases in SG&A expenditures for higher marketing and supply chain initiatives were a partial offset.

Adjusted EBITDA

In the quarter, Adjusted EBITDA for Equipment Operations was \$171 million, or 6.1% of net sales, compared to \$165 million, or 5.8% of net sales in 2004. The interest coverage ratio for the three months ended on December 31, 2005 was 3.4 times, compared to 2.6 times for the same period in 2004.

Restructuring Charges

Fourth quarter 2005 consolidated restructuring charges totaled \$43 million before taxes, or \$36 million after taxes. These charges primarily reflect the planned rationalization of construction equipment manufacturing operations in Western Europe. For the full year 2005, restructuring charges totaled \$73 million before taxes, or \$60 million after taxes, slightly less than expected due to the timing of recognition for planned actions.

FINANCIAL SERVICES — Fourth Quarter 2005 Financial Results

Financial Services Operations fourth quarter net income was \$55 million, the same as in the prior year. Incremental net impacts of the larger North American and Western European wholesale portfolios and retail portfolio growth in Brazil were offset by higher provisions for loan losses in North America.

EQUIPMENT OPERATIONS — Full-Year 2005 Financial Results

Net sales of equipment were \$11.8 billion for the full year 2005, compared to \$11.5 billion for 2004.

Agricultural Equipment Net Sales

- Agricultural equipment net sales were \$7.8 billion, down 4% excluding currency variations, from the prior year.
- Excluding currency variations:
 - CNH's sales in North America were up 4%.
 - Sales in Western Europe were down 6%, driven by the decline in the tractor industry and company actions to reduce production in the fourth quarter.
 - The industry decline in Latin America, which was a significant factor behind CNH's total decline in Agricultural equipment net sales, resulted in lower equipment net sales in that region, especially for combine harvesters, by approximately 47%.
 - Sales in Rest-of-World markets increased by 6%.
- For the full year, CNH's production of tractors and combines was approximately 5% higher than full-year retail unit sales.

Construction Equipment Net Sales

- Net sales of construction equipment were \$4.0 billion, up 10% excluding currency variations, from the prior year.
- Excluding currency variations:
 - North American sales were up 15%, led by strong sales of backhoe loaders.
 - In Western Europe, sales decreased by 2% including the effects of reduced fourth quarter production, to manage inventory levels in the flat industry environment.
 - Sales in Latin America were up 45%.
 - Sales in Rest-of-World markets were up 13%.
- For the full year, CNH's production of major construction equipment products was approximately 5% higher than full-year retail unit sales.

Gross Margin

Equipment Operations gross margin, expressed as a percent of net sales, improved by 0.6 percentage points to 15.9%.

In dollars, Equipment Operations gross margin increased by \$109 million to \$1,872 million in 2005. Compared with 2004, the gross margin of Construction Equipment operations improved significantly while the Agricultural Equipment gross margin was essentially flat. For Agricultural Equipment, the gross margin improvements in net price recovery and manufacturing efficiencies were offset by lower volume and mix in Latin America and Western Europe. Construction Equipment gross margin improvements reflect positive net price recovery, improved volume and mix, primarily in North America, and manufacturing efficiencies.

Industrial Operating Margin

Equipment Operations industrial operating margin, expressed as a percent of net sales improved by 0.2 percentage points to 5.1%.

In dollars, Equipment Operations industrial operating margin increased by \$38 million to \$605 million in 2005. The improvement in gross margin dollars, noted above, was partially offset by planned increases in R&D and SG&A investments to better support CNH's dealers, improve product quality, enhance global sourcing initiatives and strengthen logistics operations.

Adjusted EBITDA

Adjusted EBITDA for Equipment Operations increased to \$735 million, or 6.2% of net sales, compared to \$687 million, or 6.0% of net sales in 2004. The interest coverage ratio for the year ended on December 31, 2005 was 3.5 times, compared to 2.9 times for same period in 2004.

FINANCIAL SERVICES — Full-Year 2005 Financial Results

Financial Services Operations net income improved by 26% to \$200 million for full-year 2005. This improvement reflects higher retail asset-backed securitization volume and improved yields on a larger wholesale portfolio, primarily transferred from Equipment Operations.

OPERATING CASH FLOW AND NET DEBT — Full-Year 2005

During 2005, CNH's Equipment Operations generated \$849 million of cash from operating activities. Net income plus depreciation and amortization added \$426 million of cash generation and Financial Services paid a \$60 million dividend to Equipment Operations.

In addition, working capital (defined as accounts and notes receivable, excluding inter-segment notes receivable, plus inventories less accounts payable), net of currency variations, declined, generating cash of approximately \$320 million. Included in this working capital reduction was the transfer of approximately \$400 million of receivables from Equipment Operations to Financial Services, a further step in CNH's initiative to consolidate management of these receivables with Financial Services. Excluding this transfer, working capital increased by \$86 million.

The \$849 million of cash generated by operating activities was used to fund capital expenditures, make a \$120 million contribution to the company's U.S. defined benefit pension plan and to repay Equipment Operations debt. Equipment Operations net debt (defined as total debt less cash and cash equivalents, deposits in Fiat affiliates cash management pools and inter-segment receivables) declined by \$566 million during 2005 to \$719 million at year-end.

As of December 31, 2005, CNH had approximately \$3.5 billion of credit available under \$6.5 billion total lines of credit and asset-backed facilities.

During 2005, Financial Services net debt increased approximately \$150 million to \$3.7 billion on December 31, 2005 as a result of portfolio growth, including the transfer of receivables from Equipment Operations. During the fourth quarter, Financial Services completed a securitization of retained interests in certain of its U.S. retail public securitization transactions, resulting in net proceeds of \$242 million. Including use of these proceeds, Financial Services reduced its funding from Equipment Operations by \$423 million.

AGRICULTURAL EQUIPMENT MARKET OUTLOOK FOR 2006

CNH believes that for the full year, worldwide industry unit retail sales of agricultural tractors will be slightly lower than in 2005 in every major market, but should remain at among the highest levels of retail unit sales in the past five years. Industry unit retail sales of under-40 horsepower tractors in North America are expected to be down 5 to 10% from the high levels of 2005. Sales of over-40 horsepower tractors in North America are expected to remain at about the same level as in 2005. Agricultural tractor markets in Western Europe and Rest-of-World could be down as much as 5%, while tractor industry unit retail sales in Latin America could be down about 10%.

Worldwide industry unit retail sales of combine harvesters may be down 5 to 10%, with similar declines in each major market.

CONSTRUCTION EQUIPMENT MARKET OUTLOOK FOR 2006

CNH believes that for the full year, worldwide industry unit retail sales of construction equipment will be stronger than in 2005. Worldwide industry unit retail sales of heavy construction equipment are expected to increase by about 5%, led by approximately 10% higher sales in Rest-of-World markets and an increase of nearly 5% in North America. Industry unit sales in Western Europe should be about the same level as in 2005, but could be down as much as 10% in Latin America after two very strong years of industry unit sales increases.

Worldwide industry unit retail sales of light construction equipment could be flat to up slightly, with sales in North America flat to up 5%. Industry unit retail sales also are expected to be up slightly in

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Rest-of-World markets. In Western Europe, industry retail unit sales are expected to be about the same level as in 2005, while sales in Latin America could be down 5 to 10%.

CNH OUTLOOK FOR 2006

CNH expects that its net sales of equipment for the full year will increase by about 2 to 5%. Improvements in market share, continuing pricing and ongoing margin improvements at Equipment Operations are expected to drive better results. Profitability at Financial Services and at CNH's joint ventures is expected to remain in line with 2005. We expect that the benefit of the improvement at Equipment Operations will be partially offset by another increase in CNH's effective tax rate.

CNH has recently undertaken a review of its global operations designed to close its performance gap to best-in-class industry competitors. It has designed and is in the process of implementing a three-year plan with a goal of achieving this objective. As a result, CNH anticipates net income before restructuring for 2006 will improve compared to the prior year, but the full benefit of this plan will not be visible until 2008.

In addition, full-year restructuring costs, net of tax, are expected to be slightly higher than in 2005, as CNH recognizes the balance of the costs related to the planned manufacturing rationalization in Europe.

CNH is comfortable with the average of the analysts' estimates on First Call of approximately \$1.20 for its 2006 full-year diluted earnings per share before restructuring, net of tax.

The company expects to contribute approximately \$120 million to its U.S. defined benefit pension plan in 2006. After considering this contribution, Equipment Operations expects to generate cash and to use that cash to further reduce its net debt by approximately \$250 million, as compared with year-end 2005 levels.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES — Three Months and Years Ended December 31, 2005

CNH, in its press release announcing quarterly results, utilizes various figures, which are included or incorporated by reference in this offering memorandum, that are "Non-GAAP Financial Measures" as this term is defined under Regulation G as promulgated by the SEC. In accordance with Regulation G, CNH has detailed either the computation of these measures from multiple U.S. GAAP figures or reconciled these non-GAAP financial measures to the most relevant U.S. GAAP equivalent. Some of these measures do not have standardized meanings and investors should consider that the methodology applied in calculating such measures may differ among companies and analysts. CNH's management believes these non-GAAP measures provide useful supplementary information to investors in order that they may evaluate CNH's financial performance using the same measures used by our management. These non-GAAP financial measures should not be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance with U.S. GAAP.

Net Income Before Restructuring and Earnings Per Share Before Restructuring, Net of Tax

CNH defines net income before restructuring, net of tax as U.S. GAAP net income, less U.S. GAAP restructuring charges, net of tax applicable to the restructuring charges.

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The following table reconciles net income to net income before restructuring, net of tax and the related pro-forma computation of earnings per share:

	Three months ended December 31,		Years ended December 31,	
	2005	2004	2005	2004
	(in millions, except per share data)			
Basic:				
Net income	\$7	\$26	\$163	\$125
Restructuring, net of tax:				
Restructuring	43	32	73	104
Tax benefit	(7)	(10)	(13)	(36)
Restructuring, net of tax:	36	22	60	68
Net income before restructuring	43	48	223	193
Dividend to common shares (\$0.25 per share)	—	—	(34)	—
Undistributed earnings	43	48	189	193
Earnings allocated to Series A Preferred Stock	(20)	—(A)	(87)	—(A)
Earnings available to common shareholders	23	48	102	193
Dividend to common shares	—	—	34	—
Net income available to common shareholders	\$23	\$48	\$136	\$193
Weighted average common shares outstanding—basic	134.7	133.5	134.3	133.3
Basic earnings per share before restructuring, net of tax	\$0.17	\$0.36	\$1.01	\$1.45
Diluted:				
Net income before restructuring	\$43	\$48	\$223	\$193
Weighted average common shares outstanding—basic	134.7	133.5	134.3	133.3
Effect of dilutive securities (when dilutive):				
Series A Preferred Stock	100.0	100.0	100.0	100.0
Stock Compensation Plans	0.1	0.2	0.1	0.2
Weighted average common shares outstanding—diluted	234.8	233.7	234.4	233.5
Diluted earnings per share before restructuring, net of tax	\$0.17	\$0.21	\$0.95	\$0.83

(A) EITF 03-6 did not impact basic earnings per share in 2004 as the Series A Preferred Stock was not considered participating during 2004.

Industrial Gross and Operating Margin

CNH defines industrial gross margin as Equipment Operations net sales less cost of goods sold. CNH defines industrial operating margin as Equipment Operations gross margin less selling, general and

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administrative and research and development costs. The following table summarizes the computation of Equipment Operations industrial gross and operating margin.

	Three months ended December 31,				Years ended December 31,			
	2005		2004		2005		2004	
	(in millions)							
Net sales	\$2,821	100.0%	\$2,831	100.0%	\$11,806	100.0%	\$11,545	100.0%
Less:								
Cost of goods sold ...	<u>2,366</u>	83.9%	<u>2,429</u>	85.8%	<u>9,934</u>	84.1%	<u>9,782</u>	84.7%
Gross margin	455	16.1%	402	14.2%	1,872	15.9%	1,763	15.3%
Less:								
Selling, general and administrative	248	8.8%	232	8.2%	971	8.2%	929	8.0%
Research and development	<u>80</u>	2.8%	<u>70</u>	2.5%	<u>296</u>	2.5%	<u>267</u>	2.3%
Industrial operating margin	<u>\$127</u>	4.5%	<u>\$100</u>	3.5%	<u>\$605</u>	5.1%	<u>\$567</u>	4.9%

Adjusted EBITDA

Adjusted EBITDA means Equipment Operations net income (loss) excluding (I) net interest expense, (II) income tax provision (benefit) (III) depreciation and amortization and (IV) restructuring. Net interest expense for Equipment Operations means (I) interest expense (excluding interest compensation to Financial Services) less (II) finance and interest income.

Adjusted EBITDA does not represent cash flows from operations as defined by U.S. GAAP, is not necessarily indicative of cash available to fund all cash flow needs and should not be considered as an alternative to net income or net cash from operating activities under U.S. GAAP for purposes of evaluating results of operations and cash flows.

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The following table reconciles Equipment Operations net cash from operating activities, the U.S. GAAP financial measure which we believe to be most directly comparable, to adjusted EBITDA.

	Three months ended December 31,		Years ended December 31,	
	2005	2004	2005	2004
	(in millions)			
Net Cash from Operating Activities	\$165	\$174	\$849	\$879
Net Interest Expense:				
Interest Expense	89	90	341	318
Less: Finance and Interest Income	(39)	(27)	(129)	(82)
Net Interest Expense	50	63	212	236
Income Tax Provision (Benefit)	(6)	(23)	24	(39)
Restructuring:				
Equipment Operations	41	31	71	102
Financial Services	2	1	2	2
Change in Other Operating Activities	(81)	(81)	(423)	(493)
Adjusted EBITDA	<u>\$171</u>	<u>\$165</u>	<u>\$735</u>	<u>\$687</u>
Net sales	<u>\$2,821</u>	<u>\$2,831</u>	<u>\$11,806</u>	<u>\$11,545</u>
Adjusted EBITDA as a % of net sales	<u>6.1%</u>	<u>5.8%</u>	<u>6.2%</u>	<u>6.0%</u>

Interest Coverage Ratio

CNH defines interest coverage for Equipment Operations as adjusted EBITDA, as defined above, divided by net interest expense, as defined above.

The following table details the computation of Equipment Operations interest coverage ratio.

	Three months ended December 31,		Years ended December 31,	
	2005	2004	2005	2004
	(in millions, except ratios)			
Adjusted EBITDA	<u>\$171</u>	<u>\$165</u>	<u>\$735</u>	<u>\$687</u>
Net Interest Expense	<u>\$50</u>	<u>\$63</u>	<u>\$212</u>	<u>\$236</u>
Interest Coverage Ratio	<u>3.4</u>	<u>2.6</u>	<u>3.5</u>	<u>2.9</u>

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Net Debt

Net debt is defined as total debt less cash and cash equivalents, deposits in Fiat affiliates cash management pools and intersegment notes receivable. The calculation of net debt is shown below:

	Equipment Operations			Financial Services	
	December 31, 2005	September 30, 2005	December 31, 2004 (in millions)	December 31, 2005	December 31, 2004
Total debt	\$3,222	\$3,550	\$4,172	\$4,132	\$3,929
Less:					
Cash and cash equivalent	858	641	637	387	294
Deposits in Fiat affiliates cash management pools	578	580	1,136	2	15
Intersegment notes receivables	1,067	1,490	1,114	—	24
Net debt	<u>\$719</u>	<u>\$839</u>	<u>\$1,285</u>	<u>\$3,743</u>	<u>\$3,596</u>

Net Debt to Net Capitalization

Net Capitalization is defined as the summation of Net Debt and Total Shareholders' Equity. Net Debt and Net Capitalization are non-GAAP measures.

The calculation of Net Debt and Net Debt to Net Capitalization as of December 31, 2005 and 2004 is shown below:

	Equipment Operations	
	December 31, 2005 (in millions)	December 31, 2004
Net debt (as computed above)	\$719	\$1,285
Total shareholders' equity	5,052	5,029
Net capitalization	<u>\$5,771</u>	<u>\$6,314</u>
Net debt to net capitalization	<u>12.5%</u>	<u>20.4%</u>

The following table computes Total Debt to Total Capitalization, the U.S. GAAP financial measure which we believe to be most directly comparable to Net Debt to Net Capitalization.

	Equipment Operations	
	December 31, 2005 (in millions)	December 31, 2004
Total debt	\$3,222	\$4,172
Total shareholders' equity	5,052	5,029
Total capitalization	<u>\$8,274</u>	<u>\$9,201</u>
Total debt to total capitalization	<u>38.9%</u>	<u>45.3%</u>

Working Capital

Equipment Operations working capital is defined as accounts and notes receivable and other-net, excluding intersegment notes receivable, plus inventories less accounts payable. The U.S. dollar computation of working capital, as defined is significantly impacted by exchange rate movements. To demonstrate the impact of these movements, we have computed working capital as of December 31, 2005 using December 31, 2004 exchange rates. The calculation of Equipment Operations working capital is shown below:

	December 31, 2005	December 31, 2005 at December 31, 2004 FX Rates (in millions)	December 31, 2004
Accounts, notes receivable and other—net—Third Party . .	\$1,233	\$1,276	\$1,547
Accounts, notes receivable and other—net—Intersegment	10	10	49
Accounts, notes receivable and other—net—Total	<u>1,243</u>	<u>1,286</u>	<u>1,596</u>
Inventories	<u>2,466</u>	<u>2,618</u>	<u>2,515</u>
Accounts payable—Third Party	(1,580)	(1,730)	(1,635)
Accounts payable—Intersegment	(61)	(61)	(44)
Accounts payable—Total	<u>(1,641)</u>	<u>(1,791)</u>	<u>(1,679)</u>
Working capital	<u>\$2,068</u>	<u>\$2,113</u>	<u>\$2,432</u>

CONSOLIDATED — Nine Months ended September 30, 2005 Financial Results

CNH's net income for the first nine months of 2005 improved by 58% to \$156 million, compared to \$99 million for the first nine months of 2004. Results include restructuring charges, net of tax, of \$24 million in the first nine months of 2005 compared to \$46 million in the same period of 2004. Diluted earnings per share were \$.67, compared to \$.42 in 2004. Before restructuring, year-to-date diluted earnings per share increased by 24% to \$.77 compared with \$.62 for the same period last year.

EQUIPMENT OPERATIONS — Nine Months ended September 30, 2005 Financial Results

Net sales of equipment were \$9.0 billion for the first nine months of 2005, compared to \$8.7 billion for the same period in 2004. Net of currency variations, net sales were at approximately the same level as in the prior year.

Agricultural Equipment Net Sales

- Agricultural equipment net sales were approximately \$6.1 billion, down 4% excluding currency variations, from the prior year.
- Excluding currency variations:
 - CNH's sales in North America were up 4%.
 - Sales in Western Europe were down 8% driven by the decline in the tractor industry.
 - The industry decline in Latin America, which was a significant factor behind CNH's total decline in Agricultural equipment net sales, resulted in lower equipment net sales in that region, especially for combine harvesters, by approximately 52%.
 - Sales in Rest-of-World markets increased by 8%.

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- For the nine months, CNH's production of tractors and combines was approximately 7% higher than its retail unit sales in the first nine months.

Construction Equipment Net Sales

- Net sales of construction equipment were \$2.9 billion, up 12% excluding currency variations from the prior year.
- Excluding currency variations:
 - North American sales were up 15%, led by strong sales of backhoe loaders.
 - In Western Europe, sales decreased by 2%.
 - Sales in Latin America were up 45%.
 - Sales in Rest-of-World markets were up 12%.
- For the nine months, CNH's production of major construction equipment products was approximately 12% higher than its retail unit sales in the first nine months.

Gross Margin

Equipment Operations gross margin, expressed as a percent of net sales, improved by 0.2 percentage points to 15.8%.

In dollars, Equipment Operations gross margin increased by \$56 million to \$1,417 million in the first nine months of 2005. Compared with 2004, the gross margin of Construction Equipment operations improved significantly while the Agricultural Equipment gross margin was down slightly. For Agricultural Equipment, the gross margin improvements in net price recovery and manufacturing efficiencies were offset by lower volume and mix in Latin America and Western Europe. Construction Equipment gross margin improvements reflect positive net price recovery, improved volume and mix, primarily in North America, and manufacturing efficiencies.

For both Agricultural and Construction Equipment operations, increased pricing offset higher material costs and other economic increases, particularly in North America and Western Europe. Steel costs, especially for construction equipment, increased more than anticipated, and did not moderate as expected. In addition, although component shortages improved in the third quarter, shipment delays continued for some products.

Industrial Operating Margin

Equipment Operations industrial operating margin, expressed as a percent of net sales was at the same level as in 2004, approximately 5.3%.

In dollars, Equipment Operations industrial operating margin increased by \$11 million to \$478 million in 2005. The improvement in gross margin dollars, noted above, was partially offset by planned increases in R&D and SG&A investments to better support CNH's dealers, improve product quality, enhance global sourcing and strengthen logistics operations.

Adjusted EBITDA

Adjusted EBITDA for Equipment Operations increased to \$564 million for the first nine months of 2005, or 6.3% of net sales, compared to \$522 million in 2004, or 6.0% of net sales. The interest coverage ratio for the nine months ended on September 30, 2005 was 3.5 times, compared to 3.0 times for the nine months ended September 30, 2004.

FINANCIAL SERVICES — Nine Months Ended September 30, 2005 Financial Results

Financial Services operations net income improved by 39% to \$145 million for the first nine months of 2005, compared to \$104 million for the same period last year. This improvement reflects ABS transactions, improved yields on our wholesale portfolio, higher retail and wholesale ABS volumes, as well as ongoing improvements in receivables portfolio quality. During the third quarter, CNH Capital completed its second retail ABS transaction of the year in the U.S., for a nine-month total of approximately \$2.55 billion, including the \$1.4 billion retail ABS transaction completed in the first quarter of 2005.

OPERATING CASH FLOW AND NET DEBT — Nine Months Ended September 30, 2005

Equipment Operations net debt (defined as total debt less cash and cash equivalents, deposits in Fiat affiliates cash management pools and inter-segment receivables) was \$839 million on September 30, 2005, compared to \$1,285 million on December 31, 2004. In the nine month period, \$684 million of net cash was generated by operating activities. Positive net income plus depreciation and amortization and a decrease in working capital (defined as accounts and notes receivable, excluding inter-segment notes receivable, plus inventories less accounts payable) net of currency variations of approximately \$141 million, all contributed to cash generation from operating activities in the quarter. The company's \$120 million contribution to its U.S. defined benefit pension plan during the quarter was a partial offset.

Included in the working capital reduction, noted above, was the transfer of approximately \$400 million of receivables from Equipment Operations to Financial Services, a further step in CNH's initiative to consolidate management of these receivables within Financial Services. Excluding this transfer, working capital in the first nine months of the year increased by approximately \$259 million. At incurred currency rates, working capital on September 30, 2005 was \$2.3 billion, compared to \$2.4 billion on December 31, 2004.

In the third quarter, CNH became an eligible borrower under Fiat S.p.A.'s 1 billion Euro credit facility agreement. Under the new facility, CNH was allocated exclusive rights to 300 million Euros of the syndicated credit line, plus the opportunity to access the remainder of any unutilized capacity. In addition, Fiat has renewed its \$1 billion credit line revolver with CNH through January 31, 2007. As of September 30, 2005, CNH had approximately \$3.9 billion available under \$6.3 billion total lines of credit and asset-backed facilities.

Also, during the third quarter, the company modified its cash management operations, to pool the North American cash balances of Equipment Operations and Financial Services rather than to have each separately pooling with the Fiat cash management system. This action resulted in a decline in debt with Fiat Affiliates at Financial Services, a decline in deposits in Fiat Affiliates cash management pools by Equipment Operations and an increase in inter-segment funding. These actions, among others, are reflected in the \$836 million reduction in Financial Services debt with Fiat Affiliates in the third quarter, to a debt balance of \$285 million on September 30, 2005. Also in the third quarter, Equipment Operations reduced its deposits in Fiat Affiliates cash management pools by \$839 million to \$580 million. The reduction in deposits also funded repayment of \$218 million of Case Corporation bonds that matured in August and a \$170 million increase in cash and cash equivalents deposited with third parties.

Financial Services net debt increased approximately \$189 million to \$3.8 billion on September 30, 2005 from \$3.6 billion on December 31, 2004.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES — Three and Nine Months Ended September 30, 2005

CNH, in its press release announcing quarterly results, utilizes various figures, which are included or incorporated in this offering memorandum, that are “Non-GAAP Financial Measures” as this term is defined under Regulation G as promulgated by the SEC. In accordance with Regulation G, CNH has detailed either the computation of these measures from multiple U.S. GAAP figures or reconciled these non-GAAP financial measures to the most relevant U.S. GAAP equivalent. Some of these measures do not have standardized meanings and investors should consider that the methodology applied in calculating such measures may differ among companies and analysts. CNH’s management believes these non-GAAP measures provide useful supplementary information to investors in order that they may evaluate CNH’s financial performance using the same measures used by our management. These non-GAAP financial measures should not be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance with U.S. GAAP.

Net Income Before Restructuring and Earnings Per Share Before Restructuring, Net of Tax

CNH defines net income before restructuring, net of tax as U.S. GAAP net income, less U.S. GAAP restructuring charges, net of tax applicable to the restructuring charges.

The following table reconciles net income to net income before restructuring, net of tax and the related pro-forma computation of earnings per share:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
	(in millions, except per share data)			
Basic:				
Net income	\$27	\$25	\$156	\$99
Restructuring, net of tax:				
Restructuring	19	14	30	72
Tax benefit	(3)	(5)	(6)	(26)
Restructuring, net of tax:	16	9	24	46
Net income before restructuring	43	34	180	145
Dividend to common shares (\$0.25 per share)	—	—	(34)	—
Undistributed earnings	43	34	146	145
Earnings allocated to Series A Preferred Stock	(18)	—(A)	(60)	—(A)
Earnings available to common shareholders	25	34	86	145
Dividend to common shares	—	—	34	—
Net income available to common shareholders	\$25	\$34	\$120	\$145
Weighted average common shares outstanding—basic	134.4	133.4	134.2	133.2
Basic earnings per share before restructuring, net of tax	\$0.19	\$0.25	\$0.89	\$1.09

Management's discussion and analysis of financial condition and results of operations

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
(in millions, except per share data)				
Diluted:				
Net income before restructuring	\$43	\$34	\$180	\$145
Weighted average common shares outstanding—basic	134.4	133.4	134.2	133.2
Effect of dilutive securities (when dilutive):				
Series A Preferred Stock	100.0	100.0	100.0	100.0
Stock Compensation Plans	0.2	0.2	0.1	0.2
Weighted average common shares outstanding—diluted	234.6	233.6	234.3	233.4
Diluted earnings per share before restructuring, net of tax	\$0.19	\$0.15	\$0.77	\$0.62

Industrial Gross And Operating Margin

CNH defines industrial gross margin as Equipment Operations net sales less cost of goods sold. CNH defines industrial operating margin as Equipment Operations gross margin less selling, general and administrative and research and development costs. The following table summarizes the computation of Equipment Operations industrial gross and operating margin.

	Three months ended September 30,				Nine months ended September 30,			
	2005		2004		2005		2004	
(in millions)								
Net sales	\$2,768	100.0%	\$2,789	100.0%	\$8,985	100.0%	\$8,714	100.0%
Less:								
Cost of goods sold	2,334	84.3%	2,393	85.8%	7,568	84.2%	7,353	84.4%
Gross margin	434	15.7%	396	14.2%	1,417	15.8%	1,361	15.6%
Less:								
Selling, general and administrative	230	8.3%	237	8.5%	723	8.0%	697	8.0%
Research and development	73	2.6%	65	2.3%	216	2.4%	197	2.3%
Industrial operating margin	\$131	4.7%	\$94	3.4%	\$478	5.3%	\$467	5.4%

Adjusted EBITDA

Adjusted EBITDA means Equipment Operations net income (loss) excluding (I) net interest expense, (II) income tax provision (benefit) (III) depreciation and amortization and (IV) restructuring. Net interest expense for Equipment Operations means (I) interest expense (excluding interest compensation to Financial Services) less (II) finance and interest income. Adjusted EBITDA does not represent cash flows from operations as defined by U.S. GAAP, is not necessarily indicative of cash available to fund all cash flow needs and should not be considered as an alternative to net income or net cash from operating activities under U.S. GAAP for purposes of evaluating results of operations and cash flows.

Management's discussion and analysis of financial condition and results of operations

The following table reconciles Equipment Operations net cash from operating activities, the U.S. GAAP financial measure which we believe to be most directly comparable, to adjusted EBITDA.

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
	(in millions)			
Net Cash from Operating Activities	\$59	\$529	\$684	\$705
Net Interest Expense:				
Interest Expense	82	69	252	228
Less: Finance and Interest Income	(32)	(19)	(90)	(55)
Net Interest Expense	50	50	162	173
Income Tax Provision (Benefit)	3	(15)	30	(16)
Restructuring:				
Equipment Operations	19	14	30	71
Financial Services	—	—	—	1
Change in Other Operating Activities	29	(443)	(342)	(412)
Adjusted EBITDA	<u>\$160</u>	<u>\$135</u>	<u>\$564</u>	<u>\$522</u>
Net sales	<u>\$2,768</u>	<u>\$2,789</u>	<u>\$8,985</u>	<u>\$8,714</u>
Adjusted EBITDA as a % of net sales	<u>5.8%</u>	<u>4.8%</u>	<u>6.3%</u>	<u>6.0%</u>

Interest Coverage Ratio

CNH defines interest coverage for Equipment Operations as adjusted EBITDA, as defined above, divided by net interest expense, as defined above.

The following table details the computation of Equipment Operations interest coverage ratio.

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
	(in millions, except ratios)			
Adjusted EBITDA	<u>\$160</u>	<u>\$135</u>	<u>\$564</u>	<u>\$522</u>
Net Interest Expense	<u>\$50</u>	<u>\$50</u>	<u>\$162</u>	<u>\$173</u>
Interest Coverage Ratio	<u>3.2</u>	<u>2.7</u>	<u>3.5</u>	<u>3.0</u>

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Net Debt

Net debt is defined as total debt less cash and cash equivalents, deposits in Fiat affiliates cash management pools and intersegment notes receivable. The calculation of net debt is shown below:

	Equipment Operations			Financial Services	
	September 30, 2005	June 30, 2005	September 30, 2004	September 30, 2005	June 30, 2005
	(in millions)				
Total debt	\$3,550	\$3,776	\$4,327	\$4,111	\$4,421
Less:					
Cash and cash equivalent	641	471	336	319	372
Deposits in Fiat affiliates cash management pools	580	1,419	1,492	7	9
Intersegment notes receivables ...	<u>1,490</u>	<u>1,062</u>	<u>1,159</u>	<u>—</u>	<u>17</u>
Net debt	<u>\$839</u>	<u>\$824</u>	<u>\$1,340</u>	<u>\$3,785</u>	<u>\$4,023</u>

Working Capital

Equipment Operations working capital is defined as accounts and notes receivable and other-net, excluding intersegment notes receivable, plus inventories less accounts payable. The U.S. dollar computation of working capital, as defined is significantly impacted by exchange rate movements. To demonstrate the impact of these movements, we have computed working capital as of September 30, 2005 using December 31, 2004 exchange rates. The calculation of Equipment Operations working capital is shown below:

	September 30, 2005	September 30, 2005 at December 31, 2004 FX Rates	December 31, 2004	September 30, 2004
		(in millions)		
Accounts, notes receivable and other—net—Third Party	\$1,323	\$1,335	\$1,547	\$1,775
Accounts, notes receivable and other—net—Intersegment	<u>14</u>	<u>15</u>	<u>49</u>	<u>30</u>
Accounts, notes receivable and other—net—Total	<u>1,337</u>	<u>1,350</u>	<u>1,596</u>	<u>1,805</u>
Inventories	<u>2,610</u>	<u>2,715</u>	<u>2,515</u>	<u>2,487</u>
Accounts payable—Third Party	(1,617)	(1,739)	(1,635)	(1,557)
Accounts payable—Intersegment	<u>(33)</u>	<u>(35)</u>	<u>(44)</u>	<u>(16)</u>
Accounts payable—Total	<u>(1,650)</u>	<u>(1,774)</u>	<u>(1,679)</u>	<u>(1,573)</u>
Working capital	<u>\$2,297</u>	<u>\$2,291</u>	<u>\$2,432</u>	<u>\$2,719</u>

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.

Management's discussion and analysis of financial condition and results of operations

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 (in millions)	2003
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	<u>\$11,545</u>	<u>\$10,069</u>

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	<u>1,221</u>	<u>1,110</u>
Total net sales	<u>\$8,000</u>	<u>\$7,125</u>

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.

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Year-over-year our unit wholesale volumes 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
Western Europe	1,153	1,196
Latin America	198	133
Rest of World	<u>336</u>	<u>302</u>
Total net sales	<u>\$3,545</u>	<u>\$2,944</u>

Net sales of construction equipment increased by approximately 20% in 2004 compared with 2003. Approximately 4% of this increase resulted from the variations in foreign exchange rates. Pricing was positive, and wholesale unit volumes of our major construction equipment products increased by approximately 19%. Production was essentially equal to retail unit volumes for the year, and dealer and company inventories, on a forward months supply basis, improved due to higher forecasted sales.

Worldwide market demand for major construction equipment product lines in which we compete, on a unit basis, increased by about 18% in 2004 compared with 2003. Market demand increased in all markets and for all of our major product categories. World market demand for backhoe loaders, on a units basis, increased by about 22% while demand for skid steer loaders increased by about 17%. In total, worldwide market demand for light construction equipment, on a unit basis, increased approximately 22%. Worldwide demand for our heavy construction equipment product lines increased by approximately 18%. On a unit basis, our construction equipment market penetration declined by approximately one percentage point. In North America, our largest market, our market penetration was consistent with the prior year.

In North America, net sales of construction equipment increased by approximately 42% in 2004 compared with 2003. Variations in foreign exchange rates increased net sales by about 1%. Wholesale unit sales increased by almost 37% and production was approximately 2% higher than retail sales. Wholesale unit sales of backhoe loaders, skid steer loaders and heavy construction equipment products all increased. The total North American market demand for construction equipment increased by about 25%, including increases of 24% for backhoe loaders, 15% for skid steer loaders and 37% for heavy construction equipment.

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In Western Europe, net sales of construction equipment decreased by 4%, principally reflecting an approximate 9% increase in reported net sales due to variations in foreign exchange rates, which was more than offset by a decline in wholesale unit volumes of approximately 15%. Overall market demand, as measured in units, increased by approximately 10% in 2004. We reduced production compared with retail sales by about 3% in order to reduce company and dealer inventories. The balance of the decline reflects the company's difficulties associated with the transition from the Fiat-Hitachi association and dealer network to the New Holland-Kobelco network and the market aggressiveness of Hitachi in attempting to regain a foothold in the Western European construction equipment markets.

In Latin America, net sales of construction equipment increased by 49% in 2004 compared with 2003, including approximately three percentage points related to variations in foreign exchange rates. Our wholesale unit sales increased by approximately 30%. Total Latin American market demand, as measured in units, increased by about 48%, including a 40% increase in market demand for backhoe loaders, a 50% increase in demand for heavy construction equipment and a 56% increase in market demand for skid steer loaders. We under-produced retail sales by approximately 5%.

In markets throughout the Rest of World, where we have a minimal presence, net sales of construction equipment increased by 11% in 2004 compared with 2003 including an approximately eight percentage point improvement due to variations in foreign exchange rates. Our wholesale unit sales were essentially flat and production was in line with retail sales.

Finance and interest income

Consolidated finance and interest income increased from \$597 million in 2003 to \$634 million in 2004 largely due to the increase in Financial Services revenues. Revenues for Financial Services totaled \$672 million in 2004, an increase of \$51 million from the \$621 million reported in 2003. The increase in revenues reflects primarily higher retail margins as we kept our Australian ABS transaction on-book in 2004 while it was off-book in 2003.

Costs and expenses

Costs of goods sold increased by \$1.2 billion to \$9.8 billion in 2004, and, as a percentage of net sales of equipment, decreased from 85.3% in 2003 to 84.7% in 2004. Gross margin (net sales of equipment less cost of goods sold), expressed as a percentage of net sales of equipment, improved to 15.3% in 2004 compared to 14.7% in 2003, primarily on the strength of our agricultural and construction equipment operations in the Americas. This increase in gross margin percentage reflected an increase in the gross margin of construction equipment from 12.5% in 2003 to 14.8% in 2004, which was slightly offset by a decline in the gross margin of agricultural equipment from 15.6% in 2003 to 15.5% in 2004. In total, the gross margin increase, expressed in dollars, reflects higher pricing, favorable currency, higher volume and mix and profit improvement actions which more than offset unfavorable economics and higher warranty and freight costs.

In 2004, consolidated SG&A expenses increased by \$68 million to approximately \$1.1 billion from \$1.0 billion in the prior year, reflecting increases at Equipment Operations partially offset by a decline at Financial Services. In Equipment Operations, SG&A expenses increased by \$90 million to \$929 million in 2004 from \$839 million in 2003, but decreased as a percentage of net sales of equipment, from 8.3% in 2003 to 8.0% in 2004. The increase in SG&A expenses in Equipment Operations was driven primarily by variations in foreign exchange rates, primarily the euro and the British pound, inflation and expenses attributable to our variable compensation plan. Despite the increase in costs, total salaried headcount decreased by almost 350 persons, from approximately

Management's discussion and analysis of financial condition and results of operations

10,250 at the end of 2003 to approximately 9,900 at the end of 2004. Approximately 340 of the reductions in salaried personnel were at Equipment Operations.

At Financial Services, SG&A expenses decreased by \$22 million. The improvement was due mainly to lower year-over-year provisions for loan losses driven by a reduction in losses in the non-core portfolio and improvements in the credit quality of the core portfolios. These reductions were partially offset by increased costs in Europe resulting from the management of an increasing European wholesale receivables portfolio.

Although we believe that the cessation of originations in the non-core portfolios has significantly reduced the potential for additional future charges, we may need to record additional loan loss provisions if there is an unanticipated deterioration in market conditions affecting the underlying industries. The following information summarizes the significance of these non-core portfolios relative to our total managed loan portfolios and certain performance-related data as of December 31, 2004, 2003 and 2002:

	2004	2003	2002
	(in millions)		
Non-core portfolio	<u>\$131</u>	<u>\$330</u>	<u>\$570</u>
Percentage of total portfolio	<u>1%</u>	<u>3%</u>	<u>5%</u>
Delinquency percentage(1)	<u>25%</u>	<u>29%</u>	<u>28%</u>
Annual loss percentage(2)	<u>4%</u>	<u>15%</u>	<u>9%</u>
Loss provision provided	<u>\$50</u>	<u>\$68</u>	<u>\$63</u>

(1) Calculated as the percentage of loans in the relevant portfolio more than 30 days past due.

(2) Calculated as the ratio of the annual loss to the average portfolio for the year.

By comparison, delinquency percentages for our North American core portfolio were 2.2% and 2.9% for 2004 and 2003, respectively, and annual loss percentages for the North American core portfolio decreased to 0.5% at December 31, 2004 from 1.0% at December 31, 2003.

Ongoing R&D expenses increased by \$8 million from \$259 million in 2003 to \$267 million in 2004. The increase was more than accounted for by variations in foreign exchange rates, primarily the euro and the British pound. Excluding currency variations R&D expenses declined by approximately \$7 million. Expressed as a percentage of net sales of equipment, R&D expenses decreased to 2.3% in 2004 compared with 2.6% in 2003.

Our consolidated worldwide employment level has declined by approximately 1,100 persons from approximately 26,800 at the end of 2003 to approximately 25,700 at the end of 2004. As indicated above, year-end 2004 salaried headcount declined from approximately 10,250 at year-end 2003 to approximately 9,900 at year-end 2004.

During 2004, we recorded \$104 million in restructuring costs, including \$102 million in Equipment Operations and \$2 million in Financial Services. These restructuring costs primarily relate to severance and other costs incurred due to headcount reductions and facility closings. See "Note 12: Restructuring" of our consolidated financial statements for a detailed analysis of our restructuring programs.

The reduction in consolidated interest expense—Fiat affiliates from \$113 million in 2003 to \$88 million in 2004 was principally due to the May 2004 issuance of \$500 million of 6% Senior Notes due 2009, the proceeds of which were primarily used to repay indebtedness from Fiat Group companies. This decline was more than offset by an increase in consolidated interest expense—other

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where the interest expense of the new bonds are recorded and because of the impact of higher interest rates on the non-Fiat portion of the debt.

Equipment Operations provides interest free floor plan financing to its dealers, primarily in North America, to support wholesale net sales of equipment to its dealers. In Western Europe, Equipment Operations provides extended payment terms to its dealers to allow them to convert purchases into retail sales and then pay us for their purchases. Financial Services purchases these receivables from Equipment Operations, manages the deal credit exposure, controls losses and provides funding. Equipment Operations reimburses Financial Services for interest free or low rate financing. This is included in Interest Compensation to Financial Services. Interest Compensations to Financial Services by Equipment Operations increased by \$34 million in 2004 to \$113 million because of high balances of interest free financing provided and the addition of the European receivables securitization program which has transferred management of additional receivables from Equipment Operations to Financial Services.

Other, net increased to \$265 million in 2004 from \$241 million in 2003. The increase in Other, net was primarily attributable to higher pension and postretirement benefit costs for retired, inactive employees with the significant increase to our retiree population resulting from the closure of the East Moline combine assembly plant, where most of the employees retired with that closure and lower miscellaneous income, partially offset by higher gains on the sale of fixed assets, lower product liability expenses and lower franchise taxes.

Tax rates—consolidated

Our effective tax rate was approximately 25% in 2004. Our effective tax rate was 22% in 2003. For an analysis of the principal factors affecting our effective tax rate, see "Note 11: Income Taxes" of our consolidated financial statements.

Equity in income of unconsolidated subsidiaries and affiliates

During 2004, total equity in income of unconsolidated subsidiaries and affiliates was a net profit of \$28 million, \$9 million more than the \$19 million reported in 2003. Financial Services equity in income of unconsolidated subsidiaries increased \$2 million during 2004 due primarily to improved results at our joint venture with BPLG in Europe. Equity in income from our unconsolidated Equipment Operations activities increased from a profit of \$13 million in 2003 to a profit of \$20 million in 2004. Results in Turkey, Pakistan and Mexico improved, partially offset by declines at our European Engine Alliance joint venture in Europe and in Japan.

Net income

For the year ending December 31, 2004, our consolidated net income, after pre-tax restructuring charges of \$104 million, was \$125 million. This compares to a 2003 consolidated net loss, after pre-tax restructuring charges of \$271 million, of \$157 million. On a diluted basis, earnings per share ("EPS") was \$0.54 in 2004 compared to diluted losses per share of \$1.19 in 2003, based on diluted weighted average shares outstanding of 233 million and 132 million, respectively. Based on the jurisdictions impacted by our restructuring actions, we utilized an effective tax rate of 34% and 31%, respectively, in 2004 and 2003 to evaluate the results of our operations, net of these restructuring costs.

Effect of currency translation

For financial reporting purposes, we convert the financial results of each of our operating companies into U.S. dollars, using average exchange rates calculated with reference to those rates in effect during

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the year. As a result, any change from year to year in the U.S. dollar value of the other currencies in which we incur costs or receive income is reflected in a currency translation effect on our financial results.

The impact of currency translation on the results of Financial Services operations is minimal, reflecting the geographic concentration of such wholly-owned operations within the United States. For Equipment Operations, the impact of currency translation on net sales generally is largely offset by the translation impact on costs and expenses.

During 2004, all of the currencies of our major operations, as compared with the U.S. dollar, strengthened. Specifically the Australian dollar (13%), the British pound (12%), the euro (10%), the Canadian dollar (7%), and the Brazilian real (5%) strengthened when compared to the U.S. dollar. The impact of all currency movements (including transactions and hedging costs) increased net sales by approximately \$557 million or 5% and increased the absolute gross margin by approximately \$70 million or 5%. However, the impact on net income was a decrease of approximately \$4 million, as SG&A and R&D costs increased by approximately \$58 million and other, net, interest expense and taxes also increased.

2003 Compared to 2002

Revenues

Consolidated revenues for 2003 totaled approximately \$10.7 billion as compared to approximately \$9.9 billion in 2002. Adjusted for currency variations (approximately \$810 million) and 2002 acquisitions (approximately \$60 million), consolidated revenues were down slightly compared to 2002 despite a strengthening equipment market as we continued efforts to reduce dealer inventory levels. The largest component of our consolidated revenues is our net sales of agricultural and construction equipment, which were \$10.1 billion in 2003 as compared to approximately \$9.3 billion in 2002. Adjusted for the impact of variations in foreign exchange rates and acquisitions, net sales of equipment were down slightly from 2002 levels.

Net sales of equipment

Net sales of our Equipment Operations for the years ended December 31, 2003 and 2002 by geographic area were as follows:

	2003	2002
	(in millions)	
Net sales		
North America	\$4,206	\$4,140
Western Europe	3,739	3,317
Latin America	712	638
Rest of World	1,412	1,236
Total net sales	<u>\$10,069</u>	<u>\$9,331</u>

Net sales of equipment were up 8% in 2003, \$800 million of which was due to currency variations and approximately \$60 million which was related to the impact of 2002 acquisitions. The increase in sales was primarily the result of increases in sales of agricultural equipment.

Agricultural equipment

	2003 (in millions)	2002
Net sales		
North America	\$2,893	\$2,803
Western Europe	2,543	2,141
Latin America	579	486
Rest of World	<u>1,110</u>	<u>975</u>
Total net sales	<u>\$7,125</u>	<u>\$6,405</u>

Net sales of agricultural equipment in 2003 were approximately 11% higher than in 2002. Approximately 8% of this increase resulted from the effects of currency variations, as the euro and the Australian dollar were approximately 20% stronger in 2003 than in 2002, the Canadian dollar was approximately 12% stronger, the British pound about 9% stronger while the yen was about 7% stronger. Additional revenue from new products launched during the year and higher pricing, especially in Brazil, contributed approximately \$250 million, while declining volume and mix was a partial offset.

Overall in 2003, world market demand for major agricultural equipment product lines was approximately 7% higher than in 2002. Worldwide demand for tractors, on a unit basis, increased by about 7% as increases of approximately 20% in North America and 14% in Rest of World markets were partially offset by declines of approximately 14% in Latin America and 5% in Western Europe. Worldwide demand for combines was approximately equal to 2002. Demand in North America declined by about 3% while demand in Western Europe declined by about 7% and in Rest of World markets demand declined by about 20%. Combine demand in Latin America, however, was up approximately 25%. On a unit basis, our agricultural equipment sales penetration declined slightly, as our overall tractor market share declined by about one-half of a percentage point from 2002, partially offset by an increase in our combine market share of approximately one and one-half percentage points. In total, we under produced retail demand by about 7% in order to reduce company and dealer inventories. At year-end total company and dealer inventories had declined by slightly more than one-half of one month's supply, on a forward months supply basis.

In North America, net sales of agricultural equipment increased by about 3% in 2003 compared with 2002, reflecting increases related to currency variations of approximately 2% and all other increases of about 1%. Wholesale unit sales of tractors and combines increased by almost 1%. Total market demand for agricultural tractors in North America increased by about 7%. Demand for under 40-horsepower tractors increased by 28%. Industry demand for mid-sized (40- to 100-horsepower) tractors increased by about 10%; demand for large two wheel drive tractors over 100-horsepower increased by approximately 3% while demand for four wheel drive articulated tractors increased by 19%. Combine market demand declined by about 3%. Our market penetration declined by about two percentage points principally related to under 40-horsepower tractors, while our combine market penetration increased by more than five percentage points.

In Western Europe, net sales of agricultural equipment increased by 19%, principally reflecting the 20% increase in the average value of the euro and the 9% increase in the average value of the British pound, in each case as compared with the U.S. dollar from 2003 to 2002. Overall tractor market demand, as measured in units, declined by about 5% in 2003 and overall combine market demand declined by about 3%. Our wholesale unit sales increased slightly as market penetration increased slightly for tractors and by about three percentage points for combines.

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In Latin America, net sales of agricultural equipment in 2003 were 19% higher than in 2002. Pricing was strong and more than offset the decline of approximately 5% in the average value of the Brazilian real in 2003 compared with 2002. In addition, while market demand for tractors declined by approximately 14%, demand for combines increased by 25%, resulting in essentially no change, year-over-year in our unit wholesale volumes, but with a substantially improved mix of higher valued combines. This richer combine sales mix was the prime contributor to the revenue increase in addition to pricing. The decline in total market demand for agricultural tractors in Latin America was led by an almost 11% decline in market demand for tractors in Brazil, based on reported unit sales. Tractor market demand in Argentina, however, increased significantly from the low levels experienced in 2002 after its devaluation. The substantial increase in total market demand for combines was almost totally accounted for by the resurgence of the Argentine combine market as it rebounded from less than 1,000 units in 2002 to over 3,500 units in 2003, while total industry unit sales of combines in Brazil declined by about 4%.

In markets throughout the Rest of World, net sales of agricultural equipment in 2003 increased by approximately 14% compared to 2002. Variations in exchange rates, in particular the 20% strengthening of the Australian dollar, accounted for about 11% of the increase. Wholesale unit sales of tractors and combines in 2003 were lower than in 2002. Stronger parts sales and improved product mix accounted for the balance of the increase.

Construction equipment

	2003	2002
	(in millions)	
Net sales		
North America	\$1,313	\$1,337
Western Europe	1,196	1,176
Latin America	133	152
Rest of World	<u>302</u>	<u>261</u>
Total net sales	<u>\$2,944</u>	<u>\$2,926</u>

Net sales of construction equipment increased by approximately 1% in 2003 compared with 2002. Excluding acquisitions, net sales decreased by approximately 1%. This increase was more than accounted for by the effects of currency variations, as the euro and the Australian dollar were approximately 20% stronger in 2003 than in 2002, the Canadian dollar was approximately 12% stronger, the British pound about 9% stronger and the yen was about 7% stronger. Pricing was slightly positive, but wholesale unit volumes declined as we under-produced retail demand by 7% to reduce company and dealer inventories. At year-end total company and dealer inventories had declined by slightly more than one-half of one month's supply, on a forward months supply basis.

World market demand for major construction equipment product lines in which we compete, on a unit basis, increased by about 11% in 2003 compared with 2002. Market demand increased in both North America and in Rest of World markets in all of our major product categories. These increases were partially offset by declines in demand in both Western European and Latin American markets, in all of our major product lines. World market demand for backhoe loaders, on a units basis, increased by about 6% while demand for skid steer loaders increased by about 1%. Worldwide demand for our heavy construction equipment product lines increased by approximately 19%. On a unit basis, our construction equipment market penetration declined by approximately three percentage points, with declines in all of our major product categories in nearly every market.

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In North America, net sales of construction equipment decreased by approximately 2% in 2003 compared with 2002. Variations in exchange rates, principally the Canadian dollar, increased net sales by about 1%. Wholesale unit sales declined by almost 9% and production was approximately 11% lower than retail in order to reduce dealer and company inventories. Wholesale unit sales of backhoe loaders and skid steer loaders declined, while unit sales of heavy construction equipment products increased. The total North American market demand for construction equipment increased by about 8%, including increases of 8% for backhoe loaders, 4% for skid steer loaders and 12% for heavy construction equipment.

In Western Europe, net sales of construction equipment increased by 2%. Excluding the acquisition of Kobelco Europe in the third quarter of 2002, net sales declined by 3%. Variations in exchange rates, principally the 20% increase in the average value of the euro and the 9% increase in the average value of the British pound, as compared with the U.S. dollar from 2003 to 2002, increased revenue by approximately 16%. Offsetting the increases due to currency, our net sales reflected 18% lower wholesale unit sales, resulting from a decline in overall market demand, as measured in units, by approximately 4% in 2003, a 2% reduction in production versus retail sales in order to reduce company and dealer inventories, and difficulties associated with the company's transition from the Fiat-Hitachi association and dealer network to the Fiat-Kobelco network.

In Latin America, net sales of construction equipment decreased by 13% in 2003 compared with 2002. Excluding the impact of the 5% decline in the average value of the Brazilian real in 2003, our sales in Latin America were down approximately 3%, while our wholesale unit sales declined by approximately 24%. Total Latin American market demand, as measured in units, declined by about 18%, including a 23% decline in market demand for backhoe loaders, a 17% decline in demand for heavy construction equipment and a 10% decline in market demand for skid steer loaders. We also slightly under-produced retail sales to control inventories in this declining market.

In markets throughout the Rest of World, where we have a minimal presence, net sales of construction equipment increased by 16% in 2003 compared with 2002. Approximately 13% of the increase is due to variations in exchange rates. Our wholesale unit sales increased by approximately 7% and production was in line with retail sales.

Finance and interest income

Consolidated finance and interest income decreased from \$609 million in 2002 to \$597 million in 2003 largely due to the decrease in Financial Services revenues. Revenues for Financial Services totaled \$621 million in 2003, a decrease of \$20 million from the \$641 million reported in 2002. The decrease in revenues was primarily caused by lower average receivable balances resulting from the successful completion of asset-backed securitization transactions, lower yields on certain on-book portfolios due to reduced market interest rates and lower operating lease revenues.

Costs and Expenses

Costs of goods sold increased by \$688 million to \$8,590 million in 2003, but as a percentage of net sales of equipment increased from 84.7% in 2002 to 85.3% in 2003. Gross margin (net sales of equipment less cost of goods sold), expressed as a percentage of net sales of equipment, was 14.7% in 2003 as compared to 15.3% in 2002. This decrease in gross margin percentage reflected an increase in the gross margin of construction equipment from 11.5% in 2002 to 12.5% in 2003, which was more than offset by a decline in the gross margin of agricultural equipment from 17.1% in 2002 to 15.6% in 2003. In total, the gross margin increase, expressed in dollars, was more than accounted for by favorable changes in the exchange rates, increased pricing, our profit improvement actions and margin increases from new products. Partial offsets were adverse volume and mix, production, labor and other

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inefficiencies caused by the launch of new products, labor economics and increased pension and postretirement benefit costs.

In 2003, consolidated SG&A expenses decreased by \$52 million to \$1,042 million from \$1,094 million in the prior year, as those expenses decreased in both Equipment Operations and Financial Services. In Equipment Operations, SG&A expenses decreased by \$45 million to \$839 million in 2003 from \$884 million in 2002, or expressed as a percentage of net sales of equipment, a decrease from 9.5% in 2002 to 8.3% in 2003. The decrease in SG&A expenses in Equipment Operations was driven primarily by the reduction during the year in total salaried headcount by almost 1,000 persons, from approximately 11,250 at the end of 2002 to approximately 10,250 at the end of 2003. Approximately 900 of the reductions in salaried personnel were at Equipment Operations. The remaining 100 reductions occurred at Financial Services. These reductions were part of the plan to achieve an additional \$650 million of profit improvements and additional margins from new products by 2006. Savings resulting from these actions were partially offset by higher employee pension and postretirement benefit costs, by the impacts of inflation and the \$70 million impact of the strengthening euro, British pound and Australian dollar on overseas SG&A expenses.

At Financial Services, SG&A expenses decreased by \$7 million. Costs declined primarily due to a lower loan loss provisions of approximately \$12 million, which was mainly due to a reduction in losses in the non-core portfolio and improvements in the credit quality of the core portfolios. These reductions were partially offset by increased costs in Europe resulting from the management of an increasing European wholesale receivables portfolio.

Although we believe that the cessation of originations in these non-core portfolios has significantly reduced the potential for additional future charges, we may need to record additional loan loss provisions if there is a further, unanticipated deterioration in market conditions affecting the underlying industries. The following information summarizes the significance of these non-core portfolios relative to our managed loan portfolios and certain performance-related data as of December 31, 2003, 2002 and 2001:

	2003	2002	2001
	(in millions)		
Non-core portfolio	\$330	\$570	\$939
Percentage of total portfolio	3%	5%	10%
Delinquency percentage(1)	29%	28%	25%
Annual loss percentage(2)	15%	9%	6%
Loss provision provided	\$68	\$63	\$110

(1) Calculated as the percentage of loans in the relevant portfolio more than 30 days past due.

(2) Calculated as the ratio of the annual loss to the average portfolio for the year.

By comparison, delinquency percentages for our North American core portfolio were 2.9% and 3.9% for 2003 and 2002, respectively, and annual loss percentages for the North American core portfolio increased to 1.0% at December 31, 2003 from 0.8% at December 31, 2002.

Ongoing R&D expenses decreased by \$24 million from \$283 million in 2002 to \$259 million in 2003. Expressed as a percentage of net sales of equipment, R&D expenses decreased to 2.6% in 2003 compared with 3.0% in 2002. These reductions were part of the plan to achieve an additional \$650 million of profit improvements and additional margins from new products by 2006. Savings resulting from these actions were partially offset by increased pension and postretirement benefit costs

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and by the impacts of inflation and the strengthening euro, British pound and Australian dollar on overseas R&D expenses.

Our consolidated worldwide employment level has declined by approximately 1,700 persons from approximately 28,500 at the end of 2002 to approximately 26,800 at the end of 2003. As indicated above, year-end 2003 salaried headcount declined from approximately 11,250 at year-end 2002 to approximately 10,250 at year-end 2003.

During 2003, we recorded \$271 million in restructuring costs, including \$268 million in Equipment Operations and \$3 million in Financial Services. These restructuring costs primarily relate to severance, benefit plan curtailments and other costs incurred due to headcount reductions and facility closings. See "Note 12: Restructuring" of our consolidated financial statements for a detailed analysis of our restructuring programs.

The reduction in consolidated interest expense—Fiat affiliates from \$236 million in 2002 to \$113 million in 2003 was principally due to lower borrowings resulting from the April 2003 issuance 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.

The decline in interest expense—Fiat affiliates was partially offset by an increase in interest expense—other which was the direct effect of the August and September 2003 issuance of a total of \$1.05 billion of the 9¼% Senior Notes.

Interest expense—Fiat affiliates in Equipment Operations decreased to \$85 million in 2003 from \$198 million in 2002 primarily as a result of the Series A Preferred Stock exchange for debt. Interest expense—other increased from \$192 million to \$236 million, primarily as a result of the 9¼% Senior Notes transactions described above. The decrease in Financial Services interest expense—other, of \$22 million to \$182 million was mainly due to lower average funding costs and to lower average borrowing levels supporting the approximately \$400 million lower average balances of on-book retail and wholesale receivables and operating leases. During 2003 Financial Services repaid approximately \$800 million of borrowings from Equipment Operations primarily due to the runoff of the old non-core portfolio assets and operating leases.

Financial Services provides floor plan financing to our Equipment Operations dealers, primarily in North America, to support wholesale net sales of equipment to those dealers. During 2003 and 2002, Equipment Operations incurred approximately \$79 million and \$76 million, respectively, of interest compensation to Financial Services for the cost of providing interest free floor plan financing to our Equipment Operations dealers.

Other, net increased to \$241 million in 2003 from \$182 million in 2002. The increase in other expenses was primarily attributable to higher pension and postretirement benefit costs for retired, inactive employees, lower gains on the sale of fixed assets, higher product liability accruals and higher franchise taxes.

Tax Rates—Consolidated

Our effective tax rate was approximately 22% in 2003. Our effective tax rate was 11% in 2002. Excluding the impact of the cumulative effect of a change in accounting principle recognized in 2002, our effective tax rate, was approximately 13%. For an analysis of the principal factors affecting our effective tax rate, see "Note 11: Income Taxes" of our consolidated financial statements.

Equity in Income of Unconsolidated Subsidiaries and Affiliates

During 2003, total equity in income of unconsolidated subsidiaries and affiliates was a net profit of \$19 million, the same as 2002. Financial Services equity in income of unconsolidated subsidiaries increased \$2 million during 2003 due primarily to 2003 reflecting a full year of results from our joint venture with BPLG in Europe which was formed in mid-2002. Equity in income from our unconsolidated Equipment Operations activities decreased from a profit of \$15 million in 2002 to a profit of \$13 million in 2003. Profits declined as improved results in Japan and Pakistan did not offset deteriorations in Turkey and Mexico.

Net Income

For the year ending December 31, 2003, our consolidated net loss, after pre-tax restructuring charges of \$271 million, was \$157 million. This compares to a 2002 consolidated net loss, after pre-tax restructuring charges of \$51 million and a \$325 million after tax charge for the cumulative effect of a change in accounting principle of \$426 million. On a diluted basis, losses per share were \$1.19 and \$4.40 per share in 2003 and 2002, respectively, based on diluted weighted average shares outstanding of 132 million and 97 million, respectively.

Based on the jurisdictions impacted by our restructuring actions, we utilized an effective tax rate of 31% and 25%, respectively in 2003 and 2002 to evaluate the results of our operations, net of these restructuring costs. Additionally, as our goodwill is not deductible for income tax purposes, there was no tax impact on 2002 results from the related cumulative effect of a change in accounting principle.

Effect of Currency Translation

For financial reporting purposes, we convert the financial results of each of our operating companies into U.S. dollars, using average exchange rates calculated with reference to those rates in effect during the year. As a result, any change from year to year in the U.S. dollar value of the other currencies in which we incur costs or receive income is reflected in a currency translation effect on our financial results.

The impact of currency translation on the results of Financial Services operations is minimal, reflecting the geographic concentration of such operations within the United States. For Equipment Operations, the impact of currency translation on net sales generally is largely offset by the translation impact on costs and expenses.

During 2003, most of the currencies of our major operations, as compared with the U.S. dollar, strengthened. Specifically the euro (20%), the Australian dollar (20%), the British pound (9%) and the Canadian dollar (12%) all strengthened when compared to the U.S. dollar while the Brazilian real (5%) weakened. The impact of these movements increased net sales by approximately \$800 million or 8.6% and increased the absolute gross margin by approximately \$95 million or 6.6%. However, the impact on net income was a decrease of approximately \$10 million, as SG&A and R&D costs increased by approximately \$83 million and other income/expense net, interest expense and taxes also increased.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The preparation of our financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results may differ from these estimates under different assumptions or conditions. Our senior management has discussed the development and selection of the critical accounting policies, related accounting estimates and the

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disclosure set forth below with the Audit Committee of our Board of Directors. We believe that our most critical accounting policies, which are those that require management's most difficult, subjective and complex judgments, are summarized below. Our other accounting policies are described in the notes to the consolidated financial statements.

Allowance for Doubtful Accounts

Our wholesale and retail notes receivables have a significant concentration of credit risk in the agricultural and construction equipment industry and are subject to potential credit losses. We have reserved for the expected credit losses based on past experience with similar receivables including current and historical past due amounts, dealer termination rates, write-offs and collections. We believe that our reserves are adequate; however, if the financial condition of our customers deteriorates resulting in an impairment of their ability to make payments, additional allowances may be required.

The total allowance for credit losses at December 31, 2004, 2003 and 2002 were \$211 million, \$190 million and \$229 million, respectively. The decrease in the allowance for credit losses in 2003 was primarily due to the write off of a wholesale loan portfolio in Latin America (Argentina and Chile) (\$41 million) which was fully reserved. The total allowances for credit losses increased in 2004 primarily due to increases in the Latin American and credit card portfolios, typically requiring higher loss coverage and growth in the North American wholesale serviced portfolio.

The assumptions used in evaluating our exposure to credit losses involve estimates and significant judgment. The historical loss experience on the receivable portfolios represents one of the key assumptions involved in determining the allowance for credit losses. Holding other estimates constant, a 10 basis point increase or decrease in estimated loss experience on the receivable portfolios would result in an increase or decrease of approximately \$5 million to the allowance for credit losses at December 31, 2004.

Equipment on Operating Lease Residual Values

Our Financial Services segment purchases equipment that it then leases to retail customers under operating leases. Income from these operating leases is recognized over the term of the lease. Financial Services decision on whether or not to offer lease financing to customers is based upon, in part, estimated residual values of the leased equipment, which are calculated at the lease inception date. Realization of the residual values, a major component in determining the ultimate profitability of a lease transaction, is dependent on Financial Services future ability to market the equipment under the then prevailing market conditions. We continually evaluate whether events and circumstances have occurred which impact the estimated residual values of equipment on operating leases. Although realization is not assured, management believes that the estimated residual values are realizable.

Total operating lease residual values at December 31, 2004, 2003 and 2002 were \$170 million, \$293 million and \$396 million, respectively.

Estimates used in determining end-of-lease market values for equipment on operating leases significantly impact the amount and timing of depreciation expense. If future market values for this equipment were to decrease 5% from our present estimates, the total impact would be to increase our depreciation on equipment on operating leases by approximately \$9 million per year. This amount would be charged to depreciation during the remaining lease terms such that the net investment in operating leases at the end of the lease terms would be equal to the revised residual values. Initial lease terms generally range from three to four years.

Off-Balance Sheet Financing

In connection with our securitization of retail receivables, we retain interest-only strips and other interests in the securitized receivables. Interest-only strips represent rights to future cash flows arising after the investors in the securitization trust have received the return for which they contracted and other expenses of the trust are paid. Our retained interests are subordinate to the investors' interests. Gain or loss on sale of receivables depends in part on the fair value of the retained interests at the date of transfer. Additionally, retained interests after transfer are measured for impairment based on the fair value of the retained interests at the measurement date. We estimate fair value based on the present value of future expected cash flows using our estimate of key assumptions—credit losses, prepayment spreads, and discount rates commensurate with the risks involved. While we use our best estimates, there can be significant differences between those estimates and actual results.

The significant assumptions used in estimating the fair values of retained interests from sold receivables, which remain outstanding, and the sensitivity of the current fair value to a 10% and 20% adverse change at December 31, 2004 are as follows:

	Weighted average assumptions	10% Change (in millions)	20% Change
Constant prepayment rate	16.56%	\$1.9	\$3.5
Annual credit loss rate	0.69%	\$2.4	\$4.9
Discount rate	9.37%	\$4.0	\$6.9
Remaining maturity in months	17		

The changes shown above are hypothetical. They are computed based on variations of individual assumptions without considering the interrelationship between these assumptions. As a change in one assumption may affect the other assumptions, the magnitude of the impact on fair value of actual changes may be greater or less than those illustrated above. Weighted-average remaining maturity represents the weighted-average number of months that the current collateral balance is expected to remain outstanding.

Sales Allowances

We grant certain sales incentives to stimulate sales of our products to retail customers. The expense for such incentive programs is reserved for and recorded as a deduction in arriving at our net sales amount at the time of the sale of the product to the dealer. The amounts of incentives to be paid are estimated based upon historical data, future market demand for our products, field inventory levels, announced incentive programs, competitive pricing and interest rates, among other things. If market conditions were to decline, we may take actions to increase customer incentives possibly resulting in an increase in the deduction recorded in arriving at our net sales amount at the time the incentive is offered.

The sales incentive accruals at December 31, 2004, 2003 and 2002 were \$407 million, \$371 million and \$333 million, respectively. The total allowance accruals recorded at the end of December 31, 2004 increased compared to the end of 2003 and 2002 primarily due to the increase in net sales.

The estimation of the sales allowance accrual is impacted by many assumptions. One of the key assumptions is the historical percentage of sales allowance costs to net sales from dealers. Over the last three years, this percent has varied by approximately plus or minus 0.25 percentage points, compared to the average sales allowance costs to net sales percentage during the period. Holding other assumptions constant, if this experience were to increase or decrease 0.25 percentage points, the sales

allowances for the year ended December 31, 2004 would increase or decrease by approximately \$35 million.

Recoverability of Long-lived Assets

Long-lived assets includes property, plant and equipment, goodwill and other intangible assets such as patents and trademarks. We evaluate the recoverability of the carrying amount of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. We assess the recoverability of assets to be held and used by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceed the fair value of the assets, based on a discounted cash flow analysis.

Our estimates of undiscounted cash flow related to recoverability of assets other than goodwill and intangible assets with indefinite lives may differ from actual cash flow due to, among other things, technological changes, economic conditions and the achievement of the anticipated benefits of our profit improvement initiatives. Goodwill and indefinite-lived intangible assets are tested for impairment annually, and they will be tested for impairment between annual tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. We perform our annual impairment review during the fourth quarter of each year. Impairment testing for goodwill is done at a reporting unit level. We have identified three reporting units: agricultural equipment, construction equipment and Financial Services. To determine fair value, we have relied on two valuation models: guideline company method and discounted cash flow.

Realization of Deferred Tax Assets

We have deferred tax assets of \$2.9 billion and a valuation allowance against these assets of \$1 billion as of December 31, 2004. Of this amount, \$1.5 billion of the deferred tax assets and a corresponding valuation allowance of \$844 million relate to tax loss carryforwards.

We have recorded a valuation allowance to reduce our deferred tax assets to the amount that we believe is more likely than not to be realized. In completing this determination, we generally evaluate, by taxing jurisdiction, recent losses after considering the impact of nonrecurring items, the impact of the cyclical nature of the business on past and future profitability, our expectations of sufficient future taxable income prior to the years in which the carryforwards expire as well as the impact of our profit improvement initiatives on future earnings. Our expectations of future profitability were based on assumptions regarding our market share, the profitability of new model introductions and the benefits from our capital and operating restructuring actions.

Reference is made to "Note 11: Income Taxes" of our consolidated financial statements for further information on our accounting practices related to the realizability of deferred tax assets.

Warranty Costs

At the time a sale of a piece of equipment to a dealer is recognized, we record the estimated future warranty costs for the product. We generally determine our total warranty liability by applying historical claims rate experience to the estimated amount of equipment that has been sold and is still under warranty based on dealer inventories and retail sales. Our warranty obligation is affected by component failure rates, replacement costs and dealer service costs, partially offset by recovery from certain of our vendors. If actual failure rates or costs to replace and install new components differ from our estimates, a revision in the modification and warranty liability would be required.

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The product warranty accruals at December 31, 2004, 2003 and 2002 were \$174 million, \$159 million and \$138 million, respectively. The increase in 2004 and 2003 was primarily due to the substantial redesign and relaunch of our product lines and the increases in net sales.

Estimates used to determine the product warranty accruals are significantly impacted by the historical percentage of warranty claims costs to net sales. Over the last three years, this percentage has varied by approximately 0.1 percentage points, compared to the average warranty costs to net sales percentage during the period. Holding other assumptions constant, if this estimated percentage were to increase or decrease 0.1 percentage points, the warranty expense for the year ended December 31, 2004 would increase or decrease by approximately \$12 million.

Reference is made to "Note 15: Commitments and Contingencies" of our consolidated financial statements for further information on our accounting practices and recorded obligations related to modification programs and warranty costs.

Defined Benefit Pension and Other Postretirement Benefits

As more fully described in "Note 13: Employee Benefit Plans and Postretirement Benefits" of our consolidated financial statements, we sponsor pension and other retirement plans in various countries. In the U.S. and the U.K., we have major defined benefit pension plans that are separately funded. Our pension plans in Germany and certain other countries, however, are not funded. We actuarially determine these pension and other postretirement costs and obligations using several statistical and judgmental factors, which attempt to anticipate future events. These assumptions include discount rates, rates for expected returns on plan assets, rates for compensation, mortality rates, retirement rates, health care cost trend rates, as determined by us within certain guidelines. Actual experiences different from that assumed and changes in assumptions can result in gains and losses that we have not yet recognized in our consolidated financial statements. We recognize net gain or loss as a component of our pension expense for the year if, as of the beginning of the year, such unrecognized net gain or loss exceeds 10% of the greater of (1) the projected benefit obligation or (2) the fair or market value of the plan assets at year end. In such case, the amount of amortization we recognize is the resulting excess divided by the average remaining service period of active employees expected to receive benefits under the plan.

The expected long-term rate of return on plan assets reflects management's expectations of long-term average rates of earnings on funds invested to provide for benefits included in the projected benefit obligations. The return is based on the outlook for inflation, fixed income returns and equity returns, while also considering the plans' historical returns, their asset allocation and investment strategies, as well as the views of investment managers and other large pension plan sponsors.

Additionally, we have experienced a continuing high level of other postretirement employee benefit costs, principally related to healthcare, during 2004. Consequently, we will maintain the 2004 initial annual estimated rate of increase in the per capita cost of healthcare at 10% for 2005 despite earlier expectations that this rate would decrease.

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The following table shows the effects of a one percentage-point change in our primary defined benefit pension and other postretirement benefit actuarial assumptions on 2004 pension and other postretirement benefit costs and obligations:

	2004 Benefit cost (income)/expense		Year end benefit obligation increase/(decrease)	
	One percentage- point increase	One percentage- point decrease (in millions)	One percentage- point increase	One percentage- point decrease
Pension benefits—U.S.:				
Assumed discount rate	\$(7.9)	\$8.3	\$(108.0)	\$123.8
Expected long-term rate of return on plan assets	(6.6)	6.6	N/A	N/A
Pension benefits—International:				
Assumed discount rate	(13.1)	13.3	(239.1)	297.2
Expected rate of compensation increase	8.5	(6.5)	56.4	(50.6)
Expected long-term rate of return on plan assets	(8.8)	8.8	N/A	N/A
Other postretirement benefits:				
Assumed discount rate	(13.0)	15.9	(158.6)	193.1
Assumed health care cost trend rate (initial and ultimate)	25.7	(21.1)	177.7	(148.1)

We determine our pension benefit expense at the beginning of the calendar year based on assumptions which include a weighted average expected rate of return on plan assets. The expected rate of return in the U.S. is based on long-term actual portfolio results. The assumptions are based on surveys of large asset portfolio managers and peer group companies of future return expectations over the next ten years. We utilize a ten year return history in our evaluation, consistent with guidance which refers to the expected rate as the long-term rate of return on plan assets.

The expected rate of return on plan assets set for 2004 and 2003 was 8.75% for U.S. plans. The expected rate of return on plan assets set for 2004 and 2003 was between 6.00% and 7.25% for non-U.S. plans (primarily in the U.K. and Canada).

The actual return on plan assets in 2004 was 11.5% for U.S. plan assets and 8.9% for U. K. plan assets. For 2005, we lowered the expected rate of return to 8.25% on plan assets for U.S. plans to coincide with our current portfolio mix.

NEW ACCOUNTING PRONOUNCEMENTS

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs" ("SFAS No. 151") which is effective for fiscal years beginning after June 15, 2005. SFAS No. 151 requires abnormal amounts of facility expense, freight, handling costs and spoilage be recognized as current period charges. Adoption of this statement is not expected to have a material impact on our financial position and results of operation.

In December 2004, the FASB issued SFAS No. 123 Revised, "Share Based Payment" ("SFAS No. 123 Revised") which is effective July 1, 2005. SFAS No. 123 Revised requires the use of a fair value based method of accounting for stock-based employee compensation. The statement will be applied using a Modified Prospective Method, under which compensation cost is recognized beginning on the effective date and continuing until participants are fully vested. In April 2005, the SEC announced the adoption of a new rule that amends the compliance dates for SFAS No. 123 Revised. The SEC's new rule allows

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companies to implement SFAS No. 123 Revised at the beginning of their next fiscal year, instead of the next reporting period, that begins after June 15, 2005. We do not expect the adoption of SFAS No. 123 to have a material impact on the company's financial statements.

On October 13, 2004, the 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 we must reflect the impact of contingently issuable shares from the potential conversion of the Series A Preferred Stock in diluted weighted average shares outstanding. Beginning in the fourth quarter of 2004, under the provisions of Issue No. 04-8, we were required to retroactively reflect the contingent issuance of 100 million common shares in its computation of diluted weighted average shares outstanding, when inclusion is not anti-dilutive, for all periods presented.

Subsequent to the issuance of FASB Statement No. 128, "Earnings Per Share" ("SFAS No. 128"), the FASB staff issued Topic No. D-95, "Effect of Participating Convertible Securities on the Computation of Basic Earnings per Share," ("Topic D-95") to address the effect of participating convertible securities on the computation of basic EPS. Topic D-95 clarifies that participating securities that are convertible into common shares be included in the computation of basic EPS if the effect is dilutive. Topic D-95 states that the determination of how participating convertible securities should be included in the computation of basic EPS (that is, using either the if-converted method or the two class method) is an accounting policy decision; however, the dilutive effect on basic EPS cannot be less than that which would result from the application of the two-class method that would be required if the same security were not convertible. EITF Issue No. 03-6, "Participating Securities and the Two Class Method under FASB Statement No. 128" ("EITF No. 03-6") provides the EITF's consensus on various issues related to these topics. EITF No. 03-6 has had an impact on basic earnings per share beginning in 2005, when the Series A Preferred Stock became participating.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Medicare Act") was signed into law. The Medicare Act introduced a prescription drug benefit program under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans. Certain accounting issues raised by the Medicare Act, such as how to account for the federal subsidy, are not explicitly addressed by FASB Statement No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions."

The FASB issued FASB Staff Position ("FSP") No. FAS 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," that allowed sponsors to elect to defer recognition of the effects of the Medicare Act. In May 2004, the FASB issued FSP No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which provides guidance on accounting for the effects of the Medicare Act for employers that sponsor postretirement health care plans that provide prescription drug benefits.

Based on the provisions of FSP No. 106-2 and the Medicare Act, we have re-measured our related plans in 2004. This resulted in a reduction in the accumulated postretirement benefit obligation for the subsidy related to benefits attributed to past service of approximately \$70 million. We have elected to reflect the impact of the Medicare Act prospectively from the date of the change. The subsidy resulted in a reduction in 2004 net periodic postretirement benefit costs of approximately \$10 million. We have not incurred a reduction in current gross benefit payments and expect to receive subsidy payments beginning in 2006.

LIQUIDITY AND CAPITAL RESOURCES

The discussion of liquidity and capital resources focuses on our consolidated balance sheets, consolidated statements of cash flows and off-balance sheet financing. Our operations are capital intensive and subject to seasonal variations in financing requirements for dealer receivables and inventories. Whenever necessary, funds from operating activities are supplemented from external sources. We expect to have available to us cash reserves and cash generated by operations and from sources of debt and financing activities that are sufficient to fund our working capital requirements, capital expenditures, including acquisitions, and debt service at least through the end of 2006.

Beginning in 2002, we have taken actions to recapitalize our consolidated balance sheet, reducing our Net Debt to Net Capitalization ratio of Equipment Operations (as defined below) from 73% at December 31, 2001 to 20% at December 31, 2004.

On June 11, 2002, we sold 10 million common shares to the public. The proceeds were used to repay a portion of our outstanding debt and for other general corporate purposes. Concurrently with the offering of common shares, Fiat and one of its subsidiaries contributed \$1.3 billion principal amount of our debt to us in exchange for 65 million of our common shares. On April 7 and 8, 2003, we 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. On August 1 and September 16, 2003, Case New Holland issued a total of \$1.05 billion of 9¼% Senior Notes due 2011 which are fully and unconditionally guaranteed by us and certain of our direct and indirect subsidiaries. On May 18, 2004, Case New Holland issued a total of \$500 million of 6% Senior Notes due 2009, which are also fully and unconditionally guaranteed by us and certain of our direct and indirect subsidiaries.

Consolidated debt

As of December 31, 2004 and 2003, our consolidated debt was \$7.0 billion as detailed in the table below:

	Consolidated		Equipment Operations		Financial Services	
	2004	2003	2004	2003	2004	2003
Long-term debt excluding current maturities . . .	\$4,020	\$4,043	\$2,827	\$3,105	\$1,893	\$1,638
Current maturities of long-term debt	886	843	257	88	629	755
Short-term debt	<u>2,057</u>	<u>2,110</u>	<u>1,088</u>	<u>1,522</u>	<u>1,407</u>	<u>900</u>
Total debt	<u>\$6,963</u>	<u>\$6,996</u>	<u>\$4,172</u>	<u>\$4,715</u>	<u>\$3,929</u>	<u>\$3,293</u>

As of December 31, 2004, we had a combined \$2.1 billion of cash and cash equivalents and Fiat affiliates cash management pools (“Deposits with Fiat”) available, an increase of \$138 million as compared to \$1.9 billion as of December 31, 2003.

We believe that Net Debt, defined as total debt less intersegment notes receivable, Deposits with Fiat and cash and cash equivalents (“Net Debt”), is a useful analytical tool for measuring our effective borrowing requirements. Our ratio of Net Debt to Net Capitalization provides useful supplementary information to investors so that they may evaluate our financial performance using the same measures we use. “Net Capitalization” is defined as the summation of Net Debt and Total Shareholders’ Equity. Net Debt and Net Capitalization are non-GAAP measures. These non-GAAP financial measures should not be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance with U.S. GAAP.

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Consolidated Net Debt was \$4.9 billion as of December 31, 2004, compared to \$5.1 billion a year earlier. The calculation of Net Debt and Net Debt to Net Capitalization as of December 31, 2004 and 2003 is shown below:

	Consolidated		Equipment Operations		Financial Services	
	2004	2003	2004	2003	2004	2003
	(in millions, except percentages)					
Total debt	\$6,963	\$6,996	\$4,172	\$4,715	\$3,929	\$3,293
Less:						
Cash and cash equivalents	931	619	637	486	294	133
Deposits with Fiat	1,151	1,325	1,136	1,315	15	10
Intersegment notes receivables	—	—	1,114	1,012	24	—
Net debt	4,881	5,052	1,285	1,902	3,596	3,150
Total shareholders' equity	5,029	4,874	5,029	4,874	1,419	1,241
Net capitalization	<u>\$9,910</u>	<u>\$9,926</u>	<u>\$6,314</u>	<u>\$6,776</u>	<u>\$5,015</u>	<u>\$4,391</u>
Net debt to net capitalization	<u>49%</u>	<u>51%</u>	<u>20%</u>	<u>28%</u>	<u>72%</u>	<u>72%</u>

The following table computes Total Debt to Total Capitalization, the U.S. GAAP financial measure which we believe to be most directly comparable to Net Debt to Net Capitalization.

	Consolidated		Equipment Operations		Financial Services	
	2004	2003	2004	2003	2004	2003
	(in millions, except percentages)					
Total debt	\$6,963	\$6,996	\$4,172	\$4,715	\$3,929	\$3,293
Total shareholders' equity	<u>5,029</u>	<u>4,874</u>	<u>5,029</u>	<u>4,874</u>	<u>1,419</u>	<u>1,241</u>
Total capitalization	<u>\$11,992</u>	<u>\$11,870</u>	<u>\$9,201</u>	<u>\$9,589</u>	<u>\$5,348</u>	<u>\$4,534</u>
Total debt to total capitalization	<u>58%</u>	<u>59%</u>	<u>45%</u>	<u>49%</u>	<u>73%</u>	<u>73%</u>

The reduction of Consolidated Net Debt by \$171 million reflects the \$617 million decrease of Net Debt for Equipment Operations, partially offset by the \$446 million increase of Net Debt for Financial Services.

Equipment Operations Net Debt was \$1.3 billion at December 31, 2004, compared to \$1.9 billion for the prior year. The decline primarily reflects positive cash flow from operations, including the reduction of working capital driven primarily by the new European wholesale securitization program, activated in September 2004, and the early settlement of a European long-term receivable in December 2004, for \$466 million and \$190 million, respectively. Proceeds from the issuance of \$500 million of 6% Senior Notes in May 2004 were used to repay debt, with no impact on the total Debt and Net Debt calculation at year end.

Financial Services Net Debt was \$3.6 billion at December 31, 2004, compared to \$3.2 billion as of December 31, 2003. The increase in Net Debt primarily reflects funding of the expansion of the Financial Services retail portfolio in Brazil, on-book treatment for the Australian retail ABS transaction completed in November 2004, and the increase in retail receivables in North America at year-end.

CASH FLOWS

Reclassification of cash flows related to retail receivables and change in accounting policy for Deposits with Fiat

Reclassification of cash flows related to retail receivables: For our December 31, 2004 financial statements, we made certain reclassifications of items in our consolidated balance sheets and cash flow statements which we believe improve the presentation of the items that were reclassified. The accompanying 2003 balances and 2003 and 2002 cash flows have been reclassified to conform to the 2004 classification.

During 2004, the staff of the SEC expressed their views regarding the classifications of certain cash flows by companies with captive finance subsidiaries. As a result of these public comments, management decided to make reclassifications to the consolidated statements of cash flows with respect to certain of its receivables. Previously, we recognized activity related to all receivables as part of the cash flows from operating activities within the consolidated statements of cash flows, including cash flows arising from the origination of retail receivables, the securitization of retail receivables, and cash collections related to certificated retained interests.

We made a reclassification to move the activity related to the investment in retail receivables from the operating activity section to the investing activity section of the consolidated statements of cash flows. The disclosures added to the investing activity section include addition of retail receivables, proceeds from the sale of retail receivables, collection of retail receivables and collection of retained interests from the securitization of retail receivables. The reclassification classifies cash receipts from the sale of inventory as operating activities and classifies cash flows from investing in retail receivables as investing activities.

Change in accounting policy for Deposits with Fiat: In connection with the aforementioned reclassification, we reviewed our presentation of cash flow and our cash and cash equivalent balances on our balance sheet. As a result of this review, it was determined that we would change our accounting policy defining cash equivalents and correspondingly reclassify our balance sheet and cash flow presentation. The new policy classifies "Cash with Fiat Affiliates," which was previously included in cash equivalents, as "Deposits in Fiat affiliates cash management pools" and reflects cash flows arising from deposits in and withdrawals from such cash pools as cash flows from investing activities. Although none of the agreements or conditions governing these deposits has materially changed since the inception of the cash management arrangements, after consultation with our independent registered public accounting firm, we have decided to change our presentation of such deposits to show them as a separate investment and not as a component of cash equivalents. We continue to have the contractual right to withdraw these funds on demand or terminate these cash management arrangements upon a seven-day prior notice, and we continue to access funds deposited in these accounts on a daily basis. We also still continue to reflect these deposits as liquid assets generated by our daily treasury activities that we consider in calculating our net debt position.

The \$312 million increase in consolidated cash and cash equivalents, during the year ended December 31, 2004, is the result of our positive cash flow from operating activities, more than offsetting the use of cash in our investing and financing activities. Cash and cash equivalents at Equipment Operations increased by \$151 million, while cash and cash equivalents at Financial Services increased by \$161 million.

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Cash Flows from Operating Activities

	For the years ended December 31,		
	2004	2003	2002
	(in millions)		
Equipment Operations	\$879	\$66	\$485
Financial Services	200	752	495
Eliminations	(109)	(22)	(3)
Consolidated	<u>\$970</u>	<u>\$796</u>	<u>\$977</u>

In 2004, consolidated cash flows from operating activities were \$970 million compared to \$796 million in 2003, with Equipment Operations generating \$879 million and Financial Services generating \$200 million in 2004.

The increase in year-over-year cash flows from operating activities for Equipment Operations is due to the \$282 million improvement in net income, from \$157 million net loss in 2003 to \$125 million net income in 2004. In addition, the reduction of working capital driven in 2004 by the new European wholesale securitization program, activated in September 2004, and the early settlement of a European long-term receivable, contributed \$466 million and \$190 million to cash flow, respectively, in 2004.

The reduction in cash flow generation from operating activities for Financial Services is attributable primarily to wholesale and other notes receivables (\$199 million reduction in 2004, compared to a reduction of \$619 million in 2003), which is impacted by the effect of on-book treatment of the November 2004 retail ABS transaction in Australia and the higher level of on-book retail receivables for our U.S. activities due to the timing of ABS transactions in that market in 2004 compared to 2003. In addition, other assets increased by approximately \$250 million, reflecting primarily the \$225 million investment in the retained interest in the European wholesale securitization program referenced above.

Cash Flows from Investing Activities

	For the years ended December 31,		
	2004	2003	2002
	(in millions)		
Equipment Operations	\$22	\$(1,136)	\$(666)
Financial Services	(503)	102	(65)
Eliminations	85	54	72
Consolidated	<u>\$(396)</u>	<u>\$(980)</u>	<u>\$(659)</u>

Consolidated cash used by investing activities was \$396 million in 2004 compared to \$980 million in 2003. These figures, respectively, include \$217 million generated by the reduction of Deposits with Fiat in 2004 and include \$715 million utilized by the increase of Deposits with Fiat in 2003.

Cash used by investing activities at Equipment Operations before (deposits in) withdrawals from Fiat affiliates cash management pools was \$199 million for the year ended December 31, 2004, compared to \$221 million in 2003, primarily due to slightly lower capital expenditures. Capital expenditures were principally related to our initiatives to introduce new products, enhance manufacturing efficiency, further integrate our operations and expand environmental and safety programs.

Cash flows from investing activities at Financial Services before (deposits in) withdrawals from Fiat affiliates cash management pools represented a use of \$499 million for the year ended December 31,

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2004, compared to a use of \$98 million for the year ended December 31, 2003. Investments in retail receivables were approximately \$5.2 billion in 2004, up approximately \$720 million from 2003. Partially offsetting this increased investment was an increase in collections of receivables, retained interests in securitizations and proceeds from sales of receivables totaling approximately \$343 million, compared with 2003.

Cash Flows from Financing Activities

	For the years ended		
	December 31,		
	2004	2003	2002
	(in millions)		
Equipment Operations	\$(754)	\$1,403	\$87
Financial Services	453	(833)	(593)
Eliminations	24	(32)	(70)
Consolidated	<u>\$(277)</u>	<u>\$538</u>	<u>\$(576)</u>

Consolidated cash used by financing activities was \$277 million in 2004, compared with \$538 million of cash provided from financing activities in 2003.

Our Equipment Operations used \$754 million of cash in financing activities in 2004. Proceeds from the issuance of \$502 million in new long-term debt, representing principally the 6% Senior Notes, plus cash generated by operating activities, were utilized to repay (at maturity or in advance) \$620 million in long-term debt and an additional \$530 million of short-term debt. Furthermore, Equipment Operations funded an increase of \$72 million of intersegment notes and the payment of \$33 million of dividends to common shareholders. No dividend was due or paid to the holders of our Series A Preferred Stock.

The 6% Senior Notes and the 9¼% Senior Notes are fully and unconditionally guaranteed by CNH and certain of its direct and indirect subsidiaries and contain certain covenants that restrict our ability 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; 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 of the related agreements governing our subsidiaries' indebtedness contain covenants limiting our ability to incur secured debt or structurally senior debt.

Cash provided by financing activities in 2003 was principally the result of the issuance, on August 1 and September 16, of a total \$1.05 billion of 9¼% Senior Notes due 2011, and the proceeds from the repayment, by Financial Services, of \$484 million of intersegment notes. Dividends paid to common shareholders in 2003 were \$33 million.

On April 7 and 8, 2003 we completed a non-cash financing transaction by issuing 8 million shares of Series A Preferred Stock in exchange for \$2 billion in Equipment Operations indebtedness owed to Fiat Group companies, of which approximately \$1.2 billion was debt maturing in 2003. 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 we 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 convert into 100 million CNH common shares at a

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conversion price of \$20 per share automatically 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. In the event of dissolution or liquidation, whatever remains of CNH'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.

Financial Services provided \$453 million of cash from financing activities in 2004, compared to a use of \$833 million in 2003. In 2004, Financial Services increased its debt by \$477 million, including \$387 million in short-term revolving debt to third parties (primarily reflecting increased use of U.S. retail financing conduit facilities) and \$72 million in intersegment notes. In 2003, Financial Services repaid \$865 million in debt (including \$329 million in short-term debt) and \$484 million in intersegment notes. In 2004, Financial Services paid dividends and returned capital (net of capital contributions from Equipment Operations) to Equipment Operations totaling \$24 million, compared to \$22 million in 2003.

CREDIT RATINGS

On January 30, 2006, Moody's affirmed Fiat's Ba3 corporate family rating and long-term senior unsecured ratings and changed the outlook to stable from negative, citing the improvements in the performance of Fiat Auto and the reduction of Fiat's net debt. Moody's also affirmed the stand alone rating of CNH of Ba3 and negative outlook.

On January 20, 2006, Fitch upgraded the outlook of Fiat to stable from negative and affirmed the BB- senior unsecured rating on Fiat, citing improvement in the financial and operational position of Fiat.

On August 1, 2005, S&P reaffirmed its BB- corporate credit ratings on CNH and Fiat and revised its outlook to stable from negative, citing improved financial flexibility at Fiat after several recent transactions as well as its views on the expected recovery of Fiat's auto operations. These transactions included a €1.55 billion cash payment to Fiat from General Motors Corp. to terminate an agreement related to the companies' joint holdings in Fiat Automotive, the anticipated exchange of convertible debt held by certain creditors of Fiat into Fiat stock and the cash raised by Fiat from selling the captive financial arm of its Iveco truck unit.

As of December 31, 2004, 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 Ltd. Fiat's long-term unsecured debt was rated BB- by S&P and Ba3 by Moody's, with negative outlook.

On August 9, 2004 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 CNH and Fiat.

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

Rating actions on CNH and Fiat during 2003 were as follows:

- On June 26, 2003, Fiat announced its Relaunch Plan. Following this announcement, S&P announced that it was placing the BB corporate credit ratings of CNH, Case and Fiat's BB+ corporate credit rating, on credit watch with negative implications.

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- On July 7, 2003, Moody's downgraded Fiat's long-term senior unsecured debt ratings to Ba3 from Ba1, with a negative outlook. At the same time, Moody's assigned Fiat a Ba3 senior implied rating, also with a negative outlook. Also on July 7, 2003, Moody's lowered the senior debt ratings of Case and Case Credit Corporation to Ba3 from Ba2, with a negative outlook. On July 8, Fitch Ratings downgraded Fiat's senior unsecured debt rating to BB from BB+, with a negative outlook.
- On July 11, 2003, S&P lowered its corporate credit ratings on CNH and related entities to BB- from BB, with a stable outlook, and removed them from credit watch. Also on July 11, S&P lowered Fiat's long-term corporate credit rating to BB- from BB+, with a stable outlook, and removed it from credit watch.

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.

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 and terms of any future borrowing and therefore could put us at a competitive disadvantage.

SOURCES OF FUNDING

Funding policy

Our policy is to maintain a high degree of flexibility in our funding and investment activities by using a broad variety of financial instruments to maintain our desired level of liquidity.

In managing our liquidity requirements, we are pursuing a financing strategy that includes maintaining continuous access to a variety of financing sources, including U.S. and international capital markets, commercial bank lines, and funding Financial Services with a combination of receivables securitizations and on-book financing. In addition, a significant portion of our financing has historically come from Fiat and Fiat affiliates, but Fiat funding has declined significantly since 2002 as we have sought to diversify our funding sources.

A summary of our strategy is:

- To fund Equipment Operations short-term financing requirements and to ensure near-term liquidity, we rely primarily on bank facilities, predominantly through uncommitted credit facilities and receivables discounting lines. We also maintain a funding relationship with Fiat through the overdraft facilities granted to us under the cash pooling arrangements operated by Fiat in a number of jurisdictions. We manage our aggregate short-term borrowings so as not to exceed availability under our lines of credit with banks and Fiat.
- As funding needs of Equipment Operations are determined to be of a longer-term nature, we will access medium- and long-term debt markets, as appropriate, to refinance short-term borrowings and replenish our liquidity. We have relied in the past and may, from time to time, continue to rely on our relationship with Fiat to obtain term funding to complement our access to funding from banks and capital markets.
- We maintain unutilized committed lines of credit and other liquidity facilities, complemented by available cash and cash equivalents and Deposits with Fiat, to cover our expected funding needs on both a short-term and long-term basis.

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- The most significant source of liquidity for our Financial Services business is loan securitizations to finance the receivables we originate, including wholesale receivables purchased from Equipment Operations. We intend to continue to cultivate and expand our recourse to the ABS and ABCP markets worldwide, based on the acceptance of the performance and characteristics of our receivables, the performance of our existing securities and the continuing growth of such markets.
- We complement our ABS funding strategy for Financial Services with access to bank facilities, both short- and long-term, to the capital markets and to Fiat funding via its cash pooling arrangements. In Brazil, Financial Services continues to utilize financing provided by the Brazilian development agencies to support the growth of the agricultural sector of the economy.
- Financial Services has relied in the past on intersegment notes from Equipment Operations to offset the unavailability of commercial paper funding in certain jurisdictions following our credit ratings downgrades.

Certain events might impair our ability to successfully execute our funding strategy.

Our liquidity needs could increase in the event of an extended economic slowdown or recession. Reduced commodity prices and farm cash receipts, decreased governmental support for agriculture and agricultural financing, decreased levels of commercial, residential and major infrastructure construction or other adverse economic conditions, would impair the ability of our dealers and retail end users to meet their payment obligations. Higher industry levels of used equipment may affect resale prices and result in decreased cash flows. In addition, in an economic slowdown or recession, our servicing and litigation costs would increase. Any sustained period of increased delinquencies, losses or costs would have an adverse effect on our liquidity. 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, if at all.

Adverse changes in the securitization market could impair our ability to originate, purchase and sell receivables or other assets on a favorable or timely basis, as well as affect the interest rate spreads we earn on the receivables we originate, and could have an adverse effect on our asset-backed liquidity facilities. These facilities typically provide financing of a certain percentage of the underlying collateral and are subject to the availability of eligible collateral and, in many cases, the willingness of our banking partners to continue to provide financing. Some of these agreements provide for annual terms, which are extended by mutual agreement of the parties for an additional annual term. Although we expect to replace our financing when our current facilities expire, there can be no assurance that we will obtain financing 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.

Access to funding at competitive rates is key to the growth of the core business of Financial Services and expansion of its 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. 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 markets, the ability to access the capital markets, the cost of certain existing asset-backed commercial paper facilities and the cost of any future borrowings. A reduction of the financing support provided by the Brazilian government to the agricultural sector could slow the growth of our retail activities in that country or impact collections on our existing financings in that country.

On a global level, we will continue to evaluate alternatives to ensure that Financial Services continues to have access to capital on favorable terms in support of their business, including through equity investments by global or regional partners in joint venture or partnership opportunities (similar to our

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arrangement entered in 2002 with BPLG, which broadened our product offerings throughout Europe), new funding arrangements or a combination of any of the foregoing.

Long-term debt

As of December 31, 2005, our consolidated long-term debt was \$4.8 billion, including \$1.1 billion of current maturities, compared to \$4.9 billion and \$886 million, respectively, as of the end of the prior year.

Equipment Operations long-term debt as of December 31, 2005 was \$2.4 billion, including \$385 million of current maturities, compared to \$3.1 billion and \$257 million, respectively, as of the end of the prior year.

Equipment Operations long-term debt as of December 31, 2005, consisted of approximately \$1.8 billion in bonds and medium-term notes, \$244 million of affiliated notes with Fiat, and \$243 million of medium-term loans with third parties. The remaining \$129 million related to maturities beyond December 31, 2005 under committed credit lines with a bank affiliate of Fiat.

Financial Services long-term debt, as of December 31, 2005, was \$2.4 billion, including \$674 million of current maturities, compared to \$2.5 billion and \$629 million, respectively, as of the end of the prior year.

As of December 31, 2005, Financial Services long-term debt consisted primarily of \$1.3 billion of borrowings under committed credit lines related to our retail lending activities in Brazil, (amortizing over the life of the assets), \$793 million of other long-term borrowings from third parties, \$172 million of affiliated notes with Fiat and \$124 million in bonds maturing in 2007.

Commercial paper and certificates of deposit

Given our current credit ratings, we have not accessed the U.S. and Canadian commercial paper markets since 2000, and all such programs have been terminated. However, the Brazilian Financial Services subsidiary, Banco CNH, continued its local certificate of deposit program and had \$81 million outstanding as of December 31, 2005. Banco CNH has obtained local credit ratings by Fitch Ratings of A+ for its long-term obligations and F-1 for its short-term obligations.

Credit and liquidity facilities

As of December 31, 2005, we had approximately \$3.5 billion available under our \$6.5 billion total lines of credit, including the asset-backed liquidity facilities described below. Approximately \$1.9 billion drawn under such lines were classified as long-term, while \$1.1 billion was classified as short-term debt. Our ability to incur additional debt may be limited by certain covenants in the 9¾% Senior Notes and the 6% Senior Notes as discussed above and the notes offered hereby and our bank credit agreements.

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The following table summarizes our credit facilities at December 31, 2005:

	Maturity	Amount (in millions)	Borrower*	Drawn			Available	Guarantor
				Equipment Operations	Financial Services	Total (in millions)		
Committed lines:								
CNH portion of Fiat revolving syndicated backup credit facility . . .	Jul 08	\$ 354	EO	\$	\$	\$	\$ 354	Fiat
Credit facilities with third parties	Jun 07	<u>150</u>	FS		<u>150</u>	<u>150</u>	<u>—</u>	Fiat
Other committed lines guaranteed by Fiat:								
Buyer's credit Proex	2006-2010	129	EO	129		129	—	Fiat
CNH Capital Australia/Canada facility with UBS	2006	<u>61</u>	FS		<u>61</u>	<u>61</u>	<u>—</u>	Fiat
Total other committed lines guaranteed by Fiat		<u>190</u>		<u>129</u>	<u>61</u>	<u>190</u>	<u>—</u>	Fiat
BNDES Subsidized Financing Brazil								
—2006	2006	470	FS		470	470	—	Fiat**
—2007	2007	337	FS		337	337	—	Fiat**
—2008 and Beyond	2008+	483	FS		473	473	10	Fiat**
Revolving credit facility with Fiat affiliate	Jan 2007	1,000	Both	205	77	282	718	Fiat
Various committed lines—Brazil	Jan 06-Sept 07	165	EO	165		165	—	
Various committed lines—Australia	Jan 06-Jul 06	<u>58</u>	FS		<u>51</u>	<u>51</u>	<u>7</u>	
Total committed lines		<u>3,207</u>		<u>499</u>	<u>1,619</u>	<u>2,118</u>	<u>1,089</u>	
Uncommitted Lines								
Portion of Fiat revolving syndicated backup credit facility shared with Fiat subs.								
	Jul 08	826	EO				826	
Factoring lines	Jan 06	185	EO	185		185	—	
Factoring lines	Jan 06	50	FS			—	50	
Other	Jan 06	8	EO			—	8	
Asset-backed Programs								
—United States	Jan 06	1,200	FS		157	157	1,043	
—United States (Credit Cards)	Jun 07	250	FS		129	129	121	
—Canada	Aug 06	257	FS		26	26	231	
—Australia	Apr 06	293	FS		206	206	87	
—ABS Retained Assets financing	Dec 08	<u>300</u>	FS		<u>247</u>	<u>247</u>	<u>53</u>	
Total uncommitted lines		<u>3,369</u>		<u>185</u>	<u>765</u>	<u>950</u>	<u>2,419</u>	
Total credit facilities		<u>\$6,576</u>		<u>\$684</u>	<u>\$2,384</u>	<u>\$3,068</u>	<u>\$3,508</u>	
Drawn short-term debt				<u>\$495</u>	<u>\$ 579</u>	<u>\$1,074</u>		
Drawn long-term debt				<u>\$189</u>	<u>\$1,805</u>	<u>\$1,994</u>		
Total credit facilities with Fiat affiliates or guaranteed by Fiat affiliates		<u>\$3,254</u>		<u>\$334</u>	<u>\$1,014</u>	<u>\$1,348</u>	<u>\$1,906</u>	

* EO = Equipment Operations; FS = Financial Services

** BNDES Subsidized Financing in Brazil is guaranteed by Fiat for up to \$726 million (1.7 billion reales equivalent).

Committed lines of credit

As of December 31, 2005, we had \$1.1 billion available under our \$3.2 billion total committed lines of credit. The majority of such lines are supported by a guarantee from Fiat.

The \$354 million (€300 million equivalent) syndicated credit facility represents the amount allocated to us by Fiat under a €1.0 billion Fiat syndicated facility which matures in July 2008 and remained

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undrawn at December 31, 2005. Loans under this new facility bear interest at fluctuating rates based on EURIBOR (or some other index rate, such as LIBOR depending on the currency borrowed), plus a margin relating to the credit ratings of Fiat. Fiat and each borrower under the new credit facility (other than CNH Global) has jointly and severally guaranteed the performance of the obligations of all borrowers under the new facility. This new facility contains a number of affirmative and negative covenants, including financial covenants based on Fiat results, limitations on indebtedness, liens, acquisitions and dispositions, and certain reporting obligations. Failure to comply with these covenants, payment defaults or other events of default under the new facility could cause the facility to terminate and all loans outstanding under the facility to become due, regardless of whether the default related to CNH Global. In addition to paying interest on any borrowings it makes under this new facility, CNH Global is required to pay the commitment fees applicable to €300 million availability as well as its pro rata share (based on the number of borrowers from time to time, currently one-sixth) of the remaining commitment fees and other fees relating to the new facility.

Financial Services has certain dedicated committed credit facilities available to them which are mostly utilized. In particular, approximately \$1.3 billion was drawn by our Brazilian Financial Services subsidiary under long-term financing arrangements provided by the Banco Nacional de Desenvolvimento Economico e Social, supported by the Brazilian government under agricultural development programs.

The \$1 billion revolving facility with a Fiat affiliate matures on January 31, 2007 and serves as the umbrella under which we borrow from Fiat for day-to-day liquidity needs under the cash pooling arrangements operated by Fiat.

Uncommitted lines of credit

Our \$1.1 billion of uncommitted lines of credit, as of December 31, 2005, primarily reflects the portion of the €1.0 billion facility shared with other Fiat entities. It also reflects facilities available to us in Europe and certain other jurisdictions, under which we discount or factor certain wholesale receivables primarily for Equipment Operations business, on a "with recourse" basis.

Asset-backed programs

We also have access to ABCP liquidity facilities through which we may sell retail receivables generated by Financial Services in the United States, Australia and Canada. We utilize these facilities to fund the origination of receivables prior to selling such receivables in the term ABS markets. Under these facilities, the maximum amount of proceeds that can be accessed at one time is \$2.2 billion.

The following table summarizes our ABCP liquidity facilities at December 31, 2005:

	<u>Program size</u>	<u>Availability</u>
	<u>(in millions)</u>	
United States (expiring in January 2006)	\$1,200	\$1,042
United States—credit card (expiring in June 2007)	250	122
Canada (expiring in August 2006)	258	232
Australia (expiring in April 2006)	293	86
ABS Retained Assets financing (expiring in December 2008)	300	54
Total	<u>\$2,301</u>	<u>\$1,536</u>

Subsequent to December 31, 2005, we have extended the U.S. facility through January 2007.

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Cash, cash equivalents, deposits with fiat and intersegment notes receivable

Cash and cash equivalents were \$1.3 billion as of December 31, 2005, compared to \$931 million as of December 31, 2004. The following table shows cash and cash equivalents, together with additional information on Deposits with Fiat and intersegment notes receivable, which together contribute to our definition of Net Debt as of December 31, 2005 and 2004.

	Consolidated		Equipment Operations		Financial Services	
	2005	2004	2005	2004	2005	2004
			(in millions)			
Cash and cash equivalents.....	<u>\$1,245</u>	<u>\$ 931</u>	<u>\$ 858</u>	<u>\$ 637</u>	<u>\$ 387</u>	<u>\$294</u>
Deposits with Fiat.....	<u>\$ 580</u>	<u>\$1,151</u>	<u>\$ 578</u>	<u>\$1,136</u>	<u>\$ 2</u>	<u>\$ 15</u>
Intersegment notes receivable:						
Short-term	\$ —	\$ —	\$1,067	\$ 414	\$ —	\$ 24
Long-term.....	—	—	—	700	—	—
Total intersegment notes receivables	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,067</u>	<u>\$1,114</u>	<u>\$ —</u>	<u>\$ 24</u>

The increase of cash and cash equivalents reflects additional cash deposits with third parties made by Equipment Operations, in particular in the U.S., rather than depositing funds within the Fiat cash pooling system as described below, and cash deposits with third parties made by Financial Services, including the growth of cash reserves held by Banco CNH in Brazil as a result of the growth in its total asset base.

The amount of Deposits with Fiat and cash and cash equivalents held by us on a consolidated basis fluctuates daily. The ratio of cash equivalents to Deposits with Fiat also varies, as a function of the cash flows of those CNH subsidiaries that participate in the various cash pooling systems managed by Fiat worldwide. As of December 31, 2005, Deposits with Fiat were \$0.6 billion, compared with \$1.2 billion at the end of the prior year.

As of December 31, 2005, Equipment Operations held a total of \$1.1 billion in intersegment notes receivable from Financial Services subsidiaries, of which \$300 million is a note maturing in 2006. The short-term notes held by Equipment Operations typically represent a form of cash management optimization tool in place in those jurisdictions where the most efficient structure is for Equipment Operations to lend directly to Financial Services, such as Australia.

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Debt and deposits with Fiat

Our debt and Deposits with Fiat as of December 31, 2005 and 2004, respectively, can be analyzed as follows:

	Consolidated		Equipment Operations		Financial Services	
	2005	2004	2005	2004	2005	2004
	(in millions)					
Long-term debt with Fiat excluding current maturities	133	\$ 1,021	95	\$ 873	38	\$148
Current maturities of long-term debt with Fiat	413	90	279	19	134	71
Short-term debt with Fiat	<u>565</u>	<u>672</u>	<u>479</u>	<u>331</u>	<u>86</u>	<u>341</u>
Total debt with Fiat	1,111	1,783	853	1,223	258	560
Less Deposits with Fiat	<u>(580)</u>	<u>(1,151)</u>	<u>(578)</u>	<u>(1,136)</u>	<u>(2)</u>	<u>(15)</u>
Net Debt with Fiat	<u>531</u>	<u>\$ 632</u>	<u>275</u>	<u>\$ 87</u>	<u>256</u>	<u>\$545</u>

On December 31, 2005, our outstanding consolidated debt with Fiat and its affiliates was \$1.1 billion, or approximately 18% of our consolidated debt, compared to \$1.8 billion or approximately 26% as of December 31, 2004. The reduction resulted primarily from cash generated by the reduction of intersegment notes made possible by the issuance of new debt by Financial Services.

The total amount of consolidated debt with Fiat and Fiat affiliates outstanding as of December 31, 2005 included (i) \$244 million in long-term debt under several notes maturing through 2006, (ii) \$282 million in short-term debt, drawn under a \$1 billion revolving credit line granted to us by Fiat and maturing on January 31, 2007 and (iii) an additional \$585 million of which \$274 million is related to the funding of our Brazilian equipment operations subsidiary, \$182 million is related to notes funding Financial Services subsidiaries and \$129 million is related to notes funding other Equipment Operations subsidiaries. An additional \$900 million of consolidated third party debt outstanding under certain facilities was guaranteed by Fiat or a Fiat subsidiary at December 31, 2005. We have continued to reduce our debt to Fiat and increasingly rely on third-party financing, and we expect this trend to continue over time.

Like other companies that are part of multinational groups, we participate in a group-wide cash management system with other members of 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 to central pooling accounts managed by Fiat. Our positive cash balances, 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. At December 31, 2005, CNH had approximately \$580 million of cash deposited in the cash management pools of the Fiat Group compared with \$1.2 billion at the end of the prior year. Of the total amount deposited with Fiat as of December 31, 2005, the principal components included \$8 million deposited by our U.S. subsidiaries with a Fiat treasury vehicle in the United States, \$378 million deposited by certain of our European subsidiaries with a vehicle managing cash in most of Europe excluding Italy, \$194 million deposited our Italian subsidiaries with a vehicle managing cash in Italy and less than \$1 million deposited by Latin American subsidiaries. While 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.

SECURITIZATION

The following table summarizes the principal amount of our retail and wholesale asset-backed securitization programs in the United States, Canada, Australia and Europe, and receivables discounted without recourse and classified as off-balance sheet at December 31, 2005 and 2004:

	2005 (in millions)	2004 (in millions)
Wholesale receivables	\$3,080	\$2,342
Retail and other notes and finance leases	4,580	4,475
Receivables discounted without recourse	—	108
Total	<u>\$7,660</u>	<u>\$6,925</u>

The amount above includes wholesale receivables discounted under our securitization program in Europe activated in September 2004. The totals above do not include \$68 million in 2005 and \$60 million in 2004 of Spanish receivables sold into the program and included in our Equipment Operations short-term debt to third parties.

Retail

We securitize and transfer financial assets, using financial asset securitization procedures, as an alternative funding source to borrowing. Securitization of assets allows us to diversify funding sources while contributing to lower our overall cost of funds. Within CNH's asset securitization program, qualifying retail finance receivables are sold to limited purpose, bankruptcy-remote consolidated subsidiaries of CNH, where required by bankruptcy laws. In turn, these subsidiaries establish separate trusts to which the receivables are transferred in exchange for proceeds from asset-backed securities issued by the trusts. This allows the SPE to issue highly-rated securities in a highly liquid and efficient market, thereby providing us with a cost-effective source of funding. Termination of our ABS activities would reduce the number of funding resources currently available to us for funding our finance activities. Any such reduction of funding sources could increase our cost of funds and reduce our profit margins, which could materially adversely affect our results of operations.

We maintain access to the asset-backed term market in the United States, Canada and Australia. During 2005, SPE affiliates of our U.S. Financial Services' subsidiaries executed \$2.6 billion in retail asset-backed transactions and SPE affiliates of our Canadian Financial Services' subsidiaries executed C\$300 million in retail asset-backed transactions. The securities in each of these transactions are backed by agricultural and construction equipment retail receivables contracts and finance leases originated through our dealerships. Financial Services applied the proceeds from the securitizations to repay outstanding debt.

Our ABS program is further described in "Note 4: Accounts and Notes Receivable," of our consolidated financial statements for the year ended December 31, 2004. In the program, retail finance receivables are sold to limited purpose, bankruptcy-remote, consolidated subsidiaries of CNH. In turn, these subsidiaries establish separate trusts to which they transfer the receivables in exchange for the proceeds from asset-backed securities and make payments on the securities. At December 31, 2005, \$4.6 billion of retail asset-backed securities issued to investors out of the U.S., Canadian and Australian SPEs were still outstanding with a weighted average remaining maturity of between 16 to 18 months.

Due to the nature of the assets held by the SPEs and the limited nature of each SPE's activities, each SPE is classified as a Qualifying Special Purpose Entity ("QSPE") under SFAS No. 140. In accordance

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with SFAS No. 140, assets and liabilities of QSPEs are not consolidated in our consolidated balance sheets.

We agree to service the receivables transferred to the QSPEs for a fee and earn other related ongoing income customary with the programs and in accordance with U.S. GAAP. We also may retain all or a portion of subordinated interests in the QSPEs. These interests are reported as assets in our consolidated balance sheets. The amount of the fees earned and the levels of retained interests that we maintain are quantified and described in "Note 4: Accounts and Notes Receivable" of our consolidated financial statements for the year ended December 31, 2004.

No recourse provisions exist that allow holders of the asset-backed securities issued by the QSPEs to put those securities back to us although we provide customary representations and warranties that could give rise to an obligation to repurchase from the QSPE receivables for which the representations and warranties are not true. Moreover, we do not guarantee any securities issued by the QSPEs. Our exposure related to these QSPEs is limited to the cash deposits held for the benefit of the holders of the asset-backed securities issued by the QSPEs including the retained interests in the QSPEs, which are reported in our consolidated balance sheets. The QSPEs have a limited life and generally terminate upon final distribution of amounts owed to investors or upon exercise of a cleanup-call option by us, in our role as Servicer, when the servicing of the sold contracts becomes burdensome.

We intend to continue our financing activity in the United States, Canadian and Australian asset-backed term markets as long as it continues to provide low rate financing.

Wholesale

We also sell wholesale receivables on a revolving basis to privately and publicly structured securitization facilities. The receivables are initially sold to wholly-owned SPEs, which are consolidated by CNH, but legally isolate the receivables from our creditors. These transactions are utilized as an alternative to the issuance of debt and allow us to realize a lower cost of funds due to the asset-backed nature of the receivables and the credit enhancements offered to investors.

Upon the sale of receivables to a QSPE in a securitization transaction, receivables are removed from the consolidated balance sheet and proceeds are received for the difference between the receivables sold and the retained interests that are required to be retained by us. In the event charge-offs reduce the receivables pool sold, the investors in the facility have recourse against our retained interests in the sold receivables. These retained interests fluctuate with the size of the sold portfolio as they are specified as percentages of the sold receivables. Investors have no recourse to us in excess of these retained interests. We continue to service the sold receivables and receive a fee, which approximates the fair value of the servicing obligation.

The revolving, wholesale receivables facilities consist of an existing master trust facility in each of Canada, Australia and the U.S. The Canadian facility consists of C\$162 million term senior and subordinated asset-backed notes with a two year maturity, C\$189 million term senior and subordinated asset-backed notes with a three year maturity, and a 364-day C\$250 million conduit facility that is renewable annually (August 2006). The Australian facility consists of a 364-day, A\$165 million conduit facility that is renewable annually at the sole discretion of the purchasers. The U.S. master trust facility consists of \$522 million term senior and subordinated asset-backed notes with a three year maturity, \$750 million term senior and subordinated asset-backed notes with a three year maturity and a 364-day, \$700 million conduit facility that is renewable annually (September 2006) at the sole discretion of the purchasers.

At December 31, 2005, \$2.0 billion, C\$445 million and A\$91 million were outstanding under these facilities, consisting of \$2.4 billion, C\$569 million and A\$123 million of wholesale receivables sold less

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our retained undivided interest of \$452 million, C\$124 million and A\$32 million. At December 31, 2004, \$1.5 billion was outstanding under the U.S. facility, consisting of \$1.9 billion of wholesale receivables sold less our retained undivided interest of \$330 million. Under the Canadian facility at December 31, 2004, C\$405 million was outstanding, consisting of C\$507 million of wholesale receivables sold less our retained undivided interest of C\$102 million. Under the Australian facility at December 31, 2004, A\$90 million was outstanding, consisting of A\$128 million of wholesale receivables sold less our retained undivided interest of A\$38 million. The retained undivided interests provide recourse to investors in the event of default and are recorded at cost, which approximates fair value due to the short-term nature of the receivables.

On September 13, 2004, certain of our Equipment Operations subsidiaries in Europe sold, on a non-recourse basis, euro- and British pound-denominated wholesale receivables, directly or indirectly, to an Irish trust, funded by two bank-sponsored conduits and by an Irish Financial Services' subsidiary of CNH. As of December 31, 2004, the Irish trust held \$526 million in wholesale receivables, including \$60 million in receivables transferred by a Spanish subsidiary of CNH and is accounted for as a secured financing. A total of \$380 million was funded by the two conduits under a €360 million plus £80 million 364-day facility maturing in July 2005, including €37 million disclosed as third party debt for Equipment Operations. We extended this facility during 2005 to include additional CNH subsidiary sellers in Italy and Belgium. As part of the extension of our wholesale receivable management practices from North America to other regions, we also plan beginning in 2006 to have certain of our Financial Services' subsidiaries in Europe purchase wholesale receivables from Equipment Operations subsidiaries and become sellers into the Irish trust.

Other

In addition to the securitizations described above, a new master note trust was formed in September 2004 to facilitate the sale of U.S. credit card receivables. The U.S. Financial Services' subsidiaries originates credit card receivables and transfers them without recourse to a bankruptcy remote SPE through which receivables are then transferred to the trust. The maximum amount of funding eligible through the facility is \$250 million and is accounted for as a secured financing. The facility is renewable in June 2007.

Certain foreign subsidiaries of CNH securitized or discounted receivables without recourse. As of December 31, 2005, there were no outstanding discounted receivables without recourse. As of December 31, 2004, \$108 million of wholesale receivables were outstanding. We record a discount each time receivables are sold to the counterparties in the facilities. This discount, which reflects the difference between interest income earned on the receivables sold and interest expense paid to the investors in the facilities, along with related transaction expenses, is computed at the then prevailing market rates as stated in the sale agreement.

In December 2005, Financial Services entered into an ABS Retained Assets financing transaction to securitize certain of its retained interests which resulted from its U.S. retail asset backed securitization programs. The retained interests were sold without recourse to a newly formed bankruptcy remote SPE which, in turn, pledged the retained interests as collateral for a revolving loan from a third-party multi-seller asset-backed commercial paper conduit facility. The maximum amount of funding eligible through the facility is \$300 million and is accounted for as a secured financing. The facility is renewable in December 2008.

In Europe, our joint venture with BPLG held approximately \$1.4 billion and approximately \$1.6 billion of receivables from our related transactions as of December 31, 2005 and 2004, respectively.

PENSION AND OTHER POSTRETIREMENT BENEFITS

The obligations and expenses recognized in our consolidated financial statements for our employee benefit plans are not necessarily indicative of our projected obligations and cash funding requirements. The reason is that we normally experience actual results that differ from the assumptions used in the actuarial determination of our benefit plan obligations and costs. We recognize the accumulated differences in our Consolidated Financial Statements through amortization over future periods when certain conditions are met.

See “—Application of Critical Accounting Estimates” of this section. “Note 13: Employee Benefit Plans and Postretirement Benefits” of our consolidated financial statements and “Risk Factors — Risks Related to Our Business, Strategy and Operations — An increase in health care or pension costs could adversely affect our results of operations” for additional information on pension and other postretirement benefits accounting.

Pension benefit obligations

Current funding and asset allocation. Plan assets, which are primarily held in trusts and invested to provide for current and future pension benefits, partially offset our projected pension benefit obligations. Plan assets consist of investments in equity securities, debt securities, and cash.

The funded status of our pension benefit obligations expresses the extent to which plan assets are available to satisfy our obligations. At December 31, 2005, 2004 and 2003, our pension plans had an underfunded status of \$1.0 billion, \$1.1 billion and \$1.0 billion, respectively. Pension plan obligations for plans that we do not currently fund were \$521 million, \$443 million and \$332 million at December 31, 2005, 2004 and 2003, respectively. After deducting the accrued liabilities recognized on our consolidated balance sheets for our pension obligations at December 31, 2005, 2004 and 2003 of \$142 million, \$224 million and \$298 million, respectively, we had underfunded pension obligations of \$852 million, \$907 million and \$735 million at December 31, 2004 and 2003, respectively, which were unrecognized.

During 2005 and 2004, we contributed \$182 million and \$208 million, respectively, to our pension benefit plans. We realized higher returns on plan assets compared to assumptions used for expected returns on our plan assets. Actual rates of return for U.S. and U.K. plans, our primary plans, were positive at 11.5% and 8.9%, respectively.

Accounting rules that are applicable due to the underfunded status of our accumulated pension benefit obligations required us to recognize an additional minimum pension liability. The initial recognition and subsequent changes in the additional pension minimum liability do not affect our consolidated statements of operations. The 2004 favorable developments with plan assets were offset by decreases in discount rate assumptions, resulting in higher benefit obligation valuations. As a result our minimum pension liability increased by \$122 million, resulting in a net of tax charge to equity of approximately \$64 million.

Further funding requirements. During 2004, we contributed \$155 million to our U.S. defined benefit pension plans and we made contributions in 2005 of \$120 million. During 2004, we contributed \$53 million to our International defined benefit plans and we made contributions in 2005 of \$62 million.

Future pension expense. We estimate that our total pension benefit expense in 2006 will be less than our 2005 expense of \$130 million.

Other postretirement benefit obligations

Current funding and asset allocation. We do not currently fund these obligations nor do we plan to in the near term.

At December 31, 2005, 2004 and 2003, our other postretirement benefit obligations had an underfunded status of \$1.7 billion, \$1.6 billion and \$1.5 billion, respectively. After deducting the accrued liabilities recognized on our consolidated balance sheets for our other postretirement benefit obligations at December 31, 2005, 2004 and 2003 of \$930 million, \$862 million and \$794 million, respectively, we had underfunded other postretirement benefit obligations of \$741 million, \$754 million and \$700 million at December 31, 2005, 2004 and 2003, respectively, which were unrecognized.

Further funding requirements. We are not required by law or labor agreements to make contributions to our other postretirement benefit plans. We anticipate that cash requirements for other postretirement employee benefit costs will rise slightly in 2006 when compared to 2005.

Future postretirement benefit expense. We estimate that our total other postretirement benefit expense in 2006 will be higher than our 2005 expense of \$138 million. This is the result of continued higher healthcare cost trend rates, lower discount rates used and the resulting amortization of higher unrecognized net losses in 2006.

PATENTS AND TRADEMARKS

Agricultural Equipment—We are promoting the New Holland and Case IH brands and logos as the primary brand names for our agricultural equipment products. We sell some products under heritage brand names or sub-brand names such as Steyr, Braud, Flexi-Coil, Austoft, Concord, DMI and Tyler.

Construction Equipment—For construction equipment under New Holland, we are promoting the New Holland Construction and Kobelco (in North America) brands in particular regions of the world. For construction equipment under Case, we are promoting the Case construction brand name and logo.

Most of these brand names have been registered as trademarks in the principal markets in which we use them. Other than the New Holland, New Holland Construction, Case and Case IH trademarks, we do not believe that our business is materially dependent on any single patent or trademark or group of patents or trademarks.

We, through New Holland and Case, have a significant tradition of technological innovation in the agricultural and construction equipment industries. We hold over 3,400 patents, and over 900 additional applications are pending. We believe that we are among the market leaders for patented innovations in the product classes in which we compete.

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Our research, development and engineering personnel design, engineer, manufacture and test new products, components and systems. We incurred \$267 million, \$259 million and \$283 million of R&D costs in the years ended December 31, 2004, 2003, and 2002, respectively.

We also benefit from the R&D expenditures of our unconsolidated joint ventures, which are not included in our R&D figures, and from the continuing engineering efforts of our suppliers.

OFF-BALANCE SHEET ARRANGEMENTS

We have incorporated a discussion of our off-balance sheet arrangements into our discussion of liquidity and capital resources. Please see “—Liquidity and Capital Resources” in this section for a detailed description of our off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

The following table sets forth the aggregate amounts of our contractual obligations and commitments with definitive payment terms that will require significant cash outlays in the future. The commitment amounts as of December 31, 2004 are as follows:

	Payments due by period				
	Total	Less than 1 year	1-3 years (in millions)	4-5 years	After 5 years
Long-term debt	\$4,906	\$ 886	\$1,907	\$ 791	\$1,322
Interest on fixed rate debt	939	151	411	239	138
Interest on floating rate debt(1)	806	135	405	266	—
Operating leases(2)	183	38	50	31	64
Joint venture funding requirements	43	10	33	—	—
Total contractual cash obligations	<u>\$6,877</u>	<u>\$1,220</u>	<u>\$2,806</u>	<u>\$1,327</u>	<u>\$1,524</u>

(1) The interest funding requirements are based on the 2004 interest rates and the assumption that short-term and maturing debt will be renewed for the next five years.

(2) Minimum rental commitments.

We expect that our Other Long-term Liabilities and Purchase Obligations, described below, will be funded with cash flows from operations and additional borrowings under our credit facilities.

OTHER LONG-TERM LIABILITIES

We had cash interest payments of approximately \$135 million for the year ended December 31, 2004 on floating rate debt. If the average floating interest rate increased by 0.5%, our cash payment would have increased \$14 million for the year.

Financial Services' private label credit cards had various commitments to extend credit, net of balances outstanding of approximately \$2.8 billion for the year ended December 31, 2004.

In the normal course of business, CNH and its subsidiaries issue guarantees in the form of bonds guaranteeing the payment of value added taxes, performance bonds, custom bonds, bid bonds and bonds related to litigation. As of December 31, 2004, total commitments of this type were approximately \$300 million.

As of December 31, 2004, we have restructuring reserves totaling approximately \$47 million. These will be settled in cash, primarily by December 31, 2005. During 2005 total cash payments for restructuring costs were approximately \$66 million. During 2006 and 2007, we anticipate total cash payments for restructuring costs to be approximately \$90 million and \$20 million, respectively.

While our funding policy requires contributions to our defined benefit plans equal to the amounts necessary to, at a minimum, satisfy the funding requirements as prescribed by the laws and regulations of each country, we do make discretionary contributions when management determines it is prudent to

Management's discussion and analysis of financial condition and results of operations

do so. For 2005, we made total contributions to our defined benefit plans of approximately \$182 million, including discretionary contributions of \$120 million to our U.S. plans.

Our postretirement health and life insurance plans are unfunded. We are required to make contributions equal to the amount of current plan expenditures, less participant contributions. For 2005, we made contributions to our postretirement health and life insurance plans of approximately \$74 million.

We paid income taxes in 2005 of approximately \$45 million for income taxes due for years ended December 31, 2004 and prior. Income tax payments beyond 2005 are contingent on many variable factors and cannot be reasonably predicted.

As noted in the table above, we are a member of a joint venture which has a Note Agreement with an outstanding balance of \$85 million at December 31, 2004. We are required to fund \$43 million of the principal as follows: \$10 million, \$10 million, \$10 million and \$13 million in 2005, 2006, 2007 and 2008, respectively.

PURCHASE OBLIGATIONS

For 2005, expenditures for property, plant and equipment and other investments to support our profit improvement initiatives, our new product programs and other requirements were approximately \$155 million.

Purchase orders made in the ordinary course of business are excluded from this section. Any amounts for which we are liable under purchase orders are reflected in our consolidated balance sheets as accounts payable.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in both foreign currency exchange rates and interest rates. We monitor our exposure to these risks, and manage the underlying economic exposures using financial instruments such as forward contracts, currency options, interest rate swaps, interest rate caps and forward starting swaps. We do not hold or issue derivative or other financial instruments for speculative or trading purposes.

Transaction Risk and Foreign Currency Risk Management

We have significant international manufacturing operations. We manufacture products and purchase raw materials from many locations around the world. Our cost base is diversified over a number of European, Asia-Pacific, and Latin American currencies, as well as the U.S. dollar. Foreign exchange risk exists to the extent that we have payment obligations or receipts denominated in or based on currencies other than the functional currency of the various manufacturing operations.

The diversified cost base counterbalances some of the cash flow and earnings impact of non-U.S. dollar revenues and minimizes the effect of foreign exchange rate movements on consolidated earnings. Due to periodic mismatches in cash inflows and outflows, currencies that may have a possible impact on earnings are the euro, British pound, Canadian dollar, Australian dollar, Brazilian real and Japanese yen. The primary currencies for cash outflows were the British pound, Japanese yen and euro. The primary currencies for cash inflows were the Canadian dollar and Australian dollar. To manage these exposures, we identify naturally offsetting positions and then purchase hedging instruments to protect the remaining net anticipated exposures. In addition, we hedge the anticipated repayment of inter-company loans to foreign subsidiaries denominated in foreign currencies. See "Note 16: Financial Instruments" of our consolidated financial statements or a description of our foreign exchange rate risk management.

Management's discussion and analysis of financial condition and results of operations

We regularly monitor our currency exchange rate exposure, execute policy-defined hedging strategies and review the ongoing effectiveness of such strategies. Our strategy is to use a mixture of foreign exchange forward contracts and options contracts depending on our view of market conditions and nature of the underlying cash flow exposure.

For the purposes of assessing specific risks, we perform a sensitivity analysis to determine the effects that market risk exposures may have on the fair value of (a) all foreign exchange forward and option contracts designated as cash flow hedges; (b) all foreign exposures for the U.S. dollar denominated financial assets and liabilities for our Latin American subsidiaries; and (c) other long-term foreign currency denominated receivables and payables. The sensitivity analysis excludes (a) all other foreign exchange forward contracts designated as fair value hedges and their related foreign currency denominated receivables, payables, and debt; (b) other foreign currency denominated receivables and payables of short-term maturities; (c) anticipated foreign currency cash flows related to the underlying business operations; and (d) related to certain supplier agreements, payment obligations or receipts based on currencies other than the functional currency of our manufacturing operations. The sensitivity analysis computes the impact on the fair value on the above exposures due to a hypothetical 10% change in the foreign currency exchange rates, assuming no change in interest rates. The net potential loss would be approximately \$139 million and \$37 million at December 31, 2004 and 2003, respectively.

Our management believes that the above movements in foreign exchange rates would have an offsetting impact on the underlying business transactions that the financial instruments are used to hedge. The sensitivity model assumes an adverse shift in all foreign currency exchange spot and forward rates. As consistently and simultaneously unfavorable movements in all relevant exchange rates are unlikely, this assumption may overstate the impact of exchange rate fluctuations on such financial instruments. The fair market valuation and sensitivity analysis of option contracts are provided by a third party based on our request to compute the fair value change of a 10% movement in the foreign exchange rate in which the contracts are based. We do not have a model to value such contracts as their use is limited and the value is not significant to our financial position. There were \$100 million in option contracts outstanding at December 31, 2004.

Effects of Currency Translation

Due to our significant international operations, we recognize that we may be subject to foreign exchange translation risk. This risk may arise when translating net income of our foreign operations into U.S. dollars. Depending on movements in foreign exchange rates, this may have an adverse impact on our consolidated financial statements. Earnings exposures to the major currencies include the euro, British pound, Canadian dollar and Australian dollar. Exposures to other currencies include the Brazilian real, Argentine peso, Mexican peso, Danish krone, Norwegian krone, Swedish krona, Polish zloty, Indian rupee, and Chinese renminbi. In reviewing historical trends in currency exchange rates, adverse changes of 20% have been experienced in the past and could be experienced in the future. Certain currencies, such as the Mexican peso, Brazilian real and Argentine peso have experienced short-term movements ranging from 30% to 90% due to the devaluation of its respective currency.

As the expected future net income from our operations are dependent on multiple factors and foreign currency rates in these countries would not be expected to move in an equal and simultaneous fashion, we have not performed a sensitivity analysis related to this potential exposure. This potential exposure has resulted in a loss of \$13 million in 2004 and a loss of \$4 million in 2003. We do not hedge the potential impact of foreign currency translation risk on net income from our foreign operations in our normal course of business operations as net income of our operations are not typically remitted to the United States on an ongoing basis.

Management's discussion and analysis of financial condition and results of operations

We also have investments in Europe, Canada, Latin America and Asia, which are subject to foreign currency risk. These currency fluctuations for those countries not under inflation accounting result in non-cash gains and losses that do not impact net income, but instead are recorded as "Accumulated other comprehensive income (loss)" in our consolidated balance sheet. At December 31, 2004, we performed a sensitivity analysis on our investment in significant foreign operations that have foreign currency exchange risk. We calculated that the fair value impact would be \$253 million and \$216 million at December 31, 2004 and 2003, respectively, as a result of a hypothetical 10% change in foreign currency exchange rates, assuming no change in interest rates. We do not hedge our net investment in non-U.S. entities because those investments are viewed as long-term in nature. We have limited investments in subsidiaries in highly inflationary economies. The change in fair value of these investments can have an impact on our consolidated statements of operations.

Interest Rate Risk Management

We are exposed to market risk from changes in interest rates. We monitor our exposure to this risk and manage the underlying exposure both through the matching of financial assets and liabilities and through the use of financial instruments, including swaps, caps, forward starting swaps, and forward rate agreements for the net exposure. These instruments aim to stabilize funding costs by managing the exposure created by the differing maturities and interest rate structures of our financial assets and liabilities. We do not hold or issue derivative or other financial instruments for speculative or trading purposes.

We use a model to monitor interest rate risk and to achieve a predetermined level of matching between the interest rate structure of our financial assets and liabilities. Fixed-rate financial instruments, including receivables, debt, ABS certificates and other investments, are segregated from floating-rate instruments in evaluating the potential impact of changes in applicable interest rates. The potential change in fair market value of financial instruments including derivative instruments held at December 31, 2004 and 2003, resulting from a hypothetical, instantaneous 10% change in the interest rate applicable to such financial instruments would be approximately \$29 million and \$36 million, respectively, based on the discounted values of their related cash flows.

The above sensitivity analyses are based on the assumption of a 10% movement of the interest rates used to discount each homogeneous category of financial assets and liabilities. A homogeneous category is defined according to the currency in which financial assets and liabilities are denominated and the applicable interest rate index. As a result, our inherent rate risk sensitivity model may overstate the impact of interest rate fluctuations for such financial instruments, as consistently unfavorable movements of all interest rates are unlikely.

See "Note 16: Financial Instruments" of our consolidated financial statements for a description of the methods and assumptions used to determine the fair values of financial instruments.

Commodity Price Risk Management

Commodity prices affect our Equipment Operations' sales and Financial Services' originations. Commodity risk is managed through geographic and enterprise diversification. It is not possible to determine the impact of commodity prices on earnings, cash flows or fair values of the Financial Services' portfolio.

Changes in Market Risk Exposure 2003 Compared to 2004

Our exposures and strategy for managing our exposures to interest rate, foreign currency and commodity price risk did not change significantly from 2003 to 2004.

Business

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. Case IH and New Holland make up our agricultural brand family. Case and New Holland Construction (along with Kobelco in North America) make up our construction equipment brand family. As of December 31, 2004, we were manufacturing 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, skid steer loaders in North America and crawler excavators in Western Europe. In addition, we provide a complete range of replacement parts and services to support our equipment. For the twelve months ended September 30, 2005, our sales of agricultural equipment represented approximately 63% of our net revenues, sales of construction equipment represented approximately 31% of our net revenues and Financial Services represented approximately 6% of our net revenues.

We believe that we are the most geographically diversified manufacturer and distributor of agricultural equipment in the industry. For the twelve months ended September 30, 2005, approximately 44% of our net sales of agricultural equipment were generated from sales in North America, approximately 33% in Western Europe, approximately 6% in Latin America and approximately 17% in the Rest of World. For the same period, approximately 53% of our net sales of construction equipment were generated in North America, approximately 30% in Western Europe, approximately 7% in Latin America and approximately 10% in the Rest of World. Our broad manufacturing base includes facilities in Europe, Latin America, North America, China, India and Uzbekistan.

In North America, 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 BPLG. We believe that these activities are a core component of our business. As of September 30, 2005, Financial Services managed a portfolio of receivables, both on- and off-book, of approximately \$13.7 billion.

INDUSTRY OVERVIEW**Recent Industry Developments**

The following are estimates of percentage changes of industry unit sales between 2005 and 2004 of certain agricultural and construction equipment products during 2005. Given the early stage of 2006, these estimates are preliminary and subject to change.

Estimates of Worldwide Retail Industry Unit Sales Performance(1)

	<u>Worldwide</u> <u>'05 B(W)</u>	<u>North</u> <u>America</u> <u>'05 B(W)</u>	<u>Western</u> <u>Europe</u> <u>'05 B(W)</u>	<u>Latin</u> <u>America</u> <u>'05 B(W)</u>	<u>Rest of</u> <u>World</u> <u>'05 B(W)</u>
<u>Agricultural Equipment:</u>					
Agricultural tractors:					
— Under 40 horsepower	n/a	(4)%	n/a	n/a	n/a
— Over 40 horsepower	n/a	5%	n/a	n/a	n/a
Total tractors	5%	(0)%	(6)%	(19)%	26%
Combine harvesters	(16)%	0%	6%	(58)%	10%
Total tractors and combines	4%	(0)%	(5)%	(25)%	26%

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.

Construction Equipment:

Light construction equipment:

Tractor loaders & backhoes	15%	8%	0%	47%	29%
Skid steer loaders	4%	1%	9%	34%	15%
Other light equipment	17%	38%	11%	35%	13%
Total light equipment	13%	12%	10%	42%	17%
Total heavy equipment	8%	15%	4%	18%	5%
<u>Total light & heavy equipment</u>	<u>11%</u>	<u>13%</u>	<u>8%</u>	<u>29%</u>	<u>10%</u>

(1) Excluding India

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.

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.

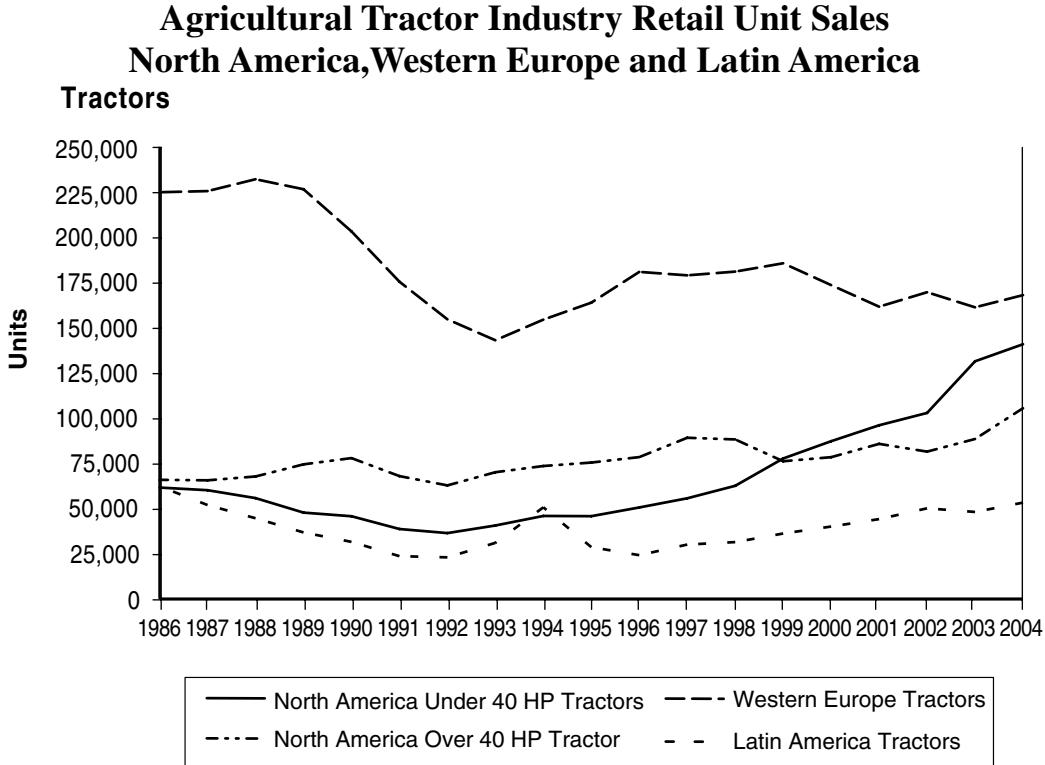
Customer preferences regarding product types and features vary by region. In North America, Europe, Australia and other areas where soil conditions, climate, economic factors and population density allow for intensive mechanized agriculture, farmers demand high capacity, sophisticated machines equipped 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 cyclicity 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 EU (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 2007 has been proposed by President Bush. 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 2007 USDA budget. To the extent the final budget adversely impacts farm income, we could experience a decline in sales.

The CAP of the 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 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 including old member states receiving a 5% cut in payments in the 2007 to 2013 period. 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 are expected to 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 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.

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.

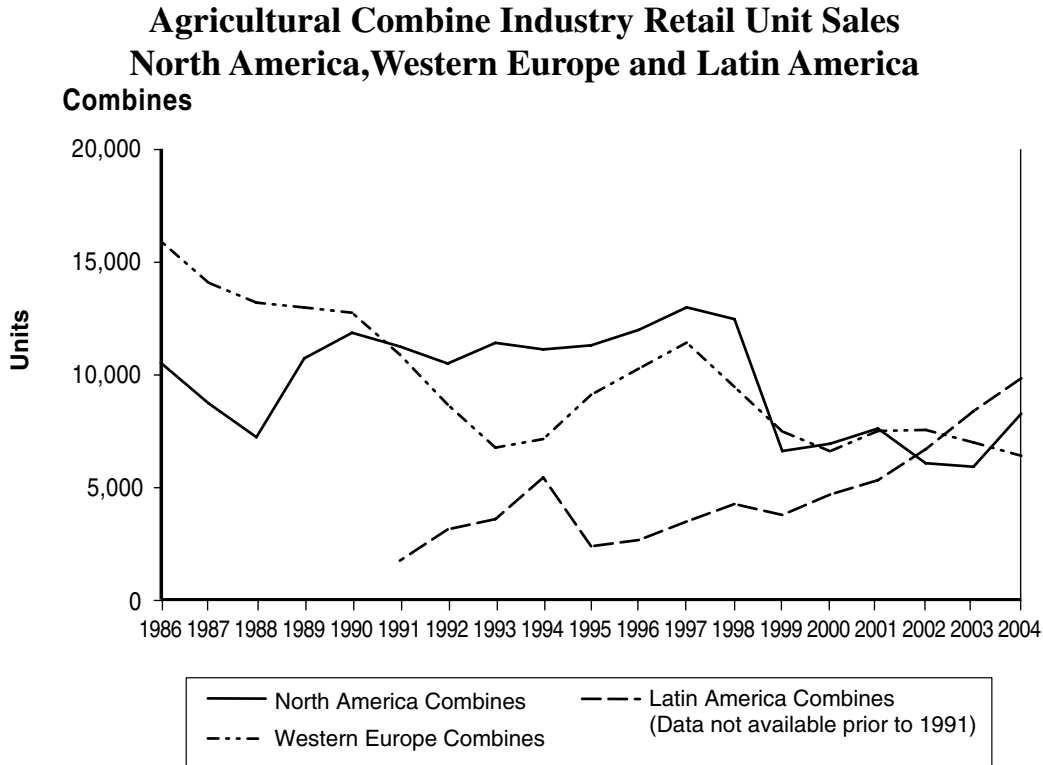
In Western Europe, where average farm sizes are significantly smaller than in North America, industry unit sales of agricultural tractors have been in general decline, to a low of approximately 143,000 units in 1993. Sales recovered to a peak level of approximately 186,000 units in 1999, but in general 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.

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 data 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.

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.

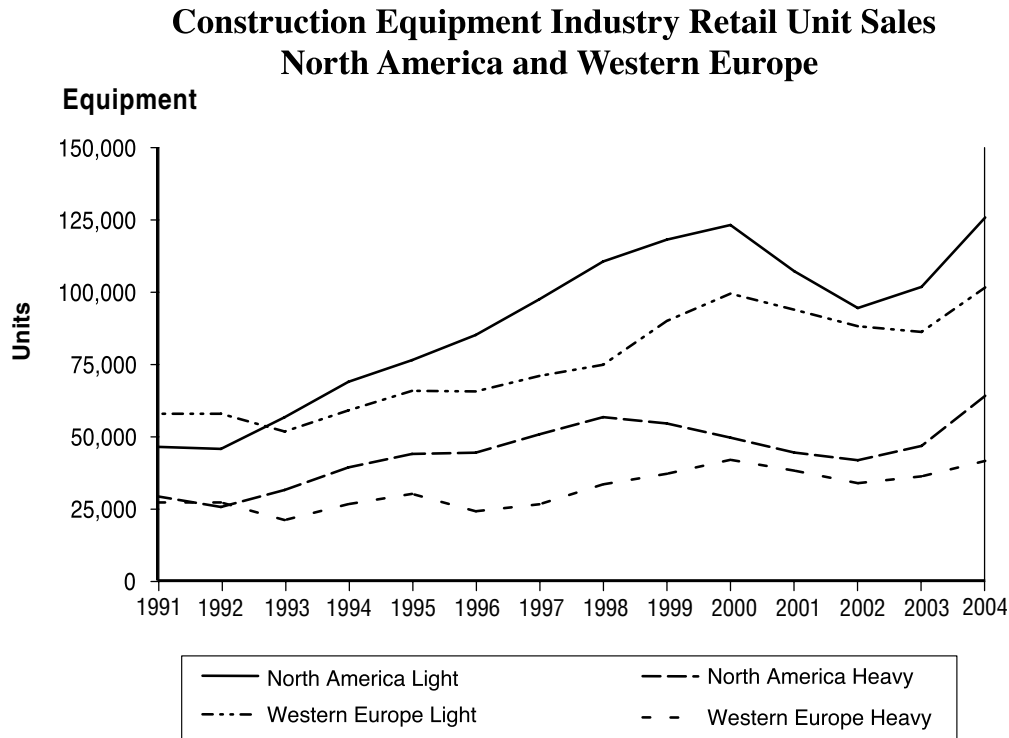
The equipment rental business is a significant factor in the construction equipment industry. With the exception of the U.K. and Japanese markets, where there is a long history of machine rentals due to the structure of the local tax codes, the rental market started with short period rentals of light 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 cyclicity 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 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.

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.

CASE & NEW HOLLAND MERGER INTEGRATION—1999 THROUGH 2004

Case and New Holland merged operations on November 12, 1999, creating CNH. The merger integration plan retained the separate brands and distribution networks of Case and New Holland with the goal of maintaining the historical customer base and optimizing worldwide market share. To remain cost competitive and replace products divested in the merger, differentiated products were developed on a reduced number of platforms with common major product components to satisfy distribution network requirements. Use of common components allowed for a reduction in product platforms, a consolidation of suppliers, and the consolidation and rationalization of manufacturing facilities and parts depots. In addition, integration of systems and processes allowed for significant reductions in overhead costs.

In the 1999 through 2004 period, major structural changes were implemented, including:

Dual Brand Families Established: Capitalizing on our world-class brand names, Case, Case IH, New Holland and New Holland Construction, we firmly established our dual brand families with our dealers and customers throughout the world and commenced an ongoing program designed to strengthen these networks.

New Common Components/Platform Products Developed: Global product lines were developed to support the dual brand families, filling in the gaps from required product divestitures and renewing virtually the entire product range. Use of common design elements and shared capital-intensive components allowed a reduction in our total number of tractor, combine and construction equipment platforms. Brand identities were maintained based on handling characteristics, productivity and operation controllability features, color and styling. Use of common components and the manufacturing consolidations allowed the reduction in our number of global direct suppliers to our manufacturing facilities from approximately 6,000 at the time of the merger to approximately 3,000 at December 31, 2004.

Manufacturing Processes Restructured and Manufacturing Capacity Reduced: Manufacturing facilities were consolidated and rationalized, reducing excess capacity and creating a lean, flexible manufacturing system with focused facilities. In addition to downsizing facilities, the total number of plants that CNH had at the time of the merger was reduced from 60 to 37 by the end of 2004, through required and voluntary divestitures or closures. Including two plants acquired post-merger, the total number of CNH facilities at the end of 2004 was 39. In the consolidation process, production of various products was redistributed within the manufacturing system to focus each facility on either the production of components or assembly, concentrating on certain key technologies or competencies and outsourcing other non-core activities. Manufacturing capacity was sized to meet flat market demand and add flexibility to the manufacturing process. Manufacturing capacity utilization increased in the period, from approximately 44% in 1999 to approximately 65% utilization in 2004.

Parts Distribution Network Consolidated: Distribution complexity and costs were reduced by consolidating the global parts system to 33 depots by the end of 2004. A new global parts packaging system was designed to reduce costs through common packaging of spare parts used by more than one brand, although some high volume parts have been distinctly packaged for each brand or brand family.

Systems and Processes Integrated, Creating a Lean Structure: Selling, general and administrative (“SG&A”) costs were reduced from 10.8% of net sales of Equipment in the first year after the merger to about 8% in 2004. The reduction was achieved by eliminating duplicative functions and streamlining processes. Consolidated worldwide total employment also declined by almost 29%, from approximately 36,000 persons at the time of the merger to approximately 25,700 at December 31, 2004. Similarly, consolidated worldwide total salaried employment declined by approximately 35%,

from approximately 15,300 persons at the time of the merger to approximately 9,900 at December 31, 2004.

Financial Services Operations Refocused, Profitability Restored: Financial Services operations were re-focused to support agricultural and construction equipment sales to our equipment dealers and retail customers. Following the merger, we stopped originating new commercial lending and retail financings that were outside our dealer networks, allowing this non-core portfolio to run off from approximately \$2 billion at the time of the merger to approximately \$131 million at December 31, 2004. We adopted more disciplined underwriting criteria to enhance the initial quality of our portfolio and proactive risk management techniques for monitoring the portfolio. To manage troubled situations we developed more efficient collection activities, augmented by intensive follow-up and remarketing efforts. The 90 basis point 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, is evidence of the improvement in our portfolio performance. We believe that our continued access to the U.S., Canadian and Australian ABS markets also is evidence of the quality of our retail receivables portfolio.

The merger integration actions made a substantial contribution to improving CNH's base level of profitability in the period. Including the initial cross-selling of products between the brands, margin improvements from common platform products, cost reductions from SG&A, purchasing negotiations, supplier reductions and manufacturing rationalization, we estimated that these actions contributed a total of \$1 billion of pre-tax profitability improvements from the 1999 base levels through 2004. In that same period, we recorded a total of \$687 million in pre-tax restructuring costs (excluding approximately \$323 million recorded in purchase accounting). These restructuring charges related to severance and other employee-related matters, write-down or loss on sale of assets and businesses, and costs related to closing, selling, and downsizing facilities. See "Note 12: Restructuring" of our consolidated audited financial statements for a detailed analysis of these restructuring programs.

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 brand families, Case and New Holland. Our agricultural brands include Case IH and New Holland. Our global construction equipment brands are Case and New Holland Construction. In North America, we also market under the Kobelco brand. We believe all of our brands have strong histories of quality and 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 and offer a full line of light and heavy products. The product line has been almost completely renewed since the merger. It is supported by a new engine family, sourced from our engine joint venture with Cummins and Iveco, which has the technological capability to meet the schedule of evolving emission standards and, we believe, the scale for economical production. We have strong global construction equipment alliances with both Kobelco Japan and Sumitomo Construction Equipment. In addition, we provide a complete range of replacement parts and services to support both our agricultural and construction equipment offerings.

Strong Global Presence and Distribution Network. We are a full-line company in both the agricultural and construction equipment industries. In each business, we have strong and usually leading positions in most significant markets and product categories. We have balanced market shares

across the major markets and are not overly dependent on any one market. Our global scope and scale includes a product engineering and development program integrated with a flexible manufacturing system of 39 facilities on five continents. Our commercial operations are organized to more effectively satisfy the needs of our retail customers in approximately 160 countries and serve our network of approximately 11,400 dealers and distributors as of December 31, 2004.

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

Strategic Support of the Fiat Group. Our operations have the strategic 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. Iveco, Fiat's truck-making subsidiary, 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.

CNH BUSINESS STRATEGY

Building upon our competitive strengths and the business platform established during our merger integration period, we believe we have the base for improving our performance, narrowing the gap with our best competitors and creating value for our shareholders.

Our strategic objectives are to:

- refocus on our customers and further improve our distribution and service capabilities and product quality and reliability, all designed to increase customer satisfaction and market penetration;
- achieve higher margins than either Case or New Holland earned prior to the merger and deliver profitability throughout the industry cycles;
- generate cash to reduce our debt and strengthen our consolidated balance sheet; and
- continue to position CNH to take advantage of future opportunities for expansion.

The key elements of our plan for achieving our strategic objectives are to:

- *Recapture our brand heritages:* We are a full-line competitor in the agricultural and construction equipment markets, with a proud heritage that goes back through generations of our customer base. Our brands have survived by satisfying the needs of these customers. To sharpen our focus on satisfying customer needs, in the fourth quarter of 2005, we reorganized to concentrate on our four distinct global brands—Case IH and New Holland in agricultural equipment and Case and New Holland Construction in construction equipment. Each brand is now focused on maintaining their customer bases by more effectively providing the product features and requirements, quality and reliability, and service and support levels uniquely attributable to each brand. We believe that by recapturing this customer connection and increasing each customer's satisfaction with their

brand, we can stimulate sales growth, increase capacity utilization and improve the efficiency of invested capital.

- *Strengthen our customer and dealer support:* We believe focused dealers are more dedicated to enhancing their brand's market position, building customer service capabilities, increasing loyalty and earning a larger share of their customers' equipment and service expenditures. In our competitive marketplace, our dealer network is one of the most important facets of the retail customer relationship. The quality and reliability of a local dealership is an important consideration in a retail customer's decision to purchase one brand of equipment compared with any other. Dealers that are stronger, more reliable and better equipped to service a retail customer have a greater opportunity to positively influence that customer's purchase decision. As part of our enhanced brand focus, we are allocating new resources to assist our dealers in providing enhanced levels of service and reliability to the retail customer. We are dedicating additional sales and marketing personnel, materials, technical support and training to our dealers. 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.
- *Refocus spare parts activities:* Another key component of customer satisfaction is prompt parts availability to ensure best possible equipment performance. During critical periods of equipment usage, minimized downtime can be a major factor affecting customer satisfaction. When we reorganized to concentrate on brands, we also created a new activity focused on our worldwide parts business. This new organization's role is to more effectively satisfy our customers needs for parts. Combined with continuing investments to improve our depots and global parts system, we expect to provide improved parts availability and delivery reliability for our dealers and customers.
- *Improve product quality and reliability:* With an almost completely renewed product lineup since the merger, we are concentrating product development, management and manufacturing efforts to achieve best-in-class levels of product quality and reliability. As we introduce new engines and components to meet evolving environmental requirements, we are concentrating on increasing parts and component quality, reducing product complexity, facilitating product assembly and adjusting product content, features and controls to satisfy evolving and differentiated customer requirements. Our common platform efficiencies should facilitate accomplishing these actions while maintaining research and development costs at about 3% of net sales. Improved product quality and reliability and reduced product complexity should lead to reduced future warranty and repair costs. Providing products better aligned with the needs of customers should allow us to more fully capitalize on market leadership positions and command better pricing levels.
- *Continue developing Financial Services:* A strong Financial Services operation provides another lever for meeting customer requirements and tailoring offerings to better support customer needs. Our Financial Services operations are focused on supporting agricultural and construction equipment sales to our equipment dealers and retail customers. We have separated our marketing efforts into dedicated, specialized agricultural and construction equipment teams to respond quickly with specifically tailored financing solutions, including operating leases, rental, credit cards, commercial lending and insurance, to capture a larger share of our customers' financing requirements. We are continuing to emphasize underwriting processes and remarketing efforts, to maintain the quality of our receivables and our access to ABS funding. 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 the North American business model of centralizing dealer receivables management in Financial Services, with the goal of ensuring better financial control and optimizing funding.

Business

- *Continue efforts to reduce costs:* With the completion of merger integration activities, our efforts now address eliminating excess costs in our systems, processes and flows of our production and distribution systems. Our goals for cost reductions include:
 - product cost reductions through design cost engineering and appropriate product simplification;
 - manufacturing efficiencies and eliminating non-value added activities and excess inventories;
 - finding lower cost sources for purchased parts and components, continuing re-sourcing activities in lower cost countries (including those where we already have a manufacturing presence and are working with local suppliers to develop their capabilities for supplying us on a global basis);
 - achieving freight and logistics savings through distribution process improvements and eliminating penalties from inefficient flows or processes;
 - minimizing excess capital employed in the business;
 - making more efficient capital expenditures; and
 - continuing to reduce overhead costs.

We believe successfully achieving our goals of meeting the needs of our dealers and customers, improving the quality and reliability of our products and reducing the costs of those products and of our overall operations, will result in increased volumes, a stronger market position and higher margins. We believe higher margins will generate better overall profitability, on average, throughout industry cycles. Our goal is to use improved cash flow, generated by improved profitability, to reduce debt and strengthen our balance sheet. Our target is to achieve a balance of liquidity and debt. We believe a stronger balance sheet, and a customer driven focus to the business, will position us to take advantage of future opportunities for product and market expansion as they arise. This could include short to medium-term opportunities, in areas such as Latin America and Eastern Europe and, longer-term opportunities, in areas such as China and India.

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, including Caterpillar, Komatsu Construction Equipment, TEREX Corporation and Volvo Construction Equipment Corporation; regional full-line manufacturers, including Deere & Company, J.C. Bamford Excavators Ltd. and Liebherr-International AG; and product specialists operating on either a global or a regional basis, including Ingersoll-Rand Company Limited (Bobcat), Hitachi, Sumitomo Construction (Linkbelt), Manitou B.F., S.A., Merlo UK Ltd., Gehl Company, and JLG Industries 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 primarily 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 and New Holland (and Steyr for tractors in Western Europe only) 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(R) axle for New Holland, the Case IH tracked four wheel drive tractor, Quadtrac(R), 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 and New Holland 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

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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 Construction brand families. Case provides a full line of products on a global scale utilizing the Sumitomo technology for its key crawler excavator product. The New Holland Construction 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 historical New Holland brand family reorganized all of its networks outside of North America to focus on the New Holland Construction 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.

Heavy construction equipment

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.

Light construction equipment

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 approximately three-quarters of world demand in 2005. In 2005, we launched 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 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 “Management’s discussion and analysis of financial condition and results of operations—Operating Results” for information concerning the principal markets in which we compete, including the breakdown of total revenues by geographic market for each of 2002, 2003 and 2004.

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 direct suppliers to our manufacturing facilities 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

As of December 31, 2004, we were selling and distributing 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.

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 rationalized our non-Case construction equipment brand family into one brand in early 2005, New Holland Construction. 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. 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 action that is facilitating the depot rationalization program. We also expect the common parts system to improve parts inventory management and customer service levels. We commenced implementation of the new system in North American in early 2003 and we completed the transition in Western Europe in early 2006.

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 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 contributing to building dealer and retail customer 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 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 December 2007, either we or BPLG may terminate the BPLG joint venture by providing six 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 the current managed portfolio of Financial Services. 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 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.

Business

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.

EMPLOYEES

At December 31, 2004, 2003, and 2002 we had approximately 25,700, 26,800 and 28,500 employees, respectively. There were approximately 18,400 employees in the agricultural equipment business, 4,800 in the construction equipment business and 900 in the financial services business, with the remaining 1,600 shared by all business units. As of December 31, 2004, as broken down by geographic location, there were 9,200 employees in North America, 12,100 employees in Europe, 2,400 employees in Latin America and 2,000 employees in the Rest of World.

Unions represent many of our worldwide production and maintenance employees. Our collective bargaining agreement with the UAW, which represents approximately 2,850 of our active and retiree hourly production and maintenance employees in the United States, expired in May 2004. In the United States, 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. Upon the resolution of this strike, the employees represented by the UAW returned to work at the facilities.

Our employees in Europe are also protected by various worker co-determination and similar laws that afford employees, through local and central works councils, certain rights of consultation with respect to matters involving the business and operations of their employers, including the downsizing or closure of facilities and the termination of employment. Over the years, we have experienced various work slow-downs, stoppages and other labor disruptions.

PROPERTY, PLANT 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

Business

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
Queretaro, 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.

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Our research, development and engineering personnel design, engineer, manufacture and test new products, components and systems. We incurred \$267 million, \$259 million and \$283 million of R&D costs in the years ended December 31, 2004, 2003, and 2002, respectively.

We also benefit from the R&D expenditures of our unconsolidated joint ventures, which are not included in our R&D figures, and from the continuing engineering efforts of our suppliers.

PATENTS AND TRADEMARKS

Agricultural Equipment—We are promoting the New Holland and Case IH brands and logos as the primary brand names for our agricultural equipment products. We sell some products under heritage brand names or sub-brand names such as Steyr, Braud, Flexi-Coil, Austoft, Concord, DMI and Tyler.

Construction Equipment—For construction equipment under New Holland, we are promoting the New Holland Construction and Kobelco brands (in North America) in particular regions of the world. For construction equipment under Case, we are promoting the Case brand name and logo.

Most of these brand names have been registered as trademarks in the principal markets in which we use them. Other than the New Holland, New Holland Construction, Case and Case IH trademarks, we do not believe that our business is materially dependent on any single patent or trademark or group of patents or trademarks.

We, through New Holland and Case, have a significant tradition of technological innovation in the agricultural and construction equipment industries. We hold over 3,400 patents, and over 900 additional applications are pending. We believe that we are among the market leaders for patented innovations in the product classes in which we compete.

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.

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 2005 were approximately \$3.0 million and we expect to spend approximately \$5.5 million in 2006. 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’s Grand Island manufacturing plant property as a possible contributing source of area groundwater contamination. CNH America 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, 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.

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 and proceedings

In December 2002, a purported class action lawsuit was filed in the Federal District Court for the Eastern District of Michigan against El Paso Tennessee Pipeline Co. (formerly Tenneco, Inc.) (“El Paso”) and CNH America. (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 June 1994. The changes resulted from an agreement between an El Paso subsidiary and the UAW in 1993 to cap the amount of retiree health costs (the “Cap”). The UAW retirees were to bear the costs above the Cap. CNH America and El Paso are parties to a 1994 agreement under which El Paso agreed to be responsible for the health costs of pre-June 1994 retirees. El Paso also agreed to indemnify CNH America against claims related to this responsibility. The lawsuit arose after El Paso notified the retirees that the retirees will be required to pay the portion of the cost of those benefits above the Cap. The plaintiffs also filed a motion for preliminary injunction, asking the court to prevent El Paso and/or CNH America from requesting the retirees to pay the health costs over the Cap. On March 9, 2004, the court granted plaintiffs’ motion for preliminary injunction and ordered CNH America to pay the costs of health benefits above the Cap for the purported plaintiff class from March 2004. With El Paso, CNH America appealed the district court’s orders to the Sixth Circuit Court of Appeals. The district court had also ruled in CNH America’s favor on its summary judgment motion and ordered that El Paso indemnify CNH America by making the monthly payments of approximately \$1.8 million to cover the amounts above the Cap. El Paso filed its appeal of the summary judgment award with the Sixth Circuit which appeal was consolidated with the appeal of the preliminary injunction. On January 17, 2006, the Sixth Circuit Court of Appeals affirmed all the decisions of the district court including the order requiring El Paso to indemnify CNH America. El Paso may request that the en banc Sixth Circuit Court of Appeals reconsider the panel decision which the en banc court would accept only if it found the issues extraordinary. Pursuant to the court’s rules, El Paso may not receive an en banc review with respect to the indemnification issue. While CNH is unable to predict the outcome of this proceeding, CNH believes the indemnification rights it has against El Paso are valuable and that it has good legal and factual claims and defenses. CNH will continue to vigorously pursue its claims and defend against this lawsuit.

On October 21, 2005, CNH America and CNH Capital America LLC (“CNH Capital”), along with another creditor, filed a Chapter 7 bankruptcy petition (In re: Waltherman Implement, Inc., Involuntary Chapter 7 Bankruptcy No. 05-07284, in the United States Bankruptcy Court for the Northern District of Iowa) against Waltherman Implement, Inc., a former Case IH dealership in Dike, Iowa (“Waltherman Implement”). The company took this action after discovering irregularities in the books and records of Waltherman Implement and the sale of collateral by Waltherman Implement without paying the related borrowings with CNH Capital. Waltherman Implement has filed an answer to the bankruptcy petition in opposition to the bankruptcy filing. A hearing date has not been established for the Bankruptcy Court to determine the status of the bankruptcy petition. The company has also sued Leon Waltherman pursuant to his guarantee of Waltherman Implement’s obligations to CNH Capital. The outstanding loan amounts with Waltherman Implement is approximately \$20 million. The company also owns or

services a retail loan portfolio (approximately \$45 million as of December 31, 2005) resulting from sales by Waltherman Implement. Although much of the retail portfolio is properly collateralized, CNH has discovered that a portion of the collateral has been double financed or was not ultimately delivered to the customers specified in the retail contracts. We believe we have established adequate reserves for the Waltherman Implement situation although we can not predict the outcome of the bankruptcy petition, the litigation pending or necessary to collect loans made by CNH and any possible legal claims that any customers may try to allege against CNH. CNH has entered into an arrangement with the trustee of the Waltherman Implement bankruptcy estate to sell in the normal course of business the equipment owned by the estate. CNH has in turn contracted with a Case IH dealer to operate at the Dike, Iowa location.

Three of the company's subsidiaries, New Holland Limited, New Holland Holding Limited and CNH (UK) Limited (together "CNH UK"), are claimants in group litigation against the Inland Revenue of the United Kingdom ("Revenue") arising out of "unfairness" in the advance corporation tax ("ACT") regime operated by the Revenue between 1974 and 1999. CNH UK's claim for return of surplus amounts to approximately £10.6 million. In December 2002 the issues relevant to CNH UK came before Mr. Justice Park in the High Court of Justice in England in a test case brought by Pirelli. He found against the Revenue and decided that Pirelli was entitled to compensation for wrongly paying ACT. The Revenue appealed, and the Court of Appeal (3 Judges) agreed unanimously with the decision of Justice Park in the High Court and ruled again in favor of Pirelli. Again the Revenue appealed, and the final hearing on the issues took place in the House of Lords before 5 Judges during the fourth quarter of 2005. In February 2006, the House of Lords ruled that it had been wrong for Pirelli (and other claimants such as CNH UK) to pay ACT, but in calculating the compensation payable to the UK claimants, treaty credits that had been paid to the claimant's parent companies on receipt of the dividends in question must be netted against any claim for an ACT refund. In the lower courts the Judges had ruled against netting off. During the pendency of the appeal to the House of Lords, the Revenue had been persuaded to pay compensation to claimants (including CNH UK) on a conditional basis. CNH UK had received approximately £10.2 million for compensation for loss of use of money. This was in addition to surplus ACT of approximately £9.1 million that had previously been repaid by CNH UK, again on a conditional basis. The condition of receipt by CNH UK was that, if the final liability of the Revenue (if any) is determined by the House of Lords to be less than the sums already paid to CNH UK, then a sum equivalent to the overpayment should be repaid (plus interest at 1% over base rate from the date of payment/receipt). The House of Lords did not make a determination of the amounts, if any, that must be repaid to the Revenue by each individual claimant. Depending upon the final resolution of the Pirelli test case, CNH may be required to return to Revenue all or some portion of the approximately \$19 million (plus interest) that it had already received. CNH UK intends to continue to vigorously pursue its remedies with regard to this matter.

Recently, Fiat received a subpoena from the SEC Division of Enforcement with respect to a formal investigation entitled *In the Matter of Certain Participants in the Oil for Food Program*. This subpoena requests documents relating to certain Fiat-related entities, including certain CNH subsidiaries with respect to matters relating to the United Nations Oil-for-Food Program with Iraq. A substantial number of companies, including certain CNH entities, were mentioned in the "Report of the Independent Inquiry Committee into the United Nations Oil-for-Food Programme" issued in October 2005. This report alleged that these companies engaged in transactions under this program that involved inappropriate payments. We cannot predict what actions, if any, will result from the SEC investigation or the impact thereof, if any, on the company.

Management

As of February 1, 2006, our directors and our executive officers are as set forth below:

Name	Position with CNH	Director/ executive officer since
Harold D. Boyanovsky	President and Chief Executive Officer; Director	2005/1999
Katherine M. Hudson	Director; Chairman of the Board	1999
Edward A. Hiler	Director	2002
Kenneth Lipper	Director	1996
Ferruccio Luppi	Director	2005
Sergio Marchionne	Director	2004
Paolo Monferino	Director	2000
Michael E. Murphy	Director	2002
James L.C. Provan	Director	1995
Michel Lecomte	Chief Financial Officer	2000
Steven Bierman	President, CNH Capital	2005
Franco Fenoglio	President, New Holland Construction Equipment	2005
Mario Ferla	President, Case IH Agricultural Equipment	2003
Richard J. Hoffman	Corporate Controller and Chief Accounting Officer	2004
Marco Mazzú	President, New Holland Agricultural Equipment	2005
James E. McCullough	President, Case Construction Equipment	2005
Roberto Miotto	Senior Vice President, General Counsel and Secretary	1991
Roberto Pucci	Senior Vice President, Human Resources	2005
James P. Sharp	President, Parts and Service	2005

Directors are elected for an indefinite term and serve until their removal, resignation or termination.

Harold D. Boyanovsky, President and Chief Executive Officer and Director, born on August 15, 1944, was appointed President, Construction Equipment Business on September 1, 2002, President and Chief Executive Officer on February 28, 2005 and Director on December 7, 2005. He served as President, Worldwide Agricultural Equipment Products of CNH from November 1999 to October 2002. Prior to the business merger of New Holland and Case, he served as a Senior Vice President of Case from May 1997 to November 1999. Between December 1966 and November 1999, Mr. Boyanovsky served in a variety of executive positions with Case and International Harvester.

Katherine M. Hudson, Director, Chairman of the Board, born on January 19, 1947, has served as a director of CNH since November 1999 and Chairman of the Board since April 2004. Ms. Hudson previously served as the President and Chief Executive Officer of Brady Corp., an international manufacturer of identification and material solution products, from January 1994 to April 2003. Prior to assuming her position with that company, she was Vice President and General Manager of the Professional, Printing and Publishing Imaging Division of Eastman Kodak Company. Prior to the business merger of New Holland and Case, Ms. Hudson served as a director of Case since 1996. Ms. Hudson is also a director of Charming Shoppes, Inc.

Dr. Edward A. Hiler, Director, born on May 14, 1939, was elected a director of CNH on May 7, 2002. Dr. Hiler presently serves the Texas A&M University System as the Ellison Chair in International Floriculture and Professor of Horticultural Science. He previously held the position of

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Vice Chancellor for Agriculture and Life Sciences and Dean of the College of Agriculture and Life Sciences and was Director of the Texas Agricultural Experiment Station. Since joining the faculty of Texas A&M as an assistant professor in 1966, Dr. Hiler has held a series of positions including professor and head of the University's Department of Agricultural Engineering, and deputy chancellor for Academic and Research Programs of the Texas A&M University system. Dr. Hiler earned his Ph.D. in Agricultural Engineering at The Ohio State University. Dr. Hiler is a Fellow and member of the Board of Directors and has served as President of the American Society of Agricultural Engineers, and he is an elected member of the National Academy of Engineering. He consults on aspects of water conservation, environmental quality, and energy from biological processes to various government agencies and the U.S. Congress. A licensed professional engineer and recipient of numerous educational and research awards, Dr. Hiler is the author of over 100 professional publications.

Kenneth Lipper, Director, born on June 19, 1941, has served as a director of CNH since 1996. He has been the Chairman of Lipper & Company, Inc. since 1987 and Executive Vice President of Cushman & Wakefield Inc. since 2005, where he has served as Senior Advisor from 2004 to 2005. Previously, he was the Deputy Mayor of the City of New York under Mayor Edward Koch from 1983 to 1985. He was a managing director and general partner of Salomon Brothers during the years 1976-1982 and an associate and general partner at Lehman Brothers during the years 1969-1975. Mr. Lipper was the Director of Industrial Policy for the Office of Foreign Direct Investment at the U.S. Department of Commerce from 1968 to 1969. Mr. Lipper was an associate lawyer with the law firm of Fried, Frank, Harris, Shriver & Jacobson from 1967 to 1968.

Ferruccio Luppi, Director, born on November 3, 1950, was appointed as a director of CNH on June 28, 2005. Mr. Luppi has been Senior Vice President of Business Development of Fiat S.p.A. since April 2005. He is also Chief Executive Officer of Business Solutions S.p.A., following his appointment in January 2004. He was Chief Financial Officer of Fiat S.p.A. from October 2002 to December 2003. Prior to joining Fiat, Mr. Luppi was named Managing Director and a member of the Board of Directors of the Worms Group at the beginning of 1998, an investment holding company listed on the Paris Stock Exchange. He began his career at the Worms Group in 1997 as head of the Industrial Investments Control Department. From 1984 until 1996, Mr. Luppi worked at the IFIL Group, where he was first responsible for Equity Investments Control and then head of the Group's Development and Control Department. From 1973 to 1983, Mr. Luppi was associated with several major Italian corporate groups. He holds a degree in Economics and is on the boards of Fiat Auto S.p.A. and Iveco S.p.A.

Sergio Marchionne, Director, born on June 17, 1952, was appointed as a director of CNH on July 22, 2004. He has been Chief Executive Officer of Fiat S.p.A. since June 1, 2004 and a director since May 2003. He became the Chief Executive Officer of Fiat Auto in February 2005. Prior to Fiat, he was Chief Executive Officer of the SGS Group of Geneva from 2002. Previously, he has held positions in Alusuisse Lonza companies, as Chairman of Lonza Group Ltd. and its Chief Executive Officer from 2000 to 2002, Executive Vice President for Corporate Development, Chief Financial Officer and then Chief Executive Officer of Algroup of Zurich, Switzerland from 1994 to 2000; and Vice President for Legal and Corporate Development, Chief Financial Officer and Secretary of the Lawson Group from 1992 to 1994. Prior to these positions, he held the positions of Vice President of Finance and Chief Financial Officer at Acklands Ltd. from 1990 to 1992, Executive Vice President of Glenex Industries from 1989 to 1990, Group Controller and then Director of Corporate Development at the Lawson Mardon Group of Toronto from 1985 to 1988, and a chartered accountant and tax expert for Deloitte & Touche from 1983 to 1985. Mr. Marchionne is a member of the Canadian Institute of Chartered Accountants, and a barrister and solicitor in the Province of Ontario, Canada. He is a permanent member of the Fondazione Giovanni Agnelli and a member of the General Council of

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Assonime (Association for Italy's limited liability companies) and of the European Automobile Manufacturers Association.

Paolo Monferino, Director, born on December 15, 1946, served as President and Chief Operating Officer of CNH from March 24, 2000 to November 7, 2000. On November 8, 2000, Mr. Monferino was appointed as President and Chief Executive Officer (as well as a director), leading the overall management of CNH, including the execution of the company's wide-ranging integration plan. Mr. Monferino resigned as President and Chief Executive Officer on February 28, 2005 and became Chief Executive Officer of Iveco, the lead company of Fiat Group's Commercial Vehicle Sector. Mr. Monferino has more than 20 years of experience in the agricultural and construction equipment business beginning in the United States with Fiatallis, a joint venture between Fiat's construction equipment business and Allis Chalmers. In 1983, he was named Chief Executive Officer of Fiatallis' Latin American operations in Brazil. Two years later, he was appointed Chief Operating Officer at Fiatallis and in 1987 was named the Chief Operating Officer at FiatAgri, the farm machinery division of the Fiat Group. Following Fiat Geotech's 1991 acquisition of Ford New Holland, Mr. Monferino was named executive vice president of the new company headquartered in London. He was responsible for strategy and business development, including product, marketing and industrial policies.

Michael E. Murphy, Director, born on October 16, 1936, has served as a director of CNH since September 2002. From 1994 to 1997, Mr. Murphy served as Vice Chairman and Chief Administrative Officer of Sara Lee Corporation. Mr. Murphy also served as a director of Sara Lee from 1979 through October 1997. Mr. Murphy joined Sara Lee in 1979 as Executive Vice President and Chief Financial and Administrative Officer and, from 1993 until 1994, also served as Vice Chairman. Mr. Murphy is also a director of Civic Federation, Big Shoulders Fund, Chicago Cultural Center Foundation, the Metropolitan Pier and Exposition Authority, GATX Corporation, Payless Shoe Source, Inc. and Coach Inc. He is also a member of the Board of Trustees of Northern Funds (a family of mutual funds). Mr. Murphy holds a Bachelor of Science degree in Business Administration from Boston College and a MBA degree from the Harvard Business School.

James L. C. Provan, Director, born on December 19, 1936, has served as a director of CNH, and previously of New Holland, since 1995. A farmer in Scotland, Mr. Provan served in the European Parliament from 1979 to 2004 where he was Vice-President (Deputy Speaker), chair of the Conciliation Committee to the Council of Ministers and chair of the Internal Audit Committee. He also served on the Agriculture Committee, the Environment and Consumer Affairs Committee and the Transport and Tourism Committee. Mr. Provan has been Chairman for 8 years and a director for 14 years of the Board of the Rowett Research Institute, Aberdeen, one of Europe's leading nutritional research centers. Mr. Provan was Chairman of McIntosh Donald & McIntosh of Dyce (food company in Scotland) from 1989 to 1994 and Chairman of Baxters (Milnathort) Ltd. (agricultural engineering and distribution) from 1965 to 1975.

Michel Lecomte, Chief Financial Officer, born on January 27, 1949, was appointed Chief Financial Officer and President, Financial Services and President, CNH Capital on November 8, 2000. Mr. Lecomte served as President, Financial Services and President, CNH Capital until 2003. Prior to joining CNH, Mr. Lecomte served as Chief Financial Officer of Iveco, a sector of the Fiat Group and Transolver, Iveco's financial services business. From 1989 to 1996, he served as Chief Financial Officer of the Framatome Group based in France. Mr. Lecomte also served as Chief Financial Officer of CertainTeed Corporation in the United States from 1984 to 1989.

Steven Bierman, President, CNH Capital, born on March 20, 1955, was appointed President, CNH Capital on September 30, 2005 and was previously Vice President of Commercial Finance for CNH Capital. Prior to joining CNH, Mr. Bierman served as Chief Information Officer of Fremont General Credit Corporation, a commercial and real estate lending operation in Santa Monica,

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California, from 1998 to 2004. Between 1996 and 1998, Mr. Bierman served as Senior Vice President/National Credit Manager of the Union Bank of California in the commercial finance division. From 1986 to 1996, Mr. Bierman held a variety of positions with General Electric Capital Corporation.

Franco Fenoglio, President, New Holland Construction Equipment, born on March 31, 1953, was appointed President, New Holland Construction Equipment on September 30, 2005. Prior to joining CNH, he served in a variety of positions with the Fiat Group. Prior to joining CNH, Mr. Fenoglio held positions with Iveco as Vice President, Commercial Operations from August 1999 until March 2004; Senior Vice President Sales and Marketing from March 2004 until May 2005; and Senior Vice President, International Operations and Business Development from May 2005 until his recent appointment with CNH.

Mario Ferla, President, Case IH Agricultural Equipment, born on September 28, 1946, was appointed President, Case IH Agricultural Equipment in 2005. He previously served as President, CNH Capital from 2003 to 2005 and Chief Operating Officer for CNH Capital from 2001 to 2003. Mr. Ferla served as Executive Vice President of Fremont General Credit Corporation, a commercial and real estate lending operation in Santa Monica, California, from 1997 to 2001. From 1975 to 1997, Mr. Ferla held a variety of positions with General Electric Company, including various officer positions with GE Capital Corporation from 1988 to 1997.

Richard J. Hoffman, Corporate Controller and Chief Accounting Officer, born on July 27, 1966, was appointed Corporate Controller and Chief Accounting Officer on July 23, 2004. He served as Senior Director, Accounting, Consolidations and Reporting and Chief Accounting Officer for CNH since October 23, 2000. Prior to joining CNH, Mr. Hoffman served as Senior Manager at Deloitte & Touche LLP from 1996 to 2000 and held various positions with Deloitte & Touche LLP from 1988 to 1996.

Marco Mazzú, President, New Holland Agricultural Equipment, born on December 19, 1958, was appointed President, New Holland Agricultural Equipment on September 30, 2005. From 2002 until 2005 he served as Ag Latin America Regional Leader and Ag Europe Regional Leader. Prior to joining CNH, he served in a variety of positions with the Fiat Group, including Vice President, Business (U.K.) from September 1998 until April 2000. In April 2000 Mr. Mazzú joined Fiat Auto in Latin America and was responsible for Industrial Operations until June 2001 when he assumed worldwide responsibility for manufacturing for Fiat Auto.

James E. McCullough, President, Case Construction Equipment, born on June 27, 1950, was appointed President, Case Construction Equipment on September 30, 2005 and was previously President, Construction Equipment N.A. of CNH from June 2003. Mr. McCullough served as Senior Vice President, Construction Equipment Commercial Operations, N.A. from 2002 to 2003 and Senior Vice President, Case Commercial Operations Worldwide from 1999 to 2002. Prior to the business merger of New Holland and Case, he served as Vice President and General Manager, Case Construction Equipment Division from 1995 to 1998. Between 1988 and 1990, Mr. McCullough served in a variety of positions with Case.

Roberto Miotto, Senior Vice President, General Counsel and Secretary, born on December 15, 1946, has served as Senior Vice President, General Counsel and Secretary of CNH since November 1999. Prior to the business merger of New Holland and Case, Mr. Miotto served as Vice President, General Counsel and Secretary of New Holland. Prior to that, Mr. Miotto served in a variety of executive positions with the Fiat Group.

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Roberto Pucci, Senior Vice President, Human Resources, born on December 19, 1963, was appointed Senior Vice President, Human Resources on November 1, 2005. Prior to joining CNH, Mr. Pucci served as Vice President, Human Resources for Agilent Technologies Europe from January 2003 until October 2005. Prior to January 2003, Mr. Pucci was Director, Compensation and Benefits with Agilent. From 1987 until April 1999, Mr. Pucci served in various human resources capacities with Hewlett-Packard in Europe.

James P. Sharp, President, Parts and Service, born on August 6, 1952, was appointed President, Parts and Service on September 30, 2005. He has served as President, Agricultural Equipment N.A. since January 2005. Prior to joining CNH, Mr. Sharp served as President, Construction Equipment for Ingersoll Rand Company from 2003 until 2004. Mr. Sharp began his career with Ingersoll Rand in various controller positions between 1982 and 1985. He subsequently held a broad range of executive positions including Vice President and General Manager, Road Machinery Division from 1995 until 1999; President, Road Development from 2000 until 2001; and President, Bobcat Company in 2002.

Certain relationships and related party transactions

On April 7 and 8, 2003, we 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.

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 our shareholders. The Series A Preferred Stock will convert into 100 million CNH common shares at a conversion price of \$20 per share automatically 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. 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 we 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. In the event of dissolution or liquidation, whatever remains of our equity after all of our 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.

As described under “Use of proceeds,” we intend to use approximately \$491 million of the net proceeds from the notes offered hereby to prepay and reduce various debt. We intend to loan (i) approximately \$246 million of the net proceeds to CNH Global which plans to use the funds to prepay existing debt to a Fiat affiliate, which debt matures in May 2006; (ii) approximately \$154 million of the net proceeds to CNH America LLC, one of our subsidiaries and a guarantor of the notes, which plans to use the funds to retire existing debt to a third party, \$99 million of which debt matures in July 2006 and \$55 million of which debt matures in January 2007; (iii) approximately \$61 million of the net proceeds to CNH Canada, Ltd., a subsidiary of CNH Global and a guarantor of the notes, which plans to use the funds to reduce short term debt owed to a Fiat affiliate; and (iv) approximately \$30 million of the net proceeds to CNH U.K. Limited, a subsidiary of CNH Global and a guarantor of the notes, which plans to use the funds to reduce short term debt owed to a Fiat affiliate. Before we apply the proceeds for the above stated purposes, we may hold some or all of the proceeds in the form of cash, cash equivalents or deposits in the cash management pools of Fiat affiliates.

In July 2005, our \$2 billion syndicated facility with Fiat was terminated when various Fiat affiliates (including CNH Global) entered into a €1 billion bank credit facility with a group of banks maturing in July 2008. The borrowers have allocated €300 million of this borrowing capacity to CNH Global with additional amounts potentially available depending on the usage by other borrowers. See “Management’s discussion and analysis of financial condition and results of operations—Sources of Funding—Committed Lines of Credit.”

We continue to rely on Fiat to provide either guarantees or funding in connection with some of our external debt financing needs. At December 31, 2004, our outstanding debt with Fiat and its affiliates was approximately 26% of our total debt, compared with 35% at December 31, 2003. Fiat guarantees \$1.3 billion of our debt with third parties or approximately 19% of our outstanding debt. We pay Fiat a guarantee fee based on the average amount outstanding under facilities guaranteed by Fiat. In 2004 and 2003, we paid a guarantee fee of between 0.03125% and 0.0625% per annum. In 2002,

Certain relationships and related party transactions

guarantee fees paid to Fiat were between 0.03125% and 0.125% per annum. Fiat has agreed to maintain its existing treasury and debt financing arrangements with us for as long as it maintains control of us and, in any event, at least until December 31, 2004. 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. We cannot assure you that we will continue to have access to this support from Fiat. The terms of any alternative sources of financing that may be available may not be as favorable as those provided or facilitated by Fiat. See “Management’s discussion and analysis of financial condition and results of operations—Source of Funding” for a description of the new credit arrangement.

Like other companies that are part of multinational groups, we participate in a group-wide cash management system with other members of 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. Deposits with Fiat earn interest at rates that range from LIBOR plus 10 to 30 basis points. Interest earned on our deposits with Fiat included in finance and interest income were approximately \$7 million, \$11 million and \$18 million in the years ended December 31, 2003, 2004 and 2005, respectively. 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. As a result, we are exposed to Fiat Group credit risk to the extent that Fiat is unable to return any such offset amounts at the beginning of the following business day, and in the event of a bankruptcy or insolvency of Fiat (or any other Fiat Group member in the jurisdictions with set off agreements) we may be unable to secure the return of such deposits 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 our relationship with the Fiat Group it is possible that our claims as a creditor could be subordinate to the rights of third party creditors in certain situations. We cannot assure you that in the future the operation of this cash management system may not adversely impact our ability to recover our funds to the extent one or more of the above-described events were to occur.

We purchase some of our engines and other components from the Fiat Group and companies of the Fiat Group provide us with administrative services such as accounting and internal audit, cash management, maintenance of plant and equipment, research and development, information systems and training. We sell certain products to subsidiaries and affiliates of Fiat. In addition, we enter into hedging arrangements with counterparties that are members of the Fiat Group. In 2004, 2003 and 2002, we purchased approximately \$565 million, \$584 million and \$416 million, respectively, in goods and services from companies in the Fiat Group. Our principal purchases of goods from Fiat and its affiliates include diesel engines from Iveco, robotic equipment and paint systems from Comau Pico Holdings Corporation, dump trucks from Astra V.I. S.p.A., and castings from Teksid.

Fiat provides accounting services to us in Europe and Brazil through an affiliate that uses shared service centers to provide such services to various Fiat companies and third-party customers. Fiat provides internal audit services at the direction of our internal audit area in certain locations where it is more cost effective to use existing Fiat resources. Through the end of 2004, routine maintenance of our plants and facilities in Europe was provided by a Fiat affiliate that also provides similar services to third parties. We purchased network and hardware support from we outsourced a portion of our information services to a joint venture that Fiat had formed with IBM, which joint venture Fiat is terminating. Fiat also provides training services through an affiliate. We use a broker that is an affiliate of Fiat to purchase a portion of our insurance coverage. We purchase research and development from an Italian joint venture set up by Fiat and owned by various Fiat subsidiaries. This joint venture benefits from Italian government incentives granted to promote work in the less developed areas of Italy.

Certain relationships and related party transactions

For material related party transactions involving the purchase of goods and services, we generally solicit and evaluate bid proposals prior to entering into any such transactions, and in such instances, the Audit Committee generally conducts a review to determine that such transactions are what the committee believes to be on arm's-length terms.

If the goods or services or financing arrangements described above were not available from Fiat, we would have to obtain them from other sources. We can offer no assurance that such alternative sources would provide goods and services on terms as favorable as those offered by Fiat.

As of December 31, 2004, and 2003, we were parties to derivative or other financial instruments having an aggregate contract value of \$2 billion and \$977 million, respectively, to which affiliates of Fiat were counterparties. Our management believes that the terms of the foreign exchange and interest rate-related contracts entered into with Fiat and its affiliates are at least as favorable to those available from unaffiliated third parties.

In certain tax jurisdictions, we have entered into tax sharing agreements with Fiat and certain of its affiliates. Our management believes the terms of these agreements are customary for agreements of this type and are at least as advantageous as filing tax returns on a stand-alone basis.

Additionally, certain of our executives participate in the stock option program of Fiat as described in "Note 18: Option and Incentive Plans" of our consolidated financial statements.

Security ownership of certain beneficial owners

Our outstanding capital stock consists of common shares, par value €2.25 per share and Series A Preferred Stock, par value €2.25 per share. As of December 31, 2005, there were 134,865,624 common shares and 8,000,000 shares of Series A Preferred Stock outstanding. At December 31, 2005 we had approximately 660 registered holders of record of our common shares in the United States, holding approximately 17% of the outstanding common shares. Since certain of the common shares are held by brokers or other nominees, the number of direct record holders in the United States may not be fully indicative of the number of direct beneficial owners in the United States or of where the direct beneficial owners of such shares are resident.

The following table sets forth the outstanding common shares of CNH as of December 31, 2005:

Shareholders	Number of outstanding common shares	Percentage ownership interest
Fiat Netherlands	111,866,037	83%
Other shareholders	<u>22,999,587</u>	<u>17</u>
Total	<u><u>134,865,624</u></u>	<u><u>100%</u></u>

Description of certain indebtedness

LONG TERM DEBT

As of December 31, 2005, our consolidated long-term debt was \$4.8 billion, including \$1.1 billion of current maturities, compared to \$4.9 billion and \$886 million, respectively, as of the end of the prior year.

Equipment Operations long-term debt as of December 31, 2005 was \$2.4 billion, including \$385 million of current maturities, compared to \$3.1 billion and \$257 million, respectively, as of the end of the prior year.

Equipment Operations long-term debt, as of December 31, 2005, consisted of approximately \$1.8 billion in bonds and medium-term notes, \$244 million of affiliated notes with Fiat, and \$243 million of medium-term loans with third parties. The remaining \$129 million related to maturities beyond December 31, 2005 under committed credit lines with a bank affiliate of Fiat.

Financial Services long-term debt, as of December 31, 2005, was \$2.4 billion, including \$674 million of current maturities, compared to \$2.5 billion and \$629 million, respectively, as of the end of the prior year.

As of December 31, 2005, Financial Services long-term debt consisted primarily of \$1.3 billion of borrowings under committed credit lines related to our retail lending activities in Brazil, amortizing over the life of the assets, \$793 million of other long-term borrowings from third parties, \$172 million of affiliated notes with Fiat and \$124 million in bonds maturing in 2007.

CREDIT AND LIQUIDITY FACILITIES

As of December 31, 2005, we had approximately \$3.5 billion available under our \$6.5 billion total lines of credit, including the asset-backed liquidity facilities described below. Approximately \$2.0 billion drawn under such lines were classified as long-term, while \$1.1 billion was classified as short-term debt. The weighted average interest rates on consolidated short-term debt at December 31, 2005 was 8.1%. The average rate is calculated using the actual rates at December 31, 2005 weighted by the amount of the outstanding borrowings of each debt instrument.

ASSET-BACKED PROGRAMS

We also have access to ABCP liquidity facilities through which we may sell retail receivables generated in the United States, Australia and Canada. We utilize these facilities to fund the origination of receivables prior to selling such receivables in the term ABS markets. Under these facilities, the maximum amount of proceeds that can be accessed at one time is \$2.2 billion.

The following table summarizes our ABCP liquidity facilities at December 31, 2005:

	<u>Program size</u>	<u>Availability</u>
	(in millions)	
United States (expiring in January 2006)	\$1,200	\$1,042
United States—credit card (expiring in June 2007)	250	122
Canada (expiring in August 2006)	258	232
Australia (expiring in April 2006)	293	86
ABS Retained Assets financing (expiring in December 2008)	300	54
Total	<u>\$2,301</u>	<u>\$1,536</u>

Description of certain indebtedness

Subsequent to December 31, 2005, we have extended the U.S. facility through January 2007.

COMMERCIAL PAPER AND CERTIFICATES OF DEPOSIT

Given our current credit ratings, we have not accessed the U.S. and Canadian commercial paper markets since 2000, and all such programs have been terminated. However, the Brazilian Financial Services Subsidiary, Banco CNH, continues its local certificate of deposit program and has \$81 million outstanding as of December 31, 2005. Banco CNH has obtained local credit ratings by Fitch Ratings of A+ for its long-term obligations and F-1 for its short-term obligations.

SECURITIZATION

The following table summarizes the principal amount of our retail and wholesale asset-backed securitization programs in the United States, Canada, Australia and Europe, and receivables discounted without recourse and classified as off-balance sheet at December 31, 2005 and 2004:

	2005	2004
	(in millions)	
Wholesale receivables	\$3,080	\$2,342
Retail and other notes and finance leases	4,580	4,475
Receivables discounted without recourse	<u>—</u>	<u>108</u>
Total	<u>\$7,660</u>	<u>\$6,925</u>

The amount above includes wholesale receivables discounted under our securitization program in Europe activated in September 2004. The total above does not include \$60 million of Spanish receivables sold into the program and included in our Equipment Operations short-term debt to third parties.

Description of the notes

The Notes will be issued under an indenture (the “*Indenture*”) to be dated as of March 3, 2006 by and among Case New Holland, the Guarantors and JPMorgan Chase Bank, N.A. as trustee (the “*Trustee*”). The following summary of the Indenture does not include all of the information included in the Indenture and may not include all of the information that you would consider important. This summary is qualified by reference to the Trust Indenture Act of 1939, as amended (the “*TIA*”), and to all of the provisions of the Indenture, including the definitions of terms therein and those terms made a part of the Indenture by reference to the TIA as in effect on the date of the Indenture. A copy of the Indenture may be obtained from Case New Holland. The definitions of most of the capitalized terms used in the following summary are set forth below under “—Certain Definitions.” For purposes of this section, references to “Case New Holland” include only Case New Holland Inc. and not its Subsidiaries and references to “CNH Global” include only CNH Global N.V. and not its Subsidiaries. References to “\$” and “dollars” are to United States dollars.

The Notes will be unsecured obligations of Case New Holland, ranking senior in right of payment to all future obligations of Case New Holland that are, by their terms, expressly subordinated in right of payment to the Notes and *pari passu* in right of payment with all existing and future unsecured obligations of Case New Holland that are not so subordinated.

The Notes will be issued in fully registered form only, without coupons, in denominations of \$1,000 and integral multiples thereof. Initially, the Trustee will act as paying agent and registrar for the Notes. The Notes may be presented for registration or transfer and exchange at the offices of the registrar, which initially will be the Trustee’s corporate trust office. Case New Holland may change any paying agent and registrar without notice to Holders. Case New Holland will pay principal (and premium, if any) on the Notes at the Trustee’s corporate office in New York, New York. Interest may be paid at the Trustee’s corporate trust office, by check mailed to the registered address of the Holders or by wire transfer if instructions therefor are furnished by a Holder to Case New Holland. Any Notes that remain outstanding after the completion of the exchange offer, together with the exchange Notes issued in connection with the exchange offer, will be treated as a single class of securities under the Indenture.

For the avoidance of doubt, notwithstanding anything to the contrary in this “Description of the notes” or in the Indenture, the Disposition of all or any portion of the Financial Services Business, including without limitation through the Disposition of all or any portion of the Capital Stock of any Financial Services Subsidiary or Unrestricted Financial Services Subsidiary or all or any portion of their respective assets or properties (including, without limitation, any Permitted Financial Services Disposition), shall not under any circumstances constitute a sale of all or substantially all of the assets of CNH Global, CNH Global and its Subsidiaries taken as a whole, any Guarantor or any Restricted Subsidiary, for any purposes whatsoever under the Indenture or the Notes.

PRINCIPAL, MATURITY AND INTEREST

In this offering (the “*Offering*”), Case New Holland will issue \$500 million aggregate principal amount of the Notes. Case New Holland may issue additional Notes from time to time (the “*Additional Notes*”) subject to the limitations set forth under “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock.” Any Additional Notes subsequently issued under the Indenture will be treated as a single class with the Notes issued in the Offering for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Notes will mature on March 1, 2014. Interest on the Notes will accrue at the rate of 7.125% per annum and will be payable semiannually in arrears in cash on

Description of the notes

each March 1 and September 1, commencing on September 1, 2006 to the persons who are registered Holders at the close of business on February 15 and August 15, immediately preceding the applicable interest payment date. Interest on the Notes will accrue from and including the most recent date to which interest has been paid or, if no interest has ever been paid, from and including the date of issuance. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Notes will not be entitled to the benefit of any mandatory sinking fund.

GUARANTEES

The Notes will be jointly and severally guaranteed by:

- CNH Global;
- each of the following direct and indirect Subsidiaries of CNH Global that are not also Subsidiaries of Case New Holland:

- CNH U.K. Limited
- New Holland Holding Limited
- CNH Canada, Ltd.
- CNH Australia Pty Ltd
- CNH Belgium N.V.
- New Holland Tractor Limited N.V.
- CNH Deutschland GmbH
- CNH Trade N.V.

- each of the following direct and indirect Subsidiaries of Case New Holland:

- Fiatallis North America LLC
- CNH America LLC
- HFI Holdings, Inc.
- BLI Group, Inc.
- Blue Leaf I.P., Inc.

The Guarantee of each Guarantor will be a general unsecured obligation of such Guarantor and will rank senior in right of payment to all future obligations of such Guarantor that are, by their terms, expressly subordinated in right of payment to such Guarantee and *pari passu* in right of payment with all existing and future unsecured Indebtedness of such Guarantor that are not so subordinated. The Notes will be effectively subordinated to the obligations of each of CNH Global's direct and indirect Subsidiaries that is not a Guarantor of the Notes. As of September 30, 2005, such non-Guarantor Subsidiaries had \$3,339 million of outstanding debt, \$717 million of which is debt of Equipment Operations. The \$3,339 million does not include \$700 million of debt owed to Case New Holland or \$790 million that other Financial Services subsidiaries owed to Equipment Operations subsidiaries.

The Guarantee of a Guarantor (other than the Guarantee of CNH Global) will be released:

(1) in connection with any sale or other disposition of all of the Capital Stock of such Guarantor to a Person other than CNH Global or any Subsidiary of CNH Global and, prior to the time the Notes reach Investment Grade Status, so long as the sale complies with the provisions set forth under “—Repurchase at the Option of Holders—Asset Sales”;

(2) in connection with the sale or other disposition of all or substantially all of the assets of such Guarantor, including by way of merger, consolidation or otherwise, to a Person other than CNH Global or any Restricted Subsidiary of CNH Global, and prior to the time the Notes reach

Description of the notes

Investment Grade Status, so long as the sale or disposition complies with the provisions set forth under “—Repurchase at the Option of Holders—Asset Sales”;

(3) if CNH Global designates such Guarantor to be an Unrestricted Subsidiary in accordance with the provisions set forth under “—Certain Covenants—Limitation on Designations of Unrestricted Subsidiaries”; or

(4) in the case of any Restricted Subsidiary which after the Issue Date is required to Guarantee the Notes pursuant to the covenant described under “—Certain Covenants—Issuance of Subsidiary Guarantees,” upon either (x) the release or discharge of the guarantee of such Restricted Subsidiary of Indebtedness of CNH Global and Case New Holland which resulted in the obligation to so Guarantee the Notes or (y) the Notes reaching Investment Grade Status.

Except as provided under “—Certain Covenants—Merger, Consolidation and Sale of Assets,” the Guarantee of CNH Global may be released and discharged only with the consent of each Holder of Notes to which such Guarantee relates.

The amount of each Guarantee will be limited to the extent required under applicable fraudulent conveyance laws to cause such Guarantee to be enforceable.

Additional Amounts

All payments made by CNH Global or any Foreign Subsidiary Guarantor under or with respect to a Guarantee will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) (hereinafter, “*Taxes*”) imposed or levied by or on behalf of the government of The Netherlands or any other jurisdiction in which any Foreign Subsidiary Guarantor is organized or is a resident for tax purposes or within or through which payment is made or any political subdivision or taxing authority or agency thereof or therein (any of the aforementioned being a “*Taxing Jurisdiction*”), unless CNH Global or such Guarantor is required to withhold or deduct any such Taxes by law or by the interpretation or administration thereof.

If CNH Global or any Foreign Subsidiary Guarantor is so required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to a Guarantee of such Guarantor, CNH Global or such Guarantor, as applicable, will pay such additional amounts (“*Additional Amounts*”) as may be necessary so that the net amount received by the Holder of such Note (including Additional Amounts) after such withholding or deduction of such Taxes will not be less than the amount such Holder would have received if such Taxes had not been required to be withheld or deducted; *provided, however*, that notwithstanding the foregoing, Additional Amounts will not be paid with respect to:

(1) any Taxes that would not have been so imposed, deducted or withheld but for the existence of any present or former connection between the Holder or beneficial owner of a Note (or between a fiduciary, settler, beneficiary, member or shareholder of, or possessor of power over, the Holder or beneficial owner of such Note, if the Holder or beneficial owner is an estate, nominee, trust, partnership or corporation) and the relevant Taxing Jurisdiction (other than the mere receipt of such payment or the ownership or holding of the execution, delivery, registration or enforcement of such Note);

(2) any estate, inheritance, gift, sales excise, transfer or personal property tax or similar tax, assessment or governmental charge, subject to the last paragraph of this covenant;

(3) any Taxes payable otherwise than by deduction or withholding from payments under or with respect to the Guarantee of such Note;

Description of the notes

(4) any Taxes that would not have been so imposed, deducted or withheld if the Holder or beneficial owner of the Note or beneficial owner of any payment on the Guarantee of such Note had (i) made a declaration of non-residence, or any other claim or filing for exemption, to which it is entitled or (ii) complied with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the relevant Taxing Jurisdiction of such Holder or beneficial owner of such Note or any payment on such Note (provided that (x) such declaration of non-residence or other claim or filing for exemption or such compliance is required by the applicable law of the Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of the imposition, deduction or withholding of, such Taxes and (y) at least 30 days prior to the first payment date with respect to which such declaration of non-residence or other claim or filing for exemption or such compliance is required under the applicable law of the Taxing Jurisdiction, Holders at that time have been notified by CNH Global, any Foreign Subsidiary Guarantor or any other person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption or such compliance is required to be made);

(5) any Taxes that would not have been so imposed, deducted or withheld if the beneficiary of the payment had presented the Note for payment within 30 days after the date on which such payment or such Note became due and payable or the date on which payment thereof is duly provided for, whichever is later (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period);

(6) any payment under or with respect to a Note to any Holder that is a fiduciary or partnership or any person other than the sole beneficial owner of such payment or Note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment, or Note would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder of such Note;

(7) any note where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to Council Directive 2003/48/EC of June 3, 2003 on taxation of savings income in the form of interest payments or any law implementing or complying with, or introduced in order to conform to, that Directive; or

(8) any combination of items (1) through (7) above.

The foregoing provisions shall survive any termination or discharge of the Indenture and shall apply *mutatis mutandis* to any Taxing Jurisdiction with respect to any successor Person to CNH Global or a Foreign Subsidiary Guarantor.

CNH Global or the applicable Foreign Subsidiary Guarantor will also make any applicable withholding or deduction and remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. CNH Global or the applicable Foreign Subsidiary Guarantor will furnish to the Trustee, within 30 days after the date the payment of any Taxes deducted or withheld is due pursuant to applicable law, certified copies of tax receipts or, if such tax receipts are not reasonably available to CNH Global or such Foreign Subsidiary Guarantor, such other documentation that provides reasonable evidence of such payment by CNH Global or such Foreign Subsidiary Guarantor. Copies of such receipts or other documentation will be made available to the Holders or the paying agents, as applicable, upon request.

At least 30 days prior to each date on which any payment under or with respect to any Notes is due and payable, unless such obligation to pay Additional Amounts arises after the 30th day prior to such date, in which case it shall be promptly paid thereafter, if CNH Global or any Foreign Subsidiary

Description of the notes

Guarantor will be obligated to pay Additional Amounts with respect to such payment, CNH Global or such Foreign Subsidiary Guarantor will deliver to the Trustee and the paying agent an officers' certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable such Trustee and paying agent to pay such Additional Amounts to Holders of such Notes on the payment date. Each officers' certificate shall be relied upon until receipt of a further officers' certificate addressing such matters.

Whenever in the Indenture or in this "Description of the notes" there is mentioned, in any context, the payment of principal, premium, if any, interest or of any other amount payable under or with respect to any Note, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

CNH Global and the Foreign Subsidiary Guarantors will pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies that arise in any jurisdiction from the execution, delivery, enforcement or registration of their respective Guarantees of the Notes, the Indenture or any other document or instrument in relation thereto, excluding all such taxes, charges or similar levies imposed by any jurisdiction outside the United States in which CNH Global, any Foreign Subsidiary Guarantor or any successor Person is organized or resident for tax purposes or any jurisdiction in which a paying agent is located, and CNH Global and the Foreign Subsidiary Guarantors will agree to indemnify the Holders of the Notes for any such non-excluded taxes paid by such Holders.

REDEMPTION

Optional redemption

The Notes will be redeemable, at Case New Holland's option, in whole at any time or in part from time to time, on and after March 1, 2010 at the following redemption prices (expressed as percentages of the principal amount thereof) if redeemed during the twelve-month period commencing on March 1 of the applicable year set forth below, plus, in each case, accrued and unpaid interest, if any, to the date of redemption:

Year	Percentage
2010	103.563%
2011	101.781%
2012 and thereafter	100.000%

In addition, on or prior to March 1, 2010, Case New Holland may redeem the Notes, at its option, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, plus the Make-Whole Premium (a "Make-Whole Redemption").

Notwithstanding the foregoing, at any time, or from time to time, on or prior to March 1, 2009, Case New Holland may, at its option, use all or any portion of the net cash proceeds of one or more Qualified Equity Offerings (as defined below) to redeem up to 35% of the aggregate principal amount of the Notes issued at a redemption price equal to 107.125% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of redemption; *provided* that at least 65% of the aggregate principal amount of Notes originally issued remains outstanding immediately after any such redemption. In order to effect the foregoing redemption with the proceeds of any Qualified Equity Offering, Case New Holland shall consummate such redemption not more than 120 days after the consummation of any such Qualified Equity Offering.

Description of the notes

As used in the preceding paragraph, “*Qualified Equity Offering*” means any public or private offering of Qualified Capital Stock of CNH Global (other than any such offering to a Subsidiary of CNH Global) to the extent that the net cash proceeds therefrom are contributed to the common equity capital of Case New Holland or are used to subscribe for Case New Holland shares of its Qualified Capital Stock.

Redemption of notes for changes in withholding taxes

Case New Holland may, at its option, redeem all, but not less than all, of the then outstanding Notes at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest thereon to the redemption date. This redemption applies only if at such time CNH Global or any Foreign Subsidiary Guarantor is then making payments to the Holders of the Notes pursuant to its Guarantee of the Notes and as a result of any amendment to, or change in, the laws or treaties (including any rulings or regulations promulgated thereunder) of The Netherlands or any other jurisdiction in which CNH Global or any Foreign Subsidiary Guarantor is organized or is a resident for tax purposes or any political subdivision or taxing authority or agency thereof or therein (or, in the case of Additional Amounts payable by a successor Person to CNH Global or such Foreign Subsidiary Guarantor, of the jurisdiction in which such successor Person is organized or is a resident for tax purposes or any political subdivision or taxing authority or agency thereof or therein) or any amendment to or change in any official position concerning the interpretation, administration or application of such laws, treaties, rulings or regulations (including a holding by a court of competent jurisdiction), which amendment or change is effective on or after the Issue Date (or, in the case of Additional Amounts payable by a successor Person to CNH Global or such Foreign Subsidiary Guarantor, the date on which such successor Person became such pursuant to applicable provisions of the Indenture), that CNH Global or a Foreign Subsidiary Guarantor becomes or will become obligated to pay Additional Amounts (as described above under “—Additional Amounts”) on the next date on which any amount would be payable with respect to its Guarantee of the Notes and CNH Global or such Foreign Subsidiary Guarantor determines in good faith that (x) such Additional Amounts would be material and (y) such obligation cannot be avoided (including, without limitation, by changing the jurisdiction from which or through which payment is made) by the use of reasonable measures available to CNH Global or such Foreign Subsidiary Guarantor.

No notice of such redemption may be given earlier than 90 days prior to the earliest date on which CNH Global or a Foreign Subsidiary Guarantor would be obligated to pay such Additional Amounts were a payment in respect of its Guarantee of the Notes then due or later than 180 days after such amendment or change referred to in the preceding paragraph. At the time such notice of redemption is given, such obligation to pay such Additional Amounts must remain in effect. Immediately prior to the mailing of any notice of redemption described above, Case New Holland shall deliver to the Trustee (i) a certificate stating that Case New Holland is entitled to elect to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of Case New Holland so to elect to redeem have occurred and (ii) an opinion of counsel qualified under the laws of the relevant jurisdiction to the effect that CNH Global or the applicable Foreign Subsidiary Guarantor or such successor Person, as the case may be, has or will become obligated to pay such Additional Amounts as a result of such amendment or change.

Selection and notice of redemption

In the event that less than all of the Notes are to be redeemed at any time, selection of the Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not then listed on a

Description of the notes

national securities exchange, on a *pro rata* basis, by lot or by such method as the Trustee shall deem fair and appropriate; *provided* that:

- > no Notes of a principal amount of \$1,000 or less shall be redeemed in part; and
- > if a partial redemption is made with the proceeds of a Qualified Equity Offering, selection of the Notes or portions thereof for redemption shall be made by the Trustee only on a *pro rata* basis or on as nearly a *pro rata* basis as is practicable (subject to DTC procedures), unless such method is otherwise prohibited.

Notice of an optional redemption shall be mailed at least 30 but not more than 60 days before the redemption date to each Holder to be redeemed at its registered address. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in a principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption as long as Case New Holland has deposited with the paying agent funds in satisfaction of the applicable redemption price pursuant to the Indenture.

REPURCHASE AT THE OPTION OF HOLDERS

Change of control

The Indenture will provide that, upon the occurrence of a Change of Control, each Holder will have the right to require that Case New Holland purchase all or a portion of such Holder's Notes pursuant to the offer described below (the "*Change of Control Offer*"), at a purchase price equal to 101% of the principal amount thereof plus accrued interest, if any, thereon to the date of purchase (the "*Change of Control Payment*").

Within 30 days following the date upon which the Change of Control occurs, Case New Holland must send, by first class mail, a notice to each Holder, with a copy to the Trustee, which notice shall govern the terms of the Change of Control Offer. Such notice shall state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date such notice is mailed (the "*Change of Control Payment Date*"). Holders electing to have a Note purchased pursuant to a Change of Control Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, to the paying agent at the address specified in the notice prior to the close of business on the third Business Day prior to the Change of Control Payment Date.

On the Change of Control Payment Date, Case New Holland will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an officers' certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by Case New Holland.

The paying agent will as promptly as practicable mail to each Holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will as promptly as practicable authenticate and mail to each Holder a new Note in a principal amount equal to any unpurchased portion of the Notes surrendered, if any; *provided, however*, that each new Note will be in a principal amount of \$1,000 or an integral multiple of \$1,000.

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If a Change of Control Offer is required to be made, there can be no assurance that Case New Holland will have available funds sufficient to pay the Change of Control purchase price for all the Notes that might be delivered by Holders seeking to accept the Change of Control Offer. In the event Case New Holland is required to purchase outstanding Notes pursuant to a Change of Control Offer, Case New Holland may seek third party financing to the extent it does not have available funds to meet its purchase obligations. However, there can be no assurance that Case New Holland would be able to obtain such financing.

Neither Case New Holland nor the Trustee may waive the covenant relating to a Holder's right to require the purchase of Notes upon a Change of Control. Restrictions in the Indenture described herein on the ability of CNH Global and the Restricted Subsidiaries to incur additional Indebtedness, to grant Liens on their property, to make Restricted Payments and to make Asset Sales may also make more difficult or discourage a takeover of CNH Global, whether favored or opposed by the management of CNH Global. Consummation of any such transaction in certain circumstances may require the purchase of the Notes, and there can be no assurance that CNH Global or the acquiring party will have sufficient financial resources to effect such purchase. Such restrictions and the restrictions on transactions with Affiliates may, in certain circumstances, make more difficult or discourage any leveraged buyout of CNH Global or any of its Subsidiaries by the management of CNH Global. While such restrictions cover a wide variety of arrangements which have traditionally been used to effect highly leveraged transactions, the Indenture may not afford the Holders protection in all circumstances from the adverse aspects of a highly leveraged transaction, reorganization, restructuring, merger or similar transaction.

Case New Holland will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws and regulations are applicable in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Change of Control" provisions of the Indenture, Case New Holland shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the "Change of Control" provisions of the Indenture by virtue thereof.

Asset sales

CNH Global will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

- (1) CNH Global or the applicable Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the assets sold or otherwise disposed of;
- (2) at least 75% of the consideration received by CNH Global or the Restricted Subsidiary, as the case may be, from such Asset Sale shall be in the form of cash or Cash Equivalents and is received at the time of such disposition; *provided* that the amount of:
 - (a) any liabilities (as shown on CNH Global's or such Restricted Subsidiary's most recent balance sheet), of CNH Global or any of its Restricted Subsidiaries (other than (x) contingent liabilities and liabilities that are by their terms subordinated to the Notes and (y) Indebtedness owed to CNH Global and its Subsidiaries) that are assumed by the transferee of any such assets shall be deemed to be cash for purposes of this clause (2); and
 - (b) any securities, notes or other obligations received by CNH Global or any such Restricted Subsidiary from such transferee that are converted by CNH Global or such Restricted Subsidiary into cash (to the extent of the cash received) within 365 days following the closing of such Asset Sale shall be deemed to be cash for purposes of this clause (2); and

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(3) upon the consummation of an Asset Sale, CNH Global shall apply, or cause such Restricted Subsidiary to apply, the Net Cash Proceeds relating to such Asset Sale within 365 days after receipt thereof either to:

- (A) repay Indebtedness under any Credit Facility under which CNH Global or such Restricted Subsidiary is an obligor and permanently retire such Indebtedness,
- (B) acquire (or enter into a binding agreement to acquire, which acquisition must be consummated within 180 days after the end of the 365-day period following receipt of any Net Cash Proceeds) Replacement Assets, or
- (C) a combination of prepayment and investment permitted by the foregoing clauses (3)(A) and (3)(B).

On the 366th day after an Asset Sale or such earlier date, if any, as the Board of Directors of CNH Global or of such Restricted Subsidiary determines not to apply the Net Cash Proceeds relating to such Asset Sale as set forth in clauses (3)(A), (3)(B) and (3)(C) of the preceding paragraph (each, a “*Net Proceeds Offer Trigger Date*”), such aggregate amount of Net Cash Proceeds which have not been applied on or before such Net Proceeds Offer Trigger Date as permitted in clauses (3)(A), (3)(B) and (3)(C) of the preceding paragraph (each a “*Net Proceeds Offer Amount*”) shall be applied by Case New Holland to make an offer to purchase (the “*Net Proceeds Offer*”) to all Holders and, to the extent required by the terms of any Pari Passu Debt, an offer to purchase to all holders of such Pari Passu Debt, on a date (the “*Net Proceeds Offer Payment Date*”) not less than 30 nor more than 60 days following the applicable Net Proceeds Offer Trigger Date, from all Holders (and holders of such Pari Passu Debt) on a *pro rata* basis, that principal amount of Notes (and Pari Passu Debt) equal to the Net Proceeds Offer Amount at a price equal to 100% of the principal amount of the Notes (and Pari Passu Debt) to be purchased, plus accrued and unpaid interest, if any, thereon to the date of purchase; *provided, however*, that if at any time any non-cash consideration received by CNH Global or any Restricted Subsidiary, as the case may be, in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash (other than interest received with respect to any such non-cash consideration) or Cash Equivalents, then such conversion or disposition shall be deemed to constitute an Asset Sale hereunder and the Net Cash Proceeds thereof shall be applied in accordance with this covenant.

Notwithstanding the first two paragraphs of this covenant, CNH Global and its Restricted Subsidiaries will be permitted to enter into and consummate one or more Permitted Asset Swaps without complying with such paragraphs (except to the extent of any Net Cash Proceeds received in connection with such Permitted Asset Swap which shall constitute Net Cash Proceeds for purposes of this covenant) to the extent that at the time of entering into each such Permitted Asset Swap and immediately after giving effect to such Permitted Asset Swap, no Default or Event of Default shall have occurred or be continuing or would occur as a consequence thereof.

Case New Holland may defer the Net Proceeds Offer until there is an aggregate unutilized Net Proceeds Offer Amount equal to or in excess of \$25.0 million resulting from one or more Asset Sales or deemed Asset Sales (at which time, the entire unutilized Net Proceeds Offer Amount, and not just the amount in excess of \$25.0 million, shall be applied as required pursuant to this paragraph). The first such date the aggregate unutilized Net Proceeds Offer Amount is equal to or in excess of \$25.0 million shall be treated for this purpose as the Net Proceeds Offer Trigger Date.

Pending the final application of any such Net Cash Proceeds, CNH Global or any such Restricted Subsidiary may apply such Net Cash Proceeds to temporarily reduce Indebtedness under any revolving credit facility or other Indebtedness included under “Current Liabilities” on CNH Global’s

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consolidated balance sheet or otherwise invest the Net Cash Proceeds in any manner that is not prohibited by the Indenture.

Each Net Proceeds Offer will be mailed to the record Holders as shown on the register of Holders within 30 days following the Net Proceeds Offer Trigger Date, with a copy to the Trustee, and shall comply with the procedures set forth in the Indenture. Upon receiving notice of the Net Proceeds Offer, Holders may elect to tender their Notes in whole or in part in integral multiples of \$1,000 in exchange for cash. To the extent Holders properly tender Notes and holders of Pari Passu Debt properly tender such Pari Passu Debt in an amount exceeding the Net Proceeds Offer Amount, the tendered Notes and Pari Passu Debt will be purchased on a *pro rata* basis based on aggregate amounts of Notes and Pari Passu Debt tendered. A Net Proceeds Offer shall remain open for a period of 20 Business Days or such longer period as may be required by law. If the principal amount of Notes tendered in response to the Net Proceeds Offer is less than the Net Proceeds Offer Amount, such funds will no longer constitute Net Cash Proceeds and may be used for any purpose not otherwise prohibited by the Indenture.

Case New Holland will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws and regulations are applicable in connection with the repurchase of Notes pursuant to a Net Proceeds Offer. To the extent that the provisions of any securities laws or regulations conflict with the “Asset Sale” provisions of the Indenture, Case New Holland shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the “Asset Sale” provisions of the Indenture by virtue thereof.

CNH Global will not permit any Unrestricted Financial Services Subsidiary to consummate a transaction that would constitute an Asset Sale had it been consummated by a Restricted Subsidiary unless such Unrestricted Financial Services Subsidiary receives Fair Market Value for the assets, net of any liabilities assumed, sold or disposed of.

CERTAIN COVENANTS

Covenant Termination. The Indenture will provide that the restrictive covenants described in the paragraphs following this “Covenant Termination” section will be applicable to CNH Global and its Restricted Subsidiaries unless the Notes reach Investment Grade Status. Immediately after the Notes have reached Investment Grade Status, and notwithstanding that the Notes may later cease to have an Investment Grade Rating from either or both of the Rating Agencies, CNH Global and its Restricted Subsidiaries will be released from their obligations to comply with these restrictive covenants, except for the covenants described under the following headings:

- (a) clause (b) of “—Limitation on Liens,”
- (b) “—Merger, Consolidation and Sale of Assets” (other than clause (2) of the first paragraph thereof and clause (4) of the fourth paragraph thereof),
- (c) clause (b) of “—Limitation on Sale and Leaseback Transactions,”
- (d) “—Limitation on Designations of Unrestricted Subsidiaries,”
- (e) “—Designation of Equipment Subsidiaries and Financial Services Subsidiaries” and
- (f) “—Reports to Holders”.

Additionally, after the Notes have reached Investment Grade Status, and notwithstanding that the Notes may later cease to have an Investment Grade Rating from either or both Rating Agencies, CNH Global and its Restricted Subsidiaries will also be released from the obligations to comply with

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the covenants described under “Repurchase at the Option of Holders—Change of Control” and “—Asset Sales”.

Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock. CNH Global will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee, acquire, become liable, contingently or otherwise, with respect to, or otherwise become responsible for payment of (collectively, “*incur*”) any Indebtedness (including Acquired Indebtedness) and CNH Global will not permit any of its Restricted Subsidiaries to issue any Preferred Stock; *provided, however*, that CNH Global may incur Indebtedness (including, without limitation, Acquired Indebtedness) and Case New Holland and any Equipment Subsidiary Guarantor may incur Indebtedness (including, without limitation, Acquired Indebtedness) or issue Preferred Stock if on the date of the incurrence of such Indebtedness or the issuance of such Preferred Stock, after giving effect to the incurrence or issuance thereof, the Consolidated Fixed Charge Coverage Ratio of CNH Global would be greater than 2.0 to 1.0.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness or the issuance of any of the following items of Preferred Stock, as applicable (collectively, “*Permitted Indebtedness*”):

- (1) Indebtedness under the Notes issued in this Offering in an aggregate principal amount not to exceed \$500 million and any Guarantees thereof;
- (2) Indebtedness of CNH Global and its Equipment Subsidiaries incurred pursuant to one or more Credit Facilities; *provided, however*, that the aggregate principal amount of Net Indebtedness at any time outstanding shall not exceed \$2.0 billion, less the amount of any such Indebtedness permanently retired with the Net Cash Proceeds from any Asset Sale applied from and after the Issue Date to reduce the amounts outstanding thereunder pursuant to the covenant described under “—Repurchase at the Option of Holders—Asset Sales”;
- (3) Indebtedness of or the issuance of Preferred Stock (including, without limitation, Acquired Indebtedness and any Indebtedness or Preferred Stock issued to CNH Global or any Equipment Subsidiaries) by any Financial Services Subsidiary of CNH Global; *provided* that on the date of the incurrence of such Indebtedness or the issuance of such Preferred Stock, after giving effect to the incurrence or issuance thereof, the Financial Subsidiary Leverage Ratio of the Financial Services Subsidiaries would be less than 5.5 to 1.0;
- (4) other Indebtedness of CNH Global and its Equipment Subsidiaries outstanding on the Issue Date (including, but not limited to, the Fiat Promissory Notes and the Intesa BCI Indebtedness) reduced by the amount of any scheduled amortization payments or mandatory prepayments when actually paid or permanent reductions thereon;
- (5) Hedging Obligations of CNH Global or any Restricted Subsidiary, as the case may be, that are incurred in the ordinary course of business; *provided, however*, that such Hedging Obligations are entered into, in the good faith judgment of CNH Global, to protect CNH Global and its Restricted Subsidiaries from (a) fluctuations in interest rates on Indebtedness incurred in accordance with the Indenture, (b) fluctuations in foreign currency rates, (c) commodity price risk with respect to commodities purchased by CNH Global or any Restricted Subsidiary or (d) any combination of the foregoing, and, in each case, not for speculative purposes;
- (6) Indebtedness or Preferred Stock of an Equipment Subsidiary to CNH Global or another Equipment Subsidiary for so long as such Indebtedness or Preferred Stock is held by CNH Global or an Equipment Subsidiary; *provided* that (A) any Indebtedness of Case New Holland to CNH Global or any other Equipment Subsidiary is unsecured and subordinated, pursuant to a written agreement, to Case New Holland’s obligations under the Indenture and the Notes and

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(B) if as of any date any Person other than CNH Global or an Equipment Subsidiary owns or holds any such Indebtedness or Preferred Stock or holds a Lien in respect of such Indebtedness (other than any Lien permitted by clause (B) of paragraph (a) under “—Limitation on Liens”), such date shall be deemed the incurrence of Indebtedness or the issuance of Preferred Stock, as the case may be, not constituting Permitted Indebtedness by the issuer of such Indebtedness or Preferred Stock;

(7) Indebtedness of a Financial Services Subsidiary to another Financial Services Subsidiary for so long as such Indebtedness is held by a Financial Services Subsidiary; *provided* that if as of any date any Person other than a Financial Services Subsidiary owns or holds any such Indebtedness or holds a Lien in respect of such Indebtedness (other than any Lien permitted by clause (B) of paragraph (a) under “—Limitation on Liens”), such date shall be deemed the incurrence of Indebtedness not constituting Permitted Indebtedness by the issuer of such Indebtedness;

(8) Indebtedness of CNH Global to a Restricted Subsidiary for so long as such Indebtedness is held by a Restricted Subsidiary; *provided* that (A) any Indebtedness of CNH Global to any Restricted Subsidiary is unsecured and subordinated, pursuant to a written agreement, to CNH Global’s obligations under the Indenture and the Guarantee of CNH Global and (B) if as of any date any Person other than a Restricted Subsidiary owns or holds any such Indebtedness or any Person holds a Lien in respect of such Indebtedness (other than any Lien permitted by clause (B) of paragraph (a) under “—Limitation on Liens”), such date shall be deemed the incurrence of Indebtedness not constituting Permitted Indebtedness by CNH Global;

(9) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft (including, without limitation, any overdraft (including any daylight overdraft)) or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within fifteen Business Days after receipt of notice from such bank or other financial institution;

(10) Indebtedness of CNH Global or any of its Restricted Subsidiaries in respect of performance bonds, bankers’ acceptances, workers’ compensation claims, surety or appeal bonds, payment obligations in connection with self-insurance or similar obligations in the ordinary course of business;

(11) Indebtedness represented by Purchase Money Indebtedness and Capitalized Lease Obligations not to exceed 2.5% of Consolidated Net Tangible Assets of CNH Global and its Equipment Subsidiaries;

(12) Refinancing Indebtedness;

(13) Non-Recourse Accounts Receivable Subsidiary Indebtedness and Indebtedness under ARS Promissory Notes, in each case incurred by any Accounts Receivable Subsidiary in a Qualified Receivables Transaction;

(14) the Attributable Indebtedness of any Excluded Sale and Leaseback Transaction; and

(15) additional Indebtedness of CNH Global and its Restricted Subsidiaries in an aggregate principal amount not to exceed \$150.0 million at any one time outstanding.

For purposes of determining compliance with this “Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock” covenant:

(1) in the event that an item of Indebtedness or Preferred Stock meets the criteria of more than one of the categories of Indebtedness or Preferred Stock described in clauses (1) through (15) of

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the second paragraph of this covenant, or is entitled to be incurred pursuant to the first paragraph of this covenant, CNH Global may, in its sole discretion, classify such item of Indebtedness or Preferred Stock on the date of its incurrence or, subject to clause (2) below, later reclassify all or a portion of such item of Indebtedness in any manner that complies with this covenant;

(2) (a) Indebtedness of CNH Global or any Equipment Subsidiary under any Existing Credit Facility outstanding on the Issue Date will be deemed to have been incurred pursuant to clause (2) of the second paragraph of this covenant and CNH Global will not be permitted to reclassify any portion of such Indebtedness thereafter, (b) Indebtedness of any Financial Services Subsidiary to CNH Global or any Equipment Subsidiary will be deemed to have been incurred pursuant to clause (3) of the second paragraph of this covenant and (c) Non-Recourse Accounts Receivable Subsidiary Indebtedness outstanding on the Issue Date will be deemed to have been incurred pursuant to clause (13) of the second paragraph of this covenant;

(3) accrual of interest, accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms and the payment of dividends on Disqualified Capital Stock or Preferred Stock in the form of additional shares of the same class of Disqualified Capital Stock or Preferred Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Preferred Stock for purposes of this covenant;

(4) the maximum amount of Indebtedness that CNH Global or any Restricted Subsidiary may incur pursuant to this covenant will not be deemed to be exceeded, with respect to any outstanding Indebtedness, due solely to the result of fluctuations in the exchange rates of currencies; and

(5) the U.S. dollar-equivalent principal amount of any Indebtedness or Preferred Stock denominated in a foreign currency will be calculated based on the relevant currency exchange rate in effect on the date the Indebtedness was incurred, or first committed, in the case of revolving credit Indebtedness, or the Preferred Stock was issued, as applicable; *provided* that if any Indebtedness is incurred to Refinance Indebtedness denominated in a foreign currency, and such Refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such Refinancing, such U.S. dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of the Indebtedness incurred to Refinance such outstanding Indebtedness does not exceed the principal amount of such Indebtedness being Refinanced.

Additionally, Case New Holland will not, and will not permit any other Guarantor to, directly or indirectly, incur any Indebtedness that purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated to any other Indebtedness of Case New Holland or of such Guarantor, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinate to the Notes or any Guarantee of such Guarantor to the same extent and in the same manner as such Indebtedness is subordinated to such other Indebtedness of CNH Global or such Guarantor, as the case may be.

Limitation on Restricted Payments. CNH Global will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

(a) declare or pay any dividend or make any distribution (other than (i) dividends or distributions payable in Qualified Capital Stock of CNH Global and (ii) in the case of Restricted Subsidiaries, dividends or distributions to CNH Global or any other Restricted Subsidiary and *pro rata* dividends or distributions payable to the other holders of the same class of Capital Stock of such Restricted Subsidiary) on or in respect of shares of its Capital Stock to holders of such Capital Stock;

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(b) purchase, redeem or otherwise acquire or retire for value any Capital Stock of CNH Global or any warrants, rights or options to purchase or acquire shares of any class of such Capital Stock;

(c) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, any Indebtedness of Case New Holland or any Guarantor that is subordinate or junior in right of payment to the Notes or such Guarantor's Guarantee of the Notes (other than a purchase, defeasance, redemption, prepayment, decrease or other acquisition or retirement for value in anticipation of satisfying a scheduled final maturity, scheduled repayment or scheduled sinking fund payment, in each case, due within one year of the date of such acquisition or retirement); or

(d) make any Investment (other than Permitted Investments)

(each of the foregoing actions set forth in clauses (a), (b), (c) and (d) being referred to as a “*Restricted Payment*”), if at the time of such Restricted Payment or immediately after giving effect thereto:

(1) a Default or an Event of Default shall have occurred and be continuing;

(2) CNH Global is not able to incur at least \$1.00 of additional Indebtedness pursuant to the Consolidated Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described under “—Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock”; or

(3) the aggregate amount of Restricted Payments (including such proposed Restricted Payment) made after the Calculation Start Date (the amount expended for such purpose, if other than in cash, being the Fair Market Value of such property) shall exceed the sum of:

(w) 50% of the cumulative Consolidated Net Income (or if cumulative Consolidated Net Income shall be a loss, minus 100% of such loss) of CNH Global earned during the period beginning on the Build-up Amount Start Date and ending on the last date of the most recent fiscal quarter for which financial statements are available prior to the date such Restricted Payment (the “*Reference Date*”) (treating such period as a single accounting period); *plus*

(x) 100% of the net proceeds (including the Fair Market Value of any property or assets) received by CNH Global from any Person (other than a Subsidiary of CNH Global) subsequent to the Calculation Start Date and on or prior to the Reference Date (a) as a contribution to the common equity capital of CNH Global by any holder of CNH Global's Capital Stock or (b) from the issuance and sale of Qualified Capital Stock of CNH Global (excluding any net proceeds from a Qualified Equity Offering to the extent used to redeem Notes); *plus*

(y) without duplication of any amounts included in clause (3)(x) above, the aggregate amount by which Indebtedness (other than Subordinated Indebtedness) of CNH Global or any Restricted Subsidiary is reduced on CNH Global's consolidated balance sheet subsequent to the Calculation Start Date and on or prior to the Reference Date upon the conversion or exchange of any Indebtedness for Qualified Capital Stock of CNH Global (other than to the extent of any Qualified Capital Stock issued to any Subsidiary of CNH Global); *plus*

(z) without duplication, the sum of:

(1) the aggregate amount returned in cash on or with respect to Investments (other than Permitted Investments) made subsequent to the Calculation Start Date whether through interest payments, principal payments, dividends or other distributions or payments;

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(2) the net cash proceeds received by CNH Global or any of the Restricted Subsidiaries from the disposition of all or any portion of such Investments (other than to a Subsidiary of CNH Global); and

(3) upon Revocation of the status of an Unrestricted Subsidiary as an Unrestricted Subsidiary, the Fair Market Value of CNH Global's and the Restricted Subsidiaries' Investment in such Subsidiary;

provided, however, that the sum of clauses (1), (2) and (3) above shall not exceed the sum of (I) the aggregate amount of all such Investments made subsequent to the Calculation Start Date and (II) without duplication of clause (I), one half of the gain from any disposition of all or any portion of such Investments (other than to a Subsidiary of CNH Global) made subsequent to the Calculation Start Date.

Notwithstanding the foregoing, the provisions set forth in the immediately preceding paragraph do not prohibit:

- (1) the payment of any dividend within 60 days after the date of declaration of such dividend if the dividend would have been permitted on the date of declaration;
- (2) if no Default or Event of Default shall have occurred and be continuing, the acquisition of any shares of Capital Stock of CNH Global, either (i) solely in exchange for shares of Qualified Capital Stock of CNH Global or (ii) through the application of net proceeds of a substantially concurrent sale for cash (other than to a Subsidiary of CNH Global) of shares of Qualified Capital Stock of CNH Global;
- (3) if no Default or Event of Default shall have occurred and be continuing, the acquisition of any Indebtedness of Case New Holland or any Guarantor that is subordinate or junior in right of payment to the Notes or the Guarantee of such Guarantor, as the case may be, either (i) solely in exchange for shares of Qualified Capital Stock of CNH Global, or (ii) through the application of the net proceeds of a substantially concurrent sale for cash (other than to a Subsidiary of CNH Global) of (a) shares of Qualified Capital Stock of CNH Global or (b) Refinancing Indebtedness;
- (4) if no Default or Event of Default shall have occurred and be continuing, repurchases by CNH Global of Capital Stock (or rights or options therefor) of CNH Global from current or former employees of CNH Global or any Subsidiary or their authorized representatives, in an aggregate amount not to exceed \$2.5 million in any calendar year;
- (5) if no Default or Event of Default shall have occurred and be continuing, the payment of pro rata cash dividends on shares of the common stock of CNH Global to the holders thereof in an amount not to exceed \$33.0 million in any calendar year; provided however, that from and after the date that all of the shares of Series A Preferred Stock outstanding on the Issue Date cease to be outstanding (whether by conversion, exchange, redemption or otherwise) such maximum amount shall not exceed \$60.0 million in any calendar year;
- (6) if no Default or Event of Default shall have occurred and be continuing, commencing in calendar year 2005, the payment of cash dividends on the shares of Series A Preferred Stock outstanding on the Issue Date in an amount not to exceed \$50.0 million in any calendar year; and
- (7) additional Restricted Payments in an aggregate amount not to exceed \$20.0 million.

In determining the aggregate amount of Restricted Payments made subsequent to the Calculation Start Date in accordance with clause (3) of the first paragraph of this covenant, amounts expended pursuant to clauses (1), (2)(ii), (3)(ii)(a), (4), (5) and (6) shall be included in such calculation.

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Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries. CNH Global will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective, any encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (a) pay dividends or make any other distributions on or in respect of its Capital Stock;
- (b) make loans or advances or to pay any Indebtedness or other obligation owed to CNH Global or any other Restricted Subsidiary; or
- (c) transfer any of its property or assets to CNH Global or any other Restricted Subsidiary,

except for such encumbrances or restrictions existing under or by reasons of:

- (1) any agreements (including, without limitation, any Existing Credit Facility) existing on the Issue Date to the extent and in the manner such agreements are in effect on the Issue Date and any amendments, restatements, renewals, replacements or refinancings thereof; *provided, however*, that the encumbrances and restrictions contained in any such amendments, restatements, renewals, replacements or refinancings are not, taken as a whole, materially more restrictive than the encumbrances or restrictions contained in such agreements on the Issue Date;
- (2) any Credit Facility or any Indebtedness incurred under clause (3) of the covenant described under “—Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock” if (x) either (i) the encumbrance or restriction applies only in the event of and during the continuance of a payment default or a default with respect to a financial covenant contained in such Indebtedness or agreement or (ii) either senior management or the Board of Directors of CNH Global determines at the time any such Indebtedness is incurred (and at the time of any modification of the terms of any such encumbrance or restriction) that any such encumbrance or restriction could not reasonably be expected to affect the ability of Case New Holland to make principal or interest payments on the Notes as and when due and (y) the encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable financings or agreements (as determined in good faith by either senior management or the Board of Directors of CNH Global);
- (3) the Indenture, the Notes and the Guarantees;
- (4) applicable law, rule, regulation or order;
- (5) customary non-assignment provisions of any contract or any lease governing a leasehold interest of any Restricted Subsidiary;
- (6) any instrument governing Acquired Indebtedness, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;
- (7) Purchase Money Indebtedness and Capitalized Lease Obligations permitted to be incurred pursuant to clause (11) of the second paragraph under the covenant described under “—Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock” that impose limitations of the nature described in clause (c) of the first paragraph of this covenant;
- (8) customary restrictions on the transfer of any property or assets arising under a security agreement governing a Lien permitted under the Indenture;
- (9) any agreement governing Refinancing Indebtedness; *provided, however*, that the encumbrances or restrictions contained in any such Refinancing Indebtedness are not, taken as a whole,

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materially more restrictive than the provisions relating to such encumbrances or restrictions contained in the Indebtedness being refinanced;

(10) any agreement governing the sale or disposition of all or substantially all of the Capital Stock or assets of any Restricted Subsidiary which restricts dividends and distributions pending such sale or disposition; and

(11) Non-Recourse Accounts Receivable Subsidiary Indebtedness or other contractual requirements of an Accounts Receivable Subsidiary in connection with a Qualified Receivables Transaction; *provided* that such restrictions apply only to such Accounts Receivable Subsidiary or Qualified Receivables Assets which are subject to a Qualified Receivables Transaction.

Limitation on Liens. (a) CNH Global will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or permit or suffer to exist any Liens of any kind against or upon any property or assets of CNH Global or any of its Restricted Subsidiaries, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, or assign or otherwise convey any right to receive income or profits therefrom unless:

(1) in the case of Liens securing Indebtedness that is expressly subordinate or junior in right of payment to the Notes or a Guarantee, the Notes or such Guarantee are secured by a Lien on such property, assets or proceeds that is senior in priority to such Liens; and

(2) in all other cases, the Notes are equally and ratably secured,

for so long as any Indebtedness or other obligations giving rise to the creation of a Lien in favor of the Notes are so secured, except for:

(A) Liens existing as of the Issue Date to the extent and in the manner such Liens are in effect on the Issue Date;

(B) (I) Liens securing Indebtedness in an aggregate principal amount not to exceed the greater of (i) \$2.0 billion incurred pursuant to clause (2) of the second paragraph of the covenant described under “—Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock” and (ii) an amount equal to 2.5 times Consolidated EBITDA for the most recently ended Four Quarter Period for which financial statements are available and (II) Liens securing Indebtedness incurred pursuant to clause (3) of the second paragraph of the covenant described under “—Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock”; and

(C) Permitted Liens.

(b) In the event that section (a) of this covenant no longer applies to CNH Global and its Restricted Subsidiaries in light of the circumstances described above under “—Covenant Termination,” CNH Global will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or permit or suffer to exist any Liens of any kind against or upon any property or assets of CNH Global or any of its Restricted Subsidiaries, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, or assign or otherwise convey any right to receive income or profits therefrom, unless:

(1) in the case of Liens securing Indebtedness that is expressly subordinate or junior in right of payment to the Notes or a Guarantee, the Notes or such Guarantee are secured by a Lien on such property, assets or proceeds that is senior in priority to such Liens; and

(2) in all other cases, the Notes are equally and ratably secured,

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for so long as any Indebtedness or other obligations giving rise to the creation of a Lien in favor of the Notes are so secured, except for:

- (A) Liens existing on the date the Notes reach Investment Grade Status to the extent and in the manner such Liens are in effect on the date the Notes reach Investment Grade Status;
- (B) Permitted Liens; and
- (C) in addition to the Liens described in clauses (A) and (B) above, additional Liens not to exceed 15.0% of the Consolidated Net Tangible Assets of CNH Global and its Restricted Subsidiaries.

Merger, Consolidation and Sale of Assets. Neither CNH Global nor Case New Holland will, in a single transaction or series of related transactions, consolidate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of CNH Global's assets (determined on a consolidated basis for CNH Global and its Restricted Subsidiaries) to any Person unless:

- (1) (A) in the case of a merger, consolidation, sale, assignment, transfer, lease, conveyance or other disposition involving
 - (x) CNH Global, CNH Global shall be the surviving or continuing corporation or the Person (if other than CNH Global) formed by such consolidation or into which CNH Global is merged or the Person to which such Transfer or other disposition has been made shall be a Person organized and validly existing under the laws of a member state of the European Union (as it exists on the Issue Date), the United States or any State thereof or the District of Columbia; and
 - (y) Case New Holland, Case New Holland shall be the surviving or continuing corporation or the Person (if other than Case New Holland) formed by such consolidation or into which Case New Holland is merged or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made shall be a Person organized and validly existing under the laws of the United States or any State thereof or the District of Columbia, *provided* that if such successor Person is not a corporation there must at all times be a joint and several co-issuer of the Notes that is a Wholly-Owned Restricted Subsidiary of such successor Person that (I) is a corporation organized and validly existing under the laws of any jurisdiction described above in this clause (y) and (II) has no liabilities and engages in no activities other than its obligations under the Notes and activities incidental thereto; and
 - (B) the Person (if other than CNH Global or Case New Holland) formed by such consolidation or into which CNH Global or Case New Holland, as the case may be, is merged or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made (the "*Surviving Entity*") (and any co-issuer, if any) shall expressly assume, by supplemental indenture, executed and delivered to the Trustee, all obligations of CNH Global or Case New Holland, as the case may be, under the Notes, the Guarantee of CNH Global, the Indenture and the Registration Rights Agreement on the part of CNH Global or Case New Holland to be performed or observed;
- (2) immediately after giving effect to such transaction and the assumption contemplated by clause (1)(B) above (including giving effect to any Indebtedness and Acquired Indebtedness incurred or anticipated to be incurred in connection with or in respect of such transaction), CNH Global or such Surviving Entity, as the case may be, shall be able to incur at least \$1.00 of additional Indebtedness pursuant to the Consolidated Fixed Charge Coverage Ratio test set forth

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in the first paragraph of the covenant described under “—Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock”;

(3) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (1)(B) above (including, without limitation, giving effect to any Indebtedness and Acquired Indebtedness incurred or anticipated to be incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred and be continuing; and

(4) CNH Global, Case New Holland or the Surviving Entity (and any co-issuer, if any), as the case may be, shall have delivered to the Trustee an officers’ certificate and an opinion of counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transaction) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries, the Capital Stock of which constitutes all or substantially all of the properties and assets of CNH Global shall be deemed to be the transfer of all or substantially all of the properties and assets of CNH Global.

The Indenture will provide that upon any consolidation, combination or merger or any transfer of all or substantially all of the assets of Case New Holland or CNH Global, as the case may be, in accordance with the foregoing in which Case New Holland or CNH Global is not the continuing corporation, the successor Person formed by such consolidation or into which Case New Holland or CNH Global is merged or to which such conveyance, lease or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, Case New Holland or CNH Global, as the case may be, under the Indenture, the Notes and the Guarantee of CNH Global with the same effect as if such surviving entity had been named as such.

No Guarantor (other than CNH Global or any Guarantor whose Guarantee is to be released in accordance with the terms of the Guarantee and the Indenture) will, and CNH Global will not cause or permit any Guarantor to, consolidate with or merge with or into any Person other than CNH Global, Case New Holland or any other Guarantor unless:

(1) the entity formed by or surviving any such consolidation or merger (if other than the Guarantor) is a Person organized and existing under the laws of (x) if such Guarantor is organized and existing under the laws of the United States or any State thereof or the District of Columbia, the United States or any State thereof or the District of Columbia; (y) if such Guarantor is organized and existing under the laws of a member state of the European Union (as it exists on the Issue Date), (i) a member state of the European Union (as it exists on the Issue Date) or (ii) the United States or any State thereof or the District of Columbia; or (z) if such Guarantor is organized and existing under the laws of any other jurisdiction (i) a member state of the European Union (as it exists on the Issue Date), (ii) the United States or any State thereof or the District of Columbia or (iii) the jurisdiction or organization or existence of the Guarantor to which such consolidation or merger relates;

(2) such entity assumes by supplemental indenture all of the obligations of the Guarantor under the Indenture, such Guarantor’s Guarantee and the Registration Rights Agreement;

(3) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

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(4) immediately after giving effect to such transaction and the use of any net proceeds therefrom on a pro forma basis, CNH Global could satisfy the provisions of clause (2) of the first paragraph of this covenant; and

(5) CNH Global shall have delivered to the Trustee an officers' certificate and opinion of counsel, each stating that such consolidation or merger and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied.

Limitation on Transactions with Affiliates. (a) CNH Global will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any of its Affiliates (each an "Affiliate Transaction"), other than:

(x) Affiliate Transactions permitted under paragraph (b) below; and

(y) Affiliate Transactions on terms that are not less favorable than those that would have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of CNH Global or such Restricted Subsidiary.

All Affiliate Transactions (and each series of related Affiliate Transactions which are similar or part of a common plan (other than Permitted Financing Support Services)) involving aggregate payments or other property with a Fair Market Value in excess of \$10.0 million shall be approved by a majority of the Disinterested members of the Board of Directors of CNH Global, such approval to be evidenced by a Board Resolution stating that such Disinterested members of the Board of Directors have determined that such transaction complies with the foregoing provisions. If CNH Global or any Restricted Subsidiary enters into an Affiliate Transaction (or series of related Affiliate Transactions related to a common plan (other than Permitted Financing Support Services)) that involves an aggregate Fair Market Value of more than \$25.0 million or as to which there are no Disinterested members of the Board of Directors of CNH Global, CNH Global or such Restricted Subsidiary, as the case may be, shall, prior to the consummation thereof, obtain a favorable opinion as to the fairness of such transaction or series of related transactions to CNH Global or the relevant Restricted Subsidiary, as the case may be, from a financial point of view, from an Independent Financial Advisor and file the same with the Trustee.

(b) The restrictions set forth in clause (a) shall not apply to:

(1) reasonable fees and compensation paid to, and indemnity provided on behalf of, officers, directors or employees of CNH Global or any Restricted Subsidiary as determined in good faith by CNH Global's Board of Directors or senior management;

(2) transactions exclusively between or among CNH Global and any of the Restricted Subsidiaries or exclusively between or among such Restricted Subsidiaries; *provided* that such transactions are not otherwise prohibited by the Indenture;

(3) any agreement as in effect as of the Issue Date or any amendment thereto or any transaction contemplated thereby (including pursuant to any amendment thereto) in any replacement agreement thereto so long as any such amendment or replacement agreement is not more disadvantageous to the Holders in any material respect than the original agreement as in effect on the Issue Date;

(4) Restricted Payments permitted by the Indenture;

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- (5) transactions effected as part of a Qualified Receivables Transaction;
- (6) any agreement or arrangement (and any transaction effectuated pursuant thereto) with Fiat or any of its Subsidiaries relating to the provision of (i) debt financing, guarantees, currency, interest rate and commodity protection contracts, treasury or cash management services and any services reasonably related to any of the foregoing and/or (ii) shared services relating to the administrative and operating activities of CNH Global and its Restricted Subsidiaries, in each case in the ordinary course of business of CNH Global and its Restricted Subsidiaries; *provided* that, either the Board of Directors or senior management of CNH Global shall have determined that each such agreement and arrangement is on terms that are not less favorable than those that would have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of CNH Global or such Restricted Subsidiary; and
- (7) agreements or arrangements (and transactions effectuated pursuant thereto) with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business of CNH Global and its Restricted Subsidiaries; *provided* that, either the Board of Directors or senior management of CNH Global shall have determined that each such agreement and arrangement is on terms that are not less favorable than those that would have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of CNH Global or such Restricted Subsidiary.

Issuance of Subsidiary Guarantees. CNH Global will not cause or permit any of its Restricted Subsidiaries (other than Case New Holland), directly or indirectly, to guarantee any Indebtedness of CNH Global or Case New Holland (other than Indebtedness under any Credit Facility incurred pursuant to clause (2) of the second paragraph under “—Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock”) unless such Restricted Subsidiary:

- (1) executes and delivers to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary shall unconditionally guarantee (each, a “*Guarantee*”) all of Case New Holland’s obligations under the Notes and the Indenture on the terms set forth in the Indenture; and
- (2) delivers to the Trustee an opinion of counsel (which may contain customary exceptions) that such supplemental indenture has been duly authorized, executed and delivered by such Restricted Subsidiary and constitutes a legal, valid, binding and enforceable obligation of such Restricted Subsidiary.

Thereafter, such Restricted Subsidiary shall be a Guarantor for all purposes of the Indenture until such Guarantee is released in accordance with the provisions of “Guarantees” above. CNH Global may cause any other Restricted Subsidiary of CNH Global to issue a Guarantee and become a Guarantor.

Limitation on Sale and Leaseback Transactions. (a) CNH Global will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that CNH Global or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) CNH Global or that Restricted Subsidiary, as applicable, could have
 - (A) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction pursuant to the Consolidated Fixed Charge Coverage Ratio test set forth in the first paragraph or pursuant to clause (3) of the second paragraph, as the case may be, of the covenant described under “—Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock”; and
 - (B) incurred a Lien to secure such Indebtedness pursuant to “—Limitation on Liens” above;

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(2) the consideration received in that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property sold; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the proceeds of such transaction are applied in compliance with, the covenant described under “—Repurchase at the Option of Holders—Asset Sales.”

Notwithstanding the foregoing, CNH Global or any Restricted Subsidiary may enter into and consummate any Excluded Sale and Leaseback Transaction without complying with the foregoing provisions.

(b) In the event that section (a) of this covenant no longer applies to CNH Global and its Restricted Subsidiaries in light of the circumstances described above under “—Covenant Termination,” CNH Global shall not, and shall not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction with respect to any property or assets unless:

(1) CNH Global or such Restricted Subsidiary could have incurred a Lien to secure such Indebtedness pursuant to “—Limitation on Liens” above;

(2) the consideration received in that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property sold; and

(3) the gross cash proceeds of such transaction are applied within 365 days of the receipt thereof either to

(A) repay Indebtedness under any Credit Facility and permanently retire such Indebtedness and cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so repaid;

(B) acquire any property or assets useful to the business of CNH Global and its Restricted Subsidiaries; or

(C) any combination of clauses (A) and (B) above.

Notwithstanding the foregoing, CNH Global or any Restricted Subsidiary may enter into and consummate any Excluded Sale and Leaseback Transaction without complying with the foregoing provisions.

Payments for Consent. CNH Global will not, and will not cause or permit any Subsidiary to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or the Guarantees unless such consideration is offered to be paid to all Holders who so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or amendment.

Limitation on Designations of Unrestricted Subsidiaries. After the Issue Date, CNH Global may designate any Subsidiary of CNH Global (other than Case New Holland or a Subsidiary of CNH Global which owns Capital Stock of Case New Holland or a Restricted Subsidiary) as an “Unrestricted Subsidiary” under the Indenture (a “*Designation*”) only if:

(1) no Default or Event of Default (as defined below) shall have occurred and be continuing at the time of or after giving effect to such Designation; and

(2) (A) in the case of a Subsidiary other than a Financial Services Subsidiary, (i) prior to reaching Investment Grade Status, CNH Global would be permitted under the Indenture to make a Restricted Payment pursuant to the first paragraph of the covenant described under “—Limitation on Restricted Payments” at the time of Designation (assuming the effectiveness of such

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Designation) in an amount equal to the Fair Market Value of CNH Global's and the Restricted Subsidiaries' Investment in such Subsidiary on such date and (ii) from and after the date the Notes reach Investment Grade Status, the Fair Market Value of CNH Global's and the Restricted Subsidiaries' outstanding Investments (calculated at the time such Investment is made) in (x) any such Subsidiary may not exceed \$1.0 million and (y) all such Subsidiaries may not exceed \$10.0 million in the aggregate, and (B) in the case of a Financial Services Subsidiary, immediately prior to or concurrently with such Designation, such Financial Services Subsidiary shall have repaid all Indebtedness owed to CNH Global and its Restricted Subsidiaries (and terminated all related commitments) and returned, in cash or Cash Equivalents or a combination thereof, an amount equal to all Investments made subsequent to the Issue Date in such Financial Services Subsidiary by CNH Global and its Restricted Subsidiaries except to the extent such return would cause such Financial Services Subsidiary to violate applicable capital adequacy or other regulatory requirements, in which case such obligation to return Investments made after the Issue Date shall, to the extent of any amount of Investment the return of which would violate such requirements, be deferred until the date of any Permitted Financial Services Disposition in respect of such Subsidiary.

The Indenture will further provide that CNH Global shall not, and shall not cause or permit any Restricted Subsidiary to, at any time:

(x) provide direct or indirect credit support for or a guarantee of any Indebtedness of any Unrestricted Subsidiary (including any undertaking agreement or instrument evidencing such Indebtedness);

(y) be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary; or

(z) be directly or indirectly liable for any Indebtedness which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity upon the occurrence of a default with respect to any Indebtedness of any Unrestricted Subsidiary (including any right to take enforcement action against such Unrestricted Subsidiary),

except, in the case of clause (x) or (y), to the extent permitted under the covenant described under “—Limitation on Restricted Payments.”

The Indenture will further provide that CNH Global may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (“*Revocation*”), whereupon such Subsidiary shall then constitute a Restricted Subsidiary, if:

(1) no Default or Event of Default shall have occurred and be continuing at the time and after giving effect to such Revocation;

(2) immediately after giving effect to such Revocation, (i) in the case of an Unrestricted Subsidiary not constituting an Unrestricted Financial Services Subsidiary, CNH Global would be permitted to incur \$1.00 of additional Indebtedness pursuant to the Consolidated Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described under “—Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock” and (ii) in the case of an Unrestricted Subsidiary constituting an Unrestricted Financial Services Subsidiary, a Financial Services Subsidiary of CNH Global would be permitted to incur \$1.00 of additional Indebtedness pursuant to clause (3) of the definition of Permitted Indebtedness set forth in the second paragraph of the covenant described under “—Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock”; and

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(3) all Liens and Indebtedness of such Unrestricted Subsidiaries outstanding immediately following such Revocation would, if incurred at such time, have been permitted to be incurred for all purposes of the Indenture.

All Designations and Revocations must be evidenced by an officers' certificate of CNH Global delivered to the Trustee certifying compliance with the foregoing provisions.

As of the Issue Date each of the following Subsidiaries of CNH Global will be Designated as Unrestricted Subsidiaries:

New Holland Kobelco Construction Machinery S.p.A.;
Kobelco Construction Machinery America LLC;
CNH Baumachinen GmbH;
Harbin New Holland Tractors Co. Ltd;
JV UzCaseMash LLC;
JV UzCaseService LLC;
JV UzCaseTractor LLC;
RosCaseMash;
Shanghai New Holland Agricultural Machinery Corporation Limited;
UzCaseagroleasing LLC;
Tri-County New Holland, Inc.;
Farmers New Holland, Inc.;
Challenger New Holland, Ltd.;
Rathell Farm Equipment Co., Inc.;
Northside New Holland, Inc.;
Sunrise Tractor & Equipment Inc.;
Medicine Hat New Holland, Ltd.;
Memphis New Holland, Inc.;
Ridgeview New Holland, Inc.;
St. Catharines New Holland, Ltd; and
St. Anthony New Holland, Inc.

These Unrestricted Subsidiaries accounted for approximately \$1.0 billion of our net sales, excluding intercompany sales, or 8% of consolidated net sales for the year ended December 31, 2004, and approximately \$1.0 billion, or 8%, of our Equipment Operations consolidated assets, excluding goodwill and intangibles, as of December 31, 2004.

Designation of Equipment Subsidiaries and Financial Services Subsidiaries. (a) On the Issue Date, CNH Global shall designate each of its Restricted Subsidiaries as being either an "Equipment Subsidiary" or a "Financial Services Subsidiary" and from and after the Issue Date, CNH Global shall cause each Restricted Subsidiary formed or acquired after the Issue Date (and each Unrestricted Subsidiary the Designation of which has been Revoked) to be designated as either an "Equipment Subsidiary" or a "Financial Services Subsidiary"; *provided* that each such designation shall comply with the requirements of clause (b) below. The designation of each Restricted Subsidiary in existence on the Issue Date shall be set forth in a schedule to the Indenture and the designation of each Restricted Subsidiary formed or acquired after the Issue Date shall be evidenced by an officers' certificate of CNH Global delivered to the Trustee certifying compliance with the foregoing provisions.

(b) CNH Global shall not

(i) designate any Restricted Subsidiary as an Equipment Subsidiary unless the properties, assets and operations of such Restricted Subsidiary relate exclusively to the Equipment Business of CNH Global and its Restricted Subsidiaries; *provided, however*, that any

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Equipment Subsidiary may engage in activities described in the definition of “Financial Services Business” provided that such activities are not the primary business activities of such Equipment Subsidiary and are only incidental to, and undertaken in support of, the Equipment Business activities of such Equipment Subsidiary;

(ii) designate any Restricted Subsidiary as a Financial Services Subsidiary unless the properties, assets and operations of such Restricted Subsidiary relate exclusively to the Financial Services Business of CNH Global and its Restricted Subsidiaries;

(iii) permit any Restricted Subsidiary to own any properties or other assets or engage in any activities which would cause it to qualify as both an Equipment Subsidiary and a Financial Services Subsidiary; or

(iv) transfer any plant, property or equipment to any Financial Services Subsidiary or permit any Financial Services Subsidiary to own any plant, property or equipment other than, in each case, property and equipment incidental to the operation of the Financial Services Business.

Notwithstanding the foregoing, CNH Global shall at all times (x) with respect to itself, satisfy the requirements for being an Equipment Subsidiary (notwithstanding that it is not a Subsidiary) and (y) cause Case New Holland to at all times be an Equipment Subsidiary.

Reports to Holders. Whether or not CNH Global is then subject to Section 13(a) or 15(d) of the Exchange Act, CNH Global will furnish to the Trustee and the Holders, so long as the Notes are outstanding: (i) reports on Form 6-K relating to quarterly financial information substantially in the form of the Form 6-K filed by CNH Global on October 27, 2005, as amended; *provided*, that such reports on Form 6-K will be so furnished no later than 45 days after the end of the fiscal quarter relating to such quarterly report; and (ii) annual reports on Form 20-F substantially in the form of the Form 20-F filed by CNH Global for the fiscal year ended December 31, 2004; *provided*, that such reports on Form 20-F will be so furnished no later than the date by which CNH Global would be required so to file such report if then required to file such a report under the Exchange Act; *provided, however*, that to the extent that CNH Global ceases to qualify as a “foreign private issuer” within the meaning of the Exchange Act, whether or not CNH Global is then subject to Section 13(a) or 15(d) of the Exchange Act, CNH Global will furnish to the Trustee and the Holders, so long as the Notes are outstanding (x) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if CNH Global were required to file such forms, including a “Management’s Discussion and Analysis of Financial Condition and Results of Operations” that describes the financial condition and results of operations of CNH Global and its consolidated Subsidiaries and, with respect to the annual information only, a report thereon by CNH Global’s certified independent accountants; and (y) all current reports that would be required to be filed with the Commission on Form 8-K if CNH Global were required to file such reports, in each case within the time periods specified in the Commission’s rules and regulations.

In addition, whether or not required by the rules and regulations of the Commission, CNH Global will electronically file or furnish, as the case may be, a copy of all such information and reports with the Commission for public availability within the time periods specified in the Commission’s rules and regulations (unless the Commission will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. In addition, CNH Global has agreed that, for so long as any Notes remain outstanding, it will furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

EVENTS OF DEFAULT

The following events will be defined in the Indenture as “*Events of Default*”:

- (1) the failure to pay interest on any Notes when the same becomes due and payable and the default continues for a period of 30 days;
- (2) the failure to pay the principal of any Notes, when such principal becomes due and payable, at maturity, upon redemption or otherwise (including the failure to make a payment to purchase Notes tendered pursuant to a Change of Control Offer or a Net Proceeds Offer);
- (3) a default in the observance or performance of any other covenant or agreement contained in the Indenture which default continues for a period of 30 days after Case New Holland receives written notice specifying the default from the Trustee or the Holders of at least 25% of the outstanding principal amount of the Notes (except in the case of a default with respect to the covenant described under “—Certain Covenants—Merger, Consolidation and Sale of Assets,” which will constitute an Event of Default with such notice requirement but without such passage of time requirement);
- (4) a default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of CNH Global or any of its Restricted Subsidiaries (or the payment of which is guaranteed by CNH Global or any of its Restricted Subsidiaries) but excluding Non-Recourse Accounts Receivable Subsidiary Indebtedness, whether such Indebtedness now exists or is created after the Issue Date, which default (A) is caused by a failure to pay principal of such Indebtedness after any applicable grace period provided in such Indebtedness on the date of such default (a “*payment default*”) or (B) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates \$75.0 million;
- (5) one or more judgments in an aggregate amount in excess of \$75.0 million not covered by adequate insurance shall have been rendered against CNH Global or any of its Restricted Subsidiaries and such judgments remain undischarged, unpaid or unstayed for a period of 60 days after such judgment or judgments become final and nonappealable;
- (6) certain events of bankruptcy as set forth in the Indenture affecting CNH Global, Case New Holland or any Significant Subsidiary or group of Restricted Subsidiaries of CNH Global that, together, would constitute a Significant Subsidiary; or
- (7) any Guarantee of any Guarantor ceases to be in full force and effect or any Guarantee of such Guarantor is declared to be null and void and unenforceable or any Guarantee of such Guarantor is found to be invalid or any Guarantor denies its liability under its Guarantee (other than by reason of release of such Guarantor in accordance with the terms of the Indenture).

If an Event of Default (other than an Event of Default specified in clause (6) above) shall occur and be continuing, the Trustee or the Holders of at least 25% in principal amount of outstanding Notes may declare the principal of, premium, if any, and accrued interest on all the Notes to be due and payable by notice in writing to Case New Holland and (if given by the Holders) the Trustee specifying the respective Events of Default and that it is a “notice of acceleration,” and the same shall become immediately due and payable. If an Event of Default specified in clause (6) above occurs with respect to CNH Global or Case New Holland and is continuing, then all unpaid principal of, premium, if any, and accrued and unpaid interest on all of the outstanding Notes shall *ipso facto* become and be

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immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Indenture will provide that, at any time after a declaration of acceleration with respect to the Notes as described in the preceding paragraph, the Holders of a majority in principal amount of the then outstanding Notes may rescind and cancel such declaration and its consequences:

- (1) if the rescission would not conflict with any judgment or decree;
- (2) if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration;
- (3) to the extent the payment of such interest is lawful, if interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid;
- (4) if Case New Holland has paid the Trustee its reasonable compensation and reimbursed the Trustee for its expenses, disbursements and advances; and
- (5) in the event of the cure or waiver of an Event of Default of the type described in clause (6) of the description above of Events of Default, the Trustee shall have received an officers' certificate and an opinion of counsel that such Event of Default has been cured or waived.

No such rescission shall affect any subsequent Default or Event of Default or impair any right consequent thereto.

The Holders of a majority in principal amount of the then outstanding Notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of or premium, if any, or interest on any Notes.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and under the TIA. Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights, or powers under the Indenture at the request, order or direction of any of the Holders, unless such Holders have offered to the Trustee reasonable security or indemnity. Subject to all provisions of the Indenture and applicable law, the Holders of a majority in aggregate principal amount of the then outstanding Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

Under the Indenture, Case New Holland is required to provide an officers' certificate to the Trustee promptly upon Case New Holland obtaining knowledge of any Default or Event of Default (*provided* that Case New Holland shall provide such certification at least annually whether or not it knows of any Default or Event of Default) that has occurred and, if applicable, describe such Default or Event of Default and the status thereof.

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Case New Holland may, at its option and at any time, elect to have its obligations and the obligations of any Guarantors discharged with respect to the outstanding Notes ("*Legal Defeasance*"). Such Legal Defeasance means that Case New Holland shall be deemed to have paid and discharged the entire indebtedness represented by the outstanding Notes, except for:

- (1) the rights of Holders to receive payments in respect of the principal of, premium, if any, and interest on the Notes when such payments are due;

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- (2) Case New Holland's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payments;
- (3) the rights, powers, trust, duties and immunities of the Trustee and Case New Holland's obligations in connection therewith; and
- (4) the Legal Defeasance provisions of the Indenture.

In addition, Case New Holland may, at its option and at any time, elect to have the obligations of Case New Holland released with respect to certain covenants that are described in the Indenture ("*Covenant Defeasance*") and thereafter any omission or failure to comply, with such obligations shall not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including nonpayment, bankruptcy, receivership, reorganization and insolvency events) described under "—Events of Default" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise Legal Defeasance or Covenant Defeasance:

- (1) Case New Holland must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders cash in U.S. dollars, non-callable U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants selected by Case New Holland, to pay the principal of, premium, if any, and interest on the Notes on the stated date of payment thereof or on the applicable redemption date, as the case may be; *provided* that the Trustee shall have received an irrevocable written order from Case New Holland instructing the Trustee to apply such U.S. dollars or the proceeds of such U.S. government obligations to said payments with respect to such Notes.
- (2) in the case of Legal Defeasance, Case New Holland shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that (A) Case New Holland has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of the Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;
- (3) in the case of Covenant Defeasance, Case New Holland shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (4) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit (other than a Default or Event of Default resulting from the incurrence of Indebtedness all or a portion of the proceeds of which will be used to defease the Notes concurrently with such incurrence);
- (5) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of or constitute a default under the Indenture or any other material agreement or instrument to which

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CNH Global or any of its Restricted Subsidiaries is a party or by which CNH Global or any of its Restricted Subsidiaries is bound;

(6) Case New Holland shall have delivered to the Trustee an officers' certificate stating that the deposit was not made by Case New Holland with the intent of preferring the Holders over any other creditors of Case New Holland or with the intent of defeating, hindering, delaying or defrauding any other creditors of Case New Holland or others;

(7) Case New Holland shall have delivered to the Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent (other than, in the case of such legal opinion, paragraph (6) above as to which such counsel need express no opinion) provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(8) Case New Holland shall have delivered to the Trustee an opinion of counsel to the effect that after the 91st day following the deposit and assuming that no Holder is an "insider" with respect to Case New Holland, as that term is defined in Section 101 of title 11, United States Bankruptcy Code (the "Bankruptcy Code"), the cash or securities deposited in trust will not be subject to avoidance and repayment under Sections 547 and 550 of the Bankruptcy Code.

SATISFACTION AND DISCHARGE

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

(1) either (a) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by Case New Holland and thereafter repaid to Case New Holland or discharged from such trust) have been delivered to the Trustee for cancellation or (b) all of the Notes (i) have become due and payable, (ii) will become due and payable at their stated maturity within one year or (iii) if redeemable at the option of Case New Holland, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of Case New Holland, and Case New Holland has irrevocably deposited or caused to be deposited with the Trustee funds in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable instructions from Case New Holland directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(2) Case New Holland and/or the Guarantors have paid all other sums payable under the Indenture; and

(3) Case New Holland has delivered to the Trustee an officers' certificate and an opinion of counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

MODIFICATION OF THE INDENTURE

From time to time, Case New Holland and the Trustee, without the consent of the Holders, may amend the Indenture for certain specified purposes, including curing ambiguities, defects or inconsistencies, so long as such change does not, in the opinion of the company, adversely affect the rights of any of the Holders in any material respect. The Trustee will be entitled to rely on such evidence as it deems appropriate, including, without limitation, solely on an opinion of counsel. Other

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modifications and amendments of the Indenture may be made with the consent of the Holders of a majority in principal amount of the then outstanding Notes issued under the Indenture, except that, without the consent of each Holder affected thereby, no amendment may:

- (1) reduce the amount of Notes whose Holders must consent to an amendment;
- (2) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any Notes;
- (3) reduce the principal of or change or have the effect of changing the fixed maturity of any Notes, or change the date on which any Notes may be subject to redemption or repurchase, or reduce the redemption or repurchase price therefor;
- (4) make any Notes payable in money other than that stated in the Notes;
- (5) make any change in provisions of the Indenture protecting the right of each Holder to receive payment of principal of, premium, if any, and interest on such Notes on or after the stated due date thereof or to bring suit to enforce such payment, or permitting Holders of a majority in principal amount of the then outstanding Notes to waive Defaults or Events of Default;
- (6) amend, change or modify in any material respect the obligation of Case New Holland to make and consummate a Change of Control Offer after the occurrence of a Change of Control or make and consummate a Net Proceeds Offer with respect to any Asset Sale that has been consummated or, after such Change of Control has occurred or such Asset Sale has been consummated, modify any of the provisions or definitions with respect thereto;
- (7) modify or change any provision of the Indenture or the related definitions affecting the ranking of the Notes or any Guarantee in a manner which adversely affects the Holders; or
- (8) release any Guarantor from any of its obligations under its Guarantee or the Indenture otherwise than in accordance with the terms of the Indenture.

GOVERNING LAW

The Indenture will provide that it, the Notes and any Guarantees will be governed by, and construed in accordance with, the laws of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

THE TRUSTEE

The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Indenture and the provisions of the TIA contain certain limitations on the rights of the Trustee, should it become a creditor of Case New Holland, to obtain payments of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. Subject to the TIA, the Trustee will be permitted to engage in other transactions; *provided* that if the Trustee acquires any conflicting interest as described in the TIA it must eliminate such conflict or resign.

CERTAIN DEFINITIONS

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms, as well as any other terms used herein for which no definition is provided.

“*Accounts Receivable Subsidiary*” means a Subsidiary of CNH Global:

- (1) that is formed solely for the purpose of, and that engages in no activities other than activities in connection with, financing accounts receivable of CNH Global and/or its Restricted Subsidiaries;
- (2) that is designated by the Board of Directors of CNH Global as an Accounts Receivable Subsidiary pursuant to a Board of Directors’ resolution set forth in an officers’ certificate delivered to the Trustee;
- (3) with respect to any Accounts Receivable Subsidiary created or designated after the Issue Date, that has total assets at the time of such creation and designation with a book value of \$10,000 or less;
- (4) no portion of the Indebtedness or any other obligation (contingent or otherwise) of which (a) is at any time Guaranteed by CNH Global or any Restricted Subsidiary of CNH Global (excluding Guarantees of obligations (other than any Guarantee of Indebtedness) pursuant to Standard Securitization Undertakings), (b) is at any time recourse to or obligates CNH Global or any Restricted Subsidiary of CNH Global in any way, other than pursuant to Standard Securitization Undertakings or (c) subjects any asset of CNH Global or any other Restricted Subsidiary of CNH Global (except for another Accounts Receivable Subsidiary), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings (such Indebtedness, “*Non-Recourse Accounts Receivable Subsidiary Indebtedness*”);
- (5) with which neither CNH Global nor any Restricted Subsidiary of CNH Global has any material contract, agreement, arrangement or understanding other than contracts, agreements, arrangements and understandings entered into in the ordinary course of business on terms no less favorable to CNH Global or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of CNH Global in connection with a Qualified Receivables Transaction and fees payable in the ordinary course of business in connection with servicing accounts receivable in connection with such a Qualified Receivables Transaction; and
- (6) with respect to which neither CNH Global nor any Restricted Subsidiary of CNH Global has any obligation (a) to subscribe for additional shares of Capital Stock thereof or make any additional capital contribution or similar payment or transfer thereto, except for continuing transfers of Qualified Receivables Assets pursuant to any pre-funding or revolving period feature, or (b) to maintain or preserve the solvency or any balance sheet term, financial condition, level of income or results of operations thereof, except in each case, to the extent that, if the amount of each such subscription, capital contribution or other payment or Investment were to be deducted from the cash proceeds received by CNH Global or any of its Restricted Subsidiaries in connection with the sale of the related Qualified Receivables Assets, the transfer of such Qualified Receivables Assets would still be permitted by clause (8) of the proviso to the definition of “Asset Sale,” *provided* that to the extent any such subscription, capital contribution or other payment or Investment would not be so permitted, CNH Global would be entitled at the time such obligation is entered into and at the time the obligation is fulfilled to make a Restricted Payment in an amount equal to such amount of such obligation, in which case, at the time of such subscription, capital contribution or other payment or Investment, CNH Global shall be deemed to have made

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a Restricted Payment for all purposes under the covenant described under “Limitation on Restricted Payments” in an amount equal to such subscription, capital contribution or other payment or Investment.

“*Acquired Indebtedness*” means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or at the time it merges or consolidates with CNH Global or any of the Restricted Subsidiaries or assumed by CNH Global or any Restricted Subsidiary in connection with the acquisition of assets from such Person and in each case whether or not incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such acquisition, merger or consolidation.

“*Affiliate*” means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term “*control*” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and the terms “*controlling*” and “*controlled*” have meanings correlative of the foregoing.

“*Applicable Treasury Rate*” for any redemption date, means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two Business Days prior to the Make-Whole Redemption Date of such Note (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Make-Whole Redemption Date to March 1, 2010; *provided, however,* that if the period from the Make-Whole Redemption Date to March 1, 2010 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Applicable Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given except that if the period from the Make-Whole Redemption Date to March 1, 2010 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

“*ARS Promissory Note*” means a promissory note of an Accounts Receivable Subsidiary to CNH Global or any Restricted Subsidiary of CNH Global, which note must be repaid from cash available to the Accounts Receivable Subsidiary, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts paid in connection with the purchase of newly generated receivables.

“*Asset Acquisition*” means (1) an Investment by CNH Global or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary, or shall be merged with or into CNH Global or any of its Restricted Subsidiaries, or (2) the acquisition by CNH Global or any of its Restricted Subsidiaries of the assets of any Person (other than a Restricted Subsidiary) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business.

“*Asset Sale*” means any direct or indirect sale, issuance, conveyance, lease (other than operating leases entered into in the ordinary course of business), assignment or other transfer (other than the granting of a Lien in accordance with the Indenture) for value by CNH Global or any of its Restricted Subsidiaries (including any Sale and Leaseback Transaction) to any Person other than CNH Global or a Restricted Subsidiary of (a) any Capital Stock of any Restricted Subsidiary or (b) any other property

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or assets of CNH Global or any of its Restricted Subsidiaries; *provided, however*, that Asset Sales shall not include:

- (1) the sale, conveyance, lease, assignment or other transfer of any parts depot in connection with the Parts Depot Rationalization Program;
- (2) a transaction or series of related transactions for which CNH Global or any of its Restricted Subsidiaries receive aggregate consideration or which has a Fair Market Value of less than \$10.0 million;
- (3) the sale, lease, conveyance, disposition or other transfer of all or substantially all of the assets of CNH Global or Case New Holland as permitted by the covenant described under “—Certain Covenants—Merger, Consolidation and Sale of Assets”;
- (4) any Restricted Payment made in accordance with the covenant described under “—Certain Covenants—Limitation on Restricted Payments” or a Permitted Investment;
- (5) the sale or other disposition of cash or Cash Equivalents;
- (6) the sale of inventory in the ordinary course of business;
- (7) the sale or disposition of obsolete, damaged or worn out assets or assets no longer used or useful, in each case in the ordinary course of business;
- (8) sales of Qualified Receivables Assets to an Accounts Receivables Subsidiary or other Person pursuant to a Qualified Receivables Transaction for the Fair Market Value thereof;
- (9) any transfer of Qualified Receivables Assets, or a fractional undivided interest therein, by an Accounts Receivables Subsidiary in a Qualified Receivables Transaction;
- (10) a Permitted Financial Services Disposition; or
- (11) the factoring of accounts receivable arising in the ordinary course of business pursuant to customary arrangements.

“*Attributable Indebtedness*” in respect of a Sale and Leaseback Transaction means, as at the time of determination, the greater of

- (1) the fair value of the property subject to such arrangement; and
- (2) the present value (discounted at the rate of interest implicit in such transaction, determined in accordance with GAAP) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale and Leaseback Transaction (including any period for which such lease has been extended).

“*Board of Directors*” means, as to any Person, the board of directors of such Person or any duly authorized committee thereof.

“*Board Resolution*” means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“*Build-up Amount Start Date*” means October 1, 2003.

“*Business Day*” means a day other than a Saturday, Sunday or other day on which commercial banking institutions in New York City are authorized or required by law to close.

“*Calculation Start Date*” means August 1, 2003.

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“*Capital Stock*” means

- (1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person and
- (2) with respect to any Person that is not a corporation, any and all partnership or other equity interests of such Person.

“*Capitalized Lease Obligation*” means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP and, for purposes of this definition, the amount of such obligations at any date shall be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

“*Cash Equivalents*” means:

- (1) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or any member state of the European Union (as it exists on the Issue Date) or issued by any agency thereof and backed by the full faith and credit of the United States or such member state of the European Union, in each case maturing within one year from the date of acquisition thereof;
- (2) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. or any successor thereto (“*S&P*”) or Moody’s Investors Service, Inc. or any successor thereto (“*Moody’s*”);
- (3) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody’s;
- (4) cash deposited in bank accounts, certificates of deposit or bankers’ acceptances maturing within one year from the date of acquisition thereof issued by any bank organized under the laws of any member state of the European Union (as it exists on the Issue Date), the United States of America or any State thereof or the District of Columbia or any foreign branch of any such bank or any branch of a foreign bank located in the United States or any member state of the European Union (as it exists on the Issue Date) having at the date of acquisition thereof combined capital and surplus of not less than \$250.0 million;
- (5) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (1) above entered into with any bank meeting the qualifications specified in clause (4) above;
- (6) investments in money market funds which invest substantially all their assets in either (x) securities of the types described in clauses (1) through (5) above or (y) securities which constitute “Eligible Securities” (as defined in Rule 2a-7(10) promulgated under the Investment Company Act of 1940, as such Rule is in effect on the Issue Date);
- (7) in addition to clauses (1) through (6) above, in the case of CNH Global or any Foreign Subsidiary:
 - (a) marketable direct obligations issued by, or unconditionally guaranteed by, the sovereign nation in which CNH Global or such Foreign Subsidiary is organized and is conducting business, or issued by any agency thereof and backed by the full faith and credit of such

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sovereign nation, and in each case maturing within one year from the date of acquisition thereof; and

(b) certificates of deposit or bankers' acceptances maturing within one year from the date of acquisition thereof issued by any bank organized under the laws of the sovereign nation in which CNH Global or such Foreign Subsidiary is organized and is conducting business, and having at the date of acquisition thereof combined capital and surplus of not less than \$250.0 million; and

(8) positive net cash balances of CNH Global and its Restricted Subsidiaries held from time to time on current account with Fiat and its Affiliates in connection with cash management practices generally accepted internationally as applied by multinational corporations in the ordinary course of business.

“*Change of Control*” means the occurrence of one or more of the following events:

(1) any Person or group of related Persons for purposes of Section 13(d) of the Exchange Act (a “*Group*”), other than one or more Permitted Holders, becomes the beneficial owner (as defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act, except that a Person will be deemed to have “beneficial ownership” of all securities that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time) of more than 50% of the total voting power of CNH Global’s Capital Stock;

(2) there is consummated any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of CNH Global and its Subsidiaries taken as a whole to any Person or Group, together with any Affiliates thereof (whether or not otherwise in compliance with the provisions of the Indenture), other than any transfer to (x) CNH Global or one or more Restricted Subsidiaries of CNH Global or (y) any Person of which more than 50% of the voting power of such Person’s Capital Stock is owned by one or more Permitted Holders;

(3) there is consummated any consolidation or merger of CNH Global in which CNH Global is not the continuing or surviving Person or pursuant to which the Common Stock of CNH Global would be converted into cash, securities or other property, other than a merger or consolidation of CNH Global (x) in which the Holders of the Capital Stock of CNH Global outstanding immediately prior to the consolidation or merger hold, directly or indirectly, at least a majority of the Capital Stock of the surviving corporation immediately after such consolidation or merger or (y) with any Person of which more than 50% of the voting power of such Person’s Capital Stock is owned by one or more Permitted Holders;

(4) the approval by the Holders of Capital Stock of CNH Global of any plan or proposal for the liquidation or dissolution of CNH Global or Case New Holland (whether or not otherwise in compliance with the provisions of the Indenture);

(5) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of CNH Global (together with any new directors whose election by such Board of Directors or whose nomination for election by the stockholders of CNH Global was approved either (x) pursuant to a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved or (y) by the Permitted Holders) cease for any reason to constitute a majority of the Board of Directors of CNH Global then in office; or

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(6) the first day on which CNH Global fails to own, either directly or indirectly, through one or more Restricted Subsidiaries, more than 50% of the total voting power of Case New Holland's Capital Stock.

“*Commission*” means the Securities and Exchange Commission, as from time to time constituted, or if at any time after the execution of the Indenture such Commission is not existing and performing the applicable duties now assigned to it, then the body or bodies performing such duties at such time.

“*Common Stock*” of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common stock.

“*Consolidated EBITDA*” means, with respect to CNH Global, for any period, the sum (without duplication) of:

- (1) Consolidated Equipment Net Income; and
- (2) to the extent Consolidated Equipment Net Income has been reduced thereby:
 - (A) all income taxes of CNH Global and the Equipment Subsidiaries paid or accrued in accordance with GAAP for such period;
 - (B) Consolidated Equipment Interest Expense;
 - (C) Consolidated Equipment Non-cash Charges; and
 - (D) (I) restructuring charges of CNH Global and the Equipment Subsidiaries resulting from the CNH Merger Integration Plan as described in this offering memorandum to the extent paid or accrued during such period and (II) any Production Rationalization Amounts,

less any Consolidated Equipment Non-cash Items increasing Consolidated Equipment Net Income for such period, all as determined on a consolidated basis for CNH Global and its Equipment Subsidiaries in accordance with GAAP.

“*Consolidated Equipment Interest Expense*” means, with respect to CNH Global for any period, the sum of, without duplication:

- (1) (A) the aggregate of the interest expense of CNH Global and its Equipment Subsidiaries for such period determined on a consolidated basis in accordance with GAAP (but excluding, for the avoidance of doubt, the interest expense of Financial Services Subsidiaries), including without limitation or duplication,
 - (I) any amortization of debt discount and amortization or write-off of deferred financing costs,
 - (II) the net costs under Hedging Obligations,
 - (III) non-cash interest expense,
 - (IV) all capitalized interest, and
 - (V) the interest portion of any deferred payment obligation; and
- (B) the interest component of Capitalized Lease Obligations and Attributable Indebtedness paid, accrued and/or scheduled to be paid or accrued by CNH Global and its Equipment Subsidiaries during such period as determined on a consolidated basis in accordance with GAAP, *less*

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(2) the aggregate interest income received by CNH Global and its Equipment Subsidiaries from Financial Services Subsidiaries in respect of Indebtedness of such Financial Services Subsidiaries owed to CNH Global and/or one or more Equipment Subsidiaries for such period determined on a consolidated basis in accordance with GAAP; *provided, however*, that with respect to each item of such Indebtedness, the interest income thereon shall be excluded to the extent that, but only to the extent that, the interest rate on such Indebtedness exceeds the rate that would be applicable to borrowings of similar maturities and on substantially the same terms by similarly situated finance companies from unaffiliated third parties.

The calculation of Consolidated Equipment Interest Expense shall not include any amount of the type included or recorded from time to time as “Interest Compensation to Financial Services” on CNH Global’s financial statements.

“*Consolidated Equipment Net Income*” means that portion of Consolidated Net Income attributable to CNH Global and its Equipment Subsidiaries (excluding CNH Global’s and its Equipment Subsidiaries’ equity in the net income of Financial Services Subsidiaries except to the extent of cash dividends or distributions paid to CNH Global or an Equipment Subsidiary by a Financial Services Subsidiary).

“*Consolidated Equipment Non-cash Charges*” means, with respect to CNH Global, for any period, the aggregate depreciation, amortization and other non-cash expenses, including, without limitation, impairments of intangibles and other non-cash writedowns, of CNH Global and its Equipment Subsidiaries reducing Consolidated Equipment Net Income of CNH Global for such period, determined on a consolidated basis in accordance with GAAP (excluding any such charge which requires an accrual of or a reserve for cash charges for any future period and any loss on the sale of fixed assets as reflected in CNH Global’s consolidated statements of cash flows in accordance with GAAP).

“*Consolidated Equipment Non-cash Items*” means with respect to CNH Global, for any period, the aggregate non-cash gains of CNH Global and its Equipment Subsidiaries increasing Consolidated Equipment Net Income of CNH Global for such period, determined on a consolidated basis in accordance with GAAP (excluding any such gain or portion of such gain for which cash is expected to be received in any future period).

“*Consolidated Fixed Charge Coverage Ratio*” means, with respect to CNH Global, the ratio of Consolidated EBITDA of CNH Global during the four full fiscal quarters (the “*Four Quarter Period*”) ending on or prior to the date of the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio for which financial statements are available (the “*Transaction Date*”) to Consolidated Fixed Charges of CNH Global for the Four Quarter Period. In addition to and without limitation of the foregoing, for purposes of this definition, “Consolidated EBITDA” and “Consolidated Fixed Charges” shall be calculated after giving effect on a pro forma basis for the period of such calculation to:

(1) the incurrence or repayment of any Indebtedness or issuance or redemption of Preferred Stock of CNH Global or any CNH Global’s Equipment Subsidiaries (and the application of the proceeds thereof) giving rise to the need to make such calculation and any incurrence or repayment of other Indebtedness or issuance or redemption of Preferred Stock (and the application of the proceeds thereof), other than the incurrence or repayment of Indebtedness in the ordinary course of business for working capital purposes pursuant to working capital facilities, occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date, as if such incurrence or repayment or issuance or redemption, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four Quarter Period; and

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(2) any asset sales or other dispositions or Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of CNH Global or one of the Equipment Subsidiaries (including any Person who becomes an Equipment Subsidiary as a result of the Asset Acquisition) incurring, assuming or otherwise being liable for Acquired Indebtedness and also including any Consolidated EBITDA (including any pro forma expense and cost reductions calculated on a basis consistent with Regulation S-X under the Exchange Act) attributable to the assets which are the subject of the Asset Acquisition or asset sale or other disposition during the Four Quarter Period) occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date as if such asset sale or other disposition or Asset Acquisition (including the incurrence, assumption or liability for any such Acquired Indebtedness) occurred on the first day of the Four Quarter Period.

If CNH Global or any Equipment Subsidiary directly or indirectly guarantees Indebtedness of a third Person, the preceding sentence shall give effect to the incurrence of such guaranteed Indebtedness as if CNH Global or such Equipment Subsidiary had directly incurred or otherwise assumed such guaranteed Indebtedness. Furthermore, in calculating “Consolidated Fixed Charges” for purposes of determining the denominator (but not the numerator) of this “Consolidated Fixed Charge Coverage Ratio”:

- (1) interest on outstanding Indebtedness determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on the Transaction Date;
- (2) if interest on any Indebtedness actually incurred on the Transaction Date may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on the Transaction Date will be deemed to have been in effect during the Four Quarter Period; and
- (3) notwithstanding clause (1) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Hedging Obligations, shall be deemed to accrue at the rate per annum in effect on the Transaction Date resulting after giving effect to the operation of such agreements on such date.

“*Consolidated Fixed Charges*” means, with respect to CNH Global for any period, the sum, without duplication, of:

- (1) Consolidated Equipment Interest Expense, *plus*
- (2) the product of (x) the amount of all dividend payments on any series of Preferred Stock of CNH Global or any Equipment Subsidiary (other than dividends paid in Qualified Capital Stock) paid, accrued and/or scheduled to be paid or accrued during such period times (y) a fraction, the numerator of which is one and the denominator of which is one minus the then current Effective Income Tax Rate of CNH Global, expressed as a decimal.

“*Consolidated Net Income*” means, with respect to CNH Global, for any period, the aggregate net income (or loss) of CNH Global and its Restricted Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP; *provided* that there shall be excluded therefrom:

- (1) net gains and losses from asset sales (other than the sale of Qualified Receivables Assets in the ordinary course of business in connection with a Qualified Receivables Transaction) or abandonments or reserves relating thereto;
- (2) extraordinary gains (but not extraordinary losses) (determined on an after-tax basis);

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(3) the net income of any Person acquired in a “pooling of interests” transaction accrued prior to the date it becomes a Restricted Subsidiary or is merged or consolidated with CNH Global or any of its Restricted Subsidiaries;

(4) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration of dividends or similar distributions by that Restricted Subsidiary of that income is restricted by a contract, operation of law or otherwise;

(5) the net income (including any loss) of any Person, other than a Restricted Subsidiary, except to the extent of cash dividends or distributions paid to CNH Global or to a Restricted Subsidiary by such Person;

(6) income or loss attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued); and

(7) in the case of a successor to CNH Global by consolidation or merger or as a transferee of CNH Global’s assets, any earnings of the successor corporation prior to such consolidation, merger or transfer of assets.

Notwithstanding clause (4) above, to the extent that the declaration of dividends or similar distributions by any Financial Services Subsidiary is restricted by contract, the aggregate net income (or loss) of such Financial Services Subsidiary shall be included in the calculation of Consolidated Net Income; provided that such contract is entered into in accordance with “—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.”

“*Consolidated Net Tangible Assets*” of any Person means the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (a) all current liabilities and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense (to the extent included in said aggregate amount of assets) and other like intangibles, as shown on the balance sheet of such Person for the most recently ended fiscal quarter for which financial statements are available, determined on a consolidated basis in accordance with GAAP. Consolidated Net Tangible Assets shall be determined as of the time of the occurrence of the event(s) giving rise to the requirement to determine Consolidated Net Tangible Assets and after giving effect to such event(s).

“*Consolidated Net Worth*” of any Person means the consolidated stockholders’ equity of such Person, determined on a consolidated basis in accordance with GAAP, less (without duplication) amounts attributable to Disqualified Capital Stock of such Person.

“*Credit Facilities*” means one or more debt facilities or other financing arrangements (including commercial paper facilities, revolving credit loans, term loans, receivables financing, letters of credit or any debt securities or other form of debt, convertible debt or exchangeable debt financing) as such facilities or arrangements may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time, including any agreement(s) extending the maturity of or Refinancing (including increasing the amount of available borrowings thereunder (provided that such increase in borrowings is permitted by the covenant described under the caption “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock”) or adding CNH Global or Subsidiaries of CNH Global as borrowers or guarantors thereunder) all or any portion of the Indebtedness under such agreement(s) or any successor or replacement agreement and whether by the same or any other agent, lender or group of lenders or creditor or group of creditors.

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“*Default*” means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

“*Disinterested*” means, with respect to any transaction or series of related transactions, a member of the Board of Directors of CNH Global who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions, *provided* that a member of the Board of Directors of CNH Global shall not be deemed to have any material direct or indirect financial interest in or with respect to such transaction or series of transactions due solely to the fact that such member is also at such time an officer, employee or director of CNH, Fiat or any of their respective Affiliates.

“*Disposition*” means, whether in one or a series of transactions, the sale, assignment, transfer, lease, conveyance or other disposition, directly or indirectly, of all or any portion of the business, assets, properties or securities of the Financial Services Business, whether by way of a merger or consolidation, reorganization, recapitalization or restructuring, tender or exchange offer, negotiated purchase, leveraged buyout, minority investment or partnership, collaborative venture or otherwise, or any other extraordinary corporate transaction involving the Financial Services Business.

“*Disqualified Capital Stock*” means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is mandatorily exchangeable for Indebtedness, or is redeemable or exchangeable for Indebtedness, at the sole option of the holder thereof on or prior to the one-year anniversary of the final maturity date of the Notes.

“*Effective Income Tax Rate*” means the product of income tax provision (benefit) as reported under GAAP divided by income (loss) before taxes, minority interest, equity in income (loss) of unconsolidated subsidiaries and affiliates and cumulative effect of change in accounting principle as reported under GAAP.

“*Equipment Business*” means the manufacture, marketing and distribution of agricultural and construction equipment.

“*Equipment Subsidiary*” means any Restricted Subsidiary of CNH Global that is engaged in the Equipment Business.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto, and the rules and regulations of the Commission promulgated thereunder.

“*Excluded Sale and Leaseback Transaction*” means any Sale and Leaseback Transaction involving one or more parts depots entered into in connection with the Parts Depot Rationalization Program.

“*Existing Credit Facility*” means any debt facility or other term loan, revolving credit, receivables financing, commercial paper or letter of credit financing arrangement of CNH Global or any Equipment Subsidiary outstanding on the Issue Date but other than any debt security or Qualified Receivables Transaction outstanding on the Issue Date.

“*Fair Market Value*” means, with respect to any asset or property, the price which could be negotiated in an arm’s-length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value shall be determined in good faith by one or more members of the senior management of CNH Global or the applicable Restricted Subsidiary.

“*Fiat*” has the meaning set forth in the definition of Permitted Holders.

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“*Fiat Promissory Notes*” means the Indebtedness of the Equipment Subsidiaries represented by promissory notes, to the extent outstanding on the Issue Date, payable to Fiat and its affiliates.

“*Financial Services Business*” means the offer and sale of financial services products, including without limitation (i) retail financing for the purchase or lease of equipment manufactured by CNH Global, Equipment Subsidiaries or any other manufacturer whose products are from time to time sold through CNH Global’s dealer network, (ii) other retail and wholesale financing programs reasonably related thereto and (iii) insurance and credit card products and services reasonably related thereto, together with the underwriting, marketing, servicing and other related support activities incidental to the offer and sale of such financial services products.

“*Financial Services Subsidiary*” means any Restricted Subsidiary of CNH Global that is engaged in the Financial Services Business.

“*Financial Subsidiary Leverage Ratio*” means, with respect to the Financial Services Subsidiaries of CNH Global, the ratio of:

- (x) the sum of the aggregate outstanding amount of Indebtedness and Preferred Stock of the Financial Services Subsidiaries of CNH Global as of the date of the transaction giving rise to the need to calculate the Financial Subsidiary Leverage Ratio (the “*Financial Subsidiary Leverage Ratio Transaction Date*”) on a consolidated basis determined in accordance with GAAP to
- (y) Consolidated Net Worth of the Financial Services Subsidiaries as of the Financial Subsidiary Leverage Ratio Transaction Date.

For purposes of this definition,

- (1) clauses (x) and (y) above will be calculated after giving effect on a pro forma basis to the incurrence or repayment of any Indebtedness of any Financial Services Subsidiary or the issuance or redemption or other repayment of Preferred Stock of any such Financial Services Subsidiary (and the application of the proceeds thereof) giving rise to the need to make such calculation and any incurrence or repayment of other Indebtedness or issuance or redemption of Preferred Stock on the Financial Subsidiary Leverage Ratio Transaction Date, as if such incurrence or repayment or issuance or redemption, as the case may be (and the application of the proceeds thereof), occurred on the Financial Subsidiary Leverage Ratio Transaction Date; and
- (2) if any Financial Services Subsidiary directly or indirectly guarantees Indebtedness of a third Person, the preceding sentence will give effect to the incurrence of such guaranteed Indebtedness as if such Financial Services Subsidiary had directly incurred or otherwise assumed such guaranteed Indebtedness.

“*Foreign Subsidiary*” means a Restricted Subsidiary that is formed or otherwise incorporated in a jurisdiction other than the United States or a State thereof or the District of Columbia.

“*GAAP*” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accounts and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, which are in effect on August 1, 2003.

“*Guarantee*” has the meaning set forth under “—Certain Covenants—Issuance of Subsidiary Guarantees.”

“*Guarantor*” means (1) CNH Global, (2) each Restricted Subsidiary of CNH Global that executes a Guarantee on the Issue Date and (3) each other Restricted Subsidiary that in the future executes a Guarantee pursuant to the covenant described under “—Certain Covenants—Issuance of Subsidiary

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Guarantees” or otherwise; *provided* that any Person constituting a Guarantor as described above shall cease to constitute a Guarantor when its Guarantee is released in accordance with the terms of the Indenture.

“*Hedging Obligations*” means, with respect to any Person, the obligations of such Person under:

- (1) any interest rate protection agreements including, without limitation, interest rate swap agreements, interest rate cap agreements and interest rate collar agreements;
- (2) any foreign exchange contracts, currency swap agreements or other agreements or arrangements designed to protect such Person against fluctuations in interest rates or foreign exchange rates;
- (3) any commodity futures contract, commodity option or other similar agreement or arrangement designed to protect such Person against fluctuations in prices of commodities; and
- (4) indemnity agreements and arrangements entered into in connection with the agreements and arrangements described in clauses (1), (2) and (3).

“*Holder*” means any registered holder, from time to time, of any Notes.

“*incur*” has the meaning set forth under “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock.”

“*Indebtedness*” means, with respect to any Person, without duplication:

- (1) all Obligations of such Person for borrowed money;
- (2) all Obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all Capitalized Lease Obligations of such Person;
- (4) all Obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all Obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 90 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted);
- (5) all Obligations for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction;
- (6) guarantees and other contingent obligations in respect of Indebtedness of any other Person referred to in clauses (1) through (5) above and clause (8) below;
- (7) all Obligations of any other Person of the type referred to in clauses (1) through (6) which are secured by any Lien on any property or asset of such Person, the amount of such Obligation being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the Obligation so secured;
- (8) all Obligations under Hedging Obligations of such Person; and
- (9) all Disqualified Capital Stock of such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued and unpaid dividends, if any.

For purposes hereof, the “maximum fixed repurchase price” of any Disqualified Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such

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Disqualified Capital Stock as if such Disqualified Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Capital Stock, such fair market value shall be determined reasonably and in good faith by the Board of Directors of the issuer of such Disqualified Capital Stock. Notwithstanding the foregoing, (i) Standard Securitization Undertakings and (ii) Guarantees made in the ordinary course of business in connection with cash management activities by CNH Global or any Restricted Subsidiary to any bank or other financial institution with respect to account overdrafts of any Fiat Affiliate in any account of such Affiliate maintained with such bank or other financial institution, provided that such Guarantee is limited to the amount of funds of CNH Global or such Restricted Subsidiary held at such bank or other financial institution, in each case shall not constitute Indebtedness.

“*Independent Financial Advisor*” means a firm

- (1) which does not, and whose directors, officers and employees and Affiliates do not, have a direct or indirect material financial interest in CNH Global or any of its Subsidiaries; and
- (2) which, in the judgment of the Board of Directors of CNH Global, is otherwise independent and qualified to perform the task for which it is to be engaged.

“*Initial Purchaser*” means UBS Securities LLC.

“*Intesa BCI Indebtedness*” means the Indebtedness outstanding on the Issue Date under the Buy and Sell-Back Agreement dated January 16, 2002 between CNH America LLC and Intesa BCI S.p.A.

“*Investment*” means, with respect to any Person, any direct or indirect loan or other extension of credit (including, without limitation, guarantee) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any Person or the assumption by any Person of Indebtedness of any other Person. “Investment” shall exclude extensions of trade credit by CNH Global and its Restricted Subsidiaries on commercially reasonable terms in accordance with normal trade practices of CNH Global or such Restricted Subsidiaries, as the case may be. If CNH Global or any of its Restricted Subsidiaries sells or otherwise disposes of any Capital Stock of any Restricted Subsidiary (the “*Referent Subsidiary*”) such that, after giving effect to any such sale or disposition, the Referent Subsidiary shall cease to be a Restricted Subsidiary, CNH Global shall be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Capital Stock of the Referent Subsidiary not sold or disposed of.

“*Investment Grade Rating*” means a rating equal to or higher than Baa3 (or the equivalent) by Moody’s and BBB– (or the equivalent) by S&P.

“*Investment Grade Status*” shall be deemed to have been reached on the date that the Notes have an Investment Grade Rating from both Rating Agencies, *provided* that no Default or Event of Default has occurred and is continuing on such date.

“*Issue Date*” means March 3, 2006, the date of initial issuance of the Notes.

“*Lien*” means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest).

“*Make-Whole Premium*” means, as to each Note, an amount equal to the greater of (i) 1.0% of the principal amount of such Note and (ii) the excess of (x) the present value of the sum of the principal amount and premium, if any, that would be payable on such Note on March 1, 2010 and all

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remaining interest payments to and including March 1, 2010 (but excluding any interest accrued to the Make-Whole Redemption Date), discounted on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) from March 1, 2010 to the Make-Whole Redemption Date at a per-annum interest rate equal to the Applicable Treasury Rate on such Make-Whole Redemption Date plus 0.50%, over (y) the outstanding principal amount of such Note.

“*Make-Whole Redemption Date*” with respect to a Make-Whole Redemption, means the date such Make-Whole Redemption is effected.

“*Moody’s*” has the meaning set forth in the definition of Cash Equivalents.

“*Net Cash Proceeds*” means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents (other than the portion of any such deferred payment constituting interest), received by CNH Global or any of its Restricted Subsidiaries from such Asset Sale net of:

- (1) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, sales commissions and relocation expenses);
- (2) taxes paid or payable after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements;
- (3) repayments of Indebtedness secured by a Lien permitted by the Indenture on the property or assets subject to such Asset Sale that is required to be repaid in connection with such Asset Sale; and
- (4) appropriate amounts to be determined by CNH Global or any of its Restricted Subsidiaries, as the case may be, as a reserve, in accordance with GAAP, against any liabilities associated with such Asset Sale and retained by CNH Global or any of its Restricted Subsidiaries, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale.

“*Net Indebtedness*” means as of any time of determination, (a) the aggregate principal amount of Indebtedness outstanding under clause (2) under the second paragraph of “Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock” less (b) the aggregate principal amount of Qualifying Intercompany Indebtedness then outstanding.

“*Notes*” means the 7.125% Senior Notes due 2014 to be issued by Case New Holland.

“*Obligations*” means all obligations for principal, premium, interests, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

“*Pari Passu Debt*” means any Indebtedness of Case New Holland or any Guarantor that ranks *pari passu* in right of payment with the Notes or such Guarantee, as applicable.

“*Parts Depot Rationalization Program*” means any sale, lease, assignment or other transfer of one or more parts depots maintained by CNH Global and its Restricted Subsidiaries on the Issue Date pursuant to a program established by CNH Global for the rationalization of such existing parts depots as described in this offering memorandum.

“*Permitted Asset Swap*” means any transfer of properties or assets (including without limitation, any transfer of Capital Stock of any Subsidiary) by CNH Global or any of its Restricted Subsidiaries in which (a) at least 90% of the consideration received by the transferor consists of (i) properties or

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assets (other than cash) that constitute Replacement Assets, (ii) Capital Stock of any Person that is engaged in a business that is the same, similar or reasonably related to the businesses in which CNH Global and its Restricted Subsidiaries are then engaged in and that will become a Restricted Subsidiary upon consummation of such Permitted Asset Swap or (iii) any combination of clauses (i) and (ii) above, and (b) CNH Global or the applicable Restricted Subsidiary, as the case may be, receives consideration at the time of such Permitted Asset Swap at least equal to the Fair Market Value of the properties or assets transferred.

“*Permitted Financial Services Disposition*” means the transfer of any Capital Stock or all or any portion of the assets of one or more Financial Services Subsidiaries or Unrestricted Financial Services Subsidiaries to any Person that is not a Subsidiary of CNH Global if:

- (1) no Default or Event of Default shall have occurred and be continuing at the time of and immediately following the consummation of such transaction;
- (2) the transferor of such Capital Stock or assets receives consideration at the time of such transfer at least equal to the Fair Market Value of the Capital Stock or the assets, net of any liabilities assumed by the transferee, so transferred or, in the case of a transfer of Capital Stock of an Unrestricted Financial Services Subsidiary in the form of a dividend or other similar distribution, such dividend or other similar distribution is made in compliance with the “Limitation on Restricted Payments” covenant;
- (3) in the case of transfer of any Capital Stock, as a result of and immediately after giving effect to such transfer such Financial Services Subsidiary or Unrestricted Financial Services Subsidiary, as the case may be, shall cease to be a Subsidiary of CNH Global; and
- (4) immediately prior to or concurrently with the consummation of such transfer, each Financial Services Subsidiary that is so transferring assets or the Capital Stock of which is being transferred shall have (A) repaid to CNH Global and its Restricted Subsidiaries (and terminated all related commitments) (x) in the case of a transfer of Capital Stock, all Indebtedness owed by such Subsidiary to such entities and (y) in the case of a transfer of assets, an amount of Indebtedness owed to such entities that is proportional to the assets so transferred, and (B)(x) in the case of a transfer of Capital Stock, returned in cash or Cash Equivalents an amount equal to all Investments made subsequent to the Issue Date in such Financial Services Subsidiary by CNH Global and its Restricted Subsidiaries and (y) in the case of a transfer of assets, returned in cash or Cash Equivalents an amount equal to an amount of Investments made subsequent to the Issue Date in such Financial Services Subsidiary by CNH Global and its Restricted Subsidiaries that is proportional to the assets so transferred, net of any liabilities assumed by the transferee.

“*Permitted Financing Support Services*” shall mean in the event of any Permitted Financial Services Disposition to an Affiliate of CNH Global other than a Restricted Subsidiary, any payments or subsidies made from time to time in the ordinary course of business by CNH Global and its Equipment Subsidiaries to the successor or transferee of any portion of the Financial Services Business in order to promote the sale of equipment manufactured by CNH Global and its Equipment Subsidiaries, including, without limitation, retail subsidies in connection with retail financing provided to end-users of such equipment and interest compensation in connection with wholesale financing provided to equipment dealers.

“*Permitted Holders*” means Fiat S.p.A., a corporation organized under the laws of Italy (“*Fiat*”), any Subsidiary of Fiat or any other Person, directly or indirectly controlled by any of the foregoing.

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“*Permitted Investments*” means:

- (1) Investments by CNH Global or any of its Restricted Subsidiaries in CNH Global, any existing Restricted Subsidiary or any Person that will become immediately after such Investment a Restricted Subsidiary;
- (2) (a) Investments made by CNH Global and its Restricted Subsidiaries in cash and Cash Equivalents and (b) guarantees made in the ordinary course of business in connection with cash management activities by CNH Global or any Restricted Subsidiary to any bank or other financial institution with respect to account overdrafts of any Fiat Affiliate in any account maintained by such Affiliate with such bank or other financial institution, *provided* that such Guarantee is limited to the amount of funds of CNH Global or such Restricted Subsidiary held at such bank or other financial institution;
- (3) loans and advances to employees and officers of CNH Global and its Restricted Subsidiaries in the ordinary course of business for bona fide business purposes not in excess of an aggregate of \$2.5 million at any one time outstanding;
- (4) Hedging Obligations entered into in the ordinary course of CNH Global’s or its Restricted Subsidiary’s businesses and otherwise in compliance with the Indenture;
- (5) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers;
- (6) Investments made by CNH Global or its Restricted Subsidiaries as a result of consideration received in connection with an Asset Sale (including, without limitation, in connection with any Permitted Asset Swap) made in compliance with the covenant described under “—Repurchase at the Option of Holders—Asset Sales”;
- (7) any Investment by CNH Global or any Restricted Subsidiary of CNH Global in an Accounts Receivable Subsidiary or any other Person or any Investment by an Accounts Receivable Subsidiary in any other Person, in each case, in connection with a Qualified Receivables Transaction, so long as any Investment in an Accounts Receivable Subsidiary is in the form of an ARS Promissory Note or Capital Stock;
- (8) Investments existing on the Issue Date, and any extension, modification or renewal of any Investments existing on the Issue Date, but only to the extent not involving additional advances, contributions or other Investments of cash or other assets or other increases thereof (other than as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities, in each case, pursuant to the terms of such Investment as in effect on the Issue Date);
- (9) following the consummation of any Permitted Financial Services Disposition, (i) the continuing Investment in such Person by CNH Global and/or one or more of its Restricted Subsidiaries represented by the shares of Capital Stock of such Person not so disposed of and (ii) Investments made by CNH Global or its Restricted Subsidiary as a result of consideration received in connection with such Permitted Financial Services Disposition; and
- (10) additional Investments not to exceed 2.5% of Consolidated Net Tangible Assets of CNH Global and the Equipment Subsidiaries.

“*Permitted Liens*” means the following types of Liens:

- (1) Liens for taxes, assessments or governmental charges or claims either (A) not delinquent or (B) contested in good faith by appropriate proceedings and, in each case, as to which

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CNH Global or any of its Restricted Subsidiaries shall have set aside on its books such reserves as may be required pursuant to GAAP;

(2) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof;

(3) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(4) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(5) easements, rights-of-way, zoning restrictions and other similar charges or encumbrances in respect of real property not impairing in any material respect the ordinary conduct of the business of CNH Global or any of its Restricted Subsidiaries;

(6) any interest or title of a lessor under any Capitalized Lease Obligation; *provided* that such Liens do not extend to any property or asset which is not leased property subject to such Capitalized Lease Obligation;

(7) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(8) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(9) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual or warranty requirements of CNH Global or any of its Restricted Subsidiaries, including rights of offset and set-off;

(10) Liens securing Hedging Obligations to the extent such Hedging Obligations are otherwise permitted to be incurred under the Indenture;

(11) Liens securing Purchase Money Indebtedness permitted pursuant to clause (11) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock" (to the extent such covenant continues to be applicable to the Notes); *provided, however*, that in the case of Purchase Money Indebtedness (a) the Indebtedness shall not exceed the cost of such property or assets and shall not be secured by any property or assets of CNH Global or any of its Restricted Subsidiaries other than the property and assets so acquired or constructed and (b) the Lien securing such Indebtedness shall be created within 180 days of such acquisition or construction or, in the case of a refinancing of any Purchase Money Indebtedness, within 180 days of such refinancing;

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(12) Liens securing Acquired Indebtedness (and any Indebtedness which Refinances such Acquired Indebtedness) incurred in accordance with the covenant described under “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock” (to the extent such covenant continues to be applicable to the Notes); *provided* that

(A) such Liens secured the Acquired Indebtedness at the time of and prior to the incurrence of such Acquired Indebtedness by CNH Global or a Restricted Subsidiary and were not granted in connection with, or in anticipation of, the incurrence of such Acquired Indebtedness by CNH Global or a Restricted Subsidiary; and

(B) such Liens do not extend to or cover any property or assets of CNH Global or of any of the Restricted Subsidiaries other than the property or assets that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of CNH Global or a Restricted Subsidiary;

(13) Liens on Qualified Receivables Assets incurred in connection with a Qualified Receivables Transaction;

(14) Liens on accounts receivable incurred in connection with the factoring of accounts receivable in accordance with customary arrangements; provided that such Lien shall not extend to any property or assets other than the accounts receivable that are the subject of such factoring arrangement;

(15) Liens in favor of the counterparty thereto encumbering one or more parts depots sold pursuant to an Excluded Sale and Leaseback Transaction;

(16) Liens securing the Notes and the Guarantees;

(17) Liens in favor of Case New Holland or a Guarantor;

(18) Liens securing Refinancing Indebtedness which is incurred to Refinance any Indebtedness secured by a Lien permitted under the Indenture; *provided, however*, that such Liens do not extend to or cover any property or assets of CNH Global or any of the Restricted Subsidiaries not securing the Indebtedness so Refinanced; and

(19) additional Liens not to exceed \$100.0 million at any one time outstanding.

“*Person*” means an individual, partnership, corporation, unincorporated organization (including a limited liability company), trust or joint venture, or a governmental agency or political subdivision thereof.

“*Preferred Stock*” of any Person means any Capital Stock of such Person that has preferential rights to any other Capital Stock of such Person with respect to dividends or redemptions or upon liquidation.

“*Production Rationalization Amounts*” means the amount of restructuring charges that are paid or accrued for any period after the Issue Date by CNH Global or any of the Equipment Subsidiaries which amount is not part of the CNH Merger Integration Plan as described in this offering memorandum; provided, however, that all such amounts since the Issue Date shall not exceed \$200 million in the aggregate.

“*Purchase Money Indebtedness*” means Indebtedness of CNH Global or any of its Restricted Subsidiaries incurred in the normal course of business for the purpose of financing all or any part of the purchase price or the cost of installation, construction or improvement of any property or equipment.

“*Qualified Capital Stock*” means any Capital Stock that is not Disqualified Capital Stock.

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“*Qualified Receivables Assets*” means any accounts receivable (whether now existing or arising in the future) of CNH Global or any of its Restricted Subsidiaries, and any assets related thereto, including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with an accounts receivable financing transaction.

“*Qualified Receivables Transaction*” means any transaction or series of transactions entered into by CNH Global or any of its Restricted Subsidiaries pursuant to which CNH Global or such Restricted Subsidiary sells, conveys or otherwise transfers to (a) an Accounts Receivable Subsidiary or (b) any other Person, or grants a security interest in, Qualified Receivables Assets; *provided* such transaction or series of transactions is on market terms at the time CNH Global or such Restricted Subsidiary enters into such transaction or series of transactions.

“*Qualifying Intercompany Indebtedness*” means Indebtedness of a Financial Services Subsidiary that (i) is unsubordinated to any other indebtedness of such Financial Services Subsidiary, (ii) is owed to Case New Holland or a Guarantor and is funded from the proceeds of borrowings by Case New Holland or a Guarantor under clause (2) of the second paragraph of “Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock” (the “*Funding Source Indebtedness*”), (iii) if funded by Funding Source Indebtedness having an identical maturity, bears interest at a rate not less than the rate borne by the Funding Source Indebtedness, (iv) has a maturity no later than such Funding Source Indebtedness, (v) provides the holder of such Qualifying Intercompany Indebtedness with the right to accelerate the maturity of such Indebtedness upon the acceleration of the maturity of the Funding Source Indebtedness, and (vi) requires the issuer thereof to make prepayments to the extent the borrower of the Funding Source Indebtedness must prepay such Funding Source Indebtedness.

“*Rating Agencies*” means Moody’s and S&P.

“*Refinance*” means in respect of any security or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue a security or Indebtedness in exchange or replacement for, such security or Indebtedness in whole or in part. “*Refinanced*” and “*Refinancing*” shall have correlative meanings.

“*Refinancing Indebtedness*” means any Refinancing by CNH Global or any Restricted Subsidiary of Indebtedness incurred in accordance with the covenant described under “—Certain Covenants— Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock” (other than pursuant to clause (2), (5), (6), (7), (8), (9), (10), (11), (13), (14) or (15) of the second paragraph of such covenant), in each case that does not:

(1) result in an increase in the aggregate principal amount of any Indebtedness of such Person as of the date of such proposed Refinancing (except to the extent of the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable expenses incurred by Case New Holland in connection with such Refinancing); or

(2) create Indebtedness with (A) a Weighted Average Life to Maturity that is less than the Weighted Average Life to Maturity of the Indebtedness being Refinanced or (B) a final maturity earlier than the final maturity of the Indebtedness being Refinanced; *provided* that (x) (I) if such Indebtedness being Refinanced is Indebtedness of Case New Holland or a Guarantor, then such Refinancing Indebtedness shall be Indebtedness solely of Case New Holland or such Guarantor, (II) Indebtedness of CNH Global or one or more Equipment Subsidiaries may not be Refinanced with Indebtedness of Financial Services Subsidiaries except to the extent that the proceeds from

Description of the notes

such Indebtedness were loaned to one or more Financial Services Subsidiaries (which loan is evidenced by an intercompany note of such Financial Services Subsidiary issued to CNH Global or such Equipment Subsidiary, as the case may be), in which case, any Financial Services Subsidiary may then incur Refinancing Indebtedness to Refinance such Indebtedness provided that CNH Global or the applicable Equipment Subsidiary applies the proceeds of such Refinancing Indebtedness to repay the Indebtedness to be Refinanced within two Business Days of the incurrence thereof by such Financial Services Subsidiary, (III) Indebtedness including, but not limited to, Qualifying Intercompany Indebtedness, of any Financial Services Subsidiary may be Refinanced with Refinancing Indebtedness incurred by any Financial Services Subsidiary, but may not be Refinanced with Indebtedness of CNH Global or any Equipment Subsidiary (it being understood that the incurrence of any Qualifying Intercompany Indebtedness funded by Indebtedness Incurred by CNH Global or any Equipment Subsidiary may constitute Refinancing Indebtedness pursuant to this clause (III)) and (IV) Indebtedness of any Equipment Subsidiary that is not a Guarantor may be refinanced with Indebtedness of CNH Global or any other Equipment Subsidiary, and (y) if such Indebtedness being Refinanced is subordinate or junior to the Notes, then such Refinancing Indebtedness shall be subordinate to the Notes at least to the same extent and in the same manner as the Indebtedness being Refinanced.

“*Registration Rights Agreement*” means the Registration Rights Agreement to be dated the Issue Date among Case New Holland, the Guarantors and the Initial Purchaser.

“*Replacement Assets*” means assets (including, without limitation, raw materials, parts and other items of inventory in the ordinary course of business) and property (including, without limitation, the Capital Stock of a Person which becomes a Restricted Subsidiary as a result of such Investment) that will be used in the business of CNH Global and/or its Restricted Subsidiaries as existing on the Issue Date or in a business the same, similar or reasonably related thereto.

“*Restricted Payment*” has the meaning set forth under “—Certain Covenants— Limitation on Restricted Payments.”

“*Restricted Subsidiary*” means any Subsidiary of CNH Global that has not been designated by the Board of Directors of CNH Global, by a Board Resolution delivered to the Trustee, as an Unrestricted Subsidiary pursuant to and in compliance with the covenant described under “—Certain Covenants— Limitation on Designations of Unrestricted Subsidiaries.”

“*S&P*” has the meaning set forth in the definition of Cash Equivalents.

“*Sale and Leaseback Transaction*” means any direct or indirect arrangement with any Person or to which any such Person is a party, providing for the leasing to CNH Global or a Restricted Subsidiary of any property, whether owned by CNH Global or any Restricted Subsidiary on the Issue Date or later acquired, which has been or is to be sold or transferred by CNH Global or such Restricted Subsidiary to such Person or to any other Person from whom funds have been or are to be advanced on the security of such property.

“*Securities Act*” means the Securities Act of 1933, as amended, or any successor statute or statutes thereto, and the rules and regulations of the Commission promulgated thereunder.

“*Significant Subsidiary*” means, with respect to any Person, any Restricted Subsidiary of such Person that satisfies the criteria for a “significant subsidiary” set forth in Rule 1.02(w) of Regulation S-X under the Securities Act, as such Regulation is in effect on the Issue Date.

“*Standard Securitization Undertakings*” means representations, warranties, covenants and indemnities entered into by CNH Global or any Restricted Subsidiary of CNH Global which are reasonably customary in accounts receivable securitization transactions from time to time.

Description of the notes

“*Subordinated Indebtedness*” means any Indebtedness of CNH Global or any Guarantor (whether outstanding on the Issue Date or thereafter incurred) that is subordinated or junior in right of payment to the Notes or the Guarantee of such Guarantor pursuant to a written agreement.

“*Subsidiary*,” with respect to any Person, means

- (1) any corporation of which the outstanding Capital Stock having at least a majority of the votes entitled to be cast in the election of directors under ordinary circumstances shall at the time be owned, directly or indirectly, by such Person or
- (2) any other Person of which at least a majority of the voting interest under ordinary circumstances is at the time, directly or indirectly, owned by such Person.

“*Unrestricted Financial Services Subsidiary*” of any Person means an Unrestricted Subsidiary that immediately prior to its designation constituted a Financial Services Subsidiary.

“*Unrestricted Subsidiary*” of any Person means

- (1) any Subsidiary of such Person that at the time of determination shall be or continue to be designated as such pursuant to and in compliance with the covenant described under “—Certain Covenants—Limitation on Designations of Unrestricted Subsidiaries”; and
- (2) any Subsidiary of an Unrestricted Subsidiary.

“*Weighted Average Life to Maturity*” means, when applied to any Indebtedness at any date, the number of years obtained by dividing (A) the then outstanding aggregate principal amount of such Indebtedness into (B) the sum of the total of the products obtained by multiplying (I) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by (II) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

“*Wholly Owned Restricted Subsidiary*” of CNH Global means any Restricted Subsidiary of which all the outstanding voting securities (other than in the case of a Foreign Subsidiary, directors’ qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) are owned by CNH Global or any other Wholly Owned Restricted Subsidiary.

Exchange offer; registration rights

Case New Holland, CNH Global, the subsidiary guarantors and the initial purchaser will enter into a registration rights agreement relating to the notes on or prior to the original date of issuance of the notes. Pursuant to the registration rights agreement, Case New Holland, CNH Global and the subsidiary guarantors will agree, at our cost, for the benefit of the holders of the notes, to:

- > not later than June 30, 2006, file a registration statement with the SEC with respect to a registered offer to exchange the notes for new notes of Case New Holland evidencing the same continuing indebtedness under, and having terms substantially identical in all material respects to, the notes (except that the exchange notes will not contain terms with respect to transfer restrictions); and
- > use reasonable best efforts to cause the exchange offer registration statement to be declared effective under the Securities Act not later than 90 days after the date of the filing of the registration statement.

Upon the effectiveness of the exchange offer registration statement, we will offer the exchange notes in exchange for surrender of the notes. We will keep the registered exchange offer open for not less than 20 business days (or longer if required by applicable law) and not more than 30 business days after the date notice of the registered exchange offer is mailed to the holders of the notes. For each note surrendered to us pursuant to the registered exchange offer, the holder of such note will receive an exchange note having a principal amount equal to that of the surrendered note. Interest on each exchange note will accrue from the last interest payment date on which interest was paid on the note surrendered in exchange thereof or, if no interest has been paid on such note, from the date of its original issue.

Under existing SEC interpretations, the exchange notes would be freely transferable by holders of the notes other than our affiliates after the registered exchange offer without further registration under the Securities Act if the holder of the exchange notes represents that it is acquiring the exchange notes in the ordinary course of its business, that it has no arrangement or understanding with any person to participate in the distribution of the exchange notes and that it is not our affiliate, as such terms are interpreted by the SEC; *provided* that broker-dealers (“participating broker-dealers”) receiving exchange notes in the registered exchange offer will have a prospectus delivery requirement with respect to resales of such exchange notes. The SEC has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to exchange notes (other than a resale of an unsold allotment from the original sale of the notes) with the prospectus contained in the exchange offer registration statement. Under the registration rights agreement, we will be required to allow participating broker-dealers and other persons, if any, with similar prospectus delivery requirements to use the prospectus contained in the exchange offer registration statement in connection with the resale of such exchange notes.

A holder of notes (other than certain specified holders) who wishes to exchange such notes for exchange notes in the registered exchange offer will be required to represent that any exchange notes to be received by it will be acquired in the ordinary course of its business and that at the time of the commencement of the registered exchange offer it has no arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of the exchange notes and that it is not our “affiliate,” as defined in Rule 405 of the Securities Act, or if it is an affiliate, that it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

Exchange offer; registration rights

In the event that:

- (i) applicable interpretations of the staff of the SEC do not permit us to effect such a registered exchange offer,
- (ii) for any other reason the exchange offer registration statement is not declared effective within 90 days after the date of the filing of the registration statement or the registered exchange offer is not consummated within 120 days after the exchange offer registration statement is filed,
- (iii) the initial purchaser so requests with respect to notes not eligible to be exchanged for exchange notes in the registered exchange offer or
- (iv) any holder of notes (other than the initial purchaser) is not eligible to participate in the registered exchange offer or does not receive freely tradeable exchange notes in the registered exchange offer other than by reason of such holder being an affiliate of us (it being understood that the requirement that a participating broker-dealer deliver the prospectus contained in the exchange offer registration statement in connection with sales of exchange notes shall not result in such exchange notes being not “freely tradeable”),

we will, at our cost,

- (a) as promptly as practicable, file a registration statement (the “shelf registration statement”) covering resales of the notes or the exchange notes, as the case may be,
- (b) cause the shelf registration statement to be declared effective under the Securities Act and
- (c) use our reasonably best efforts to keep the shelf registration statement effective until two years after its effective date.

We will, in the event a shelf registration statement is filed, among other things, provide to each holder for whom such shelf registration statement was filed copies of the prospectus which is a part of the shelf registration statement, notify each such holder when the shelf registration statement has become effective and take certain other actions as are required to permit unrestricted resales of the notes or the exchange notes, as the case may be. A holder selling such notes or exchange notes pursuant to the shelf registration statement generally would be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the registration rights agreement which are applicable to such holder (including certain indemnification obligations).

If

- (a) on or prior to June 30, 2006, neither the exchange offer registration statement nor the shelf registration statement has been filed with the SEC,
- (b) on or prior to the 91st day following the date of the filing of the registration statement, neither the exchange offer registration statement nor the shelf registration statement has been declared effective,
- (c) on or prior to the 121st day after the exchange offer registration statement is filed, the registered exchange offer has not been consummated,
- (d) notwithstanding that Case New Holland has consummated the exchange offer, if Case New Holland is required to file a shelf registration statement, the shelf registration statement is not filed or has not been declared effective within the time periods provided for in the registration rights agreement, or

Exchange offer; registration rights

(e) after either the exchange offer registration statement or the shelf registration statement has been declared effective, such registration statement thereafter ceases to be effective or usable (subject to certain exceptions) in connection with resales of notes or exchange notes in accordance with and during the periods specified in the registration rights agreement

(each such event referred to in clauses (a) through (e), a “registration default”), interest (“additional interest”) will accrue on the principal amount of the notes and the exchange notes (in addition to the stated interest on the notes and the exchange notes) from and including the date on which any such registration default shall occur to but excluding the date on which all registration defaults have been cured. Additional interest will accrue at a rate of 0.25% per annum during the 90-day period immediately following the occurrence of such registration default and shall increase by 0.25% per annum at the end of each subsequent 90-day period, but in no event shall such rate exceed 1.0% per annum.

The summary herein of certain provisions of the registration rights agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement, a copy of which is available upon request to us.

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The notes are being offered and sold in connection with the initial offering thereof solely to “qualified institutional buyers,” as defined in Rule 144A under the Securities Act (“QIBs”), pursuant to Rule 144A and in offshore transactions to persons other than “U.S. persons,” as defined in Regulation S under the Securities Act (“Non-U.S. Persons”), in reliance on Regulation S. Following the initial offering of the notes, the notes may be sold to QIBs pursuant to Rule 144A, Non-U.S. Persons in reliance on Regulation S and pursuant to other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, as described under “Notice to investors,” including sales to institutional “accredited investors,” as defined in Rule 501(a)(1), (2), (3) and (7) under the Securities Act (“IAIs”), that are not QIBs.

THE GLOBAL NOTES

Rule 144A Global Note. Notes offered and sold to QIBs pursuant to Rule 144A will be issued in the form of one or more registered notes in global form, without interest coupons (collectively, the “Rule 144A Global Note”). The Rule 144A Global Note will be deposited on the issue date with, or on behalf of, The Depository Trust Company (“DTC”) and registered in the name of Cede & Co., as nominee of DTC, or will remain in the custody of the trustee pursuant to the FAST Balance Certificate Agreement between DTC and the trustee. Interests in the Rule 144A Global Note will be available for purchase only by QIBs.

Regulation S Global Note. Notes offered and sold in offshore transactions to Non-U.S. Persons in reliance on Regulation S will initially be issued in the form of one or more registered notes in global form, without interest coupons (collectively, the “Regulation S Global Note”). Each Regulation S Global Note will be deposited upon issuance with, or on behalf of, a custodian for DTC in the manner described in the preceding paragraph for credit to the respective accounts of the Euroclear System (“Euroclear”), or Clearstream Banking, S.A. of Luxembourg (“Clearstream, Luxembourg”). Prior to the 40th day after the later of the commencement of the offering of the notes and the issue date (such period through and including such 40th day, the “Distribution Compliance Period”), interests in the Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg (as indirect participants in DTC) unless exchanged for interests in the Rule 144A Global Note in accordance with the transfer and certification requirements described herein.

Investors may hold their interests in the Regulation S Global Note directly through Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organizations which are participants in such systems. After the expiration of the Distribution Compliance Period (but not earlier), investors may also hold such interests through organizations other than Euroclear or Clearstream, Luxembourg that are participants in the DTC system. Euroclear and Clearstream, Luxembourg will hold such interests in the Regulation S Global Note on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. Such depositories, in turn, will hold such interests in the Regulation S Global Note in customers’ securities accounts in the depositories’ names on the books of DTC.

Except as set forth below, the Rule 144A Global Note and the Regulation S Global Note (collectively, the “Global Notes”) may be transferred, in whole and not in part, solely to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for notes in physical, certificated form (“Certificated Notes”) except in the limited circumstances described below.

The notes will be subject to certain restrictions on transfer and will bear a restrictive legend as set forth under “Notice to investors.”

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All interests in the Global Notes, including those held through Euroclear or Clearstream, Luxembourg, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream, Luxembourg may also be subject to the procedures and requirements of such systems.

EXCHANGES AMONG THE GLOBAL NOTES

Prior to the expiration of the Distribution Compliance Period, transfers by an owner of a beneficial interest in the Regulation S Global Note to a transferee who takes delivery of such interest through the Rule 144A Global Note will be made only in accordance with applicable procedures and upon receipt by the trustee of a written certification from the transferor of the beneficial interest in the form provided in the indenture to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A. Such written certification will no longer be required after the expiration of the Distribution Compliance Record.

Transfers by an owner of a beneficial interest in the Rule 144A Global Note to a transferee who takes delivery of such interest through the Regulation S Global Note, whether before or after the expiration of the Distribution Compliance Period, will be made only upon receipt by the trustee of a certification from the transferor to the effect that such transfer is being made in accordance with Regulation S under the Securities Act and that, if such transfer is being made prior to the expiration of the Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream, Luxembourg.

Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

CERTAIN BOOK-ENTRY PROCEDURES FOR THE GLOBAL NOTES

The descriptions of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. Neither we nor the initial purchaser take any responsibility for these operations or procedures, and investors are urged to contact the relevant system or its participants directly to discuss these matters.

DTC has advised us that it is:

- a limited purpose trust company organized under the laws of the State of New York;
- a “banking organization” within the meaning of the New York Banking Law;
- a member of the Federal Reserve System;
- a “clearing corporation” within the meaning of the Uniform Commercial Code, as amended; and
- a “clearing agency” registered pursuant to Section 17A of the Exchange Act.

DTC was created to hold securities for its participants (collectively, the “Participants”) and facilitates the clearance and settlement of securities transactions between Participants through electronic book-entry changes to the accounts of its Participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC’s Participants include securities brokers and dealers (including the initial purchaser), banks and trust companies, clearing corporations and certain other organizations. Indirect

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access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies (collectively, the "Indirect Participants") that clear through or maintain a custodial relationship with a Participant, either directly or indirectly. Investors who are not Participants may beneficially own securities held by or on behalf of DTC only through Participants or Indirect Participants.

We expect that pursuant to procedures established by DTC (1) upon deposit of each Global Note, DTC will credit the accounts of Participants designated by the initial purchaser with an interest in the Global Note and (2) ownership of the notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of Participants) and the records of Participants and the Indirect Participants (with respect to the interests of persons other than Participants).

The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability to transfer interests in the notes represented by a Global Note to such persons may be limited. In addition, because DTC can act only on behalf of its Participants, who in turn act on behalf of persons who hold interests through Participants, the ability of a person having an interest in notes represented by a Global Note to pledge or transfer such interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the Global Note for all purposes under the indenture. Except as provided below, owners of beneficial interests in a Global Note will not be entitled to have notes represented by such Global Note registered in their names, will not receive or be entitled to receive physical delivery of Certificated Notes, and will not be considered the owners or holders thereof under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee thereunder. Accordingly, each holder owning a beneficial interest in a Global Note must rely on the procedures of DTC and, if such holder is not a Participant or an Indirect Participant, on the procedures of the Participant through which such holder owns its interest, to exercise any rights of a holder of notes under the indenture or such Global Note. We understand that under existing industry practice, in the event that we request any action of holders of notes, or a holder that is an owner of a beneficial interest in a Global Note desires to take any action that DTC, as the holder of such Global Note, is entitled to take, DTC would authorize the Participants to take such action and the Participants would authorize holders owning through such Participants to take such action or would otherwise act upon the instruction of such holders. Neither we nor the trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such notes.

Payments with respect to the principal of, and premium, if any, liquidated damages, if any, and interest on, any notes represented by a Global Note registered in the name of DTC or its nominee on the applicable record date will be payable by the trustee to or at the direction of DTC or its nominee in its capacity as the registered holder of the Global Note representing such notes under the indenture. Under the terms of the indenture, we and the trustee may treat the persons in whose names the notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. Accordingly, neither we nor the trustee has or will have any responsibility or liability for the payment of such amounts to owners of beneficial interests in a Global Note (including principal, premium, if any, liquidated damages, if any, and interest). Payments by the Participants and the Indirect Participants to the owners of beneficial interests

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in a Global Note will be governed by standing instructions and customary industry practice and will be the responsibility of the Participants or the Indirect Participants and DTC.

Transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes, cross-market transfers between the Participants in DTC, on the one hand, and Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparts in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream, Luxembourg participants may not deliver instructions directly to the depositories for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a Global Note from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream, Luxembourg participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream, Luxembourg) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in the Global Notes by or through a Euroclear or Clearstream, Luxembourg participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day for Euroclear or Clearstream, Luxembourg following DTC's settlement date.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated notes

If:

- we notify the trustee in writing that DTC is no longer willing or able to act as a depository or DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depository is not appointed within 90 days of such notice or cessation; or

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- an event of default has occurred and is continuing and the registrar has received a request from DTC to issue Certificated Notes,

then, upon surrender by DTC of the Global Notes, Certificated Notes will be issued to each person that DTC identifies as the beneficial owner of the notes represented by the Global Notes. Upon any such issuance, the trustee is required to register such Certificated Notes in the name of such person or persons (or the nominee of any thereof) and cause the same to be delivered thereto.

Neither we nor the trustee shall be liable for any delay by DTC or any Participant or Indirect Participant in identifying the beneficial owners of the related notes and each such person may conclusively rely on, and shall be protected in relying on, instructions from DTC for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the notes to be issued).

Certain U.S. federal income tax consequences

The following discussion is a summary of the material U.S. federal income tax consequences of the purchase, ownership and disposition of the notes by beneficial owners (“Holders”) that will purchase notes pursuant to the offering at their issue price and that will hold the notes as capital assets (generally, property held for investment). This summary is based on the provisions of the U.S. Internal Revenue Code of 1986, as amended (“Code”), the Treasury regulations promulgated thereunder, and administrative pronouncement of the Internal Revenue Service (the “IRS”) and judicial interpretations, all as in effect as of the date hereof and all of which are subject to change (possibly on a retroactive basis). This summary is intended for general information only, and does not purport to be a complete analysis of all of the potential U.S. federal income tax considerations that may be relevant to the particular circumstances of Holders, or to Holders that may be subject to special U.S. federal income tax rules (such as dealers in securities or foreign currencies, insurance companies, real estate investment trusts, regulated investment companies, financial institutions, partnerships and other pass-through entities, expatriates, tax-exempt organizations, United States Holders (as defined below) whose functional currency is not the U.S. dollar, persons who own 10% or more of our common shares and persons who hold the notes as part of a hedge, straddle, conversion or constructive sale transaction or other risk reduction transaction). Furthermore, this summary does not address any state, local or foreign tax implications, or any aspect of U.S. federal tax law other than income taxation.

Any discussion of U.S. federal tax issues set forth in this offering memorandum is written in connection with the promotion and marketing by us and the initial purchaser of the transactions described in this Memorandum. Such discussion is not intended or written to be legal or tax advice to any person and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

PROSPECTIVE HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME AND OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES BASED UPON THEIR PARTICULAR SITUATIONS INCLUDING ANY CONSEQUENCES ARISING UNDER APPLICABLE STATE, LOCAL AND FOREIGN TAX LAWS.

For purposes of this discussion, a “United States Holder” means a Holder of a note that, for U.S. federal income tax purposes, is (i) an individual who is a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust (A) whose administration is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust, or (B) if the trust was in existence on August 20, 1996 and an election has been properly made to continue to treat the trust as a United States person under the Code. Correspondingly, a “Foreign Holder” is a Holder that is neither a United States Holder nor a partnership. The U.S. federal income tax consequences of a partner in a partnership holding the notes generally will depend on the status of the partner and the activities of the partnership. Partners in a partnership holding the notes should consult their own tax advisors.

UNITED STATES HOLDERS

Payments of stated interest

Generally, stated interest payable on a note will be taxable to a United States Holder as ordinary interest income at the time the interest is accrued or received in accordance with the United States Holder's regular method of tax accounting.

Registration default and redemption and repurchase rights

As described elsewhere in this offering memorandum, we will pay additional interest on the notes if we do not comply with our obligations under the registration rights agreement. In addition, as described elsewhere in this offering memorandum, we may under certain circumstances be required to repurchase the notes and we have the option to redeem some or all of the notes at certain times under certain circumstances.

Based on our current expectations, the likelihood that we will be required to pay such additional interest or repurchase or redeem the notes as described in the foregoing paragraph is remote. Accordingly, we intend to take the position that the contingent payments described in the foregoing paragraph do not, as of the date of issuance, cause the notes to have original issue discount and do not affect the yield to maturity or the maturity date of the notes. A United States Holder may not take a contrary position unless it discloses such contrary position in the proper manner to the IRS. Prospective purchasers of the notes should consult their own tax advisors with respect to the contingent payments described above. If the IRS takes the position that the contingent payments described were not remote as of the date of issuance, the amount and timing of interest income a United States Holder must include in taxable income may have to be redetermined.

Although the matter is not free from doubt, if, contrary to our expectations, additional interest is in fact paid, such additional interest should be taxable as interest as described above under “—United States Holder—Payments of Stated Interest,” and if we repurchase or redeem the notes as described above, such redemption or repurchase should be taxable as described below under “—United States Holder—Sales and Other Taxable Dispositions.”

Sales and other taxable dispositions

In general, upon the sale or other taxable disposition of a note, a United States Holder will recognize capital gain or loss equal to the difference between the amount realized on such sale or other taxable disposition (not including any amount attributable to accrued but unpaid interest, which will be treated as a payment of interest for U.S. federal income tax purposes and therefore will be taxable as ordinary income) and such United States Holder's adjusted tax basis in the note. Such gain or loss generally will constitute long-term capital gain or loss if the note was held by such United States Holder for more than one year and otherwise will be short-term capital gain or loss. A United States Holder's adjusted tax basis in a note generally will equal the cost of the note to such United States Holder, reduced by any principal payments received by such United States Holder. Under current U.S. federal income tax law, net long-term capital gains of non-corporate United States Holders (including individuals) are eligible for taxation at preferential rates. The deductibility of capital losses is subject to limitations under the Code.

Exchange of notes for exchange notes

The exchange of notes for exchange notes pursuant to the registered exchange offer will not be considered a taxable exchange for U.S. federal income tax purposes. Accordingly, such exchange should have no U.S. federal income tax consequences to a United States Holder of notes, and the adjusted tax basis and holding period of a United States Holder in an exchange note will be the same

Certain U.S. federal income tax consequences

immediately after the exchange as such United States Holder's adjusted tax basis and holding period in the note exchanged therefor immediately prior to the exchange.

FOREIGN HOLDERS

Payments of interest

Payments of interest on a note by us or any paying agent to a Foreign Holder will not be subject to U.S. federal income tax or withholding tax, provided that:

- the interest income in respect of the note is not effectively connected with the conduct by the Foreign Holder of a trade or business within the United States;
- the Foreign Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our shares entitled to vote;
- the Foreign Holder is not, for U.S. federal income tax purposes, a controlled foreign corporation (as defined in the Code) related, directly or indirectly, to us through stock ownership;
- the Foreign Holder is not a bank whose receipt of interest on the note is described in Code Section 881(c)(3)(A); and
- the certification requirements under Code Section 871(h) or 881(c) and the Treasury regulations thereunder, as described generally below, are met.

For purposes of Code Sections 871(h) and 881(c) and the Treasury regulations thereunder, in order to obtain the exemption from U.S. federal income and withholding tax described above, either (1) the Foreign Holder must provide its name and address, and certify, under penalties of perjury, to us or our paying agent, as the case may be, that such Holder is not a United States person or (2) the Foreign Holder must hold its notes through certain intermediaries and both the Foreign Holder and the relevant intermediary must satisfy the certification requirements of applicable Treasury regulations. A certificate described in this paragraph is generally effective only with respect to payments of interest made to the certifying Foreign Holder after issuance of the certificate in the calendar year of its issuance and the two immediately succeeding calendar years. Under Treasury regulations, the foregoing certification generally may be provided by a Foreign Holder on IRS Form W-8BEN (or other applicable W-8 form).

Payments of interest on a note that do not satisfy all of the foregoing requirements generally will be subject to 30% United States federal withholding tax unless the Foreign Holder provides to us or our paying agent a properly executed IRS Form W-8BEN claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty. However, if the interest income in respect of a note is effectively connected with the conduct by the Foreign Holder of a U.S. trade or business (and, if a tax treaty applies, is attributable to a United States permanent establishment maintained by the Foreign Holder), then such interest income generally will be exempt from the withholding tax described above, and instead will be subject to U.S. federal income tax on a net income basis at the regular graduated tax rates applicable to United States Holders. A Foreign Holder must provide a duly executed IRS Form W-8ECI to us or our paying agent in order to avoid U.S. federal withholding tax in respect of effectively connected interest income. In certain circumstances, a Foreign Holder that is a corporation also may be subject to an additional "branch profits tax" (currently at a 30% rate or, if applicable, a lower treaty rate).

Sales and other taxable dispositions

In general, a Foreign Holder of a note will not be subject to U.S. federal income tax on any gain recognized on the sale or other taxable disposition of a note unless:

- such Foreign Holder is a nonresident alien individual who is present in the United States for 183 or more days in the taxable year of disposition and certain other conditions are met; or

Certain U.S. federal income tax consequences

- the gain is effectively connected with the conduct of a United States trade or business of the Foreign Holder (and, if a tax treaty applies, is attributable to a United States permanent establishment or fixed base maintained by the Foreign Holder).

BACKUP WITHHOLDING AND INFORMATION REPORTING

Under current U.S. federal income tax law, a backup withholding tax at specified rates (currently 28%) and information reporting requirements apply to certain payments of principal and interest made to, and to the proceeds of sale before maturity by, certain United States Holders of notes. In the case of a noncorporate United States Holder, information reporting requirements will apply to payments of principal and interest made by us or our paying agent on a note. Backup withholding tax will apply to a United States Holder if:

- such United States Holder fails to furnish its Taxpayer Identification Number (“TIN”) (which, for an individual, is his or her Social Security Number) to the payor in the manner required;
- such United States Holder furnishes an incorrect TIN and the payor is so notified by the IRS;
- the payor is notified by the IRS that such United States Holder has failed to properly report payments of interest or dividends; or
- under certain circumstances, such United States Holder fails to certify, under penalties of perjury, that it has furnished a correct TIN and has not been notified by the IRS that it is subject to backup withholding for failure to report interest or dividend payments.

Backup withholding and information reporting do not apply with respect to payments made to certain exempt recipients, including corporations (within the meaning of Code Section 7701(a)), tax-exempt organizations or qualified pension and profit-sharing trusts. United States Holders should consult their tax advisors regarding their qualification for exemption from backup withholding and information reporting, and the procedure for obtaining such an exemption if applicable.

We must report annually to the IRS and to each Foreign Holder the amount of interest paid on a note and the amount of tax withheld with respect to those payments. Copies of the information returns reporting those interest payments and withholding may also be made available to the tax authorities in the country in which a Foreign Holder resides under the provisions of an applicable income tax treaty. Backup withholding will not apply to payments of principal or interest made by us or our paying agent on a note (absent actual knowledge or reason to know that the Holder is actually a United States Holder) if such Foreign Holder has provided the required certification under penalties of perjury that it is not a United States person or has otherwise established an exemption. Backup withholding and information reporting may apply to the proceeds of the sale of a note within the United States or conducted through certain U.S.-related financial intermediaries unless the certification requirements described under “—Foreign Holders—Payments of Stated Interest” above are satisfied (and the payor does not have actual knowledge or reason to know that the Holder is actually a United States Holder) or the Holder has otherwise established an exemption. Foreign Holders of notes should consult their tax advisors regarding the application of information reporting and backup withholding in their particular situations, the availability of an exemption therefrom, and the procedure for obtaining such an exemption, if available.

Backup withholding is not an additional tax. Any amounts withheld from a payment under the backup withholding rules will be allowed as a credit against a Holder’s U.S. federal income tax liability and may entitle such Holder to a refund, provided that certain required information is furnished to the IRS.

Plan of distribution

We, CNH Global and the subsidiary guarantors of the notes and UBS Securities LLC, the initial purchaser, have entered into a purchase agreement relating to the offering and sale of the notes. In the purchase agreement, we have agreed to sell to the initial purchaser, and the initial purchaser has agreed to purchase from us, notes in the aggregate principal amount of \$500 million.

The purchase agreement provides that the obligations of the initial purchaser is subject to certain conditions precedent, and that the initial purchaser is committed to take and pay for all of the notes, if any are taken.

We have agreed in the purchase agreement to indemnify the initial purchaser, its controlling persons and certain other related persons against certain liabilities in connection with this offering, and to make contributions in respect thereof.

We have been advised by the initial purchaser that it may resell the notes initially at the price set forth on the cover page hereof to “qualified institutional buyers” as defined in Rule 144A under the Securities Act in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. The price at which the notes are being offered may be changed at any time without notice. Each purchaser of the notes will, by its purchase, be deemed to have made certain acknowledgments, representations, warranties and agreements as set forth under “Notice to investors.”

The notes have not been registered under the Securities Act and may not be offered or sold except as set forth above. We do not intend to list the notes on any national securities exchange or to seek the admission of the notes to trading on NASDAQ. We expect that the notes will be eligible to be traded in The PORTAL Market.

The initial purchaser has advised us that following the completion of this offering, it presently intends to make a market in the notes. It is not obligated to do so, however, and any market-making activities with respect to the notes may be discontinued at any time without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act, and may be limited during the exchange offer for the notes and the pendency of any shelf registration statement relating to the notes. Accordingly, no assurance can be given as to the liquidity of or the trading market for the notes.

In connection with this offering, the initial purchaser may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the initial purchaser may over-allot this offering, creating a syndicate short position. The initial purchaser may bid for and purchase notes in the open market to cover syndicate short positions. In addition, the initial purchaser may bid for and purchase notes in the open market to stabilize the price of the notes. These activities may stabilize or maintain the market price of the notes above independent market levels. The initial purchaser is not required to engage in these activities, and may end any of these activities at any time.

The initial purchaser shall not initially offer or sell any notes to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which shall not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995. The initial purchaser has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000, or FSMA, and the Public Offers of Securities Regulations 1995 with respect to anything done by them in relation to the notes in, from or otherwise involving the United Kingdom. The initial purchaser has communicated or caused to be communicated and will communicate or cause to be communicated any invitation or

Plan of distribution

inducement to engage in investment activity (within the meaning of Section 21 FSMA) received by them in connection with the issue or sale of any notes only in circumstances in which Section 21(1) of the FSMA does not apply to us.

In the ordinary course of their respective businesses, the initial purchaser and certain of its affiliates have in the past and may in the future engage in investment and commercial banking or other transactions of a financial nature with us or our affiliates, including the provision of certain advisory and interest rate hedging services and the making of loans to us and our affiliates.

Notice to investors

Each purchaser of the notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (1) The purchaser is either: (A) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A and such qualified institutional buyer is acquiring such notes for its own account or for the account of another qualified institutional buyer; or (B) not a U.S. person (as defined in Regulation S under the Securities Act), and is purchasing the notes in accordance with Regulation S under the Securities Act. The purchaser acknowledges that the seller may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or other exemptions under the Securities Act.
- (2) The purchaser understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been registered under the Securities Act and that (A) the notes may be offered, resold, pledged or otherwise transferred only (1) (a) to a person who the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (b) in a transaction meeting the requirements of Rule 144 under the Securities Act, if available, (c) outside the United States to a person that is not a U.S. person (as defined in Regulation S under the Securities Act) in a transaction meeting the requirements of Regulation S under the Securities Act, (d) to an “accredited investor” within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act (an “Institutional Accredited Investor”) that is purchasing at least \$250,000 of notes for its own account or for the account of an Institutional Accredited Investor (and based upon an opinion of counsel acceptable to us if we so request) or (e) pursuant to another available exemption under the Securities Act (based upon an opinion of counsel acceptable to us if we so request), (2) to us or any of our subsidiaries or (3) under an effective registration statement and, in each case, in compliance with any applicable securities laws of any State of the United States or any other applicable jurisdiction and (B) the purchaser will, and each subsequent holder is required to, notify any later purchaser from it of the resale restrictions described in (A) above. If any resale or other transfer of any Note is proposed to be made under clause (1)(d) above while these transfer restrictions are in force then the transferor shall deliver a letter from the transferee to us and the Trustee, as the case may be, which shall provide, among other things, that the transferee is an Institutional Accredited Investor and that it is acquiring the notes for investment purposes and not for distribution in violation of the Securities Act.
- (3) The purchaser understands that the certificates evidencing the notes will, unless otherwise agreed by us, bear a legend substantially to the effect set forth in paragraphs (1) and (2).
- (4) The purchaser confirms that (A) the purchaser has requisite knowledge and experience in financial and business matters so that it is capable of evaluating the merits and risks of purchasing notes, and the purchaser and any accounts for which it is acting are each able to bear the economic risks of its or their investment, including a complete loss of the investment, (B) the purchaser is not acquiring notes with a view to any distribution of the notes in a transaction that would violate the Securities Act or the securities laws of any State of the United States or another applicable jurisdiction; provided that the disposition of its property and the property of any accounts for which the purchaser is acting as fiduciary shall remain at all times within its control and (C) the purchaser has received a copy of this offering memorandum and acknowledges that the purchaser has had access to the financial and other information, and has been afforded the opportunity to ask questions of our representatives and receive answers to those questions, as it deemed necessary in connection with its decision to purchase notes.

Notice to investors

(5) The purchaser acknowledges that Case New Holland, CNH Global, the subsidiary guarantors of the notes, the initial purchaser and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the foregoing acknowledgments, representations or agreements deemed to have been made by it are no longer accurate, it shall promptly notify Case New Holland, CNH Global, the subsidiary guarantors of the notes and the initial purchaser. If such purchaser is acquiring any notes as a fiduciary or agent for one or more investor accounts, such purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

(6) If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it acknowledges that until the expiration of the “40-day distribution compliance period” within the meaning of Rule 903 of Regulation S, any offer or sale of the notes shall not be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(k) of the Securities Act.

The purchaser acknowledges that the Trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to Case New Holland and the Trustee that the restrictions set forth herein have been complied with.

Service of process and enforcement of civil liabilities

CNH Global is a corporation organized under the laws of The Netherlands, and certain of the other guarantors are organized in jurisdictions outside the United States. In addition, some of the members of our Board of Directors and some of our officers reside outside the United States. As a result, you may not be able to effect service of process within the United States upon CNH Global or the other non-U.S. guarantors or those persons or to enforce against them, either in the United States or outside the United States, judgments of U.S. courts, including judgments based on the civil liability provisions of the U.S. federal securities laws. Also, a substantial portion of our assets and the assets of those persons is located outside the United States; therefore, you may not be able to collect a judgment within the United States.

Nauta Dutilh, special Dutch counsel to CNH Global, has advised CNH Global that the United States and The Netherlands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States federal securities laws, would not be directly enforceable in The Netherlands. However, if the party in whose favor a final judgment is rendered brings a new suit in a competent court in The Netherlands, that party may submit to a Dutch court the final judgment rendered in the United States. If the Dutch court finds that the jurisdiction of the federal or state court in the United States has been based on grounds which are internationally acceptable and that proper legal procedures have been observed, the Dutch court should give binding effect to that final judgment unless it violates public policy in The Netherlands. Nauta Dutilh has advised us that it does not express an opinion as to whether enforcement by a Dutch court of a judgment would be effected in any currency other than euro or as to the determination of the applicable exchange rate from U.S. dollars to euro. Furthermore, it is not clear under Dutch law whether judgments awarding punitive damages would be enforced.

Legal matters

Certain matters with respect to the issuance of the notes will be passed upon for us by Sidley Austin LLP, Chicago, Illinois. Certain legal matters in connection with the offering will be passed upon for the initial purchaser by Cahill Gordon & Reindel LLP, New York, New York.

Independent registered public accounting firm

The consolidated financial statements of CNH Global as of December 31, 2004 and 2003 and for the three years ended December 31, 2004, 2003 and 2002 included in this offering memorandum have been audited by Deloitte & Touche LLP, independent registered public accounting firm, as stated in their report appearing herein.

Available information; incorporation by reference

We file annual reports and other information with the SEC. You may read and copy any document we file at the SEC's public reference room in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings also are available to you at the SEC's web site at <http://www.sec.gov>.

We incorporate by reference into this offering memorandum our report on Form 6-K filed with the SEC on January 27, 2006.

We also incorporate by reference the information under Items 6.B (Compensation), 6.C (Board Practices) and 6.E (Share Ownership) our Annual Report on Form 20-F for the fiscal year ended December 31, 2004, as well as any filings made after the date of this offering memorandum with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (but not documents that are furnished to the SEC but not filed) until this offering has been completed.

The information incorporated by reference in this offering memorandum is considered to be part of this offering memorandum, and information that we file (but not merely furnish) later with the SEC, prior to the completion of this offering, will automatically be updated and supersede this information.

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CNH GLOBAL N.V. AND SUBSIDIARIES

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Report of independent registered public accounting firm

To the Board of Directors and Shareholders of CNH Global N.V.:

We have audited the accompanying consolidated balance sheets of CNH Global N.V. (a Netherlands corporation) and its subsidiaries (collectively, the “Company”) as of December 31, 2004 and 2003, and the related consolidated statements of operations, cash flows, and changes in shareholders’ equity for each of the three years in the period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CNH Global N.V. and its subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, in 2004 the Company changed its policy for determining which items are treated as cash equivalents.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, results of operations, and cash flows of Equipment Operations and Financial Services and are not a required part of the basic consolidated financial statements. The supplemental information is the responsibility of the Company’s management. Such information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin
April 27, 2005

Consolidated statements of operations

For the years ended December 31, 2004, 2003, and 2002 (and supplemental information)

	Consolidated			Supplemental information					
				Equipment Operations			Financial Services		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
	(in millions, except per share data)								
Revenues:									
Net sales	\$11,545	\$10,069	\$9,331	\$11,545	\$10,069	\$9,331	\$—	\$—	\$—
Finance and interest income	634	597	609	82	83	100	672	621	641
	12,179	10,666	9,940	11,627	10,152	9,431	672	621	641
Costs and Expenses:									
Cost of goods sold	9,782	8,590	7,902	9,782	8,590	7,902	—	—	—
Selling, general and administrative	1,110	1,042	1,094	929	839	884	181	203	210
Research, development and engineering	267	259	283	267	259	283	—	—	—
Restructuring	104	271	51	102	268	50	2	3	1
Interest expense—Fiat affiliates	88	113	236	63	85	198	25	28	38
Interest expense—other	404	368	318	255	236	192	183	182	204
Interest compensation to Financial Services	—	—	—	113	79	76	—	—	—
Other, net	265	241	182	186	149	62	52	71	98
	12,020	10,884	10,066	11,697	10,505	9,647	443	487	551
Income (loss) before taxes, minority interest, equity in income (loss) of unconsolidated subsidiaries and affiliates and cumulative effect of change in accounting principle	159	(218)	(126)	(70)	(353)	(216)	229	134	90
Income tax provision (benefit)	39	(49)	(14)	(39)	(97)	(48)	78	47	34
Minority interest	23	7	8	23	7	8	—	—	—
Equity in income (loss) of unconsolidated subsidiaries and affiliates:									
Financial Services	8	6	4	159	93	60	8	6	4
Equipment Operations	20	13	15	20	13	15	—	—	—
Net income (loss) before cumulative effect of change in accounting principle	125	(157)	(101)	125	(157)	(101)	159	93	60
Cumulative effect of change in accounting principle, net of tax	—	—	(325)	—	—	(325)	—	—	—
Net income (loss)	<u>\$125</u>	<u>\$(157)</u>	<u>\$(426)</u>	<u>\$125</u>	<u>\$(157)</u>	<u>\$(426)</u>	<u>\$159</u>	<u>\$93</u>	<u>\$60</u>
Per Share Data:									
Basic earnings (loss) per share before cumulative effect of change in accounting principle	\$0.94	\$(1.19)	\$(1.05)						
Cumulative effect of change in accounting principle, net of tax	—	—	(3.35)						
Basic earnings (loss) per share	<u>\$0.94</u>	<u>\$(1.19)</u>	<u>\$(4.40)</u>						
Diluted earnings (loss) per share before cumulative effect of change in accounting principle	\$0.54	\$(1.19)	\$(1.05)						
Cumulative effect of change in accounting principle, net of tax	—	—	(3.35)						
Diluted earnings (loss) per share	<u>\$0.54</u>	<u>\$(1.19)</u>	<u>\$(4.40)</u>						

The “Consolidated” data in this statement include CNH Global N.V. and its consolidated subsidiaries and conform to the requirements of SFAS No. 94. The supplemental “Equipment Operations” (with “Financial Services” on the equity basis) data in this statement include primarily CNH Global N.V.’s agricultural and construction equipment operations. The supplemental “Financial Services” data in this statement 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. The accompanying notes to consolidated financial statements are an integral part of these consolidated statements of operations.

Consolidated balance sheets

As of December 31, 2004 and 2003

(and supplemental information)

	Supplemental information					
	Consolidated		Equipment Operations		Financial Services	
	2004	2003	2004	2003	2004	2003
	(in millions, except share data)					
Assets						
Current Assets:						
Cash and cash equivalents	\$ 931	\$ 619	\$ 637	\$ 486	\$ 294	\$ 133
Deposits in Fiat affiliates cash management pools	1,151	1,325	1,136	1,315	15	10
Accounts and notes receivable, net	3,171	3,797	1,493	2,077	1,772	2,074
Intersegment notes receivable	—	—	414	312	24	—
Inventories, net	2,515	2,478	2,515	2,478	—	—
Deferred income taxes	374	331	301	282	73	48
Prepayments and other	93	80	91	76	2	4
Total current assets	8,235	8,630	6,587	7,026	2,180	2,269
Long-term receivables	2,724	2,199	103	270	2,621	1,929
Intersegment long-term notes receivable	—	—	700	700	—	—
Property, plant and equipment, net	1,478	1,528	1,470	1,518	8	10
Other Assets:						
Investments in unconsolidated subsidiaries and affiliates	457	429	373	364	84	65
Investment in Financial Services	—	—	1,419	1,241	—	—
Equipment on operating leases, net	215	353	—	—	215	353
Goodwill	2,402	2,554	2,258	2,409	144	145
Intangible assets, net	834	839	834	839	—	—
Other	1,735	1,195	1,250	1,015	526	287
Total other assets	5,643	5,370	6,134	5,868	969	850
Total	\$18,080	\$17,727	\$14,994	\$15,382	\$5,778	\$5,058
Liabilities and Shareholders' Equity						
Current Liabilities:						
Current maturities of long-term debt—Fiat affiliates	\$ 90	\$ 62	\$ 19	\$ 17	\$ 71	\$ 45
Current maturities of long-term debt—other	796	781	238	71	558	710
Short-term debt—Fiat affiliates	672	698	331	403	341	295
Short-term debt—other	1,385	1,412	733	1,119	652	293
Intersegment short-term debt	—	—	24	—	414	312
Accounts payable	1,657	1,635	1,679	1,836	66	139
Restructuring liability	47	72	46	71	1	1
Other accrued liabilities	1,718	1,628	1,521	1,484	204	157
Total current liabilities	6,365	6,288	4,591	5,001	2,307	1,952
Long-term debt—Fiat affiliates	1,021	1,669	873	1,363	148	306
Long-term debt—other	2,999	2,374	1,954	1,742	1,045	632
Intersegment long-term debt	—	—	—	—	700	700
Other Liabilities:						
Pension, postretirement and postemployment benefits	2,224	2,040	2,204	2,021	20	19
Other	336	407	238	307	138	207
Total other liabilities	2,560	2,447	2,442	2,328	158	226
Commitments and contingencies (Note 15)						
Minority interest	106	75	105	74	1	1
Shareholders' equity:						
Preference shares, €2.25 par value; authorized 200,000,000 shares in 2004 and 2003; issued 8,000,000 shares in 2004 and 2003	19	19	19	19	—	—
Common shares, €2.25 par value; authorized 400,000,000 shares in 2004 and 2003, issued 133,937,488 shares in 2004 and 132,913,714 shares in 2003	312	309	312	309	170	135
Paid-in capital	6,328	6,310	6,328	6,310	1,186	947
Treasury stock, 154,813 shares in 2004 and 116,706 shares in 2003, at cost	(8)	(7)	(8)	(7)	—	—
Retained earnings (deficit)	(1,125)	(1,217)	(1,125)	(1,217)	(12)	120
Accumulated other comprehensive income (loss)	(496)	(539)	(496)	(539)	75	39
Unearned compensation on restricted shares and options	(1)	(1)	(1)	(1)	—	—
Total shareholders' equity	5,029	4,874	5,029	4,874	1,419	1,241
Total	\$18,080	\$17,727	\$14,994	\$15,382	\$5,778	\$5,058

The "Consolidated" data in this statement include CNH Global N.V. and its consolidated subsidiaries and conform to the requirements of SFAS No. 94. The supplemental "Equipment Operations" (with "Financial Services" on the equity basis) data in this statement include primarily CNH Global N.V.'s agricultural and construction equipment operations. The supplemental "Financial Services" data in this statement 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. The accompanying notes to consolidated financial statements are an integral part of these consolidated balance sheets.

Consolidated statements of cash flows

For the years ended December 31, 2004, 2003 and 2002

(and supplemental information)

	Consolidated			Supplemental information					
				Equipment Operations			Financial Services		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
	(in millions)								
Operating activities:									
Net income (loss)	\$ 125	\$ (157)	\$ (426)	\$ 125	\$ (157)	\$(426)	\$ 159	\$ 93	\$ 60
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:									
Cumulative effect of change in accounting principle	—	—	325	—	—	325	—	—	—
Depreciation and amortization	325	346	346	261	246	228	64	100	118
Deferred income tax expense (benefit)	4	(72)	(277)	64	(125)	(195)	(60)	53	(82)
(Gain) loss on disposal of fixed assets	(21)	(1)	(15)	(21)	(1)	(15)	—	—	—
Undistributed (earnings) losses of unconsolidated subsidiaries	2	10	10	(43)	(61)	(42)	(5)	—	(4)
Changes in operating assets and liabilities:									
(Increase) decrease in intersegment activities	—	—	—	(97)	138	16	97	(138)	(16)
(Increase) decrease in wholesale and other notes receivable	911	593	340	712	(26)	101	199	619	239
(Increase) decrease in inventories	85	(139)	335	85	(139)	335	—	—	—
(Increase) decrease in prepayments and other current assets	(10)	36	(4)	(12)	34	(1)	2	2	(3)
(Increase) decrease in other assets	(369)	(14)	380	(122)	(17)	226	(247)	3	154
Increase (decrease) in accounts payable	(59)	(4)	49	(58)	(5)	52	(1)	1	(3)
Increase (decrease) in other accrued liabilities	26	(173)	(228)	(10)	(213)	(235)	36	40	7
Increase (decrease) in other liabilities	(24)	204	8	(7)	209	22	(17)	(5)	(14)
Other, net	(25)	167	134	2	183	94	(27)	(16)	39
Net cash (used) provided by operating activities	970	796	977	879	66	485	200	752	495
Investing activities:									
Acquisitions and investments, net of cash acquired	(38)	(40)	(234)	(113)	(83)	(296)	(10)	(11)	(11)
Additions to retail receivables	(5,183)	(4,463)	(3,854)	—	—	—	(5,183)	(4,463)	(3,854)
Proceeds from new retail securitizations	2,218	2,857	2,598	—	—	—	2,218	2,857	2,598
Collections of retail receivables	2,281	1,263	1,268	—	—	—	2,281	1,263	1,268
Collections of retained interests in securitized retail receivables	115	151	186	—	—	—	115	151	186
Proceeds from sale of businesses and assets	255	212	182	93	54	60	162	158	122
Expenditures for property, plant and equipment	(180)	(194)	(241)	(179)	(192)	(237)	(1)	(2)	(4)
Expenditures for equipment on operating leases	(81)	(51)	(166)	—	—	—	(81)	(51)	(166)
Net cash (used) provided by investing activities, before (deposits in) withdrawals from Fiat affiliates cash management pools	(613)	(265)	(261)	(199)	(221)	(473)	(499)	(98)	139
(Deposits in) withdrawals from Fiat affiliates cash management pools	217	(715)	(398)	221	(915)	(193)	(4)	200	(204)
Net cash (used) provided by investing activities	(396)	(980)	(659)	22	(1,136)	(666)	(503)	102	(65)
Financing activities:									
Intersegment activity	—	—	—	(72)	484	(116)	72	(484)	116
Proceeds from issuance of long-term debt—Fiat affiliates	5	147	—	5	147	—	—	—	—
Proceeds from issuance of long-term debt—other	1,452	1,282	738	497	1,053	9	955	229	729
Payment of long-term debt—Fiat affiliates	(634)	(16)	(544)	(490)	—	(487)	(144)	(16)	(57)
Payment of long-term debt—other	(923)	(800)	(1,022)	(130)	(535)	(137)	(793)	(265)	(885)
Net increase (decrease) in short-term revolving credit facilities	(143)	(23)	79	(530)	306	645	387	(329)	(566)
Issuance of common shares	—	—	201	—	—	201	—	54	73
Dividends paid	(33)	(33)	(28)	(33)	(33)	(28)	(109)	(22)	(3)
Other, net	(1)	(19)	—	(1)	(19)	—	85	—	—
Net cash (used) provided by financing activities	(277)	538	(576)	(754)	1,403	87	453	(833)	(593)
Effect of foreign exchange rate changes on cash and cash equivalents	15	34	(78)	4	20	(55)	11	14	(24)
Increase (decrease) in cash and cash equivalents	312	388	(336)	151	353	(149)	161	35	(187)
Cash and cash equivalents, beginning of year	619	231	567	486	133	282	133	98	285
Cash and cash equivalents, end of year	\$ 931	\$ 619	\$ 231	\$ 637	\$ 486	\$ 133	\$ 294	\$ 133	\$ 98

The “Consolidated” data in this statement include CNH Global N.V. and its consolidated subsidiaries and conform to the requirements of SFAS No. 94. The supplemental “Equipment Operations” (with “Financial Services” on the equity basis) data in this statement include primarily CNH Global N.V.’s agricultural and construction equipment operations. The supplemental “Financial Services” data in this statement 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. The accompanying notes to consolidated financial statements are an integral part of these consolidated statements of cash flows.

Consolidated statements of changes in shareholders' equity For the years ended December 31, 2004, 2003 and 2002

	Preference shares	Common shares	Paid-in capital	Treasury stock	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Unearned compensation	Total	Comprehensive income (loss)
	(in millions)								
Balance, January 1, 2002	\$—	\$143	\$2,995	\$(7)	\$(573)	\$(646)	\$(3)	\$1,909	
Comprehensive loss:									
Net loss	—	—	—	—	(426)	—	—	(426)	\$(426)
Translation adjustment	—	—	—	—	—	88	—	88	88
Pension liability adjustment (net of tax of \$134 million)	—	—	—	—	—	(278)	—	(278)	(278)
Derivative financial instruments:									
Losses deferred (net of tax of \$16 million)	—	—	—	—	—	(30)	—	(30)	(30)
Losses reclassified to earnings	—	—	—	—	—	31	—	31	31
Total									<u>\$(615)</u>
Issuance of common shares	—	23	178	—	—	—	—	201	
Conversion of debt to equity	—	139	1,154	—	—	—	—	1,293	
Dividends declared	—	—	—	—	(28)	—	—	(28)	
Recognition of compensation on restricted stock and stock options	—	—	—	—	—	—	1	1	
Balance, December 31, 2002	—	305	4,327	(7)	(1,027)	(835)	(2)	2,761	
Comprehensive income:									
Net loss	—	—	—	—	(157)	—	—	(157)	\$(157)
Translation adjustment	—	—	—	—	—	263	—	263	263
Pension liability adjustment (net of tax of \$1 million)	—	—	—	—	—	(1)	—	(1)	(1)
Unrealized gain on available for sale securities (net of tax of \$13 million)	—	—	—	—	—	20	—	20	20
Derivative financial instruments:									
Losses deferred (net of tax of \$7 million)	—	—	—	—	—	(4)	—	(4)	(4)
Losses reclassified to earnings	—	—	—	—	—	18	—	18	18
Total									<u>\$139</u>
Issuance of common shares	—	4	16	—	—	—	—	20	
Conversion of debt to equity	19	—	1,967	—	—	—	—	1,986	
Dividends declared	—	—	—	—	(33)	—	—	(33)	
Recognition of compensation on restricted stock and stock options	—	—	—	—	—	—	1	1	
Balance, December 31, 2003	19	309	6,310	(7)	(1,217)	(539)	(1)	4,874	
Comprehensive income:									
Net income	—	—	—	—	125	—	—	125	\$125
Translation adjustment	—	—	—	—	—	86	—	86	86
Pension liability adjustment (net of tax of \$58 million)	—	—	—	—	—	(64)	—	(64)	(64)
Unrealized gain on available for sale securities (net of tax of \$2 million)	—	—	—	—	—	(2)	—	(2)	(2)
Derivative financial instruments:									
Gains deferred (net of tax of \$16 million)	—	—	—	—	—	18	—	18	18
Losses reclassified to earnings	—	—	—	—	—	5	—	5	5
Total									<u>\$168</u>
Purchase of treasury shares	—	—	—	(1)	—	—	—	(1)	
Issuance of common shares	—	3	18	—	—	—	—	21	
Dividends declared	—	—	—	—	(33)	—	—	(33)	
Balance, December 31, 2004	<u>\$19</u>	<u>\$312</u>	<u>\$6,328</u>	<u>\$(8)</u>	<u>\$(1,125)</u>	<u>\$(496)</u>	<u>\$(1)</u>	<u>\$5,029</u>	

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements of changes in shareholders' equity.

Notes to consolidated financial statements

Note 1: NATURE OF OPERATIONS

CNH Global N.V. (“CNH”), is incorporated in The Netherlands under Dutch law. CNH’s Equipment Operations manufacture, market and distribute a full line of agricultural and construction equipment on a worldwide basis. CNH’s Financial Services’ operations offer a broad array of financial services products, including retail financing for the purchase or lease of new and used CNH and other manufacturers’ products and other retail financing programs. To facilitate the sale of its products, CNH offers wholesale financing to dealers.

CNH is controlled by Fiat Netherlands Holding N.V. (“Fiat Netherlands”), a wholly owned subsidiary of Fiat S.p.A. (“Fiat”), a company organized under the laws of Italy, which owned approximately 84% of the outstanding common shares of CNH at December 31, 2004. Additionally, Fiat and an affiliate of Fiat own a total of 8 million shares of Series A Preference Shares (“Series A Preferred Stock”). In total, Fiat voting power approximates 85% of CNH’s outstanding capital stock. If the Series A Preferred Stock were converted to common stock as of December 31, 2004, Fiat’s ownership of CNH’s common stock would rise to approximately 91%.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation and basis of presentation

CNH has prepared the accompanying consolidated financial statements in accordance with accounting principles generally accepted 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 these financial statements is expressed in U.S. dollars. The financial statements include the accounts of CNH’s majority-owned subsidiaries and reflect the interests of the minority owners of the subsidiaries that are not fully owned for the periods presented, as applicable. The operations and key financial measures and financial analysis differ significantly for manufacturing and distribution businesses and financial services businesses; therefore, management believes that certain supplemental disclosures are important in understanding the consolidated operations and financial results of CNH. In addition, CNH’s principal competitors present supplemental data on a similar basis. Therefore, users of CNH’s financial statements can use the supplemental data to make meaningful comparisons of CNH and its principal competitors. The financial statements reflect the consolidated results of CNH and also include, on a separate and supplemental basis, the consolidation of CNH’s equipment operations and financial services operations as follows:

Equipment Operations—The financial information captioned “Equipment Operations” reflects the consolidation of all majority-owned subsidiaries except for CNH’s Financial Services business. CNH’s Financial Services business has been included using the equity method of accounting whereby the net income and net assets of CNH’s Financial Services business are reflected, respectively, in “Equity in income (loss) of unconsolidated subsidiaries and affiliates—Financial Services” in the accompanying consolidated statements of operations, and in “Investment in Financial Services” in the accompanying consolidated balance sheets.

Financial Services—The financial information captioned “Financial Services” reflects the consolidation or combination of CNH’s Financial Services business including allocation of assets and liabilities to the business.

All significant intercompany transactions, including activity within and between “Equipment Operations” and “Financial Services,” have been eliminated in deriving the consolidated financial

Notes to consolidated financial statements

statements and data. Intersegment notes receivable, intersegment long-term notes receivable, intersegment short-term debt and intersegment long-term debt represent intersegment financing between Equipment Operations and Financial Services. During June 2002, a non-cash dividend of \$250 million was declared by Financial Services. In exchange, Financial Services assumed an equal amount of debt from Equipment Operations.

Investments in unconsolidated subsidiaries and affiliates that are at least 20% owned, or where CNH exercises significant influence, are accounted for using the equity method. Under this method, the investment is initially recorded at cost and is increased or decreased by CNH's proportionate share of the entity's respective profits or losses. Dividends received from these entities reduce the carrying value of the investments.

The Company sells receivables, using consolidated special purpose entities, to limited purpose business trusts, and other privately structured facilities, which then issue asset-backed securities to private or public investors. Due to the nature of the assets held by the trusts and the limited nature of each trust's activities they are each classified as a qualifying special purpose entity ("QSPE") under Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS No. 140"). In accordance with SFAS No. 140, assets and liabilities of the QSPEs are not consolidated in the Company's consolidated balance sheets. For additional information on the Company's receivable securitization programs, see "Note 4: Accounts and Notes Receivable."

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reclassification of cash flows related to retail receivables and change in accounting policy for deposits in fiat affiliates cash management pools ("Deposits with Fiat")

Reclassification of cash flows related to retail receivables: In 2004, CNH made certain reclassifications of items in its consolidated balance sheets and cash flow statements which it believes improves the presentation of the items that were reclassified. The accompanying 2003 balances and 2003 and 2002 cash flows have been reclassified to conform to the 2004 classification.

During 2004, the staff of the Securities and Exchange Commission expressed their views regarding the classifications of certain cash flows by companies with captive finance subsidiaries. As a result of these public comments, management decided to make reclassifications to the consolidated statements of cash flows with respect to certain of its receivables. Previously, CNH recognized activity related to all receivables as part of the cash flows from operating activities within the consolidated statements of cash flows, including cash flows arising from the origination of retail receivables, the securitization of retail receivables, and cash collections related to certificated retained interests.

CNH made a reclassification to move the activity related to the investment in retail receivables from the operating activity section to the investing activity section of the consolidated statements of cash flows. CNH provides and administers financing for retail purchases of new and used equipment sold through its dealer network. The disclosures added to the investing activity section include addition of retail receivables, proceeds from the sale of retail receivables, collection of retail receivables and collection of retained interests from the securitization of retail receivables. The reclassification classifies cash receipts from the sale of inventory as operating activities and classifies cash flows from investing in retail receivables as investing activities.

Notes to consolidated financial statements

Change in accounting policy for Deposits with Fiat: In connection with the aforementioned reclassification, CNH reviewed its presentation of cash flow and its cash and cash equivalent balances on its balance sheet. As a result of this review, CNH determined that it would change its accounting policy defining cash equivalents and correspondingly reclassify its balance sheet and cash flow presentation. The new policy classifies “Cash with Fiat Affiliates,” which was previously included in cash equivalents, as “Deposits in Fiat affiliates cash management pools” (“Deposits with Fiat”) and reflects cash flows arising from deposits in and withdrawals from such cash pools as cash flows from investing activities. Although none of the agreements or conditions governing these deposits has materially changed since the inception of the cash management arrangements, CNH has decided to change its presentation of such deposits to show them as a separate investment and not as a component of cash equivalents. CNH continues to have the contractual right to withdraw these funds on demand or terminate these cash management arrangements upon a seven-day prior notice, and CNH continues to access funds deposited in these accounts on a daily basis.

The 2003 and 2002 consolidated balance sheets and statements of cash flows have been reclassified to conform to this presentation.

Notes to consolidated financial statements

A summary of the effects of the reclassification and change in accounting policy is as follows:

	2003				2002			
	As previously reported	Retail receivables reclassification	Change in accounting policy	As currently reported (in millions)	As previously reported	Retail receivables reclassification	Change in accounting policy	As currently reported
Consolidated Balance Sheets								
Cash and cash equivalents—Fiat affiliates	\$1,325	\$—	\$(1,325)	\$—				
Cash and cash equivalents—Other	619	—		619				
Total cash and cash equivalents	1,944	—	(1,325)	619				
Deposits in Fiat affiliates cash management pools	—	—	1,325	1,325				
Consolidated Statements of Cash Flows								
Operating Activities								
(Increase) decrease in receivables	367	(367)	—	—	\$580	\$(580)	\$—	\$—
(Increase) decrease in wholesale and other notes receivable	—	593	—	593	—	340	—	340
(Increase) decrease in other assets	4	(18)	—	(14)	368	12	—	380
Other, net	183	(16)	—	167	104	30	—	134
Net cash (used) provided by operating activities	604	192		796	1,175	(198)	—	977
Investing Activities								
Additions to retail receivables	—	(4,463)	—	(4,463)	—	(3,854)	—	(3,854)
Proceeds from new retail securitizations	—	2,857	—	2,857	—	2,598	—	2,598
Collections of retail receivables	—	1,263	—	1,263	—	1,268	—	1,268
Collections of retained interests in securitized retail receivables	—	151	—	151	—	186	—	186
(Deposits in) withdrawals from Fiat affiliates cash management pools	—	—	(715)	(715)	—	—	(398)	(398)
Net cash (used) provided by investing activities	(73)	(192)	(715)	(980)	(459)	198	(398)	(659)
Effect of foreign exchange rate changes on cash and cash equivalents	100	—	(66)	34	(28)	—	(50)	(78)
Increase (decrease) in cash and cash equivalents	1,169	—	(781)	388	112	—	(448)	(336)
Cash and cash equivalents, beginning of year	775	—	(544)	231	663	—	(96)	567
Cash and cash equivalents, end of year	1,944	—	(1,325)	619	775	—	(544)	231

Notes to consolidated financial statements

	2003				2002			
	As previously reported	Retail receivables reclassification	Change in accounting policy	As currently reported (in millions)	As previously reported	Retail receivables reclassification	Change in accounting policy	As currently reported
Equipment Operations								
Balance Sheets								
Cash and cash equivalents—Fiat affiliates	\$1,315	\$—	\$(1,315)	\$—				
Cash and cash equivalents—Other	486	—	—	486				
Total cash and cash equivalents	1,801	—	(1,315)	486				
Deposits in Fiat affiliates cash management pools	—	—	1,315	1,315				
Equipment Operations Statements of Cash Flows								
Investing Activities								
(Deposits in) withdrawals from Fiat affiliates cash management pools	—	—	(915)	(915)	\$—	\$—	\$(193)	\$(193)
Net cash (used) provided by investing activities	(221)	—	(915)	(1,136)	(473)	—	(193)	(666)
Effect of foreign exchange rate changes on cash and cash equivalents	84	—	(64)	20	(8)	—	(47)	(55)
Increase (decrease) in cash and cash equivalents	1,332	—	(979)	353	91	—	(240)	(149)
Cash and cash equivalents, beginning of year	469	—	(336)	133	378	—	(96)	282
Cash and cash equivalents, end of year	1,801	—	(1,315)	486	469	—	(336)	133

Notes to consolidated financial statements

	2003				2002			
	As previously reported	Retail receivables reclassification	Change in accounting policy	As currently reported (in millions)	As previously reported	Retail receivables reclassification	Change in accounting policy	As currently reported
Financial Services								
Balance Sheets								
Cash and cash equivalents—Fiat affiliates	\$10	\$—	\$(10)	\$—				
Cash and cash equivalents—Other	133	—	—	133				
Total cash and cash equivalents	143	—	(10)	133				
Deposits in Fiat affiliates cash management pools	—		10	10				
Financial Services Statements of Cash Flows								
Operating Activities								
(Increase) decrease in receivables	393	(393)	—	—	\$479	\$(479)	\$—	\$—
(Increase) decrease in wholesale and other notes receivable ..	—	619	—	619	—	239	—	239
(Increase) decrease in other assets	21	(18)	—	3	142	12	—	154
Other, net	—	(16)	—	(16)	9	30	—	39
Net cash (used) provided by operating activities	560	192	—	752	693	(198)	—	495
Investing Activities								
Additions to retail receivables ..	—	(4,463)	—	(4,463)	—	(3,854)	—	(3,854)
Proceeds from new retail securitizations	—	2,857	—	2,857	—	2,598	—	2,598
Collections of retail receivables	—	1,263	—	1,263	—	1,268	—	1,268
Collections of retained interests in securitized retail receivables (Deposits in) withdrawals from Fiat affiliates cash management pools	—	151	—	151	—	186	—	186
Net cash (used) provided by investing activities	94	(192)	200	102	(59)	198	(204)	(65)
Effect of foreign exchange rate changes on cash and cash equivalents	16	—	(2)	14	(20)	—	(4)	(24)
Increase (decrease) in cash and cash equivalents	(163)	—	198	35	21	—	(208)	(187)
Cash and cash equivalents, beginning of year	306	—	(208)	98	285	—	—	285
Cash and cash equivalents, end of year	143	—	(10)	133	306	—	(208)	98

Revenue recognition

Equipment Operations record sales of equipment and replacement parts when title and all risks of ownership have transferred to the independent dealer or other customer. In the United States and the majority of international locations, title to equipment and replacement parts transfers to the dealer generally upon shipment. In various international locations, certain equipment and replacement parts are shipped to dealers on a consignment basis under which title and risk of ownership are not transferred to the dealer. Under these circumstances, sales are not recorded until a retail customer has purchased the goods. Dealers may not return equipment while the applicable dealer contract remains in place. Replacement parts may be returned on a limited basis. In the U.S. and Canada, if a dealer contract is terminated for any reason, CNH is obligated to repurchase new equipment from the dealer. CNH has credit limits and other safeguards in place to monitor the financial stability of its dealers. In cases where dealers are unable to pay for equipment or parts, CNH attempts to have these goods returned or negotiate a settlement of the outstanding receivables.

Notes to consolidated financial statements

For all sales, no significant uncertainty exists surrounding the purchaser's obligation to pay for the equipment and replacement parts and CNH records appropriate provisions for doubtful receivables as necessary. Receivables are due upon the earlier of payment terms discussed below or sale to the retail customer. Fixed payment schedules exist for all sales to dealers, but payment terms vary by geographic market and product line. In connection with these payment terms, CNH offers wholesale financing to many of its dealers including interest-free financing for specified periods of time which also vary by geographic market and product line. Interest is charged to dealers after the completion of the interest free period. In 2004 and 2003, interest free periods averaged 3.5 months and 3.8 months, respectively, on approximately 67% and 68%, respectively, of sales for the agricultural equipment business. In 2004 and 2003, interest free periods averaged 3.5 months and 3.4 months, respectively, on approximately 67% and 64%, respectively, of sales for the construction equipment business. Sales to dealers that do not qualify for an interest free period are subject to payment terms of 30 days or less.

Financial Services records finance and interest income on retail and other notes receivables and finance leases using the effective interest method.

Sales allowances

CNH grants certain sales incentives to stimulate sales of its products to retail customers. The expense for such incentive programs is reserved for and recorded as a deduction in arriving at the net sales amount at the time of the sale of the product to the dealer. The amounts of incentives to be paid are estimated based upon historical data, future market demand for products, field inventory levels, announced incentive programs, competitive pricing and interest rates, among other things. If market conditions were to decline, the Company may take actions to increase customer incentives possibly resulting in an increase in the deduction recorded in arriving at net sales amount at the time the incentive is offered.

Modification programs and warranty costs

The costs of major programs to modify products in the customer's possession are accrued when these costs can be identified and quantified. Normal warranty costs are recorded at the time of sale.

Advertising

CNH expenses advertising costs as incurred. Advertising expense totaled \$39 million, \$54 million and \$67 million for the years ended December 31, 2004, 2003, and 2002, respectively.

Research and development

Research and development costs are expensed as incurred.

Foreign currency translation

CNH's non-U.S. subsidiaries and affiliates maintain their books and accounting records using local currency as the functional currency, except for those operating in hyperinflationary economies. Assets and liabilities of non-U.S. subsidiaries are translated into U.S. dollars at period-end exchange rates, and net exchange gains or losses resulting from such translation are included in "Accumulated other comprehensive income (loss)" in the accompanying consolidated balance sheets. Income and expense accounts of non-U.S. subsidiaries are translated at the average exchange rates for the period, and gains and losses from foreign currency transactions are included in net income (loss) in the period during which they arise. The U.S. dollar is used as the functional currency for subsidiaries and affiliates operating in highly inflationary economies for which both translation adjustments and gains and losses on foreign currency transactions are included in the determination of net income (loss) in the period

Notes to consolidated financial statements

during which they arise. Net foreign exchange gains and losses are reflected in “Other, net” in the accompanying consolidated statements of operations.

Cash and cash equivalents

Cash equivalents are comprised of all highly liquid investments with an original maturity of three months or less excluding Deposits with Fiat. The carrying value of cash equivalents approximates fair value because of the short maturity of these investments.

Deposits in Fiat affiliates cash management pools

Deposits with Fiat are repayable to CNH upon one business day’s notice. The carrying value of Deposits with Fiat approximates fair value because of the short maturity of these investments. For additional information on Deposits with Fiat, see “Note 22: Related Party Information.”

Receivables and receivable sales

Receivables are recorded at face value, net of allowances for doubtful accounts and deferred fees and costs.

CNH sells retail and wholesale receivables in securitizations and retains interest-only strips, subordinated tranches of notes, servicing rights, and cash reserve accounts, all of which are retained interests in the securitized receivables. Gain or loss on sale of the receivables depends in part on the carrying amount of the financial assets allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer. The Company estimates fair value based on the present value of future expected cash flows estimated using management’s best estimates of the key assumptions—credit losses, prepayment speeds, and discount rates commensurate with the risks involved.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (“FIFO”) method. The cost of finished goods and work in progress includes the cost of raw materials, other direct costs and production overheads. Net realizable value is the estimate of the selling price in the ordinary course of business, less the cost of completion and selling. Provision is made for obsolete and slow-moving inventories.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Expenditures for improvements that increase asset values and extend useful lives are capitalized. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets as follows:

Category	Lives
Buildings and improvements	10 - 40 years
Plant and machinery	5 - 16 years
Other equipment	3 - 10 years

CNH capitalizes interest costs as part of the cost of constructing certain facilities and equipment. CNH capitalizes interest costs only during the period of time required to complete and prepare the facility or equipment for its intended use. The amount of interest capitalized in 2004, 2003 and 2002 is not significant in relation to the consolidated financial results.

Notes to consolidated financial statements

CNH evaluates the recoverability of the carrying amount of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. CNH assesses the recoverability of assets to be held and used by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets, based on a discounted cash flow analysis.

Equipment on operating leases

Financial Services purchases from dealers, equipment that is leased to retail customers under operating leases. Income from operating leases is recognized over the term of the lease. Financial Services' investment in operating leases is based on the purchase price paid for the equipment. The investment is depreciated on a straight-line basis over the term of the lease to the estimated residual value at lease termination, which is calculated at the inception of the lease date. Realization of the residual values is dependent on Financial Services' future ability to market the equipment under the then prevailing market conditions. CNH continually evaluates whether events and circumstances have occurred which affect the estimated residual values of equipment on operating leases. Although realization is not assured, management believes that the estimated residual values are realizable. Expenditures for maintenance and repairs are the responsibility of the lessee.

Goodwill and intangibles

Goodwill represents the excess of the purchase price paid plus the liabilities assumed over the fair value of the tangible and identifiable intangible assets purchased. Goodwill relating to acquisitions of unconsolidated subsidiaries and affiliates is included in "Investments in unconsolidated subsidiaries and affiliates" in the accompanying consolidated balance sheets. Goodwill and intangible assets deemed to have an indefinite useful life are reviewed for impairment at least annually. The Company performs its annual impairment review during the fourth quarter of each year. Impairment testing for goodwill is done at a reporting unit level. CNH has identified three reporting units: Agricultural Equipment, Construction Equipment and Financial Services. To determine fair value, CNH has relied on two valuation models: guideline company method and discounted cash flow.

Intangibles consist primarily of acquired dealer networks, trademarks, product drawings and patents. Non-indefinite lived intangible assets are being amortized on a straight-line basis over 5 to 30 years.

Reference is made to "Note 3: Acquisitions of Businesses and Investments," and "Note 9: Goodwill and Intangibles" for further information regarding goodwill and intangibles.

Software acquired or developed for internal use

CNH defines internal-use software as software acquired or internally developed or modified solely to meet the internal needs of CNH. Internal and external costs incurred during the preliminary project stage are expensed as incurred. Capitalization of such costs begins upon completion of the preliminary project stage, assessment of technological feasibility and upon management's authorization and commitment to fund the software project. Capitalization ceases at the point at which the computer software project is substantially complete and the software is ready for its intended use. Internal and external costs for data conversion, training and maintenance are expensed as incurred, and overhead costs are not capitalized. The capitalized costs of software acquired or developed for internal use are amortized on a straight-line basis over the useful life of the software, generally not exceeding five years.

Notes to consolidated financial statements

Income taxes

CNH follows an asset and liability approach for financial accounting and reporting for income taxes. CNH recognizes a current tax liability or asset for the estimated taxes payable or refundable on tax returns for the current year. A deferred tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and carryforwards. The measurement of current and deferred tax liabilities and assets is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated. Deferred tax assets are reduced, if necessary, by the amount of any tax benefits for which, based on available evidence, it is more likely than not that they will not be realized.

Retirement programs

CNH operates numerous defined benefit and defined contribution pension plans, the assets of which are held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and CNH. The cost of providing defined benefit pension and other postretirement benefits is based upon actuarial valuations. The liability for termination indemnities is accrued in accordance with labor legislation in each country where such benefits are required. CNH contributions to defined contribution plans are charged to income during the period of the employee's service.

Derivatives

CNH records derivative financial instruments in the consolidated balance sheets as either an asset or a liability measured at fair value. The fair value of CNH's foreign exchange derivatives is based on quoted market exchange rates, adjusted for the respective interest rate differentials (premiums or discounts). The fair value of CNH's interest rate derivatives is based on discounting expected cash flows, using market interest rates, over the remaining term of the instrument. Changes in the fair value of derivative financial instruments are recognized currently in earnings unless specific hedge accounting criteria are met. For derivative financial instruments designated to hedge exposure to changes in the fair value of a recognized asset or liability, the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the related hedged item. For derivative financial instruments designated to hedge exposure to variable cash flows of a forecasted transaction, the effective portion of the derivative financial instrument's gain or loss is initially reported as a component of accumulated other comprehensive income and is subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately.

Reference is made to "Note 16: Financial Instruments," for further information regarding CNH's use of derivative financial instruments.

Notes to consolidated financial statements

Stock-based compensation plans

The Company has stock-based employee compensation plans which are described more fully in “Note 18: Option and Incentive Plans.” In December 2002, the FASB issued SFAS No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure (an amendment of FASB Statement No. 123)” (“SFAS No. 148”). SFAS No. 148 amends SFAS No. 123, “Accounting for Stock-Based Compensation” (“SFAS No. 123”), to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. Beginning January 1, 2003, CNH adopted the Prospective Method of accounting for stock options under SFAS No. 148. The Prospective Method requires the recognition of expense for options granted, modified or settled since January 1, 2003. Prior to 2003, the Company accounted for those plans under the recognition and measurement principles of Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB No. 25”), and related interpretations.

Additionally, compensation expense is reflected in net income (loss) for stock options granted prior to 2003 with an exercise price less than the quoted market price of CNH common shares on the date of grant.

The following table illustrates the effect on net income (loss) and earnings (loss) per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, “Accounting for Stock-Based Compensation” (“SFAS No. 123”) to all stock-based employee compensation for the years ended December 31, 2004, 2003 and 2002.

	2004	2003	2002
Net income (loss), as reported	\$125	\$(157)	\$(426)
Add: Stock-based employee compensation expense included in reported net income (loss), net of tax	—	1	1
Deduct: Total stock-based employee compensation expense determined under fair value based methods, net of tax	<u>(4)</u>	<u>(5)</u>	<u>(4)</u>
Pro forma net income (loss)	<u>\$121</u>	<u>\$(161)</u>	<u>\$(429)</u>
Earnings (loss) per share:			
As reported:			
Basic	\$0.94	\$(1.19)	\$(4.40)
Diluted	\$0.54	\$(1.19)	\$(4.40)
Pro Forma:			
Basic	\$0.91	\$(1.22)	\$(4.45)
Diluted	\$0.52	\$(1.22)	\$(4.45)

Reclassifications

Certain reclassifications of prior year amounts have been made in order to conform with the current year presentation.

New accounting pronouncements

In November 2004, the FASB issued SFAS No. 151, “Inventory Costs” (“SFAS No. 151”) which is effective for fiscal years beginning after June 15, 2005. SFAS No. 151 requires abnormal amounts of facility expense, freight, handling costs and spoilage be recognized as current-period changes. Adoption of this statement is not expected to have a material impact on the Company’s financial position and results of operation.

Notes to consolidated financial statements

In December 2004, the FASB issued SFAS No. 123 Revised, "Share Based Payment" ("SFAS No. 123 Revised") which is effective July 1, 2005. SFAS No. 123 Revised requires the use of a fair value based method of accounting for stock-based employee compensation. The statement will be applied using a Modified Prospective Method, under which compensation cost is recognized beginning on the effective date and continuing until participants are fully vested. In April 2005, the SEC announced the adoption of a new rule that amends the compliance dates for SFAS No. 123 Revised. The SEC's new rule allows companies to implement SFAS No. 123 Revised at the beginning of their next fiscal year, instead of the next reporting period, that begins after June 15, 2005. The Company has not yet determined the impact of adopting this statement.

On October 13, 2004, the 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. Beginning in the fourth quarter of 2004, 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 not anti-dilutive, for all periods presented.

Subsequent to the issuance of FASB Statement No. 128, "Earnings Per Share" ("SFAS No. 128"), the FASB staff issued Topic No. D-95, "Effect of Participating Convertible Securities on the Computation of Basic Earnings per Share," ("Topic D-95") to address the effect of participating convertible securities on the computation of basic EPS. Topic D-95 clarifies that participating securities that are convertible into common shares be included in the computation of basic EPS if the effect is dilutive. Topic D-95 states that the determination of how participating convertible securities should be included in the computation of basic EPS (that is, using either the if-converted method or the two class method) is an accounting policy decision; however, the dilutive effect on basic EPS cannot be less than that which would result from the application of the two-class method that would be required if the same security were not convertible. EITF Issue No. 03-6, "Participating Securities and the Two Class Method under FASB Statement No. 128" ("EITF No. 03-6") provides the EITF's consensus on various issues related to these topics. EITF No. 03-6 will have an impact on basic earnings per share beginning in 2005, when the Series A Preferred Stock becomes participating.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Medicare Act") was signed into law. The Medicare Act introduced a prescription drug benefit program under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans. Certain accounting issues raised by the Medicare Act, such as how to account for the federal subsidy, are not explicitly addressed by FASB Statement No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions."

The FASB issued FASB Staff Position ("FSP") No. FAS 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003", ("FSP No. 106-1") that allowed sponsors to elect to defer recognition of the effects of the Medicare Act. In May 2004, the FASB issued FSP No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP No. 106-2") which provides guidance on accounting for the effects of the Medicare Act for employers that sponsor postretirement health care plans that provide prescription drug benefits.

Based on the provisions of FSP No. 106-2 and the Medicare Act, the Company has re-measured its related plans in 2004. This resulted in a reduction in the accumulated postretirement benefit obligation for the subsidy related to benefits attributed to past service of approximately \$70 million. The Company has elected to reflect the impact of the Medicare Act prospectively from the date of the

Notes to consolidated financial statements

change. The subsidy resulted in a reduction in 2004 net periodic postretirement benefit costs of approximately \$10 million. The Company has not incurred a reduction in current gross benefit payments and expects to receive subsidy payments beginning in 2006.

Note 3: ACQUISITIONS OF BUSINESSES AND INVESTMENTS

Kobelco

In January 2002, CNH entered into a global alliance with Kobelco Construction Machinery Co. Ltd. (“Kobelco Japan”) and Kobe Steel, Ltd. for the development, production and sale of crawler excavators, including mini-excavators, on a worldwide basis. During the first quarter of 2002, CNH acquired a 65% interest in Kobelco America, Inc. (“Kobelco America”) for approximately \$101 million net of cash acquired and assumption of debt. The Kobelco America transaction is accounted for as a purchase and accordingly, the accompanying consolidated financial statements include the results of operations of Kobelco America from January 2002. In addition, in January 2002, CNH acquired a 10% interest in Kobelco Japan and certain other intangibles for \$78 million. In July 2002, CNH increased its interest in Kobelco Japan from 10% to 20% for approximately \$42 million. Goodwill associated with these transactions totaled \$38 million. The CNH and Kobelco Japan alliance, which initially allowed CNH to increase its interest in Kobelco Japan from 20% to 35% by the third quarter of 2004, was modified during 2004 to extend the option period into the second quarter of 2005. The Kobelco Japan investment is accounted for using the equity method.

In July 2002, the European regional alliance between CNH and Hitachi Construction Machinery Company, Ltd. (“Hitachi”) was terminated. CNH acquired Hitachi’s interest in Fiat-Hitachi Excavator for approximately \$42 million. Concurrent with acquiring Hitachi’s interest, CNH, Kobelco Japan and Sumitomo Corporation formed Fiat-Kobelco Machinery S.p.A. (Italy) (“Fiat-Kobelco”). Fiat-Kobelco generally consists of the former Fiat-Hitachi Excavator and Kobelco Construction Machinery Europe (“Kobelco Europe”) businesses. After giving consideration to Kobelco Japan purchasing shares in Fiat-Kobelco from CNH for approximately \$10 million, Fiat-Kobelco is owned by the venture partners as follows: CNH 75%, Kobelco Japan 20% and Sumitomo Corporation 5%.

Additionally, in connection with entering into this global alliance with Kobelco Japan, CNH received proceeds of approximately \$24 million from the sale of CNH’s construction equipment operations in Australia and China to Kobelco Japan.

CNH Capital Europe SAS

During the second quarter of 2002, CNH and BNP Paribas Lease Group (“BPLG”) formed CNH Capital Europe SAS (“CNH Capital Europe”), a retail financing partnership. CNH Capital Europe, which holds the retail financing portfolio, covers all brands and commercial activities of CNH in Europe. Under the partnership, BPLG owns 50.1% of the shares of CNH Capital Europe, and CNH owns the remaining 49.9% of the shares. CNH accounts for its interest in CNH Capital Europe using the equity method. BPLG provides funding and administrative services for CNH Capital Europe, while CNH’s own European financial services businesses are responsible for the marketing and origination of financial products.

In connection with the creation of the joint venture, CNH sold approximately \$100 million of retail receivables directly to BPLG during the third quarter of 2002. Additionally, CNH sold approximately \$200 million of retail receivables to CNH Capital Europe during the fourth quarter of 2002. The receivables sold were previously funded by CNH’s Financial Services’ subsidiaries in Italy and the United Kingdom, respectively. Beginning in September 2005, either CNH or BPLG may terminate the BPLG joint venture by providing nine months prior written notice.

Notes to consolidated financial statements

Note 4: ACCOUNTS AND NOTES RECEIVABLE

On-book receivables

Wholesale notes and accounts arise primarily from the sale of goods to dealers and distributors and to a lesser extent, the financing of dealer operations. Under the standard terms of the wholesale receivable agreements, these receivables typically have interest-free periods of up to twelve months and stated original maturities of up to twenty-four months, with repayment accelerated upon the sale of the underlying equipment by the dealer. After the expiration of any interest-free period, interest is charged to dealers on outstanding balances until CNH receives payment. The interest-free periods are determined based on the type of equipment sold and the time of year of the sale. Interest rates are set based on market factors and based on the prime rate or LIBOR. CNH evaluates and assesses dealers on an ongoing basis as to their credit worthiness.

CNH provides and administers financing for retail purchases of new and used equipment sold through its dealer network. CNH purchases retail installment sales, loan and finance lease contracts from its dealers. The terms of retail and other notes and finance leases generally range from two to six years, and interest rates on retail and other notes and finance leases vary depending on prevailing market interest rates and certain incentive programs offered by CNH.

A summary of receivables as of December 31, 2004 and 2003 is as follows:

	2004 (in millions)	2003
Wholesale notes and accounts	\$1,920	\$2,574
Retail and other notes and finance leases	3,441	2,938
Other notes	745	674
Gross receivables	6,106	6,186
Less:		
Allowance for credit losses	(211)	(190)
Current portion	(3,171)	(3,797)
Total long-term receivables, net	<u>\$2,724</u>	<u>\$2,199</u>

Maturities of long-term receivables as of December 31, 2004 are as follows:

	Amount (in millions)
2006	\$1,347
2007	571
2008	505
2009	229
2010 and thereafter	72
Total long-term receivables, net	<u>\$2,724</u>

It has been CNH's experience that substantial portions of retail receivables are repaid or sold before their contractual maturity dates. As a result, the above table should not be regarded as a forecast of future cash collections. Wholesale, retail and finance lease receivables have significant concentrations of credit risk in the agricultural and construction business sectors, the majority of which are in North America. CNH typically retains, as collateral, a security interest in the equipment associated with wholesale and retail notes receivable.

Notes to consolidated financial statements

Allowance for credit losses activity for the years ended December 31 2004, 2003 and 2002 are as follows:

	2004	2003	2002
	(in millions)		
Balance, beginning of year	\$190	\$229	\$300
Provision for credit losses	76	98	104
Receivables written off	(69)	(172)	(141)
Other, net	14	35	(34)
Balance, end of year	<u>\$211</u>	<u>\$190</u>	<u>\$229</u>

Off-book securitizations

Wholesale receivables securitizations

CNH sells eligible receivables on a revolving basis to privately and publicly structured securitization facilities. The receivables are initially sold to wholly owned bankruptcy-remote special purpose entities (“SPE”), where required by bankruptcy laws, which are consolidated by CNH, but legally isolate the receivables from the creditors of CNH. In turn, these subsidiaries establish separate trusts to which the receivables are transferred in exchange for proceeds from debt issued by the trusts. Each trust qualifies as a QSPE under SFAS No. 140, and accordingly are not consolidated by CNH. These transactions are utilized as an alternative to the issuance of debt and allow CNH to realize a lower cost of funds due to the asset-backed nature of the receivables and the credit enhancements offered to investors.

The facilities consist of a new master trust facility in both Canada and Australia that were formed in 2004 and an existing master trust facility in the U.S. The new Canadian facility consists of C\$162 million term senior and subordinated asset-backed notes with a two year maturity, C\$189 million term senior and subordinated asset-backed notes with a three year maturity, and a 364-day C\$250 million conduit facility that is renewable annually (July 2005). The new Australian facility consists of a 364-day, A\$165 million conduit facility that is renewable annually (May 2005) at the sole discretion of the purchasers. The U.S. master trust facility consists of \$522 million term senior and subordinated asset-backed notes with a two year maturity, \$522 million term senior and subordinated asset-backed notes with a three year maturity and a 364-day, \$700 million conduit facility that is renewable annually (September 2005) at the sole discretion of the purchasers.

At December 31, 2004, \$1.5 billion, C\$405 million and A\$90 million were outstanding under these facilities, consisting of \$1.9 billion, C\$507 million and A\$128 million of wholesale receivables sold less CNH’s retained undivided interest of \$330 million, C\$102 million and A\$38 million. At December 31, 2003, \$1.3 billion was outstanding under the U.S. facility, consisting of \$1.6 billion of wholesale receivables sold less CNH’s retained undivided interest of \$259 million. Under the former Canadian facility at December 31, 2003, C\$325 million was outstanding, consisting of C\$441 million of wholesale receivables sold less CNH’s retained undivided interest of C\$116 million. There was no Australian facility at December 31, 2003. The retained undivided interests provide recourse to investors in the event of default and are recorded at cost, which approximates fair value due to the short-term nature of the receivables, in “Accounts and notes receivable, net” in the accompanying consolidated balance sheets.

The retained undivided interests represent collateralized wholesale receivables that provide recourse to investors in the event of default. In addition, CNH retains other interests in the sold receivables including interest-only strips and spread accounts.

Notes to consolidated financial statements

The cash flows between CNH and the facilities for the years ended December 31, 2004 and 2003 included:

	2004	2003
	(in millions)	
Proceeds from new securitizations	\$874	\$1,518
Repurchase of receivables	605	1,066
Proceeds from collections reinvested in the facility	6,618	4,736

In September 2004, CNH entered into a wholesale securitization program in Europe, whereby certain of its Equipment Operations' sold a total of \$484 million of receivables and a financial services subsidiary subscribed to \$226 million of notes representing undivided retained interests. At December 31, 2004, the amount outstanding under this program was \$466 million, and the Financial Services' subsidiary had an undivided retained interest of \$225 million.

In addition to the securitizations described above, certain foreign subsidiaries of CNH securitized or discounted receivables without recourse. As of December 31, 2004 and 2003, \$108 million and \$174 million, respectively, of wholesale receivables were outstanding. CNH records a discount each time receivables are sold to the counterparties in the facilities. This discount, which reflects the difference between interest income earned on the receivables sold and interest expense paid to the investors in the facilities, along with related transaction expenses, is computed at the then prevailing market rates as stated in the sale agreement.

At December 31, 2004 and 2003, certain subsidiaries of CNH sold, with recourse, wholesale receivables totaling \$916 million and \$1.1 billion, respectively. The receivables sold are reflected in the "Wholesale notes and accounts" above and the proceeds received are recorded in "Short-term debt—other" in the accompanying consolidated balance sheets as the transactions do not meet the criteria for derecognition in a transfer of financial assets.

Retail receivables securitizations

CNH funds a significant portion of its retail receivable originations by means of retail receivable securitizations. Within CNH's asset securitization program, qualifying retail finance receivables are sold to limited purpose, bankruptcy-remote consolidated subsidiaries of CNH, where required by bankruptcy laws. In turn, these subsidiaries establish separate trusts to which the receivables are transferred in exchange for proceeds from asset-backed securities issued by the trusts. Due to the nature of the assets held by the trusts and the limited nature of each trust's activities, they are each classified as a QSPE under SFAS No. 140. The QSPEs have a limited life and generally terminate upon final distribution of amounts owed to investors or upon exercise of a cleanup-call option by CNH. No recourse provisions exist that allow holders of the QSPEs' asset-backed securities to put those securities back to CNH. CNH does not guarantee any securities issued by the QSPEs.

CNH securitized retail notes with a net principal value of \$2.3 billion, \$3.0 billion and \$2.6 billion in 2004, 2003 and 2002, respectively. CNH recognized gains on the sales of these receivables of \$70 million, \$101 million and \$68 million in 2004, 2003 and 2002, respectively.

In conjunction with these sales, CNH retains certain interests in the sold receivables including ABS certificates issued, interest-only strips, spread accounts and the rights to service the sold receivables. The investors and the securitization trusts have no recourse beyond CNH's retained interest assets for failure of debtors to pay when due. CNH's retained interests are subordinate to investor's interests, and are subject to credit, prepayment and interest rate risks on the transferred financial assets.

Spread accounts are created through the reduction of proceeds received by CNH from sales to provide security to investors in the event that cash collections from the receivables are not sufficient to remit

Notes to consolidated financial statements

principal and interest payments on the securities. In 2004 and 2003, the creation of new spread accounts reduced proceeds from the sales of retail receivables by \$48 million and \$68 million, respectively. Total spread account balances were \$294 million and \$249 million at December 31, 2004 and 2003, respectively.

Retained interests

The components of CNH's retained interests as of December 31, 2004 and 2003 are as follows:

	2004 (in millions)	2003
Receivables:		
Collateralized wholesale receivables	\$448	\$319
Interest only strips	103	92
Spread and other	<u>389</u>	<u>268</u>
Total amount included in "Accounts and notes receivable"	940	679
Other assets:		
ABS certificates	241	231
Undivided retained interest	<u>225</u>	<u>—</u>
Total amount included in "Other assets"	<u>466</u>	<u>231</u>
Total retained interests	<u>\$1,406</u>	<u>\$910</u>

CNH is required to remit the cash collected on the serviced portfolio to the trusts within two business days. At December 31, 2004 and 2003, \$27 million and \$7 million, respectively, of unremitted cash payable was included in "Accounts payable" in the accompanying consolidated balance sheets.

Key assumptions utilized in measuring the initial fair value of retained interests for securitizations completed during 2004 and 2003 were as follows:

	Range		Weighted average	
	2004	2003	2004	2003
Constant prepayment rate	17.00 - 20.00%	17.00 - 0.00%	17.39%	17.48%
Annual credit loss rate	0.37 - 0.83%	0.26 - 1.58%	0.48%	0.52%
Discount rate	8.50 - 10.00%	4.37 - 6.97%	9.52%	5.16%
Remaining maturity in months	20 - 22	17 - 22	22	21

CNH monitors the fair value of its retained interests outstanding each period by discounting expected future cash flows based on similar assumptions. The fair value is compared to the carrying value of the retained interests and any excess of carrying value over fair value results in an impairment of the retained interests with a corresponding offset to earnings. Based on this analysis, CNH reduced the value of its interest-only strips by \$7 million, \$12 million and \$24 million in 2004, 2003 and 2002, respectively.

Notes to consolidated financial statements

Impact on fair value

The significant assumptions used in estimating the fair values of retained interests from sold receivables, which remain outstanding, and the sensitivity of the current fair value to a 10% and 20% adverse change at December 31, 2004 and 2003 are as follows (in millions unless stated otherwise):

	2004			2003		
	December 31, assumption	10% change	20% change	December 31, assumption	10% change	20% change
	weighted average			weighted average		
Constant prepayment rate	16.56%	\$1.9	\$3.5	19.31%	\$1.0	\$2.0
Annual credit loss rate	0.69%	\$2.4	\$4.9	0.68%	\$6.9	\$12.7
Discount rate	9.37%	\$4.0	\$6.9	5.62%	\$2.0	\$4.0
Remaining maturity in months . . .	17			16		

The changes shown above are hypothetical. They are computed based on variations of individual assumptions without considering the interrelationship between these assumptions. As a change in one assumption may affect the other assumptions, the magnitude of the impact on fair value of actual changes may be greater or less than those illustrated above. Weighted-average remaining maturity represents the weighted-average number of months that the current collateral balance is expected to remain outstanding.

Actual and expected credit losses are summarized as follows:

	Receivables securitized in			
	2001	2002	2003	2004
As of December 31, 2004	0.76%	0.58%	0.89%	0.57%
As of December 31, 2003	0.74%	0.66%	0.65%	
As of December 31, 2002	0.78%	1.04%		

Credit losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of assets securitized.

CNH's cash flows related to securitization activities for the years ended December 31, 2004 and 2003 are as follows:

	2004	2003	2002
	(in millions)		
Proceeds from new retail securitizations	\$2,218	\$2,857	\$2,598
Servicing fees received	37	51	37
Cash received on other retained interests	85	70	56
Cash paid upon cleanup call	77	213	162

Other receivables securitizations

In addition to the wholesale and retail securitizations described above, a new master note trust was formed in September 2004 to facilitate the financing of U.S. credit card receivables. The U.S. credit company originates credit card receivables and transfers them without recourse to a bankruptcy remote SPE through which receivables are then transferred to a trust. The maximum amount of funding eligible through the facility is \$250 million and is accounted for as a secured financing. The facility is renewable in June 2007.

In November 2004, a new trust was formed for the securitization of retail receivables in Australia. The Company transfers the receivables to a bankruptcy remote trust, which will have a limited life and

Notes to consolidated financial statements

terminate upon final distribution of amounts owed to investors or upon exercise of a clean-up call option by CNH. At December 31, 2004, A\$416 million of receivables were transferred to the trusts, which was accounted for as a secured financing.

Managed portfolio—Financial Services

Historical loss and delinquency amounts for Financial Services' Managed Portfolio for 2004 and 2003 are as follows:

	Principal amount of receivables at December 31,	Principal more than 30 days delinquent at December 31, (in millions)	Net credit losses for the year ending
2004			
Type of receivable:			
Wholesale notes and accounts	\$3,540	\$105	\$7
Retail and other notes and finance leases	9,719	250	43
Total managed	<u>\$13,259</u>	<u>\$355</u>	<u>\$50</u>
Comprised of:			
Receivables held in portfolio	\$4,153		
Receivables serviced for Equipment Operations	1,068		
Receivables serviced for Joint Venture	1,654		
Securitized	6,384		
Total managed	<u>\$13,259</u>		
2003			
Type of receivable:			
Wholesale notes and accounts	\$3,334	\$95	\$8
Retail and other notes and finance leases	9,095	315	141
Total managed	<u>\$12,429</u>	<u>\$410</u>	<u>\$149</u>
Comprised of:			
Receivables held in portfolio	\$3,796		
Receivables serviced for Equipment Operations	1,179		
Receivables serviced for Joint Venture	1,401		
Securitized	6,053		
Total managed	<u>\$12,429</u>		

Non-cash retail receivables operating and investing activities

Non-cash operating and investing activities include retail receivables of \$216 million, \$260 million and \$181 million that were exchanged for retained interests in securitized retail receivables in 2004, 2003 and 2002, respectively.

Notes to consolidated financial statements

Note 5: INVENTORIES

Inventories as of December 31, 2004 and 2003 consist of the following:

	2004	2003
	(in millions)	
Raw materials	\$501	\$416
Work-in-process	212	243
Finished goods	<u>1,802</u>	<u>1,819</u>
Total inventories	<u>\$2,515</u>	<u>\$2,478</u>

Note 6: PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment as of December 31, 2004 and 2003 is as follows:

	2004	2003
	(in millions)	
Land, buildings and improvements	\$873	\$861
Plant and machinery	2,083	1,941
Other equipment	465	435
Construction in progress	<u>80</u>	<u>89</u>
	3,501	3,326
Accumulated depreciation	<u>(2,023)</u>	<u>(1,798)</u>
Net property, plant and equipment	<u>\$1,478</u>	<u>\$1,528</u>

Depreciation expense totaled \$222 million, \$213 million and \$202 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Note 7: INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

A summary of investments in unconsolidated subsidiaries and affiliates as of December 31, 2004 and 2003 is as follows:

Method of accounting	2004	2003
	(in millions)	
Equity method	\$450	\$422
Cost method	<u>7</u>	<u>7</u>
Total	<u>\$457</u>	<u>\$429</u>

At December 31, 2004 and 2003, investments accounted for using the equity method primarily include interests CNH has in various ventures in the United States, Europe, Turkey, Mexico, Japan, India and Pakistan.

Combined financial information of equity method unconsolidated affiliated companies is as follows:

Operations	As of December 31,		
	2004	2003	2002
	(in millions)		
Sales	<u>\$3,341</u>	<u>\$2,301</u>	<u>\$1,682</u>
Net Income	<u>\$110</u>	<u>\$67</u>	<u>\$29</u>

Notes to consolidated financial statements

Financial position	As of December 31,	
	2004	2003
	(in millions)	
Total Assets	<u>\$4,705</u>	<u>\$3,931</u>

Note 8: EQUIPMENT ON OPERATING LEASES

A summary of Financial Services' equipment on operating leases as of December 31, 2004 and 2003 is as follows:

	2004	2003
	(in millions)	
Equipment on operating leases	\$341	\$525
Accumulated depreciation	<u>(126)</u>	<u>(172)</u>
Net equipment on operating leases	<u>\$215</u>	<u>\$353</u>

Depreciation expense totaled \$60 million, \$96 million and \$114 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Lease payments owed to CNH for equipment under non-cancelable operating leases as of December 31, 2004, are as follows:

	Amount
	(in millions)
2005	\$68
2006	33
2007	14
2008	6
2009 and thereafter	<u>1</u>
Total	<u>\$122</u>

Note 9: GOODWILL AND INTANGIBLES

The Company adopted SFAS No. 142 effective in the first quarter of 2002. Under SFAS No. 142, the Company no longer amortizes goodwill and other intangible assets with indefinite useful lives. Instead, the carrying value is evaluated for impairment on an annual basis, unless events warrant more frequent review, and any excess in carrying value over the estimated fair value is charged to results of operations.

CNH has identified three reporting units under the criteria set forth by SFAS No. 142: Agricultural Equipment, Construction Equipment and Financial Services. The fair values of the reporting units were determined based on the discounted cash flow model (primarily for the Agricultural Equipment and Construction Equipment reporting units) and/or the guideline company method which values companies by comparing them to similar companies whose equity securities are publicly traded or were involved in recent purchase and sale transactions (primarily for the Financial Services' reporting unit). The valuation models utilize assumptions and projections that have a significant impact on the valuations. These assumptions involve significant judgment regarding projected future revenues, projected future margins, weighted average cost of capital or discount rate and control premium.

Upon adoption of SFAS No. 142 and effective in the first quarter of 2002, CNH recorded a one-time, non-cash charge of approximately \$325 million. Such charge is reflected as a cumulative effect of a change in accounting principle, net of tax in the accompanying consolidated statements of operations.

Notes to consolidated financial statements

The charge consists of \$319 million to reduce the carrying value of goodwill attributed to the Construction Equipment reporting unit recorded in connection with New Holland's acquisition of Case Corporation in 1999 and approximately \$6 million related to CNH's portion of a goodwill impairment recognized by an equity method joint venture in the Construction Equipment reporting unit. The impairment is primarily a result of the decline in the construction equipment market experienced by CNH and its competitors in the period prior to the adoption date of SFAS No. 142. From late 1999 through the adoption date of SFAS No. 142, the overall worldwide demand for construction equipment decreased approximately 15% based on units sold. During the same period, demand for the Company's construction equipment decreased approximately 25% based on units sold. In addition to the overall market decline, the Company's decline reflects the phase in/phase out of products from the date of acquisition to the adoption date of SFAS No. 142.

Prior to the adoption of SFAS No. 142, CNH had evaluated recoverability of goodwill using an undiscounted cash flow methodology in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." When factors indicated that goodwill should be evaluated for possible impairment, CNH used an estimate of the undiscounted cash flows of the consolidated enterprise, versus reporting unit level, over the remaining life of the goodwill to measure whether goodwill was recoverable. Under SFAS No. 121, no goodwill impairment was required from the acquisition date through December 31, 2001. However, when required to assess recoverability of goodwill at a reporting unit level using the fair value methodology of SFAS No. 142, an impairment charge was required. This was attributed to the decline in the construction equipment industry discussed above, and the use of the two step method of evaluating impairment required under SFAS No. 142.

Changes in the carrying amount of goodwill, by segment, for the years ended December 31, 2004, and 2003 are as follows:

	Agricultural Equipment	Construction Equipment (in millions)	Financial Services	Total
Balance at January 1, 2003.	\$1,764	\$631	\$138	\$2,533
Divestitures	—	(3)	—	(3)
Impact of foreign exchange	<u>11</u>	<u>6</u>	<u>7</u>	<u>24</u>
Balance at December 31, 2003	1,775	634	145	2,554
Purchase accounting adjustment	(107)	(58)	—	(165)
Impact of foreign exchange	<u>9</u>	<u>5</u>	<u>(1)</u>	<u>13</u>
Balance at December 31, 2004	<u>\$1,677</u>	<u>\$581</u>	<u>\$144</u>	<u>\$2,402</u>

During the fourth quarter of 2004, various tax valuation allowances totaling approximately \$165 million, established in the purchase accounting related to the acquisition of Case Corporation, were reversed resulting in a reduction of goodwill.

Notes to consolidated financial statements

As of December 31, 2004 and 2003, the Company's intangible assets and related accumulated amortization consisted of the following:

	Weighted avg. life	2004			2003		
		Gross	Accumulated amortization	Net (in millions)	Gross	Accumulated amortization	Net
Intangible assets subject to							
Amortization:							
Engineering Drawings	20	\$335	\$86	\$249	\$335	\$69	\$266
Dealer Networks	25	216	44	172	216	35	181
Software	5	53	27	26	24	9	15
Other	10 - 30	123	46	77	147	60	87
		<u>727</u>	<u>203</u>	<u>524</u>	<u>722</u>	<u>173</u>	<u>549</u>
Intangible assets not subject to							
amortization:							
Trademarks		273	—	273	273	—	273
Pension		37	—	37	17	—	17
		<u>\$1,037</u>	<u>\$203</u>	<u>\$834</u>	<u>\$1,012</u>	<u>\$173</u>	<u>\$839</u>

CNH recorded amortization expense of \$43 million, \$37 million and \$30 million during 2004, 2003 and 2002, respectively. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the succeeding 5 years is approximately \$45 million. As acquisitions and dispositions occur in the future and as purchase price allocations are finalized, these amounts may vary.

Note 10: DEBT AND CREDIT LINES

Credit lines

CNH has various lines of credit and liquidity facilities that include borrowings under both committed credit facilities and uncommitted lines of credit and similar agreements.

CNH has historically obtained, and may continue to obtain, a significant portion of its external financing from Fiat or under facilities guaranteed by Fiat, on terms that CNH believes are at least as favorable as those available from unaffiliated third parties. The debt owed by CNH to Fiat is unsecured. In 2004 and 2003, CNH paid a guarantee fee of between 0.03125% per annum and 0.0625% per annum on the average amount outstanding under facilities guaranteed by Fiat. In 2002, the guarantee fee ranged between 0.03125% and 0.125% per annum. Fiat has agreed to maintain its existing treasury and debt financing arrangements with CNH for as long as it maintains control of CNH and, in any event, at least until December 31, 2004. After that time, Fiat has committed that it will not terminate CNH's access to these financing arrangements without affording CNH an appropriate time period to develop suitable substitutes.

As of December 31, 2004, CNH had approximately \$4.1 billion of its \$7.0 billion total lines of credit available, including the asset-backed liquidity facilities described below.

Notes to consolidated financial statements

The following table summarizes CNH's credit facilities at December 31, 2004:

	Maturity	Amount	Drawn		Total	Available	Guarantor
			Equipment Operations (in millions)	Financial Services			
Committed Lines:							
Revolving syndicated backup credit facility	2005	\$1,800	\$—	\$—	\$—	\$1,800	Fiat
Backup credit facilities with third parties shared with some Fiat subsidiaries	2005	125	—	—	—	125	Fiat
Other backup facilities with third parties	2005	100	—	—	—	100	Fiat
Other committed lines guaranteed by Fiat	various	162	62	109	171	(9)(1)	Fiat
Other committed lines (Financial Services, Brazil) . .	various	1,086	—	1,000	1,000	86	Fiat
Revolving credit facility with Fiat affiliate	2005	1,000	248	193	441	559	Fiat
Other committed lines		298	188	0	188	110	
Total committed lines		4,571	498	1,302	1,800	2,771	
Uncommitted Lines		692	537	102	639	53	
Asset-backed Programs	various	1,699	—	448	448	1,251	
Total credit facilities		<u>\$6,962</u>	<u>\$1,035</u>	<u>\$1,852</u>	<u>\$2,887</u>	<u>\$4,075</u>	
Drawn short-term debt			<u>\$973</u>	<u>\$754</u>	<u>\$1,727</u>		
Drawn long-term debt			<u>\$62</u>	<u>\$1,098</u>	<u>\$1,160</u>		
Total Credit facilities with Fiat affiliates or guaranteed by Fiat affiliates		<u>\$4,273</u>	<u>\$310</u>	<u>\$1,302</u>	<u>\$1,612</u>	<u>\$2,661</u>	
BCI debt guaranteed by Fiat . .			<u>\$169</u>		<u>\$169</u>		

(1) Includes translation to USD of draw-downs in other currencies. The draw downs are within the limits when stated in the contractual currency.

Notes to consolidated financial statements

Short-term debt including use of credit lines

A summary of short-term debt, as of December 31, 2004 and 2003 is as follows:

	2004			2003		
	Equipment Operations	Financial Services	Consolidated (in millions)	Equipment Operations	Financial Services	Consolidated
Drawings under ABCP liquidity facilities	\$—	\$448	\$448	\$—	\$83	\$83
Drawings under other credit lines—third parties	725	113	838	1,119	184	1,303
Drawings under credit lines—Fiat affiliates	<u>248</u>	<u>193</u>	<u>441</u>	<u>403</u>	<u>295</u>	<u>698</u>
Drawn under credit lines & ABCP	973	754	1,727	1,522	562	2,084
Other short-term debt—third parties	8	91	99	—	26	26
Other short-term debt—Fiat affiliates	83	148	231	—	—	—
Intersegment short-term debt	24	414	—	—	312	—
Total short-term debt	<u>\$1,088</u>	<u>\$1,407</u>	<u>\$2,057</u>	<u>\$1,522</u>	<u>\$900</u>	<u>\$2,110</u>

The drawings under credit lines for both Equipment Operations and Financial Services include borrowings under both committed credit facilities and uncommitted lines of credit and similar arrangements.

The weighted-average interest rates on consolidated short-term debt at December 31, 2004 and 2003 were 5.03% and 4.72%, respectively. The average rate is calculated using the actual rates at December 31, 2004 and 2003 weighted by the amount of the outstanding borrowings of each debt instrument.

Borrowings under non-affiliated third party revolving credit facilities bear interest at: (1) EURIBOR, plus an applicable margin; (2) LIBOR, plus an applicable margin; (3) banker's bills of acceptance rates, plus an applicable margin; or (4) other relevant domestic benchmark rates plus an applicable margin.

The applicable margin on third party debt depends upon:

- the initial maturity of the facility/credit line;
- the rating of short-term/long-term unsecured debt at the time the facility/credit line was negotiated; in cases where Fiat provides a guarantee, the margin reflects Fiat's credit standing at the time the facility/credit line was arranged;
- the extent of over-collateralization, in the case of receivables warehouse facilities; and
- the level of availability of credit lines for CNH in different jurisdictions.

The applicable margin for related party debt is based on Fiat intercompany borrowing and lending rates applied to all of its affiliates. These rates are determined by Fiat based on its cost of funding for debt of different maturities. The cost of the related party debt has been lower than the corresponding rates that CNH could have been required to pay to unaffiliated third parties providing similar financing arrangements. CNH believes that rates applied by Fiat to CNH's related party debt are at least as advantageous as alternative sources of funds CNH may obtain from third parties; in those cases where CNH achieves negotiated margins more favorable than those applied by Fiat, CNH maximizes use of such more advantageous facilities before returning to Fiat funding. The range of

Notes to consolidated financial statements

margins applied by Fiat to CNH's related party debt outstanding as of December 31, 2004 was between 0.75% and 1.5%.

Borrowings against asset-backed commercial paper liquidity facilities bear interest at prevailing asset-backed commercial paper rates. Borrowings may be obtained in U.S. dollars and certain other foreign currencies.

Certain of CNH's revolving credit facilities contain contingent requirements regarding the maintenance of financial conditions and impose some restrictions related to new liens on assets and changes in ownership of certain subsidiaries. At December 31, 2004, CNH was in compliance with all debt covenants. The non-affiliated third party committed credit facilities generally provide for facility fees on the total commitment, whether used or unused, and provide for annual agency fees to the administrative agents for the facilities.

Notes to consolidated financial statements

A summary of long-term debt as of December 31, 2004 and 2003, including long-term drawings under credit lines, is as follows:

	2004			2003		
	Equipment Operations	Financial Services	Consolidated (in millions)	Equipment Operations	Financial Services	Consolidated
Public Notes:						
Payable in 2005, interest rate of 7.25%	\$218	\$—	\$218	\$244	\$—	\$244
Payable in 2007, interest rate of 6.75%	—	127	127	—	127	127
Payable in 2009, interest rate of 6.00%	474	—	474	—	—	—
Payable in 2011, average interest rate of 9.22% ..	1,052	—	1,052	1,052	—	1,052
Payable in 2016, interest rate of 7.25%	254	—	254	254	—	254
Third Party Loan:						
Payable in 2007, interest rate of 1.61% (floating rate)	169	—	169	188	—	188
Notes with Fiat affiliates:						
Payable in 2005, interest rate of 3.50%	—	—	—	300	—	300
Payable in 2006, interest rate of 3.59% (floating rate)	700	—	700	700	—	700
Payable in 2006, interest rate of 3.33% (floating rate)	109	—	109	101	—	101
Other affiliated notes, weighted average interest rate of 5.75% and 7.51% respectively	21	—	21	262	—	262
Other affiliate notes, weighted-average interest rate of 4.86% and 4.11% respectively	—	219	219	—	306	306
Long-term drawings under credit lines	62	1,098	1,160	92	1,219	1,311
Other debt	25	378	403	—	41	41
Intersegment debt with						
Equipment Operations payable 2006, interest rate of 2.44% (floating rate)...	—	700	—	—	700	—
Total long-term debt....	3,084	2,522	4,906	3,193	2,393	4,886
Less-current maturities....	(257)	(629)	(886)	(88)	(755)	(843)
Total long-term debt excluding current maturities	<u>\$2,827</u>	<u>\$1,893</u>	<u>\$4,020</u>	<u>\$3,105</u>	<u>\$1,638</u>	<u>\$4,043</u>

Notes to consolidated financial statements

A summary of the minimum annual repayments of long-term debt, less current maturities of long-term debt, as of December 31, 2004, is as follows:

	Equipment Operations	Financial Services (in millions)	Consolidated
2006	\$947	\$1,179	\$1,426
2007	65	416	481
2008	9	215	224
2009	503	64	567
2010 and thereafter	<u>1,303</u>	<u>19</u>	<u>1,322</u>
Total	<u>\$2,827</u>	<u>\$1,893</u>	<u>\$4,020</u>

On August 1, 2003 and September 16, 2003, a total of \$1.05 billion of Case New Holland, Inc. (“Case New Holland”) 9¼% Senior Notes due 2011 (the “9¼% Senior Notes”) were issued at a nominal net premium. On May 18, 2004, \$500 million of Case New Holland, Inc. 6% Senior Notes due 2009 (the “6% Senior Notes”) were issued. The 6% Senior Notes, issued at a discount, resulted in net proceeds of approximately \$474 million. Both the 9¼% Senior Notes and the 6% Senior Notes are fully and unconditionally guaranteed by CNH and certain of its direct and indirect subsidiaries and contain certain covenants that restrict CNH’s ability to, among other things, incur additional debt; pay dividends on CNH’s capital stock or repurchase CNH’s capital stock; make certain investments; enter into certain types of transactions with affiliates; restrict dividend or other payments by CNH’s restricted subsidiaries; use assets as security in other transactions; enter into sale and leaseback transactions; and sell assets or merge with, or into, other companies. In addition, certain of the related agreements governing CNH subsidiaries’ indebtedness contain covenants limiting their incurrence of secured debt or structurally senior debt.

Other long-term debt for Financial Services includes, in 2004, amounts funded under a retail ABS term transaction for which assets have been retained on-book. See “Note 4: Accounts and Notes Receivable” for further details.

Interest expense approximates interest paid for all periods presented.

Non-cash financing activity

During 2003, approximately \$95 million of Equipment Operation’s short-term debt with Fiat was refinanced with long-term debt with Fiat in a non-cash transaction.

Note 11: INCOME TAXES

The sources of income (loss) before taxes, minority interest, equity in income (loss) of unconsolidated subsidiaries and affiliates and cumulative effect of change in accounting principle for the years ended December 31, 2004, 2003 and 2002 are as follows:

	2004	2003	2002
	(in millions)		
The Netherlands source	\$(25)	\$(80)	\$(43)
Foreign sources	<u>184</u>	<u>(138)</u>	<u>(83)</u>
Income (loss) before taxes, minority interest, equity in income (loss) of unconsolidated subsidiaries and affiliates and cumulative effect of change in accounting principle	<u>\$159</u>	<u>\$(218)</u>	<u>\$(126)</u>

Notes to consolidated financial statements

The provision (benefit) for income taxes for the years ended December 31, 2004, 2003 and 2002 consisted of the following:

	2004	2003	2002
	(in millions)		
Current income taxes	\$35	\$23	\$13
Deferred income taxes	4	(72)	(27)
Total tax provision (benefit)	<u>\$39</u>	<u>\$(49)</u>	<u>\$(14)</u>

A reconciliation of CNH's statutory and effective income tax provision (benefit) before cumulative effect of change in accounting principle for the years ended December 31, 2004, 2003 and 2002 is as follows:

	2004	2003	2002
Tax provision (benefit) at the Netherlands statutory	35%	(35)%	(35)%
Foreign income taxed at different rates	13	2	10
Change in tax status of certain entities	6	—	—
Effect of tax loss carryforwards	(10)	(5)	(6)
Change in valuation allowance	39	6	36
Dividend withholding taxes and credits	1	1	(15)
Reversal of tax contingency reserves	(11)	—	—
Stock deduction from legal entity rationalization	(41)	—	—
Other	(7)	9	(1)
Total tax provision (benefit)	<u>25%</u>	<u>(22)%</u>	<u>(11)%</u>

The components of the net deferred tax asset as of December 31, 2004 and 2003 are as follows:

	2004	2003
	(in millions)	
Deferred tax assets:		
Marketing and selling incentives	\$136	\$127
Bad debt reserves	41	40
Pension and postretirement benefits	677	536
Inventories	32	32
Warranty reserves	94	79
Restructuring reserves	10	55
Other reserves	426	513
Tax loss carryforwards	1,521	1,585
Less: Valuation allowance	<u>(1,025)</u>	<u>(1,167)</u>
Total deferred tax assets	<u>1,912</u>	<u>1,800</u>
Deferred tax liabilities:		
Property, plant and equipment, net	67	190
Intangibles	261	274
Inventories	75	35
Other	<u>349</u>	<u>396</u>
Total deferred tax liabilities	<u>752</u>	<u>895</u>
Net deferred tax assets	<u>\$1,160</u>	<u>\$905</u>

Notes to consolidated financial statements

The net deferred tax assets are reflected in the accompanying consolidated balance sheets as of December 31, 2004 and 2003 as follows:

	2004	2003
	(in millions)	
Current deferred tax asset	\$374	\$331
Long-term deferred tax asset	858	682
Current deferred tax liability	(5)	(4)
Long-term deferred tax liability	(67)	(104)
Net deferred tax asset	<u>\$1,160</u>	<u>\$905</u>

CNH has operating tax loss carryforwards in a number of foreign tax jurisdictions within its global operations. The years in which they expire are as follows: \$12 million in 2005; \$19 million in 2006; \$78 million in 2007; \$13 million in 2008; \$55 million in 2009; and \$1.6 billion with expiration dates from 2010 through 2023. CNH also has operating tax loss carryforwards of \$2.4 billion with indefinite lives.

In 2004, CNH utilized deferred tax assets consisting of U.S. Federal tax loss carryforwards in the amount of \$53 million. In 2003 and 2002, CNH recorded deferred tax assets without valuation allowances for U.S. Federal tax loss carryforwards in the amount of \$97 million and \$116 million, respectively. The realization of the deferred tax assets recorded as a result of the U.S. Federal tax loss carryforward is considered to be more likely than not. This determination was based upon the evaluation of recent operations after considering the impact of non-recurring items, the impact of the cyclical nature of the business on past and future profitability, expectations of sufficient future U.S. taxable income prior to the years in which the carryforwards expire as well as the impact of profit improvement initiatives on the future earnings of U.S. operations. These expectations of future profitability were based on assumptions regarding the Company's market share, profitability of new model introductions and benefits from capital and operating restructuring actions. CNH cannot assure that it will generate the necessary profitability to realize all or part of the U.S. deferred tax assets and that in the future these assets will not require the recording of additional valuation allowances. A determination that it is more likely than not that some or all of the deferred tax assets currently recorded will not be realized will adversely impact CNH's results of operations and financial position as the required additional valuation allowance would be an additional charge recorded to tax expense in the period that such determination was made.

During 2004, 2003 and 2002, CNH generated income in certain international and U.S. state jurisdictions that supported reductions in the valuation allowance and recognized losses in certain international and U.S. state jurisdictions that supported increases in the valuation allowance. CNH has recorded deferred tax assets without valuation allowances in tax jurisdictions where CNH has generated income, as CNH believes it is more likely than not that such assets will be realizable in the future. CNH has recorded valuation allowances in certain tax jurisdictions where it does not expect to generate sufficient income to fully realize the deferred tax asset. As of December 31, 2004, CNH has \$124 million of U.S. state tax loss carryforwards and \$907 million of non-U.S. Federal tax loss carryforwards for which CNH has established valuation allowances of \$12 million and \$832 million, respectively.

With respect to the valuation allowances recorded against the deferred tax assets of Case Corporation and its subsidiaries as of the acquisition date, any reduction in these valuation allowances have (see "Note 9: Goodwill and Intangibles") and will, in the future, be treated as a reduction of the goodwill recorded in conjunction with the acquisition and will not impact future periods' tax expense. As of

Notes to consolidated financial statements

December 31, 2004, the valuation allowance that is potentially subject to being allocated to goodwill as part of the Case Corporation acquisition totaled \$446 million.

At December 31, 2004, the undistributed earnings of foreign subsidiaries totaled approximately \$1.9 billion. In most cases, such earnings will continue to be reinvested. Provision has generally not been made for additional taxes on the undistributed earnings of foreign subsidiaries. These earnings could become subject to additional tax if they are remitted as dividends or if CNH were to dispose of its investment in the subsidiaries. It has not been practical to estimate the amount of additional taxes that might be payable on the foreign earnings, and CNH believes that additional tax credits and tax planning strategies would largely eliminate any tax on such earnings. On October 22, 2004, the American Jobs Creation Act (“the AJCA”) was signed into law. The AJCA includes a deduction of 85% of certain foreign earnings that are repatriated, as defined in the AJCA. CNH has evaluated the effects of the repatriation provision and believes that the impact on the Company will be minimal as the foreign earnings are defined as earnings from U.S. Foreign owned corporations. The majority of the non-U.S. corporations are owned directly by non-U.S. companies, and are not eligible for the 85% deduction.

CNH paid cash taxes of \$59 million in 2004, and received cash tax refunds of \$83 million in 2003 and 2002.

Note 12: RESTRUCTURING

Effective January 1, 2003, CNH has adopted SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” (“SFAS No. 146”). Under SFAS No. 146, CNH recognizes costs related to restructuring when a liability is incurred. Prior to January 1, 2003, CNH recorded restructuring liabilities at the time management approved and committed CNH to a restructuring plan that identified all significant actions to be taken and the expected completion date of the plan was within a reasonable period of time. The restructuring liability included those restructuring costs that (1) could be reasonably estimated, (2) were not associated with or did not benefit activities that would be continued, and (3) were not associated with or were not incurred to generate revenues after the plan’s commitment date. Restructuring costs were incurred as a direct result of the plan and (1) were incremental to other costs incurred by CNH in the conduct of its activities prior to the commitment date or (2) existed prior to the commitment date under a contractual obligation that will either continue after the exit plan is completed with no economic benefit to the enterprise or reflect a penalty to cancel a contractual obligation.

During 2004, 2003 and 2002, \$104 million, \$274 million and \$61 million, respectively, was recorded in restructuring. These costs primarily relate to severance and other employee-related costs, writedown of assets, loss on the sale of assets and businesses, costs related to closing, selling, and downsizing existing facilities and other merger related costs. During 2003 and 2002, CNH reversed \$3 million and \$10 million, respectively, of the restructuring accrual principally as a result of determining that costs to exit certain facilities were lower than anticipated.

The reductions in headcount were achieved by eliminating administrative and back office functions and related personnel and manufacturing personnel in facilities that were either closed or downsized. These costs include severance and contractual benefits in accordance with collective bargaining agreements, other agreements and CNH policy, outplacement services, medical and supplemental vacation and retirement payments.

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Costs related to closing, selling, and downsizing existing facilities were due to excess capacity and duplicate facilities and primarily relate to the following actions:

- closing of CNH's East Moline, United States combine manufacturing plant and moving production to the Grand Island, United States plant;
- rationalization of the crawler excavator product line produced at the Crepy, France facility;
- transfer of production of the loader/backhoe product line produced at the Crepy, France facility to the Imola, Italy facility;
- closing of CNH's Neustadt, Germany manufacturing facility;
- rationalization of O&K Dealer Network; and
- other actions which take into consideration duplicate capacity and other synergies including purchasing and supply chain management, research and development and selling, general and administrative functions related to CNH's operations.

As management approves and commits to a restructuring action, CNH determines the assets that will be disposed of in the restructuring actions and records an impairment loss equal to the lower of their carrying amount or fair market value less the cost to sell. The fair market value of the assets is determined as the amount at which the asset could be bought or sold in a current transaction between willing parties. Impairment charges of \$12 million, \$38 million and \$13 million were included in costs provided for closing, selling, downsizing, and exiting facilities and asset impairments in 2004, 2003 and 2002, respectively.

The following table sets forth restructuring activity for the years ended December 31, 2004, 2003 and 2002:

	Severance and other employee costs	Facility related costs	Asset impairments (in millions)	Other restructuring	Total
Balance at January 1, 2002	\$52	\$5	\$—	\$17	\$74
Additions	29	9	13	10	61
Reserves utilized: cash	(48)	(1)	—	(13)	(62)
Reserves utilized: non-cash	—	—	(10)	(3)	(13)
Changes in estimates	(3)	(7)	—	—	(10)
Balance at December 31, 2002	30	6	3	11	50
Additions	220	6	38	10	274
Reserves utilized: cash	(57)	(10)	—	(10)	(77)
Reserves utilized: non-cash	(148)	—	(24)	—	(172)
Changes in estimates	(3)	—	—	—	(3)
Balance at December 31, 2003	42	2	17	11	72
Additions	55	30	12	7	104
Reserves utilized: cash	(60)	(31)	—	(9)	(100)
Reserves utilized: non-cash	—	—	(29)	—	(29)
Balance at December 31, 2004	<u>\$37</u>	<u>\$1</u>	<u>\$—</u>	<u>\$9</u>	<u>\$47</u>

The specific restructuring measures and associated estimated costs were based on management's best business judgment under prevailing circumstances. Management believes that the restructuring reserve balance at December 31, 2004, is adequate to carry out the remaining restructuring activities,

Notes to consolidated financial statements

primarily the severance of the remaining employees at the facilities to be closed, payments to already severed employees and the Crepy facility rationalization. CNH anticipates that the majority of all actions currently accrued for will be completed by December 31, 2005. Costs relating to the majority of these actions have already been expensed. If future events warrant changes to the reserve, such adjustments will be reflected in the applicable consolidated statements of operations as “Restructuring.”

Note 13: EMPLOYEE BENEFIT PLANS AND POSTRETIREMENT BENEFITS

CNH has various defined benefit plans that cover certain employees. Benefits are generally based on years of service and, for most salaried employees, on final average compensation. Benefits for salaried employees were frozen for pay and service as of December 31, 2000. Salaried employees receive a 3% increase for every year of employment after December 31, 2000 for a maximum of three years.

CNH’s funding policies are to contribute to the plans amounts necessary to, at a minimum, satisfy the funding requirements as prescribed by the laws and regulations of each country. Plan assets consist principally of listed equity and fixed income securities.

CNH has postretirement health and life insurance plans that cover the majority of its U.S. and Canadian employees. For New Holland U.S. salaried and hourly employees, and for Case U.S. non-represented hourly and Case U.S. and Canadian salaried employees, the plans cover employees retiring on or after attaining age 55 who have had at least 10 years of service with the Company. For Case U.S. and Canadian hourly employees represented by a labor union, the plans generally cover employees who retire pursuant to their respective hourly plans and collective bargaining agreements. These benefits may be subject to deductibles, copayment provisions and other limitations, and CNH has reserved the right to change these benefits, subject to the provisions of any collective bargaining agreement. CNH U.S. and Canadian employees hired after January 1, 2001 and January 1, 2002, respectively, are not eligible for postretirement health and life insurance benefits under the CNH plans. Beginning in 2005, a defined dollar benefit will apply to salaried retiree medical coverage. Once the defined dollar benefit is reached, contributions paid by the retirees will increase by an amount equal to any premium cost increases above that amount.

In connection with CNH’s acquisition of Orenstein & Koppel Aktiengesellschaft (“O&K”) in December 1998, CNH recorded an unfunded pension obligation of approximately \$140 million related to pension rights of non-active employees of O&K who were retired or whose employment was terminated and who had vested rights. In connection with the acquisition of O&K, CNH entered into an agreement with the seller of O&K whereby the seller, in return for a payment of \$140 million, agreed to reimburse O&K for all future pension payments, including death benefits and medical support liabilities and any funding obligations under the collective bargaining agreement related to the non-active employees of O&K. An irrevocable, revolving bank guarantee was obtained to back the seller’s guarantee of the future pension payment reimbursement. The actuarial present value related to this benefit obligation recorded on the consolidated balance sheet and reflected in the rollforward below was \$171 million at December 31, 2003. In December 2004, CNH received cash from the seller that approximated the benefit obligation. CNH now assumes the benefit obligation from this point forward.

Former parent companies of New Holland and Case retained certain accumulated pension benefit obligations and related assets and certain accumulated postretirement health and life insurance benefit obligations. Accordingly, as these remain the obligations of the former parent companies, the financial statements of CNH do not reflect any related assets or liabilities. See “Note 15: Commitments and Contingencies, Other Litigation” for El Paso litigation status.

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CNH uses a measurement date of December 31 for its qualified and non-qualified pension plans and postretirement benefit plans.

The following assumptions were utilized in determining the funded status of CNH's defined benefit pension plans for the years ended December 31, 2004, 2003 and 2002:

	2004		2003		2002	
	U.S. plans	Non-U.S. plans	U.S. plans	Non-U.S. plans	U.S. plans	Non-U.S. plans
Weighted-average discount rates for obligations	5.75%	5.07%	6.25%	5.31%	6.75%	5.58%
Weighted-average discount rates for expense	6.25%	5.31%	6.75%	5.58%	7.25%	5.91%
Rate of increase in future compensation	N/A	3.45%	N/A	3.43%	N/A	3.42%
Weighted-average, long-term rates of return on plan assets	8.75%	7.16%	8.75%	7.33%	9.00%	7.33%

The expected long-term rate of return on plan assets reflects management's expectations of long-term average rates of earnings on funds invested to provide for benefits included in the projected benefit obligations. The return is based on the outlook for inflation, fixed income returns and equity returns, while also considering the plans' historical returns, their asset allocation and investment strategy, as well as the views of investment managers and other large pension plan sponsors.

CNH determines its pension benefit expense at the beginning of the calendar year based on assumptions which include a weighted average expected rate of return on plan assets. The expected rate of return for U.S. plans is based on long-term actual portfolio results. The assumptions are based on surveys of large asset portfolio managers and peer group companies of future return expectations over the next ten years. CNH utilizes a ten year return history in its evaluation, consistent with SFAS No. 87, "Employers' Accounting for Pensions," which refers to the expected rate as the long-term rate of return on plan assets.

The following assumptions were utilized in determining the accumulated postretirement benefit obligation of CNH's postretirement health and life insurance plans for the years ended December 31, 2004, 2003 and 2002:

	2004		2003		2002	
	U.S. plans	Canadian plan	U.S. plans	Canadian plan	U.S. plans	Canadian plan
Weighted-average discount rates for obligations	5.75%	5.75%	6.25%	6.00%	6.75%	6.75%
Weighted-average discount rates for expense	6.25%	6.00%	6.75%	6.75%	7.25%	6.50%
Rate of increase in future compensation	4.00%	3.50%	4.00%	3.50%	4.00%	3.50%
Weighted-average, assumed initial healthcare cost trend rate	10.00%	9.00%	10.00%	9.00%	10.00%	9.00%
Weighted-average, assumed ultimate healthcare cost trend rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Year anticipated attaining ultimate healthcare cost trend rate	2009	2012	2008	2011	2007	2010

Plans in the U.S. and U.K. reflect the majority of CNH's pension and postretirement benefit plan obligations. The fair value of the CNH U.S. qualified pension plan assets as of December 31, 2004 and 2003 was approximately \$767 million and \$600 million, respectively. The fair value of the CNH U.K. qualified pension plan assets as of December 31, 2004 and 2003 was approximately \$760 million and \$654 million, respectively.

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The asset allocation for the CNH U.S., U.K. and other qualified pension plans and the target allocation for 2005 are as follows:

	U.S. plans			U.K. plans			Other plans		
	Target allocation 2005	Percentage of plan assets as of December 31,		Target allocation 2005	Percentage of plan assets as of December 31,		Target allocation 2005	Percentage of plan assets as of December 31,	
		2004	2003		2004	2003		2004	2003
Asset category:									
Equity securities	53%	54%	54%	60%	59%	68%	45%	65%	71%
Debt securities	47%	46%	45%	40%	41%	32%	28%	12%	13%
Cash/Other	0%	0%	1%	0%	0%	0%	27%	23%	16%

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

CNH currently estimates that discretionary contributions to its U.S. defined benefit pension plan trust will be approximately \$90 million in 2005. Estimated contributions to the CNH postretirement benefit plan in the U.S. total approximately \$74 million for 2005.

The following summarizes the cash flow related to the total benefits expected to be paid from the plan or from Company assets, as well as the expected Medicare Part D subsidy receipts:

	Pension benefits		Other postretirement benefits		Medicare Part D reimbursement
	U.S. plans	Non-U.S. plans	U.S. plans	Non-U.S. plans	U.S. plans
	(in millions)				
Employer Contributions:					
2005 (expected)	\$90	\$70	\$70	\$4	\$N/A
Expected benefit payments and reimbursements:					
2005	\$57	\$90	\$83	\$2	\$—
2006	58	86	89	3	3
2007	60	86	95	3	3
2008	61	88	99	3	3
2009	63	90	103	3	4
2010 - 2014	341	507	555	14	18
Total	\$640	\$947	\$1,024	\$28	\$31

Notes to consolidated financial statements

The following summarizes data from CNH's defined benefit pension plans and postretirement health and life insurance plans for the years ended December 31, 2004 and 2003:

	Pension benefits		Other postretirement benefits	
	2004	2003	2004	2003
	(in millions)			
Change in benefit obligations:				
Actuarial present value of benefit obligation at beginning of measurement period	\$2,426	\$2,027	\$1,494	\$1,019
Service cost	26	27	15	17
Interest cost	142	123	83	71
Plan participants' contributions	5	5	7	5
Actuarial loss	276	131	197	366
Currency translation adjustments	127	185	3	7
Gross benefits paid	(156)	(125)	(75)	(63)
Plan amendments	(30)	—	(34)	(21)
Acquisitions/divestitures	—	(5)	—	—
Curtailed loss	—	58	—	93
Medicare Part D	—	—	(74)	—
Actuarial present value of benefit obligation at end of measurement period	<u>2,816</u>	<u>2,426</u>	<u>1,616</u>	<u>1,494</u>
Change in plan assets:				
Plan assets at fair value at beginning of measurement period	1,393	1,130	—	—
Actual return on plan assets	164	182	—	—
Currency translation adjustments	71	92	—	—
Employer contributions	208	114	68	58
Plan participants' contributions	5	5	7	5
Gross benefits paid	(156)	(125)	(75)	(63)
Acquisitions/divestitures	—	(5)	—	—
Plan assets at fair value at end of measurement period	<u>1,685</u>	<u>1,393</u>	<u>—</u>	<u>—</u>
Funded status:	(1,131)	(1,033)	(1,616)	(1,494)
Unrecognized prior service cost	15	17	(55)	(46)
Unrecognized net loss resulting from plan experience and changes in actuarial assumptions	892	718	783	709
Remaining unrecognized net asset at initial application	—	—	26	37
Net amount recognized at end of year	<u>\$(224)</u>	<u>\$(298)</u>	<u>\$(862)</u>	<u>\$(794)</u>

Notes to consolidated financial statements

	Pension benefits		Other postretirement benefits	
	2004	2003	2004	2003
(in millions)				
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid benefit cost	\$218	\$79	\$—	\$—
Investments in unconsolidated subsidiaries and affiliates	(8)	(8)	—	—
Accrued benefit liability	(1,213)	(1,006)	(862)	(794)
Intangible asset	37	17	—	—
Deferred tax assets	280	222	—	—
Accumulated other comprehensive loss	462	398	—	—
Net amount recognized at end of year	<u>\$(224)</u>	<u>\$(298)</u>	<u>\$(862)</u>	<u>\$(794)</u>

The following summarizes the consolidated statements of operations impact of CNH's defined benefit pension plans and postretirement health and life insurance plans for the years ended December 31, 2004, 2003 and 2002:

	Pension benefits			Other postretirement benefits		
	2004	2003	2002	2004	2003	2002
(in millions)						
Components of net periodic benefit cost:						
Service cost	\$26	\$27	\$25	\$15	\$17	\$15
Interest cost	142	123	115	83	71	58
Expected return on assets	(121)	(95)	(110)	—	—	—
Amortization of:						
Transition asset	—	—	—	9	9	9
Prior service cost	3	3	4	(23)	(17)	(14)
Actuarial loss	47	49	22	50	35	16
Net periodic benefit cost	97	107	56	134	115	84
Curtailment loss	—	58	2	—	93	—
Total expense	<u>\$97</u>	<u>\$165</u>	<u>\$58</u>	<u>\$134</u>	<u>\$208</u>	<u>\$84</u>

The aggregate projected benefit obligation, aggregate accumulated benefit obligation and aggregate fair value of plan assets for pension plans with benefit obligations in excess of plan assets were \$2.8 billion, \$2.7 billion and \$1.8 billion, respectively, as of December 31, 2004 and \$2.4 billion, \$2.3 billion and \$1.4 billion, respectively, as of December 31, 2003.

Due to the poor performance of equity markets earlier in the decade, the value of the CNH pension fund assets, which principally relate to plans in the U.S. and U.K., declined. SFAS No. 87, "Employers' Accounting for Pensions," requires recognition of an additional minimum liability if the market value of plan assets is less than the accumulated benefit obligation at the end of the plan year. At December 31, 2004, this resulted in a decrease in accumulated other comprehensive income, a component of Shareholders' Equity.

CNH has experienced a continuing high level of other postretirement employee benefit costs, principally related to health care, during 2004. Consequently, CNH will maintain the 2004 initial annual estimated rate of increase in the per capita cost of healthcare at 10% for 2005 despite earlier expectations that this rate would decrease. The initial annual estimated rate of increase in per capita

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cost of healthcare will decrease by 1% in each subsequent year until reaching 5% in 2009. Increasing the assumed healthcare cost trend rate by one percentage point would increase the total accumulated postretirement benefit obligation at December 31, 2004, by approximately \$178 million, and would increase the aggregate of the service cost and interest cost components of the net 2004 postretirement benefit cost by approximately \$26 million. Decreasing the assumed healthcare cost trend rate by one percentage point would decrease the total accumulated postretirement benefit obligation at December 31, 2004, by approximately \$148 million, and would decrease the aggregate of the service cost and interest cost components of the net 2004 postretirement benefit cost by approximately \$21 million.

Other programs

In Belgium, early retirement liabilities were accrued in connection with the restructuring of CNH's Belgian facilities initiated in 1991. Such liabilities were approximately \$15 million and \$14 million at December 31, 2004 and 2003, respectively. Programs in other countries are provided through payroll tax and other social contributions in accordance with local statutory requirements.

As required by Italian labor legislation, an accrual for an employee severance indemnity has been provided for a portion of CNH's Italian employees' annual salaries, indexed for inflation. At December 31, 2004 and 2003, the indemnity accruals were \$102 million and \$97 million, respectively. The obligation for this liability is computed based on the actuarial present value of the benefits to which the employee is entitled after considering the expected date of separation or retirement.

Additionally, certain executives participate in a special plan approved by the Board of Directors of Fiat and CNH (the "Individual Top Hat Scheme"), which provides a lump sum to be paid in installments if an executive leaves, in certain circumstances, Fiat and/or its subsidiaries before the age of 65. Contributions to the Individual Top Hat Scheme totaled \$972,000, \$745,000 and \$446,000 in 2004, 2003 and 2002, respectively.

Defined contribution plans

CNH provides a defined contribution plan for their U.S. salaried employees (the "CNH Salaried Plan"). The CNH Salaried Plan allows employee elective deferrals on a pretax basis of up to 25% of pay with CNH matching such deferrals at a rate of 70 cents for each dollar deferred on the first 10% of participant contributions. In addition to matching contributions, CNH provides a fixed contribution of five percent of eligible salary per year. During 2004, 2003 and 2002, CNH contributed \$14 million, \$14 million and \$14 million, respectively, in matching contributions. During 2004, 2003 and 2002, CNH expensed \$12 million, \$12 million and \$13 million, respectively, in fixed contributions. These amounts were contributed in January of the following year. Subject to CNH's operating results, CNH may make additional profit sharing matching contributions to the defined contribution plan. CNH made no profit sharing contributions in 2004, 2003 and 2002.

CNH provides a defined contribution plan for their U.S. non-represented hourly employees (the "CNH Hourly Plan"). The CNH Hourly Plan allows employee elective deferrals on a pretax basis of up to 25% (15% prior to January 1, 2002) of base compensation with CNH matching such deferrals at a rate of 50% on the first 10% of a participant's contribution. During each of 2004, 2003 and 2002, CNH contributed \$3 million in matching contributions.

Effective July 1, 2003, the Company updated the CNH Hourly Plan specific to U.S. non-represented hourly employees hired on or after July 1, 2003, to include a fixed contribution of 5% of eligible pay, in lieu of participating in the Company's defined benefit pension plan.

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CNH also maintains a plan for represented hourly employees covered by collective bargaining agreements, which provides for employee elective deferrals of up to 25% of eligible pay. The International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (the "UAW") represented participants hired after the 1998 collective bargaining agreement are eligible for a 25% match on the first 6% of participant contributions. All other represented employees and UAW represented participants hired before the 1998 collective bargaining agreement are not eligible for this match.

Note 14: OTHER ACCRUED LIABILITIES

A summary of other accrued liabilities as of December 31, 2004 and 2003 is as follows:

	2004 (in millions)	2003
Marketing and sales incentive programs	\$407	\$371
Warranty and modification programs	198	183
Accrued payroll	161	130
Value-added taxes and other taxes payable	165	167
Other accrued expenses	787	777
Total other accrued liabilities	<u>\$1,718</u>	<u>\$1,628</u>

Note 15: COMMITMENTS AND CONTINGENCIES

CNH and its subsidiaries are party to various legal proceedings in the ordinary course of its 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 these other legal matters pending against CNH or its subsidiaries cannot be predicted, and although such lawsuits are not expected individually to have a material adverse effect on CNH, such lawsuits could have, in the aggregate, a material adverse effect on CNH's consolidated financial condition, cash flows or results of operations.

Environmental

CNH is involved in environmental remediation activities concerning potential liabilities under U.S. federal, U.S. state and non-U.S. environmental laws. These activities involve non-owned Waste Sites and properties currently or formerly owned by CNH where it is believed there has been a release of hazardous substances. These properties comprise a number of sites currently or formerly operated by CNH or its predecessors. Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments indicate that remedial efforts are probable and the costs can be reasonably estimated. Estimates of the liability are provided in ranges to reflect uncertainties due to a variety of factors that include lack of direct knowledge of historic industrial and waste handling activities that may have resulted in releases of hazardous substances, inherent limitations of subsurface soil and groundwater investigatory techniques, future changes in the laws, including their interpretation and implementation by governmental authorities, changes in remedial technologies, level of responsibility to be assumed by other potentially responsible parties, and future land use. Probable liabilities may also be the subject of both asserted and unasserted claims, including those by government authorities that may be dormant or pursued over extremely long time periods. Moreover, because liability under Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and similar laws can be strict, joint and

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several, CNH could be required to pay amounts in excess of its pro-rata share of remediation costs at the Waste Sites. Settlements and government-approved and completed remediation projects can, in certain circumstances, be reopened based on newly discovered conditions and be subject to further remedial activities or settlement payments.

Based upon information currently available, management estimates potential environmental liabilities including remediation, decommissioning, restoration, monitoring, and other closure costs associated with current or formerly owned or operated facilities, the Waste Sites, and other claims to be in the range of \$40 million to \$87 million. As of December 31, 2004, environmental reserves of approximately \$58 million had been established to address these specific estimated potential liabilities. Such reserves are undiscounted. After considering these reserves, management is of the opinion that the outcome of these matters will not have a material adverse effect on CNH's financial position or results of operations.

Product liability

Product liability claims against CNH 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 CNH's 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 Case 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 Case) 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 Case and El Paso are parties to a 1994 agreement under which El Paso has agreed to indemnify Case 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 Case 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. Case filed a motion with the court seeking to have the preliminary injunction stayed and the order reconsidered. The district court denied such motions. Case has appealed the district court's denials to the 6th Circuit Court of Appeals. Case also had filed a motion for summary judgment that El Paso indemnify Case pursuant to the terms of the 1994 agreement. The district court ruled in Case's favor on Case's 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

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of that decision. On November 3, 2004, the court denied El Paso's motion for reconsideration and allowed an immediate appeal to the 6th Circuit. El Paso filed its appeal, and the court certified the appeal, consolidating it with the appeal of the preliminary injunction. While CNH is unable to predict the outcome of this proceeding, CNH believes it has good legal and factual claims and defenses, and CNH will continue to vigorously pursue its claims and defend against this lawsuit.

Commitments

Minimum rental commitments at December 31, 2004, under non-cancelable operating leases with lease terms in excess of one year are as follows:

	Amount (in millions)
2005	\$38
2006	28
2007	22
2008	17
2009	14
Thereafter	<u>64</u>
Total minimum rental commitments	<u>\$183</u>

Total rental expense for all operating leases was \$49 million, \$33 million and \$40 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Guarantees

In the normal course of business, CNH and its subsidiaries issue guarantees in the form of bonds guaranteeing the payment of value added taxes, performance bonds, custom bonds, bid bonds and bonds related to litigation. As of December 31, 2004, total commitments of this type total approximately \$300 million.

CNH is a member of a joint venture which has a Note Agreement with an outstanding balance of \$85 million at December 31, 2004. CNH is required to fund \$43 million of the principal as follows: \$10 million, \$10 million, \$10 million and \$13 million in 2005, 2006, 2007 and 2008, respectively.

Warranty and modification programs

As described in "Note 2: Summary of Significant Accounting Policies", CNH pays for normal warranty costs and the costs of major programs to modify products in the customers' possession within certain pre-established time periods. A summary of recorded activity for the years ended December 31, 2004 and 2003 for this commitment is as follows:

	2004 (in millions)	2003 (in millions)
Balance, beginning of year	\$183	\$169
Current year provision	287	247
Claims paid and other adjustments	<u>(272)</u>	<u>(233)</u>
Balance, end of year	<u>\$198</u>	<u>\$183</u>

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Note 16: FINANCIAL INSTRUMENTS

A. Fair market value of financial instruments

The fair market value of a financial instrument is the price at which one party would assume the rights and/or duties of another party. The estimated fair market values of financial instruments in the financial statements as of December 31, 2004 and 2003 are as follows:

	2004		2003	
	Carrying amount	Fair value (in millions)	Carrying amount	Fair value
Accounts and notes receivable, net and long term receivables	\$5,895	\$5,906	\$5,996	\$6,055
Long-term debt	\$4,020	\$4,152	\$4,043	\$4,190
Derivative contracts, net asset (liability)	\$8	\$8	\$(15)	\$(15)

Accounts and notes receivable, net and long term receivables

The fair value of accounts and notes receivable was based on discounting the estimated future payments at prevailing market rates. The fair value, which approximates carrying value, of the retained interests included in accounts and notes receivables was based on the present value of future expected cash flows using assumptions for credit losses, prepayment speeds and discount rate commensurate with the risk involved. The carrying amount of floating-rate accounts and notes receivable was assumed to approximate their fair value.

Long-term debt

The fair value of fixed-rate, public long-term debt was based on both quoted prices and the market value of debt with similar maturities and interest rates; the fair value of other fixed-rate borrowings was based on discounting using the treasury yield curve; the carrying amount of floating-rate long-term debt was assumed to approximate their fair value.

Derivative contracts, net

As derivatives are recorded at fair market value on the consolidated balance sheet, the carrying amounts and fair market values are equivalent for CNH's foreign exchange forward contracts, currency options, interest rate swaps and interest rate caps.

B. Derivatives

CNH utilizes derivative instruments to mitigate its exposure to interest rate and foreign currency exposures. Derivatives used as hedges are effective at reducing the risk associated with the exposure being hedged and are designated as a hedge at the inception of the derivative contract. CNH does not hold or issue such instruments for trading purposes. The credit and market risk for interest rate hedges are reduced through diversification among counterparties with high credit ratings. These counterparties include certain Fiat subsidiaries. The total notional amount of foreign exchange hedges and interest rate derivative hedges with certain Fiat subsidiaries as counterparties was approximately \$2 billion as of December 31, 2004.

Foreign exchange contracts

CNH has entered into foreign exchange forward contracts, swaps, and options in order to manage and preserve the economic value of cash flows in non-functional currencies. CNH conducts its business on a multinational basis in a wide variety of foreign currencies and hedges foreign currency exposures

Notes to consolidated financial statements

arising from various receivables, liabilities and expected inventory purchases. Derivative instruments that are utilized to hedge the foreign currency risk associated with anticipated inventory purchases in foreign currencies are designated as cash flow hedges. Gains and losses on these instruments, to the extent that they have been effective, are deferred in other comprehensive income and recognized in earnings when the related inventory is sold. Ineffectiveness related to these hedge relationships is recognized currently in the consolidated statements of operations as “Other, net” and was not significant. The maturity of these instruments does not exceed 12 months and the net of tax losses deferred in other comprehensive income to be recognized in earnings over the 12 months ending December 31, 2005 are \$18 million. The effective portion of changes in the fair value of the derivatives are recorded in other comprehensive income and are recognized in the consolidated statements of operations when the hedge item affects earnings.

CNH has also designated certain forwards and swaps as fair value hedges of certain short-term receivables and liabilities denominated in foreign currencies. The effective portion of the fair value gains or losses on these instruments are reflected in earnings and are offset by fair value adjustments in the underlying foreign currency exposures. Ineffectiveness related to these hedge relationships was not material.

Options and forwards not designated as hedging instruments are also used to hedge the impact of variability in exchange rates on foreign operational cash flow exposures. The changes in the fair values of these instruments are recognized directly in earnings, and are expected to generally offset the foreign exchange gains or losses on the exposures being managed, although the gain or loss on the exposure being hedged may be recorded in a different period than the gains or losses on the derivative instruments.

Interest rate derivatives

CNH has entered into interest rate swaps agreements in order to manage interest rate exposures arising in the normal course of business for Financial Services. Interest rate swaps that have been designated in cash flow hedging relationships are being used by CNH to mitigate the risk of rising interest rates related to the anticipated issuance of short-term London Inter-Bank Offered Rate (“LIBOR”) based debt in future periods. Gains and losses on these instruments, to the extent that the hedge relationship has been effective, are deferred in other comprehensive income and recognized in interest expense over the period in which CNH recognizes interest expense on the related debt. Ineffectiveness recognized related to these hedge relationships was not significant and is recorded in “Other, net” in the accompanying consolidated statements of operations. The maximum length of time over which CNH is hedging its interest rate exposure through the use of derivative instruments designated in cash flow hedge relationships is 52 months, and CNH expects approximately \$2 million, net of tax losses deferred in other comprehensive income to be recognized in earnings over the 12 months ending December 31, 2005.

Interest rate swaps that have been designated in fair value hedge relationships have been used by CNH to mitigate the risk of deductions in the fair value of existing fixed rate long-term bonds and medium-term notes due to decreases in LIBOR based interest rates. This strategy is used mainly for the interest rate exposures for Equipment Operations. Gains and losses on these instruments are reflected in interest expense in the period in which they occur and an offsetting gain or loss is also reflected in interest expense based on changes in the fair value of the debt instrument being hedged due to changes in LIBOR based interest rates. There was no ineffectiveness as a result of fair value hedge relationships in 2004 or 2003.

CNH enters into forward starting interest rate swaps and forward rate agreements as hedges of the proceeds received upon the sale of receivables in ABS transactions as described in “Note 4: Accounts

Notes to consolidated financial statements

and Notes Receivable.” These instruments protect the Company from rising interest rates, which impact the rates paid on the securities issued to investors in connection with these transactions. The changes in the fair value of these instruments are highly correlated to changes in the anticipated cash flows from the proceeds to be received. Gains and losses are deferred in other comprehensive income and recognized in “Finance and interest income” in the accompanying consolidated statements of operations at the time of the ABS issuance. Ineffectiveness of these hedge relationships was not significant in 2004 or 2003.

CNH also utilizes both back-to-back interest rate swaps and back-to-back interest rate caps that are not designated in hedge relationships. Unrealized and realized gains and losses resulting from fair value changes in these instruments are recognized directly in earnings. These instruments are used to mitigate interest rate risk related to the Company’s asset-backed commercial paper facilities and various limited purpose business trusts associated with the Company’s retail note asset-backed securitization programs in North America. These facilities and trusts require CNH to enter into interest rate swaps and caps. To ensure that these transactions do not result in the Company being exposed to this risk, CNH enters into an offsetting interest rate swap or cap with substantially similar terms. Net gains and losses on these instruments were insignificant for 2004 and 2003.

Note 17: SHAREHOLDERS’ EQUITY

The Articles of Association of CNH provide for authorized share capital to €1,350 million, divided into 400 million common shares and 200 million Series A preference shares with each having a per share par value of €2.25. The shareholders have authorized the board of directors to resolve on any future issuance of authorized shares for a period ending February 2007.

On April 1, 2003, CNH effected a 1-for-5 reverse stock split of its common shares. All references in the accompanying consolidated financial statements and notes thereto to earnings per share and the number of shares have been retroactively restated to reflect this reverse stock split.

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 convert into 100 million CNH common shares at a conversion price of \$20 per share automatically 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. In the event of dissolution or liquidation, 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.

Effective January 31, 2003, the Company began providing matching contributions to the CNH Salaried Plan and the CNH Hourly Plan in the form of CNH common shares rather than cash. This change affects all CNH U.S. employees eligible to contribute to this plan who receive a company-

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provided match on a portion of their elective deferrals. For the years ended December 31, 2004 and 2003, approximately 918,000 shares and 1,463,000 shares, respectively, were contributed to these plans.

In June 2002, CNH completed a public offering of 10 million shares of common stock. In July 2002, the underwriters exercised their over-allotment option for 700,000 additional shares. The offering was priced at \$20.00 per share. Net proceeds after offering costs were approximately \$201 million. Concurrent with this offering, Fiat, CNH's majority shareholder, exchanged \$1.3 billion of CNH debt for 65 million common shares, equal to \$1.3 billion divided by the public offering price of \$20.00.

As of December 31, 2004, CNH has 133,937,488 common shares issued, of which 133,782,675 shares were outstanding while 154,813 shares were held by CNH as treasury shares. As of this same date, CNH has 8 million shares of Series A Preferred Stock issued and outstanding.

During the years ended December 31, 2004, 2003 and 2002, changes in CNH common shares, and CNH Series A Preference Shares issued were as follows:

	Common shares			Series A preference shares		
	2004	2003	2002	2004	2003	2002
	(in thousands)					
Issued as of beginning of year	132,914	131,238	55,537	8,000	—	—
Issuances of CNH Common Shares:						
Contributions to CNH benefit plans . . .	918	1,463	—	—	—	—
Restricted shares issued under the equity incentive plan	—	207	—	—	—	—
Public offering	—	—	10,700	—	—	—
Fiat conversion of debt to equity	—	—	65,000	—	—	—
Stock-based compensation for directors	25	6	1	—	—	—
Stock-based compensation for employees	80	—	—	—	—	—
Issuance of CNH Series A Preferred Stock	—	—	—	—	8,000	—
Issued as of end of year	<u>133,937</u>	<u>132,914</u>	<u>131,238</u>	<u>8,000</u>	<u>8,000</u>	<u>—</u>

Dividends of \$0.25 per common share, totaling \$33 million, were declared and paid during 2004 and 2003, respectively. Dividends of \$0.50 per common share, totaling \$28 million, were declared and paid during 2002, prior to the June and July equity transactions noted above.

Note 18: OPTION AND INCENTIVE PLANS

CNH Directors' Plan

The CNH Global N.V. Outside Directors' Compensation Plan ("CNH Directors' Plan") as amended provides for (1) the payment of an annual retainer fee of \$40,000 and committee chair fee of \$5,000 (collectively, the "Annual Fees") to independent outside members of the Board in the form of common shares of CNH; (2) an annual grant of 4,000 options to purchase common shares of CNH that vest on the third anniversary of the grant date ("Annual Automatic Stock Option"); (3) an opportunity to receive up to 50% of their annual fees in cash; (4) an opportunity to convert all or a portion of their Annual Fees into stock options; and (5) on May 8, 2003, each outside director received a one time grant of an amount of options equal to 20% of the annual Automatic Stock Options and 15% of the elective stock options each outside director was granted prior to May 6, 2002. The exercise prices of all options granted under the CNH Directors' Plan are equal to or greater than the fair market value of CNH common shares on the respective grant dates. Each of CNH's outside directors is paid a fee of

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\$1,250 plus expenses for each Board of Director and committee meeting attended. The CNH Directors' Plan was established in 1999 and has subsequently been amended. In 2002, independent outside directors received an Annual Fee of \$35,000 and Annual Automatic Stock Options for 4,000 common shares. At December 31, 2004, there were 1,000,000 common shares reserved for issuance under this plan. As of December 31, 2004, there were 819,667 common shares remaining available for issuance under the CNH Directors' Plan.

The following table reflects option activity under the CNH Directors' Plan for the years ended December 31, 2004, 2003 and 2002:

	2004		2003		2002	
	Shares	Exercise price*	Shares	Exercise price*	Shares	Exercise price*
Outstanding at beginning of year	142,500	\$23.39	82,464	\$33.10	48,314	\$42.00
Granted	39,065	19.12	60,036	10.28	39,322	21.35
Forfeited	(18,877)	35.18	—	—	(5,172)	29.35
Exercised	(20,683)	11.23	—	—	—	—
Outstanding at end of year	<u>142,005</u>	22.41	<u>142,500</u>	22.76	<u>82,464</u>	33.10
Exercisable at end of year	<u>112,714</u>	23.45	<u>95,009</u>	25.68	<u>61,954</u>	31.80

* Weighted-average

The following table summarizes outstanding stock options under the CNH Directors' Plan at December 31, 2004:

Range of exercise price	Options outstanding			Options exercisable	
	Shares outstanding	Contractual life*	Exercise price*	Shares exercisable	Exercise price*
\$ 9.15 - \$15.70	64,348	8.3	\$11.16	51,699	\$12.10
\$15.71 - \$26.20	44,018	8.7	21.52	27,376	23.18
\$26.21 - \$40.00	18,654	6.5	30.31	18,654	30.31
\$40.01 - \$56.00	4,460	5.9	49.31	4,460	49.31
\$56.01 - \$77.05	10,525	5.3	63.03	10,525	63.03

* Weighted-average

CNH Equity Incentive Plan

As amended, the CNH Equity Incentive Plan (the "CNH EIP") provides for grants of various types of awards to officers and employees of CNH and its subsidiaries. There are 5,600,000 common shares reserved for issuance under this plan. Certain options vest ratably over four years from the award date, while certain performance-based options vest subject to the attainment of specified performance criteria but no later than seven years from the award date. All options expire after ten years. Except as noted below, the exercise prices of all options granted under the CNH EIP are equal to or greater than the fair market value of CNH common shares on the respective grant dates. During 2001, CNH granted stock options with an exercise price less than the quoted market price of CNH's common shares at the date of grant. The 2001 exercise price was based upon the average official price of CNH's common shares on the New York Stock Exchange during the thirty-day period preceding the date of grant. 20,000 options were granted in 2004 under the CNH EIP. As of December 31, 2004, there were 2,802,207 common shares available for issuance under the CNH EIP.

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The following table reflects option activity under the CNH EIP for the years ended December 31, 2004, 2003 and 2002:

	2004		2003		2002	
	Shares	Exercise price*	Shares	Exercise price*	Shares	Exercise price*
Outstanding at beginning of year	2,719,842	\$32.92	3,219,995	\$34.35	1,907,182	\$48.65
Granted	20,000	18.21	3,000	19.25	1,424,140	16.20
Exercised	(62,690)	16.18	—	—	—	—
Forfeited	(212,577)	51.80	(503,153)	41.97	(111,327)	46.60
Outstanding at end of year	<u>2,464,575</u>	33.68	<u>2,719,842</u>	32.94	<u>3,219,995</u>	34.35
Exercisable at end of year	<u>1,655,585</u>	39.38	<u>1,216,093</u>	42.43	<u>774,780</u>	57.10

* Weighted-average

The following table summarizes outstanding stock options under the CNH EIP at December 31, 2004:

Range of exercise price	Options outstanding			Options exercisable	
	Shares outstanding	Contractual life*	Exercise price*	Shares exercisable	Exercise price*
\$15.20 - \$26.20	1,136,935	7.6	\$16.22	543,255	\$16.19
\$26.21 - \$40.00	722,500	6.6	31.70	543,300	31.70
\$40.01 - \$77.05	605,140	5.1	68.85	569,030	68.85

* Weighted-average

Under the CNH EIP, shares may also be granted as restricted shares. CNH established the period of restriction for each award and holds the shares during the restriction period. Certain restricted shares vest over time, while certain performance-based restricted shares vest subject to the attainment of specified performance criteria. Such performance-based restricted shares vest no later than seven years from the award date. Effective for the 2002 plan year only, a special incentive plan (the “2002 Special Incentive Program”) was approved which provided a grant of restricted stock to certain senior executives upon meeting a specified financial position target. The 2002 Special Incentive Program was administered under the CNH EIP. In 2004, for individuals electing to not take the restricted stock earned under the 2002 Special Incentive Program, CNH issued an equivalent number of common shares to individuals who remained employed by CNH as of the vesting date for the restricted shares. For this group, in March 2004, CNH issued 33,019 unrestricted shares under the CNH EIP. In 2003, CNH issued 207,215 restricted shares under the program, which vested in 2004. No restricted shares were awarded during 2002. At December 31, 2004, restricted common shares outstanding under the CNH EIP totaled 2,568 shares.

In 2004, a new performance vesting long-term incentive (“LTI”) award was granted under the CNH EIP for selected key employees and executive officers. The 2004 LTI award is subject to the achievement of certain performance criteria over the 3-year period, 2004-2006. At the end of the performance cycle, any earned awards will be satisfied equally with cash and CNH common shares as determined at the beginning of the performance cycle, for minimum, target and maximum award levels. A minimum payout from the plan requires meeting certain threshold levels of performance. At December 31, 2004, the outstanding award for the 2004-2006 performance cycle totaled 215,943 shares and \$4 million for target performance, including 30,715 shares and \$576,000 for executive officers. As a transition to the LTI, for the first award under the performance cycle of 2004-2006, participants have an opportunity to receive an accelerated payment of 50% of the targeted

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award after the first two years of the performance cycle. CNH may make additional awards under the LTI for 3-year performance cycles beginning with the 2005-2007 3-year period.

CNH maintains a management bonus program that links a portion of the compensation paid to senior executives to CNH's achievement of financial performance criteria specified by the Nominating and Compensation Committee of the CNH Board of Directors.

Fiat stock option program

Certain employees of CNH are eligible to participate in stock option plans of Fiat ("Fiat Plans") whereby participants are granted options to purchase ordinary shares of Fiat ("Fiat Shares"). A summary of options under the Fiat Plans as of December 31, 2004 follows:

Date of grant	Date of grant share price	Exercise price		Options					
		Original	Current	Granted	Transfers	Forfeitures	Exercises	Outstanding	Exercisable
3/30/1999	€29.38	€28.45	€26.12	53,300	24,900	(22,300)	—	55,900	55,900
2/18/2000	33.00	30.63	28.12	102,500	72,000	(8,000)	—	166,500	166,500
2/27/2001	26.77	27.07	24.85	50,000	30,000	—	—	80,000	60,000
10/31/2001	18.06	18.00	16.52	249,000	81,000	(68,000)	—	262,000	196,500
9/12/2002	11.88	11.16	10.39	513,000	76,000	(90,000)	—	499,000	249,500

The original exercise prices, which were determined by an average of the price of Fiat Shares on the Italian Stock Exchange prior to grant, were subsequently modified by Fiat. The options vest ratably over a four year period. No options to purchase Fiat Shares were issued to employees of CNH during 2004. All options under the Fiat Plans expire eight years after the grant date. The fair value of these options did not result in a material amount of compensation expense.

SFAS No. 123 disclosure

For 2003, CNH adopted the Prospective Method of accounting for stock options under SFAS No. 148. The Prospective Method requires the recognition of expense for options granted, modified or settled since January 1, 2003. CNH has retained the intrinsic value method of accounting for stock-based compensation in accordance with APB No. 25 for options issued prior to January 1, 2003. The Black-Scholes pricing model was used to calculate the "fair value" of stock options. Based on this model, the weighted-average fair values of stock options awarded for the years ended December 31, 2004, 2003 and 2002 were as follows:

	2004	2003	2002
CNH Directors' Plan	\$9.94	\$5.87	\$8.95
CNH EIP	\$10.61	\$11.04	\$6.65

The weighted-average assumptions used under the Black-Scholes pricing model were as follows:

	2004		2003		2002	
	Directors' plan	EIP	Directors' plan	EIP	Directors' plan	EIP
Risk-free interest rate	3.4%	3.5%	2.7%	3.0%	3.9%	3.8%
Dividend yield	1.3%	1.3%	2.1%	2.1%	2.4%	2.4%
Stock price volatility	75.0%	75.3%	79.8%	79.8%	51.0%	51.0%
Option life (years)	5.0	5.0	5.0	5.0	5.0	5.5

Pro forma net income (loss) and earnings (loss) per share assuming the fair value of accounting for stock-based compensation as prescribed under SFAS No. 123 is provided in "Note 2: Summary of Significant Accounting Policies."

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Note 19: EARNINGS (LOSS) PER SHARE

The following reconciles the numerators and denominators of the basic and diluted earnings per share computations for the years ended December 31, 2004, 2003 and 2002:

	2004	2003	2002
	(in millions, except per share data)		
Basic			
Net income (loss)	\$125	\$(157)	\$(426)
Weighted-average shares outstanding	133	132	97
Basic earnings (loss) per share before cumulative effect of change in accounting principle	\$0.94	\$(1.19)	\$(1.05)
Cumulative effect of change in accounting principle	—	—	(3.35)
Basic earnings (loss) per share	<u>\$0.94</u>	<u>\$(1.19)</u>	<u>\$(4.40)</u>
Diluted			
Net income (loss)	\$125	\$(157)	\$(426)
Effect of dilutive securities (when dilutive)	—	—	—
Net income (loss) after adjustment for dilutive conversions	<u>\$125</u>	<u>\$(157)</u>	<u>\$(426)</u>
Weighted-average shares outstanding—Basic	133	132	97
Effect of dilutive securities (when dilutive)	100	—	—
Weighted-average shares outstanding—Diluted	<u>233</u>	<u>132</u>	<u>97</u>
Diluted earnings (loss) per share before cumulative effect of change in accounting principle	\$0.54	\$(1.19)	\$(1.05)
Cumulative effect of change in accounting principle	—	—	(3.35)
Diluted earnings (loss) per share	<u>\$0.54</u>	<u>\$(1.19)</u>	<u>\$(4.40)</u>

Stock options to purchase approximately 1.2 million, 2.9 million and 3.3 million shares during 2004, 2003 and 2002, respectively, were outstanding but not included in the calculation of diluted earnings (loss) per share as the impact of these options would have been anti-dilutive.

Note 20: ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss) as of December 31, 2004 and 2003 are as follows:

	2004	2003
	(in millions)	
Cumulative translation adjustment	\$(70)	\$(156)
Minimum pension liability adjustment, net of taxes (\$280 and \$222, respectively) . . .	(462)	(398)
Deferred gains (losses) on derivative financial instruments, net of taxes (\$9) and \$7, respectively)	18	(5)
Unrealized gain on available for sale securities, net of taxes (\$11 and \$13, respectively)	18	20
Total	<u>\$(496)</u>	<u>\$(539)</u>

Note 21: SEGMENT AND GEOGRAPHICAL INFORMATION

Segment information

CNH has three reportable segments: Agricultural Equipment, Construction Equipment and Financial Services.

Agricultural Equipment

The agricultural equipment segment manufactures and distributes a full line of farm machinery and implements, including two-wheel and four-wheel drive tractors, combines, cotton pickers, grape and sugar cane harvesters, hay and forage equipment, planting and seeding equipment, soil preparation and cultivation implements and material handling equipment.

Construction Equipment

The construction equipment segment manufactures and distributes a full line of construction equipment including excavators, crawler dozers, graders, wheel loaders, loader/backhoes, skid steer loaders and trenchers.

Financial Services

The financial services segment is engaged in broad-based financial services for the global marketplace through various wholly owned subsidiaries and joint ventures in North America, Latin America, Europe, Australia and Asia Pacific. CNH provides and administers retail financing to end-use customers for the purchase or lease of new and used CNH and other agricultural and construction equipment sold by CNH dealers and distributors. CNH also facilitates the sale of insurance products and other financing programs to retail customers. In addition, CNH provides wholesale financing to CNH dealers and rental equipment operators, as well as financing options to dealers to finance working capital, real estate and other fixed assets and maintenance equipment in connection with their operations.

The accounting policies of the segments are described in “Note 2: Summary of Significant Accounting Policies.” CNH evaluates segment performance based on operating earnings. CNH defines operating earnings as the income (loss) of Equipment Operations before interest expense, taxes and restructuring, including the income of Financial Services on an equity basis. Transfers between segments are accounted for at market value. Additionally, Fiat evaluates CNH’s performance based on results of operations computed using accounting principles followed by Fiat. Results of operations computed using accounting principles followed by Fiat excludes, among other things, minority interest, provision (benefit) for income taxes, restructuring charges, net financial expense and equity in (income) loss of unconsolidated subsidiaries and affiliates.

CNH’s reportable segments are strategic business units that offer different products and services. Each segment is managed separately.

A reconciliation of net income (loss) under U.S. GAAP to results of operations under accounting principles followed by Fiat as well as CNH’s results of operations by segment and depreciation and

Notes to consolidated financial statements

amortization in accordance with accounting principles followed by Fiat for the years ended December 31, 2004, 2003 and 2002 are set forth in the following table:

	2004	2003	2002
	(in millions)		
Reconciliation of net income (loss) per U.S. GAAP to results of operations reported to Fiat:			
Net income (loss) per U.S. GAAP	\$125	\$(157)	\$(426)
Adjustments to convert from U.S. GAAP to accounting Principles followed by Fiat:			
Cumulative effect of change in accounting principle, net of tax	—	—	325
Amortization of goodwill and other intangibles	(170)	(166)	(158)
Tax adjustments related to purchase accounting and legal entity rationalizations	135	—	—
Restructuring charge	20	111	34
Other	33	(12)	17
Net income (loss) per accounting principles followed by Fiat	143	(224)	(208)
Reconciliation of net income (loss) per accounting principles followed by Fiat to results of operations:			
Minority interest	23	7	8
Income tax provision (benefit)	(107)	(25)	(35)
Restructuring charge	84	160	17
Net financial expense	387	354	390
Equity in (income) loss of unconsolidated subsidiaries and affiliates	(24)	(13)	(16)
Other non-operating income	—	—	(2)
Results of operations as defined by Fiat	<u>\$506</u>	<u>\$259</u>	<u>\$154</u>
Results of operations by segment:			
Agricultural equipment	\$196	\$181	\$201
Construction equipment	74	(78)	(159)
Financial Services	242	163	122
Eliminations	(6)	(7)	(10)
Results of operations	<u>\$506</u>	<u>\$259</u>	<u>\$154</u>
Depreciation and amortization:			
Agricultural equipment	\$289	\$279	\$261
Construction equipment	124	121	124
Financial Services	72	108	126
Total	<u>\$485</u>	<u>\$508</u>	<u>\$511</u>

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A summary of additional reportable segment information, compiled under U.S. GAAP, for the years ended December 31, 2004, 2003 and 2002 is as follows:

	2004	2003	2002
	(in millions)		
Revenues:			
Net sales:			
Agricultural Equipment	\$8,000	\$7,125	\$6,405
Construction Equipment	3,545	2,944	2,926
Total net sales	11,545	10,069	9,331
External Financial Services	634	597	609
Intersegment Financial Services	38	24	32
Eliminations	(38)	(24)	(32)
Total	<u>\$12,179</u>	<u>\$10,666</u>	<u>\$9,940</u>
Depreciation and amortization:			
Agricultural Equipment	\$190	\$176	\$161
Construction Equipment	71	70	67
Financial Services	64	100	118
Total	<u>\$325</u>	<u>\$346</u>	<u>\$346</u>
Investments in unconsolidated subsidiaries and affiliates (at the end of year):			
Agricultural Equipment	\$184	\$186	\$184
Construction Equipment	189	178	144
Financial Services	84	65	47
Total	<u>\$457</u>	<u>\$429</u>	<u>\$375</u>
Segment assets (at the end of year):			
Agricultural Equipment	\$6,790	\$6,897	\$6,380
Construction Equipment	3,656	3,714	3,430
Financial Services	5,778	5,058	5,875
Eliminations and other	1,856	2,058	1,075
Total	<u>\$18,080</u>	<u>\$17,727</u>	<u>\$16,760</u>
Expenditures for additions to long-lived assets*:			
Agricultural Equipment	\$143	\$152	\$198
Construction Equipment	36	40	39
Financial Services	82	53	170
Total	<u>\$261</u>	<u>\$245</u>	<u>\$407</u>

* Includes equipment on operating leases and property, plant and equipment.

Notes to consolidated financial statements

Geographical information

The following highlights the results of CNH's operations by geographic area, by origin:

	United States	Canada	United Kingdom	Italy (in millions)	Belgium	Other	Total
At December 31, 2004, and for the year then ended:							
Total revenues	<u>\$4,921</u>	<u>\$776</u>	<u>\$1,564</u>	<u>\$2,239</u>	<u>\$1,035</u>	<u>\$1,644</u>	<u>\$12,179</u>
Long-lived assets*	<u>\$679</u>	<u>\$88</u>	<u>\$146</u>	<u>\$276</u>	<u>\$143</u>	<u>\$361</u>	<u>\$1,693</u>
At December 31, 2003, and for the year then ended:							
Total revenues	<u>\$4,036</u>	<u>\$701</u>	<u>\$1,594</u>	<u>\$2,116</u>	<u>\$942</u>	<u>\$1,277</u>	<u>\$10,666</u>
Long-lived assets*	<u>\$880</u>	<u>\$94</u>	<u>\$139</u>	<u>\$268</u>	<u>\$151</u>	<u>\$349</u>	<u>\$1,881</u>
At December 31, 2002, and for the year then ended:							
Total revenues	<u>\$4,073</u>	<u>\$659</u>	<u>\$1,343</u>	<u>\$1,717</u>	<u>\$772</u>	<u>\$1,376</u>	<u>\$9,940</u>
Long-lived assets*	<u>\$1,091</u>	<u>\$93</u>	<u>\$116</u>	<u>\$224</u>	<u>\$126</u>	<u>\$343</u>	<u>\$1,993</u>

* Includes equipment on operating leases and property, plant and equipment.

CNH is organized under the laws of the Kingdom of The Netherlands. Geographical information for CNH pertaining to The Netherlands is not significant or not applicable.

Note 22: RELATED PARTY INFORMATION

On April 7 and 8, 2003, CNH 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.

In June 2002, Fiat, CNH's majority shareholder, exchanged \$1.3 billion of CNH debt for 65 million common shares, equal to \$1.3 billion divided by \$20.00 per share, which was the price per share at which CNH sold 10 million shares in its concurrent public offering.

CNH continues to rely on Fiat to provide either guarantees or funding in connection with some of CNH's external debt financing needs. At December 31, 2004, outstanding debt with Fiat and its affiliates was approximately 26% of CNH total debt, compared with 35% at December 31, 2003. Fiat guarantees \$1.3 billion of CNH debt with third parties or approximately 19% of CNH's outstanding debt. CNH pays Fiat a guarantee fee based on the average amount outstanding under facilities guaranteed by Fiat. In 2004 and 2003, CNH paid a guarantee fee of between 0.03125% per annum and 0.0625% per annum. In 2002 guarantee fees were between 0.03125% and 0.125% per annum. Fiat has agreed to maintain its existing treasury and debt financing arrangements with CNH for as long as it maintains control of CNH and, in any event, at least until December 31, 2004. After that time, Fiat has committed that it will not terminate CNH's access to these financing arrangements without affording CNH 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. See "Note 10: Debt and Credit Lines" for further information regarding financing with Fiat.

CNH participates in a cash management system with other members of the Fiat Group. Under this system, which is operated by Fiat in a number of jurisdictions, the Deposits with Fiat, are aggregated at the end of each business day in central pooling accounts. CNH's positive cash deposits, if any, at

Notes to consolidated financial statements

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 deposits present in the cash management pool or may benefit from guarantees of payment by certain Fiat Group members. As a result, CNH is exposed to Fiat Group credit risk to the extent that Fiat is unable to return any such offset amounts at the beginning of the following business day, and in the event of a bankruptcy or insolvency of Fiat (or any other Fiat Group member in the jurisdictions with set off agreements), CNH may be unable to secure the return of such deposits to the extent they belong to CNH, and CNH 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.

CNH purchases some of its engines and other components from the Fiat Group, and companies of the Fiat Group provide CNH administrative services such as accounting and internal audit, cash management, maintenance of plant and equipment, research and development, information systems and training. CNH sells certain products to subsidiaries and affiliates of Fiat. In addition, CNH enters into hedging arrangements with counterparties that are members of the Fiat Group. In 2004, 2003 and 2002, CNH purchased approximately \$565 million, \$584 million and \$416 million, respectively, in goods and services, from companies in the Fiat Group. The principal purchases of goods from Fiat and its affiliates include diesel engines from Iveco N.V., robotic equipment and paint systems from Comau Pico Holdings Corporation, dump trucks from Astra V.I. S.p.A., and castings from Teksid. CNH also purchases tractors from its Mexican joint venture for resale in the United States.

Fiat has executed, on behalf of CNH, certain foreign exchange and interest rate-related contracts. As of December 31, 2004, CNH and its subsidiaries were parties to derivative or other financial instruments having an aggregate contract value of \$2 billion as of December 31, 2004 and \$977 million as of December 31, 2003, to which affiliates of Fiat were counterparties.

Fiat provides accounting services to CNH in Europe and Brazil through an affiliate that uses shared service centers to provide such services at competitive costs to various Fiat companies and third party customers. Fiat provides internal audit services at the direction of CNH's internal audit department in certain locations where it is more cost effective to use existing Fiat resources. Through the end of 2004, routine maintenance of CNH plants and facilities in Europe was provided by a Fiat affiliate that also provides similar services to third parties. CNH purchases network and hardware support from and outsources a portion of its information services to a joint venture that Fiat has formed with IBM. Fiat also provides training services through an affiliate. CNH uses a broker that is an affiliate of Fiat to purchase a portion of its insurance coverage. CNH purchases research and development from an Italian joint venture set up by Fiat and owned by various Fiat subsidiaries. This joint venture benefits from Italian government incentives granted to promote work in the less developed areas of Italy.

In certain tax jurisdictions, CNH has entered into tax sharing agreements with Fiat and certain of its affiliates. CNH management believes the terms of these agreements are customary for agreements of this type and are at least as advantageous as filing tax returns on a stand-alone basis.

Additionally, CNH participates in the stock option program of Fiat as described in "Note 18: Option and Incentive Plans."

Notes to consolidated financial statements

The following table summarizes CNH's sales, purchase, and finance income with Fiat and affiliates of Fiat, CNH dealer development companies and joint ventures that are not already separately reflected in the consolidated statements of operations for the years ended December 31, 2004, 2003 and 2002:

	2004	2003	2002
	(in millions)		
Sales of equipment	\$9	\$6	\$7
Sales to affiliated companies and joint ventures	115	179	183
Total sales to affiliates	<u>\$124</u>	<u>\$185</u>	<u>\$190</u>
Purchase of materials, production parts, merchandise and services	<u>\$565</u>	<u>\$584</u>	<u>\$416</u>
Finance and interest income	<u>\$28</u>	<u>\$25</u>	<u>\$40</u>

CNH management believes that the terms of sales and purchases provided to CNH by Fiat and its affiliates are at least as favorable as those available from unaffiliated third parties. For material related party transactions, CNH generally solicits and evaluates bid proposals prior to entering into any such transactions, and in such instances, the Audit Committee generally conducts a review to determine that such transactions are what the committee believes to be on arm's-length terms.

Note 23: SUBSEQUENT EVENT

The Board of Directors of CNH recommended a dividend of \$0.25 per common share on March 24, 2005. The dividend will be payable on May 31, 2005 to shareholders of record at the close of business on May 24, 2005. Declaration of the dividend is subject to approval at CNH's Annual General Meeting, which will be held on May 3, 2005.

Note 24: SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

CNH and certain wholly-owned subsidiaries of CNH (the "Guarantor Entities") guarantee the 9¼% Senior Notes and the 6% Senior Notes. The guarantees are unconditional, irrevocable, joint and several guarantees of the 9¼% Senior Notes and the 6% Senior Notes issued by Case New Holland. As the guarantees are unconditional, irrevocable and joint and several and as the Guarantor Entities are all wholly-owned by CNH, the Company has included the following condensed consolidating financial information as of December 31, 2004 and 2003 and for the three years ended December 31, 2004. The condensed consolidating financial information reflects investments in consolidated subsidiaries on the equity method of accounting. The goodwill and intangible assets are allocated to reporting units under SFAS No. 142 and are primarily reported by the Guarantor Entities, except for the portion related to Financial Services which is reported by All Other Subsidiaries. It is not practicable to allocate goodwill and intangibles to the individual Guarantor Entities and All Other Subsidiaries.

In an effort to reduce the complexity of the company's legal structure following the merger of Case and New Holland, CNH has actively eliminated legal entities wherever possible. These transactions between entities under common control are accounted for at historical cost in a manner similar to a pooling of interests in accordance with existing accounting guidance. As a consequence, material future transactions related to CNH's legal entity rationalization activities may result in a retroactive restatement of the information contained in this note as these transactions are completed.

The following condensed financial statements present CNH, Case New Holland, the Guarantor Entities, and all other subsidiaries as of and for the years ended December 31, 2004, 2003 and 2002.

Notes to consolidated financial statements

Condensed statements of operations for the year ended December 31, 2004						
	CNH Global N.V.	Case New Holland Inc.	Guarantor subsidiaries	All other subsidiaries (in millions)	Eliminations	Consolidated
Revenues:						
Net sales	\$—	\$—	\$8,430	\$5,779	\$(2,664)	\$11,545
Finance and interest income	<u>37</u>	<u>72</u>	<u>60</u>	<u>694</u>	<u>(229)</u>	<u>634</u>
	37	72	8,490	6,473	(2,893)	12,179
Cost and Expenses:						
Cost of goods sold	—	—	7,373	5,079	(2,670)	9,782
Selling, general and administrative	5	—	532	573	—	1,110
Research, development and engineering	—	—	188	79	—	267
Restructuring	—	—	53	51	—	104
Interest expense	43	122	118	346	(137)	492
Interest compensation to Financial Services	—	—	111	—	(111)	—
Other, net	<u>21</u>	<u>—</u>	<u>199</u>	<u>17</u>	<u>28</u>	<u>265</u>
	69	122	8,574	6,145	(2,890)	12,020
Income (loss) before taxes, minority interest and equity in income (loss) of unconsolidated affiliates and consolidated subsidiaries accounted for under the equity method ..	(32)	(50)	(84)	328	(3)	159
Income tax provision (benefit)	1	(19)	(88)	145	—	39
Minority interest	—	—	—	23	—	23
Equity in income (loss) of unconsolidated affiliates and consolidated subsidiaries accounted for under the equity method ..	<u>158</u>	<u>167</u>	<u>128</u>	<u>(77)</u>	<u>(348)</u>	<u>28</u>
Net income (loss)	<u>\$125</u>	<u>\$136</u>	<u>\$132</u>	<u>\$83</u>	<u>\$(351)</u>	<u>\$125</u>

Notes to consolidated financial statements

	Condensed balance sheets as of December 31, 2004					
	CNH Global N.V.	Case New Holland Inc.	Guarantor subsidiaries	All other subsidiaries (in millions)	Eliminations	Consolidated
Assets:						
Cash and cash equivalents	\$—	\$451	\$61	\$419	\$—	\$931
Deposits in Fiat affiliates cash management pools	60	—	750	341	—	1,151
Accounts, notes receivable and other, net	86	19	1,064	5,537	(811)	5,895
Intercompany notes receivable	674	1,960	543	296	(3,473)	—
Inventories	—	—	1,236	1,279	—	2,515
Property, plant and equipment, net	—	—	904	574	—	1,478
Equipment on operating leases, net	—	—	—	215	—	215
Investments in unconsolidated affiliates	214	—	102	141	—	457
Investments in consolidated subsidiaries accounted for under the equity method	5,463	2,942	1,347	278	(10,030)	—
Goodwill and intangible assets, net	1	—	2,993	242	—	3,236
Other assets	<u>2</u>	<u>16</u>	<u>1,295</u>	<u>1,011</u>	<u>(122)</u>	<u>2,202</u>
Total Assets	<u>\$6,500</u>	<u>\$5,388</u>	<u>\$10,295</u>	<u>\$10,333</u>	<u>\$(14,436)</u>	<u>\$18,080</u>
Liabilities and Equity:						
Short-term debt	\$252	\$—	\$91	\$1,714	\$—	\$2,057
Intercompany short-term debt	79	—	1,109	454	(1,642)	—
Accounts payable	128	2	1,003	1,310	(786)	1,657
Long-term debt	700	1,528	723	1,955	—	4,906
Intercompany long-term debt	301	—	596	934	(1,831)	—
Accrued and other liabilities	<u>11</u>	<u>15</u>	<u>3,092</u>	<u>1,460</u>	<u>(147)</u>	<u>4,431</u>
	1,471	1,545	6,614	7,827	(4,406)	13,051
Equity	<u>5,029</u>	<u>3,843</u>	<u>3,681</u>	<u>2,506</u>	<u>(10,030)</u>	<u>5,029</u>
Total Liabilities and Equity	<u>\$6,500</u>	<u>\$5,388</u>	<u>\$10,295</u>	<u>\$10,333</u>	<u>\$(14,436)</u>	<u>\$18,080</u>

Notes to consolidated financial statements

	Condensed statements of cash flow for the year ended December 31, 2004					
	CNH Global N.V.	Case New Holland Inc.	Guarantor subsidiaries	All other subsidiaries (in millions)	Eliminations	Consolidated
Operating Activities:						
Net income (loss)	\$125	\$136	\$132	\$83	\$(351)	\$125
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization . . .	—	—	168	157	—	325
Intercompany activity	52	(15)	526	(563)	—	—
Changes in operating assets and liabilities	(54)	(10)	240	384	—	560
Other, net	(72)	(97)	(72)	71	130	(40)
Net cash provided (used) by operating activities	<u>51</u>	<u>14</u>	<u>994</u>	<u>132</u>	<u>(221)</u>	<u>970</u>
Investing activities:						
Expenditures for property, plant and equipment	—	—	(103)	(77)	—	(180)
Expenditures for equipment on operating leases	—	—	—	(81)	—	(81)
Net (additions) collections from retail receivables and related securitizations	—	—	—	(569)	—	(569)
Other, net (primarily acquisitions and divestitures)	(583)	(1,526)	(37)	(85)	2,448	217
Net cash (used) provided by investing activities, before (deposits in) withdrawals from Fiat affiliates cash management pools	(583)	(1,526)	(140)	(812)	2,448	(613)
(Deposits in) withdrawals from Fiat affiliates cash management pools	(27)	—	259	(15)	—	217
Net cash provided (used) by investing activities	<u>(610)</u>	<u>(1,526)</u>	<u>119</u>	<u>(827)</u>	<u>2,448</u>	<u>(396)</u>
Financing Activities:						
Intercompany activity	656	236	(529)	(363)	—	—
Net increase (decrease) in indebtedness	(64)	476	(1,097)	442	—	(243)
Dividends paid	(33)	—	—	—	—	(33)
Other, net	—	938	449	839	(2,227)	(1)
Net cash provided (used) by financing activities	<u>559</u>	<u>1,650</u>	<u>(1,177)</u>	<u>918</u>	<u>(2,227)</u>	<u>(277)</u>
Other, net	—	—	40	(25)	—	15
Increase (decrease) in cash and cash equivalents	—	138	(24)	198	—	312
Cash and cash equivalents, beginning of year	—	313	85	221	—	619
Cash and cash equivalents, end of year	<u>\$—</u>	<u>\$451</u>	<u>\$61</u>	<u>\$419</u>	<u>\$—</u>	<u>\$931</u>

Notes to consolidated financial statements

Condensed statements of operations for the year ended December 31, 2003						
	CNH Global N.V.	Case New Holland Inc.	Guarantor subsidiaries	All other subsidiaries	Eliminations	Consolidated
	(in millions)					
Revenues:						
Net sales	\$—	\$—	\$7,806	\$5,025	\$(2,762)	\$10,069
Finance and interest income	<u>61</u>	<u>19</u>	<u>52</u>	<u>651</u>	<u>(186)</u>	<u>597</u>
	61	19	7,858	5,676	(2,948)	10,666
Cost and Expenses:						
Cost of goods sold	—	—	6,915	4,446	(2,771)	8,590
Selling, general and administrative	9	2	496	535	—	1,042
Research, development and						
engineering	—	—	180	79	—	259
Restructuring	—	—	187	84	—	271
Interest expense	66	38	134	366	(123)	481
Interest compensation to Financial						
Services	—	—	79	—	(79)	—
Other, net	<u>10</u>	<u>(1)</u>	<u>128</u>	<u>79</u>	<u>25</u>	<u>241</u>
	85	39	8,119	5,589	(2,948)	10,884
Income (loss) before taxes, minority interest and equity in income (loss) of unconsolidated affiliates and consolidated subsidiaries accounted for under the equity method						
	(24)	(20)	(261)	87	—	(218)
Income tax provision (benefit)	4	(8)	(119)	74	—	(49)
Minority interest	—	—	—	7	—	7
Equity in income (loss) of unconsolidated affiliates and consolidated subsidiaries accounted for under the equity method						
	<u>(129)</u>	<u>(109)</u>	<u>11</u>	<u>66</u>	<u>180</u>	<u>19</u>
Net income (loss)	<u><u>\$(157)</u></u>	<u><u>\$(121)</u></u>	<u><u>\$(131)</u></u>	<u><u>\$72</u></u>	<u><u>\$180</u></u>	<u><u>\$(157)</u></u>

Notes to consolidated financial statements

	Condensed balance sheets as of December 31, 2003					
	CNH Global N.V.	Case New Holland Inc.	Guarantor subsidiaries	All other subsidiaries (in millions)	Eliminations	Consolidated
Assets:						
Cash and cash equivalents	\$—	\$313	\$85	\$221	\$—	\$619
Deposits in Fiat affiliates cash management pools . . .	33	—	989	303	—	1,325
Accounts, notes receivable and other, net	53	6	1,337	5,210	(610)	5,996
Intercompany notes receivable	1,322	2,196	656	72	(4,246)	—
Inventories	—	—	1,322	1,156	—	2,478
Property, plant and equipment, net	—	—	959	569	—	1,528
Equipment on operating leases, net	—	—	—	353	—	353
Investments in unconsolidated affiliates	208	—	94	127	—	429
Investments in consolidated subsidiaries accounted for under the equity method	4,769	2,137	761	134	(7,801)	—
Goodwill and intangible assets, net	3	—	3,152	238	—	3,393
Other assets	—	18	1,315	506	(233)	1,606
Total Assets	<u>\$6,388</u>	<u>\$4,670</u>	<u>\$10,670</u>	<u>\$8,889</u>	<u>\$(12,890)</u>	<u>\$17,727</u>
Liabilities and Equity:						
Short-term debt	\$16	\$—	\$944	\$1,150	\$—	\$2,110
Intercompany short-term debt	71	—	2,068	551	(2,690)	—
Accounts payable	110	4	669	1,432	(580)	1,635
Long-term debt	1,000	1,052	961	1,873	—	4,886
Intercompany long-term debt	301	—	279	976	(1,556)	—
Accrued and other liabilities	16	28	3,034	1,407	(263)	4,222
	<u>1,514</u>	<u>1,084</u>	<u>7,955</u>	<u>7,389</u>	<u>(5,089)</u>	<u>12,853</u>
Equity	<u>4,874</u>	<u>3,586</u>	<u>2,715</u>	<u>1,500</u>	<u>(7,801)</u>	<u>4,874</u>
Total Liabilities and Equity	<u>\$6,388</u>	<u>\$4,670</u>	<u>\$10,670</u>	<u>\$8,889</u>	<u>\$(12,890)</u>	<u>\$17,727</u>

Notes to consolidated financial statements

Condensed statements of cash flow for the year ended December 31, 2003						
	CNH Global N.V.	Case New Holland Inc.	Guarantor subsidiaries	All other subsidiaries (in millions)	Eliminations	Consolidated
Operating Activities:						
Net income (loss)	\$(157)	\$(121)	\$(131)	\$72	\$180	\$(157)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	—	—	171	175	—	346
Intercompany activity	95	(2)	(498)	405	—	—
Changes in operating assets and liabilities	32	27	(319)	763	—	503
Other, net	91	109	334	(250)	(180)	104
Net cash provided (used) by operating activities	61	13	(443)	1,165	—	796
Investing activities:						
Expenditures for property, plant and equipment	—	—	(111)	(83)	—	(194)
Expenditures for equipment on operating leases	—	—	—	(51)	—	(51)
Net (additions) collections from retail receivables and related securitizations	—	—	—	(192)	—	(192)
Other, net (primarily acquisitions and divestitures)	(1,977)	(1,115)	(1)	150	3,115	172
Net cash (used) provided by investing activities, before (deposits in) withdrawals from Fiat affiliate cash management pools	(1,977)	(1,115)	(112)	(176)	3,115	(265)
(Deposits in) withdrawals from Fiat affiliates cash management pools	(33)	—	(856)	174	—	(715)
Net cash provided (used) by investing activities	(2,010)	(1,115)	(968)	(2)	3,115	(980)
Financing Activities:						
Intercompany activity	1,766	(1,618)	630	(778)	—	—
Net increase (decrease) in indebtedness	216	1,052	(287)	(391)	—	590
Dividends paid	(33)	—	—	—	—	(33)
Other, net	—	1,981	1,115	—	(3,115)	(19)
Net cash provided (used) by financing activities	1,949	1,415	1,458	(1,169)	(3,115)	538
Other, net	—	—	4	30	—	34
Increase (decrease) in cash and cash equivalents	—	313	51	24	—	388
Cash and cash equivalents, beginning of year	—	—	34	197	—	231
Cash and cash equivalents, end of year	\$—	\$313	\$85	\$221	\$—	\$619

Notes to consolidated financial statements

	Condensed statements of operations for the year ended December 31, 2002					
	CNH Global N.V.	Case New Holland Inc.	Guarantor subsidiaries	All other subsidiaries (in millions)	Eliminations	Consolidated
Revenues:						
Net sales	\$—	\$—	\$6,988	\$4,463	\$(2,120)	\$9,331
Finance and interest income	184	—	49	681	(305)	609
	184	—	7,037	5,144	(2,425)	9,940
Cost and Expenses:						
Cost of goods sold	—	—	6,029	4,005	(2,132)	7,902
Selling, general and administrative	10	2	522	558	2	1,094
Research, development and engineering	—	—	201	82	—	283
Restructuring	—	—	32	19	—	51
Interest expense	170	—	242	382	(240)	554
Interest compensation to Financial Services	—	—	76	—	(76)	—
Other, net	2	(2)	89	72	21	182
	182	—	7,191	5,118	(2,425)	10,066
Income (loss) before taxes, minority interest, equity in income (loss) of unconsolidated affiliates and consolidated subsidiaries accounted for under the equity method and cumulative effect of change in accounting principle	2	—	(154)	26	—	(126)
Income tax provision (benefit)	2	—	(7)	(9)	—	(14)
Minority interest	—	—	—	8	—	8
Equity in income (loss) of unconsolidated affiliates and consolidated subsidiaries accounted for under the equity method . .	(101)	278	35	41	(234)	19
Net income (loss) before cumulative effect of change in accounting principle . . .	(101)	278	(112)	68	(234)	(101)
Cumulative effect of change in accounting principle, net of tax	(325)	(325)	(325)	(6)	656	(325)
Net income (loss)	<u>\$(426)</u>	<u>\$(47)</u>	<u>\$(437)</u>	<u>\$62</u>	<u>\$422</u>	<u>\$(426)</u>

Notes to consolidated financial statements

Condensed statements of cash flow for the year ended December 31, 2002

	CNH Global N.V.	Case New Holland Inc.	Guarantor subsidiaries	All other subsidiaries (in millions)	Eliminations	Consolidated
Operating Activities:						
Net income (loss)	\$(426)	\$(47)	\$(437)	\$62	\$422	\$(426)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	325	325	325	6	(656)	325
Depreciation and amortization	—	—	153	193	—	346
Intercompany activity	196	(1)	(113)	(82)	—	—
Changes in operating assets and liabilities	(145)	1	346	678	—	880
Other, net	414	(187)	402	(93)	(684)	(148)
Net cash provided (used) by operating activities	364	91	676	764	(918)	977
Investing activities:						
Expenditures for property, plant and equipment	—	—	(161)	(80)	—	(241)
Expenditures for equipment on operating leases	—	—	—	(166)	—	(166)
Net (additions) collections from retail receivables and related securitizations	—	—	—	198	—	198
Other, net (primarily acquisitions and divestitures)	(2,052)	(1,861)	(336)	(142)	4,339	(52)
Net cash (used) provided by investing activities, before (deposits in) withdrawals from Fiat affiliates cash management pools	(2,052)	(1,861)	(497)	(190)	4,339	(261)
(Deposits in) withdrawals from Fiat affiliates cash management pools	—	—	(38)	(360)	—	(398)
Net cash provided (used) by investing activities	(2,052)	(1,861)	(535)	(550)	4,339	(659)
Financing Activities:						
Intercompany activity	1,920	577	(1,981)	(516)	—	—
Net increase (decrease) in indebtedness	(405)	(1,155)	553	258	—	(749)
Dividends paid	(28)	—	—	(262)	262	(28)
Other, net	201	2,348	1,335	—	(3,683)	201
Net cash provided (used) by financing activities	1,688	1,770	(93)	(520)	(3,421)	(576)
Other, net	—	—	(21)	(57)	—	(78)
Increase (decrease) in cash and cash equivalents	—	—	27	(363)	—	(336)
Cash and cash equivalents, beginning of year	—	—	7	560	—	567
Cash and cash equivalents, end of year	\$—	\$—	\$34	\$197	\$—	\$231

Unaudited condensed consolidated financial statements

CNH Global N.V.
Revenues and net sales
(Unaudited)

	Three months ended September 30,			Nine months ended September 30,		
	2005	2004	% Change (in millions)	2005	2004	% Change
Revenues:						
Net sales						
Agricultural Equipment	\$1,818	\$1,918	(5)%	\$6,050	\$6,131	(1)%
Construction Equipment	<u>950</u>	<u>871</u>	9%	<u>2,935</u>	<u>2,583</u>	14%
Total net sales	2,768	2,789	(1)%	8,985	8,714	3%
Financial Services	204	198	3%	575	496	16%
Eliminations and other	<u>(10)</u>	<u>(14)</u>		<u>(24)</u>	<u>(32)</u>	
Total revenues	<u>\$2,962</u>	<u>\$2,973</u>	—	<u>\$9,536</u>	<u>\$9,178</u>	4%
Net sales:						
North America	\$1,366	\$1,264	8%	\$4,356	\$4,004	9%
Western Europe	785	865	(9)%	2,751	2,840	(3)%
Latin America	191	256	(25)%	569	705	(19)%
Rest of World	<u>426</u>	<u>404</u>	5%	<u>1,309</u>	<u>1,165</u>	12%
Total net sales	<u>\$2,768</u>	<u>\$2,789</u>	(1)%	<u>\$8,985</u>	<u>\$8,714</u>	3%

CNH Global N.V.
Condensed consolidated statements of operations
and supplemental information
(Unaudited)

	Consolidated		Supplemental information			
			Equipment Operations		Financial Services	
	Three months ended September 30,		Three months ended September 30,		Three months ended September 30,	
	2005	2004	2005	2004	2005	2004
(in millions, except per share data)						
Revenues						
Net sales	\$2,768	\$2,789	\$2,768	\$2,789	\$—	\$—
Finance and interest income	194	184	32	19	204	198
Total	<u>2,962</u>	<u>2,973</u>	<u>2,800</u>	<u>2,808</u>	<u>204</u>	<u>198</u>
Costs and Expenses						
Cost of goods sold	2,334	2,393	2,334	2,393	—	—
Selling, general and administrative	283	295	230	237	53	58
Research and development	73	65	73	65	—	—
Restructuring	19	14	19	14	—	—
Interest expense	136	123	82	69	69	53
Interest compensation to Financial Services	—	—	42	30	—	—
Other, net	69	50	43	39	11	15
Total	<u>2,914</u>	<u>2,940</u>	<u>2,823</u>	<u>2,847</u>	<u>133</u>	<u>126</u>
Income before income taxes, minority interest and equity in income of unconsolidated subsidiaries and affiliates	48	33	(23)	(39)	71	72
Income tax provision (benefit)	25	11	3	(15)	22	26
Minority interest	7	8	7	8	—	—
Equity in income of unconsolidated subsidiaries and affiliates:						
Financial Services	3	2	52	48	3	2
Equipment Operations	8	9	8	9	—	—
Net income	<u>\$27</u>	<u>\$25</u>	<u>\$27</u>	<u>\$25</u>	<u>\$52</u>	<u>\$48</u>
Weighted average shares outstanding:						
Basic	<u>134.4</u>	<u>133.4</u>				
Diluted	<u>234.6</u>	<u>233.6</u>				
Basic and diluted earnings per share ("EPS"):						
Basic EPS	<u>\$0.12</u>	<u>\$0.19</u>				
Diluted EPS	<u>\$0.12</u>	<u>\$0.11</u>				
Dividends per share	<u>\$—</u>	<u>\$—</u>				

The "Consolidated" data in this statement include CNH Global N.V. and its consolidated subsidiaries and conform to the requirements of SFAS No. 94. The supplemental "Equipment Operations" (with "Financial Services" on the equity basis) data in this statement include primarily CNH Global N.V.'s agricultural and construction equipment operations. The supplemental "Financial Services" data in this statement 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. The accompanying notes to the condensed consolidated financial statements are an integral part of these condensed consolidated statements of operations.

CNH Global N.V.
Condensed consolidated statements of operations
and supplemental information
(Unaudited)

	Supplemental information					
	Consolidated		Equipment Operations		Financial Services	
	Nine months ended September 30,		Nine months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004	2005	2004
(in millions, except per share data)						
Revenues						
Net sales	\$8,985	\$8,714	\$8,985	\$8,714	\$—	\$—
Finance and interest income	551	464	90	55	575	496
Total	<u>9,536</u>	<u>9,178</u>	<u>9,075</u>	<u>8,769</u>	<u>575</u>	<u>496</u>
Costs and Expenses						
Cost of goods sold	7,568	7,353	7,568	7,353	—	—
Selling, general and administrative	876	850	723	697	153	153
Research and development	216	197	216	197	—	—
Restructuring	30	72	30	71	—	1
Interest expense	402	364	252	228	190	149
Interest compensation to Financial Services	—	—	115	85	—	—
Other, net	208	210	138	158	29	41
Total	<u>9,300</u>	<u>9,046</u>	<u>9,042</u>	<u>8,789</u>	<u>372</u>	<u>344</u>
Income before income taxes, minority interest and equity in						
income of unconsolidated subsidiaries and affiliates	236	132	33	(20)	203	152
Income tax provision (benefit)	95	38	30	(16)	65	54
Minority interest	19	16	19	16	—	—
Equity in income of unconsolidated subsidiaries and affiliates:						
Financial Services	7	6	145	104	7	6
Equipment Operations	27	15	27	15	—	—
Net income	<u>\$156</u>	<u>\$99</u>	<u>\$156</u>	<u>\$99</u>	<u>\$145</u>	<u>\$104</u>
Weighted average shares outstanding:						
Basic	<u>134.2</u>	<u>133.2</u>				
Diluted	<u>234.3</u>	<u>233.4</u>				
Basic and diluted earnings per share ("EPS"):						
Basic EPS	<u>\$0.79</u>	<u>\$0.74</u>				
Diluted EPS	<u>\$0.67</u>	<u>\$0.42</u>				
Dividends per share	<u>\$0.25</u>	<u>\$0.25</u>				

The "Consolidated" data in this statement include CNH Global N.V. and its consolidated subsidiaries and conform to the requirements of SFAS No. 94. The supplemental "Equipment Operations" (with "Financial Services" on the equity basis) data in this statement include primarily CNH Global N.V.'s agricultural and construction equipment operations. The supplemental "Financial Services" data in this statement 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. The accompanying notes to the condensed consolidated financial statements are an integral part of these condensed consolidated statements of operations.

CNH Global N.V.
Condensed consolidated balance sheets
and supplemental information
(Unaudited)

	Consolidated		Supplemental information			
			Equipment Operations		Financial Services	
	September 30, 2005	December 31, 2004	September 30, 2005 (in millions)	December 31, 2004	September 30, 2005	December 31, 2004
Assets						
Cash and cash equivalents	\$960	\$931	\$641	\$637	\$319	\$294
Deposits in Fiat affiliates cash management pools	587	1,151	580	1,136	7	15
Accounts, notes receivable and other—net	5,918	5,895	1,337	1,596	4,628	4,393
Intersegment notes receivable	—	—	1,490	1,114	—	24
Inventories	2,610	2,515	2,610	2,515	—	—
Property, plant and equipment—net	1,336	1,478	1,329	1,470	7	8
Equipment on operating leases—net	175	215	—	—	175	215
Investment in Financial Services	—	—	1,532	1,419	—	—
Investments in unconsolidated affiliates	448	457	354	373	94	84
Goodwill and intangibles	3,199	3,236	3,053	3,090	146	146
Other assets	2,308	2,202	1,753	1,644	595	599
Total Assets	\$17,541	\$18,080	\$14,679	\$14,994	\$5,971	\$5,778
Liabilities and Equity						
Short-term debt	\$1,372	\$2,057	\$782	\$1,064	\$590	\$993
Intersegment short-term debt	—	—	—	24	1,490	414
Accounts payable	1,634	1,657	1,650	1,679	24	66
Long-term debt	4,799	4,906	2,768	3,084	2,031	1,822
Intersegment long-term debt	—	—	—	—	—	700
Accrued and other liabilities	4,681	4,431	4,424	4,114	304	364
Total Liabilities	12,486	13,051	9,624	9,965	4,439	4,359
Equity	5,055	5,029	5,055	5,029	1,532	1,419
Total Liabilities and Equity	\$17,541	\$18,080	\$14,679	\$14,994	\$5,971	\$5,778

The “Consolidated” data in this statement include CNH Global N.V. and its consolidated subsidiaries and conform to the requirements of SFAS No. 94. The supplemental “Equipment Operations” (with “Financial Services” on the equity basis) data in this statement include primarily CNH Global N.V.’s agricultural and construction equipment operations. The supplemental “Financial Services” data in this statement 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. The accompanying notes to the condensed consolidated financial statements are an integral part of these condensed consolidated balance sheets.

The condensed data in this statement as of December 31, 2004 has been derived from our audited consolidated financial statements.

CNH Global N.V.
Condensed consolidated statements of cash flows
and supplemental information
(unaudited)

	Supplemental information					
	Consolidated		Equipment Operations		Financial Services	
	Nine months ended September 30,		Nine months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004	2005	2004
(in millions)						
Operating Activities:						
Net income	\$156	\$99	\$156	\$99	\$145	\$104
Adjustments to reconcile net income to net cash from operating activities:						
Depreciation and amortization	222	246	186	194	36	52
Intersegment activity	—	—	23	(108)	(23)	108
Changes in operating assets and liabilities	(124)	286	283	474	(407)	(188)
Other, net	113	51	36	46	(8)	(3)
Net cash from operating activities	<u>367</u>	<u>682</u>	<u>684</u>	<u>705</u>	<u>(257)</u>	<u>73</u>
Investing Activities:						
Expenditures for property, plant and equipment	(83)	(101)	(81)	(100)	(2)	(1)
Expenditures for equipment on operating leases	(71)	(50)	—	—	(71)	(50)
Net (additions) collections from retail receivables and related securitizations	241	(407)	—	—	241	(407)
Net (deposits in) withdrawals from Fiat affiliates cash management pools	521	(568)	514	(183)	7	(385)
Other, net (primarily acquisitions and divestitures)	69	146	(9)	5	78	109
Net cash from investing activities	<u>677</u>	<u>(980)</u>	<u>424</u>	<u>(278)</u>	<u>253</u>	<u>(734)</u>
Financing Activities:						
Intersegment activity	—	—	(400)	(137)	400	137
Net increase (decrease) in indebtedness	(1,004)	241	(665)	(401)	(339)	642
Dividends paid	(34)	(37)	(34)	(37)	(60)	(96)
Other, net	—	(1)	—	(1)	—	32
Net cash from financing activities	<u>(1,038)</u>	<u>203</u>	<u>(1,099)</u>	<u>(576)</u>	<u>1</u>	<u>715</u>
Other, net	23	—	(5)	(1)	28	1
Increase (decrease) in cash and cash equivalents	29	(95)	4	(150)	25	55
Cash and cash equivalents, beginning of period	931	619	637	486	294	133
Cash and cash equivalents, end of period	<u>\$960</u>	<u>\$524</u>	<u>\$641</u>	<u>\$336</u>	<u>\$319</u>	<u>\$188</u>

The “Consolidated” data in this statement include CNH Global N.V. and its consolidated subsidiaries and conform to the requirements of SFAS No. 94. The supplemental “Equipment Operations” (with “Financial Services” on the equity basis) data in this statement include primarily CNH Global N.V.’s agricultural and construction equipment operations. The supplemental “Financial Services” data in this statement 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. The accompanying notes to the condensed consolidated financial statements are an integral part of these condensed consolidated statements of cash flows.

CNH Global N.V.

Notes to unaudited condensed consolidated financial statements

1. PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the consolidated results of CNH Global N.V. and its consolidated subsidiaries (“CNH” or the “Company”) in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”); however, because of their condensed nature, they do not include all of the information and note disclosures required by U.S. GAAP for complete financial statements. These financial statements should therefore be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2004 included in the Company’s Annual Report on Form 20-F filed with the Securities and Exchange Commission (“SEC”) on April 29, 2005 and any subsequently filed Annual Reports on Form 20-F of the Company.

CNH is controlled by Fiat Netherlands Holding N.V., a wholly owned subsidiary of Fiat S.p.A. (“Fiat”). As of the date of these statements, Fiat owned over 83% of CNH’s outstanding common shares and all of the issued and outstanding Series A Preference Shares (“Series A Preferred Stock”).

The condensed consolidated financial statements include the accounts of CNH’s majority-owned and controlled subsidiaries and reflect the interests of the minority owners of the subsidiaries that are not fully owned for the periods presented, as applicable. The operations and key financial measures and financial analysis differ significantly for manufacturing and distribution businesses and financial services businesses; therefore, management believes that certain supplemental disclosures are important in understanding the consolidated operations and financial results of CNH. The supplemental financial information captioned “Equipment Operations” includes the results of operations of CNH’s agricultural and construction equipment operations, with the Company’s financial services businesses reflected on the equity method basis. The supplemental financial information captioned “Financial Services” reflects the combination of CNH’s financial services businesses.

Reclassification of cash flows related to retail receivables, change in accounting policy for deposits with Fiat and other reclassifications

Reclassification of cash flows related to retail receivables—CNH has made certain reclassifications of items in its condensed consolidated cash flow statement which it believes improves the presentation of the items that were reclassified. The accompanying 2004 condensed cash flows have been reclassified to conform to the 2005 classification.

During 2004, the staff of the SEC expressed its views regarding the classifications of certain cash flows by companies with captive finance subsidiaries. As a result of these public comments, management decided to make reclassifications to the condensed consolidated statements of cash flows with respect to certain of its receivables. Previously, CNH recognized activity related to all receivables as part of the cash flows from operating activities within the condensed consolidated statements of cash flows, including cash flows arising from the origination of retail receivables, the securitization of retail receivables, and cash collections related to certificated retained interests.

CNH made a reclassification to move the activity related to the investment in retail receivables from the operating activity section to the investing activity section of the condensed consolidated statements of cash flows. The reclassification classifies cash receipts from the sale of inventory as operating activities and classifies cash flows from investing in retail receivables as investing activities. The

Notes to unaudited condensed consolidated financial statements

disclosures added to the investing activity section in this condensed presentation are included in “Net (addition) collections from retail receivables and related securitization.”

Change in accounting policy for Deposits with Fiat—In connection with the aforementioned reclassification, CNH reviewed its presentation of cash flows and cash and cash equivalent balances on its balance sheet. As a result of this review, it was determined that CNH would change its accounting policy defining cash equivalents and correspondingly reclassify its balance sheet and cash flow presentation. The new policy classifies “Cash with Fiat Affiliates,” which was previously included in cash equivalents, as “Deposits in Fiat affiliates cash management pools” and reflects cash flows arising from deposits in and withdrawals from such cash pools as cash flows from investing activities. Although none of the agreements or conditions governing these deposits has materially changed since the inception of the cash management arrangements, CNH changed its presentation of such deposits in its 2004 Form 20-F to show them as a separate investment and not as a component of cash and cash equivalents. CNH continues to have the contractual right to withdraw these funds on demand or terminate these cash management arrangements upon a seven-day prior notice, and CNH continues to access funds deposited in these accounts on a daily basis.

The condensed statements of cash flows for the nine months ended September 30, 2004 have been reclassified to conform to this presentation.

A summary of the effects of these reclassifications is as follows:

	2004			
	As previously reported	Retail receivables reclassification (in millions)	Change in accounting policy	As currently reported
<i>Condensed consolidated statement of cash flows</i>				
Net cash from operating activities	\$275	\$407	\$—	\$682
Net cash from investing activities	(5)	(407)	(568)	(980)
Other, net	(6)	—	6	—
<i>Equipment Operations statement of cash flows</i>				
Net cash from operating activities	705	—	—	705
Net cash from investing activities	(95)	—	(183)	(278)
Other, net	(7)	—	6	(1)
<i>Financial Services statement of cash flows</i>				
Net cash from operating activities	(334)	407	—	73
Net cash from investing activities	58	(407)	(385)	(734)
Other, net	1	—	—	1

Other—In addition, certain other reclassifications of prior year amounts have been made in order to conform to the current year presentation.

2. STOCK-BASED COMPENSATION PLANS

CNH has stock-based employee compensation plans which are more fully described in Note 18, “Option and Incentive Plans,” to our 2004 Form 20-F. In December 2004, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 123 Revised “Share Based Payment” (“SFAS No. 123 Revised”) which is effective July 1, 2005. SFAS No. 123 Revised requires the use of a fair value based method of accounting for stock-based employee compensation. The statement will be applied using a Modified Prospective Method under which compensation cost is recognized beginning on the effective date and continuing until participants

Notes to unaudited condensed consolidated financial statements

are fully vested. In April 2005, the SEC announced the adoption of a new rule that amends the compliance dates for SFAS No. 123 Revised. The SEC's new rule allows companies to implement SFAS No. 123 Revised at the beginning of their next fiscal year, instead of the next reporting period, that begins after June 15, 2005. The Company has not yet determined the impact of adopting SFAS No. 123 Revised.

In 2003, CNH adopted the fair value based method of accounting for stock-based compensation using the Prospective Method. Additionally, compensation expense is reflected in net income for stock options granted with an exercise price less than the quoted market price of CNH common shares on the date of grant.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 "Share Based Payment" to all stock-based compensation for the three and nine months ended September 30, 2005 and 2004:

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
(in millions, except per share data)				
Net income, as reported	\$27	\$25	\$156	\$99
Add: Stock-based employee compensation expense included in reported net income, net of tax		—		—
Deduct: Total stock-based employee compensation expense determined under fair value based methods, net of tax	(1)	(1)	(3)	(3)
Pro forma net income	26	24	153	96
Dividend to common shares	—	—	(34)	—
Earnings allocated to Series A Preferred Stock	(11)	—	(49)	—
Pro forma earnings available to common shareholders	15	24	70	96
Dividend to common shares	—	—	34	—
Pro forma net income available to common shareholders	<u>\$15</u>	<u>\$24</u>	<u>\$104</u>	<u>\$96</u>
Weighted average shares:				
Basic	<u>134.4</u>	<u>133.4</u>	<u>134.2</u>	<u>133.2</u>
Diluted	<u>234.6</u>	<u>233.6</u>	<u>234.3</u>	<u>233.4</u>
Earnings per share ("EPS"):				
As reported:				
Basic	<u>\$0.12</u>	<u>\$0.19</u>	<u>\$0.79</u>	<u>\$0.74</u>
Diluted	<u>\$0.12</u>	<u>\$0.11</u>	<u>\$0.67</u>	<u>\$0.42</u>
Pro forma:				
Basic	<u>\$0.11</u>	<u>\$0.18</u>	<u>\$0.77</u>	<u>\$0.72</u>
Diluted	<u>\$0.11</u>	<u>\$0.10</u>	<u>\$0.65</u>	<u>\$0.41</u>

3. ACCOUNTS AND NOTES RECEIVABLE

In CNH's receivable asset securitization programs, retail finance receivables are sold to limited purpose, bankruptcy remote, consolidated subsidiaries of CNH. In turn, these subsidiaries establish separate trusts to which they transfer the receivables in exchange for the proceeds from asset-backed

Notes to unaudited condensed consolidated financial statements

securities sold by the trusts. Due to the nature of the assets held by the trusts and the limited nature of each trust's activities, they are each classified as a qualifying special purpose entity ("QSPE") under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS No. 140"). In accordance with SFAS No. 140, assets and liabilities of the QSPEs are not consolidated in the Company's consolidated balance sheets. The amounts outstanding under these programs were \$4.6 billion and \$4.5 billion at September 30, 2005 and December 31, 2004, respectively. In addition to the retail securitization programs, certain subsidiaries of CNH securitized or discounted wholesale receivables without recourse. As of September 30, 2005 and December 31, 2004, \$3.1 billion and \$2.5 billion, respectively, remained outstanding under these programs.

Included in the securitized or discounted wholesale receivables without recourse amount noted above is a wholesale securitization program in Europe under which Equipment Operations entities sell receivables while a Financial Services subsidiary subscribes to notes representing undivided retained interests. In June 2005, this program was expanded to include Equipment Operation entities in Italy and Belgium. The expansion of this program resulted in receivable sales totaling approximately \$216 million in June 2005. The proceeds from these sales were principally used to repay Equipment Operations debt. In September 2005, the one entity in this program previously not qualifying for off book treatment, met the requirements and is now accounted for off book. This resulted in a reduction of Equipment Operations receivables and debt of approximately \$64 million in the third quarter of 2005. At September 30, 2005, the balance of Equipment Operation receivables sold into this program in 2005 as a result of its expansion totaled \$174 million. At September 30, 2005 and December 31, 2004, the amounts outstanding under this program were \$632 million and \$466 million, respectively and Financial Services had an undivided retained interest of \$209 million and \$225 million, respectively.

In addition, during the second quarter of 2005, certain Equipment Operations entities in North America expanded their sale of receivables by selling additional receivables to Financial Services, principally from national accounts and from the addition of a consolidated joint venture to the program. At September 30, 2005, the balance of receivables sold to Financial Services as a result of these additional actions was approximately \$65 million.

4. INVENTORIES

Inventories as of September 30, 2005 and December 31, 2004 consist of the following:

	September 30, 2005	December 31, 2004
	(in millions)	
Raw materials	\$533	\$501
Work-in-process	248	212
Finished goods and parts	1,829	1,802
Total Inventories	<u>\$2,610</u>	<u>\$2,515</u>

Notes to unaudited condensed consolidated financial statements

5. GOODWILL AND INTANGIBLES

The following table sets forth changes in goodwill and intangibles for the nine months ended September 30, 2005:

	Balance at January 1, 2005	Amortization	Foreign currency translation and other (in millions)	Balance at September 30, 2005
Goodwill by reporting unit:				
Agricultural Equipment	\$1,677	\$—	\$(1)	\$1,676
Construction Equipment	581	—	(1)	580
Financial Services	144	—	1	145
Total	<u>2,402</u>	<u>—</u>	<u>(1)</u>	<u>2,401</u>
Intangibles	<u>834</u>	<u>(33)</u>	<u>(3)</u>	<u>798</u>
Total Goodwill and Intangibles	<u>\$3,236</u>	<u>\$(33)</u>	<u>\$(4)</u>	<u>\$3,199</u>

As of September 30, 2005 and December 31, 2004, the Company's intangible assets and related accumulated amortization consisted of the following:

	Weighted average life	September 30, 2005			December 31, 2004		
		Gross	Accumulated amortization	Net (in millions)	Gross	Accumulated amortization	Net
Intangible assets subject to amortization:							
Engineering drawings..	20	\$ 335	\$ 94	\$241	\$ 335	\$ 86	\$249
Dealer Network	25	216	50	166	216	44	172
Software	5	50	34	16	53	27	26
Other	<u>10-30</u>	<u>114</u>	<u>49</u>	<u>65</u>	<u>123</u>	<u>46</u>	<u>77</u>
		<u>715</u>	<u>227</u>	<u>488</u>	<u>727</u>	<u>203</u>	<u>524</u>
Intangible assets not subject to amortization:							
Trademarks		273	—	273	273	—	273
Pension		<u>37</u>	<u>—</u>	<u>37</u>	<u>37</u>	<u>—</u>	<u>37</u>
		<u>\$1,025</u>	<u>\$227</u>	<u>\$798</u>	<u>\$1,037</u>	<u>\$203</u>	<u>\$834</u>

CNH recorded amortization expense of approximately \$33 million for the nine months ended September 30, 2005. CNH recorded amortization expense of approximately \$43 million for the year ended December 31, 2004. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the years 2005 to 2009 is approximately \$44 million. As acquisitions and dispositions occur in the future, as currency fluctuates and as purchase price allocations are finalized, these amounts may vary.

Notes to unaudited condensed consolidated financial statements

6. DEBT

The following table sets forth total debt as of September 30, 2005 and December 31, 2004:

	Consolidated		Equipment Operations		Financial Services	
	September 30, 2005	December 31, 2004	September 30, 2005 (in millions)	December 31, 2004	September 30, 2005	December 31, 2004
Short-term debt:						
With Fiat						
Affiliates	\$379	\$672	\$305	\$331	\$74	\$341
Other	993	1,385	477	733	516	652
Intersegment	—	—	—	24	1,490	414
Total short-term debt	<u>1,372</u>	<u>2,057</u>	<u>782</u>	<u>1,088</u>	<u>2,080</u>	<u>1,407</u>
Long-term debt:						
With Fiat						
Affiliates	965	1,111	754	892	211	219
Other	3,834	3,795	2,014	2,192	1,820	1,603
Intersegment	—	—	—	—	—	700
Total long-term debt	<u>4,799</u>	<u>4,906</u>	<u>2,768</u>	<u>3,084</u>	<u>2,031</u>	<u>2,522</u>
Total debt:						
With Fiat						
Affiliates	1,344	1,783	1,059	1,223	285	560
Other	4,827	5,180	2,491	2,925	2,336	2,255
Intersegment	—	—	—	24	1,490	1,114
Total debt	<u>\$6,171</u>	<u>\$6,963</u>	<u>\$3,550</u>	<u>\$4,172</u>	<u>\$4,111</u>	<u>\$3,929</u>

At September 30, 2005, CNH had approximately \$3.9 billion available under \$6.3 billion total lines of credit and asset-backed facilities. On July 22, 2005, Fiat entered into a new €1 billion revolving credit line. CNH has become an eligible borrower under that facility and the other eligible borrowers have agreed to exclusively allocate to CNH €300 million of borrowing capacity under the facility. The remaining €700 million of borrowing capacity is available to CNH depending upon the usage by other borrowers and is considered to be uncommitted for CNH purposes.

During the second quarter of 2005, CNH's wholly owned subsidiary, Case New Holland Inc., completed an exchange of its registered 6% Senior Notes due 2009 for its outstanding unregistered 6% Senior Notes due 2009, and \$1,050,000,000 in aggregate principal amount of its registered 9¼% Senior Notes due 2011 for its outstanding unregistered 9¼% Senior Notes due 2011.

Fiat is the majority shareholder of CNH. CNH participates in Fiat affiliates cash management pools with other Fiat affiliates. Amounts deposited with Fiat affiliates as part of the Fiat cash management system are repayable to CNH upon one business day's notice. To the extent that Fiat affiliates are unable to return any such amounts upon one business day's notice, and in the event of a bankruptcy or insolvency of Fiat, CNH may be unable to secure the return of such funds, and CNH may be viewed as a creditor of such Fiat entity with respect to such funds. There is no assurance that the future operations of the Fiat cash management system may not adversely impact CNH's ability to recover its funds to the extent one or more of the above described events were to occur. During September 2005, certain of CNH's North American cash pooling arrangements were modified to first

Notes to unaudited condensed consolidated financial statements

provide for cash pooling at a CNH level before pooling with any other Fiat affiliate. This resulted in a net reduction of cash deposited into the Fiat cash management pools at September 30, 2005.

7. INCOME TAXES

For the three months ended September 30, 2005 and 2004, effective income tax rates were 52.1% and 33.3% respectively. For the nine months ended September 30, 2005 and 2004, effective income tax rates were 40.3% and 28.8% respectively. In the third quarter of 2005, CNH reached an agreement with a government regarding tax positions taken during 2000, which resulted in a reduction of tax expense and previously provided tax liabilities. Also during the third quarter of 2005, additional tax expense was recognized in certain entities as valuation reserves were established against previously recognized tax assets due to a current evaluation of recent results of operations and anticipated future operations at these entities. For 2005, tax rates differ from the Dutch statutory rate of 31.5% due primarily to the recording of valuation allowances discussed above and the impact of tax losses in certain jurisdictions where no immediate tax benefit is recognized, offset by the tax settlement also discussed above. The 2004 tax rate differs from the then current Dutch statutory rate of 35% due to the impact of tax losses in certain jurisdictions where no immediate tax benefit is recognized, offset by the positive effect in the second quarter of 2004 for a stock deduction resulting from a legal entity rationalization transaction.

8. RESTRUCTURING

During the three and nine months ended September 30, 2005, CNH expensed approximately \$19 million and \$30 million of restructuring costs, respectively. The restructuring costs primarily relate to severance, and other costs incurred due to headcount reductions and CNH's recently announced transformation initiatives. During the three and nine months ended September 30, 2005, CNH utilized approximately \$16 million and \$41 million of its total restructuring reserves respectively. The utilized amounts primarily represent involuntary employee severance costs and costs related to the closing of facilities. As of September 30, 2005 and December 31, 2004, CNH had accrued restructuring costs of \$33 million and \$47 million, respectively.

9. EMPLOYEE BENEFIT PLANS AND POSTRETIREMENT BENEFITS

Unions represent many of CNH's worldwide production and maintenance employees. CNH's collective bargaining agreement with the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (the "UAW"), which represents approximately 2,850 of CNH's active and retiree hourly production and maintenance employees in the United States, expired in May 2004. In the United States, the UAW represents approximately 650 of CNH's 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, CNH had implemented contingency plans for continuing production utilizing salaried employees and temporary replacement workers. Following the ratification of the new UAW contract, CNH has transitioned work at these facilities from salaried employees and temporary workers back to the employees represented by the UAW.

During the nine months ended September 30, 2005 and 2004, CNH made discretionary contributions to its U.S. defined benefit pension plan trust of \$120 million and \$155 million, respectively.

Based on data through the first nine months of 2005, including our on-going contributions to plan assets, asset returns less than our assumptions and the current discount rate environment, CNH expects an increase in its minimum pension liability of about \$100 million at year end. This would result in a non-cash charge to shareholders' equity of about \$65 million, net of tax.

Notes to unaudited condensed consolidated financial statements

10. COMMITMENT

CNH pays for normal warranty costs and the cost of major programs to modify products in the customers' possession within certain pre-established time periods. A summary of recorded activity as of and for the nine months ended September 30, 2005 for this commitment is as follows:

	Amount (in millions)
Balance, January 1, 2005	\$198
Current year provision	236
Claims paid and other adjustments	<u>(215)</u>
Balance, September 30, 2005	<u>\$219</u>

11. SHAREHOLDERS' EQUITY

The Board of Directors recommended a dividend of \$0.25 per common share on March 24, 2005. Declaration of the dividend was voted on and approved by shareholders at the Annual General Meeting on May 3, 2005. The dividend was paid on May 31, 2005 to shareholders of record at the close of business on May 24, 2005.

CNH has 8 million shares of Series A preference shares ("Series A Preferred Stock") outstanding. 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 convert into 100 million CNH common shares at a conversion price of \$20 per share automatically 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 anytime through and including December 31, 2006 or \$21 at anytime on or after January 1, 2007, subject to anti-dilution adjustment. In the event of dissolution or liquidation 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.

During the second quarter of 2005, Financial Services paid a dividend of \$60 million to Equipment Operations.

12. EARNINGS PER SHARE

Beginning in 2005, CNH calculates basic earnings per share based on the requirements of Emerging Issues Task Force ("EITF") Issue No. 03-06, "Participating Securities and the Two-Class Method under FASB No. 128, Earnings per Share" ("EITF No. 03-06"). EITF No. 03-06 requires the two-class method of computing earnings per share when participating securities, such as CNH's Series A Preferred Stock, are outstanding. The two-class method is an earnings allocation formula that determines earnings per share for common stock and participating securities based upon an allocation of earnings as if all of the earnings for the period had been distributed in accordance with participation rights on undistributed earnings. The application of EITF No. 03-06 did not impact 2004

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or earlier basic earnings per share as the Series A Preferred Stock was not considered participating during these periods.

Undistributed earnings, which represents net income, less dividends paid to common shareholders, are allocated to the Series A Preferred Shares based on the dividend yield of the common shares, which is impacted by the price of the Company's common shares. For purposes of the basic earnings per share calculation, CNH uses the average closing price of the Company's common shares over the last thirty trading days of the period ("Average Stock Price"). As of September 30, 2005, the Average Stock Price was \$21.34 per share. Had the Average Stock Price of the common shares been different, the calculation of the earnings allocated to Series A Preferred Stock may have changed. Additionally, the determination is impacted by the payment of dividends to common shareholders as the dividend paid is added to net income in the computation of basic earnings per share. Future computations of basic earnings per share will continue to be impacted by changes in CNH's Average Stock Price and dividends paid to CNH common shareholders.

In October, 2004, the FASB EITF ratified the consensus reached on Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share" ("EITF No. 04-8") which changed 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. Beginning in the fourth quarter of 2004, under the provisions of EITF 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 not anti-dilutive, for all periods presented. Earnings per share for the three months and nine months ended September 30, 2004 have been adjusted to conform to the requirements of EITF No. 04-8.

Notes to unaudited condensed consolidated financial statements

The following table reconciles the numerator and denominator of the basic and diluted earnings per share computations for the three and nine months ended September 30, 2005 and 2004:

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
(in millions, except per share data)				
Basic:				
Net income	\$27	\$25	\$156	\$99
Dividend to common shares (\$0.25 per share)	—	—	(34)	—
Undistributed earnings	27	25	122	99
Earnings allocated to Series A Preferred Stock	(11)	—(A)	(50)	—(A)
Earnings available to common shareholders	16	25	72	99
Dividend to common shares	—	—	34	—
Net income available to common shareholders	<u>\$16</u>	<u>\$25</u>	<u>\$106</u>	<u>\$99</u>
Weighted average common shares outstanding—basic	<u>134.4</u>	<u>133.4</u>	<u>134.2</u>	<u>133.2</u>
Basic earnings per share	<u>\$0.12</u>	<u>\$0.19</u>	<u>\$0.79</u>	<u>\$0.74</u>
Diluted:				
Net income	<u>\$27</u>	<u>\$25</u>	<u>\$156</u>	<u>\$99</u>
Weighted average common shares outstanding—basic	134.4	133.4	134.2	133.2
Effect of dilutive securities (when dilutive):				
Series A Preferred Stock	100.0	100.0	100.0	100.0
Stock Compensation Plans	0.2	0.2	0.1	0.2
Weighted average common shares outstanding—diluted	<u>234.6</u>	<u>233.6</u>	<u>234.3</u>	<u>233.4</u>
Diluted earnings per share	<u>\$0.12</u>	<u>\$0.11</u>	<u>\$0.67</u>	<u>\$0.42</u>

(A) EITF 03-6 did not impact basic earnings per share in 2004 as the Series A Preferred Stock was not considered participating during 2004.

13. COMPREHENSIVE INCOME (LOSS)

The components of comprehensive income (loss) for the three and nine months ended September 30, 2005 and 2004 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
(in millions)				
Net income	\$27	\$25	\$156	\$99
Other Comprehensive income (loss), net of tax				
Cumulative translation adjustment	36	46	(37)	(22)
Deferred gains (losses) on derivative financial instruments	10	—	(67)	—
Unrealized gains (losses) on retained interests in securitized transactions	(1)	(15)	(10)	—
Total	<u>\$72</u>	<u>\$56</u>	<u>\$42</u>	<u>\$77</u>

Notes to unaudited condensed consolidated financial statements

14. SEGMENT INFORMATION

CNH has three reportable operating segments: agricultural equipment, construction equipment and financial services. CNH evaluates segment performance and reports to Fiat based on trading profit in accordance with the International Financial Reporting Standards (“IFRS”). Fiat defines trading profit as income before restructuring, net financial expenses, income taxes, minority interests and equity in income (loss) of unconsolidated subsidiaries and affiliates.

A reconciliation from consolidated trading profit reported to Fiat to net income per U.S. GAAP is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
	(in millions)			
Trading profit reported to Fiat per IFRS	\$158	\$137	\$679	\$586
Adjustments to convert from trading profit to U.S. GAAP net income:				
Accounting for benefit plans	(26)	(45)	(192)	(98)
Accounting for intangible assets, primarily development costs	11	7	22	16
Accounting for receivable securitizations and other	1	84	(17)	30
Restructuring	(19)	(14)	(30)	(72)
Net financial expense	(69)	(86)	(225)	(270)
Minority interest	(7)	(8)	(19)	(16)
Tax provision on adjustments	(26)	(61)	(96)	(98)
Equity in income (loss) of unconsolidated subsidiaries and affiliates	4	11	34	21
Net income per U.S. GAAP	<u>\$27</u>	<u>\$25</u>	<u>\$156</u>	<u>\$99</u>

The following summarizes trading profit by segment per IFRS:

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
	(in millions)			
Agricultural Equipment	\$24	\$55	\$303	\$329
Construction Equipment	59	38	165	98
Financial Services	75	44	211	162
Eliminations	—	—	—	(3)
Trading profit per IFRS	<u>\$158</u>	<u>\$137</u>	<u>\$679</u>	<u>\$586</u>

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\$500,000,000



Case New Holland

CASE NEW HOLLAND INC.

7.125% Senior Notes due 2014

February 24, 2006

UBS Investment Bank