CNH GLOBAL N V
Form 20-F
March 01, 2011
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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, 2010

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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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: 238,433,807 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 þ No ¨

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 þ 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, 2010, 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.

On January 1, 2011, Fiat effected a demerger under Article 2506 of the Italian Civil Code. Pursuant to the demerger, Fiat transferred its ownership interest in Fiat Netherlands to a new holding company, Fiat Industrial S.p.A. (Fiat Industrial , together with its subsidiaries, the Fiat Industrial Group), including Fiat s indirect ownership of CNH Global, as well as Fiat s truck and commercial vehicles business (Iveco) and its industrial and marine powertrain business. Consequently, as of January 1, 2011, CNH Global became a subsidiary of Fiat Industrial. In connection with the demerger transaction, shareholders of Fiat S.p.A. received shares of capital stock of Fiat Industrial. Accordingly, effective as of January 1, 2011, Fiat Industrial owned approximately 89% of our outstanding common shares through its direct, wholly-owned subsidiary Fiat Netherlands.

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 Western Europe, Brazil, and various Rest of World markets and on retail and shipment unit data collected by a

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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, 2010 and 2009, and for each of the years ended December 31, 2010, 2009, and 2008 has been derived from and should be read in conjunction with the audited consolidated financial statements included in Item 18. Financial Statements . This data should also be read in conjunction with Item 5. Operating and Financial Review and Prospects. Financial data as of December 31, 2008, 2007, and 2006 and for the years ended December 31, 2007 and 2006, has been derived from our previously-published, audited consolidated financial statements which are not included herein.

As of the beginning of 2010, we adopted new accounting guidance related to the accounting for transfers of financial assets and the consolidation of variable interest entities (VIEs). As a significant portion of our securitization trusts and facilities are no longer exempt from consolidation under the new guidance, we were required to consolidate the receivables and related liabilities. CNH recorded a $5.7 billion increase to assets and liabilities and equity upon the adoption of this new guidance on January 1, 2010. See Note 2: Summary of Significant Accounting Policies New Accounting Pronouncements Adopted in 2010 to our consolidated financial statements for the year ended December 31, 2010, for additional information on the adoption of this new accounting guidance.

As we adopted the guidance prospectively, the financial statements prepared for the year ended December 31, 2010 and for subsequent periods will reflect the new accounting requirements, but the financial statements for periods ended on or before December 31, 2009 have reflected the accounting guidance applicable during those periods. Our statement of operations no longer reflects securitization income and initial gains or losses on new securitization transactions, but includes interest income and other income associated with the securitized receivables, and interest expense associated with the debt issued from the securitization trusts and facilities. Therefore, current period results and balances are not comparable to prior period results and balances. In addition, because our new securitization transactions that do not meet the requirements for derecognition under the new guidance are accounted for as secured borrowings rather than asset sales, the initial cash flows from these transactions are presented as cash flows from financing transactions in 2010 rather than cash flows from operating or investing activities.

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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, 2010, 2009, 2008, 2007 and 2006.

	2010	For the Years Ended December 31, 2009	2008	2007	2006
		(in millions, except per share data)			
Consolidated Statement of Operations Data:					
Revenues:					
Net sales	$ 14,474	$ 12,783	$ 17,366	$ 14,971	$ 12,115
Finance and interest income	1,134	977	1,110	993	883
Total revenues	$ 15,608	$ 13,760	$ 18,476	$ 15,964	$ 12,998
Net income (loss)	$ 438	$ (222)	$ 824	$ 574	$ 308
Net income (loss) attributable to CNH Global N.V.	$ 452	$ (190)	$ 825	$ 559	$ 292
Earnings (loss) per share attributable to CNH Global N.V. common shareholders:					
Basic earnings (loss) per share	$ 1.90	$ (0.80)	$ 3.48	$ 2.36	$ 1.37
Diluted earnings (loss) per share	$ 1.89	$ (0.80)	$ 3.47	$ 2.36	$ 1.23
Cash dividends declared per common share	$	$	$ 0.50	$ 0.25	$ 0.25

	2010	2009	As of December 31, 2008	2007	2006
			(in millions)		
Consolidated Balance Sheet Data:					
Total assets	$ 31,589	$ 23,208	$ 25,459	$ 23,745	$ 18,274
Short-term debt	$ 3,863	$ 1,972	$ 3,480	$ 4,269	$ 1,270
Long-term debt, including current maturities	$ 12,434	$ 7,436	$ 7,877	$ 5,367	$ 5,132
Common shares at 2.25 par value	$ 599	$ 595	$ 595	$ 595	$ 592
Common shares outstanding	238	237	237	237	236
Equity	$ 7,380	$ 6,810	$ 6,575	$ 6,419	$ 5,229

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 37 and the other risks described in the Safe Harbor Statement on page 71. 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 71. Except as may be required by law, we undertake no obligation to publicly update forward-looking statements, whether as a result of

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new information, future events, or otherwise. We invite you to consult any further related disclosures we make from time to time in our Form 6-K reports furnished to the United States Securities and Exchange Commission (SEC).

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. Recently, there has been particular concern about the economic conditions in Europe, which may be impacted by the risk of sovereign debt defaults in certain European Union countries, such as Greece and Ireland. In addition, the government in China has taken steps to slow the growth rate in that country through higher interest rates, reduced bank lending, and anti-inflation measures. This global uncertainty and turmoil and the recession in many economies have adversely affected demand for our products. 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 with respect 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 and markets in which we operate;

varying and unpredictable customer needs and desires;

labor disruptions; and

war, civil unrest, and terrorism.

Retail notes receivable at December 31, 2010 and 2009, included approximately $1.3 billion and $1.5 billion, respectively, of notes originated through a subsidized long-term loan program of the Brazilian development agency, Banco Nacional de Desenvolvimento Econômico e Social (BNDES). The program provided subsidized funding to financial institutions the proceeds of which were to be loaned by lenders participating in the program to borrowers to support the purchase of agricultural or construction machinery in accordance with the provisions of the program. Financial Services participates in the program as a lender. In addition to participating directly in the BNDES program, we also originate retail receivables on behalf of other financial institutions participating in the BNDES program and continue to service these receivables on a fee for service basis. We have guaranteed this portfolio against all credit losses. At December 31, 2010 and 2009, the guaranteed portfolio balance was $396 million and $349 million, respectively, which was not included on our consolidated balance sheets.

The Brazilian government provided mass debt relief, which included deferral of payments and extensions of loan maturities, to certain qualifying customers under this program in 2005, 2006, 2007 and 2008. In 2009 and 2010, no mass debt relief programs were initiated by the Brazilian government. In most instances, the 2009 and 2010 payments were due as scheduled or renegotiated, where applicable. We believe the series of debt relief actions has impacted customers behavior and payment patterns. During the years ended December 31, 2010 and 2009, we increased the allowance for credit losses for this portfolio by $139 million and $47 million, respectively. This increase was based on various factors including our collection history subsequent to 2008, the last year a mass debt relief was granted. Since the mass debt relief program ended, we have and will continue to aggressively pursue the collection of these receivables. The changes in payment dates in prior years have added significant uncertainty regarding the ultimate collection of this portfolio. While we believe that, based on the current BNDES program, the resolution of this matter will not have a material adverse effect on our financial position, it is possible that additional allowances could be required in future periods that could be material to the results of operations for such periods. Any future changes to the BNDES program could further impact our ability to collect amounts owed to us.

At December 31, 2010 and 2009, total receivables greater than 60 days past due included in this Brazilian loan program, were $465 million and $651 million, respectively. These receivables have been placed on nonaccrual status. At December 31, 2010 and 2009, we had $286 million and $172 million, respectively, in the allowance for credit losses related to this portfolio. See Note 3: Accounts and Notes Receivable to our consolidated financial statements for the year ended December 31, 2010 for additional information regarding our allowance for credit losses.

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.

The costs of compliance with, or other liabilities arising from or relating to, such laws and regulations in numerous countries and the risks inherent in operating around the world 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 transactions). Accordingly, a substantial increase or decrease in the value of the U.S. dollar relative to other currencies could substantially affect our financial position and operating results.

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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 without a commensurate increase in finance income 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 or Fiat Industrial. As with all hedging instruments, there are risks associated with the use of foreign currency forward 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. See Item 11. Quantitative and Qualitative Disclosures about Market Risk. In addition, on July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was enacted in the U.S. This broad financial regulatory reform legislation, among other things, imposes comprehensive regulation of over-the-counter derivatives transactions and could affect the use of derivatives in hedging transactions. Although we cannot predict the precise impact that the Dodd-Frank Act may have on our business, in part due to many uncertainties surrounding the interpretation and implementation of the legislation and the need for future rulemaking by a variety of federal regulatory agencies, any laws or regulations that subject us to additional restrictions on our derivatives positions could adversely affect our ability to hedge risks associated with our business or increase the cost of our hedging activity.

Risks related to our pension plans and other postretirement obligations could impact our profitability. The funded status of our pension benefit obligations is the difference between our plan assets and our recorded plan obligations. At December 31, 2010, our pension plans had an underfunded status of approximately $736 million. This amount included pension plan obligations of $463 million for plans that we are not currently required to fund.

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 to our consolidated financial statements for the year ended December 31, 2010, for additional information on pension and postretirement benefit accounting.

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 the profitability of our business. See also Risks Related to Our Relationship with Fiat and Fiat Industrial, as well as the Demerger for additional information on purchases from Fiat and Fiat Industrial.

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, certain parts, components or commodities 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. In particular, increases in the costs of steel (a commodity experiencing significant price increases recently and one upon which we rely heavily), 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. In April 2010, we reached a new collective bargaining agreement with the United Auto Workers (UAW) in the United States, which expires in April 2016. In October of 2006, the International Association of Machinists, which represents approximately 630 of our employees in Fargo, North Dakota, ratified a contract, which expires in April 2012.

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, among other things, 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

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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 have generally improved in 2010, there are still areas of uncertainty, such as Western Europe. 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. Governmental action may have the effect of impacting market forces and consumer demand in unanticipated ways.

Government policies on issues such as 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 purchase equipment that we manufacture, market or distribute. Other government policies, such as decisions to reduce public spending, may involve more unfavorable developments than anticipated, which could have an adverse effect on our financial condition and results of operations.

In March 2010, the President of the United States signed into law the U.S. Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively the Health Care Acts). The Health Care Acts will have a substantial impact on employers and businesses. Certain provisions of the Health Care Acts became effective in 2010, while other provisions of the Health Care Acts will be effective in future years. The Health Care Acts could require, among other things, changes to our current employee benefit plans, our information technology infrastructure, and our administrative and accounting processes. The ultimate extent and cost of these changes cannot be determined at this time and are being evaluated as related regulations and interpretations of the Health Care Acts become available. The Health Care Acts could significantly increase the cost of providing healthcare coverage generally and could adversely affect our financial condition and results of operations.

See also Item 4. Information on the Company B. Business Overview Industry Overview-Biofuels Impact on Agriculture, Light Construction Equipment , and Item 4. Information on the Company 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.

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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 and capacity levels and discounting product prices. These actions have resulted in restructuring charges and lower earnings for us in past affected periods. In the event of future downturns, we may need to undertake similar 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;
- commodity prices;
- political events;
- weather; and
- the value of the collateral securing the extension of credit.

A deterioration in the quality of our financial assets, 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.

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When loans default and Financial Services repossesses 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. Risk Factors 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. In early 2009, we saw a return of liquidity to the ABS market at spreads that continued to improve throughout the year and into 2010, and are currently more reflective of 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, additional reserve support has been added to certain previously issued ABS transactions. Such optional 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 choice 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, as disclosed in the related offering documents. While no recourse provisions exist that allow holders of asset-backed securities issued by our trusts to require us to repurchase those securities, a breach of these representations and warranties could give rise to an obligation to repurchase non-conforming receivables from the trusts. Any future repurchases could have an adverse effect on our financial condition, results of operations and liquidity.

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

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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.

U.S. regulators and legislators have implemented or proposed various changes that could adversely affect the ABS market. To the extent that these changes increase Financial Services costs of compliance or limit its ability to access the ABS market on acceptable terms, our financial condition could be adversely affected. In this regard, there has been uncertainty regarding the potential impact of recently adopted or proposed SEC rules and regulations governing the issuance of asset-backed securities and additional requirements contained in the Dodd-Frank Act. For example, in January 2011, the SEC adopted rules that require securitizers to disclose detailed information about fulfilled and unfulfilled repurchase demands and require issuers of asset-backed securities to perform a review of the pool assets underlying those securities. While we will continue to monitor these developments and their impact on Financial Services access to the ABS market, these and future SEC rules and regulations may impact the ability of Financial Services to engage in these activities or increase the effective cost of asset-backed transactions in the future, which could adversely affect our financial condition, results of operations and liquidity.

The Dodd-Frank Act also imposes a number of significant changes relating to the ABS and structured finance markets, including a requirement that regulators jointly adopt regulations requiring the sponsor of a securitization to retain, subject to certain exemptions and exceptions, at least 5% unhedged credit risk on securitized exposures. The Dodd-Frank Act also requires the SEC to impose asset-level registration statement disclosure requirements if the data is necessary for investors to independently perform due diligence. The regulatory response to these mandates, as well as the potential impact of such response upon the ABS and structured finance markets, remains uncertain.

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 retained interests in securitization transactions, which we refer to collectively as retained interests. Beginning January 1, 2010, with the adoption of the new accounting guidance related to variable interest entities, we have reclassified the retained interests to receivables for transactions that were consolidated under this guidance. At December 31, 2010, retained interests for the remaining off-book transactions were $39 million and are carried at estimated fair value. Refer to Note 15: Financial Instruments to our consolidated financial statements for further information. Our estimated valuation of retained interests may change in future periods, and we may incur additional impairment charges as a result.

See also Item 3D. Risk Factors 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

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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

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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 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. Global economic conditions continue to place 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

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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, where appropriate, 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 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 and European regulators have adopted new and more stringent emission standards, including Tier 4/Stage IIIB 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/Stage IIIB 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. In addition, Tier 4/Stage IIIB requirements and product enhancements related thereto may impact the pricing or acceptability of our products, which could impact our competitive position, sales and results of operations.

Our financial statements may be impacted by 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, Financial Services recorded a $5.7 billion increase to assets and liabilities and equity upon the January 1, 2010 adoption of new accounting guidance which changes the accounting for transfers of financial assets and the consolidation of VIEs. See Note 2: Summary of Significant Accounting Policies New Accounting Pronouncements Adopted in 2010 to our consolidated financial statements for the year ended December 31, 2010, for additional information on the adoption of this new accounting guidance. In addition, the Financial Accounting Standards Board (FASB) has recently issued exposure drafts which propose changes to the accounting guidance relating to a number of our significant accounting policies, including those relating to revenue recognition, financial instruments, derivative instruments and hedging activities and leases.

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 for the year ended December 31, 2010.

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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 or the achievement of strategic objectives. 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;
- significant costs associated with terminating or modifying alliances; and
- problems in retaining customers and integrating operations, services, personnel, and 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 consumer and corporate confidence and potential consumers ability or willingness to purchase agricultural and construction equipment, which requires a significant capital investment. Negative economic conditions, on a worldwide or regional basis, could significantly impact consumer or corporate 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 may significantly limit, the availability, and increase the cost of, funding. During late 2008 and early 2009, the financial and credit markets experienced levels of volatility and disruption that were unprecedented in recent history, putting downward pressure on financial and other asset prices generally and on credit availability. As a result, the ability to procure new financing at favorable costs 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 late 2008

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and early 2009, conditions in the ABS market adversely affected our ability to sell receivables or other financial assets on a favorable or timely basis. Similar 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 performance trend substantially worse than anticipated 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, Fiat Industrial and Fiat, 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, 2010, we had an aggregate of $16.3 billion of consolidated indebtedness, of which $12.2 billion related to Financial Services and $4.1 billion to Equipment Operations, and our equity was $7.4 billion.

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, which may adversely affect our ability to provide competitive retail and wholesale financing programs.

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;
- use assets as security in other transactions; and
- enter into sale and leaseback transactions.

For more information regarding our credit facilities and debt, see Note 9: Credit Facilities and Debt to our consolidated financial statements for the year ended December 31, 2010.

Risks Related to Our Relationship with Fiat and Fiat Industrial, as well as the Demerger

Fiat guarantees and funding. We currently rely on, among others, Fiat to provide credit for Equipment Operations and Financial Services. In the recent past, due to the then existing credit crisis and its material adverse impact on the ABS markets, we relied more heavily upon funding provided by Fiat. In connection with the demerger transaction all these financing arrangements were assigned by Fiat treasury subsidiaries to Fiat Industrial treasury subsidiaries on January 1, 2011. In addition, Fiat continues to provide financial guarantees in connection with certain of our external financing sources. We anticipate that the remaining Fiat guarantees will be replaced with comparable guarantees provided by Fiat Industrial. There is no assurance that Fiat Industrial will issue such guarantees or continue to make such credit or guarantees available. To the extent these arrangements are terminated or replaced, or Fiat Industrial otherwise does not make financing available to us, or does not provide financial guarantees, we will need to seek alternative sources of funding or credit support. Alternative sources of funding or credit support may not be available and, to the extent that such credit or credit support is available, the terms and conditions of such credit or credit support may not be as favorable as that provided by or with the support of Fiat. The availability and terms of such funding may be affected by the capitalization of Fiat Industrial. In addition, following the effective date of the demerger transaction, we began to utilize services, such as cash management services, provided by the Fiat Industrial Group in substitution for services previously provided by Fiat treasury subsidiaries. Such services may expose us to credit risk. We cannot predict the creditworthiness of the Fiat Industrial Group and we may be exposed to greater risk following the demerger transaction than the risk previously associated with our funds on deposit with Fiat treasury subsidiaries. As a result, our funding costs and exposure to third party credit risk 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 and Fiat Industrial.

Potential conflicts of interest with Fiat and Fiat Industrial As of December 31, 2010, Fiat owned, indirectly through Fiat Netherlands, approximately 89% of our outstanding common shares. In connection with the demerger transaction, this ownership interest was transferred to Fiat Industrial on January 1, 2011. As long as Fiat Industrial 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 Industrial could be in conflict with the interests of our other debt and equity security holders. In addition, Fiat Industrial 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 Industrial to provide us with substantial financial support, and we purchase goods and services from or with various companies within Fiat or Fiat Industrial. We believe our business relationships with such companies can offer economic benefits to us; however, Fiat Industrial 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 Industrial is faced with decisions that could have different implications for Fiat Industrial and us. For more information, see Note 21: Related Party Information to our consolidated financial statements for the year ended December 31, 2010.

Our participation in cash management pools exposes us to Fiat Industrial 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 Industrial Group. Under this system, which is operated by Fiat Industrial treasury subsidiaries in a number of jurisdictions, the cash balances of Fiat Industrial members, including ours, are aggregated at the end of each business day in various regional central pooling accounts (the Fiat Industrial treasury subsidiaries cash management pools or deposits with Fiat Industrial). Our positive cash deposits with Fiat Industrial, if any, are either invested by Fiat Industrial treasury subsidiaries in highly rated, highly liquid money market instruments or bank deposits, or may be applied by Fiat Industrial treasury subsidiaries to meet the financial needs of other Fiat Industrial members and *vice versa*.

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While we believe participation in Fiat Industrial treasury subsidiaries cash management pools provides us with financial benefits, it exposes us to Fiat Industrial credit risk. In the event of a bankruptcy or insolvency of Fiat Industrial (or any other Fiat Industrial member in the jurisdictions with set off agreements) or in the event of a bankruptcy or insolvency of the Fiat Industrial 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 Industrial entity with respect to such deposits. Because of the affiliated nature of our relationship with Fiat Industrial, 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 Fiat Industrial 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 financing arrangements between us and Fiat Industrial.

We may be unable to achieve benefits from our separation from Fiat s automotive business in connection with the demerger. Fiat has stated that the demerger may have the benefit, among other things, of providing strategic and financial clarity and enabling the industrial business (including CNH and its subsidiaries) and the automotive business to develop independently as needed, and to unlock the valuation potential of Fiat s capital goods activities. However, by separating from Fiat s automotive business, we may be more susceptible to market fluctuations. In addition, we may not be able to achieve some or all of the anticipated benefits of operating as part of an independent company in the time expected, or at all.

We may be unable to make, on a timely or cost-effective basis, the changes necessary to operate as part of a business that is separate from Fiat, and we may experience increased costs after the demerger. Historically, Fiat had assisted us by providing certain corporate functions and services, including financing and cash management services. Following the demerger, Fiat has no obligation to provide assistance to us other than on a transitional or other basis as may be agreed in connection with the demerger, such as under the Master Services Agreement (MSA). We cannot be certain that any assistance provided by Fiat Industrial following the demerger will be sufficient for our business and operations, that we will be able to successfully implement the changes necessary to operate independently, or that we will not incur additional costs following the demerger that could adversely affect our business.

In connection with the demerger transaction Fiat and Fiat Industrial have entered into the MSA, which sets forth the primary terms and conditions pursuant to which the various service provider subsidiaries of such entities will provide services (such as purchasing, tax, accounting and other back office services, security and training) to the various service receiving subsidiaries. As structured, the applicable service provider and service receiver subsidiaries will become parties to the MSA through the execution of an Opt-In letter which may contain additional terms and conditions. Pursuant to the MSA, service receivers are required to pay to service providers the actual cost of the services plus a nominal negotiated margin. CNH has not yet completed its evaluation of the terms and conditions of the proposed MSA. Pending such approval, entities providing services to CNH subsidiaries are continuing to provide such services on the terms and conditions which were applicable prior to the demerger transaction.

Our historical financial information is not necessarily representative of the results we would have achieved as part of an independent company that is separate from Fiat s automotive business. Our historical financial information may not reflect what our results of operations, financial position and cash flows would have been had we been part of a company that is separate from Fiat s automotive business during the periods presented, or what our results of operations, financial position and cash flows will be in the future. Among other things:

- we may enter into transactions with Fiat or Fiat Industrial that either have not existed historically or that are on different terms than the terms of arrangements or agreements that existed prior to the demerger;

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our historical financial information reflects costs for certain services historically provided to us by Fiat that may not reflect the costs we will incur for similar services in the future as part of an independent company; and

our historical financial information does not reflect changes that we expect to experience in the future as a result of our separation from Fiat, including changes in the financing of our business.

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). CNH 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 of these industries. Our global scope and scale includes integrated engineering, manufacturing, marketing and distribution of equipment on five continents. We organize our operations into three business segments: agricultural equipment, construction equipment and financial services.

We 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, 2010, we were manufacturing our products in 40 facilities throughout the world and distributing our products in approximately 170 countries through a network of approximately 11,300 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, we provide a complete range of replacement parts and services to support our equipment. For the year ended December 31, 2010, our sales of agricultural equipment represented 73% of our revenues, sales of construction equipment represented 18% 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, 2010, 41% of our net sales of equipment were generated in North America, 23% in Western Europe, 19% in Latin America and 17% in the Rest of World. Our worldwide manufacturing base includes facilities in Europe, Latin America, North America and Asia.

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We offer a range of financial products and services to dealers and customers in North America, Brazil, Australia 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, 2010, Financial Services managed a portfolio of receivables of approximately $17 billion.

On January 1, 2011, Fiat effected a demerger under Article 2506 of the Italian Civil Code. Pursuant to the demerger, Fiat transferred its ownership interest in Fiat Netherlands to a new holding company, Fiat Industrial, including Fiat s ownership of CNH Global, as well as Iveco and Fiat s industrial and marine powertrain business. Consequently, as of January 1, 2011, CNH Global became a subsidiary of Fiat Industrial. In connection with the demerger transaction, shareholders of Fiat S.p.A. received shares of capital stock of Fiat Industrial. Accordingly, effective January 1, 2011, Fiat Industrial owned approximately 89% of our outstanding common shares through its direct, wholly-owned subsidiary Fiat Netherlands.

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.

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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 conducive to 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 farmers 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 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 to our consolidated financial statements for the year ended December 31, 2010.

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. Although oil prices temporarily declined during 2009, oil prices increased again in 2010, continuing to make biofuels an attractive alternative energy source. 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.

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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 2010. 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 emphasize 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.

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; and dedicated Financial Services capabilities.

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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 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 financial products and services, and licensing or other governmental regulations.

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 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, combine harvesters, 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 our global alliance with Kobelco Construction Machinery, also provides a full product line on a global scale.

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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 include crawler and wheeled excavators, wheel loaders, graders, dozers, and articulated haul trucks for all applications. Light construction equipment product lines 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 undertook 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 began to move all production activities of our Imola, Italy plant to our plants in Lecce and San Mauro, Italy. In addition, in May 2010, we sold our interest in LBX Company LLC to S.C.M. (America), Inc., an affiliate of Sumitomo (S.H.I.) Construction Machinery Co., Ltd., to concentrate efforts on our key construction brands. We continue to evaluate our construction equipment business with a view toward increasing efficiencies and profitability.

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 to delivering the greatest competitive advantage. These improvements include continuing engine development, combining the introduction of new engines to meet stricter emissions requirements with additional innovations anticipated to refresh our product line. In addition, we emphasize enhanced product innovations coupled with our initiatives to improve dealer and customer support will allow us to more fully capitalize on our market leadership positions in many significant geographic and product categories. In our construction equipment segment, we have introduced a new wheel loader, crawler dozer, and crawler excavator. The new models offer key features including higher horsepower, improved fuel efficiency and offer key engine upgrades to meet regulatory emissions requirements.

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, 2010, 2009, and 2008.

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, 2010. 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 those in 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 purchased engines and other components from, among others, the Fiat Group and will similarly purchase from Fiat Industrial Group following the demerger. See also Note 21: Related Party Information to our consolidated financial statements for the year ended December 31, 2010.

Distribution and Sales

As of December 31, 2010, we were selling and distributing our products through approximately 11,300 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.

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 sell complementary products manufactured by other suppliers 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, although we maintain a limited number of company-owned dealerships in some markets. At December 31, 2010, we operated 12 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.

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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, some of which are described below. As part of our strategy, we use these joint ventures to enter into and expand in emerging markets, which may involve increased risk.

In Russia, we own 50% of CNH-Kamaz Industial B.V., which manufactures certain New Holland agricultural and construction equipment in the Russian Federation. We also own 51% of CNH-Kamaz Commercial B.V., which distributes and services agricultural and construction equipment in the Russian Federation.

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, options and, potentially, regulatory requirements. 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

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

At December 31, 2010, we operated and administered 21 parts depots worldwide, either directly or through arrangements with our warehouse service providers. This included 11 parts depots in North America, 5 in Europe, 3 in Latin America, and 2 in Australia. In addition, our international region s operations are supported by 5 depots (2 in China, 1 in India, 1 in Russia, and 1 in Uzbekistan. 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, we formed a 50-50 joint venture, CNH Reman LLC, for full-scale remanufacturing and service operations in the United States. The joint venture primarily remanufactures engine, engine components, 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 high quality 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 financial products offered are retail loans to end-use customers and wholesale financing to our dealers. As at December 31, 2010, Financial Services managed a portfolio of receivables and leases of approximately $17.0 billion. North America accounts for 56% of the managed portfolio, Western Europe 22%, Brazil 14% and Australia 8%. In some regions, Financial Services also provides insurance, revolving charge accounts, and other financial products and services to end-use 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 continuing to improve its portfolio credit quality, service levels, operational effectiveness and customer satisfaction.

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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 Equipment Operations.

Financial Services provides wholesale floor plan financing for some of our dealers, which allows them 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 managing 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 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. Financed non-CNH equipment includes used equipment taken in trade on new CNH product or equipment used in conjunction with or attached to our equipment.

Financial Services competes 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. 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.

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Asset-Backed Securitizations

Financial Services periodically accesses the public ABS markets in the United States, Canada and Australia, as part of our wholesale, retail and revolving charge account financing programs when those markets are available and offer funding opportunities on competitive terms. Financial Services ability to access the ABS markets will depend, in part, upon general economic conditions, legislative changes and 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 a subsidiary 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, but not limited to, 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 to our consolidated financial statements for the year ended December 31, 2010.

C. *Organizational Structure*

As of December 31, 2010, Fiat owned approximately 89% of our outstanding common shares through its direct, wholly-owned subsidiary Fiat Netherlands.

On January 1, 2011, Fiat effected a demerger under Article 2506 of the Italian Civil Code. Pursuant to the demerger, Fiat transferred its ownership interest in Fiat Netherlands to a new holding company, Fiat Industrial S.p.A., including Fiat s ownership of CNH Global, as well as Iveco and Fiat s industrial and marine powertrain business. Consequently, as of January 1, 2011, CNH Global became a subsidiary of Fiat Industrial. In connection with the demerger transaction, shareholders of Fiat S.p.A. received shares of capital stock of the new holding company. Accordingly, effective January 1, 2011, Fiat Industrial owned approximately 89% of our outstanding common shares through its direct, wholly-owned subsidiary Fiat Netherlands.

A listing of our significant directly and indirectly owned subsidiaries as of December 31, 2010, is set forth in an exhibit to this annual report on 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, CNH Financial Services SAS, a company organized under the laws of France, CNH Canada Ltd., a company organized under the laws of Canada, and CNH Deutschland GmbH, a company organized under the laws of Germany (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 suitable for their present purposes. These facilities, including the planned restructuring actions and planned capital expenditures, are expected to meet our manufacturing and other 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 2010, our total capital expenditures were $301 million of which 36% was spent in North America, 27% in Western Europe, 16% in Latin America, and 21% 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 2010, approximately 75% or $225 million of capital expenditures were related to manufacturing and product related projects with approximately $162 million devoted to agricultural equipment manufacturing and product related expenditures and approximately $63 million devoted to construction equipment expenditures. In 2010 and 2009, our total capital expenditures were $301 million and $218 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, 2010:

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(C)
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(C)
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
Heilbronn	Administrative Facilities; Training Center	109	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; Parts Depot	1,722	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	604	Leased
New Delhi, India	Tractors; Engineering Center	755	Owned
Pithampur, India	Backhoe Loaders and Vibratory Compactors	308	Owned(B)
Paradiso, Switzerland	Commercial, Administrative	29	Leased
Plock, Poland	Combine Harvesters; Components	1,022	Owned
Queretaro, Mexico	Components	161	Owned
Shanghai, China	Tractors; Components	732	Leased
Amsterdam, The Netherlands	Administrative	2	Leased

(A) -In thousands of square feet

(B) -Consolidated joint venture

(C) -CNH intends to cease production at this location in 2011

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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 have made, and expect that we may make additional, 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 emission 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 2010 were approximately $3.1 million and we expect to spend approximately $5.7 million in 2011. 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 51 non-owned sites at which regulated materials, allegedly generated by us, were released or disposed (Waste Sites). Of the Waste Sites, 18 are on the National Priority List (NPL) promulgated pursuant to CERCLA. For 46 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*. Because estimates of remediation costs are subject to revision as more information becomes available about the nature, 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, which would require us to adjust our reserves accordingly.

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.

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The actual costs for environmental matters could differ materially from those costs currently anticipated due to the nature of historical handling and disposal of regulated materials 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.

As of December 31, 2010, 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 $31 million to $92 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, 2010, environmental reserves of approximately $50 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.

A. *Operating Results*.

In the supplemental consolidating data in this section, Equipment Operations includes the Financial Services business on the equity basis of accounting. 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.

We believe that Equipment Operations gross and operating profit are useful for evaluating our financial performance. We define Equipment Operations gross profit, as net sales less costs classified as cost of goods sold. We define Equipment Operations operating profit as Equipment Operations gross profit less selling, general and administrative expenses and research and development costs. Equipment Operations gross and operating profit 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.

Key Trends for 2010

Net income attributable to CNH in 2010 was $452 million, or $1.89 diluted earnings per share ($1.90 basic earnings per share), compared with a loss of $190 million in 2009, or $0.80 basic and diluted loss per share. These improved results were primarily due to improved operating performance, better results from our non-consolidated subsidiaries and a lower effective tax rate. Net sales of equipment increased 13% to $14.5 billion in 2010 from $12.8 billion in 2009. The increase in net sales was primarily the result of improved demand for agricultural and construction equipment. Equipment Operations operating profit increased 138% to $889 million in 2010 from $373 million in 2009. The increase in Equipment Operations operating profit was primarily due to higher volumes, improved industrial utilization in North America and Latin America, and improved product mix. The improved performance in North America and Latin America was partially offset by lower demand for agricultural equipment in Western Europe, higher material prices, and new product launch costs, primarily in the construction equipment segment. Financial Services net income decreased 9% to $159 million in 2010 from $174 million in 2009. This decrease was primarily due to higher provisions for credit losses in 2010 and a decrease in gains on the sale of receivables due to the January 1, 2010 change in the accounting guidance for securitization transactions, which we adopted prospectively. In 2010, Financial Services benefited from the improvement in credit markets which decreased its cost of funds to levels more consistent with historical averages.

Key Trends for 2011

We expect the agricultural equipment industry retail unit sales to be flat to up 5% in tractors and up 5% to 10% in combines as global commodity prices are expected to remain at high levels.

We believe the construction equipment industry will improve over 2010 levels based on improvements expected in the overall economy. We anticipate the construction equipment industry retail unit sales to improve 8% to 12% in light equipment and 5% to 10% in heavy equipment. We expect production levels to increase in 2011 under current market demand estimates.

Financial Services will continue to focus on underwriting controls and receivable management in order to maintain a solid portfolio performance and continue to diversify our funding base.

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2010 Compared to 2009

	Consolidated Year Ended December 31,		Equipment Operations Year Ended December 31,		Financial Services Year Ended December 31,	
	2010	2009	2010	2009	2010	2009
			(in millions)			
Revenues:						
Net sales	$ 14,474	$ 12,783	$ 14,474	$ 12,783	$	$
Finance and interest income	1,134	977	154	131	1,395	1,190
	15,608	13,760	14,628	12,914	1,395	1,190
Costs and Expenses:						
Cost of goods sold	11,891	10,862	11,891	10,862		
Selling, general and administrative	1,698	1,486	1,243	1,150	455	336
Research, development and engineering	451	398	451	398		
Restructuring	16	102	16	98		4
Interest expense	830	671	395	320	612	497
Interest compensation to Financial Services			238	202		
Other, net	306	334	191	201	115	129
Total	15,192	13,853	14,425	13,231	1,182	966
Income (loss) before income taxes and equity in income (loss) of unconsolidated subsidiaries and affiliates	416	(93)	203	(317)	213	224
Income tax provision	77	92	12	33	65	59
Equity in income (loss) of unconsolidated subsidiaries and affiliates:						
Financial Services	11	9	159	174	11	9
Equipment Operations	88	(46)	88	(46)		
Net income (loss)	438	(222)	438	(222)	159	174
Net loss attributable to noncontrolling interests	(14)	(32)	(14)	(32)		
Net income (loss) attributable to CNH Global N.V.	$ 452	$ (190)	$ 452	$ (190)	$ 159	$ 174

Overview of Equipment Operations Results

Net Sales of Equipment

Agricultural Equipment Net Sales

	2010	2009	Increase/ (Decrease) in 2010 vs. 2009	2010 vs. 2009 % Change	Positive / (Negative) Impact of Currency*
			(in millions, except percents)		
Net sales					
North America	$ 5,120	$ 4,602	$ 518	11%	2%
Western Europe	2,836	3,168	(332)	(10)%	(3)%
Latin America	1,690	1,163	527	45%	12%

Rest of World	1,882	1,730		152	9%	5%
Total net sales	$ 11,528	$ 10,663	$	865	8%	2%

* The currency impact is included in the total 2010 vs. 2009 % change.

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The increase in our agricultural equipment net sales was due to higher volumes ($557 million), positive pricing actions ($130 million), and positive currency changes. The higher volumes were primarily due to continued strong demand in North America and Latin America as the result of increases in commodity prices and good harvest conditions. This growth was partially offset by a decline in volumes in Western Europe due to poor harvest conditions in certain countries and due to tight credit markets. Worldwide agricultural tractor and combine industry retail unit sales increased 8% and 2%, respectively, from the prior year. Tractor and combine industry retail unit sales were up in all regions except Western Europe. Our market share for the year was flat for tractors and up for combines.

The increase in North America net sales was the result of an increase in the overall industry and stocking actions taken by our dealers. North American tractor and combine industry retail unit sales increased 5% and 9%, respectively. Our market share for tractors declined and our market share for combines was flat. Our dealers increased inventory levels in response to the industry demand. Currency had a positive impact on net sales as the Canadian dollar strengthened against the U.S. dollar.

The decline in Western Europe net sales was primarily the result of the industry decline, destocking actions, as well as the impact of currency. Industry retail unit sales of tractors decreased 9% and combines decreased 29%. Our market share for the year was flat for tractors and combines. In response to the industry decline, our dealers reduced inventory levels, which negatively impacted net sales. The currency impact on net sales primarily resulted from a strengthening U.S. dollar against the Euro. We were able to offset a portion of the industry decline through positive pricing.

The increase in Latin America net sales was primarily a result of the improvement in the overall industry and currency. Industry retail unit sales of tractors increased 20% and combines increased 29%. We maintained our market share for the year for tractors and combines while also implementing positive pricing actions. Our dealers increased inventory levels in response to the industry demand. Currency also had a positive impact on net sales as the Brazilian real strengthened against the U.S. dollar.

The increase in Rest of World net sales was primarily driven by an overall increase in the industry and currency. Industry retail unit sales of tractors increased 13% and combines increased 3%. The industry growth for tractors was led by Turkey, which did not impact our net sales as we have an unconsolidated joint venture in that country, and the Commonwealth of Independent States (CIS). The industry growth for combines was led by China, the CIS and Turkey. Industry retail unit sales of tractors and combines decreased in Australia. Our market share in Rest of World markets increased for combines and was flat for tractors. Overall, we maintained positive pricing. Currency had a positive impact, primarily due to the strengthening of the Australian dollar against the U.S. dollar.

Construction Equipment Net Sales

	2010	2009	Increase (Decrease) in 2010 vs. 2009	2010 vs. 2009 % Change	Positive / (Negative) Impact of Currency*
			(in millions, except percents)		
Net sales					
North America	$ 834	$ 622	$ 212	34%	2%
Western Europe	503	513	(10)	(2)%	(6)%
Latin America	1,051	588	463	79%	19%
Rest of World	558	397	161	41%	(2)%
Total net sales	$ 2,946	$ 2,120	$ 826	39%	4%

* The currency impact is included in the total 2010 vs. 2009% change.

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The increase in our construction equipment net sales was primarily due to higher volume and mix ($698 million), pricing ($27 million) and currency. The volume and mix improvement was the result of the significant growth (albeit from historically low levels) in the construction equipment industry as global economic conditions stabilized. Worldwide construction equipment industry retail unit sales increased 47% compared with the prior year as the result of significant market improvements in North America, Latin America and Rest of World. For the year, worldwide industry retail unit sales of light construction equipment increased 35%, driven by improvements in residential and commercial construction activities. Heavy equipment industry retail unit sales increased 59% as a result of overall GDP growth. Compared to the prior year, our market share was flat overall.

In North America, the increase in net sales was primarily the result of improved volume and mix. Construction equipment industry retail unit sales increased 18%. Retail unit sales of light construction equipment, where we have a stronger market presence, increased 20%, while retail unit sales of heavy construction equipment increased 14%. Industry retail unit sales increased compared to the prior year for tractor loader backhoes and skid steers by 12% and 16%, respectively. Our market share compared to the prior year was flat for both heavy and light construction equipment. This industry growth was partially offset by the effect of additional destocking actions taken by our dealers. Currency had a positive impact on net sales as the Canadian dollar strengthened against the U.S. dollar.

Net sales in Western Europe declined primarily as the negative effects of currency more than offset improved volume and mix. Industry retail unit sales for both heavy and light construction equipment increased 21%. Retail unit sales of heavy and light construction equipment increased 17% and 23%, respectively. Industry retail unit sales of tractor loader backhoes and skid steers decreased 3% and 4%, respectively. Our market share was flat for the year in total for both heavy and light construction equipment. The positive impact of the industry growth was largely offset by destocking actions taken by our dealers. The negative currency impact on net sales primarily resulted from a strengthening U.S. dollar against the Euro.

Latin America net sales increased primarily as the result of improved volume and mix due to the significant improvements in the construction equipment industry, and the positive impact of currency. Industry retail unit sales for both heavy and light construction equipment increased 87%. Retail unit sales of heavy and light construction equipment increased 86% and 89%, respectively. Industry retail unit sales of tractor loader backhoes and skid steers increased 70% and 104%, respectively. In addition to the growth in retail unit sales, we benefited from stocking actions taken by our dealers in response to the significant industry growth. We also maintained positive pricing compared to the prior year. Partially offsetting the industry growth was a decline in both heavy and light construction equipment market share, which was down due to manufacturing capacity constraints. The positive impact of currency on net sales was due to the strengthening of the Brazilian real against the U.S. dollar.

Rest of World net sales increased due to improved volume and mix. Industry retail unit sales for both heavy and light construction equipment increased 64%. Industry retail unit sales for heavy and light construction equipment increased 71% and 50%, respectively. Industry retail unit sales for tractor loader backhoes and skid steers increased 66% and 51%, respectively. Industry growth occurred in all major countries with the exception of Pakistan, and was particularly strong in the CIS, Australia and Turkey. Our market share was flat for both heavy and light construction equipment. We maintained positive pricing compared to the prior year.

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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.

	2010		2009		Increase (Decrease) in 2010 vs. 2009	2010 vs. 2009 % Change
	(in millions, except percents)					
Net sales	$ 14,474	100.0%	$ 12,783	100.0%	$ 1,691	13%
Cost of goods sold	11,891	82.2%	10,862	85.0%	1,029	9%
Gross profit	2,583	17.8%	1,921	15.0%	662	34%
Selling, general and administrative	1,243	8.6%	1,150	9.0%	93	8%
Research and development	451	3.1%	398	3.1%	53	13%
Operating profit	889	6.1%	373	2.9%	516	138%
Restructuring	16	0.1%	98	0.8%	(82)	(84)%
Interest expense	395	2.7%	320	2.5%	75	23%
Interest compensation to Financial Services	238	1.6%	202	1.6%	36	18%
Other, net	191	1.3%	201	1.6%	(10)	(5)%

Gross Profit and Margin   Equipment Operations

	2010		2009		Increase (Decrease) in 2010 vs. 2009	2010 vs. 2009 Change
	(in millions, except percents)					
Agricultural equipment	$ 2,232	19.4%	$ 1,859	17.4%	$ 373	2.0 pts
Construction equipment	351	11.9%	62	2.9%	289	9.0 pts
Total Equipment Operations gross profit	$ 2,583	17.8%	$ 1,921	15.0%	662	2.8 pts

Agricultural equipment gross profit increased due to higher volume and mix ($119 million), production cost improvements ($107 million), net pricing improvements ($88 million), and currency. Volume and mix improvements were primarily driven by overall industry growth for both tractors and combines, and an improved mix to larger horsepower tractors and combines. Higher volumes had a positive impact on manufacturing efficiencies, resulting in an overall improvement in production costs.

Construction equipment gross profit increased due to higher volume and mix ($148 million), lower production costs ($98 million), and currency. Our margins were negatively impacted in 2009 as many of our production facilities were idle. Production increased in 2010 as the economic environment improved, although we under-produced relative to retail demand by 13% to allow for company and dealer de-stocking initiatives to be completed. We also achieved positive pricing ($26 million).

Selling, general and administrative   Equipment Operations

Selling, general and administrative expenses increased in 2010 compared to 2009, but decreased as a percentage of sales as we continued to implement cost controls. The increase was primarily due to higher variable compensation ($78 million). Professional fees and advertising costs also increased compared to the prior year. These increases were partially offset by a decrease in payroll costs, due to the 2009 reduction in salaried personnel of approximately 13%, and a reduction in information systems costs. Currency had a favorable impact of approximately 1%.

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Research and development Equipment Operations

Research and development costs increased in the current year, but remained steady as a percentage of net sales, reflecting the continued investment in new products, including Tier 4/Stage IIIB engine development.

Restructuring Equipment Operations

In 2009, we incurred $98 million for restructuring as we implemented our plan to consolidate and reorganize activities to improve our cost and operating levels. Restructuring costs of $16 million in 2010 primarily related to additional severance and other employee-related costs incurred under the restructuring plan started in 2009. The remaining costs expected to be incurred under announced restructuring actions are $17 million.

See Note 11: Restructuring to our consolidated financial statements for the year ended December 31, 2010 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 this 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 increases in volume for both our agricultural and construction equipment.

Other, net Equipment Operations

The decrease in other, net was the result of decreases in pension and other postemployment costs related to former employees ($44 million) partially offset by higher foreign exchange losses ($28 million) and other miscellaneous costs. In 2010 we recognized a gain of $6 million related to the sale of our participation in the LBX joint venture.

Equity in income of unconsolidated subsidiaries and affiliates Equipment Operations

The improved performance of our unconsolidated subsidiaries was driven primarily by improved industry conditions. There was significant improvement in the performance of our construction equipment joint ventures and Turk Traktor, our agricultural equipment joint venture in Turkey.

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Overview of Financial Services Results

	2010		2009		Increase (Decrease) in 2010 vs. 2009	2010 vs. 2009 % Change
			(in millions, except percents)			
Finance and interest income	$ 1,395	100.0%	$ 1,190	100.0%	$ 205	17%
Selling, general and administrative	455	31.9%	336	28.2%	119	35%
Restructuring		%	4	%	(4)	(100)%
Interest expense	612	43.9%	497	41.8%	115	23%
Other, net	115	8.2%	129	10.8%	(14)	(11)%
Total expenses	$ 1,182		$ 966		$ 216	22%
On-book asset portfolio	$ 14,274		$ 8,171		$ 6,103	75%
Managed asset portfolio	$ 16,996		$ 17,257		$ (261)	(2)%

Finance and interest income   Financial Services

The increase in finance and interest income was driven primarily by an increase in interest revenue ($369 million) partially offset by a decrease in ABS revenues ($163 million). The primary driver of the increase in interest revenue and the decrease in ABS revenues was the January 1, 2010 prospective adoption of new accounting guidance related to securitization transactions. ABS revenue decreased as funding transactions that would have historically met the derecognition criteria did not qualify for derecognition in 2010 under the new accounting rules. Interest revenue increased due to a higher level of on-book receivables, as $5.2 billion in receivables were consolidated upon the adoption of the new accounting guidance. Higher interest rates also contributed to the increase in interest revenue due to pricing actions taken to offset increases in our cost of funds. Market conditions improved in North America in both the agricultural and construction equipment sectors, while Europe stabilized in the second half of 2010. See   Item 5.A. New Accounting Pronouncements Adopted in 2010   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 and higher variable compensation. Loss provisions increased due to additional loss provisions recorded for our Brazil retail agricultural portfolio and the sustained downturn in the European construction equipment market.

For our managed portfolio, the percentages for delinquencies greater than 30 days and net credit losses were as follows:

	2010		2009	
	Delinquencies	Losses	Delinquencies	Losses
North America	1.41%	0.90%	2.74%	0.93%
Europe	4.20%	0.57%	7.30%	0.33%
Latin America	20.89%	1.63%	27.89%	0.64%
Rest of World	1.68%	0.51%	2.37%	0.56%
Total	4.85%	0.90%	7.50%	0.73%

The lower level of delinquencies in each region as of December 31, 2010, was primarily due to collections and the general improvement in global economic conditions.

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 decrease in other, net was primarily the result of currency.

Consolidated interest expense

The increase in interest expense was primarily due to a higher level of average debt outstanding compared to the prior year. Financial Services consolidated $5.7 billion of debt upon the January 1, 2010, adoption of new accounting guidance related to securitization transactions. The increase in outstanding debt at Financial Services was partially offset by a decrease in average outstanding debt at Equipment Operations, and a decrease in average interest rates. Also contributing to the higher interest expense was a $22 million loss recognized as a result of the retirement in July 2010 of $500 million of notes due in 2014. See Item 5.A. New Accounting Pronouncements Adopted in 2010 for further details on the change to the accounting rules.

Consolidated income tax provision

	2010	2009
	(in millions, except percents)	
Income (loss) before income taxes and equity in income (loss) of unconsolidated subsidiaries and affiliates	$ 416	$ (93)
Income tax provision	$ 77	$ 92
Effective tax rate	18.5%	(98.9)%

The favorable effective tax rate in 2010 was primarily due to the settlement of certain tax examinations and the reversal of deferred tax asset valuation allowances in certain jurisdictions. The adverse tax rate in 2009 was primarily 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. We expect to return to a more normalized effective tax rate of 36% to 40% in 2011.

See Note 10: Income Taxes to our consolidated financial statements for the year ended December 31, 2010 for more information on our income tax provision.

2009 Compared to 2008

Overview of Equipment Operations Results

Net Sales of Equipment

Agricultural 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	$ 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 3%. Combine and tractor industry retail unit sales were down 19% and 2% 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 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 22% 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 18% 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 19% 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 41% 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 49% in all markets, driven by decreases in residential and commercial construction activities. Heavy equipment industry retail unit sales declined 31%, 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 50% with heavy construction equipment decreasing 55% and light construction equipment decreasing 48%. 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 44% and 40%, 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 54% 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 48% for light construction equipment and 16% for heavy construction equipment. Industry retail unit sales for tractor loader backhoes and skid steers decreased 78% and 55%, 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 4/Stage IIIB 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 to 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 this 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.

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 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.

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 critical accounting estimates, which require management assumptions and complex judgments, are summarized below. Our other accounting policies are described in the notes to our consolidated financial statements.

Allowance for Credit Losses

The allowance for credit losses is established to cover probable losses for receivables owned by us and is allocated based on two components, depending on whether or not the receivable has been individually identified as being impaired. The first component of the allowance for credit losses covers impaired assets which represent all or a portion of receivables specifically reviewed by management for which we have determined we will not collect all of the contractual principal and interest. Receivables are individually reviewed for impairment based on, among other items, amounts outstanding, amounts past due, days past due and prior collection history. These receivables are subject to impairment measurement at the loan level based either on the present value of expected future cash flows discounted at the receivable s effective interest rate or the fair value of the collateral for collateral-dependent receivables and receivables for which foreclosure is deemed to be probable. When the values are lower than the carrying value of the receivables, impairment is recognized.

The second component of the allowance for credit losses covers all performing receivables which have incurred losses that are not yet individually identifiable. The allowance for these receivables is based on aggregated portfolio evaluations, generally by financial product. The allowance for retail credit losses is based on loss forecast models which consider a variety of factors that may include, but are not limited to, historical loss experience, portfolio balance and delinquencies. The allowance for wholesale credit losses is based on loss forecast models which consider a variety of factors that may include, but are not limited to, historical loss experience, portfolio balance and dealer risk ratings. The loss forecast models are updated on a quarterly basis to incorporate information reflecting the current economic environment.

The total allowance for credit losses at December 31, 2010, 2009, and 2008 was $594 million, $393 million, and $269 million, respectively. The allowance for credit losses increased in 2010 due primarily to additional reserves recorded for Brazil s retail agricultural equipment loan portfolio and the European construction equipment market. The increase in 2009 was due to the downturn in the U.S. and European construction markets and additional reserves recorded for Brazil s retail agricultural equipment portfolio. Beginning January 1, 2010, we adopted the new accounting guidance related to the consolidation of variable interest entities (VIEs). The allowance for credit losses increased approximately $59 million related to the receivables that were consolidated upon adoption of this guidance.

The historical loss experience on the receivable portfolio represents one of the key assumptions involved in determining the allowance for credit losses. Over the last three years, this percent has varied by an average of approximately plus or minus 0.22 percentage points, compared to the average loss experience during that period. Holding other estimates constant, if the estimated loss experience on the receivable portfolio were to increase or decrease 0.22 percentage points, the allowance for credit losses at December 31, 2010 would increase or decrease by approximately $32 million.

While management believes it has exercised prudent judgment and applied reasonable assumptions, there can be no assurance that in the future, changes in economic conditions or other factors would not cause changes in the financial condition of our customers. If the financial condition of our customer deteriorates, the timing and level of payments received could be impacted and, therefore, could result in a change to our ultimate losses on the current portfolio.

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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, 2010, 2009, and 2008 were $461 million, $427 million, and $374 million, respectively.

Estimates used in determining end-of-lease market values for equipment on operating leases significantly impact the amount and timing of depreciation expense. If future market values for this equipment were to decrease 10% from our present estimates, the total impact would be to increase our depreciation expense on equipment on operating leases by approximately $46 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.

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. In 2010 and 2009, we performed our annual impairment review as of December 31 and concluded that there was no impairment in either year. We continue 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.

From 2006 to 2009, we managed our business at the brand level: Case IH and New Holland agricultural equipment brands, Case and New Holland Construction construction equipment brands and Financial Services. In 2010, we began to manage our business at the Agricultural Equipment, Construction Equipment, and Financial Services level and now identify these as our three reporting units.

Under the first step of the goodwill impairment test, 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 our 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.

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 what we believe to be 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. We use eight years of expected cash flows as management believes that this period generally reflects the underlying market cycles for its businesses.

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. The discount rate used for the Agricultural Equipment reporting unit decreased from 13% at December 31, 2009 to 11% at December 31, 2010. The discount rate for the Construction Equipment reporting unit decreased from 13.5% at December 31, 2009 to 12% at December 31, 2010. The discount rates changed primarily due to changes in interest rates and risk levels.

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 subsequent to the last year of the projection period of cash flows into perpetuity. 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. The terminal value growth rates used for the December 31, 2010 valuations (1.0% for the Agriculture Equipment reporting unit and 2.0% for the Construction Equipment reporting unit) have not changed from the rates used at December 31, 2009.

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.

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Book value 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.

As of December 31, 2010, the estimated fair value of the Agricultural Equipment reporting unit exceeded its carrying value by a substantial amount.

The excess of the estimated fair value of the Construction Equipment unit over its carrying value increased as of December 31, 2010, compared to the prior year estimate. The calculation of the estimated fair value of the reporting unit continues to contain a higher level of risk due primarily to the difficult trading conditions that the business has experienced in the important North American and European markets since 2007. The projections include, among other things, the expected benefits of 2009 restructuring actions to reduce the fixed cost footprint and selling, general and administrative expenses, product development programs and new products with introductions starting in 2010 and continuing through the forecast period, and capacity expansions. The projections also include certain assumptions for continued expansion in emerging markets and an expected improvement in North American and European market conditions, which result in operating performance that is expected to improve and exceed our best past performance. Should the Construction Equipment business be unable to successfully achieve its planned actions, realize the benefits of its investments, or perform to its long range plan objectives, we may be required to re-evaluate the carrying value of the business units goodwill.

Measuring the estimated fair value of our businesses 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, industry growth rates, technological changes and the achievement of the anticipated benefits of our product development and 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 expense for new programs is accrued at the inception of the program. 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 allowance accruals at December 31, 2010, 2009, and 2008 were $774 million, $690 million, and $660 million, respectively.

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 incentive allowance at December 31, 2010 would increase or decrease by approximately $73 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 sales levels, component failure rates, replacement costs and dealer service costs. 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.

The product warranty accruals at December 31, 2010, 2009, and 2008 were $350 million, $301 million, and $294 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 0.3 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 0.3 percentage points, the warranty expense for the year ended December 31, 2010, would increase or decrease by approximately $43 million.

See Note 14: Commitments and Contingencies to our consolidated financial statements for the year ended December 31, 2010 for further information on our accounting practices and recorded obligations related to modification programs and warranty costs.

Defined Benefit Pension and Other Postretirement Obligations

As more fully described in Note 12: Employee Benefit Plans and Postretirement Benefits to our consolidated financial statements for the year ended December 31, 2010, we sponsor pension and other retirement plans in various countries. We actuarially determine these pension and other postretirement costs and obligations using several statistical and judgmental factors. 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 our pension and postretirement benefit 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, and by the average life expectancy for inactive employees expected to receive benefits under the plan.

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

	2011 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				
Assumed discount rate	$ (13)	$ 19	$ (299)	$ 364
Expected rate of compensation increase	7	(5)	40	(35)
Expected long-term rate of return on plan assets	(20)	20	N/A	N/A
Other postretirement benefits:				
Assumed discount rate	(11)	13	(104)	125
Assumed health care cost trend rate (initial and ultimate)	21	(17)	104	(88)

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 requires the use of 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 to our consolidated financial statements for the year ended December 31, 2010 for further information on our accounting for uncertain tax positions.

New Accounting Pronouncements Adopted in 2010

As of the beginning of 2010, we adopted new accounting guidance related to the accounting for transfers of financial assets and the consolidation of VIEs.

In June 2009, the FASB issued new accounting guidance that changes the accounting for transfers of financial assets. The guidance eliminates the concept of a qualifying special purpose entity (QSPE), changes the requirements for derecognizing financial assets, and requires additional disclosures to provide 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.

In June 2009, the FASB also issued new accounting guidance which amends the accounting for VIEs. The guidance changes the criteria for determining whether the consolidation of a VIE is required from a quantitative risk and rewards model to a qualitative model, based on control and economics. The guidance also eliminates the scope exception for QSPEs, increases the frequency for reassessing consolidation of VIEs and creates new disclosure requirements about an entity s involvement in a VIE.

We adopted the new guidance on January 1, 2010. As a significant portion of our securitization trusts and facilities are no longer exempt from consolidation as QSPEs under the guidance, we reassessed these VIEs under the new qualitative model and determined we were the primary beneficiary, as CNH has both the power to direct

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the activities of the VIE that most significantly impact the VIE s economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Therefore, we consolidated the receivables and related liabilities held by these VIEs based on the carrying amounts of the assets and liabilities, as prescribed by the new guidance. The impact of our adoption of the new guidance on January 1, 2010 is as follows:

	Adjustment for New Guidance (in millions)
Accounts, notes receivable and other net	
Retail receivables securitization	$ 3,448
Wholesale receivables securitization	1,563
Credit card receivables securitization	181
Accounts, notes receivable and other net	5,192
Other Assets primarily restricted cash	525
Total assets	$ 5,717
Accrued and other liabilities	$ 26
Short-term debt	1,209
Long-term debt, including current maturities	4,519
Total liabilities	5,754
Total equity	(37)
Total liabilities and equity	$ 5,717

The assets of the VIEs include restricted cash and certain receivables which are restricted to settle the obligations of those entities and are not expected to be available to us or our creditors. Liabilities of the consolidated VIEs include secured borrowings for which creditors or beneficial interest holders do not have recourse to the general credit of CNH.

An additional impact of adopting this guidance is that certain funding transactions that would have historically met the derecognition criteria will not qualify for derecognition under the new accounting rules. Beginning on January 1, 2010, wholesale receivables originated in Europe that were included in factoring programs for the revolving sale to third party factors are treated as secured borrowings. As of December 31, 2010, factoring transactions involving 6 million ($8 million) of receivables continue to be treated as sales under the previous accounting rules as they were sold prior to January 1, 2010.

We adopted the guidance prospectively. Therefore, the financial statements prepared for 2010 and subsequent periods will reflect the new accounting requirements, but the financial statements for periods ended on or before December 31, 2009 reflected the accounting guidance applicable during those periods. Our statement of operations for the year ended December 31, 2010 no longer reflects securitization income and initial gains or losses on new securitization transactions, but instead reports interest income and other income associated with all securitized receivables, and interest expense associated with the debt issued from the securitization trusts and facilities. Therefore, current period results and balances will not be comparable to prior period amounts. In addition, because our new securitization transactions are accounted for as secured borrowings rather than asset sales, the initial cash flows from these transactions are presented in 2010 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 and our consolidated balance sheets. 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 2011. 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), Equipment Operations 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 subsidiaries cash management pools, our level of investment in retail receivables, changes in our funding structure and dividend payments.

The $2,355 million increase in consolidated cash and cash equivalents, during the year ended December 31, 2010, reflects the generation of cash in our operating and financing activities. Cash and cash equivalents at Equipment Operations increased by $2,644 million, while cash and cash equivalents at Financial Services decreased by $289 million.

Cash Flows from Operating Activities

	For the Years Ended December 31,		
	2010	**2009**	**2008**
		(in millions)	
Equipment Operations	$ 1,811	$ 1,145	$ (282)
Financial Services	(12)	1,220	936
Eliminations	(397)	(153)	(4)
Consolidated	$ 1,402	$ 2,212	$ 650

Equipment Operations generated $1,811 million of cash flows from operations in 2010, primarily due to $1,000 million in cash flows from working capital reductions, adjustments for depreciation and amortization expense of $291 million, and 2010 net income of $438 million. Cash provided by working capital reductions includes $323 million from inventory reductions and $506 million from an increase in payables, offset by $84 million due to higher receivables. The primary driver of the working capital reduction in 2010 was the stronger market demand reducing the levels of finished goods inventory. The cash generated from operations was also attributable to the increase of $416 million in other liabilities primarily related to higher levels of taxes payable and accrued payroll. The increase in cash flows from operating activities in 2010 compared to 2009 reflects the year-over-year increase in net income.

The utilization of cash in operating activities at Financial Services in 2010 resulted primarily from cash reduction of $203 million from increases in accounts receivables, partially offset by net income of $159 million. The decrease in cash flows from operating activities in 2010 compared to 2009 was primarily due to cash inflows as the result of significant reductions in receivables during 2009.

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 under the accounting guidance in effect during that period.

Cash Flows from Investing Activities

	For the Years Ended December 31,		
	2010	2009	2008
		(in millions)	
Equipment Operations	$ 168	$ (691)	$ (1,066)
Financial Services	(234)	1,924	(2,731)
Eliminations	20		8
Consolidated	$ (46)	$ 1,233	$ (3,789)

Cash provided by investing activities at Equipment Operations in 2010 resulted from withdrawals from Fiat subsidiaries cash management pools of $481 million, partially offset by capital expenditures of $301 million. The increase in cash from investing activities in 2010 compared to 2009 is primarily due to $451 million in deposits in Fiat subsidiaries cash management pools in 2009, compared to withdrawals of $481 million in 2010 as we deposited a greater portion of our cash with third party banks prior to the demerger.

Cash flow used by activities at Financial Services in 2010 totaled $234 million resulting from $365 million in expenditures for equipment on operating leases and a $219 million increase in restricted cash, partially offset by net collections of retail receivables of $77 million and proceeds from the sale of equipment on operating lease of $270 million. We adopted new accounting guidance related to the accounting for transfers of financial assets and the consolidation of VIEs at the beginning of 2010. Under this new accounting guidance, certain securitization transactions were accounted for as secured borrowings rather than asset sales. The cash flows from these securitization transactions were presented as investing activities in 2009 and as financing activities in 2010. Total investing cash flows related to retail receivables and securitization transactions decreased $1,585 million compared to 2009 primarily as a result of this new accounting guidance.

The utilization of cash in investing activities at Equipment Operations in 2009 reflects capital expenditures of $217 million and an increase in deposits in Fiat subsidiaries cash management pools of $451 million. Capital expenditures were principally related to initiatives to introduce new products and enhance manufacturing efficiency.

Cash provided by investing activities at Financial Services in 2009 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 subsidiaries 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.

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Cash Flows from Financing Activities

	For the Years Ended December 31,		
	2010	2009	2008
		(in millions)	
Equipment Operations	$ 626	$ (356)	$ 1,128
Financial Services	(57)	(2,766)	1,719
Eliminations	377	153	(4)
Consolidated	$ 946	$ (2,969)	$ 2,843

Cash provided by financing activities at Equipment Operations in 2010 is primarily attributable to net proceeds of $381 million from long-term borrowings and $254 million in cash received for the reduction of intersegment notes from Financial Services. The increase of cash provided by financing activities in 2010 compared to 2009 was due to a net reduction in borrowings in 2009.

Cash flows used by financing activities for Financial Services in 2010 of $57 million primarily reflects dividend payments of $397 million to Equipment Operations and cash payment of $254 million to Equipment Operations to reduce intersegment notes payable, partially offset by net proceeds of $574 million from long-term and short-term borrowings. The improvement in cash flows used by financing activities at Financial Services in 2010 from 2009 was primarily due to the net proceeds from borrowings in 2010 compared with a $1,937 million reduction of long-term and short-term borrowings in 2009.

Equipment Operations cash flows used by financing activities in 2009 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 in 2009 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.

Sources of Funding

Funding Policy

In the current environment of 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.

A summary of our strategy is set forth below:

To fund Equipment Operations short-term financing requirements and to ensure near-term liquidity, Equipment Operations will continue to sell its receivables to Financial Services and rely primarily on internal cash flows including actions to optimize working capital. We also maintain a funding relationship with Fiat Industrial through term loans and cash management arrangements operated by Fiat Industrial 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 funding diversification strategy we initiated in 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 securitization programs, private ABS transactions 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 and construction equipment sectors of the economy and the issuance 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.

A significant portion of our financing has historically come from Fiat and Fiat subsidiaries. As a consequence of the demerger, all the financing arrangements with Fiat treasury subsidiaries outstanding as of December 31, 2010 were assigned to Fiat Industrial treasury subsidiaries effective as of January 1, 2011. The assignment of term financings took place with the execution of tri-party agreements between the relevant Fiat treasury subsidiaries (which transferred the financial receivables), Fiat Industrial treasury subsidiaries (which received the receivables) and CNH entities (which acknowledged the transfer). As a result of this assignment, CNH entities had no residual financing with Fiat treasury subsidiaries as of January 1, 2011.

Our access to external sources of financing, as well as the cost of financing, is dependent on various factors, including our unsecured debt ratings. As of February 18, 2011, our long-term unsecured debt was rated BB+ (negative outlook) by S&P; Ba3 (stable outlook) by Moody s; and BBB Low (under review with developing implications) by DBRS. Fiat Industrial s long-term unsecured debt was rated BB+ (negative outlook) by S&P and Ba1 (stable outlook) by Moody s. 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. A 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: our parent company s ratings, financial leverage on an absolute basis or relative to peers, the composition of the balance sheet and/or capital structure, material changes in earnings 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, and limiting the availability, of unsecured financing.

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Consolidated Debt

As of December 31, 2010, and 2009, our consolidated debt was as detailed in the table below:

	Consolidated		Equipment Operations		Financial Services	
	2010	2009	2010	2009	2010	2009
	(in millions)					
Long-term debt excluding current maturities	$ 8,540	$ 5,050	$ 3,660	$ 3,231	$ 5,933	$ 2,650
Current maturities of long-term debt	3,894	2,386	818	774	3,076	2,058
Short-term debt	3,863	1,972	177	297	5,468	3,430
Total debt	$ 16,297	$ 9,408	$ 4,655	$ 4,302	$ 14,477	$ 8,138

On December 31, 2010, our outstanding consolidated debt with Fiat and its subsidiaries was $778 million, or 4.8% of our consolidated debt, compared to $2.9 billion or 31% as of December 31, 2009. 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 $1.5 billion issue of debt securities at an annual fixed rate of 7.875% due in 2017; and for Financial Services, with new securitizations) as well as internal generation of cash.

We believe that Net Debt, defined as total debt less intersegment notes receivable, deposits in Fiat subsidiaries 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, 2010 and 2009 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	
	2010	2009	2010	2009	2010	2009
	(in millions, except percentages)					
Total debt	$ 16,297	$ 9,408	$ 4,655	$ 4,302	$ 14,477	$ 8,138
Less:						
Cash and cash equivalents	3,618	1,263	2,934	290	684	973
Deposits with Fiat	1,760	2,251	1,643	2,144	117	107
Intersegment notes receivables			2,273	2,398	562	634
Net debt (cash)	10,919	5,894	(2,195)	(530)	13,114	6,424
Total equity	7,380	6,810	7,379	6,809	2,008	2,378
Net capitalization	$ 18,299	$ 12,704	$ 5,184	$ 6,279	$ 15,122	$ 8,802
Net debt (cash) to net capitalization	60%	46%	(42)%	(8)%	87%	73%

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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	
	2010	2009	2010	2009	2010	2009
	(in millions, except percentages)					
Total debt	$ 16,297	$ 9,408	$ 4,655	$ 4,302	$ 14,477	$ 8,138
Total equity	7,380	6,810	7,379	6,809	2,008	2,378
Total capitalization	$ 23,677	$ 16,218	$ 12,034	$ 11,111	$ 16,485	$ 10,516
Total debt to total capitalization	69%	58%	39%	39%	88%	77%

The improvement in the Net Cash position of Equipment Operations in 2010, compared to 2009, reflects the benefit from the reduction in working capital and increased profitability.

The increase in Financial Services Net Debt in 2010 reflects the consolidation of a significant portion of our off-book debt upon adoption of the new accounting guidance on January 1, 2010. See Note 2: Summary of Significant Accounting Policies New Accounting Pronouncements Adopted in 2010 to our consolidated financial statements for the year ended December 31, 2010 for additional information on the adoption of this new accounting guidance.

Long term debt

As of December 31, 2010, our consolidated long-term debt was $12.4 billion, including $3.9 billion of current maturities, compared to $7.4 billion and $2.4 billion, respectively, as of the end of the prior year.

Equipment Operations long-term debt as of December 31, 2010, which was $4.5 billion, including $818 million of current maturities, consisted of bonds and medium-term notes in the aggregate amount of approximately $2.7 billion, medium-term loans and borrowings under credit facilities with third parties and Fiat in the aggregate amount of $845 million and drawdowns from the syndicated credit facility in the amount of 300 million ($401 million) and intersegment notes in the amount of $510 million.

As of December 31, 2010, Financial Services long-term debt was $9.0 billion, including $3.1 billion of current maturities, and consisted of $4.7 billion of debt related to securitizations which was consolidated upon adoption of the new accounting guidance on January 1, 2010, $1 billion of borrowing from third parties, $955 million of borrowings under committed credit lines related to our retail lending activities in Brazil, $909 million of term-wholesale asset-backed facilities from U.S. and Canada, $543 million of intersegment notes, $517 million of borrowing from Fiat, $183 million of credit line facilities under which our receivables are sold to a third party and $93 million of borrowing under a Canadian asset-backed facility.

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

Short Term Debt

As of December 31, 2010, our consolidated short-term debt was $3.9 billion, compared to $2.0 billion as of the end of the prior year.

Equipment Operations short-term debt as of December 31, 2010 was $177 million and consisted mainly of $79 million of drawdowns from credit facilities and $52 million of intersegment notes.

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As of December 31, 2010, Financial Services short-term debt was $5.5 billion, and consisted of $3.6 billion of drawdowns from credit facilities (of which $3.2 billion were financed under various facilities with third parties, $246 million were financed under ABCP warehouse facilities and $148 million were granted by Fiat treasury subsidiaries), $1.7 billion of inter-company borrowings and $116 million of loans (of which $3 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 to our consolidated financial statements.

Credit Facilities

As of December 31, 2010, we had approximately $4.8 billion available under our $12.0 billion total lines of credit, including asset-backed facilities, of which $2.4 million were committed lines, $4.3 billion of uncommitted lines and $5.1 billion in asset-backed facilities.

Of the total $7.1 billion drawn under such lines, $3.7 billion is classified as short term debt, $1.3 billion is classified as current maturities of long-term debt and $2.1 billion classified as long-term debt.

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

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

Cash and cash equivalents were $3.6 billion as of December 31, 2010, compared to $1.3 billion as of December 31, 2009. 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, 2010, and 2009.

	Consolidated		Equipment Operations		Financial Services	
	2010	2009	2010	2009	2010	2009
			(in millions)			
Cash and cash equivalents	$ 3,618	$ 1,263	$ 2,934	$ 290	$ 684	$ 973
Deposits with Fiat	$ 1,760	$ 2,251	$ 1,643	$ 2,144	$ 117	$ 107
Intersegment notes receivable:						
Current	$	$	$ 1,730	$ 1,893	$ 52	$ 308
Long-term			543	505	510	326
Total intersegment notes receivables	$	$	$ 2,273	$ 2,398	$ 562	$ 634

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 our subsidiaries that participate in the various cash pooling systems managed by Fiat worldwide.

At December 31, 2010, we had approximately $1.8 billion of cash deposited in the Fiat treasury subsidiaries cash management pools compared with $2.3 billion at the end of the prior year. The total amount deposited in the Fiat treasury subsidiaries cash management pools as of December 31, 2010, included $566 million deposited by our subsidiaries in the United States and in Canada, $1.2 billion deposited by certain of our European subsidiaries.

Further to the demerger, we entered into new cash management arrangements with Fiat Industrial treasury subsidiaries effective on January 1, 2011. Our cash deposits in Fiat treasury subsidiaries cash management pools as of December 31 were transferred to the Fiat Industrial treasury subsidiaries cash management pools effective as of January 1, 2011. Accordingly, no residual cash balances were outstanding with Fiat treasury subsidiaries cash management pool as of close of business January 1, 2011.

As of December 31, 2010, we had approximately $3.6 billion in cash and cash equivalents; this amount included approximately $2.0 billion of funds which would have historically been deposited with the relevant cash management pools managed by Fiat treasury subsidiaries in the U.S. and in Europe. In anticipation of the demerger, these funds were deposited with primary financial institutions in Europe and the U.S. for a short-term period. At the maturity of these short-term deposits, in the month of January 2011, these funds were deposited with the applicable Fiat Industrial treasury subsidiaries cash management pools.

Securitization

As part of our overall funding strategy, we periodically transfers certain financial receivables into VIEs that are special purpose entities (SPEs) as part of its asset-backed securitization programs.

As a result of the prospective change in accounting guidance, SPEs utilized in securitization programs no longer meet the sale accounting criteria beginning January 1, 2010, and as such, are accounted for as secured borrowings and are now included in the consolidated balance sheet. The net incremental impact of adopting this new guidance required us to record a $5.7 billion increase to assets and liabilities and equity. See Note 2: Summary of Significant Accounting Policies New Accounting Pronouncements Adopted in 2010 to our consolidated financial statements for the year ended December 31, 2010 for additional information on the adoption of this new accounting guidance.

SPEs utilized in the securitization programs differ from other entities included in our consolidated statements because the assets they hold are legally isolated. For bankruptcy analysis purposes, we have sold the receivables to the SPEs in a true sale and the SPEs are separate legal entities. Upon transfer of the receivables to the SPEs, the receivables and certain cash flows derived from them become restricted for use in meeting obligations to the SPEs creditors. The SPEs have ownership of cash balances that also have restrictions for the SPEs investors. Our interests in the SPEs receivables are subordinate to the interests of third-party investors. None of the receivables that are directly or indirectly sold or transferred in any of these transactions are available to pay our creditors.

Consequently, as of January 1, 2010, certain securitizations that would have historically met the derecognition criteria no longer qualify for derecognition under the new guidance. In addition, wholesale receivables originated in Europe that were included in various factoring programs for the revolving sale to third party factors are accounted for as secured borrowings. As of December 31, 2010, 6 million ($8 million) of receivables continue to be treated as sales under the previous accounting rules as they were sold prior to January 1, 2010. The secured borrowings related to restricted securitized retail notes are obligations that are payable as the receivables liquidate. Repayments of the secured borrowings depend primarily on cash flows generated by the restricted assets. See Note 9: Credit Facilities and Debt to the consolidated financial statements for more information.

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The following table summarizes the restricted and off-book receivables and the related retained interests as of December 31, 2010, and 2009:

	Restricted Receivables		Off-Book Receivables		Retained Interest	
	2010	2009	2010	2009	2010	2009
			(in millions)			
North America retail receivables	$ 4,922	$ 787	$ 206	$ 4,207	$ 39	$ 335
North America wholesale receivables	2,694	586		1,621		746
Europe wholesale receivables	1,051		8	695		11
Australia retail receivables	936	757				
Australia wholesale receivables	123					
North America revolving charge account receivables	193			181		67
Total included in Accounts and notes receivables, net	$ 9,919	$ 2,130	$ 214	$ 6,704	39	1,159
ABS certificates (included in Other assets)						100
Total retained interest					$ 39	$ 1,259

Wholesale Receivables Securitizations

With regard to the wholesale receivable securitization programs, we sells eligible receivables on a revolving basis to structured master trust facilities that issue private and/or public securities. As of December 31, 2010, the U.S. master trust facility consists of a $583 million term senior and subordinated asset-backed notes issued in August 2009 with a three-year maturity, and four 364-day conduit facilities renewable annually at the sole discretion of the purchasers; $200 million renewable March 2011, $500 million renewable July 2011, $250 million renewable November 2011, and $200 million renewable November 2011, with a $100 million temporary increase through February 2011. At December 31, 2009, the U.S. wholesale facility qualified for off-book treatment under the accounting guidelines at that time and accordingly, was not consolidated.

The Canadian master trust facility consists of C$325 million ($326 million) term senior and subordinated asset-backed notes with a three-year maturity in December 2012, and a 364-day C$250 million ($251 million) conduit facility renewable September 2011 at the sole discretion of the purchaser. As this facility did not meet the sale accounting criteria as of December 31, 2009, the receivables were included in the consolidated balance sheets.

The Australian master trust facility consists of a 364-day A$200 million ($203 million) conduit facility renewable December 2011 at the sole discretion of the purchaser.

We consolidated the U.S. securitization trust as of January 1, 2010. In our role as servicer, we have the power to direct the trust s activities and an obligation to absorb certain losses or the right to receive benefits that could potentially be significant to the trust. We are the primary beneficiary of the trust, and therefore, the trust was subject to consolidation.

Our involvement with the securitization trusts includes originating and servicing the wholesale receivables, retaining an undivided interest (seller s interest) in the receivables and maintaining cash reserve accounts. The seller s interest in the trusts represent CNH s undivided interest in the receivables transferred to the trust. We maintain cash reserve accounts at predetermined amounts to provide security to investors in the event that cash collections from the receivables are not sufficient to remit principal and interest payments on the securities. The investors and the securitization trusts have no recourse to us beyond our retained interests for failure of debtors to pay when due. Our retained interests are subordinate to investor s interests.

For the U.S. wholesale securitization facility in the year ended December, 31, 2009 and 2008, CNH recognized gains of $51 million and $54 million, respectively, on the sale of receivables. Collections reinvested into the facility for the years ended December 31, 2009 and 2008, were $5,629 million and $6,217 million, respectively. At December 31, 2009, there were no recognized servicing assets or liabilities associated with the U.S. facility.

Each of the facilities contains minimum payment rates and/or portfolio performance thresholds which, if breached, could preclude us from selling additional receivables originated on a prospective basis.

In addition, CNH has various factoring programs for a revolving sale to third party factors of wholesale receivables originated in Europe. At December 31, 2010, the amount of outstanding receivables under these factoring programs was 874 million ($1.2 billion), of which 786 million ($1.1 billion) was recorded as secured borrowings and included in the consolidated balance sheet. At December 31, 2009, CNH had 666 million ($959 million) outstanding under these factoring programs, of which 483 million ($695 million) qualified for off-book treatment and, accordingly, was removed from the balance sheet.

Retail Receivables Securitizations

Within the U.S. retail asset securitization programs, qualifying retail finance receivables are sold to limited purpose, bankruptcy-remote SPEs. In turn, these subsidiaries establish separate trusts to which the receivables are transferred in exchange for proceeds from asset-backed securities issued by the trusts. In Canada, the receivables are transferred directly to the SPEs. These trusts were determined to be VIEs and, consequently, CNH consolidated all previously unconsolidated retail trusts on January 1, 2010. In its role as servicer, CNH has the power to direct the trusts activities. Through its retained interests, CNH has an obligation to absorb certain losses or the right to receive benefits that could potentially be significant to the trusts.

During the year ended December 31, 2010, CNH executed $3.5 billion in retail asset-backed transactions in the U.S., Canada and Australia. The securities in these transactions are backed by agricultural and construction equipment retail receivable contracts and finance leases originated through CNH s dealer network. CNH applied any proceeds from the securitizations to repay outstanding debt. At December 31, 2010, $10.9 billion of asset-backed securities issued to investors were outstanding with a weighted average expected remaining maturity between 26 and 36 months.

During the years ended December 31, 2009 and 2008, CNH securitized retail receivables with a net principal value of $4.0 billion and $1.2 billion, respectively, and recognized gains (losses) on these sales of receivables of $68 million and ($5) million, respectively. Further, related to the retail securitizations, CNH received proceeds in the years ended December 31, 2009 and 2008, of $3,732 million and $1,125 million, respectively, and recorded $31 million and $36 million, respectively, in servicing fees.

CNH receives compensation for servicing receivables transferred and earns other related ongoing income customary with the securitization programs. CNH also may retain all or a portion of subordinated interests in the trusts. At December 31, 2009, prior to the consolidation of the trusts, the retained interests were reported as assets in the consolidated balance sheets. No recourse provisions exist that allow holders of the asset-backed securities issued by the trusts to put those securities back to CNH although CNH provides customary representations and warranties that could give rise to an obligation to repurchase from the trust any receivables for which there is a breach of the representations and warranties. Moreover, CNH does not guarantee any securities issued by the trusts. The trusts have a limited life and generally terminate upon final distribution of amounts owed to investors or upon exercise of a cleanup-call option by CNH, in its role as servicer.

Three private retail transactions were not included in the Company s consolidated balance sheet as of December 31, 2010. These facilities were one-time sales of receivables. Therefore, as these receivables are collected, the amount of off-book receivables will decrease.

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Revolving Charge Account Securitizations

CNH, through a trust, securitizes originated revolving charge account receivables to a privately owned 364-day facility. The trust s facility limit is $250 million and is renewable in October, 2011. Consistent with the wholesale and retail securitization programs, CNH determined the trust was a VIE and consequently it was consolidated in CNH s balance sheets in accordance with new accounting guidance adopted on January 1, 2010. For 2009, transactions with the facility were considered sales and removed from the balance sheet.

CNH s continuing involvement with the securitization trust includes servicing the receivables and maintaining a cash reserve account, which provides security to investors in the event that cash collections from the receivables are not sufficient to remit principal and interest payments to the securities. The investors and the securitization trust have no recourse to CNH beyond CNH s retained interest assets for failure of debtors to pay when due. Further, CNH s retained interests are subordinate to the investors interests.

For the year ended December 31, 2009 and 2008, CNH recognized gains of $10 million and $9 million, respectively, on the sale of receivables and collections reinvested into the facility were $705 million and $227 million, respectively. At December 31, 2009, there were no recognized servicing assets or liabilities associated with the trust.

Pension and Other Postretirement Benefits

Pension Benefit Obligations

Plan assets are primarily held in trusts and invested to provide for current and future pension benefits. Plan assets primarily consist of investments in equity securities, debt securities, and cash.

The funded status of our pension benefit obligations is the difference between our plan assets and our recorded plan obligations. At December 31, 2010 and 2009, our pension plans had an underfunded status of approximately $736 million and $848 million, respectively. These amounts included pension plan obligations for plans that we are not currently required to fund of $463 million and $481 million at December 31, 2010 and 2009, respectively.