CNH GLOBAL N V
Form 20-F
February 25, 2010
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTIONS 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

or

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 31, 2009

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
or

¨ **SHELL COMPANY 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)

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(Contact person)

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: 237,398,518 Common Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No þ

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Act of 1934. Yes ¨ No þ

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer þ	Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: U.S. GAAP þ International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other ¨

If Other has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow: Item 17 ¨ or Item 18 ¨.

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ¨ No ¨

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PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

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

We prepare our annual consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements are expressed in U.S. dollars and, unless otherwise indicated, all financial data set forth in this annual report is expressed in U.S. dollars. Our worldwide agricultural equipment and construction equipment operations are collectively referred to as Equipment Operations. Our worldwide financial services operations are collectively referred to as Financial Services.

As of December 31, 2009, Fiat S.p.A. and its subsidiaries (Fiat or the Fiat Group) owned approximately 89% of our outstanding common shares through its direct, wholly-owned subsidiary Fiat Netherlands Holding N.V. (Fiat Netherlands). For information on our share capital, see Item 10. Additional Information B. Memorandum and Articles of Association.

Fiat S.p.A. is a corporation organized under the laws of the Republic of Italy. The Fiat Group performs automotive, manufacturing, and financial service activities through companies located in approximately 50 countries and is engaged in commercial activities with customers in approximately 190 countries. It also manufactures other products and systems, principally automotive-related components, metallurgical products and production systems. In addition, the Fiat Group is involved in certain other activities, including publishing, communications and service companies.

Certain financial information in this report has been presented by geographic area. We use the following geographic designations: (1) North America; (2) Western Europe; (3) Latin America; and (4) Rest of World. As used in this report, the following geographic designations shall have the following meanings:

North America the 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.

Certain industry and market share information in this report has been presented on a worldwide basis which includes all countries, with the exception of India. In this report, management estimates of market share information are generally based on retail unit data in North America, on registrations of equipment in most of Europe, Brazil, and various Rest of World markets and on retail and shipment unit data collected by a central information bureau appointed by equipment manufacturers associations including the Association of Equipment Manufacturers (AEM) in North America, the Committee for European Construction Equipment (CECE) in Europe, the Associação Nacional dos Fabricantes de Veículos Automotores (ANFAVEA) in Brazil, the Japan Construction Equipment Manufacturers Association (CEMA) and the Korea Construction Equipment Manufacturers Association (KOCEMA), as well as on other shipment data collected by an independent service bureau. Not all agricultural or construction equipment is registered, and registration data may thus underestimate, perhaps substantially, actual retail industry unit sales demand, particularly for local manufacturers in China, Southeast Asia, Eastern Europe, Russia, Turkey, Brazil and any country where local shipments are not reported. In addition, there may also be a period of time between the shipment, delivery, sale and/or registration of a unit, which must be estimated, in making any adjustments to the shipment, delivery, sale, or registration data to determine our estimates of retail unit data in any period.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

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

The following selected consolidated financial data as of December 31, 2009 and 2008, and for each of the years ended December 31, 2009, 2008, and 2007 has been derived from the audited consolidated financial statements included in Item 18. Financial Statements . This data should be read in conjunction with Item 5. Operating and Financial Review and Prospects, and is qualified in its entirety by reference to the audited consolidated financial statements included in Item 18. Financial Statements. Financial data as of December 31, 2007, 2006, and 2005 and for the years ended December 31, 2006, and 2005, has been derived from our previously-published, audited consolidated financial statements which are not included herein.

We calculate basic earnings per share based on the two-class method of computing earnings per share when participating securities are outstanding. The two-class method is an earnings allocation formula that determines earnings per share for common stock and participating securities based upon an allocation of earnings as if all of the earnings for the period had been distributed in accordance with participation rights on undistributed earnings. In 2005, we calculated basic earnings per share using the two-class method as CNH s Series A Preference Shares (Series A Preferred Stock) were outstanding. Subsequent to the conversion of the eight million shares of Series A Preferred Stock into CNH common shares on March 23, 2006, there have been no shares of Series A Preferred Stock outstanding.

In periods when the Series A Preferred Stock was outstanding, undistributed earnings, which represent net income attributable to CNH less dividends paid to common shareholders, were allocated to the Series A Preferred Stock based on the dividend yield of the common shares, which was impacted by the price of our common shares. For purposes of the basic earnings per share calculation, we used the average closing price of our common shares over the last thirty trading days of the period (Average Stock Price). As of December 31, 2005, the Average Stock Price was $17.47 per share. Had the Average Stock Price of the common shares been different, the calculation of the earnings allocated to Series A Preferred Stock may have changed. Additionally, the determination was impacted by the payment of dividends to common shareholders as the dividend paid is added to net income in the computation of basic earnings per share. Subsequent to the March 23, 2006 conversion of the Series A Preferred Stock, there has been no further impact on earnings per share.

Prior period amounts have been restated to reflect the required January 1, 2009, adoption of new accounting guidance with regards to the presentation and disclosure of noncontrolling interests in consolidated financial statements. As a result, net income (loss) is attributed between CNH and the noncontrolling interests in partially owned subsidiaries. In addition, net income (loss) attributable to noncontrolling interests has been reclassified and renamed from minority interest to a new line below net income (loss). Additionally, prior period balances of accumulated undistributed earnings relating to noncontrolling interests in partially owned subsidiaries are now classified as a component of equity, instead of as a minority interest liability.

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The following table contains our selected historical financial data as of and for each of the five years ended December 31, 2009, 2008, 2007, 2006 and 2005 in accordance with U.S. GAAP.

	For the Years Ended December 31,				
	2009	2008	2007	2006	2005
	(in millions, except per share data)				
Consolidated Statement of Operations Data:					
Revenues:					
Net sales	$ 12,783	$ 17,366	$ 14,971	$ 12,115	$ 11,806
Finance and interest income	977	1,110	993	883	769
Total revenues	$ 13,760	$ 18,476	$ 15,964	$ 12,998	$ 12,575
Net income (loss)	$ (222)	$ 824	$ 574	$ 308	$ 189
Net income (loss) attributable to CNH Global N.V.	$ (190)	$ 825	$ 559	$ 292	$ 163
Earnings (loss) per share attributable to CNH Global N.V. common shareholders:					
Basic earnings (loss) per share	$ (0.80)	$ 3.48	$ 2.36	$ 1.37	$ 0.77
Diluted earnings (loss) per share	$ (0.80)	$ 3.47	$ 2.36	$ 1.23	$ 0.70
Cash dividends declared per common share	$	$ 0.50	$ 0.25	$ 0.25	$ 0.25

	As of December 31,				
	2009	2008	2007	2006	2005
	(in millions)				
Consolidated Balance Sheet Data:					
Total assets	$ 23,208	$ 25,459	$ 23,745	$ 18,274	$ 17,318
Short-term debt	$ 1,972	$ 3,480	$ 4,269	$ 1,270	$ 1,522
Long-term debt, including current maturities	$ 7,436	$ 7,877	$ 5,367	$ 5,132	$ 4,765
Common shares at 2.25 par value	$ 595	$ 595	$ 595	$ 592	$ 315
Common shares outstanding	237	237	237	236	135
Equity	$ 6,810	$ 6,575	$ 6,419	$ 5,229	$ 5,143

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

Not applicable.

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

Not applicable.

D. ***Risk Factors*****.**

The following risks should be considered in conjunction with Item 5. Operating and Financial Review and Prospects beginning on page 34 and the other risks described in the Safe Harbor Statement on page 69. These risks may affect our operating results and, individually or in the aggregate, could cause our actual results to differ materially from past and anticipated future results. The following discussion of risks may contain forward-looking statements which are intended to be covered by the Safe Harbor Statement on page 69. Except as may be required by law, we undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events, or otherwise. We invite you to consult any further related disclosures we make in our Form 6-K reports furnished to the United States Securities and Exchange Commission (SEC).

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Risks Related to Our Business, Strategy and Operations

Current conditions in the global economy and the major industries we serve have adversely affected our business. The business and operating results of our Equipment Operations have been, and will continue to be, adversely affected by worldwide economic conditions. Current financial conditions and, in particular, conditions in the construction industry, continue to place significant economic pressures on our existing and potential customers, including our dealer network. As a result, some customers may delay or cancel plans to purchase our products and services and may not be able to fulfill their obligations to us in a timely fashion. Further, our suppliers may be experiencing similar conditions, which may adversely affect their ability to fulfill their obligations to us, which could result in product delays, increased accounts receivable, defaults and inventory challenges. The full impact of stimulus programs by the United States and other governments remains uncertain, as does their willingness to extend existing programs or adopt additional programs. If there is significant further deterioration in the global economy, the demand for our products and services would likely decrease, and our results of operations, financial position and cash flows could be materially and adversely affected.

In addition, a decline in equity market values could cause many companies, including us, to carefully evaluate whether certain intangible assets, such as goodwill, have become impaired. The factors that we evaluate to determine whether an impairment charge is necessary requires management judgment and estimates. The estimates are impacted by a number of factors, including, but not limited to, worldwide economic factors, technological changes and the achievement of the anticipated benefits of our profit improvement initiatives. Any of these factors, or other unexpected factors, may cause us to re-evaluate whether we need to record an impairment charge. In the event we are required to record an impairment charge to certain intangible assets, it could have an adverse impact on our equity position and statement of operations.

We are exposed to political, economic and other risks from operating a global business. Our global business is also subject to the political, economic and other risks that are inherent in operating in numerous countries. Some of those risks include:

- changes in laws, regulations and policies that affect:
  - import and export duties and quotas,
  - currency restrictions,
  - interest rates and the availability of credit to our dealers and customers,
  - property and contract rights, and
  - taxes;
- regulations from changing world organization initiatives and agreements;
- changes in the dynamics of our competitors and the industries in which we operate;
- varying and unpredictable customer needs and desires;
- labor disruptions; and

war, civil unrest, and terrorism.

Financial Services borrows through a subsidized long-term program of a Brazilian development agency, Banco Nacional de Desenvolvimento e Social (BNDES), and this program provides subsidized funding to financial institutions to be loaned to farmers to support the purchase of machinery in accordance with the provisions of the program. The Brazilian government provided debt relief, which included deferral of payments and extensions of maturities, to certain qualifying farmers and borrowers under this program in 2005, 2006, 2007 and 2008.

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In 2009, no mass debt relief program was initiated. In most instances, the 2009 payments were due as scheduled or as renegotiated, where applicable. At December 31, 2009 and 2008, the amount of non-performing retail receivables included in this program, including the off-book guaranteed portfolio, was $633 million and $51 million, respectively. Total receivables greater than 60 days or more past due were $651 million and $63 million, respectively. The Company continues to aggressively pursue collections of these receivables. At December 31, 2009 and 2008, the Company had $172 million and $98 million in allowance for credit losses related to this portfolio, respectively.

The Company believes this series of debt relief actions has impacted customer behavior and payment patterns. The impact of any future changes to the program could further impact the Company s ability to collect amounts owed.

The costs of compliance or other liabilities arising from or relating to such laws, regulations, and risks could adversely affect our financial condition and results of operations.

Currently, our ability to grow our businesses depends to an increasing degree on our ability to increase market share and operate profitably in emerging market countries, such as Brazil, Russia, India and China. Some of these emerging market countries may be subject to a greater degree of economic and political volatility which could adversely affect our financial condition and results of operations.

Our financial performance is subject to currency exchange rate fluctuations and interest rate changes. We conduct operations in many areas of the world involving transactions denominated in a variety of currencies other than the U.S. dollar. To prepare our consolidated financial statements, we must translate those assets, liabilities, expenses and revenues into U.S. dollars at the applicable exchange rates. As a result, increases and decreases in the value of the U.S dollar relative to other currencies will affect the amount of these items in our consolidated financial statements, even if their value has not changed in their original currency (currency translation). We do not hedge currency translation risk. In addition, we are subject to daily variations in currency values as we make payments in or convert monies received from different currencies (currency transaction). Accordingly, a substantial increase or decrease in the value of the U.S. dollar relative to other currencies could substantially affect our operating results.

Changes in interest rates affect our results of operations by, among other things, increasing or decreasing our borrowing costs and finance income. In addition, an increase in interest rates will, among other things, increase our customers costs of financing equipment purchases which could reduce our sales of equipment. A decline in equipment sales or an increase in our funding costs would have an adverse effect on our financial condition and results of operations.

We attempt to mitigate our currency transaction risk and the impact of interest rate changes through the use of financial hedging instruments. We have historically entered into, and expect to continue to enter into, hedging arrangements with respect to currency transaction risk, a substantial portion of which are with counterparties that are treasury subsidiaries of Fiat S.p.A. 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 forgo the benefits that might result from favorable fluctuations in currency exchange and interest rates. In addition, any default by the counterparties to these transactions could adversely affect our financial condition and results of operations. These financial hedging transactions may not provide adequate protection against future currency exchange rate or interest rate fluctuations and, consequently, such fluctuations could adversely affect our financial condition and results of operations.

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See Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Risks related to our pension plans and other postretirement obligations could impact our profitability. At December 31, 2009, our pension plans had an underfunded status of $848 million and our postretirement benefit plans had an underfunded status of $1,086 million. Benefit obligations for pension plans that we do not currently fund were $481 million at that date. The funded status of our pension and postretirement benefit plans is subject to many factors, such as actual experience and updates to actuarial assumptions used to measure the obligations. Actual developments, such as a significant change in the return on investment of the plan assets or a change in the portfolio mix of plan assets, may result in corresponding increases or decreases in the valuation of plan assets, particularly with respect to equity securities. Moreover, changes in interest rates may result in increases or decreases in the valuation of plan assets consisting of debt securities. Differences between actuarial projections and actual experience, such as a difference between expected and actual participant mortality rates, retirement rates or health care costs, may result in significant increases or decreases in the valuation of pension or postretirement obligations. Changes in actuarial assumptions, such as discount rates or rates of increase in future compensation, may also result in significant changes to the funded status of our pension and postretirement benefit plans. A change in funded status and/or a change in actuarial assumptions can result in higher or lower net periodic pension costs in the following year. See also Item 5. Operating and Financial Review and Prospects A. Operating Results Application of Critical Accounting Estimates and Pension and Other Postretirement Benefits, as well as Note 12: Employee Benefit Plans and Postretirement Benefits of our consolidated financial statements for the year ended December 31, 2009, for additional information on pension and postretirement benefit accounting.

Significant legislative initiatives related to healthcare benefits, including related corporate tax treatment, are under consideration in the U.S. Congress. Although the final outcome of such legislation and its impact upon us remain uncertain, legislative versions under consideration have the potential to impose significant costs upon our current employee and retiree healthcare obligations, potentially adversely affecting our operating results.

We depend on key suppliers for certain raw materials and components. We purchase raw materials, parts and components from third-party suppliers. We rely upon single suppliers for certain parts and components, primarily those that require joint development between us and our suppliers. Current financial conditions could cause some of our suppliers to continue to face severe financial hardship and disrupt our access to critical parts, components and supplies which could have a negative impact on our costs of production, our ability to fulfill orders and on the profitability of our business.

Changes in the price of certain parts or commodities could adversely affect our operating results. A significant change in the demand for, or supply or price of, any part, component or commodity could adversely affect our profitability or our ability to obtain and fulfill orders. Increases in the prices of raw materials could adversely affect our operating results. Changes in the price or availability of raw materials, which are more likely to occur during times of economic volatility, could have a negative impact on our manufacturing costs which could reduce the profitability of our businesses. In addition, increases in the costs of steel, rubber, oil and related petroleum-based products would adversely affect our profitability unless we raise equipment and parts prices to recover any such material or component cost increases. However, we may be unable to raise prices due to market conditions. Our ability to realize the benefit of declining commodity prices may be delayed by the need to reduce existing whole goods inventories which were manufactured during a period of higher commodity prices.

Labor laws and labor unions, which represent most of our production and maintenance employees, could impact our ability to maximize the efficiency of our operations. We are subject to various local labor laws in the countries in which we operate. For instance, in Europe, our employees are covered by various worker protection laws which afford employees, through local and central works councils, rights of information and consultation with respect to specific matters involving their employers business and operations, including the downsizing or closure of facilities and employment terminations. Labor agreements covering employees in certain European countries generally expire annually. The European worker protection laws and the collective bargaining agreements to which we are subject could impair our flexibility in streamlining existing manufacturing facilities and in restructuring our business.

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Overall, labor unions represent most of our production and maintenance employees. Although we believe our relations with our employees and our unions are generally positive, current or future issues with labor unions might not be resolved favorably, and we may experience a work interruption or stoppage which could adversely affect our financial condition and results of operations.

Risks Particular to the Industries in Which We Operate

Government action and changes in government policy can impact our sales and restrict our operating flexibility. Our businesses are exposed to a variety of risks and uncertainties related to the action or inaction of governmental bodies.

Government policies can affect the market for our agricultural equipment by influencing interest rates and regulating economic activity. For example, governments may regulate the levels of acreage planted through direct subsidies affecting specific commodity prices or through payments made directly to farmers. The existence of a high level of subsidies may reduce the effects of cyclicality in the equipment business. Other changes in government regulations, policies and initiatives could reduce demand for equipment and reduce our net sales.

In addition, international and multilateral institutions, such as the World Trade Organization, can affect the market for agricultural equipment through initiatives for changes in governmental policies and practices regarding agricultural subsidies, tariffs and the production of genetically modified crops. In particular, the outcome of the global negotiations under the auspices of the World Trade Organization could have a material effect on the international flow of agricultural commodities and could cause severe dislocations within the farming industry as farmers shift production to take advantage of new programs. With uncertainty created by policy changes and reforms, farmers could delay purchasing agricultural equipment, causing a decline in industry unit volumes and our net sales.

The worldwide financial and credit crisis dramatically affected, among other things, the availability and cost of credit. The full impact of actions by various central banks and other governmental entities to restore liquidity, increase the availability of credit and stimulate job growth continues to be uncertain. Although credit conditions generally improved in 2009 from 2008, enabling many government programs to expire, pressures on liquidity and the availability of credit could have an adverse impact on our customers and suppliers as well as our financial condition and results of operations. In addition, some of our competitors may be eligible for government programs for which we are ineligible, which would put us at a competitive disadvantage. Governmental action may have the effect of impacting market forces and consumer demand in unanticipated ways.

Government policies on issues like taxes and spending can have a material effect on our sales and business results. For example, increased government spending on roads, utilities and other construction projects and requirements with respect to biofuel additives to gasoline can have a positive effect on sales, while tax laws and regulations may affect depreciation schedules and the net income earned by our customers. These factors may influence customer decisions with respect to whether and when to buy equipment. Developments which are more unfavorable than anticipated, such as decisions to reduce public spending, could have an adverse effect on our financial condition and results of operations.

See also Item 4. Information on the Company B. Industry Overview-Biofuels Impact on Agriculture, Light Construction Equipment, and D. Property, Plant and Equipment Environmental Matters.

Reduced demand for equipment would reduce our sales and profitability. Some factors affecting demand for equipment, which could materially impact our operating results, include:

- general economic conditions;
- demand for food;

- commodity prices and stock levels;
- net farm income levels;
- availability of credit;
- developments in biofuels;
- infrastructure spending rates;
- housing starts; and
- commercial construction.

As such factors increase or decrease around the world, demand for our products may be significantly impacted in a relatively short timeframe. Negative economic conditions or a negative outlook for any of these factors can dampen demand for farm and/or construction equipment. Rapid declines in demand can result in, among other things, an oversupply of equipment, a decline in prices, the need for additional promotional programs, and a decrease in factory utilization, all of which would adversely affect our financial condition and results of operations.

Positive economic conditions or positive outlooks for any of these factors can increase demand for farm and/or construction equipment. Rapid increases in demand can result in, among other things, an undersupply of equipment, increases in prices of our equipment, increases in our costs for materials and components, and increases in factory utilization demands (that either may not be possible due to production or other constraints, affecting either us or our suppliers, or may not be sustainable for long periods of time without additional, potentially significant, capital expenditures or inefficiency costs). Producing our products is a capital intensive activity and can require significant amounts of time and capital investment to materially adjust production capacity and efficiency. Accordingly, we may not be able to quickly accommodate large changes in demand which could impede our ability to operate efficiently. See also Item 4. Information on the Company B. Business Overview Industry Overview.

The agricultural and construction equipment industries are highly cyclical. The nature of the agricultural and construction equipment industries is such that changes in demand can occur suddenly, resulting in imbalances in inventories, production capacity and prices for new and used equipment. Downturns may be prolonged and may result in significant losses during affected periods. Equipment manufacturers, including us, have responded to downturns in the past by reducing production levels and discounting product prices. These actions have resulted in restructuring charges and lower earnings for us in past affected periods. In response to the current decline in sales (particularly in the construction equipment industry), we may continue to under-produce relative to retail demand the amount of equipment we manufacture in the first half of 2010. In the event of further downturns in the future, we may need to undertake similar or additional actions. Upturns also may be prolonged and result in lower than expected improvements in results as we and our suppliers invest to increase production capacities and efficiencies.

Risks related to Financial Services.

Credit Risk. Fundamental to any organization that extends credit is the risk associated with its customers. The creditworthiness of each customer, and the rates of delinquencies, repossessions and net losses relating to customer loans is impacted by many factors including:

- relevant industry and general economic conditions;
- the availability of capital;

changes in interest rates;

the experience and skills of the customer s management team;

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- commodity prices;
- political events;
- weather; and
- the value of the collateral securing the extension of credit.

A deterioration of our asset quality, an increase in delinquencies or a reduction in collateral recovery rates could have an adverse impact on the performance of Financial Services. These risks become more acute in any economic slowdown or recession due to decreased demand for (or the availability of) credit, declining asset values, changes in government subsidies, reductions in collateral to loan balance ratios, and an increase in delinquencies, foreclosures and losses. Our servicing and litigation costs may also increase. In addition, governments may pass laws or implement regulations that modify rights and obligations under existing agreements or which prohibit or limit the exercise of contractual rights.

When loans become delinquent and Financial Services forecloses on collateral securing the repayment of the loan, its ability to sell the collateral to recover or mitigate losses is subject to the market value of such collateral. Those values are affected by levels of new and used inventory of agricultural and construction equipment on the market. They are also dependent upon the strength or weakness of market demand for new and used agricultural and construction equipment, which is affected by the strength of the general economy. In addition, repossessed collateral may be in poor condition, which would reduce its value. Finally, relative pricing of used equipment, compared with new equipment, can affect levels of market demand and the resale of the repossessed equipment. An industry wide decrease in demand for agricultural or construction equipment could result in lower resale values for repossessed equipment which could increase losses on loans and leases, adversely affecting our financial condition and results of operations. See also Item 3D. Risks Related to Our Indebtedness Access to funding at competitive rates is essential to our Financial Services business.

Funding Risk. Financial Services has traditionally relied upon the asset-backed securitization (ABS) market as a primary source of funding for its operations in North America and Australia. The recent worldwide financial and credit crisis had a material impact on the ABS market. While Financial Services has been able to access funding through the ABS market and alternative sources, some of our securitizations in 2009 were completed under the U.S. Federal Reserve Term Asset-Backed Securities Loan Facility (TALF), which is not expected to be available in the future. In 2009, we did see a return of liquidity to the ABS market at spreads that have improved throughout the year, but which are still higher than historical averages. However, if economic conditions worsen, Financial Services could have materially higher funding costs or may have to limit its product offerings, which could negatively impact our financial results. As Financial Services finances a significant portion of our sales of equipment, to the extent that Financial Services is unable to access funding on acceptable terms our sales of equipment could be negatively impacted.

To maintain competitiveness in the capital markets and to promote efficient use of funding sources, we have in the past provided additional reserve support to previously issued ABS transactions and may continue to do so from time to time. Such support may be required to maintain credit ratings assigned to the transactions if loss experiences are higher than anticipated due to adverse economic conditions. The need to provide additional reserve support could have an adverse effect on our financial condition, results of operations and liquidity.

Repurchase Risk. In connection with our ABS transactions, we make customary representations and warranties regarding the assets being securitized. While no recourse provisions exist that allow holders of asset-backed securities issued by our qualifying special purpose entities (QSPE) to put those securities back to us, a breach of these representations and warranties could give rise to an obligation to repurchase receivables from the QSPEs. We have not been requested to repurchase asset-backed securities due to a breach of representations or warranties, but any future repurchases could have an adverse effect on our financial condition, results of operations and liquidity.

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Regulatory Risk. The operations of Financial Services are subject, in certain instances, to supervision and regulation by various governmental authorities. These operations are subject to various laws and judicial and administrative decisions and interpretations imposing requirements and restrictions, which among other things:

- regulate credit granting activities, including establishing licensing requirements;
- establish maximum interest rates, finance and other charges;
- regulate customers insurance coverage;
- require disclosure to customers;
- govern secured transactions;
- set collection, foreclosure, repossession and claims handling procedures and other trade practices;
- prohibit discrimination in the extension of credit and administration of loans; and
- regulate the use and reporting of information related to a borrower.

To the extent that applicable laws are amended or construed differently, new laws are adopted to expand the scope of regulation imposed upon Financial Services, or applicable laws prohibit interest rates we charge from rising to a level commensurate with risk and market conditions, such events could adversely affect our Financial Services business and our financial condition and results of operations.

Financial Services conducts business in parts of Europe and Brazil through two wholly-owned licensed banks. The activities of these entities are also governed by international, federal and local banking laws, and our banks are subject to examination by banking regulators. These banking entities are also required to comply with various financial requirements (such as minimum capital requirements). Compliance with such banking regulations could increase our operating costs which would have an adverse effect on our financial condition and results of operations. In addition, government regulators may implement laws which negatively impact our contractual rights, which may increase our financial risk of doing business in such countries.

Market Risk. We hold substantial retained interests in securitization transactions, which we refer to collectively as retained interests. We carry these retained interests at estimated fair value, which we determine by discounting the projected cash flows over the expected life of the assets sold in connection with such transactions using prepayment, default, loss and interest rate assumptions. We are required to recognize declines in the value of our retained interests, and resulting charges to income or equity, when their fair value is less than carrying value. The portion of the decline, from discount rates exceeding those in the initial deal, are charged to equity. All other credit related declines are charged to income. Assumptions used to determine fair values of retained interests are based on internal evaluations and, although we believe our methodology is reasonable, actual results may differ from our expectations. Our current estimated valuation of retained interests may change in future periods, and we may incur additional impairment charges as a result. Beginning January 1, 2010, the Company adopted the new accounting guidance relating to variable interest entities. The retained interest, included in the December 31, 2009 balance sheet, will generally be reclassified to receivables for the transactions that are consolidated upon adoption of this guidance.

See also Item 3D. Risks Related to Our Indebtedness Access to funding at competitive rates is essential to our Financial Services business.

The agricultural equipment industry is highly seasonal which causes our results of operations and levels of working capital to fluctuate. The agricultural equipment business is highly seasonal as farmers traditionally purchase agricultural equipment in the spring and fall in connection with the main planting and harvesting seasons. Our net sales and results of operations have historically been the highest in the second quarter, reflecting the spring selling season in the Northern Hemisphere, and lowest in the third quarter, when many of our production facilities experience summer shut-down periods, especially in Europe. Seasonal conditions also affect our construction equipment business, but to a lesser extent than our agricultural equipment business. 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. However, because we spread our production and wholesale shipments throughout the year, wholesale sales of agricultural equipment products in any given period may not necessarily reflect the timing of dealer orders and retail demand in that period.

Estimated retail demand may exceed or be exceeded by actual production capacity in any given calendar quarter because we spread 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, and anticipate higher 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 typically reduced.

As economic, geopolitical, weather and other conditions change during the year and as actual industry demand might differ from expectations, sudden or significant declines in industry demand could adversely affect our working capital and debt levels, financial condition or results of operations. In addition, to the extent our production levels (and timing) do not correspond to retail demand, we may have too much or too little inventory, which could have an adverse effect on our financial condition and results of operations.

Weather, climate change, and natural disasters can impact our operations and our sales. Poor or unusual weather conditions, particularly in the spring, can significantly affect purchasing decisions of our customers. Sales in the important spring selling season can have a material impact on our financial results. In addition, growing public concerns over the effects of climate change have resulted in international and national initiatives to control the emissions of greenhouse gasses (GHG) and additional proposed laws and regulations designed to further reduce emissions of carbon dioxide and other GHGs which contribute to global warming . For example, the U.S. Environmental Protection Agency (EPA) has proposed a mandatory carbon emissions reporting system for certain facilities and has made an endangerment finding with respect to GHG emissions under the U.S. Clean Air Act which could lead to increased regulation of GHG emissions in the U.S. In addition, legislation under consideration in the U.S. Congress could result in the institution of a carbon tax or a cap and trade program for carbon dioxide and other GHG emissions in the U.S. Depending upon the nature, extent, and timing of such potential laws and regulations, we could experience increased costs of compliance, which could negatively impact our results of operations. In addition, it is unclear how climate change may impact our suppliers and customers (particularly with respect to agricultural equipment) and their businesses and the resulting potential impact to our businesses. In addition, natural disasters such as tornadoes, hurricanes, earthquakes, floods, droughts and other forms of severe weather in a country in which we produce or sell equipment could have an adverse effect on our customers, our sales, or our property, plant and equipment.

Competitive activity or failure by us to respond to actions by our competitors could adversely affect our results of operations. We operate in a highly competitive environment with global, regional and local competitors of differing strengths in various markets throughout the world. Our equipment businesses compete primarily on the basis of product features and performance, customer service, quality, price and anticipated resale value, and our products may not be able to compete successfully with those offered by our competitors. Aggressive pricing or other strategies pursued by competitors, unanticipated product improvements or difficulties, manufacturing difficulties, our failure to price our products competitively or an unexpected buildup in competitors new machine or dealer-owned rental fleets, leading to severe downward pressure on machine rental rates and/or used equipment prices, could result in a loss of customers, a decrease in our revenues and a decline in our share of industry sales.

Our Equipment Operations sales outlook is based upon various assumptions including price realization, volumes, product mix and geographic mix. The current market environment remains competitive from a pricing standpoint. Further declines in the construction or agricultural equipment industry together with further deteriorating economic conditions could make it more difficult to maintain pricing or cause volumes to be less than projected, which would adversely affect our operating results. In addition, if actual product or geographic mix differs from our assumptions, it could have a negative effect on our operating results.

Our Financial Services operations compete with banks, finance companies and other financial institutions. Our Financial Services operations may be unable to compete successfully due to the inability to access capital on favorable terms, or due to issues relating to funding resources, products, licensing or other governmental regulations, and the number, type and focus of services offered. In addition, some of our competitors may be eligible to participate in government programs providing access to capital at favorable rates for which we are ineligible, which may put us at a competitive disadvantage. If our Financial Services business is unable to effectively compete, our financial condition and results of operations will suffer.

Dealer equipment sourcing and inventory management decisions could adversely affect our sales. We sell a substantial portion of our finished products and parts through an independent dealer network. The dealers carry inventories of finished products as part of ongoing operations and adjust those inventories based on their assessment of future sales opportunities. Dealers who carry products that compete with our products may focus their inventory purchases and sales efforts on goods provided by other suppliers due to industry demand or profitability. Such inventory adjustments and sourcing decisions can adversely impact our sales, financial condition and results of operations.

Adverse economic conditions could place a financial strain on our dealers and adversely affect our operating results. During 2009, difficult global economic conditions placed financial stress on many of our dealers. Dealer financial difficulties may impact their equipment sourcing and inventory management decisions, as well as their ability to provide services to their customers purchasing our equipment. Accordingly, additional financial strains on members of our dealer network resulting from current or future economic conditions could adversely impact our sales, financial condition and results of operations.

Changes in the equipment rental business could affect our sales. In recent years, short-term lease programs and commercial rental agencies for agricultural and construction equipment have expanded significantly in North America. In addition, larger rental companies have become sizeable purchasers of new equipment and can have a significant impact on total industry sales, prices, and terms when they change the size of their fleets or adjust to more efficient rates of rental utilization. With changes in construction activity levels and rental utilization rates, rental companies may need to accelerate or postpone new equipment purchases for the replenishment of their fleets, without changing the size of their fleets. If changes in activity levels become more pronounced, the rental companies also may need to increase or decrease their fleet size to maintain efficient utilization rates. These changes can lead to more pronounced demand volatility, exacerbating cyclical increases or decreases in industry demand, particularly at either the beginning or end of a cycle, as rental companies often are among the first market participants to experience these changes.

In addition, when correspondingly larger or smaller amounts of equipment come off lease or are replaced with newer equipment by rental agencies, there may be a significant increase in the availability of late-model used equipment which could impact used equipment prices. If used equipment prices were to decline significantly, sales and pricing 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 and our dealer inventory values and their financial condition. 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.

Costs of ongoing compliance with and any failure to comply with environmental laws and regulations could have an adverse effect on our 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, regulated materials, waste disposal and the remediation of soil and groundwater contamination. We regularly expend significant resources to comply with regulations concerning the emission levels of our manufacturing facilities and the emission levels of our manufactured equipment. We are currently conducting environmental investigations or remedial activities involving soil and groundwater contamination at a number of properties. Management estimates potential environmental liabilities for remediation, closure and related costs, and other claims and contingent liabilities (including those related to personal injury) and establishes reserves to address these potential liabilities. Our ultimate exposure, however, could exceed our reserves. In addition, 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 may be significant. If we fail to comply with existing or future laws, we may be subject to fines, penalties and/or restrictions on our operations.

The engines used in our equipment are subject to extensive statutory and regulatory requirements governing emissions and noise, including standards imposed by the EPA, state regulatory agencies in the U.S. and other various regulatory agencies around the world. Governments may set new standards that could impact our operations in ways that are difficult to anticipate with accuracy. For example, the EPA has adopted new and more stringent emission standards, including Tier 4 non-road diesel emission requirements applicable to many of our non-road equipment products beginning in 2011. If we are unable to successfully execute our plans to meet Tier 4 emission and other regulatory requirements, our ability to continue placing certain products on the market would suffer, which could negatively impact our financial results and competitive position.

Changes in Accounting Standards. Our financial statements are subject to the application of U.S. GAAP, which are periodically revised. At times, we are required to adopt new or revised accounting standards issued by recognized bodies. It is possible such changes could have a material adverse effect on our reported results of operations or financial position. For example, in June 2009, the Financial Accounting Standards Board (FASB) issued new accounting guidance which amends the accounting for variable interest entities. The guidance significantly changes the criteria for determining whether the consolidation of a variable interest entity is required. The guidance changes the accounting for transfers of financial assets, increases the frequency for reassessing consolidation of variable interest entities and creates new disclosure requirements about an entity s involvement in a variable interest entity. The guidance is effective for interim and annual reporting periods that begin after November 15, 2009. We will adopt the guidance effective January 1, 2010. As a result, we expect that it will be necessary to consolidate a significant portion of our off-book receivables and related liabilities, principally debt. The impact is expected to increase assets and liabilities by approximately $6.0 billion and decrease equity by approximately $50 million. In addition, because the Company s securitization transactions will be accounted for as secured borrowings rather than asset sales, the cash flows from the transactions will be presented as cash flows from financing rather than cash flows from operating or investing activities.

Our business operations may be impacted by various types of claims, lawsuits, and other contingent obligations. We are involved in various product liability, warranty, product performance, asbestos, personal injury, environmental claims and lawsuits, and other legal proceedings that arise in the ordinary course of our business. We estimate such potential claims and contingent liabilities and, where appropriate, establish reserves to address these contingent liabilities. The ultimate outcome of the legal matters pending against us or our subsidiaries is uncertain, and although such lawsuits are not expected individually to have a material adverse effect on us, such lawsuits could have, in the aggregate, a material adverse effect on our consolidated financial condition, cash flows or results of operations. Further, we could in the future be subject to judgments or enter into settlements of lawsuits and claims that could have a material adverse effect on our results of operations in any particular period. In addition, while we maintain insurance coverage with respect to certain claims, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against any such claims. See also Note 14: Commitments and Contingencies to our consolidated financial statements.

We may not be able to realize anticipated benefits from any acquisitions and challenges associated with strategic alliances may have an adverse impact on our results of operations. We may engage in acquisitions or enter into or exit from strategic alliances which could involve risks that could prevent us from realizing the expected benefits of the transactions. Such risks could include:

- technological and product synergies, economies of scale and cost reductions not occurring as expected;
- unexpected liabilities;
- incompatibility in processes or systems;
- unexpected changes in laws or regulations;
- inability to retain key employees;
- increased financing costs and inability to fund such costs; and
- problems in retaining customers and integrating customer bases.

If problems or issues were to arise among the parties to one or more strategic alliances due to managerial, financial, or other reasons, or if such strategic alliances or other relationships are terminated, our product lines, businesses, financial condition, and results of operations could be adversely affected.

Our sales can be affected by customer attitudes and new product acceptance. The worldwide financial and credit crisis negatively impacted, and could further negatively impact, consumer confidence and consumers ability or willingness to purchase agricultural and construction equipment, which requires a significant capital investment. Continuing negative economic conditions could significantly impact consumer confidence and liquidity, which could cause many potential customers to defer capital investments in agricultural or construction equipment, which could adversely affect our sales. In addition, our long-term results depend on continued global demand for our brands and products.

To achieve our business goals, we must develop and sell products, parts and support services that appeal to our dealers and customers. This effort is dependent upon a number of factors including our ability to manage and maintain key dealer relationships, our ability to develop effective sales, advertising and marketing programs, and the strength of the economy. We believe that to maintain our competitive position and to increase sales we must develop innovative and cost competitive products that appeal to our customers around the world. Our ability to derive competitive benefits from new products will depend in part on our ability to develop or obtain and protect intellectual property relating to product innovations. Failure to continue to deliver high quality, competitive products to the marketplace on a timely basis, or to accurately predict market demand for, or gain market acceptance of, our products, could adversely affect our financial condition and results of operations.

Risks Related to Our Indebtedness

Adverse conditions in the financial and credit markets have limited, and may significantly limit, the availability, and increase the cost of, funding. During 2008 and early 2009, the financial and credit markets have experienced unprecedented levels of volatility and disruption, putting downward pressure on financial and other asset prices generally and on credit availability. As a result, the ability to procure new financing to fund operations or refinance maturing obligations as they became due was significantly constrained. A return to these conditions could severely restrict access to capital and could have a material adverse effect on our earnings and cash flow. If we were unable to obtain adequate sources of funding in the future, our liquidity position and our ability to fund our business would suffer.

Access to funding at competitive rates is essential to our Financial Services business. The most significant source of liquidity for Financial Services has traditionally been ABS transactions. During 2008 and early 2009, adverse changes in the ABS market impacted our ability to originate, purchase and sell loans or other

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assets on a favorable or timely basis. Similar adverse conditions in the future could have an adverse effect on our business and results of operations. The ABS market is sensitive to overall investor sentiment and to the performance of our portfolio.

A negative performance trend with respect to the assets backing the securities issued by us in connection with ABS transactions could have a material adverse effect on our ability to access capital through the ABS markets or on the terms and conditions applicable to such transactions.

Credit rating changes could affect our cost of funds. Our access to funds and our cost of funding depend on, among other things, the credit ratings of CNH, our ABS transactions and Fiat S.p.A., as Fiat currently provides us with direct funding as well as guarantees in connection with some of our external financing arrangements. (See Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources.) The rating agencies may change the credit ratings or take other similar actions, which could affect our access to the capital markets, and the cost and terms of existing and future borrowings and, therefore, could adversely affect our financial condition and results of operations.

We have significant outstanding indebtedness, which may limit our ability to obtain additional funding and limit our financial and operating flexibility. As of December 31, 2009, we had an aggregate of $9.4 billion of consolidated indebtedness, of which $5.7 billion related to Financial Services and $3.7 billion to Equipment Operations, and our equity was $6.8 billion. In addition, we have historically relied heavily upon ABS transactions to obtain funding, with a total of $6.0 billion of funding related to off-balance sheet transactions outstanding as of December 31, 2009. These transactions have traditionally funded our Financial Services activities in North America and Australia.

The extent of our indebtedness could have important consequences to our operations and financial results, 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 portion of our projected future cash flow from operations to pay principal and interest on our indebtedness, which will reduce the amount of funds available to us for other purposes;
- we may be more financially leveraged than some of our 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 to a downturn in general economic conditions or our business; and
- we may not be able to access the ABS markets on favorable terms and access to government-sponsored subsidized financing programs may be limited, which may adversely affect our ability to provide competitive retail financing programs.

Restrictive covenants in our debt agreements could limit our financial and operating flexibility. The indentures governing our outstanding public indebtedness and other credit agreements to which we are a party contain covenants that restrict our ability and/or that of 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;

use assets as security in other transactions;

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- enter into sale and leaseback transactions; and

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

Pursuant to the indenture governing Case New Holland Inc. s 7.125% Senior Notes, as of December 31, 2009, CNH and its restricted Equipment Operations subsidiaries were permitted to incur additional indebtedness under credit facilities in an aggregate amount not to exceed approximately $1.5 billion. In addition, CNH and its restricted Equipment Subsidiaries may incur additional indebtedness to refinance certain of their indebtedness with new indebtedness with a weighted average life to maturity at least as long as the remaining weighted average life of the indebtedness being refinanced. While we do not believe that these restrictions will materially restrict our currently planned operations, they could limit our flexibility to incur indebtedness to satisfy unanticipated funding needs.

In addition, we are a party to credit agreements along with certain other Fiat Group parties. As of December 31, 2009, 300 million ($432 million) was allocated to CNH by Fiat under a 1.0 billion ($1.4 billion) Fiat credit facility syndicated with third parties which is currently scheduled to mature in August 2010. A default under such credit agreements could arise as a result of an act or omission by a party other than us which could allow the creditor to exercise its rights and remedies. Failure to comply with these covenants could cause a default under the applicable agreement which might result in all loans outstanding under the agreement coming due. In such event, the amounts outstanding under our public debt instruments could also come due. If the amounts outstanding under our credit agreements and public debt instruments were to come due, we would have insufficient cash and cash equivalents to satisfy these obligations.

For more information regarding our credit facilities and debt, see Note 9: Credit Facilities and Debt of our consolidated financial statements for the year ended December 31, 2009.

Risks Related to Our Relationship with Fiat

Fiat guarantees and funding. We currently rely on, among others, Fiat to provide credit for Equipment Operations and Financial Services. In addition, Fiat provides financial guarantees in connection with certain of our external financing sources. Due to the ongoing credit crisis and the material adverse impact on the ABS markets, we have relied more heavily upon funding provided by Fiat. There is no assurance that Fiat will continue to make such credit or guarantees available. To the extent Fiat does not make financing available to us or does not provide financial guarantees, we will need to seek alternative sources of funding. Alternative sources of funding may not be available and, to the extent that such credit is available, the terms and conditions of such credit may not be as favorable as that provided by or with the support of Fiat. As a result, our funding costs could significantly increase, which could materially affect our financial condition and results of operations. See Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources for additional information concerning indebtedness due to and guarantees provided by Fiat.

Potential conflicts of interest with Fiat S.p.A. As of December 31, 2009, Fiat owned, indirectly through Fiat Netherlands, approximately 89% of our outstanding common shares. 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. Circumstances may arise 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 in us, even though such transactions may not be viewed as favorably by our other debt and equity security holders.

We rely on Fiat to provide us with substantial financial support, and we purchase goods and services from or with various companies within the Fiat Group. We believe our business relationships with other Fiat Group companies can offer economic benefits to us; however, 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. For more information, see Note 21: Related Party Information of our consolidated financial statements for the year ended December 31, 2009.

Our participation in cash management pools exposes us to Fiat Group credit risk. Like other companies that are part of global commercial groups, we participate in a group-wide cash management system with other companies within the Fiat Group. Under this system, which is operated by Fiat treasury subsidiaries in a number of jurisdictions, the cash balances of Fiat Group members, including us, are aggregated at the end of each business day in various regional central pooling accounts (the Fiat affiliates cash management pools or deposits with Fiat). Our positive cash deposits with Fiat, if any, are either invested by Fiat treasury subsidiaries in highly rated, highly liquid money market instruments or bank deposits, or may be applied by Fiat treasury subsidiaries to meet the financial needs of other Fiat Group members and *vice versa*. While we believe participation in such Fiat affiliates cash management pools provides us with financial benefits, it exposes us to Fiat Group credit risk.

In the event of a bankruptcy or insolvency of Fiat (or any other Fiat Group member in the jurisdictions with set off agreements) or in the event of a bankruptcy or insolvency of the Fiat entity in whose name the deposit is pooled, we may be unable to secure the return of such funds to the extent they belong to us, and we may be viewed as a creditor of such Fiat entity with respect to such deposits. Because of the affiliated nature of our relationship with the Fiat Group, it is possible that our claims as a creditor could be subordinated to the rights of third party creditors in certain situations. If we are not able to recover our deposits, our financial condition and results of operations may be materially impacted depending upon the amount of cash deposited with the Fiat Group on the date of any such event. See Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Credit and liquidity facilities for additional information concerning indebtedness due to and guarantees provided by Fiat.

Item 4. Information on the Company

A. *History and Development of the Company.*

CNH Global N.V. is incorporated in and under the laws of The Netherlands, with its registered office in the World Trade Center, Amsterdam Airport, Tower B, 10th Floor, Schiphol Boulevard 217, 1118 BH Amsterdam, The Netherlands (telephone number: +31-20-446-0429). The Company was incorporated on August 30, 1996. CNH s agent for U.S. federal securities law purposes is Mr. Michael P. Going, 6900 Veterans Boulevard, Burr Ridge, Illinois 60527 (telephone number: +1-630-887-3766).

We make capital investments in the regions in which we operate principally related to initiatives to introduce new products, enhance manufacturing efficiency, improve capacity, and for maintenance and engineering. We continually analyze the allocation of our industrial resources taking into account such things as relative currency values, existing and anticipated industry and product demand, the location of suppliers, the cost of goods and labor, and plant utilization levels. See also Item 4. Information on the Company D. Property, Plant and Equipment.

B. *Business Overview*

General

We are a global, full-line company in both the agricultural and construction equipment industries, with strong and often leading positions in many significant geographic and product categories in both agricultural and construction equipment. Our global scope and scale includes integrated engineering, manufacturing, marketing and distribution of equipment on five continents. We organize our operations into three business segments: agricultural equipment, construction equipment and financial services.

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We market our products globally through our two highly recognized brand families, Case and New Holland. Case IH (along with Steyr in Europe) and New Holland make up our agricultural brand family. Case and New Holland Construction (along with Kobelco in North America) make up our construction equipment brand family. As of December 31, 2009, we were manufacturing our products in 38 facilities throughout the world and distributing our products in approximately 170 countries through a network of approximately 11,600 full-line dealers and distributors.

In agricultural equipment, we believe we are one of the leading global manufacturers of agricultural tractors and combines based on units sold, and we have leading positions in hay and forage equipment and specialty harvesting equipment. In construction equipment, we have a leading position in backhoe loaders and a strong position in skid steer loaders in North America and crawler excavators in Western Europe. In addition, each brand provides a complete range of replacement parts and services to support its equipment. For the year ended December 31, 2009, our sales of agricultural equipment represented 76% of our revenues, sales of construction equipment represented 15% of our revenues and Financial Services represented 9% of our revenues.

We believe that we are the most geographically diversified manufacturer and distributor of agricultural and construction equipment in the industry. For the year ended December 31, 2009, 41% of our net sales of equipment were generated in North America, 29% in Western Europe, 14% in Latin America and 16% in the Rest of World. Our worldwide manufacturing base includes facilities in Europe, Latin America, North America and Asia.

We offer a range of financial products and services to dealers and customers in North America, Australia, Brazil and Western Europe. The principal products offered are retail financing for the purchase or lease of new and used CNH equipment and wholesale financing to our dealers. Wholesale financing consists primarily of floor plan financing and allows dealers to purchase and maintain a representative inventory of products. Our retail financing products and services are intended to be competitive with those available from third parties. We offer retail financing in North America, Brazil, Australia and Europe through wholly-owned subsidiaries and in Western Europe through our joint venture with BNP Paribas Lease Group (BPLG). As of December 31, 2009, Financial Services managed a portfolio of receivables of approximately $17.3 billion.

Industry Overview

Agricultural Equipment

The operators of food, livestock and grain producing farms, as well as independent contractors that provide services to such farms, purchase most agricultural equipment. The key factors influencing sales of agricultural equipment are the level of net farm income and, to a lesser extent, general economic conditions, interest rates and the availability of financing. Net farm income is primarily impacted by the volume of acreage planted, commodity and/or livestock prices and stock levels, the impacts of fuel ethanol demand, crop yields, farm operating expenses, including fuel and fertilizer costs, fluctuations in currency exchange rates, and government subsidies or payments. Farmers tend to postpone the purchase of equipment when the farm economy is declining 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 may affect the market for our agricultural equipment by regulating the levels of acreage planted, with direct subsidies affecting specific commodity prices, or with other payments made directly to farmers. World organization initiatives, such as those of the World Trade Organization, also can affect the market with demands for changes in governmental policies and practices regarding agricultural subsidies, tariffs and acceptance of genetically modified organisms such as seed, feed and animals.

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 March through June in the Northern Hemisphere and in September through December in the Southern Hemisphere. Dealers generally order harvesting equipment in the Northern Hemisphere in the late fall and winter so they can receive inventory prior to the peak retail selling season, which generally extends from March through June. In the Southern Hemisphere, dealers generally order between August and October so they can receive inventory prior to the peak retail selling season, which extends from November through February. Production levels are based upon estimated retail demand which takes into account, among other things, 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. Production levels are adjusted to reflect changes in estimated demand and dealer inventory levels. However, because production and wholesale shipments adjust 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 for that period.

Customer preferences regarding farming practices, and thus product types and features, vary by region. In North America, 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 equally sophisticated machines. In the developing regions of the world where labor is more abundant and infrastructure, soil conditions and/or climate are not adequate for intensive agriculture, customers prefer simple, robust and durable machines with lower acquisition 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 tractors is carried out by hand. A growing number of part-time farmers, hobby farmers and customers engaged in landscaping, municipality and park maintenance, golf course and roadside mowing in Western Europe and North America also prefer simple, low-cost agricultural equipment. Our position as a geographically diversified manufacturer of agricultural equipment and our broad geographic network of dealers allow us to provide customers in each significant market with equipment which meets their specific requirements.

Major trends in the North American and Western European agricultural industries include a reduction in number but growth in size of farms, supporting an increase in demand for higher capacity agricultural equipment. In Latin America and in other emerging markets, the number of farms is growing and mechanization is replacing manual labor. Government subsidies are a key income driver for farmers raising certain commodity crops 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 effect of these subsidies on agricultural equipment demand depends to a large extent on the U.S. Farm Bill and programs administered by the United States Department of Agriculture, the Common Agricultural Policy of the European Union and World Trade Organization negotiations. Additionally, the Brazilian government subsidizes the purchase of agricultural equipment through low-rate financing programs administered by Banco Nacional de Desenvolvimento Econômico e Social (BNDES). These programs can greatly influence sales. See Item 3. Key Information D. Risk Factors Risks Particular to the Industries in Which We Operate Government action and changes in government policy can impact our sales and restrict our operating flexibility and Note 3: Accounts and Notes Receivable and Note 9: Credit Facilities and Debt of our consolidated financial statements.

Biofuels Impact on Agriculture

Global demand for renewable fuels increased considerably in recent years driven by consumer preference, government renewable fuel mandates and renewable fuel tax and production incentives. Biofuels, which include fuels such as ethanol and biodiesel, have become one of the most prevalent types of renewable fuels. The primary type of biofuel supported by government mandates and incentives varies somewhat by global region. North America and Brazil are promoting ethanol first and then biodiesel while Europe is primarily focused on biodiesel.

The demand for biofuels has created an associated demand for agriculturally based feedstocks which are used to produce biofuels. Currently, most of the ethanol in the U.S. and Europe is extracted from corn, while in

Brazil it is extracted from sugar cane. Biodiesel is typically extracted from soybeans and canola in the U.S. and Brazil, and from rape seed and other oil seeds as well as food waste by-products in Europe. The use of corn and soybeans for biofuel has been one of the main factors impacting the supply and demand relationships for these crops, resulting in higher crop prices. The economic feasibility of biofuels is significantly impacted by the price of oil. As the price of oil rises, biofuels become a more attractive alternative energy source. The demand for biofuels and efforts to produce such fuels more efficiently increased in 2007 and 2008 as oil prices increased. However, as oil prices declined in late 2008 and 2009 due to the global economic downturn, biofuels became a less attractive alternative to gasoline and diesel fuel. This relationship will, however, be impacted by government policy and mandates as governments around the world consider ways to combat global warming and potential energy crises in the future.

The increase in crop production for biofuels has also driven changes in the type of crops grown and in crop rotations in the past years which continued in 2009. The most significant change in U.S. crop production was the increase in acreage devoted to corn, typically using land previously planted with soybeans and cotton. In addition, a change in crop rotation resulted in more acres of corn being planted. As a result, agricultural producers are faced with new challenges for managing crop residues and are changing the type of equipment they use and how they use it.

Construction Equipment

We divide the construction equipment market that we serve into two principal businesses: heavy construction equipment (excluding mining and specialized equipment for forestry application markets in which we do not participate), which is over 12 metric tons, and light construction equipment, which is under 12 metric tons.

Worldwide customer preferences for construction equipment products are, in certain respects, 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 to promote operator productivity. In developing markets, customers tend to favor equipment that is more utilitarian with greater perceived durability. In North America and Europe, where operator cost often exceeds fuel cost and machine depreciation, customers place strong emphasis on productivity, performance, and reliability. In other markets, customers often may continue to use a particular piece of equipment 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 larger machines.

Heavy Construction Equipment

Heavy construction equipment typically includes larger wheel loaders and excavators, graders, dozers and articulated haul trucks. Purchasers of heavy construction equipment include construction companies, municipalities, local governments, rental fleet owners, quarrying and aggregate mining companies, waste management companies and forestry-related concerns.

Sales of heavy construction equipment are particularly dependent on the level of major infrastructure construction and repair projects such as highways, tunnels, 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. Also, in North America, a portion of heavy equipment demand is related to the development of new, large open track housing subdivisions, where the entire infrastructure of the new subdivision needs to be created, thus linking both heavy and light equipment demand to change in housing industry activity. The heavy equipment industry generally follows cyclical economic patterns, linked to GDP growth.

Light Construction Equipment

Light construction equipment typically includes skid steer loaders, backhoe loaders, and smaller wheel loaders and excavators. Purchasers of light construction equipment include contractors, residential builders, utilities, road construction companies, rental fleet owners, landscapers, logistics companies, and farmers. The principal factor influencing sales of light construction equipment is the level of residential and commercial construction, remodeling and renovation, which in turn is influenced by interest rates and availability of financing. Other major factors include the level of light infrastructure construction such as utilities, cabling and piping and maintenance expenditures. The principal use of light construction equipment is to replace relatively high cost, slower, manual work. Product demand in the United States and Europe has generally tended to mirror housing starts, but with lags of six to 12 months. In areas where labor is abundant and labor cost is inexpensive relative to other inputs, such as in Africa and Latin America, the light construction equipment market segment is generally small. These areas represent potential growth areas for light construction equipment in the medium to long-term as the cost of labor rises relative to the cost of equipment.

The equipment rental business is a significant factor in the construction equipment industry. Compared to the U.K. and Japanese markets, where there is an established history of long-term machine rentals due to the structure of local tax codes, the rental market in North America and non-U.K. Western Europe started with short period rentals of light equipment to individuals or small contractors who either could not afford to purchase the equipment or who needed specialized pieces of equipment for specific jobs. 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 and heavy equipment products have become available to rent. In addition, rental companies have allowed contractors to rent machines for longer periods instead of purchasing the equipment. This allows contractors to complete specific job requirements with greater flexibility and cost control. Purchasing activities of the national rental companies can have a significant impact on the market depending on whether they are increasing or decreasing the size of their rental fleets and whether rental utilization rates remain at levels warranting regular and consistent rates of fleet renewal.

As noted above, 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.

In markets outside of North America, Western Europe and Japan, equipment demand may also be partially satisfied by importing used equipment. Used heavy construction equipment from North America may fulfill demand in the Latin American market or equipment from Western Europe may be sold to Central and Eastern European, North African and Middle Eastern markets. Used heavy and light equipment from Japan is sold to other Southeast Asian markets while used excavators from Japan are sold to almost every other market in the world. This flow of used equipment is highly influenced by exchange rates and the weight and dimensions of the equipment, which may be limited due to road regulations and job site constraints.

The construction equipment industry has seen an increase in the use of hydraulic excavators and wheel loaders in excavation and material handling applications. In addition, the light equipment sector has grown as more manual labor is being replaced on construction sites by machines with a variety of attachments for specialized applications, such as skid steer loaders, mini-crawler excavators and telehandlers.

General economic conditions, infrastructure spending rates, housing starts, commercial construction and governmental policies on taxes, spending on roads, utilities and construction projects can have a dramatic effect on sales of construction equipment. The worldwide financial and credit crisis that started in 2008 prompted governments around the world to implement economic stimulus programs. In some regions in the Rest of World markets, the infrastructure spending had a significant impact on levels of construction activity and ultimately on net sales of construction equipment but overall that was not enough to offset the impact of the broader financial

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crisis. The American Recovery and Reinvestment Act of 2009 (ARRA), which was enacted on February 17, 2009, was intended to provide an economic stimulus to create jobs and restore economic growth. Despite these government efforts, 2009 was a difficult year in the construction industry in the U.S. An increased impact of these spending activities on infrastructure is expected to begin to take effect in 2010.

Competition

The agricultural and construction equipment industries are highly competitive. We compete with large global full-line suppliers with a presence in every market and a broad range of products that cover most customer needs, manufacturers who are product specialists focused on particular industry segments on either a global or regional basis, regional full-line manufacturers, 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.

We believe we have a number of competitive strengths that enable us to improve our position in markets where we already are well established while we direct additional resources to markets and products with high growth potential. Our competitive strengths include well-recognized brands; a full range of competitive products; a strong global presence and distribution network; dedicated Financial Services capabilities and the strategic support of the Fiat Group.

We believe that multiple factors influence a buyer s choice of equipment. These factors include the strength and quality of the distribution network, brand loyalty, product features and performance, availability of a full product range, the quality and pricing of products, technological innovations, product availability, financing terms, parts and warranty programs, resale value and customer service and satisfaction. 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 product value in terms of productivity, reliability, resale value and dealer support are formed over many years.

The efficiency of our manufacturing, production and scheduling systems depends on a forecast of industry volumes and our share of industry sales which is predicated on our ability to compete with others in the marketplace. We compete on the basis of product performance, customer service, quality and price. The environment remains competitive from a pricing standpoint, however, actions taken to maintain our competitive position in the difficult economic environment last year could result in lower than anticipated price realization.

The financial services industry is highly competitive. We compete primarily with banks, finance companies and other financial institutions. Typically, this competition is based upon the financial products and services offered, customer service, financial terms and interest rates charged. Our ability to compete successfully depends upon, among other things, funding resources, developing competitive products and services, and licensing or other governmental regulations. While we have been successful in our financial product offerings, we may have a competitive disadvantage in that some of our competitors were eligible to participate in government programs that we were not.

Products and Markets

Agricultural Equipment

Our agricultural equipment product lines are sold primarily under the Case IH and New Holland brands. We also sell tractors under the Steyr brand in Europe. In addition, a large number of light construction equipment products are sold to agricultural equipment customers.

In order to capitalize on customer loyalty to dealers and our company, relative distribution strengths and historical brand identities, we continue to use the Case IH (and Steyr for tractors in Europe only) and New Holland brands. We believe that these brands enjoy high levels of brand identification and loyalty among both customers and dealers. Although our new generation tractors have a high percentage of common mechanical components, each brand and product remains significantly differentiated by features, color, interior and exterior styling, and model designation. Flagship products such as row crop tractors and large combine harvesters may 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 unique identity.

Our agricultural equipment product lines include tractors (which represented approximately 44% of our agricultural equipment net sales in 2009), combine harvesters (which represented approximately 21% of our agricultural equipment net sales in 2009), hay and forage equipment, seeding and planting equipment, tillage equipment and sprayers. We also specialize in other key market segments like cotton picker packagers and sugar cane harvesters, where Case IH is a worldwide leader, and in self-propelled grape harvesters, where New Holland is a worldwide leader. Our brands each offer a complete range of parts and support services for all of their product lines. Our agricultural equipment is sold with a limited warranty which typically runs from one to three years.

Construction Equipment

Our construction equipment product lines are sold primarily under the Case and New Holland Construction brands. Case provides a full line of products on a global scale utilizing the Sumitomo Construction Equipment technology for its crawler excavator product. The New Holland Construction brand family, in conjunction with its global alliance with Kobelco Construction Machinery, also provides a full product line on a global scale.

Our products often share common components to achieve economies of scale in manufacturing, purchasing and development. We differentiate these products based on the relative product value and volume in areas such as technology, design concept, productivity, product serviceability, color and styling to preserve the unique identity of each brand.

Our heavy construction equipment product lines (which represented approximately 42% of our construction equipment net sales in 2009) include crawler and wheeled excavators, wheel loaders, graders, dozers, and articulated haul trucks for all applications. Light construction equipment product lines (which represented approximately 33% of our construction equipment net sales in 2009) include backhoe loaders, skid steer and tracked loaders, mini and midi excavators, compact wheel loaders and telehandlers. Our brands each offer a complete range of parts and support services for all of their product lines. Our construction equipment is sold with a limited warranty which typically runs from one to two years.

In 2009, we publicly announced that we were going to undertake a comprehensive analysis of our construction equipment business. Among other things, we consolidated the internal organizations responsible for managing the Case and New Holland Construction construction equipment businesses and we decided to move all production activities of our Imola, Italy plant to our plants in Lecce and San Mauro, Italy. We continue our analysis of all aspects of our construction equipment business.

New Products and Markets

We continuously review opportunities for the expansion of our product lines and the geographic range of our activities. We are committed to improving product quality and reliability using a Customer Driven Product Definition Process to create solutions based on customer needs and delivering the greatest competitive advantage. In addition, we emphasize enhanced differentiation between the Case and New Holland brands to meet the needs of the brands customers while increasing their market attractiveness. These improvements also include continuing engine developments, combining the introduction of new engines to meet stricter emissions requirements with additional innovations anticipated to refresh our product line. Improved product innovations coupled with our initiatives to improve dealer and customer support will allow us to more fully capitalize on our market leadership positions throughout the world.

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

See Item 5. Operating and Financial Review and Prospects A. Operating Results for information concerning the principal markets in which we compete, including the breakdown of total revenues by geographic market for each of the years ended December 31, 2009, 2008, and 2007.

Suppliers

We purchase materials, parts, and components from third-party suppliers. We had approximately 2,000 global direct suppliers to our manufacturing facilities at December 31, 2009. We rely upon single suppliers for certain components, primarily those that require joint development between us and our suppliers. A significant change in the demand for, or the supply or price of, any component part or commodity could affect our profitability or our ability to obtain and fulfill orders. In addition, the worldwide financial and credit crisis and the severe impact on certain industries caused some of our suppliers to face financial hardship but did not significantly disrupt our access to any critical components or supplies. We continue to review our relationships with our suppliers and their financial situations to avoid any negative impact on our cost or scheduling of production and on the profitability of our business. Additionally, we cannot avoid exposure to global price fluctuations such as with the costs of steel, rubber, oil, and related petroleum-based products. Our ability to realize the benefit of declining commodity prices may be delayed by the need to reduce existing whole goods inventories which were manufactured during a period of higher commodity prices.

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

We purchase engines and other components from, among others, the Fiat Group. See also Note 21: Related Party Information of our consolidated financial statements for the year ended December 31, 2009.

Distribution and Sales

As of December 31, 2009, we were selling and distributing our products through approximately 11,600 full-line dealers (almost all of which are independently owned and operated) and distributors in approximately 170 countries. Dealers typically sell either agricultural equipment or construction equipment, although some dealers sell both types of equipment. Construction equipment dealers, as compared to agricultural equipment dealers, tend to be fewer in number and larger in size.

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

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Exclusive, dedicated dealers generally provide a higher level of market penetration. Some of our dealers in the United States, Germany and Australia may sell more than one brand of equipment, including models manufactured by our competitors. Elsewhere, our dealers generally do not sell products which compete with products we sell, but may share complementary products manufactured by other suppliers in other product categories in order to complete their product offerings, or where there was a historical relationship with another product line that existed before that product was available through us, or to satisfy local demand for a certain specialty product.

In the United States, Canada, Mexico, most of Western Europe, Brazil and Australia, the distribution of our products is generally accomplished directly through the independent dealer network. In Rest of World markets, our products are sold initially to independent distributors who then resell them to dealers in an effort to take advantage of such distributors expertise and to minimize our marketing costs.

We believe that it is generally more cost-effective to distribute our products through independent dealers, however we maintain a limited number of company-owned dealerships in some markets. At December 31, 2009, we operated 13 company-owned dealerships, primarily in North America and Europe. We also operate a selective dealer development program in territories with growth potential but underdeveloped CNH brand representation that typically involves a transfer of ownership to a qualified operator through a buy-out or private investments after a few years.

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

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

In addition to our dealer network, we participate in several joint ventures, the most significant of which are described below. As part of our strategy, we use these joint ventures to enter and expand in emerging markets, which involve increased risk.

We own 50% of New Holland HFT Japan Inc. (HFT) which distributes our products in Japan. HFT imports and sells a full range of New Holland agricultural equipment.

In Japan, we also own 20% of Kobelco Construction Machinery Co., Ltd. which manufactures and distributes construction equipment, primarily in Asia. Kobelco Construction Machinery Co., Ltd. is also a partner with us in joint ventures in Europe and North America, with CNH being the majority shareholder. These joint ventures manufacture and distribute construction equipment in Europe under the New Holland Construction brand and in North America under both the New Holland Construction and Kobelco brands.

In Pakistan, we own 43% of Al Ghazi Tractors Ltd., which manufactures and distributes New Holland tractors.

In Turkey, we own 37% of Turk Traktor ve Ziraat Makineleri A.S. (Turk Traktor) which manufactures and distributes various models of both New Holland and Case IH tractors.

In Mexico, we own 50% of CNH de Mexico S.A. de C.V. which manufactures New Holland agricultural equipment and distributes equipment for all of our major brands through one or more of its wholly owned subsidiaries.

Pricing and Promotion

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

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

Parts and Services

The quality and timely availability of parts and service are important competitive factors for our brands, as they are significant elements in overall dealer and customer satisfaction and important considerations in a customer s original equipment purchase decision. Our brands supply a complete range of parts, many of which are proprietary, to support items in their current product line as well as for products they have sold in the past. As many of the products our brands sell can have economically productive lives of up to 20 years when properly maintained, each unit that is retailed into the marketplace has the potential to produce a long-term revenue stream for both our brands and our dealers.

At December 31, 2009, our brands operated and administered 23 parts depots worldwide, either directly or through arrangements with our warehouse service providers. This included 12 parts depots in North America, 6 in Europe, 3 in Latin America, and 2 in Australia. These depots supply parts to dealers and distributors, which are responsible for sales to retail customers. Management believes that these parts depots and our parts delivery systems provide our customers with timely access to substantially all of the parts required to support the products we sell.

In December 2009, CNH formed a 50-50 joint venture for full-scale remanufacturing and service operations in the United States. The joint venture will primarily remanufacture engine, engine component, driveline, hydraulic, rotating electrical and electronic products. The joint venture is focused on serving the North American agricultural and construction industries. Remanufacturing is a way to support sustainable development and gives customers the opportunity to purchase replacement assemblies and components at reduced prices.

Financial Services

Overview

Financial Services is our captive financing business, providing financial products and services to dealers and customers in North America, Australia, Brazil and Western Europe. The principal products offered are retail loans to end-use customers and wholesale financing to our dealers. As of December 31, 2009, Financial Services managed a portfolio of receivables and leases of approximately $17.3 billion. North America accounts for 55%

of the managed portfolio, Western Europe 24%, Brazil 15% and Australia 6%. In some regions, Financial Services also provides insurance, credit card, and other financial products and services to end-user customers and our dealer network.

Financial Services supports the growth of our equipment sales and builds dealer and end-user loyalty. Our strategy is to grow a core financing business to support the sale of our equipment. Financial Services remains focused on improving its portfolio credit quality, service levels, and operational effectiveness.

Access to funding at competitive rates is important to Financial Services. We continue to evaluate alternative funding sources to help ensure that Financial Services maintains access to capital on favorable terms in support of our business, including through new funding arrangements, joint venture opportunities, vendor programs or a combination of the foregoing.

Finance Operations

We have separate retail underwriting and portfolio management policies and procedures for the agricultural equipment and construction equipment businesses. This distinction allows Financial Services to reduce risk by deploying industry-specific expertise in each of these businesses. Financial Services provides retail financial products primarily through our dealers, whom we train in the use of the various financial products. Dedicated credit analysis teams perform retail credit underwriting.

Financial Services terms for financing equipment retail sales (other than smaller items financed with unsecured revolving charge accounts) provide for retention of a security interest in the equipment financed. Financial Services guidelines for minimum down payments generally range from 15% to 30%, for both agricultural and construction equipment depending on equipment types, repayment terms and customer credit quality. Finance charges are sometimes waived for specified periods or reduced on certain equipment sold or leased in advance of the season of use or in other sales promotions. Financial Services generally receives compensation from Equipment Operations equal to a competitive interest rate for periods during which finance charges are waived or reduced on the retail notes or leases. The cost is accounted for as a deduction in arriving at net sales by the Equipment Operations.

Financial Services provides wholesale floor plan financing for our dealers, which allows dealers to acquire and maintain a representative inventory of products. Financial Services also provides some working capital and real estate loans on a limited basis. For floor plan financing, Equipment Operations generally provides a fixed period of interest-free financing for the dealers. This practice helps to level fluctuations in factory demand and provides a buffer from the impact of seasonal sales. After the interest-free period, if the equipment remains in dealer inventory, the dealer pays interest costs. Financial Services generally receives compensation from Equipment Operations equal to a competitive interest rate for the interest-free period.

A wholesale underwriting group reviews dealer financials and payment performance to establish credit lines for each dealer. In setting these credit lines, we seek to meet the reasonable requirements of each dealer while controlling our exposure to any one dealer. The credit lines are secured by the equipment financed. Dealer credit agreements generally include a requirement to repay the particular loan at the time of the retail sale. Financial Services employees or third-party contractors conduct periodic stock audits at each dealership to help confirm that financed equipment is still in inventory. The frequency of these audits varies by dealer and depends on the dealer s financial strength, payment history and prior performance.

Financial Services works with our Equipment Operations commercial staff to develop and structure financial products with the objective of increasing equipment sales and generating Financial Services income. Financial Services also offers products to finance non-CNH equipment sold through our dealer network or within the core businesses of agricultural or construction equipment. This equipment includes used equipment taken in trade on new CNH product or equipment used in conjunction with or attached to our equipment.

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Financial Services also operates Maserati Financial Services, the preferred financing source for Fiat s Maserati North American dealers, offering lease and finance solutions designed exclusively for Maserati customers. Maserati Financial Services is not expected to have a material impact on our results of operations or financial position.

We compete primarily with banks, finance companies and other financial institutions. Typically, this competition is based upon financial products and services offered, customer service, financial terms and interest rate charged. In addition, some of our competitors may be eligible to participate in government programs providing access to capital at favorable rates for which we are ineligible, which could put us at a competitive disadvantage. Long-term profitability in our Financial Services operations is largely dependent on the cyclical nature of the agricultural and construction equipment industries, interest rate volatility and access to competitive funding sources. Financial Services has traditionally relied heavily upon the financial markets, ABS transactions, intercompany lending and cash flows to provide funding for its activities.

Asset-Backed Securitizations

Financial Services periodically accesses the public ABS markets in the United States and Canada, as part of our wholesale and retail financing programs when those markets are available and offer competitive costs. Financial Services ability to access the ABS markets will depend, in part, upon general economic conditions as well as its financial condition and portfolio performance. These factors can be negatively affected by cyclical swings in the industries we serve.

Insurance

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

Legal Proceedings

We are party to various legal proceedings in the ordinary course of our business, including matters relating to product liability (including asbestos-related liability), product performance, warranty, environmental, retail and wholesale credit, disputes with dealers and suppliers and service providers, patent and trademark matters, and employment matters. The most significant of these matters are described in Note 14: Commitments and Contingencies of our consolidated financial statements for the year ended December 31, 2009.

C. *Organizational Structure*.

As of December 31, 2009, Fiat owned approximately 89% of our outstanding common shares through its direct, wholly-owned subsidiary Fiat Netherlands.

Fiat S.p.A. is a corporation organized under the laws of the Republic of Italy. The Fiat Group performs automotive, manufacturing, and financial service activities through companies located in approximately 50 countries and is engaged in commercial activities with customers in approximately 190 countries. It also manufactures other products and systems, principally automotive-related components, metallurgical products and production systems. In addition, the Fiat Group is involved in certain other activities, including publishing and communications.

The Fiat Group s operations are currently conducted through nine operating sectors: Fiat Group Automobiles, Maserati, Ferrari, CNH, Iveco, FPT Powertrain Technologies, Magneti Marelli, Teksid and Comau.

A listing of our significant directly and indirectly owned subsidiaries as of December 31, 2009, is set forth in an exhibit to this Form 20-F and includes Case New Holland Inc., a Delaware corporation, CNH America LLC, a Delaware limited liability company, CNH Latin America Ltda., a company organized under the laws of Brazil, CNH Italia S.p.A., a company organized under the laws of Italy, CNH France S.A., a company organized under the laws of France, CNH Belgium N.V., a company organized under the laws of Belgium, CNH Australia Pty Ltd, a company organized under the laws of Australia, CNH International S.A., a company organized under the laws of Switzerland, CNH Capital America LLC, a Delaware limited liability company, and CNH Financial Services SAS, a company organized under the laws of France (all of which are wholly-owned direct or indirect subsidiaries of CNH).

D. ***Property, Plant and Equipment*****.**

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

We make capital investments in the regions in which we operate principally related to initiatives to introduce new products, enhance manufacturing efficiency, improve capacity, and for maintenance and engineering. In 2009, our total capital expenditures were $218 million of which 33% was spent in North America, 35% in Western Europe, 19% in Latin America, and 13% in Rest of World. These capital expenditures were funded through a combination of cash generated from operating activities and borrowings under short-term facilities. In 2009, approximately 77% ($169 million) of capital expenditures were related to manufacturing and product related projects with approximately $135 million devoted to agricultural equipment manufacturing and product related expenditures and approximately $34 million devoted to construction equipment expenditures. In 2008 and 2007, our total capital expenditures were $492 million and $333 million, respectively. We continually analyze the allocation of our industrial resources taking into account such things as relative currency values, existing and anticipated industry and product demand, the location of suppliers, the cost of goods and labor, and plant utilization levels.

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The following table provides information about our significant manufacturing, engineering and administrative facilities, and parts depots as of December 31, 2009:

Location	Primary Functions	Approximate Covered Area(A)	Ownership Status
United States			
Benson, MN	Agricultural Sprayers, Cotton Pickers/Packagers	326	Owned/Leased
Burlington, IA	Backhoe Loaders; Fork Lift Trucks	984	Owned
Burr Ridge, IL	Technology (Engineering) Center Administrative Offices	468	Owned
Calhoun, GA	Crawler Excavators and Dozers	328	Owned(B)
Cameron, MO	Parts Depot	500	Leased
Dublin, GA	Compact Tractors	65	Owned
Fargo, ND	Tractors; Wheel Loaders	680	Owned
Goodfield, IL	Soil Management (Tillage Equipment)	233	Owned
Grand Island, NE	Combine Harvesters	1,380	Owned
Lebanon, IN	Parts Depot	1,092	Leased
Mt. Joy, IL	Engineering Center	120	Leased
Mountville, PA	Parts Depot	469	Owned
New Holland, PA	Administrative Facilities; Hay and Forage; Engineering Center	1,108	Owned
Racine, WI	Administrative Facilities; Tractor Assembly; Transmissions	1,127	Owned
San Leandro, CA	Parts Depot	232	Owned
Wichita, KS	Skid Steer Loaders	494	Owned
Italy			
Cento	Parts Depot	109	Owned/Leased
Imola	Backhoe Loaders; Engineering Center	269	Owned
Jesi	Tractors	645	Owned
Lecce	Construction Equipment; Engineering Center	1,400	Owned
Modena	Components	1,098	Owned
San Matteo	Engineering Center	550	Owned
San Mauro Torinese	Crawler Excavators	613	Owned(B)
Turin	Administrative Offices	127	Leased
France			
Coex	Grape Harvesters; Engineering Center	280	Owned
Croix	Cabs	129	Owned
Etampes	Parts Depot	242	Owned
LePlessis	Parts Depot/Administrative	847	Owned/Leased
Tracy Le-Mont	Hydraulic Cylinders	168	Owned
United Kingdom			
Basildon	Tractors; Components; Engineering Center; Administrative Facilities	1,390	Owned
Daventry	Parts Depot	562	Leased
Germany			
Berlin	Graders, Engineering Center	633	Owned
Heidelberg	Parts Depot	173	Owned
Brazil			
Belo Horizonte	Construction Equipment; Engineering Center	505	Owned
Cuiaba	Parts Depot	210	Owned
Curitiba	Tractors; Combine Harvesters; Engineering Center	927	Owned
Piracicaba	Sugar Cane Harvesters	108	Owned
Sorocaba	Manufacturing	1,035	Owned
Canada			
Regina	Parts Depot	238	Owned
Saskatoon	Planting and Seeding Equipment; Components; Engineering Center	635	Owned
Toronto	Parts Depot	332	Owned
Belgium			
Antwerp	Components	850	Leased
Zedelgem	Combine Harvesters; Hay and Forage; Engineering Center	1,549	Owned
Others			
St. Marys, Australia	Office/Warehousing	173	Owned
St. Valentin, Austria	Tractors	462	Leased
New Delhi, India	Tractors; Engineering Center	355	Owned

Paradiso, Switzerland	Commercial, Administrative	10	Leased
Plock, Poland	Combine Harvesters; Components	1,022	Owned
Queretaro, Mexico	Components	161	Owned
Amsterdam, The Netherlands	Administrative	2	Leased

(A) -In thousands of square feet

(B) -Consolidated joint venture

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

Environmental Matters

Our operations and products are subject to extensive environmental laws and regulations in the countries in which we operate. In addition, the equipment we sell and the engines which power them are subject to extensive statutory and regulatory requirements that impose standards with respect to, among other things, air emissions. Additional laws requiring emission reductions in the future from non-road engines and equipment have been promulgated or are contemplated in the United States as well as by non-U.S. regulatory authorities in many jurisdictions throughout the world. We expect that we may make significant capital and research expenditures to comply with these standards now and in the future. We anticipate that these costs are likely to increase as emissions limits become more stringent. To the extent the timing and terms and conditions of such laws and regulations (and our corresponding obligations) are clear, we have budgeted or otherwise made available funds which we believe will be necessary to comply with such laws and regulations. To the extent the timing and terms and conditions of such laws and regulations (and our corresponding liabilities) are uncertain, we are unable to quantify the dollar amount of potential future expenditures and have not budgeted or otherwise made funds available. The failure to comply with these current and anticipated emission regulations could result in adverse effects on our operations future financial results.

See also, Item 3. Key Information D. Risk Factors Risks Particular to the Industries in Which We Operate Costs of ongoing compliance with and any failure to comply with environmental laws and regulations could have an adverse effect on our results of operations.

Capital expenditures for environmental control and compliance in 2009 were approximately $0.9 million and we expect to spend approximately $4.4 million in 2010. The U.S. Clean Air Act Amendments of 1990 and European Commission directives directly affect the operations of all of our manufacturing facilities in the United States and Europe, respectively, currently and in the future. The manufacturing processes affected include painting and coating operations. Although capital expenditures for environmental control equipment and compliance costs in future years will depend on legislative, regulatory and technological developments which are uncertain, we anticipate that these costs are likely to increase as environmental requirements become more stringent and pervasive. We believe that these capital costs, exclusive of product-related costs, will not have a material adverse effect on our business, financial position or results of operations.

Pursuant to the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), which imposes strict and, under certain circumstances, joint and several liability for remediation and liability for natural resource damages, and other federal and state laws that impose similar liabilities, we have received inquiries for information or notices of our potential liability regarding 50 non-owned sites at which hazardous substances allegedly generated by us were released or disposed (Waste Sites). Of the Waste Sites, 19 are on the National Priority List promulgated pursuant to CERCLA. For 45 of the Waste Sites, the monetary amount or extent of our liability has either been resolved; we have not been named as a potentially responsible party (PRP); or our liability is likely *de minimis*. In September, 2004, the EPA proposed listing the Parkview Well Site in Grand Island, Nebraska for listing on the National Priorities List (NPL). Within its proposal the EPA discussed two alleged alternatives, one of which identified historical on-site activities that occurred during prior ownership of our Grand Island manufacturing plant property as a possible contributing source of area groundwater contamination. We filed comments on the proposed listing which reflected our opinion that the data does not support the EPA s alleged scenario. In April, 2006, the EPA finalized the listing. After subsequent remedial investigations were completed by the EPA and us in 2006, the EPA advised that it will proceed with a remediation funded by the Federal Superfund without further participation by us. The EPA continues to search for PRPs other than CNH. In December, 2004, a toxic tort suit was filed by area residents against us, certain of our subsidiaries including CNH America, and prior owners of the property. While the outcome of this proceeding is uncertain, we believe that we have strong legal and factual defenses, and we will vigorously defend this lawsuit. Because estimates of remediation costs are subject to revision as more information becomes available about the extent and cost of remediation and because settlement agreements can be reopened under certain circumstances, our potential liability for remediation costs associated with the 50 Waste Sites could change.

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Moreover, because liability under CERCLA and similar laws can be joint and several, we could be required to pay amounts in excess of our *pro rata* share of remediation costs. However, when appropriate, our understanding of the financial strength of other PRPs has been considered in the determination of our potential liability. We believe that the costs associated with the Waste Sites will not have a material adverse effect on our business, financial position or results of operations.

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

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

Based upon information currently available, management estimates potential environmental liabilities including remediation, decommissioning, restoration, monitoring, and other closure costs associated with current or formerly owned or operated facilities, the Waste Sites, and other claims to be in the range of $33 million to $89 million. Investigation, analysis and remediation of environmental sites are time consuming activities. Consequently, we expect such costs to be incurred and claims to be resolved over an extended period of time which could exceed 30 years for some sites. As of December 31, 2009, environmental reserves of approximately $52 million had been established to address these specific estimated potential liabilities. Such reserves are undiscounted and do not include anticipated recoveries, if any, from insurance companies. After considering these reserves, management is of the opinion that the outcome of these matters will not have a material adverse effect on our financial position or results of operations.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

Overview of Business

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 those described in Item 3. Key Information D. Risk Factors Risks Particular to the Industries in Which We Operate.

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A. *Operating Results*.

In the supplemental consolidating data in this section, Equipment Operations includes Financial Services on the equity basis. Transactions between Equipment Operations and Financial Services have been eliminated to arrive at the consolidated data. The operations and key financial measures and financial analysis differ significantly for manufacturing and distribution businesses and financial services businesses; therefore, management believes that certain supplemental disclosures are important in understanding our consolidated operations and financial results.

	Consolidated		Increase (Decrease) in 2009 vs. 2008	Equipment Operations		Increase (Decrease) in 2009 vs. 2008	Financial Services		Increase (Decrease) in 2009 vs. 2008
	2009	2008		2009	2008		2009	2008	
	(in millions, except percents)								
Agricultural equipment	$ 10,663	$ 12,902	(17)%	$ 10,663	$ 12,902	(17)%	$	$	%
Construction equipment	2,120	4,464	(53)%	2,120	4,464	(53)%			%
Net Sales	12,783	17,366	(26)%	12,783	17,366	(26)%			%
Finance and interest income	1,190	1,356	(12)%	131	205	(36)%	1,190	1,356	(12)%
Eliminations and other	(213)	(246)							
Total revenue	$ 13,760	$ 18,476	(26)%	$ 12,914	$ 17,571	(27)%	$ 1,190	$ 1,356	(12)%

Equipment Operations and Financial Services Key Trends for 2009

The agricultural equipment industry retail unit sales declined 7% from the strong levels of 2008. Both the tractor and combine industry retail unit sales in total were down; however, combine industry retail unit sales in North America grew. The continued difficulties in residential and commercial construction markets as well as challenging market conditions for livestock and dairy farmers drove down volumes in the under-100 horsepower tractor market. The decline in our net sales was due to industry declines, a decrease in market share and the impact of inventory reduction actions. We saw overall market share for the year decline for tractors due primarily to Rest of World while North America, Latin America and Western Europe were flat. Combine market share for the year declined, with increased market share in Latin America, declines in North America and no material change in Western Europe and Rest of World. Despite competitive pricing pressures, we were able to achieve positive pricing. In anticipation of the overall agricultural equipment industry slow down, we reduced production rates during the year in order to reduce company and dealer inventory. Overall, we were able to achieve positive operating margin.

The construction equipment industry retail unit sales overall declined 38%. The light construction equipment industry continued its decline, which began in fiscal year 2008, and the decline in heavy equipment, which started in the fourth quarter of 2008, continued in 2009. The light construction equipment industry retail unit sales, where we have a stronger market presence, declined 45% with significant declines in all markets. Additionally heavy construction equipment industry retail unit sales declined 30% with significant declines in all markets. Market share for the year in total for both heavy and light construction equipment declined. For both heavy and light construction equipment, market share for Latin America increased but could not offset the declines in Western Europe and Rest of World. North America market share was unchanged for both heavy and light construction equipment. The decline in operating profit was primarily due to the declines in industry volume and destocking actions. In addition we idled many of our production facilities to reduce company and dealer inventory which negatively impacted our results.

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Financial Services experienced declines in 2009 in both revenue and net income. The decrease in revenue was largely the result of lower on-book receivables driven primarily by the significant decline in the construction equipment business as well as the declines in the agricultural equipment business. The volume impact on revenue was partially offset by increased ABS revenue and growth in operating lease revenue. ABS activity increased compared to 2008, primarily occurring in the fourth quarter of 2009. Growth in the U.S. and Australia operating lease portfolio drove the increase in the operating lease revenue. In addition to the volume impacts, increased loss provisions due to the adverse effects of the global economic downturn on the construction equipment industry and our Brazil agricultural equipment retail portfolio also contributed to the decline in net income. Decreases in interest expense driven by lower volumes and lower selling, general and administrative expenses only partially offset the volume declines and increased loss provisions. Financial Services also experienced improvement in their liquidity as credit and ABS market conditions modestly recovered. In 2009, there was a return of liquidity to the ABS market as spreads improved throughout the year, but which are still higher than historical averages.

Equipment Operations and Financial Services Key Trends for 2010

We expect to see further slowdowns in 2010 for the agricultural equipment industry as global commodity prices are expected to decline further from 2009 levels. We expect to continue to under produce relative to retail demand on a full year basis to control inventory levels.

We believe the construction equipment industry will improve slightly over 2009 levels based on improvements expected in the overall economy. We will continue to closely manage inventory in preparation for the economic recovery and expect to continue to under produce relative to retail demand.

Financial Services will continue to focus on underwriting controls and receivables management in order to maintain solid portfolio performance. We expect the funding situation to continue to improve, especially in the ABS markets, as we expect spreads to continue to move closer to historical averages. We will continue to evaluate funding alternatives in order to diversify our funding base.

2009 Compared to 2008

Overview of Equipment Operations Results

Net Sales of Equipment

Agricultural Equipment Net Sales

	2009	2008	Decrease in 2009 vs. 2008	2009 vs. 2008 % Change	Positive / (Negative) Impact of Currency*
			(in millions, except percents)		
Net sales					
North America	$ 4,602	$ 4,685	$ (83)	(2)%	(1)%
Western Europe	3,168	4,079	(911)	(22)%	(7)%
Latin America	1,163	1,551	(388)	(25)%	(6)%
Rest of World	1,730	2,587	(857)	(33)%	(2)%
Total net sales	$ 10,663	$ 12,902	$ (2,239)	(17)%	(4)%

* The currency impact is included in the total 2009 vs. 2008 % change.

The decline in our agricultural equipment net sales was due to lower volumes ($2,126 million) and currency, partially offset by positive pricing actions ($391 million) taken during the year. The volume declines were primarily driven by an overall slowdown in the global economy and global credit conditions that generally tightened. Worldwide agricultural tractor and combine industry retail unit sales declined 7%. Combine and

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tractor industry retail unit sales were down 19% and 7% from the prior year, respectively. Combine industry retail unit sales declined in all regions except North America. Tractor industry retail unit sales were down in all regions except Rest of World, which was up primarily in China. Additionally, our market share for the year was down for agricultural equipment driven by declines in Rest of World, North America, and Western Europe. Latin America market shares were flat.

The decline in North America net sales was primarily driven by the decline in the overall industry and destocking actions taken by us during the year. North American industry retail unit sales declined 19% in total as a 21% decline in tractors was only partially offset by a 15% increase in combines. In response to the industry declines, we under produced relative to retail demand by 12% in total in order to reduce company and dealer inventory, which negatively impacted net sales. We were able to maintain market share for tractors; however, market share for combines was down. Finally, we maintained positive pricing in spite of the competitive pressures in North America to partially offset the decline in volume.

The decline in Western Europe net sales was primarily the result of the industry declines as well as the impact of currency. Industry retail unit sales of tractors decreased 14% and combines decreased 12%. Market share for the year was flat for tractors and combines. The currency impact on net sales primarily resulted from a strengthening U.S. dollar against both the Euro and the British Pound Sterling. Finally, we were able to offset a portion of the industry declines through positive pricing.

The 2008 net sales in Latin America were the result of strong agricultural industry growth in both combines and tractors. The net sales decline in 2009 was primarily a result of the decline in industry retail unit sales as compared to the 2008 levels. Net sales were also negatively impacted by currency due to the strengthening U.S. dollar. Industry retail unit sales declined 19% as tractors decreased 17% and combines decreased 36% from the strong 2008 levels. Despite the industry declines, we maintained market share for the year for tractors and increased market share for combines, which helped to mitigate the impact on net sales resulting from the decline in the industry. We did, however, experience growth in net sales in the fourth quarter of 2009 for combines.

In Rest of World, the decline in net sales was primarily driven by an overall decline in the tractor and combine industry, especially compared to the very strong levels in 2008. Industry decline and the lack of credit availability in the Commonwealth of Independent States (CIS) led to a sharp decline in net sales of tractors and combines. CIS was a growing market for us in 2008. Industry retail unit sales of tractors increased 8% overall; however, this was primarily due to an increase in China where we do not have a significant presence. In all other Rest of World markets where we are active except Australia, industry retail unit sales of tractors decreased primarily as a result of adverse credit conditions. Market share in Rest of World markets declined overall as an increase in our combine market share was more than offset by tractor market share declines. We realized positive pricing; however, this was more than offset by the volume declines.

Construction Equipment Net Sales

	2009	2008	Increase (Decrease) in 2009 vs. 2008	2009 vs. 2008 % Change	Positive / (Negative) Impact of Currency*
			(in millions, except percents)		
Net sales					
North America	$ 622	$ 1,289	$ (667)	(52)%	%
Western Europe	513	1,266	(753)	(59)%	(3)%
Latin America	588	907	(319)	(35)%	(5)%
Rest of World	397	1,002	(605)	(60)%	%
Total net sales	$ 2,120	$ 4,464	$ (2,344)	(53)%	(2)%

* The currency impact is included in the total 2009 vs. 2008 % change.

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The decrease in our construction equipment net sales was primarily driven by declines in industry volume and mix ($2,313 million) and currency impacts which were partially recovered through pricing actions ($45 million). The volume and mix declines were the result of the significant decline in the construction equipment industry as well as destocking actions taken to reduce company and dealer inventory. Worldwide construction equipment industry retail unit sales decreased 38% compared with the prior year with decreases in both the light and heavy construction equipment industries. The decline in construction equipment industry retail unit sales was driven by the overall decline in global economic conditions. For the year, industry retail unit sales of light construction equipment decreased 45% in all markets, driven by decreases in residential and commercial construction activities. Heavy equipment industry retail unit sales declined 30%, with all markets down compared to the prior year. Also contributing to the decline in net sales was a decline in our market share for total heavy and light construction equipment as increases in market share in Latin America were more than offset by the declines in Western Europe and Rest of World. North America market share was flat.

In North America, the decline in net sales was the result of volume and mix declines due to industry and destocking actions taken to reduce company and dealer inventory. Construction equipment industry retail unit sales decreased 48%. Retail unit sales of light construction equipment, where we have a stronger market presence, were down 49% while heavy construction equipment was down 47%. Industry retail unit sales were down for both tractor loader backhoes and skid steers. Market share for the year for both heavy and light construction equipment was flat despite industry declines. The rate of industry decline for both heavy and light construction equipment eased during the fourth quarter of 2009 compared to the substantial reductions in the industry in the second half of 2008.

Net sales in Western Europe declined primarily as a result of industry declines, mix and destocking actions. Industry retail unit sales for both heavy and light construction equipment decreased 51% with heavy construction equipment decreasing 56% and light construction equipment decreasing 49%. The rate of industry decline for both heavy and light construction equipment eased in the fourth quarter of 2009 compared to the substantial volume declines that occurred in the second half of 2008. Tractor loader backhoes and skid steers were down 45% and 41%, respectively. Market share was down for the year in total for both heavy and light construction equipment which contributed to the overall decline in our construction equipment net sales.

Latin America net sales were negatively affected by the decline in both heavy and light construction equipment industry retail unit sales of 56% and 54%, respectively. Industry retail unit sales of tractor loader backhoes and skid steers declined 50% and 62%, respectively. The rate of industry decline slowed slightly in the fourth quarter compared to the previous three quarters in 2009. Partially offsetting these declines was overall strong improvement in market share. Market share growth for the year was strong for light construction equipment with tractor loader backhoes and skid steers up significantly.

In Rest of World, net sales declined due to substantial declines in volume and mix. Industry retail unit sales decreased 36% for light construction equipment and 14% for heavy construction equipment. Industry retail unit sales for tractor loader backhoes and skid steers decreased 42% and 56%, respectively. While the full year was down for both heavy and light equipment industry retail unit sales, industry retail unit sales of heavy and light construction equipment were up in the fourth quarter of 2009. Contributing to the decline in net sales was a decline in market share for the year in both light and heavy construction equipment.

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Costs and Expenses Equipment Operations

The table below represents certain costs and expenses that are more appropriately analyzed as part of the Equipment Operations supplemental disclosures. Other costs and expenses are analyzed later in this discussion, either as part of the Financial Services analysis or on a consolidated basis.

	2009		2008		Increase (Decrease) in 2009 vs. 2008	2009 vs. 2008 % Change
			(in millions, except percents)			
Net sales	$ 12,783	100.0%	$ 17,366	100.0%	$ (4,583)	(26)%
Cost of goods sold	10,862	85.0%	14,054	80.9%	(3,192)	(23)%
Gross profit	1,921	15.0%	3,312	19.1%	(1,391)	(42)%
Selling, general and administrative	1,150	9.0%	1,403	8.1%	(253)	(18)%
Research and development	398	3.1%	422	2.4%	(24)	(6)%
Restructuring	98	0.8%	34	0.2%	64	188%
Interest expense	320	2.5%	358	2.1%	(38)	(11)%
Interest compensation to Financial Services	202	1.6%	275	1.6%	(73)	(27)%
Other, net	201	1.6%	204	1.2%	(3)	(1)%

Gross Profit Equipment Operations

The decline in gross profit was driven by volume declines and mix ($1,154 million) as a result of a decline in our agricultural equipment business and the significant deterioration in our construction equipment business. Additionally, the gross margin was negatively affected by increased production and economic costs ($471 million) and currency translation, transaction and hedging activities ($240 million). Positive pricing ($436 million), primarily from the agricultural equipment business, only partially offset the volume and mix and production and economic costs.

Agricultural equipment gross profit decreased due to volume declines and mix ($659 million), production and economic cost increases ($306 million), and currency translation, transaction and hedging activities ($245 million), partially offset by pricing ($391 million). Volume and mix declines were primarily driven by declines in sales of both tractors and combines. In the under-40 hp segment, the decline was much more significant. Higher production costs resulted from higher input costs from inventory purchased or manufactured in the prior year. As we reduced inventories, these higher costs negatively impacted our margins. Additionally, in anticipation of the industry slowdown, we reduced production rates to destock our inventories and dealer inventories which negatively impacted our margins. The negative currency impact is primarily the result of a strengthening of the U.S. dollar against the Euro, British pound and Brazilian real. Finally, price increases were maintained despite industry declines and competitive pressure which helped to offset some of the volume declines.

Gross profit for the construction equipment business declined significantly due to volume and mix declines ($495 million) primarily as a result of the significant market retraction and destocking actions taken during the year to reduce company and dealer inventory. Production cost increases ($142 million) also negatively impacted our margins. Included in production cost are higher input costs incurred for inventory produced principally in the prior year. Our margins were negatively impacted as this higher cost inventory was sold during the year. Additionally, many of our production facilities for the construction equipment business were idle during the year which also negatively impacted our margins. The impact of currency translation, transaction and hedging activities also negatively impacted margins due to the strengthening of the U.S. dollar. We did achieve positive pricing in most regions ($45 million).

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Selling, general and administrative Equipment Operations

The decrease in selling, general and administrative expenses was primarily the result of strict cost controls and personnel reductions ($168 million) as well as a favorable currency impact ($85 million). Salaried personnel were reduced by approximately 13% during the year in response to the market declines. Additional cost reductions included information systems, professional fees and travel. The year-over-year comparison was also favorably impacted by currency due to a strengthening U.S. dollar. Net sales declined at a faster rate than the reduction in selling, general and administrative expenses resulting in the increase as a percentage of net sales compared to the prior year.

Research and development Equipment Operations

Research and development costs increased in the current year as a percentage of net sales reflecting a continued investment in products especially for Tier IV engine development as well as investments in our core product portfolio.

Restructuring Equipment Operations

In 2009, we announced restructuring actions to consolidate and reorganize activities to align our cost and operating levels to the current economic conditions. As part of the restructuring, we instituted personnel reductions. Additionally, we reorganized the construction equipment internal management organization combining the two brands under one internal management structure. The personnel reductions and construction equipment s business management restructuring resulted in a cumulative reduction of salaried personnel and agency of approximately 13% including a cumulative reduction of approximately 28% in construction equipment. Additionally, we have decided to move all production activities of our Imola, Italy plant to our plants in Lecce and San Mauro, Italy.

Of the $98 million incurred for restructuring, $93 million related to the current year restructuring activities and primarily consisted of personnel reductions and a curtailment loss due to a permanent reduction in personnel in the United States. In addition, $5 million relates to restructuring actions announced in prior years and consists of severance and other employee related costs incurred under personnel reduction plans and additional costs related to the closure of facilities. The remaining costs expected to be incurred under announced restructuring actions are $28 million.

See Note 11: Restructuring of our consolidated financial statements for the year ended December 31, 2009 for a detailed analysis of our restructuring programs.

Interest Expense Equipment Operations

Interest expense is analyzed on a consolidated basis.

Interest compensation to Financial Services Equipment Operations

This component of the Equipment Operations results is an intercompany charge by Financial Services to Equipment Operations, which is eliminated at the consolidated level. We provide interest-free floor plan financing and extended payment terms to our dealers primarily in North America and in Western Europe to support wholesale sales of equipment. Financial Services finances these receivables, manages the credit exposure, controls losses and provides funding. Financial Services receives interest compensation from Equipment Operations for the cost of interest-free floor plan financing offered to our dealers.

Interest compensation to Financial Services remained consistent with the prior year as a percentage of net sales moving in line with the reductions in volume for both our agricultural and construction equipment.

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Other, net Equipment Operations

The decrease in Other, net was the result of increases in pension and other postemployment benefits related to former employees ($50 million) and product liability costs ($15 million) partially offset by a decrease in foreign exchange losses ($49 million) and other miscellaneous costs.

Equity in income of unconsolidated subsidiaries and affiliates Equipment Operations

The loss in the current year was primarily related to our construction equipment joint ventures due to the overall decline in the construction equipment industry.

Overview of Financial Services Results

	2009		2008		Increase (Decrease) in 2009 vs. 2008	2009 vs. 2008 % Change
	(in millions, except percents)					
Finance and interest income	$ 1,190	100.0%	$ 1,356	100.0%	$ (166)	(12)%
Selling, general and administrative	336	28.2%	295	21.8%	41	14%
Restructuring	4	%	5	%	(1)	(20)%
Interest expense	497	41.8%	606	44.7%	(109)	(18)%
Other, net	129	10.8%	115	8.4%	14	(12)%
Total expenses	$ 966		$ 1,021		$ (55)	(5)%
On-book asset portfolio	$ 8,171		$ 9,825		$ (1,654)	(17)%
Managed asset portfolio	$ 17,257		$ 17,524		$ (267)	(2)%

Finance and interest income Financial Services

The decrease in finance and interest income was driven by a decline in net interest revenue ($246 million) partially offset by an increase in ABS revenues ($72 million) and an increase in operating lease revenue ($19 million). Net interest revenue s decline was the result of volume and mix as well as interest rates. The declines related to volume and mix were driven by the decline in the on-book portfolio due to the significant declines in the construction equipment business as well as the declines in the agricultural equipment business. Also contributing to the decline were decreases due to interest rates. Interest rate decreases were primarily the result of benchmark rates declining globally. ABS revenue increased as credit market conditions eased during the year especially during the fourth quarter. ABS revenue includes $128 million of gains on sales of receivables that occurred during the year. Due to a change in the accounting rules for fiscal year 2010, gains on sales of receivables will likely be immaterial but this reduction will be partially offset by higher net interest revenue, as receivables that were previously off-book will be brought back on book and future securitization transactions will no longer qualify for off-book treatment. See Item 5.A. New Accounting Pronouncements for further details on the change to the accounting rules.

Selling, general and administrative Financial Services

The increase in selling, general and administrative expenses was primarily a result of increased loss provisions partially offset by declines in other selling, general and administrative expenses. Loss provisions increased due to the downturn in the U.S. and European construction equipment markets. Additional loss provisions were recorded for Brazil s retail agricultural equipment portfolio. Partially offsetting the increased loss provisions are personnel reductions and other cost control actions.

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Delinquency and loss percentages for our managed portfolio were as follows:

	2009		2008	
	Delinquencies	Losses	Delinquencies	Losses
North America	2.74%	0.93%	2.54%	0.54%
Europe	7.30%	0.33%	2.22%	%
Latin America	27.89%	0.64%	4.97%	0.16%
Rest of World	2.37%	0.56%	7.33%	0.17%
Total	7.50%	0.73%	2.92%	0.34%

The increases in retail delinquencies and the overall losses, as a percentage of outstanding receivables were driven by the Brazilian agricultural equipment loans which did not qualify for the renegotiation extension and the continued global slowdown in the construction equipment market in Europe and North America.

Restructuring Financial Services

The restructuring expense incurred during 2009 was the result of personnel reductions primarily in the North American and European regions.

Other, net Financial Services

The increase in other, net was primarily driven by an increase in depreciation expense related to a growing operating lease portfolio.

Consolidated interest expense

The decrease in interest expense was mix and interest rate related as for Equipment Operations, average debt outstanding remained flat. The net interest rate on our Equipment Operations debt declined by approximately 140 basis points. The decline was due to lower interest rates on the floating rate debt of Equipment Operations. Financial Services experienced both a decline in average debt outstanding as well as a decrease in the net interest rate on the debt resulting in a decline in interest expense. The decrease in the average debt outstanding was driven by the increase in off-book ABS transactions.

Consolidated income tax provision

	2009	2008
	(in millions, except percents)	
Income (loss) before income taxes and equity in income (loss) of unconsolidated subsidiaries and affiliates	$ (93)	$ 1,156
Income tax provision	$ 92	$ 385
Effective tax rate	(98.9)%	33.3%

The primary reason for the adverse effective tax rate was due to losses incurred during the year in certain jurisdictions where we could not recognize a tax benefit as well as unfavorable deferred tax asset valuation allowance adjustments.

Also see Note 10: Income Taxes of our consolidated financial statements for more information on our income tax provision.

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2008 Compared to 2007

Overview of Equipment Operations Results

Net sales of equipment

Agricultural Equipment Net Sales

	2008	2007	Increase in 2008 vs. 2007	2008 vs. 2007 % Change	Positive / (Negative) Impact of Currency*
			(in millions, except percents)		
Net sales					
North America	$ 4,685	$ 3,844	$ 841	22%	%
Western Europe	4,079	3,207	872	27%	6%
Latin America	1,551	1,023	528	52%	8%
Rest of World	2,587	1,874	713	38%	1%
Total net sales	$ 12,902	$ 9,948	$ 2,954	30%	3%

* The currency impact is included in the total 2008 vs. 2007 % change.

Worldwide agricultural tractor and combine industry retail unit sales were up 3% over the prior year driven by an increase of 34% for combines spread across all regions and an increase of 2% in tractors primarily driven by Western Europe and Latin America. The increase in our agricultural equipment net sales was driven by higher volumes as a result of the growing markets and a richer mix of high horsepower tractors and combines ($1,955 million), pricing actions taken during the year ($401 million), and new products ($282 million).

In North America, industry retail unit sales of tractors were down 7% but combines were up 21%. The decrease in the tractor industry was primarily driven by the under-100 horsepower tractor segments. The over-100 horsepower tractor market increased 24% over the prior year. The increase in the over-100 horsepower market, where we have a strong market position, and the increase in the combine industry contributed to the increase in our North American net sales. Our overall market share on tractors was stable with market share gains in the over-40 horsepower tractors offset by a decrease in market share for the under-40 horsepower tractors. For combines, our overall market share was stable primarily due to capacity constraints.

Western Europe industry retail unit sales of tractors and combines increased 3% and 27%, respectively, over the prior year. The improvement in the tractor industry retail unit sales was primarily driven by France, the UK and Germany, partially offset by declines in Spain. Combines experienced increases in all markets. The increases in the industry volumes drove our improvements in net sales. Our overall market share for tractors and combines was stable. Although the overall markets were up for the year, in the fourth quarter the tractor industry declined compared with 2007.

The Latin American market experienced significant growth over the prior year with increases in industry retail unit sales of 36% for tractors and 55% for combines driving the significant improvement in our net sales. We were able to increase market share over the prior year for combines while tractors was unchanged. In contrast to the first nine months of the year, in the fourth quarter, the combine industry did decline compared to the previous year.

In the Rest of World markets, the improvements in our net sales was due primarily to the 41% growth in the combine industry and an increase in tractor market share. The growth that increased our sales in the Rest of World for the first three quarters of 2008 slowed down in the fourth quarter. We experienced a slower rate of growth for combines and a significant decline in unit sales for tractors in the fourth quarter.

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Construction Equipment Net Sales

	2008	2007	Increase (Decrease) in 2008 vs. 2007	2008 vs. 2007 % Change	Positive / (Negative) Impact of Currency*
			(in millions, except percents)		
Net sales					
North America	$ 1,289	$ 1,662	$ (373)	(22)%	1%
Western Europe	1,266	1,788	(522)	(29)%	3%
Latin America	907	714	193	27%	6%
Rest of World	1,002	859	143	17%	7%
Total net sales	$ 4,464	$ 5,023	$ (559)	(11)%	3%

* The currency impact is included in the total 2008 vs. 2007 % change.

Worldwide construction equipment industry retail unit sales were down 8% compared with the prior year driven primarily by decreases in the light construction equipment industry, where we have a stronger market position. For the year, industry retail unit sales of light equipment were down in all markets except Latin America, driven by decreases in residential and commercial construction activities. An increase of 2% in the heavy equipment market only partially offset the decline in the light equipment market. Increases in the Latin American and Rest of World construction equipment markets only partially offset the declines in Western Europe and North America. The decrease in our construction equipment net sales was primarily driven by the industry volume and mix changes ($818 million) which were partially recovered through pricing actions ($97 million). Our market share was down for total heavy and light construction equipment.

In North America, market demand for skid steer loaders and backhoe loaders decreased 18% and 26%, respectively. Additionally, demand for heavy construction equipment was down 22% while total light construction equipment was down 8%. The decrease in demand was a result of declines in residential and commercial construction activities. The declines in the industry were the primary drivers of the declines in our construction equipment net sales. Despite the industry volume declines, our market share remained stable.

The Western Europe construction equipment market experienced a total decline of approximately 26% for the full year. Skid steer loaders and backhoe loaders decreased 46% and 44%, respectively. Heavy construction equipment was down 24% while total light construction equipment was down 27%. The decline in the industry volumes and a decline in our market share drove the decrease in our net sales.

The construction equipment market in Latin America improved by 22% over the prior period. The markets for backhoe loaders and skid steer loaders were up 10% and 25%, respectively. Heavy construction equipment increased by 28% over the prior year while total light construction equipment was up 17%. While the full year experienced an increase, the fourth quarter of 2008 was down for heavy equipment by 5% and light construction equipment was down 18%. The improvement in our full year net sales was primarily the result of the growth in the industry during the first nine months of the year. Market share was unchanged with increases in backhoe loaders and skid steer loaders offset by decreased market share in heavy construction equipment.

In the Rest of World markets, the light construction equipment industry volumes were down 13% compared to the prior year while heavy construction equipment was up 20%. Backhoe loader industry volumes were down 16% while skid steer loader volumes improved 12%. The decline in the light construction equipment industry volumes, which began in the second quarter, accelerated during the fourth quarter and was down 45% compared to the fourth quarter of 2007. Heavy construction equipment industry volumes experienced growth in the first three quarters of 2008 but were down 22% relative to the fourth quarter of 2007. The decline in fourth quarter demand was largely driven by the economic downturn and the tightening of the credit markets. The increase in full year net sales was driven by increases in volume and mix in the first nine months, partially offset by the fourth quarter decline. Market share remained stable for both heavy and light construction equipment.

Costs and Expenses   Equipment Operations

The table below represents certain costs and expenses that are more appropriately analyzed as part of the Equipment Operations supplemental disclosures. Other costs and expenses are analyzed later in this discussion, either as part of the Financial Services analysis or on a consolidated basis.

	2008		2007		Increase (Decrease) in 2008 vs. 2007	2008 vs. 2007 % Change
			(in millions, except percents)			
Net Sales	$ 17,366	100.0%	$ 14,971	100.0%	$ 2,395	16%
Cost of goods sold	14,054	80.9%	12,154	81.2%	1,900	16%
Gross profit	3,312	19.1%	2,817	18.8%	495	18%
Selling, general and administrative	1,403	8.1%	1,183	7.9%	220	19%
Research and development	422	2.4%	409	2.7%	13	3%
Restructuring	34	0.2%	85	0.6%	(51)	(60)%
Interest expense	358	2.1%	358	2.4%		%
Interest compensation to Financial Services	275	1.6%	247	1.6%	28	11%
Other, net	204	1.2%	224	1.5%	(20)	(9)%

Gross Profit   Equipment Operations

The improvement in gross profit was driven by higher volumes and a richer mix of high horsepower tractors and combines ($440 million), pricing actions ($498 million) and the introduction of new products ($119 million), partially offset by purchasing and economic cost increases ($482 million) and currency translation, transaction and hedging activities ($109 million). The agricultural equipment segment improvement in gross profit drove the overall improvement in Equipment Operations gross profit.

In the agricultural equipment segment, the gross profit increase was the result of volume and mix improvements ($646 million), pricing actions ($401 million), and the introduction of new products ($119 million), partially offset by purchasing and economic cost increases ($378 million) and negative impact of currency translation, transaction and hedging activities ($99 million). The volume and mix improvements were the result of increased combine sales in all markets, and increases in higher horsepower tractor sales in North America and increases in sales of all tractors in Western Europe and Latin America. The purchasing and economic cost increases were primarily the result of the higher volumes experienced as a result of the industry growth and higher input costs.

Gross profit for the construction equipment segment declined primarily as a result of the volume and mix declines ($206 million). Purchasing and economic cost increases ($104 million) were partially offset by pricing actions ($97 million). Anticipating the industry decline in the second half of 2008, we idled most of our construction equipment facilities to reduce inventories which contributed to the volume and mix impact.

Selling, general and administrative   Equipment Operations

The increase in selling, general and administrative expense in dollars and the slight increase as a percentage of sales was driven by: increases from currency and initiatives to support our brands, dealers and customers; increased infrastructure in the parts organization to improve overall service levels; increased loss provisions due to the overall decline in the construction industry and additional provisions for Brazilian receivables; and increased costs of developing a support structure for international region growth and development.

Research and development Equipment Operations

The decrease in research and development costs as a percentage of net sales was the result of increases in net sales outpacing planned spending.

Restructuring Equipment Operations

During 2008, the restructuring charges incurred were the result of restructuring activities announced in prior years and consisted primarily of severance and other employee related costs incurred under the headcount reduction plan ($26 million) and additional costs related to the 2007 closure of the Berlin, Germany facility ($4 million).

In 2007, we recorded $85 million in pre-tax restructuring costs. These restructuring costs primarily relate to a consolidated arbitration proceeding that was pending in London before the ICC International Court of Arbitration, CNH Global N.V. vs. PGN Logistics Ltd. et al, ($42 million), the 2007 closure of the manufacturing facility in Berlin, Germany ($23 million), and severance and other employee-related costs incurred due to headcount reductions ($17 million).

See Note 11: Restructuring of our consolidated financial statements for the year ended December 31, 2008 for a detailed analysis of our restructuring programs.

Interest Expense Equipment Operations

Interest expense is analyzed on a consolidated basis.

Interest compensation to Financial Services Equipment Operations

This component of the Equipment Operations results is an intercompany charge by Financial Services to Equipment Operations, which is eliminated at the consolidated level. We provide interest-free floor plan financing and extended payment terms to our dealers primarily in North America and in Western Europe to support wholesale sales of equipment. Financial Services finances these receivables, manages the credit exposure, controls losses and provides funding. Financial Services receives interest compensation from Equipment Operations for the cost of interest-free floor plan financing offered to our dealers or low rate financing offered to our retail customers.

The increase in interest compensation over the prior year was primarily the result of the increased volume in the agricultural equipment segment and rate increases due to changes in financial market conditions.

Other, net Equipment Operations

Other, net decreased over the prior year as a result of reduced pension and other post-employment benefits related to former employees and reduced litigation and product liability costs, partially offset by an increase in foreign exchange losses.

Equity in income of unconsolidated subsidiaries and affiliates Equipment Operations

For 2008, equity in income of unconsolidated subsidiaries and affiliates was $40 million compared to $89 million in the prior year. Results for 2007 included $38 million of income that was recorded to adjust estimated amounts recorded in prior periods to actual reported results.

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Overview of Financial Services Results

	2008		2007		Increase (Decrease) in 2008 vs. 2007	2008 vs. 2007 % Change
	(in millions, except percents)					
Finance and interest income	$ 1,356	100.0%	$ 1,131	100.0%	$ 225	20%
Selling, general and administrative	295	21.8%	253	22.4%	42	17%
Restructuring	5	%		%	5	%
Interest expense	606	44.7%	479	42.4%	127	27%
Other, net	115	8.4%	70	6.2%	45	64%
Total expenses	$ 1,021		$ 802		$ 219	27%
On-book asset portfolio	$ 9,825		$ 9,297		$ 528	6%
Managed asset portfolio	$ 17,524		$ 18,375		$ (851)	(5)%

Finance and interest income Financial Services

The growth in finance and interest income was primarily the result of increases in the amount of the on-book asset portfolio. The increase in the on-book asset portfolio is due to the growth in the agricultural equipment business and the significant decrease in ABS activity. This was partially offset by lower ABS revenue due to the current unfavorable credit markets. The decline in ABS revenue primarily occurred in the North America market where the volume of transactions declined by approximately $1.4 billion from the prior year. Also contributing to the growth in income was an increase in operating lease revenues as net equipment on operating lease increased 18% during the year.

Selling, general and administrative Financial Services

Loss provisions were the primary driver of the increase in the current year expense resulting primarily from the downturn in the construction equipment market and additional reserves in Brazil. See also Note 3: Accounts and Notes Receivable of our consolidated financial statement for the year ended December 31, 2008.

Delinquency and loss percentages for our managed portfolio were as follows:

	2008		2007	
	Delinquencies	Losses	Delinquencies	Losses
North America	2.54%	0.54%	2.14%	0.42%
Europe	2.22%	%	1.45%	0.04%
Latin America	4.97%	0.16%	4.52%	0.06%
Rest of World	7.33%	0.17%	7.75%	0.08%
Total	2.92%	0.34%	2.57%	0.28%

Western Europe and North American delinquencies increased primarily due to the global slowdown in the construction equipment market related to housing, partially offset by strengthening in the agricultural market. Overall losses, as a percentage of outstanding, increased due to the global slowdown in the construction equipment market.

Restructuring Financial Services

The restructuring expense incurred during 2008 was the result of headcount reductions primarily in the North American and European regions.

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Other, net Financial Services

The increase in other, net was primarily driven by the change in fair value for a derivative instrument subsequently designated as a cash flow hedge and an increase in operating lease depreciation.

Consolidated interest expense

The total amount for consolidated interest expense Fiat affiliates and consolidated interest expense other increased to $765 million compared to $701 million in the prior year. The 2007 Equipment Operations amount included a charge of $57 million for the early extinguishment of our $1.05 billion 9 1/4% Senior Notes due in 2011. The increased interest expense was primarily driven by working capital and increases in the on-book receivables and operating lease portfolio. The change in distribution between consolidated interest expense Fiat affiliates and consolidated interest expense other is primarily driven by the refinancing of third party debt with Fiat affiliates.

Consolidated income tax provision

	2008	2007
	(in millions, except percents)	
Income before income taxes and equity in income of unconsolidated subsidiaries and affiliates	$ 1,156	$ 830
Income tax provision	$ 385	$ 354
Effective tax rate	33.3%	42.7%

The primary drivers of the decrease in the effective tax rate were increased earnings in lower tax rate jurisdictions, an increase in tax credits and other adjustments. Also see Note 10: Income Taxes of our consolidated financial statements.

Application of Critical Accounting Estimates

The preparation of our financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results may differ from these estimates under different assumptions or conditions. Our senior management has discussed the development and selection of the critical accounting policies, related accounting estimates and the disclosure set forth below with our auditors and with the Audit Committee of our Board of Directors. Our critical accounting estimates, which require management s subjective and complex judgments, are summarized below. Our other accounting policies are described in the notes to our consolidated financial statements.

Allowance for Credit Losses

Our wholesale and retail notes receivables have a significant concentration of credit risk in the agricultural and construction equipment industry and are subject to potential credit losses. We have provided for the expected credit losses (allowance for credit losses) based on past experience with similar receivables including current and historical past due amounts, dealer termination rates, write-offs, collections and economic conditions. The Company has an established process to calculate a range of possible outcomes and determine the adequacy of the allowance. No single statistic or measurement determines the adequacy of the allowance. The adequacy of the allowance is assessed quarterly. Different assumptions or changes in economic conditions would result in changes to the allowance for credit losses.

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Factors utilized in support of our assumptions include estimated collateral values, historical loss experience, portfolio duration, delinquency trends and credit risk quality.

The total allowance for credit losses at December 31, 2009, 2008, and 2007 was $393 million, $269 million, and $302 million, respectively. The allowance for credit losses increased in 2009 due to the continued downturn in the U.S. and European construction equipment markets and additional reserves recorded for Brazil s retail agricultural equipment portfolio and decreased in 2008 due to transactions which took receivables off-book.

Holding other estimates constant, a 0.15 percentage point increase or decrease in estimated loss experience on the receivable portfolios would result in an increase or decrease of approximately $18 million to the allowance for credit losses at December 31, 2009.

Beginning January 1, 2010, the Company adopted the new accounting guidance relating to variable interest entities. The allowance for credit losses will increase related to the receivables that are consolidated upon adoption of this guidance.

Equipment on Operating Lease Residual Values

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

Total operating lease residual values at December 31 2009, 2008, and 2007 were $427 million, $374 million, and $289 million, respectively. Growth in the residual value for operating leases is consistent with the growth in the portfolio.

Estimates used in determining end-of-lease market values for equipment on operating leases significantly impact the amount and timing of depreciation expense. If future market values for this equipment were to decrease 10% from our present estimates, the total impact would be to increase our depreciation expense on equipment on operating leases by approximately $43 million. This amount would be charged to depreciation expense during the remaining lease terms such that the net investment in operating leases at the end of the lease terms would be equal to the revised residual values. Initial lease terms generally range from three to four years.

Retail Off-Balance Sheet Financing

In connection with our securitization of retail receivables, we retain interest-only strips and other interests in the securitized receivables. Interest-only strips represent rights to future cash flows arising after the investors in the securitization trust have received the return for which they contracted and other expenses of the trust are paid. Our retained interests are subordinate to the investors interests. Gain or loss on the sale of receivables depends

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in part on the fair value of the retained interests at the date of transfer. Additionally, retained interests after transfer are measured for impairment based on the fair value of the retained interests at the measurement date. We estimate fair value based on the present value of future expected cash flows using our estimate of key assumptions credit losses, prepayment spreads, and discount rates commensurate with the risks involved. While we use our best estimates, there can be significant differences between those estimates and actual results.

The significant assumptions used in estimating the fair values of retail retained interests from sold receivables, which remain outstanding, and the sensitivity of the current fair value to a 10% and 20% adverse change at December 31, 2009, are as follows:

	Weighted Average Assumptions	10% Change	20% Change
		(in millions)	
Constant prepayment rate	18.36%	$ 1.6	$ 2.4
Expected credit loss rate	1.10%	$ 4.4	$ 8.7
Discount rate	10.21%	$ 7.0	$ 13.8
Remaining maturity in months	15		

The changes shown above are hypothetical. They are computed based on variations of individual assumptions without considering the interrelationship between these assumptions. As a change in one assumption may affect the other assumptions, the magnitude of the impact on fair value of actual changes may be greater or lower than those illustrated above. Weighted-average remaining maturity represents the weighted-average number of months that the current collateral balance is expected to remain outstanding. In addition, because the Company s securitization transactions will be accounted for as secured borrowings rather than asset sales, the cash flows from these transactions will be presented as cash flows from financing activities rather than cash flows from operating or investing activities.

Consistent with CNH s adoption of the new guidance related to other-than-temporary impairments (OTTI) of debt securities, any OTTIs due to changes in the constant prepayment rate and the expected credit loss rate would be included in the earnings of CNH. An OTTI due to a change in the discount rates would be included in accumulated other comprehensive income.

Beginning January 1, 2010, the Company adopted the new accounting guidance related to variable interest entities. The retained interests, included in the December 31, 2009 balance sheet, will generally be reclassified to receivables for the transactions that are consolidated upon the adoption of this guidance.

Recoverability of Long-lived Assets

Long-lived assets include property, plant and equipment, goodwill and other intangible assets such as patents and trademarks. We evaluate the recoverability of property, plant and equipment and finite-lived other intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. We assess the recoverability of property, plant and equipment and finite-lived other intangible assets by comparing the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of the long-lived asset is not recoverable in full on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value.

Goodwill and indefinite-lived other intangible assets are tested for impairment at least annually. During 2009 and 2008, we performed our annual impairment review as of December 31 and concluded that there was no impairment in either year. The Company continues to evaluate events and circumstances to determine if additional testing may be required.

Impairment testing for goodwill is done at a reporting unit level using a two-step test. Since 2006, we have identified five reporting units: Case IH and New Holland agricultural equipment brands, Case and New Holland

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Construction construction equipment brands and Financial Services. Under the first step, our estimate of the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and we must perform step two of the impairment test (measurement). Step two of the impairment test, if necessary, would require the identification and estimation of the fair value of the reporting unit s individual assets, including intangible assets with definite and indefinite lives regardless of whether such intangible assets are currently recorded as an asset of the reporting unit, and liabilities in order to calculate the implied fair value of the reporting unit s goodwill. Under step two, an impairment loss is recognized to the extent the carrying amount of the reporting unit s goodwill exceeds the implied fair value of goodwill.

The carrying values for each reporting unit include material allocations of the Company s assets and liabilities and costs and expenses that are common to all of the reporting units. We believe that the basis for such allocations has been consistently applied and is reasonable.

The following summarizes the goodwill assigned to our reporting units and included in the Company s consolidated financial statements and the percentage by which the fair value exceeded the carrying value (so called excess) under the first step of the impairment test performed as of December 31, 2009:

	Amount (in millions)	Fair Value Excess
Case IH	$ 685	36.6%
New Holland	975	6.9%
Case	292	31.4%
New Holland Construction	273	11.5%
Financial Services	149	5.1%
Consolidated goodwill	$ 2,374	

The varying levels of excess shown above and changes in fair value from the prior year disclosed below are primarily due to differences in geographic mix and manufacturing footprint. The operations of Case IH and Case reporting units are more heavily weighted towards North America, whereas the New Holland and New Holland Construction reporting units are more heavily weighted towards Western Europe and the Rest of World. Additionally, differences in the levels of working capital on hand at year-end impacted the results of the impairment test.

To determine fair value, we have relied on two valuation techniques: the income approach and the market approach.

The income approach is a valuation technique used to convert future expected cash flows to a present value. We use the income approach as the primary approach to measure the fair value of the Equipment Operations reporting units. We believe the income approach provides the best measure of fair value for our Equipment Operations reporting units as this approach considers factors unique to each of our reporting units and related long range plans that may not be comparable to other companies and that are not yet publicly available. The income approach is dependent on several critical management assumptions, including estimates of future sales growth, gross margins, operating costs, income tax rates, terminal value growth rates, capital expenditures, changes in working capital requirements and the weighted average cost of capital (discount rate).

Expected cash flows used under the income approach are developed in conjunction with our budgeting and forecasting process and represent the most likely amounts and timing of future cash flows based on our long range plan. Our long range plan is updated annually as a part of our annual planning process and is reviewed and approved by senior management. Expected sales growth is based on management s forecast. The gross margins and operating costs considered in the expected cash flows are also based on management s five-year forecast and supported by our manufacturing and product development plans. The amounts of capital expenditures and

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working capital considered in the expected cash flows are based on several factors including the estimated levels required to support the projected levels of growth and product development plan.

Our projections are based on our expectation of further agricultural equipment industry retail unit sales declines in 2010, followed by industry growth in subsequent years. We expect our construction equipment business to improve in 2010 as the industry improves and that as a result, our construction equipment dealers replenish their inventory levels. We expect more significant growth in the construction equipment industry in 2011 and subsequent years.

Several of the assumptions and estimates used as the basis for expected cash flows under the income approach have changed since the prior year. The projected revenues for our construction equipment and New Holland reporting units were reduced to reflect the industry declines that occurred during 2009 and the current industry outlooks. The projected gross margin percentages for all reporting units were increased to reflect management s expectations regarding pricing and product mix, and to reflect the Company s manufacturing initiatives and product development, which are expected to reduce inefficiencies and excess capacity. Operating costs for our construction equipment reporting units were reduced to reflect the cost cutting measures taken in 2009, including the reorganization of the management structure and the reduction in the Company s salaried and agency work force. The impact of cash and working capital requirements were adjusted to reflect expected improvements in working capital management. On an undiscounted basis, the net impact of the changes to management s five-year cash flow forecast was an increase in cash flows of 2.7% and 1.4% for Case and Case IH, respectively, and a reduction in cash flows of 20.9% and 9.4% for New Holland and New Holland Construction, respectively.

The discount rates used in the income approach are an estimate of the rate of return that a market participant would expect of each reporting unit. To select an appropriate rate for discounting the future earnings stream, a review was made of short-term interest rates and the yields of long-term corporate and government bonds, as well as the typical capital structure of companies in the industry. The discount rates used for each reporting unit may vary depending on the risk inherent in the cash flow projections, as well as the risk level that would be perceived by a market participant. We considered the above mentioned factors and selected the following discount rates for the income approach as of December 31, 2009:

	Discount Rate
Case IH	13.0%
New Holland	13.0%
Case	13.5%
New Holland Construction	13.5%

The discount rates used in the prior year for the Case IH, New Holland and Case reporting units were higher in order to account for the uncertainty of achievement of the projected cash flows given the state of the industry and capital and credit markets at the end of 2008. These discount rates were reduced in 2009 to reflect the reduction in risk associated with achieving these cash flow projections. The discount rate used for the New Holland Construction reporting unit was increased in 2009 to reflect the higher risk associated with achieving its cash flow projections.

A terminal value is included at the end of the projection period used in our discounted cash flow analyses in order to reflect the remaining value that each reporting unit is expected to generate. The terminal value represents the present value in the last year of the projection period of all subsequent cash flows into perpetuity. We have used 2017 as the terminal year in our discounted cash flow analyses performed as of December 31, 2009. The terminal value growth rate is a key assumption used in determining the terminal value as it represents the annual growth of all subsequent cash flows into perpetuity. We selected the following terminal value growth rates for the income approach as of December 31, 2009:

	Terminal Value Growth Rate
Case IH	1.0%
New Holland	1.0%
Case	2.0%
New Holland Construction	2.0%

The estimated fair value under the income approach in 2009, including the impact of changes in management assumptions, changed from the prior year as follows:

	Change in Fair Value - Percentage Increase (Decrease)
Case IH	59.2%
New Holland	0.6%
Case	8.1%
New Holland Construction	(16.9)%

The market approach measures fair value based on prices generated by market transactions involving identical or comparable assets or liabilities. Under the market approach, we apply the guideline company method in estimating fair value. The guideline company method makes use of market price data of corporations whose stock is actively traded in a public, free and open market, either on an exchange or over-the counter basis. Although it is clear no two companies are entirely alike, the corporations selected as guideline companies must be engaged in the same or similar line of business or be subject to similar financial and business risks, including the opportunity for growth. The guideline company method of the market approach provides an indication of value by relating the equity or invested capital (debt plus equity) of guideline companies to various measures of their earnings and cash flow, then applying such multiples to the business being valued.

Book value and total asset market multiples were utilized in determining the fair value of the Financial Services reporting unit under the market approach. We use the market approach as the primary approach to measure the fair value of the Financial Services reporting unit as it derives value based primarily on the assets under management.

Revenue and EBITDA market multiples were utilized in determining the fair value of the Equipment Operations reporting units under the market approach. For our Equipment Operations reporting units, the market approach is used as a secondary approach to further support the income approach. Because the market approach does not evaluate our reporting units projected cash flows, we believe the market approach enables validation of the fair values derived from the income approach using market benchmarks.

We identified comparable companies for use in the guideline company approach based on a review of all publicly traded companies in our lines of business. The comparable companies used were determined based on an evaluation of all relevant factors, including whether the companies were subject to similar financial and business risks.

An adjustment to the market pricing multiples used in the guideline company approach may be justified in order to account for the incremental value associated with a controlling interest in the business. Such a control premium represents the amount paid by a new controlling shareholder for the benefits resulting from synergies and other potential benefits derived from controlling the enterprise. Based on the market conditions as of December 31, 2009, we believed such an adjustment was justified at the reporting unit level and therefore used a 10-40% control premium in our analysis of the fair value of the reporting units under the market approach.

Our implied market capitalization (based on total outstanding shares and stock price as of December 31, 2009) was lower than our book value and the indicated fair value from our goodwill impairment test as of

December 31, 2009. However, our reporting units have continued to generate cash flow from their operations, and we expect that to continue in future periods. While our implied market capitalization is an indicator of expected future performance, we believe a fair value determination should also consider factors such as recent trends in our stock price and an expected control premium at the Company level based on comparable transactional history. We believe there is a reasonable basis for the excess of estimated fair value of our reporting units over our implied market capitalization at December 31, 2009.

Given the low level of excess under the first step of the 2009 impairment test, we also performed sensitivity analyses of the estimated fair value using the income approach for the New Holland and New Holland Construction reporting units. A key assumption in our fair value estimates is the discount rate used for discounting cash flow estimates to present value. We noted that an increase in the discount rate of 90 and 140 basis points for New Holland and New Holland Construction, respectively, could cause each reporting unit s carrying value to exceed fair value. If step two of the impairment test were to be required, the fair values of the assets and liabilities of the reporting unit, other than goodwill, could differ significantly from their carrying values, resulting in the recognition of a material goodwill impairment charge.

Measuring the estimated fair value of our reporting units requires judgment and the use of estimates by management. We can provide no assurance that a material impairment charge will not occur in a future period. Our estimates of future cash flows may differ from actual cash flows that are subsequently realized due to, among other things, worldwide economic factors, technological changes and the achievement of the anticipated benefits of our profit improvement initiatives. Any of these potential factors, or other unexpected factors, may cause us to re-evaluate the carrying value of goodwill. We will continue to monitor circumstances and events in future periods to determine whether additional impairment testing is necessary. If an impairment charge were required to be taken for goodwill, such a charge would be a non-cash charge. However, such a charge could have a material adverse impact on our financial position and statement of operations.

Sales Allowances

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

The sales incentive accruals at December 31, 2009, 2008, and 2007 were $690 million, $660 million, and $607 million, respectively. The incentive accruals increase during 2009 is due to programs initiated by CNH to reduce inventory and maintain competitive pricing in the market. The incentive accruals increased during 2008 primarily due to the increase in equipment sales.

Over the last three years, the percentage of sales allowance costs to net sales from dealers has varied by approximately plus or minus 2.5 percentage points, comparing the average sales allowance costs to net sales percentage during the period. Holding other assumptions constant, if the estimated percentage were to increase or decrease 2.5 percentage points, the sales allowances for the year ended December 31, 2009 would increase or decrease by approximately $320 million, which would positively or negatively impact operating margins.

Warranty Costs

At the time a sale of equipment to a dealer is recognized, we record the estimated future warranty costs for the product, primarily basic warranty coverage. We generally determine our total warranty liability with reference to our historical claims rate experience. Our warranty obligations are affected by component failure rates, replacement costs and dealer service costs, partially offset by recovery from certain of our vendors. If actual failure rates or costs to replace and install new components differ from our estimates, a revision in the warranty liability would be required.

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The product warranty accruals at December 31, 2009, 2008, and 2007 were $301 million, $294 million, and $297 million, respectively.

Estimates used to determine the product warranty accruals are significantly impacted by the historical percentage of warranty claims costs to related net sales. Over the last three years, this percentage has varied by approximately 0.1 percentage points, comparing the warranty costs to net sales percentage during the period. Holding other assumptions constant, if this estimated percentage were to increase or decrease 0.1 percentage points, the warranty expense for the year ended December 31, 2009, would increase or decrease by approximately $13 million.

See Note 14: Commitments and Contingencies of our consolidated financial statements for further information on our accounting practices and recorded obligations related to modification programs and warranty costs.

Defined Benefit Pension and Other Postretirement Benefits

As more fully described in Note 12: Employee Benefit Plans and Postretirement Benefits of our consolidated financial statements, we sponsor pension and other retirement plans in various countries. In the U.S. and the U.K., we have major defined benefit pension plans that are separately funded. Most of our pension plans in other countries are not funded. We actuarially determine these pension and other postretirement costs and obligations using several statistical and judgmental factors, which attempt to anticipate future events. These assumptions include discount rates, rates for expected returns on plan assets, rates for compensation, mortality rates, retirement rates, and health care cost trend rates, as determined by us within certain guidelines. Actual experiences different from those assumed and changes in assumptions can result in gains and losses that we have not yet recognized in our consolidated statements of operations but have been recognized in equity. For most of our plans, we recognize net gain or loss as a component of our pension and other retirement plans expense for the year if, as of the beginning of the year, such unrecognized net gain or loss exceeds 10% of the greater of (1) the projected benefit obligation or (2) the fair or market value of the plan assets at year end. In such case, the amount of amortization we recognize is the resulting excess divided by the average remaining service period of active employees expected to receive benefits under the plan. However, for a number of our smaller plans, we recognize all gains and losses immediately in expense.

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

	2010 Benefit Cost (income)/expense		Year End Benefit Obligation increase/(decrease)	
	One Percentage-Point Increase	One Percentage-Point Decrease	One Percentage-Point Increase	One Percentage-Point Decrease
	(in millions)			
Pension benefits U.S.:				
Assumed discount rate	$ (8)	$ 9	$ (110)	$ 132
Expected long-term rate of return on plan assets	(9)	9	N/A	N/A
Pension benefits International:				
Assumed discount rate	(5)	8	(170)	209
Expected rate of compensation increase	8	(6)	48	(42)
Expected long-term rate of return on plan assets	(10)	10	N/A	N/A
Other postretirement benefits:				
Assumed discount rate	(10)	14	(105)	127
Assumed health care cost trend rate (initial and ultimate)	22	(19)	106	(90)

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Tax Contingencies

We are periodically subject to audits of our various income tax returns by taxing authorities. These audits review tax filing positions, including the allocation of income among our tax jurisdictions. Some of our tax positions could be challenged by the taxing authorities. The estimate of our tax contingencies reflects uncertainties because management must use judgment to estimate the exposure associated with our various tax filing positions. Although management believes that the judgments and estimates are reasonable, actual results could differ, and we may be exposed to losses or gains that could be material. An unfavorable tax settlement would likely require use of our cash and may result in an increase in our effective income tax rate in the period of resolution. A favorable tax settlement would generally be recognized as a reduction in our effective income tax rate in the period of resolution. See Note 10: Income Taxes of our consolidated financial statements for further information on our accounting for tax contingencies.

New Accounting Pronouncements

In June 2009, the FASB issued new accounting guidance which changes the accounting for transfers of financial assets. The guidance eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity s continuing involvement in and exposure to the risks related to transferred financial assets. The guidance is effective for transactions entered into starting on January 1, 2010. We expect that the impact will be that certain transactions that have historically met the derecognition criteria will no longer qualify for derecognition.

In June 2009, the FASB also issued new accounting guidance which amends the accounting for variable interest entities. The guidance significantly changes the criteria for determining whether the consolidation of a variable interest entity is required. The guidance also addresses the effect of changes required by the new accounting guidance which changes the accounting for transfers of financial assets, increases the frequency for reassessing consolidation of variable interest entities and creates new disclosure requirements about an entity s involvement in a variable interest entity. The guidance is effective for interim and annual reporting periods that begin after November 15, 2009. We adopted the guidance on January 1, 2010. We expect that it will be necessary to consolidate a significant portion of our off-book receivables and related liabilities, principally debt, upon adoption of this guidance. The impact is expected to increase assets and liabilities (principally debt) by approximately $6 billion and decrease equity by approximately $50 million. In addition, because the Company s securitization transactions will be accounted for as secured borrowings rather than asset sales, the cash flows from these transactions will be presented as cash flows from financing transactions rather than cash flows from operating or investing activities.

B. ***Liquidity and Capital Resources*****.**

The following discussion of liquidity and capital resources principally focuses on our consolidated statements of cash flows, our consolidated balance sheets and off-balance sheet financing. Our operations are capital intensive and subject to seasonal variations in financing requirements for dealer receivables and dealer and company inventories. Whenever necessary, funds from operating activities are supplemented from external sources. We expect to have available to us cash reserves and cash generated from operations and from sources of debt and financing activities that are sufficient to fund our working capital requirements, capital expenditures and debt service at least through the end of 2010. See Sources of Funding Funding Policy below for more information regarding our funding strategy. See Item 3. Key Information D. Risk Factors for additional information concerning risks related to our business, strategy and operations.

Cash Flows

Our cash flows from operating activities are primarily a result of net income (loss), working capital requirements and changes in dealer receivable levels. Our cash flows from investing and financing activities principally reflect capital expenditures, changes in deposits with Fiat affiliates cash management pools, our level of investment in financial receivables, changes in our funding structure and dividend payments.

The $630 million increase in consolidated cash and cash equivalents, during the year ended December 31, 2009, reflects the generation of cash in our operating and investing activities which was partially offset by the utilization of cash from our financing activities. Cash and cash equivalents at Financial Services increased by $513 million, while cash and cash equivalents at Equipment Operations increased by $117 million.

Cash Flows from Operating Activities

	For the Years Ended December 31,		
	2009	2008	2007
		(in millions)	
Equipment Operations	$ 1,145	$ (282)	$ 1,001
Financial Services	1,220	936	(1,034)
Eliminations	(153)	(4)	(62)
Consolidated	$ 2,212	$ 650	$ (95)

Equipment Operations generated $1,145 million of cash flows from operations in 2009, primarily due to $1,200 million in cash flows from working capital reductions. Cash provided by working capital reductions is comprised of $809 million from receivable reductions and $1,360 million from inventory reductions, offset by cash used to reduce payables by $969 million. The primary drivers of the working capital reductions in 2009 were the lower levels of revenues, the sale of receivables to Financial Services and changes in our production schedules that were made to compensate for the lower levels of demand. The cash provided by working capital reductions was partially offset by the impact of the 2009 net loss of $222 million and an increase in prepayments and other current assets related to higher levels of tax receivables. The increase in cash flows from operating activities in 2009 compared to 2008 reflects the decrease in working capital levels that occurred in 2009, while $1,379 million in cash was used due to increases in working capital levels during 2008. The increase in year-over-year cash flow was partially offset by the decline of net income.

Financial Services generated $1,220 million of cash from operating activities in 2009, resulting primarily from $858 million in cash from decreases in dealer and other accounts receivables, from net income of $174 million and depreciation and amortization of $128 million. The decrease in receivables is attributable to the increase in sales of receivables to the ABS markets.

Cash Flows from Investing Activities

	For the Years Ended December 31,		
	2009	2008	2007
		(in millions)	
Equipment Operations	$ (691)	$ (1,066)	$ (890)
Financial Services	1,924	(2,731)	(1,502)
Eliminations		8	
Consolidated	$ 1,233	$ (3,789)	$ (2,392)

The utilization of cash in investing activities at Equipment Operations reflects capital expenditures of $217 million and an increase in deposits in Fiat affiliates cash management pools of $451 million. Capital expenditures were principally related to initiatives to introduce new products and enhance manufacturing efficiency. Capital expenditures for 2010 are anticipated to be approximately $400 million, up 84% from the 2009 level due to incremental spending associated with the deployment of new engine technology.

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Cash provided by investing activities at Financial Services totaled $1,924 million resulting from proceeds from retail securitizations of $3,775 million, collections of retail receivables of $4,466 million, proceeds from the sale of equipment on operating lease of $140 million, $107 million for retained interests, and withdrawals from Fiat affiliates cash management pools of $289 million. Partially offsetting these sources of cash were $6,552 million of investments in retail receivables and investments in equipment on operating leases of $302 million. Net cash provided from securitization transactions in 2009 was $1,796 million, up $3,902 million from 2008, as securitization markets re-opened in 2009, leading to an increase in new securitization funding and gains in 2009, which were in sharp contrast with the securitization markets that virtually ceased to operate in 2008.

Cash Flows from Financing Activities

	For the Years Ended December 31,		
	2009	2008	2007
	(in millions)		
Equipment Operations	$ (356)	$ 1,128	$ (432)
Financial Services	(2,766)	1,719	2,608
Eliminations	153	(4)	62
Consolidated	$ (2,969)	$ 2,843	$ 2,238

Equipment Operations cash flows used by financing activities of $356 million reflects the use of $1,017 million in cash to reduce short-term and long-term borrowings. Partially offsetting this use of cash, was $676 million in cash received for the reduction of intersegment notes from Financial Services. Net cash provided by financing activities in 2008 primarily related to increases in short-term and long-term borrowings.

Cash flows used by financing activities for Financial Services of $2,766 million primarily reflects a reduction in short-term and long-term borrowings of $1,937 million in addition to cash used to reduce intercompany notes from Equipment Operations of $676 million. In 2009, Financial Services paid dividends to Equipment Operations of $153 million, compared to $4 million in 2008. Net cash provided by financing activities in 2008 primarily related to increases in short-term and long-term borrowings.

Credit Ratings

As of the date of this report, our long-term unsecured debt was rated BB+ (Outlook negative) by S&P; Ba3 (stable outlook) by Moody s; and BBB Low (negative trend) by DBRS. A security rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating.

Sources of Funding

Funding Policy

In the current environment of high uncertainty in the financial markets, our policy is to maintain a high degree of flexibility with our funding and investment options by using a broad variety of financial instruments to maintain our desired level of liquidity.

In managing our liquidity requirements, we are pursuing a financing strategy that includes maintaining continuous access to a variety of financing sources, including U.S. and international capital markets, commercial bank lines, and funding Financial Services with a combination of receivables securitizations, conduit financing and other transactions. While a significant portion of our financing has historically come from Fiat and Fiat affiliates, there is no assurance that funding from Fiat and its affiliates will continue at current levels or terms, if at all.

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A summary of our strategy follows:

To fund Equipment Operations short-term financing requirements and to ensure near-term liquidity, we will continue to sell our receivables to Financial Services and rely primarily on internal cash flows including further inventory reductions. We also maintain a funding relationship with Fiat through the overdraft facilities granted to us under the cash pooling arrangements operated by Fiat treasury subsidiaries in a number of jurisdictions. We may supplement our short-term financing by entering into new credit lines with banks.

As funding needs of Equipment Operations are determined to be of a longer-term nature, we may access public medium- and long-term debt markets as well as private investors and banks, as appropriate, to refinance borrowings and replenish our liquidity.

We will look at the public ABS market as an important source of funding in North America and Australia; however, we will maintain and further develop the multi-avenue funding strategy we initiated in the second half of 2008, which was based on diversifying our funding sources and expanding our investor base. Additional funding needs of Financial Services will be covered by the renewal and possibly the increase of Asset-Backed Commercial Paper (ABCP) Programs, private ABS deals and by the sale of selected portfolios of receivables in bilateral transactions with investors or other financial institutions. We will tailor our offerings to improve investor interest in our securities while optimizing economic factors and reducing execution risks. We will integrate our funding strategy for Financial Services with alternative sources of financing which will be determined on a case-by-case basis. Alternative means of funding could include bank facilities, both short and long-term, capital market transactions and private placements.

Financial Services in Brazil continues to utilize financing provided by BNDES to support the growth of the agricultural sector of the economy and issuances of certificates of deposit.

Financial Services has also relied in the past, and may continue to rely, on intersegment borrowings from Equipment Operations.

On a global level, we will continue to evaluate alternatives to ensure that Financial Services has access to capital on favorable terms to support its business, including agreements with global or regional partners similar to our agreement with BPLG, new funding arrangements or a combination of the foregoing.

Our access to external sources of financing, as well as the cost of financing, is dependent on various factors, including our unsecured debt ratings. A further deterioration in our ratings could impair our ability to obtain debt financing as well as increase the cost of such financing. Debt ratings are influenced by a number of factors, including, among others: Fiat s debt ratings, financial leverage on an absolute basis or relative to peers, the composition of the balance sheet and/or capital structure, material changes in earning trends and volatility, ability to dividend monies from subsidiaries and our competitive position. Material deterioration in any one or a combination of these factors could result in a downgrade of our debt ratings, thus increasing the cost of, and limiting the availability, of unsecured financing.

Our ability to obtain financing is limited by certain covenants in our indentures and credit agreements. As described below, since December 31, 2009, we have been subject to more stringent restrictions on the incurrence of indebtedness than in prior periods under the indenture governing our 7.125% senior notes due 2014. See Long term debt below.

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Consolidated Debt

As of December 31, 2009, and 2008, our consolidated debt was as detailed in the table below:

	Consolidated		Equipment Operations		Financial Services	
	2009	2008	2009	2008	2009	2008
			(in millions)			
Long-term debt excluding current maturities	$ 5,050	$ 5,347	$ 3,231	$ 2,698	$ 2,650	$ 2,968
Current maturities of long-term debt	2,386	2,530	774	1,143	2,058	1,387
Short-term debt	1,972	3,480	297	716	3,430	4,740
Total debt	$ 9,408	$ 11,357	$ 4,302	$ 4,557	$ 8,138	$ 9,095

On December 31, 2009, our outstanding consolidated debt with Fiat and its affiliates was $2.9 billion, or 31% of our consolidated debt, compared to $5.2 billion or 46% as of December 31, 2008. The main reason for the decrease in our consolidated debt with Fiat was the opportunity to refinance part of our borrowings with third parties: for Equipment Operations, with a $1.0 billion issue of debt securities at an annual fixed rate of 7.75% due in 2013; and for Financial Services, with new securitizations.

We believe that Net Debt, defined as total debt less intersegment notes receivable, deposits in Fiat affiliates cash management pools and cash and cash equivalents, is a useful analytical tool for measuring our effective borrowing requirements. Our ratio of Net Debt to Net Capitalization provides useful supplementary information to investors so that they may evaluate our financial performance using the same measures we use. Net Capitalization is defined as the sum of Net Debt and Total Equity. Net Debt and Net Capitalization are non-GAAP measures. These non-GAAP financial measures should neither be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance with U.S. GAAP.

The calculation of Net Debt and Net Debt to Net Capitalization as of December 31, 2009 and 2008 and the reconciliation of Net Debt to Total Debt, the U.S. GAAP financial measure that we believe to be most directly comparable, are shown below:

	Consolidated		Equipment Operations		Financial Services	
	2009	2008	2009	2008	2009	2008
			(in millions, except percentages)			
Total debt	$ 9,408	$ 11,357	$ 4,302	$ 4,557	$ 8,138	$ 9,095
Less:						
Cash and cash equivalents	1,263	633	290	173	973	460
Deposits with Fiat	2,251	2,058	2,144	1,666	107	392
Intersegment notes receivables			2,398	2,295	634	
Net debt (cash)	5,894	8,666	(530)	423	6,424	8,243
Total equity	6,810	6,575	6,809	6,574	2,378	2,074
Net capitalization	$ 12,704	$ 15,241	$ 6,279	$ 6,997	$ 8,802	$ 10,317
Net debt (cash) to net capitalization	46%	57%	(8)%	6%	73%	80%

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

	Consolidated		Equipment Operations		Financial Services	
	2009	2008	2009	2008	2009	2008
	(in millions, except percentages)					
Total debt	$ 9,408	$ 11,357	$ 4,302	$ 4,557	$ 8,138	$ 9,095
Total equity	6,810	6,575	6,809	6,574	2,378	2,074
Total capitalization	$ 16,218	$ 17,932	$ 11,111	$ 11,131	$ 10,516	$ 11,169
Total debt to total capitalization	58%	63%	39%	41%	77%	81%

The Net Cash position of Equipment Operations in 2009, compared to a Net Debt position in 2008, reflects the reduction in working capital, which resulted in higher cash and lower debt levels.

The decrease in Financial Services Net Debt principally reflects significant collections and securitizations of retail receivables in 2009.

Long term debt

As of December 31, 2009, our consolidated long-term debt was $7.4 billion, including $2.4 billion of current maturities, compared to $7.9 billion and $2.5 billion, respectively, as of the end of the prior year.

Equipment Operations long-term debt as of December 31, 2009, which was $4.0 billion, including $774 million of current maturities, consisted of bonds and medium-term notes in the aggregate amount of approximately $1.7 billion, two long-term loans from a Fiat treasury subsidiary in the aggregate amount of $800 million, medium-term loans and borrowings under credit facilities with third parties and Fiat in the aggregate amount of $577 million and drawdown from the syndicated credit facility in the amount of 300 million ($432 million) and intersegment notes in the amount of $473 million.

As of December 31, 2009, Financial Services long-term debt was $4.7 billion, including $2.1 billion of current maturities, and consisted primarily of $1.3 billion of borrowings under committed credit lines related to our retail lending activities in Brazil, $309 million of borrowing under a Canadian asset-backed facility, $1.4 billion of borrowing from Fiat, $849 million of borrowing from third parties and intersegment notes in the amount of $804 million.

Our ability to obtain financing is limited by certain covenants in the indenture governing our 7.125% Senior Notes due 2014.

Pursuant to the indenture governing Case New Holland Inc. s 7.125% Senior Notes, as of December 31, 2009, CNH and its restricted Equipment Operations subsidiaries were permitted to incur additional indebtedness under credit facilities in an aggregate amount not to exceed approximately $1.5 billion. In addition, CNH and its restricted Equipment Subsidiaries may incur additional indebtedness to refinance certain of their indebtedness with new indebtedness with a weighted average life to maturity at least as long as the remaining weighted average life of the indebtedness being refinanced.

In addition, CNH and its restricted Equipment Operations subsidiaries are subject to restrictions under the indenture governing CNH s 7.125% Senior Notes with respect to their ability to pay dividends, repurchase capital stock, make certain investments, and merge with or into other companies.

Notwithstanding the restrictions, CNH may pay dividends on its common shares in an amount not to exceed $60.0 million in any calendar year, provided that no default or event of default with respect to the 7.125% Senior Notes has occurred and is continuing.

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A more detailed description of our long-term debt is provided under Note 9: Credit Facilities and Debt in our consolidated financial statements.

Short Term Debt

As of December 31, 2009, our consolidated short-term debt was $2.0 billion, compared to $3.5 billion as of the end of the prior year.

Equipment Operations short-term debt as of December 31, 2009 was $297 million and consisted of mainly off $129 million of drawdowns from credit facilities and intersegment notes in the amount of $161 million.

As of December 31, 2009, Financial Services short-term debt was $3.4 billion, and consisted of $1.6 billion of inter-company borrowings, $1.5 billion of drawdowns from credit facilities (of which $279 million were granted by Fiat treasury subsidiaries, $828 million were financed under ABCP warehouse facilities and $370 million were financed under various other facilities with third parties), and $359 million of loans (of which $251 million were granted from Fiat treasury subsidiaries).

A more detailed description of our short-term debt is provided under Note 9: Credit Facilities and Debt in our consolidated financial statements.

Credit Facilities

Credit facilities and debt outstanding under such facilities consist of committed and uncommitted credit facilities.

As of December 31, 2009, we had approximately $4.4 billion available under our $9.2 billion total lines of credit, including asset-backed facilities, of which $600 million were committed lines, $2.6 billion of uncommitted lines and $1.2 billion in asset-backed facilities.

Of the total $4.8 billion drawn under such lines, $1.6 billion is classified as short term debt, $1.6 billion is classified as current maturities of long-term debt and $1.6 billion classified as long-term debt.

A more detailed description of our credit facilities is provided under Note 9: Credit Facilities and Debt in our consolidated financial statements.

Cash, cash equivalents, Deposits with Fiat and Intersegment notes receivable

Cash and cash equivalents were $1.3 billion as of December 31, 2009, compared to $633 million as of December 31, 2008. The following table shows cash and cash equivalents, together with additional information on deposits with Fiat and intersegment notes receivable, which together contribute to our definition of Net Debt as of December 31, 2009, and 2008.

	Consolidated		**Equipment Operations**		**Financial Services**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
			(in millions)			
Cash and cash equivalents	$ 1,263	$ 633	$ 290	$ 173	$ 973	$ 460
Deposits with Fiat	$ 2,251	$ 2,058	$ 2,144	$ 1,666	$ 107	$ 392
Intersegment notes receivable:						
Current	$	$	$ 1,893	$ 1,976	$ 308	$
Long-term			505	319	326	
Total intersegment notes receivables	$	$	$ 2,398	$ 2,295	$ 634	$

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The amount of deposits with Fiat and cash and cash equivalents held by us on a consolidated basis fluctuates daily. The ratio of cash equivalents to deposits with Fiat also varies, as a function of the cash flows of those CNH subsidiaries that participate in the various cash pooling systems managed by Fiat worldwide.

At December 31, 2009, we had approximately $2.3 billion of cash deposited in the Fiat affiliates cash management pools compared with $2.1 billion at the end of the prior year. The total amount deposited in the Fiat affiliates cash management pools as of December 31, 2009, included $1.2 billion deposited by our subsidiaries in the United States and in Canada, $886 million deposited by certain of our European subsidiaries with a treasury subsidiary managing cash in most of Europe excluding Italy, and $122 million deposited by our Italian subsidiaries with a treasury subsidiary managing cash in Italy.

Securitization

The following table summarizes the principal amount of our retail, wholesale and credit card receivables in the United States, Canada and Europe which are not included in our consolidated balance sheet (off-book receivables) at December 31, 2009, and 2008:

	2009	2008
	(in millions)	
Wholesale receivables	$ 2,316	$ 2,328
Retail and other notes and finance leases	4,207	3,044
Credit card	181	186
Total	$ 6,704	$ 5,558

As part of its overall funding strategy, the Company securitizes and transfers financial receivables via securitization transactions. Following the contraction of the ABS market in 2008, we were able to obtain alternative funding through other third-party sources. When the ABS markets improved in 2009, in part through government-sponsored initiatives, we returned to the ABS market for a portion of our funding. While we utilized the ABS markets in 2009, we continued to expand and diversify our sources of funding.

Beginning January 1, 2010, the Company adopted the new accounting guidance which amends the accounting for variable interest entities. The impact is expected to increase assets and liabilities approximately $6 billion and decrease equity by approximately $50 million. The Company will also adopt the new accounting guidance which changes the accounting for transfers of financial assets. All qualifying special purpose entities (QSPE) will be eliminated, requiring all related receivables to be brought back on book. We expect the impact of this guidance will be that certain transactions that have historically met derecognition criteria will no longer qualify for derecognition. In addition, because the Company s securitization transactions will be accounted for as secured borrowings rather than asset sales, the cash flows from these transactions will be presented as cash flows from financing activities rather than cash flows from operating or investing activities.

Wholesale

In the U.S., Financial Services sells eligible receivables on a revolving basis to privately and publically structured securitization facilities. The receivables are initially sold to a wholly-owned special purpose entity (SPE), to achieve bankruptcy remoteness. The SPE, which is consolidated by CNH, legally isolates the receivables from creditors of CNH. In turn, this subsidiary established a separate trust to which the receivables are transferred in exchange for proceeds from debt issued by the trust. The trust qualifies as a QSPE under the accounting guidelines and accordingly, is not consolidated by CNH. This transaction is utilized as an alternative to the issuance of debt.

In the event charge-offs reduce the pool of receivables sold below certain limits, the investors in the facility have recourse against our retained undivided interests in the sold receivables. The amounts of these retained undivided interests fluctuate with the size of the sold portfolio, as they are specified as percentages of the sold receivables. The retained undivided interests are recorded at cost, which approximates fair value due to the short-

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term nature of the receivables. Investors have no recourse to us in excess of the retained undivided interests. We continue to service the sold receivables and receive a fee, which represents the fair value of the services provided.

The facilities have consisted of a master trust facility in both the U.S. and Canada. The U.S. master trust facility consists of the following: $583 million term senior and subordinated asset-backed notes issued in August, 2009 with a three year maturity, and three 364-day conduit facilities renewable annually at the sole discretion of the purchasers; $500 million renewable August, 2010, $300 million renewable October, 2010 and $250 million renewable November, 2010. During 2009, the Canadian facility no longer qualified as an off-book securitization and consequently, is now recorded as secured borrowing.

As of December 31, 2009, we had the following balances related to the wholesale receivable securitization facilities described above:

	Receivables Sold	Facility Outstanding	Retained Undivided Interest
		(in millions)	
United States	$ 2,312	$ 1,633	$ 679

As of December 31, 2008, we had the following balances related to the wholesale receivable securitization facilities described above:

	Receivables Sold		Facility Outstanding		Retained Undivided Interest	
	Local Currency	US$	Local Currency	US$	Local Currency	US$
			(in millions)			
United States	$ 1,917	$ 1,917	$ 1,550	$		