CNH GLOBAL N V
Form 20-F
April 07, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

[ ] REGISTRATION STATEMENT PURSUANT TO SECTIONS 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
or

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2003

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 1-14528

CNH GLOBAL N.V.

(Exact name of registrant as specified in its charter)

Kingdom of The Netherlands

(State or other jurisdiction of
incorporation or organization)

World Trade Center, Amsterdam Airport

Tower B, 10th Floor
Schiphol Boulevard 217
1118 BH Amsterdam
The Netherlands
(Address of principal executive offices)

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

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

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report: 132,797,008 Common Shares

Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) been subject to such filing requirements for the past 90 days. x

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

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PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

CNH Global N.V., (CNH) formerly New Holland N.V., is incorporated in The Netherlands under Dutch law.

CNH combines the operations of New Holland N.V. (New Holland) and Case, LLC, formerly Case Corporation (Case), as a result of their business merger on November 12, 1999. Effective with the closing of the merger, we changed our name to CNH Global N.V. In addition, CNH may refer to New Holland for financial information prior to the merger. We use CNH Capital to refer to the Financial Services business of CNH.

As of December 31, 2003, Fiat S.p.A. (Fiat) owned approximately 84% of CNH s common shares through Fiat Netherlands Holding N.V. (Fiat Netherlands), excluding the impact of a conversion of the 8 million shares of Series A Preference Shares (Series A Preferred Stock) discussed below. Fiat is engaged principally in the manufacture and sale of automobiles, commercial vehicles and agricultural and construction equipment. Fiat also manufactures, for use by its automotive sectors and for sale to third parties, other products and systems, principally components, metallurgical products and production systems.

On April 1, 2003, CNH effected a 1-for-5 reverse stock split of its common shares. All references to earnings per share and the number of shares in this annual report on Form 20-F and the accompanying consolidated financial statements and notes thereto 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.

The Series A Preferred Stock will not accrue dividends until January 1, 2005. Subsequently, the Series A Preferred Stock will pay a dividend at the then prevailing common dividend yield. However, should CNH achieve certain defined financial performance measures, the annual dividend will be fixed at the prevailing common dividend yield plus an additional 150 basis points. Dividends will be payable annually in arrears, subject to certain provisions that allow for a deferral for a period not to exceed five consecutive years. The Series A Preferred Stock has a liquidation preference of $250 per share and each share is entitled to one vote on all matters submitted to CNH s shareholders. The Series A Preferred Stock will automatically convert into 100 million CNH common shares at a conversion price of $20 per share if the market price of the common shares, defined as the average of the closing price per share for 30 consecutive trading days, is greater than $24 at any time through and including December 31, 2006 or $21 at any time on or after January 1, 2007, subject to anti-dilution adjustment. On a converted basis, this transaction would increase Fiat s ownership of our common stock to approximately 91% as of December 31, 2003. 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.

On August 1, 2003 and September 12, 2003, Case New Holland, Inc. (Case New Holland) a direct wholly-owned subsidiary of CNH, issued a total of $1.05 billion of 9 1/4% Senior Notes due 2011 (the 9 1/4% Senior Notes) which are fully and unconditionally guaranteed by CNH and certain of its direct and indirect subsidiaries. Case New Holland, indirectly through its subsidiaries, owns substantially all of the U.S. assets of CNH and certain of its non-U.S. assets.

CNH has prepared its annual consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP), and certain reclassifications have been made to conform the historical New Holland financial statements to the CNH presentation. The accompanying financial statements reflect the historical operating results of CNH, including the results of operations of Case since the merger date. 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.

Certain financial information in this annual report has been presented separately by geographic area. CNH defines its geographic areas as (1) North America, (2) Western Europe, (3) Latin America and (4) Rest of World. As used in this report, all references to North America, Western Europe, Latin America and Rest of World are defined as follows:

North America United States and Canada.

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

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

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

Certain market and share information in this report has been presented as worldwide , which includes all countries, with the exception of India and China. In this report, management estimates of market share information are generally based on registrations of equipment in most of Europe 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.

* * * * *

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This report includes 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 report, 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 , should , intend , estimate , anticipate , believe , continue , on track , or similar

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, 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, 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 fuel 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 operations and to execute our multiple brand strategy. Further information concerning factors that could significantly affect expected results are included in this Form 20-F for the year ended December 31, 2003.

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.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. ***Selected Financial Data.***

The following table sets forth summary historical financial data for CNH for the periods indicated. The historical financial data set forth below as of December 31, 2003 and 2002 and for the years ended December 31, 2003, 2002 and 2001 has been derived from the audited consolidated financial statements of CNH included herein. Financial data as of December 31, 2001, 2000 and 1999 and for the years ended December 31, 2000 and 1999 has been derived from our published financial statements.

CNH acquired Case on November 12, 1999, which approximately doubled the annual revenues and asset base of CNH. The accompanying selected financial data reflects the historical operating results of CNH, including the results of operations of Case since November 12, 1999. As a result of this acquisition, the historical financial statements may not be comparable from year to year.

CNH has presented the selected historical financial data as of and for each of the five years ended December 31, 2003 in accordance with U.S. GAAP.

	For the Years Ended December 31,				
	2003	**2002**	**2001**	**2000**	**1999**
	(in millions, except per share data)				
Statements of Operations Data:					
Revenues:					
Net sales	$10,069	$9,331	$9,030	$ 9,337	$5,949
Finance and interest income	597	609	685	704	324
Total revenues	$10,666	$9,940	$9,715	$10,041	$6,273
Net income (loss) before cumulative effect of change in accounting principle, net of tax	$ (157)	$ (101)	$ (332)	$ (381)	$ 148
Cumulative effect of change in accounting principle, net of tax		(325)			
Net income (loss)	$ (157)	$ (426)	$ (332)	$ (381)	$ 148
Per share data:					
Basic earnings (loss) per share before cumulative effect of change in accounting principle, net of tax	$ (1.19)	$ (1.05)	$ (6.00)	$ (8.95)	$ 4.95
		(3.35)			

Cumulative effect of change in accounting principle, net of tax					
Basic earnings (loss) per share	$ (1.19)	$ (4.40)	$ (6.00)	$ (8.95)	$ 4.95
Diluted earnings (loss) per share before cumulative effect of change in accounting principle	$ (1.19)	$ (1.05)	$ (6.00)	$ (8.95)	$ 4.85
Cumulative effect of change in accounting principle, net of tax		(3.35)			
Diluted earnings (loss) per share	$ (1.19)	$ (4.40)	$ (6.00)	$ (8.95)	$ 4.85
Cash dividends declared per common share	$ 0.25	$ 0.50	$ 0.50	$ 2.75	$ 2.75

	As of December 31,				
	2003	2002	2001	2000	1999
			(in millions)		
Balance Sheet Data:					
Total assets	$18,661	$16,760	$17,212	$17,577	$17,678
Short-term debt	$ 2,110	$ 2,749	$ 3,217	$ 4,186	$ 4,953
Long-term debt, including current maturities	$ 4,886	$ 5,115	$ 6,646	$ 5,539	$ 4,558
Common shares, 2.25 par value	$ 309	$ 305	$ 143	$ 143	$ 88
Common shares outstanding	133	131	55	55	30
Shareholders equity	$ 4,874	$ 2,761	$ 1,909	$ 2,514	$ 1,710

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

Not applicable.

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

Not applicable.

D. ***Risk Factors.***

Risks Related to Our Business, Strategy and Operations

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

CNH combines the operations of New Holland and Case as a result of their merger on November 12, 1999. At the time of the merger, we formulated a plan to integrate the operations of the Case and New Holland businesses. The plan was based on maintaining the dual distribution networks of Case and New Holland to optimize worldwide market share of the combined company. In order to remain cost competitive while maintaining the two brands, management developed a plan to use common platforms and major product components while developing differentiated products that could satisfy the requirements of the different distribution networks. Use of common components and platforms allows for a reduction in product platforms, consolidation of suppliers and a consolidation and rationalization of manufacturing facilities and the parts depots that serve both the manufacturing operations and the networks.

In total, our cost and efficiency actions for 2003 through 2006 should contribute approximately $650 million in additional profit improvements as compared with the base levels of revenues and costs incurred by CNH for the full year 2002. This estimate is not based on any assumption of an appreciable increase in industry volumes from 2002 levels. In the year ended December 31, 2003, we achieved $225 million of the $650 million of expected additional profit improvements.

Our ability to realize the full extent of the expected profit improvement levels depends on, among other things, our ability to complete our cost-containment initiatives. See Item 4.B. Business Profit Improvement Initiatives. Our failure to complete these 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 our new product launches 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 from our existing products. You should read the discussion under the heading Item 4.B. Business Products and Markets for a more detailed discussion regarding our new and existing products.

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

Production capacity constraints and inventory fluctuations could adversely affect our results of operations.

Changes in demand for our products and our program to rationalize our manufacturing facilities and realign our manufacturing process have at times resulted in, and may in the future result in, temporary constraints upon our ability to produce the quantities necessary to fill orders and thereby deliver products in a timely manner. A prolonged delay in our ability to fulfill orders on a timely basis could adversely affect our operations. In addition, 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. Moreover, our continuous development and production of new products often involves the retooling of existing manufacturing facilities. This retooling may limit our production capacity at certain times in the future, which could adversely affect our results of operations.

Our sales are influenced by the volume of inventories of finished products maintained by us and our dealers. Our management believes that we and our dealers have generally managed inventories in a relatively prudent manner, which could cause us to lose certain sales as a result of product unavailability at certain locations during periods of increased demand. However, in periods of sudden declines in industry demand, larger inventories could lead to substantial excesses in supply over demand, causing future reductions in our manufacturing schedules and adversely affecting our operating results.

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 positive, we cannot be certain that 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, our contract with the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (the UAW) expires in May 2004. Negotiations began in the first quarter of 2004.

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.

These 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.

Health care inflation rates have increased significantly, leading to higher costs for both active and retired employees. Should such inflation rates continue, we may record additional charges or make changes to our benefit plans. In addition, fluctuations in the financial markets, primarily during 2000 through 2002, had caused the valuation of the assets in our defined benefit pension plans to decrease, while our liability has increased, which has resulted in an under-funding in some of our defined benefit pension plans and the recognition of a minimum pension liability on our balance sheet.

As of December 31, 2003, our pension benefit obligations were underfunded by $1.0 billion and our other postretirement benefit obligations were underfunded by $1.5 billion. Benefits for salaried employees under our U.S. defined benefit plans were frozen for pay and service as of December 31, 2000, and U.S. employees now receive benefits only under our defined contribution plans. Our U.S. and Canadian employees hired after January 1, 2001 and January 1, 2002, respectively, are not eligible for postretirement health and life insurance under our plan. 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. Despite these measures, we cannot assure you that future fluctuations in the financial markets will not result in additional under-funding of our defined benefit pension plans and require contributions by us that could adversely affect our results of operations and financial position.

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

Beginning in 1998, as part of a diversification strategy for its Financial Services operations, Case expanded into the financing of trucks and trailers, marine vessels and agricultural and construction equipment sold through its competitors dealers. As a result of a deterioration in these markets, we recorded significant losses in 2000, 2001 and 2002 in our Financial Services operations. Non-core financing activities were discontinued during 2001. During 2002 and 2003, the non-core portfolio decreased 39% and 41% respectively due to liquidations and write-offs. We believe we have established adequate reserves for possible losses on these receivables from our non-core financing activities; 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. 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. Similarly, changes in interest rates affect our results of operations by increasing or decreasing borrowing costs and finance income. In 2003, the generally lower interest rate environment in our principal currencies had a favorable impact on our profitability; however, they were offset by a less favorable debt mix and by higher spreads on our borrowings. We mitigate these risks, which arise in the ordinary course of business, through the use of financial hedging instruments. We have historically entered into, and expect to continue to enter into hedging arrangements, a substantial portion of which are with counterparties that are members of the Fiat Group. 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 members of the Fiat Group, could adversely affect us.

Despite our use of financial hedging transactions, we cannot assure you that 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 or elimination of current price protections for commodities in the European Union or of subsidy payments for farmers in the United States would likely result in a decrease in demand for agricultural equipment. A decrease in the demand for agricultural equipment could adversely affect our sales, growth and results of operations.

You are unlikely to be able to seek remedies against Arthur Andersen LLP, our former independent auditor.

The audited consolidated financial statements and schedules of CNH for the year ended December 31, 2001 included in this Annual Report have been audited by Arthur Andersen LLP, independent accountants, whose report thereon is also included in this Annual Report. On June 15, 2002, Arthur Andersen was convicted of a federal obstruction of justice charge arising from the federal government s investigation of Enron Corporation. On August 31, 2002, Arthur Andersen ceased practicing before the SEC. SEC rules require us to present our audited financial statements in various SEC filings, along with Arthur Andersen s consent to our inclusion of its audit report on our financial statements for 2001 included in this Annual Report, and we do not expect to receive Arthur Andersen s consent in any filing that we make with the SEC. Without this consent, it may become more difficult for you to seek remedies against Arthur Andersen. Furthermore, relief in connection with claims, which may be available to investors under the federal securities laws against auditing firms may not be available as a practical matter against Arthur Andersen. You are unlikely to be able to exercise effective remedies or judgments against Arthur Andersen.

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; and
- used equipment prices.

The nature of the agricultural and construction equipment industries is such that a downturn in demand can occur suddenly, resulting in excess inventories and 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 additional restructuring. Our profit improvement initiatives will require additional restructuring charges in future periods.

Changes in European agricultural policy could adversely affect industry sales of agricultural equipment.

Government subsidies are a key income driver for farmers raising certain commodity crops. The Common Agricultural Policy (CAP) of the European Union was last revised in 2000 and typically is revised approximately every seven years, depending on the timing of changes to U.S. farm policy and negotiations conducted by the World Trade Organization (WTO). The CAP revision of 2000 brought no dramatic lowering of subsidies but shifted emphasis towards production of higher quality, value-added crops and support for rural development and rural quality of life. In June 2003, the farm ministers from EU member nations reached an agreement to fundamentally change the CAP, in particular by making payments to farmers much less dependent than before on the amounts that farmers produce. Under the new system, the amount spent on the CAP approximately 43 billion per year would not be reduced below previously projected levels.

However, the way in which the money is distributed would be altered. Under the new program, single farm payments would go to farmers based on the size of their farms rather than their output, although the old system would be permitted to continue in limited circumstances, particularly for cereal grains and beef, if there is a risk of farmers abandoning the land. We do not expect any change in the CAP for 2004. The revisions to the Common Agricultural Policy delegates to individual states of the EU15 more control over the structure and level of agricultural subsidy payments. The EU15 countries may individually decide to defer implementation from 2005 to 2007, may fully or partially decouple payments from production and may divert a proportion of funds to rural development. Given the disparate structure and production of farm holdings in Europe, the impact of this CAP reform will only become clear as individual governments determine in detail how and when they will implement changes.

Transition plans for the ten countries joining the EU in 2004 are in place and are not affected by this reform. However, 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, farmers could delay purchasing agricultural equipment, causing a further 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, particularly in North America, Europe, Australia and Latin America. We compete primarily with large global full-line suppliers, including Deere & Company and AGCO/VALTRA; manufacturers focused on particular industry segments, including Kubota Corporation and various implement manufacturers; regional manufacturers in mature markets, including Claas KgaA/Renault, ARGO Group and SAME Duetz-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 is highly competitive, worldwide. We compete primarily with global full-line suppliers with a presence in every market and a broad range of products that cover most customer needs, including Caterpillar, Komatsu Construction Equipment, TEREX and Volvo Construction Equipment Corporation; regional full-line manufacturers, including Deere & Company, J.C. Bamford Excavators Ltd. and Liebherr-Holding GmbH and product specialists operating on either a global or a regional basis, including Ingersoll-Rand Company (Bobcat), Hitachi Ltd., Sumitomo Construction, Manitou B.F., Merlo UK Ltd., Gehl Company, Mustang Manufacturing Company, Inc., Yanmar Agricultural Equipment Co. Ltd. and Kubota Corporation.

In 2002, we terminated our European alliance with Hitachi Construction Machinery, Ltd. (Hitachi) and finalized our global alliance with Kobelco Construction Machinery Co. Ltd. (Kobelco Japan). Our alliance with Kobelco Japan has led to an increase in competition with Hitachi. We have entered into various alliances with other entities. We enter into these alliances to reinforce our international competitiveness. While we expect our alliances to be successful, if differences were 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.

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.

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.

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.

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. Market demand for under 40 horsepower tractors has continued to increase dramatically, from about 29,000 units in 1992 to over 130,000 units in 2003. These same customers have started to demand higher horsepower tractors in the 40- to under 100-horsepower segment, in which industry volumes in North America also have tended to increase since 1992. Market demand in this segment increased until 1998 then declined slightly in 1999. Since 1999 demand has continued to increase through 2003. For higher horsepower tractors and combines, which generally have the highest margins, market demand peaked in 1997. Demand dropped sharply in 1998 and 1999 with a further slight decline in 2000. Demand increased slightly in 2001 but declined in 2002 and was essentially stable in 2003.

In Western Europe, industry unit sales of tractors last hit a low in 1993 and then increased steadily through the mid-1990 s, peaking in 1999. Since 1999 industry sales of tractors generally have been declining except for a slight up-tick in 2002. Industry unit sales in 2003 were approximately 13% below the 1999 peak. Industry unit sales of combines peaked in 1998 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.

In Latin America tractor industry volumes increased from 1996 thru 2002, but declined in 2003. Combine industry unit volumes also have increased since 1995 and volumes in 2003 were the highest in at least the last ten years. In markets in the rest of the world tractor volumes peaked in 2000, declined sharply in 2001, but have recovered in 2002 and again in 2003. Combine volumes peaked in 1997, declined in 1998 and remained low through 2000, recovering in 2001 and 2002 but declined again in 2003.

In total, worldwide demand for agricultural tractors hit a low in 1992 and has been on an increasing trend since. Volumes reached a peak in 2000 but declined in 2001. Volumes increased in 2002 and again in 2003, reaching levels higher than in 2000. Combine industry volumes reached a low point in 1991, increasing to a high in 1998 and then dropping in 1999. Since 1999 worldwide combine industry volumes have remained relatively flat, in total.

In response to the lower market levels of higher horsepower tractors and combines particularly in North America and Western Europe, many companies, including us, have undertaken restructuring programs to reduce capacity. We cannot assure you that industry sales of higher horsepower tractors and combines in North America and Western Europe will not continue to experience declines or that unit sales of the higher horsepower tractors and combines will ever return to levels experienced in the 1998 1999 period.

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 been in general decline since the peaks, although sales of both heavy and light equipment increased in 2003 compared with 2002. In Western Europe industry sales of both heavy and light equipment increased from the trough of 1993 until peaking in 2000. Industry sales have declined since, except for industry sales of heavy equipment which improved slightly in 2003. 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. As with the agricultural equipment industry, we cannot assure you that the North American and Western European construction equipment industry will return to their peak demand levels of 1998 or 2000.

In 2002, we recorded a one-time, non-cash charge of approximately $325 million 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 from the time of the merger through 2001. With the improvement in the construction equipment market in 2002 and 2003, no additional impairment has occurred. We cannot assure you that further decreases in demand will not result in additional impairment charges by our various reporting units in the future.

A decrease in industry-wide demand for agricultural and construction equipment or a lack of recovery in the number of unit sales could result in lower sales of our equipment and hinder our ability to operate profitably.

We have a significant deferred tax asset recorded as a result of U.S. Federal tax loss carryforwards, which we believe it is more likely than not that we will utilize. This determination was based, in part, on the expectation of sufficient future U.S. taxable income prior to the years in which the carryforwards expire. A further decrease in demand, a lack of recovery in unit sales or other factors could affect the operating results of our various reporting units. This could result in us determining that it is more likely than not that some or all of the deferred tax assets currently recorded will not be realized. This would adversely affect our results of operations and financial position.

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, there has been consolidation of some commercial rental agencies into nationwide rental conglomerates, some of which have experienced financial distress and sought bankruptcy protection. These larger rental companies have become sizeable purchasers of new equipment and can have a significant impact on total industry sales, particularly in light construction equipment.

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 and lowest in the third quarter when many of our production facilities experience summer shut down periods, especially in Europe. Seasonal conditions also affect our construction equipment business, but to a lesser extent.

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.

Risks Related to Our Indebtedness

Our indebtedness could adversely affect our financial condition.

As of December 31, 2003, we have an aggregate of $7.0 billion of outstanding total consolidated indebtedness, and our shareholders equity was $4.9 billion. In addition, we are heavily dependent on ABS transactions, both term and asset backed commercial paper transactions, to fund our Financial Services activities in North America and Australia.

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; and

- 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.

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

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

The indenture governing our 9 1/4% Senior Notes, include certain covenants that restrict the ability of us and our subsidiaries to, among other things:

- incur additional debt;

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

- make certain investments;

- enter into certain types of transactions with affiliates;

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

- use assets as security in other transactions;

- enter into sale and leaseback transactions; and

- sell certain assets or merge with or into other companies.

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

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or all of such indebtedness. As of December 31, 2003, we are in compliance with the covenants and restrictions contained in our debt agreements. However, our ability to continue to comply with such agreements may be affected by events beyond our control, including prevailing economic, financial and industry conditions. In addition, upon the occurrence of an event of default under our debt agreements, all of the amounts outstanding thereunder, together with accrued interest, could become immediately due and payable. In addition, these restrictions may limit our ability to take full advantage of the treasury and debt financing arrangements that Fiat has committed to provide to CNH for so long as it controls CNH and, in any event, at least until December 31, 2004.

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, Case Credit Corporation and New Holland Credit Company 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 New Holland Credit Company, Case Credit Corporation 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.

On June 26, 2003, Fiat announced the Industrial and Financial Plan to Relaunch the Fiat Group (the Fiat Relaunch Plan). Following this announcement, Standard & Poor s announced that it was placing the BB corporate credit ratings of CNH and Case, as well as Fiat s BB+ corporate credit rating, on credit watch with negative implications.

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, 2003, Fitch Ratings downgraded Fiat s senior unsecured debt rating to BB from BB+, with a negative outlook.

On July 11, 2003, Standard & Poor s 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, 2003, Standard & Poor s lowered Fiat s long-term corporate credit rating to BB- from BB+, with a stable outlook, and removed it from credit watch.

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

We cannot assure you that the rating agencies will not further downgrade our or Fiat s credit ratings. These downgrades have already affected our ability to borrow funds, and further ratings downgrades of either our or Fiat s debt could adversely affect our ability to access the capital markets or borrow funds at current rates and therefore could put us at a competitive disadvantage.

We are exposed to Fiat credit risk due to our participation in the Fiat Group s cash management system.

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 a central pooling account. 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. Alternatively, in certain other jurisdictions where cash balances are not aggregated daily, third-party lenders to other participating Fiat Group members may be entitled to rights to set off against Fiat Group member funds present in the cash management pool or may benefit from guarantees of payment by certain Fiat Group

members. 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 funds to the extent they belong to us, and we may be viewed as a creditor of such Fiat entity with respect to such funds. 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.

The performance of our Financial Services business is dependent on access to funding at competitive rates.

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 our Financial Services business ability to continue to offer attractive financing to its dealers and end-user customers. In particular, 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 our Financial Services results of operations and financial position. On a global level, we will continue to evaluate alternatives to ensure that our Financial Services business continues to have access to capital on favorable terms in support of our business, including, without limitation, through equity investments by global or regional partners in joint venture or partnership opportunities, new funding arrangements or a combination of any of the foregoing.

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

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.

Fiat owns, indirectly through Fiat Netherlands, approximately 84% of our outstanding common shares as of December 31, 2003. Additionally, Fiat and an affiliate of Fiat own a total of 8 million shares of Series A Preferred Stock. In total, Fiat voting power approximates 85% of our outstanding capital stock. If the Series A Preferred Stock were converted to common stock as of December 31, 2003, Fiat s ownership of our common stock would rise to approximately 91%. For at least as long as Fiat continues to own shares representing more than 50% of the combined voting power of our capital stock, it will be able to direct the election of all of the members of our board of directors and determine the outcome of all matters submitted to a vote of our shareholders, including matters involving:

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

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

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

We rely on Fiat to provide us with financial support, and we purchase goods and services from Fiat. 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. The New York Stock Exchange listed company guidelines require that we maintain a

minimum of two independent directors on our board of directors. We currently have six independent 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.

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

We currently rely on Fiat to provide either guarantees or funding in connection with some of our external financing needs, including certain short-term credit facilities. 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. The terms of any alternative sources of financing may not be as favorable as those provided or facilitated by Fiat. We also rely on Fiat to provide us with some other financial products to hedge our foreign exchange and interest rate risk, cash management services and other accounting and administrative services. The terms of any alternative sources of these products or services may not be as favorable as those provided or facilitated by Fiat.

Item 4. Information on the Company

A. *History and Development of the Company.*

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

We combine the operations of New Holland and Case as a result of their business merger on November 12, 1999. Effective with the closing of the merger, New Holland changed its name to CNH. As used in this report, all references to New Holland or Case refer to (1) the pre-merger business and/or operating results of either New Holland or Case on a stand-alone basis, or (2) the continued use of the New Holland and Case product brands.

B. *Business Overview.*

General

We believe that we are one of the largest manufacturers of agricultural equipment in the world based on units sold, one of the largest manufacturers of construction equipment based on units sold and have one of the industry s largest equipment finance operations. We organize our operations into three business segments: agricultural equipment, construction equipment and financial services.

We market our products globally through our two highly recognized brand families, Case and New Holland. The Case agricultural brand family includes the Case IH and Steyr brand names, while the Case construction equipment brand family is represented by the Case brand name. The New Holland agricultural brand family is represented by the New Holland name, and the New Holland construction equipment brand family includes the New Holland Construction, Fiat Kobelco, FiatAllis, Kobelco and O&K brand names. We manufacture our products in 45 facilities throughout the world and distribute our products in approximately 160 countries through an extensive network of over 12,000 dealers and distributors.

We are the only 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

businesses. Our global scope and scale includes integrated engineering, manufacturing, marketing and distribution of equipment on five continents.

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, and in skid steer loaders in North American and a leading position in crawler excavators in Western Europe. In addition, we provide a complete range of replacement parts and services to support our equipment. For the year ended December 31, 2003, our sales of agricultural equipment represented approximately 67% of our net revenues, sales of construction equipment represented approximately 27% 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 year ended December 31, 2003, approximately 41% of our net sales of agricultural equipment were generated from sales in North America, approximately 35% in Western Europe, approximately 8% in Latin America and approximately 16% in the Rest of World. For the same period, approximately 44% of our net sales of construction equipment were generated in North America, approximately 41% in Western Europe, approximately 5% in Latin America and approximately 10% in the Rest of World. Our broad manufacturing base includes facilities in Europe, Latin America, North America, Australia, China, India and Uzbekistan.

In North America, we offer a range of Financial Services products, including, among others, retail financing for the purchase or lease of new and used CNH and other equipment manufacturers products. To facilitate the sale of our products, we offer wholesale financing to 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 offer retail financing in Brazil and Australia through wholly-owned subsidiaries and in Western Europe through our joint venture with BNP Paribas Lease Group (BPLG). We believe that these activities are a core component of our business. As of December 31, 2003, our total managed receivables were approximately $12 billion.

Recent Developments

Our Board of Directors recommended a dividend of $0.25 per common share on March 19, 2004. The dividend will be payable on May 25, 2004 to shareholders of record at the close of business on May 18, 2004. Declaration of the dividend is subject to approval at our Annual General Meeting, which will be held on April 26, 2004.

Industry Overview

Agricultural Equipment

The operators of food, livestock and grain producing farms, as well as independent contractors that provide services to such farms, purchase most agricultural equipment. The key factors influencing sales of agricultural equipment are the level of total farm cash receipts and, to a lesser extent, general economic conditions, interest rates and the availability of financing. Farm cash receipts are impacted by the volume of acreage planted, commodity and/or livestock prices, crop yields, farm operating expenses, including fuel and fertilizer costs, 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 equipment selling season, which begins in May and June. Similarly, in the Southern Hemisphere, equipment dealers generally order between September and November for the primary 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 the most geographically diversified manufacturer of agricultural equipment and our broad geographic network of dealers allows us to supply customers in each of these significant markets in accordance with their specific equipment requirements.

Government subsidies are a key income driver for farmers raising certain commodities in the United States and Western Europe. The level of support can range from 30% to over 50% of the annual income for these farms in years of low global commodity prices or natural disasters. The existence of a high level of subsidies in these markets for agricultural equipment reduces the effects of cyclicality in the agricultural equipment business. The ability to forecast the effect of these subsidies on agricultural equipment demand depends on the U.S. Farm Bill (typically revised every five years), the Common Agricultural Policy of the European Union (typically revised every seven years) and WTO negotiations. On May 13, 2002, President Bush signed into law the Farm Security and Rural Investment Act of 2002. This law increases subsidies to the U.S. farming industry by $31 billion over six years. Additionally, Brazil subsidizes the financing of agricultural equipment for various periods of time, as determined by government legislation. These programs can greatly influence sales in the region.

The Common Agricultural Policy of the European Union was last revised in 2000 and typically is revised about every seven years, depending on the timing of changes to U.S. farm policy and negotiations conducted by the WTO. The CAP revision of 2000 brought no dramatic lowering of subsidies but shifted emphasis towards production of higher quality, value added crops and support for rural development and rural quality of life. In June 2003, the farm ministers from EU member nations reached an agreement to fundamentally change the CAP, in particular by making payments to farmers much less dependent than before on the amounts that farmers produce. Under the new system, the amount spent on the CAP approximately 43 billion per year would not be reduced below previously projected levels. However, the way in which the money is distributed would be altered. Under the new program, single farm payments would go to farmers based on the size of their farms rather than their output, although the old system would be permitted to continue in limited circumstances, particularly for cereal grains and beef, if there is a risk of farmers abandoning the land. There will be no change in the CAP for 2004. The new program will be introduced in 2005 and will be gradually phased in over two years. The current available information on the EU reforms is general in nature, and it will take time for the European Commission and national governments to determine

and enact the precise changes to the CAP program. However, 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. Also, it is unclear how this new program will apply to the ten new member countries joining the EU in 2004. 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 further decline in industry unit volumes.

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

[AGRICULTURAL EQUIPMENT SHIPMENTS GRAPH]

	North America Tractors	North America Over 40 HP Tractor	Western Europe Tractors	North America Combines	Western Europe Combines
1991	106426	67845	175366	11227	10864
1992	99029	62704	154553	10469	8647
1993	110517	69992	142976	11388	6737
1994	119228	73423	154389	11097	6638
1995	121014	75334	163780	11277	7117
1996	128856	78357	180793	11966	9081
1997	144616	89046	178885	12965	10246
1998	150594	88121	180949	12441	11399
1999	153629	76061	185562	6584	9433
2000	165359	78313	173479	6909	7454
2001	181663	85679	161547	7585	6579
2002	183292	81384	169543	6044	7477
2003	219271	88342	161197	5887	6966

Sources: North America Association of Equipment Manufacturers; Canadian Farm and Industrial Equipment Institute. Western Europe Management estimates based on equipment registrations in each country.

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 and units of equipment sold. The agricultural equipment industry, in most markets, began to experience an increase in demand in the early 1990 s 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. This trend was maintained through 1997, but in North America the market started to decline in 1998 as a result of unfavorable economic conditions in certain parts of the world, lower commodity prices and reduced aid to developing countries. Worldwide industry unit demand for over-40 horsepower tractors peaked in 1999, as global prices for agricultural commodities continued to decline. However, demand for combines in Western Europe and North America declined significantly. In 2000, total worldwide demand continued to increase based on the strength of the

demand for the under-40 horsepower tractors, but demand for over-40 horsepower tractors started to decline and combine sales also declined. Since 2000 worldwide market demand for tractors has continued to increase, on the strength of the under-40 horsepower tractor demand. Market demand for higher horsepower tractors and combines has remained below 2000 levels although demand for tractors did improve somewhat in 2003.

In North America, and to a lesser extent in certain other regions, there has been significant growth in the under 40-horsepower tractor industry. In 2003, approximately 145,200 under 40-horsepower tractors were sold worldwide, compared to approximately 116,500 in 2002, 93,900 sold in 1999 and 36,300 sold in 1992. The growth in this segment has been due primarily to the generally favorable economic conditions in North America, which accounted for 130,900 of the under-40 horsepower tractors sold in 2003.

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. Market demand for under-40 horsepower tractors has continued to increase dramatically, from about 29,000 units in 1992 to over 130,000 units in 2003. These same customers have started to demand higher horsepower tractors in the 40- to under 100-horsepower segment, in which industry volumes in North America also have tended to increase since 1992. Market demand in this segment increased until 1998 then declined slightly in 1999. Since 1999 demand has continued to increase through 2003. For higher horsepower tractors and combines, which generally have the highest margins, market demand peaked in 1997. Demand dropped sharply in 1998 and 1999 with a further slight decline in 2000. Demand increased slightly in 2001 but declined in 2002 and was essentially stable in 2003. 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.

In Western Europe, industry unit sales of tractors last reached their low point in 1993 and then increased steadily through the mid-1990 s, peaking in 1999. Since 1999 industry sales of tractors generally have been declining except for a slight up-tick in 2002. Industry unit sales in 2003 were approximately 13% below the 1999 peak. Industry unit sales of combines peaked in 1998 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.

In Latin America tractor industry volumes increased from 1996 thru 2002, but declined in 2003. Combine industry unit volumes also have increased since 1995 and volumes in 2003 were the highest in at least the last ten years. In markets in the rest of the world tractor volumes peaked in 2000, declined sharply in 2001, but have recovered in 2002 and again in 2003. Combine volumes peaked in 1997, declined in 1998 and remained low through 2000, recovering in 2001 and 2002 but declined again in 2003.

In total, worldwide demand for agricultural tractors hit bottom in 1992 and have been on an increasing trend since. Volumes reached a peak in 2000 but declined in 2001. Volumes increased in 2002 and again in 2003, reaching levels higher than in 2000. Combine industry volumes reached their low point in 1991, increasing to a high in 1998 and then dropping in 1999. Since 1999 worldwide combine industry volumes have remained relatively flat, in total.

Construction Equipment

We divide construction equipment into two principal segments: heavy construction equipment, which is over 12 metric tons, 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, 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 manual work. Product demand in the United States and Europe has generally tended to mirror housing starts, but with lags of six to 12 months. However, the recent financial difficulties and restructuring of national rental companies in North America have adversely influenced demand despite relatively strong levels of housing starts. In areas where the cost of labor is inexpensive relative to other inputs such as 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, is primarily a replacement market that follows cyclical economic patterns. Cycles in the United States and Western Europe tend to be about ten years in duration. The industry in emerging markets generally exhibits an overall growth trend, but with unpredictable and volatile cycles. In prior years, demand for heavy construction equipment in North America had been increasing as interest rates remained relatively stable and the level of government spending on infrastructure projects increased. In Europe, demand had also been increasing, primarily as a result of higher spending by European governments.

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 has 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. The rapid consolidation of local and regional rental companies in North America into national and large regional companies combined with the economic and financial market declines created financial pressures on these market participants. They have, in turn, substantially reduced their new equipment purchases, despite a relatively solid level of general economic activity. Overall, this trend toward higher levels of rental activity in the market may tend to reduce the correlation of industry unit demand for new equipment with the basic economic industry drivers. On the other hand, increased rental market activity could lead to more pronounced demand cyclicality in the industry, as rental companies rush to adjust the size of their fleets as demand or rental rates change. In North America, captive rental fleets appeared to be increasing their fleets during the second half of 2003.

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, most 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:

[CONSTRUCTION EQUIPMENT INDUSTRY SHIPMENT GRAPH]

	North America Light CE	**Western Europe Light CE**	**North America Heavy CE**	**Western Europe Heavy CE**
1991	46234	57684	29116	26992
1992	45524	57684	25425	26992
1993	56485	51543	31312	20903
1994	68732	58846	39114	26411
1995	76244	65621	43783	29957
1996	84947	65418	44218	23943
1997	97314	70781	50570	26367
1998	110375	74640	56516	33256
1999	117935	89791	54330	36912
2000	123007	99256	49415	41746
2001	107037	93706	44267	38012
2002	94275	87978	41605	33668
2003	101587	86001	46554	36025

Sources: North America Association of Equipment Manufacturers; Canadian Farm and Industrial Equipment Institute. Western Europe Management estimates based on shipment data in each country.

Major trends in the construction equipment industry include the transition in machinery usage from crawler dozers to modern 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 in North America and mini-excavators in the Rest of World.

Recent low levels of public spending on new infrastructure, particularly in North America and Western Europe, have limited recent growth in the heavy equipment segments of the market and consequently, the market for light equipment has grown as a percentage of total construction equipment sales.

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 been in general decline since the peaks, although sales of both heavy and light equipment increased in 2003 compared with 2002. In Western Europe industry sales of both heavy and light equipment increased from the trough of 1993 until peaking in 2000. Industry sales have declined since, except for industry sales of heavy equipment which improved slightly in 2003. The construction equipment markets in Latin America are very small compared with those in North America and Western Europe. Rest of world markets, and in particular the Asia-Pacific Rim markets are similar in size to the Western European or North American markets but CNH does not have a significant direct presence in those markets.

Our Competitive Strengths

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

Well-Recognized Brands. We market our products globally through our two highly recognized brand families, Case and New Holland. The Case agricultural brand family includes the Case IH and Steyr brand names, while the Case construction equipment brand family is represented by the Case brand name. The New Holland agricultural brand family is represented by the New Holland name, and the New Holland construction equipment brand family includes the New Holland Construction, Fiat Kobelco, FiatAllis, Kobelco and O&K brand names. All of our brands have strong histories of quality and superior performance. We will 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 the world leader in backhoe loaders, second in the world in skid steer loaders and the market leader in Western Europe in crawler excavators. In addition, we provide a complete range of replacement parts and services to support both our agricultural and construction equipment offerings.

Global Presence and Distribution Network. We manufacture our products in 45 facilities throughout the world and distribute our products in approximately 160 countries through an extensive network of over 12,000 dealers and distributors. We are the only 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 businesses. Our global scope and scale include integrated engineering, manufacturing, marketing and distribution of equipment on five continents.

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

Support of the Fiat Group. Our operations have the strong support of the Fiat Group, one of the largest industrial groups in the world with major operations in auto and truck making, automotive components and other non-automotive sectors. Fiat s management has stated that it considers the global production and sale of agricultural and construction equipment to be a primary focus of the Fiat Group and a significant component of Fiat s global strategy. Fiat s truck-making subsidiary, IVECO, 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. Shared services provided by Fiat, such as purchasing, accounting, information technology,

treasury and cash management, lower our administrative costs by leveraging Fiat s economies of scale. Cash pooling leverages Fiat and Fiat Group financial resources while minimizing banking and transaction costs and reducing cross-border financing costs and potential penalties, such as withholding taxes. As of December 31, 2003, Fiat provided us with approximately $2.4 billion in debt, which is an important source of liquidity for our operations. Fiat has agreed to maintain its existing treasury and debt financing arrangements with us for as long as it maintains control of us and in any event until December 31, 2004. While no extension of this agreement was formalized as of December 31, 2003 or as of the date of this report, we believe that it is not the current intention of Fiat to withdraw its support of CNH. 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.

CNH Business Strategy

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

Our strategic objectives are to:

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

- deliver profitability throughout the cycle and achieve higher margins than either Case or New Holland earned prior to the merger by realizing profit improvements, continuing sales growth and increasing customer satisfaction; and

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

The following are the key elements of our strategy:

Dual Brand Families

We capitalize on our world-class brand names, Case, Case IH, New Holland, New Holland Construction, Steyr, Fiat Kobelco, FiatAllis, Kobelco and O&K, which represent our dual brand families, Case and New Holland.

The Case and New Holland distribution networks optimize our position in all principal existing markets, and we enhance growth opportunities by entering new market segments, filling out the product lines offered within each brand family. We believe this strategy will maintain a high level of dealer and customer loyalty, enhance our global market position and leverage the combined product portfolio and geographic strength to create cross-selling opportunities among brands.

A key element of this strategy is to strengthen our dealer networks, moving towards dealers that are more focused on particular brands. We believe that more focused dealers tend to be more dedicated to enhancing their brand s market position and building their own customer service capabilities in order to increase customer loyalty and earn a larger share of their customers equipment and service expenditures.

Develop Common Components/ Platforms for New Products

We have developed and are continuing to develop global product lines to support our dual brand families. By using common design elements and sharing capital-intensive components, we are reducing the total number of tractor, combine and construction equipment platforms while maintaining strong brand identities

based on precision of handling, productivity, operation controllability, product serviceability, color and styling. Agricultural Equipment platforms are being reduced from 66 to 35 and Construction Equipment platforms are being reduced from 77 to 39 without reducing the number of final product lines. We intend to use a smaller number of global product platforms with differentiated product features for our different brands. This should permit us to lower product development and manufacturing costs and complexity and increase production efficiencies, while reducing inventories, order-to-delivery cycle times and invested capital requirements.

For the year ended December 31, 2003, approximately 64% of our revenues from the sale of agricultural equipment products and 66% of our revenues from the sale of construction equipment products were derived from new products developed with common components since the merger. By 2005, we anticipate that substantially all of our product revenue, excluding parts, will be from products introduced since the merger. To retain existing customers and attract new customers, we plan to continue to invest in product development to strengthen and broaden our product lines. We plan to:

- introduce products with leading-edge technology, such as the new Axial-Flow combines and new lines of backhoe loaders and skid steer loaders;
- tailor product offerings for entering new geographic markets and customer segments;
- continue emphasis on improved quality, reliability and product simplification; and
- pursue complementary product lines through strategic partnerships, joint ventures and acquisitions.

Profit Improvement Initiatives

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

In 2002 and again in 2003, we expanded on and extended our original goals. Through year-end 2002, our cumulative merger-related profit improvements totaled approximately $600 million as compared to the base levels of revenues and costs incurred in the combined equipment operations of New Holland and Case for the full year 1999. These improvements resulted from selling, general and administrative (SG&A) savings ($244 million), purchasing savings ($182 Million), manufacturing rationalization savings ($81 million), and the contributions from cross-selling existing products ($40 million) and margin improvements from new products ($52 million).

We believe that the continuation of these actions through 2006 will result in additional savings of approximately $650 million. Margin improvements from our new products, further SG&A reductions, research and development efficiencies and further manufacturing and depot system efficiencies will comprise the majority of the savings. These actions represent improvements as compared with the base levels of revenues and costs incurred by CNH for the full year 2002. This estimate is not based on any assumption of an appreciable increase in industry volumes from 2002 levels. In the year ended December 31, 2003, we achieved $225 million of the $650 million of additional profit improvements expected by 2006.

Our consolidated worldwide employment level has declined from approximately 36,000 at the time of the merger in late 1999 to approximately 26,800 at December 31, 2003. This decline of over 26% was achieved despite the addition of employees from acquisitions occurring subsequent to the merger.

Restructure Manufacturing Process By consolidating and rationalizing our manufacturing activities, we are reducing excess capacity and firmly focusing each facility, creating a lean, flexible manufacturing system. In addition to downsizing certain of our facilities, we continue to reduce our number of plants, both through required and voluntary divestitures or closures, from 60 at the time of the merger to 39 by the end of 2004, excluding new acquisitions. At December 31, 2003, excluding two new plants obtained via acquisitions, we had 43 plants. In the process, we are redistributing production of various products among the remaining plants to firmly focus each facility on either the production of components or the assembly of one product category across brand families. We are concentrating on certain key technologies or competencies while outsourcing other non-core activities.

During 2003, we recorded $271 million in restructuring costs for the CNH Merger Integration Plan, including $268 million in Equipment Operations and $3 million in Financial Services. These restructuring costs relate to severance and other employee-related costs, write-down of assets, loss on the sale of assets and businesses, costs related to closing, selling, and downsizing existing facilities. See Note 13, Restructuring to the Consolidated Financial Statements for a detailed analysis of our restructuring programs.

Manufacturing Capacity We have sought a balance between high capacity utilization and responsiveness to growth opportunities. We have sized our manufacturing capacity to a flat market demand while introducing modularization of both product and process design to add flexibility to the manufacturing process. Our lean manufacturing techniques also improve flexibility by reducing exposure to rapidly changing market demands. We also manage the business cycle by establishing flexible work rules and setting staffing levels that are supported by temporary employees. Manufacturing capacity utilization is projected to increase from approximately 62% utilization at the end of 2003 to approximately 73% utilization by the end of 2006.

Global Outsourcing Our global outsourcing improves efficiency and competitiveness in several ways. The benefits of outsourcing include: allowing our investments to focus on core competency operations; leveraging the expertise of our supply base; simplifying manufacturing complexity; reducing exposure to business cycles; and mitigating capital expenditures due to new technology or changes in regulation. Our use of global outsourcing also extends to non-core services such as information systems and maintenance.

Focused Manufacturing Facilities Our more focused manufacturing strategy will capitalize on facilities that are focused on manufacturing a single product, to the extent possible. We believe that this approach achieves economies of scale and improved quality.

Presence Close to Market We continue to utilize regional manufacturing locations that are strategically located close to our primary markets. This geographic proximity impacts all areas of the supply chain and enhances our responsiveness to changing market demands.

Maintain/ Improve Quality Throughout the manufacturing capacity rationalization process, our primary focus has been on maintaining and improving product quality by embedding key quality improvement activities into the process, such as global product development and current product management processes.

Reduce Purchasing Costs Our global sourcing strategy calls for a reduction in the number of our global suppliers and the use of common components on our product platforms to continue to reduce our purchasing costs. This will increase the volumes sourced from each supplier, permitting us to reduce our costs and allowing suppliers to realize economies of scale. We have initiated a plan to reduce the number of our suppliers from 6,000 at the time of the merger to 3,000 by the end of 2004. As of December 31, 2003, we have reduced the number of our suppliers to approximately 3,500.

We have been able to achieve cost savings on materials in a number of ways. The merger has permitted us to benefit from the savings associated with higher volume materials purchases on a global basis. In addition, we have reevaluated our global supplier network and, in some cases, changed suppliers to enhance cost savings. Our manufacturing reengineering initiatives have further reduced materials costs through the more efficient design of some of our components. For purposes of this target, our management has classified all materials cost savings as part of our profit improvement initiatives. Materials cost savings were approximately $8.4 million in 2003.

Consolidate Parts Distribution Network We are reducing distribution complexity and costs by reducing the number of global parts depots from 45 to 24 and instituting a new global common parts system. As of December 31, 2003, we had reduced the number of parts depots to 43, excluding two depots added in the Kobelco Japan alliance and our Shanghai joint venture with China s leading producer of agricultural tractors, Shanghai Tractor. Also, under our new global parts packaging system, some high volume common parts have been distinctly packaged for each brand or brand family while most other parts are beginning to utilize common CNH packaging. This is further reducing our costs of servicing new products by capitalizing on the common spare parts requirements of the common components in the new products.

Integrate Systems and Processes to Create a Lean Structure We have completed our plan to reduce SG&A costs to less than 8.5% of net sales of Equipment Operations two years ahead of schedule. This compares to 10.8% in the first year of operations after the merger, and has been achieved by eliminating duplicative functions and streamlining processes. In addition, with the completion of the majority of the new common platforms for our agricultural products, we will be able to achieve greater efficiencies in our research and development activities. Going forward, we intend to maintain our SG&A costs at approximately 2003 levels as a percentage of net sales. We realized profit improvements from SG&A reductions of approximately $95 million in 2003.

Improved Margins from New Products With the launch of our first all new products based on our common platform strategy, we anticipate realizing further profit improvements in the form of higher margins. In addition, our common product platforms have enabled us to offer through all of our dealer networks certain products previously available only through certain dealers. We estimate we have realized incremental profit margin contributions of approximately $78 million in 2003 from new products, the majority of which are on common platforms.

Expand Globally to New Markets

We view geographic expansion as an additional opportunity for future growth and will consider the profitable expansion into markets characterized by rapidly increasing food, housing and infrastructure demand. On the construction equipment side, our commitment to growth is evidenced by the global alliance with Kobelco Japan. This alliance opened Japan and the other markets of the Asia-Pacific region to CNH-built heavy and light equipment. We have demonstrated our commitment to expansion in our agricultural business through our Shanghi New Holland Agricultural Machinery Corp. Ltd. (Shanghi) joint venture. See Note 3, Acquisitions and Divestitures of Business and Investments to the Consolidated Financial Statements.

Expand Support of Dealers and Customers Through Our Refocused Financial Services Operations

Our Financial Services operations are focused on the core business of supporting agricultural and construction equipment sales to our base of equipment dealers and retail customers throughout the world. We have exited the commercial lending and retail financing activities outside our own dealer networks and reduced the scope of our operating lease business. These actions are expected to generate approximately $400 million in positive cash flow through asset runoff between 2004 and 2006. We are concentrating on maintaining and enhancing the quality of our core portfolio through a focus on fundamental underwriting, processing and monitoring capabilities, augmented by intensive follow-up and remarketing efforts in troubled situations. Our continued access to the U.S., Canadian and Australian ABS markets is evidence of the quality of our retail receivables portfolio, and we seek to broaden our access to other retail and wholesale ABS opportunities. We believe we are maintaining a conservative capital structure while continuing to pay dividends to Equipment Operations out of current Financial Services earnings. Finally, we are continually pursuing further systems and process efficiencies, striving to reduce our Financial Services SG&A costs to less than one percent of managed assets.

We plan to expand our support to dealers and customers in as many areas of the world as is feasible using minimal amounts of invested capital. Partnerships similar to our arrangement entered into in 2002 with

BPLG, which broadened our product offerings throughout Europe and significantly reduced our current and future capital requirements, will continue to be evaluated in other regions.

In total, we believe these actions should result in an improvement in the results of our Financial Services activities through 2006.

Restructuring

Our management formulated a plan to integrate the operations of the Case and New Holland businesses at the time of the merger. Our goal was to divest or close more than 30% of our manufacturing locations, including those required to be divested by the regulatory authorities, and integrate our manufacturing systems, reduce capacity and increase capacity utilization. In addition, we planned to close approximately 14 of our 45 parts depots while migrating to one global parts system and common parts packaging for parts that could be utilized by multiple brands or distribution networks. As of December 31, 2003, we have closed 17 plants and 11 parts depots. Through the consolidation of all functional areas, and including the Kobelco Japan alliance and our Shanghai joint venture, our employment levels are down from approximately 36,000 at the time of the merger to approximately 26,800 at December 31, 2003, a reduction of approximately 26%.

Competition

The agricultural equipment industry is highly competitive, particularly in North America and Europe. We compete primarily with large global full-line suppliers, including Deere & Company and AGCO/ VALTRA; manufacturers focused on particular industry segments, including Kubota Corporation and various implement manufacturers; regional manufacturers in mature markets, including Claas KgaA/Renault, ARGO Group and SAME Duetz-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 is highly competitive, particularly in Western Europe, North America, Latin America and the Asia-Pacific region. We compete primarily with global full-line suppliers with a presence in every market and a broad range of products that cover most customer needs, including Caterpillar, Komatsu Construction Equipment, TEREX and Volvo Construction Equipment Corporation; regional full-line manufacturers, including Deere & Company, J.C. Bamford Excavators Ltd. and Liebherr-Holding GmbH and product specialists operating on either a global or a regional basis, including Ingersoll-Rand Company (Bobcat), Hitachi Ltd., Sumitomo Construction, Manitou B.F., Merlo UK Ltd., Gehl Company, Mustang Manufacturing Company, Inc., Yanmar Agricultural Equipment Co. Ltd. and Kubota Corporation.

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

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

Products and Markets

Agricultural Equipment

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

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

Tractors Tractors are used to pull, push and provide power for farm machinery and other agricultural equipment. Tractors are classified by horsepower size. We manufacture and market a broad range of tractors under the Case IH, New Holland and Steyr brands. Tractors represented approximately 48% of our sales of agricultural equipment in 2003.

Combine Harvestors 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