MC

2002 Annual Report

CNH




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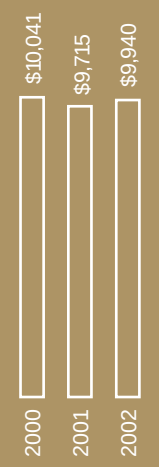
Building Momentum

Paolo Monferino
Chief Executive Officer

TUM:

Dear Shareholders

The year 2002 was one of challenges and change for CNH. Even so, we made excellent progress on our journey toward industry leadership and our exciting transformation continues to gather momentum.



Revenues

IN US $ MILLIONS (US GAAP)

EBIT[1] Trend

IN US $ MILLIONS (US GAAP)

EBITDA[2] Trend

IN US $ MILLIONS (US GAAP)

2002 Revenues by Business

Agricultural Equipment	65%
Construction Equipment	29%
Financial Services	6%

2002 Net Sales of Equipment by Geographic Area

North America	44%
Western Europe	36%
Latin America	7%
Rest of World	13%

1. EBIT – defined as net income before cumulative effect of change in accounting principle plus taxes and interest expense.
2. EBITDA – defined as net income before cumulative effect of change in accounting principle plus taxes, net interest expense, restructuring, depreciation and amortization.

For the Company's detailed consolidated statements of operations see pages 31 through 34 of this document and the Company's 2002 20-F filing.

Since the merger of Case and New Holland three years ago, we have focused on building a company that will lead the industry in quality, efficiency and innovation. To accomplish this, we have adhered to our strategic plan at every step of the way. Today, I firmly believe that CNH is the best positioned company in our industry to successfully take advantage of every future opportunity.

Most important to our future leadership, we must continue to listen to our customers. They are a diverse and dynamic group; geographic requirements, financial resources and cultural practices all play a role in shaping each customer's specific needs. Neither our agricultural nor our construction equipment business is "one-size-fits-all" – so we aren't either. This is the heart of our multi-brand, multi-distribution strategy: to offer unique brands to serve the unique needs of different customers.

To successfully serve the rapidly changing needs of our customers, they expect us to outpace our competitors. This is what CNH is doing.

Several milestones mark the progress of this past year as a result of our focus on our customers, our service, our products and our bottom line. CNH is designing and manufacturing superior products and, through our multi-brand strategy, offering a broader range of equipment choices to more customers than any other manufacturer. And because of the economies of scale realized through our common component strategy, CNH continues to generate substantial profit improvements as we further expand our full line of product and service offerings.

In 2002, CNH finalized its alliance with Kobe Steel and Kobelco to produce and sell crawler- and mini-excavators. Through this new global alliance, CNH secures access to the world's leading excavator technology, strengthens its presence in heavy-construction equipment, and gains the opportunity to enter new markets, including the Pacific Region, where we will begin selling the full range of CNH equipment through the Kobelco dealer network.

Through improvements to CNH Capital, it is now easier than ever to buy and own our equipment. We have refocused CNH Capital to serve only our core agricultural and construction equipment business, and are responding to customers and dealers more quickly. In addition, we are working to improve our delivery of parts and service through the redesign of our parts ordering process and parts depot footprint.

This past year, we realigned our agricultural equipment operations, returning to a more flexible and familiar regional structure. The centralized approach, put in place at the time of the merger, enabled us to achieve our merger-related goals. With two global brands now firmly established, we have returned to a proven organizational structure and system of management based on products and geography. We are giving increased manufacturing, marketing and financial decision-making responsibilities to regional managers, the people who know our customers and our products at the most personal level. Moving "closer" to our customers makes us more flexible, putting us in a better overall position to quickly anticipate their needs.

CNH also took dramatic actions to substantially reduce debt, exchanging $13 billion debt for equity with Fiat and by raising $200 million in new capital last year. In early 2003, CNH complemented these actions by converting an additional $2 billion of Equipment Operations debt into preferred securities with Fiat. The combined effect of these actions reduces the company's net debt-to-capitalization ratio to 24% on a pro forma basis.

The Case and New Holland brands are rich in heritage and tradition. They also will continue to play a defining role in the future of agriculture and construction. We have the best people, strong resources and a compelling vision. In the months and years ahead, you will see our results: in profit improvements, in new equipment, and through enhanced finance and service offerings. Our strategies have provided the momentum, but CNH's greatest achievements are yet to come. We're on our way.

Paolo Monferino
President and Chief Executive Officer

1

Number 1 in:

Tractor Unit Sales

Combine Unit Sales

Light Equipment Unit Sales

Backhoe Loader Unit Sales




RESUL

From left to right: Franco Fusignani, Roberto Miotto, Richard M. Christman, Michel Lecomte, Harold D. Boyanovsky, Giovanni B. Ravina, William T. Kennedy, Luciano Paiola, Marco Mazzú, Valentino Rizzioli, Mario Ferla

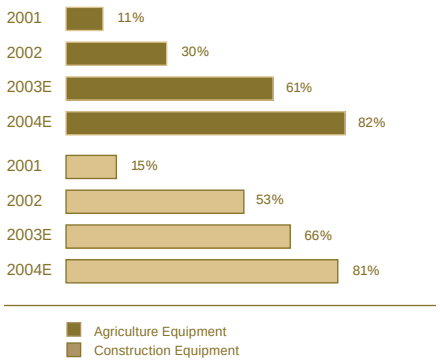
On Our Way

LTS:

The heritage of Case and New Holland extends back through nearly two centuries of progress, equipping farmers and construction workers with the tools to shape the world in which we all live. It was not until the end of the last decade, however, that these two legendary companies united to form a single worldwide enterprise – a powerful new leader dedicated to providing customers with the broadest possible range of equipment solutions. Since then, CNH has made steady progress toward its goal of global leadership.

The Global Platforms

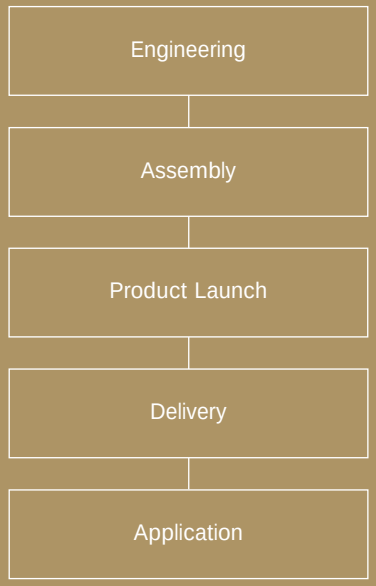
New Products Contribution to Sales



Our commitment to meeting the needs of our diverse customers is the guiding force behind every corporate and business decision. It is why we maintain two distinct brand families. Multiple brands mean more choice and more value for our customers. By offering the broadest range of products in the industry and equipping them with brand-specific features at a competitive price, we generate maximum appeal across the greatest possible number of existing and potential customers.

During 2002, the launch of the new Case IH MX Series Magnum™ and New Holland TG Series tractors, our first products designed and built from the ground up using shared components, reinforced the efficacy of CNH's multi-brand and common component strategies. These high-horsepower row crop tractors feature 65% common components by value (predominantly chassis, driveline and core structural elements). The remaining 35% of each tractor's value is invested in features and options designed to fit the specific needs of a Case IH or New Holland customer – features such as New Holland's industry-leading MegaFlow™ hydraulics, or Case IH's "office in the field" Surveyor™ cab.

The Case IH Magnum and New Holland TG represent only one example of the progress CNH has achieved in implementing its strategy. By the close of 2002, 30% of our agricultural equipment products were new and based on the common components approach, compared to just 11% the previous year. Likewise, 53% of CNH's construction equipment products are new and based on common components, compared with 15% the year before. This puts us well on our way to renewing virtually all our product lines by the end of 2005.

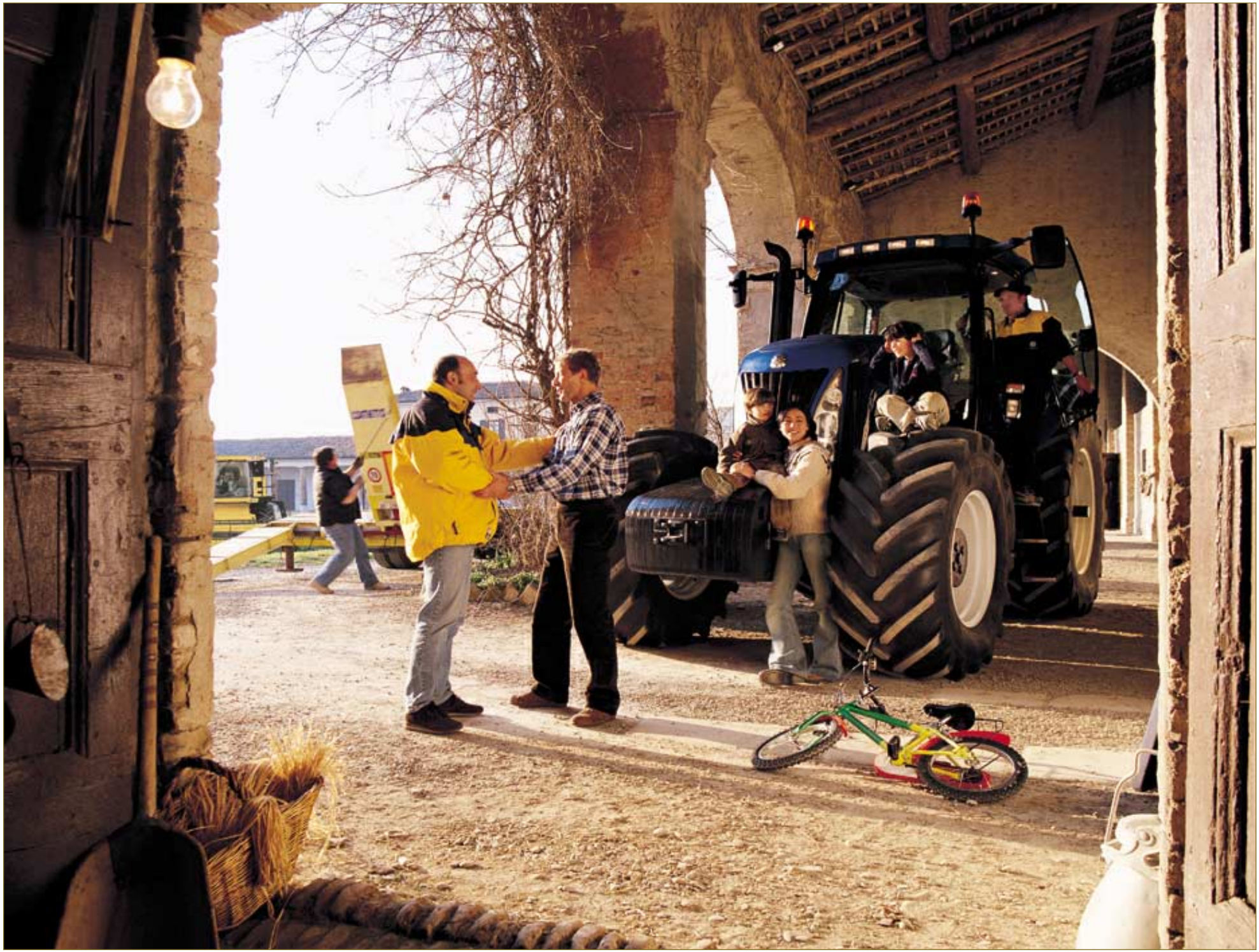


Meeting the unique equipment needs of both Case IH and New Holland customers is the primary idea behind CNH's global platform strategy. Working from a core engineering design, CNH builds basic structural elements using a variety of shared components.

Cost savings derived from using shared design, engineering and parts are then invested in the highly specialized features that give each Case IH or New Holland tractor the distinct capabilities its customers expect from these legendary brands.


CASE IH
TG Modified 5

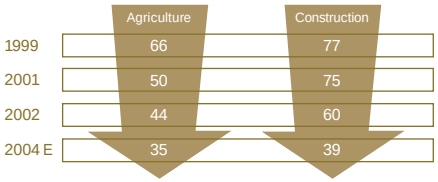

CASE IH
NOUVELLE GENERATION DE CHAMPIONS
CASE IH
NOUVELLE GENERATION DE CHAMPI
nouveau




RAIL ROAD
CROSSING

Global Platforms Trend

Total Number of Platforms by Business Over Time



48% reduction in total product platforms with no reduction in final product lines

As CNH reduces the total number of platforms, we are taking full advantage of the economies of scale present in both product development and manufacturing. Today, CNH operates 43 plants worldwide (not counting the facility acquired from Kobelco in Georgia and another from STEC in China), compared to 60 plants in 1999. By the end of 2005, this number will be 39. Rationalized production alone will account for more than a quarter of our projected $850 million in profit improvements since the merger.

Through the use of shared components, the company is able to buy more parts from fewer suppliers, driving down overall supplier costs. Today, CNH does business with about 4,100 suppliers, compared with more than 6,000 suppliers three years ago. With additional reductions planned as the company further consolidates components, the effect of this strategy on purchasing is creating nearly one-third of our total projected profit improvements.

The common component approach also enables us to optimize research and development processes and rationalize our manufacturing capabilities. In 2002, we further concentrated research, design and manufacturing capabilities for specific equipment lines at dedicated Centers of Excellence. This approach has enabled us to create facilities where product experts specialize in designing and manufacturing a family of specific products. Facilities like the new Racine Manufacturing Operation – where both red and blue tractors roll off the assembly line – take full advantage of common component efficiencies. Consequently, designers and engineers channel the time and resources saved into equipping our products with the value-added features that make each piece of equipment distinctly Case IH or New Holland.

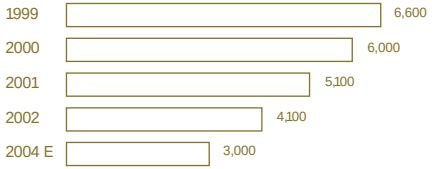
The end result of our multi-brand and common component strategies is a more flexible company with lower operating costs, more innovative new products, reduced time-to-market and substantially improved profit margins. In fact, new products built from common components are already showing the potential for delivering significant margin gains while keeping the cost to customers competitive. For example, the Case IH MXM Series Maxxum® and the New Holland TG have contributed gross margin improvements of 36% and 33%, respectively.

Other new agricultural products launched in 2002 included three new series of Case IH tractors – the MXM MAXXUM,® JX MAXXIMA™ and JXU MAXXIMA™ – and the new Case IH 2300 X-Clusive Series Axial-Flow® combine range. Continuing its winning tradition, New Holland expanded its popular line of TM Series tractors, of which the new TM190 was recognized as "Tractor of the Year" at EIMA, a leading European agricultural trade show in Bologna, Italy. In combines, New Holland added two new options to its already strong lineup of TC and TX Series machines, introducing the new CX "utility" Series and top-of-the-line CR Series rotary combines. Meanwhile, the New Holland CX combine, 2001's "Combine of the Year," continued to win praise, earning a gold medal in *Business Week* magazine's Annual Design Awards. Beyond tractors and combines, New Holland is also renewing its hay tool line, marked by the introduction of its new BR Series balers.

In construction, CNH continued to expand its range of heavy-construction equipment offerings, introducing nearly one dozen new crawler- and mini-excavators from Fiat Kobelco. The new range of Fiat Kobelco mini-excavators also offers eight new Short Radius (SR)

Supplier Base Rationalization

Total Number of Suppliers



Profitability Trend

EBIT[1] Trend

In US $ Millions (US GAAP)

1. EBIT represents operating margin plus depreciation & other amortization
2. Pro forma for Case and New Holland merger

models, designed to provide new levels of safety and performance in the tight working quarters common in many urban areas. Continuing its tradition of providing a full range of construction equipment, Case also introduced a new line of compact excavators. Case CX excavators feature zero tail swing and a center-swing boom, making the units suitable for indoor and outdoor applications. In addition to its new line of excavators, Case introduced the new 721D wheel loader, the first to feature Case's cleaner, more efficient, next generation engines.

CNH's disciplined approach to financial management is also contributing toward improved financial performance. In 2002, the company took steps to reduce debt and working capital. This was accomplished in large part through an agreement with Fiat, exchanging $13 billion debt for equity. This highly beneficial exchange will save CNH roughly $80 million annually in long-term interest. At the same time, the issuance of 50 million new shares netted the company $200 million in new capital. By the end of 2002, CNH reduced its consolidated net debt by more than $2.1 billion.

To accommodate future growth and flexibility, CNH reorganized its global agricultural equipment business into three regional units, giving the company increased flexibility and an enhanced ability to respond quickly to regional market and customer requirements. These changes give increased manufacturing, marketing and financial decision-making responsibilities to each of the three new regional units. The design and development of new products, strategic marketing and brand governance, along with industrial governance

and supply chain management, will continue to be managed globally. The overall result is an enhanced customer- and market-focused approach. By moving operations “closer” to the customer, CNH will be even better equipped to respond to their needs and take advantage of every opportunity for future growth.

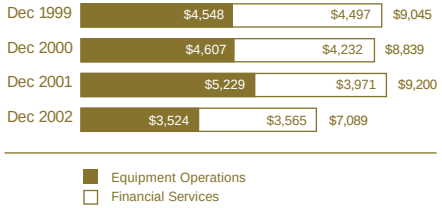
We also refocused CNH Capital to exit loss-generating businesses and better serve our core agricultural and construction equipment customers. In Europe, for example, CNH Capital partnered with BNP PARIBAS, a leading and fast-growing commercial and consumer lender. This partnership effectively reduces our cost of funds for financing activities. It also enables CNH Capital to focus exclusively on meeting the financing needs of its customers and dealers. Moreover, BNP PARIBAS’ market reach significantly expands CNH Capital’s presence throughout Europe. In effect, we have combined the marketing skills of CNH with the financial skills of a bank to ensure the best service for our customers.

These are just some of the ways in which CNH’s strategies are yielding visible results. Looking ahead, CNH must continue to achieve the results that our customers, dealers and shareholders can and should expect of an industry leader. We have come a long way, but there is still much to be done. We will build on our heritage of quality and innovation, continue to adapt and meet the needs of a changing marketplace and steadily achieve each and every one of our goals.

Indebtedness

Net Debt Trend

In US $ Millions (US GAAP)



Kobelco

Fiat Kobelco, a new alliance between CNH, Kobe Steel and Kobelco, is giving rise to a new generation of technologically advanced heavy-construction equipment.

Though Fiat Kobelco represents a new name in the marketplace, the alliance partners possess more than 50 years experience producing a full range of quality excavators, loaders, dozers, graders and light equipment. During 2003, new crawler excavators, benefiting from Kobelco's advanced technology, will be introduced to the market.

The alliance is a perfect fit. CNH secures access to leading Japanese excavator technology, expands its presence in heavy equipment and strengthens its ability to sell a full line of construction equipment in key markets around the world.

Supporting Customers and Dealers

Providing world-class service and support before, during and after a sale is critical to growing strong, meaningful and highly productive relationships between CNH dealers and their customers. Our dealers are the face of our brands, and developing quality relationships means equipping dealers with the tools they need to ensure the best possible customer experience. Whether purchasing a new piece of equipment or a simple part, the customer interaction with our dealers must reflect the commitment to quality, value and productivity that is at the heart of our brands.

Routine, preventative maintenance is critical to increasing machine productivity, reducing costly downtime and extending the service life of hard-working equipment. It is also the greatest opportunity for Case and New Holland dealers to develop long-term relationships with their customers and for dealers to capture an increased share of their customers' parts and service budgets.

In 2002, CNH continued to invest in building stronger customer and dealer relationships by sharpening its focus on parts, service and maintenance. As part of this effort, CNH expanded its line of aftermarket product support kits designed to enhance the performance and productivity of existing machines. CNH also introduced new electronic service tools, enhanced training for dealer technicians and field service clinics for customers. In North America, Case IH customers received a free maintenance pack, which includes the innovative SYSTEMGARD® lubrication analysis kit. The kit is designed to help operators test and detect potential problems within their machine's engine, transmission and hydraulic systems, giving them the opportunity to consult a qualified technician for service before major problems arise. All of these products and services are designed to foster improved relationships between customers and their dealers by reinforcing the importance of regular professional maintenance and the quality of both branded and CNH Original Parts.

CNH is also helping customers and dealers financially. During 2002, we refocused our financial services capabilities through CNH Capital, expanding our share of the captive equipment market. We exited loss-making, non-core lines of business to focus solely on serving the financial needs of our dealers and customers. Additionally, we continued to expand regional partnerships with industry-leading institutions that are experts in managing branded customer and dealer financing programs.

CNH Capital offers dealer-specific products designed to help them run and manage their business. These include offerings ranging from group health insurance, workers compensation and pension planning, to policies covering wholesale physical damage and renter's liability.

In 2002, we also continued funding dealer investments in new service tools, and diagnostic equipment that help dealers to provide enhanced onsite service to their biggest customers. These tools enable dealers to help their customers manage their service risks with minimal interference, downtime and hassle. And by funding these kinds of investments, CNH Capital is helping dealers and their customers stay up and running.

CNH Capital is helping customers manage their businesses too, by offering the right mix of products, competitive rates and flexible purchase and lease terms. By understanding our customers' businesses, CNH Capital is equipping dealers with the financial tools they need to develop stronger, deeper relationships, and sell more equipment, both now and in the future.

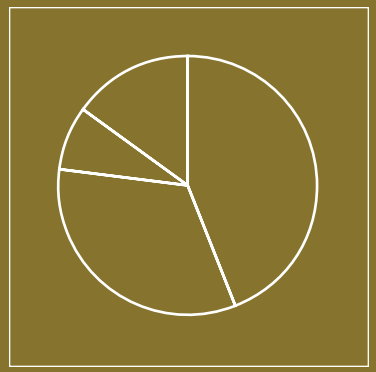
These are just a few of the ways CNH is strengthening its connection to customers and dealers. We are focused on developing these important relationships. CNH is on its way to developing the ultimate products, systems and training to support and complement the experience customers have every time they interact with one of our brands – that's what we're driving for.


CASE

Our Year in Photos

1— Future Farmers, New Holland Product Launch Meeting, Australia
2— CNH hosts US Secretary of Commerce Don Evans in Samara, Russia
3— Opening of the Racine Manufacturing Operation, USA
4— Farm Progress Show, Iowa, USA
5— Case European Product Launch, France
6— ASIST becomes available to dealers around the world
7— Case IH celebrates 100th Anniversary of the International Harvester Company
8— Massimo Parenti and Juan Lodares receive European "Tractor of the Year" award
9— New Holland North America Dealer Meeting
10— CNH Business Development Team in Kabul, Afghanistan
11— CNH hosts President Bush at Iowa State Fair, USA
12— Kobelco at ConExpo, USA
13— New Generation Baler Team, New Holland Plant, USA
14— Case IH MX Magnum Product Launch, Brazil
15— John Bundy, Excellence in Systems Engineering, Burr Ridge, USA
16— HBO movie "Normal," filmed at the Racine Tractor Plant, USA
17— Fiat Kobelco Launch, Italy
18— CNH Capital Revolving Account Team achieves outstanding performance, USA
19— New Holland Construction, World of Concrete Show, USA
20— Chinese delegation tour New Holland Plant, USA

21— New Holland India sponsors technical graduates
22— New Holland CX combine continues to win awards in 2002
23— Harold Boyanovsky interviewed upon appointment to President CE Business
24— Case IH customer meeting, Saskatoon Plant, Canada
25— New Holland Credit supports Future Farmers of America, USA
26— Jim McCullough at ConExpo, USA
27— Journalists at the New Holland TG tractor Ride & Drive, Italy
28— Launch of the online CNH Dealer University
29— Transfer of hay and forage equipment to Belleville, USA
30— CNH Innovators honored for patent and AE50 awards, USA
31— New Holland at the EIMA Show, Italy
32— Shanghai New Holland makes a profit in its first year of operation, China
33— Record annual production at the St. Valentin Tractor Plant, Austria
34— New Holland Product Launch Meeting, Australia
35— O&K stand at the Samoter Show, Italy
36— Supply Chain Analyzer Team, Zedelgem, Belgium
37— Luciano Paiola presents at the New Holland European Dealer Meeting, Spain
38— First full year of CNH Headline News
39— CNH Baltimore Port Quality Team, USA
40— Case IH 2022 cotton pickers enroute to Turkmenistan
41— CNH volunteers assist during the Elbe flood disaster, Austria and Germany



2002 Net Sales of Equipment – Agriculture

North America	44%
Western Europe	33%
Latin America	8%
Rest of World	15%

2002 Net Sales of Equipment – Construction

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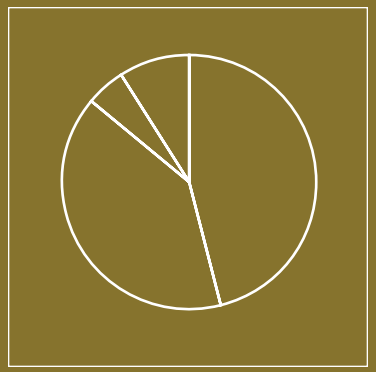
Western Europe	40%
Latin America	5%
Rest of World	9%



FINANC

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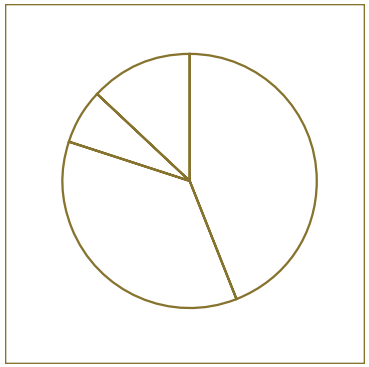

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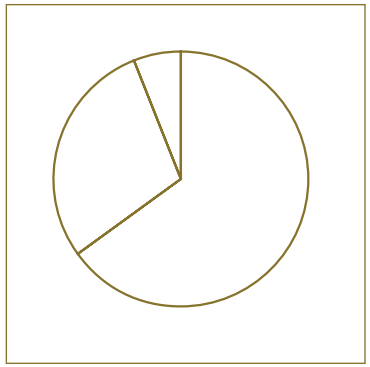

CIALS:

CNH is the leading manufacturer of agricultural tractors and combines in the world, a major manufacturer of construction equipment, and has one of the industry's largest equipment financing operations. CNH was formed in November 1999 through the merger of Case Corporation and New Holland N.V. Our worldwide agricultural and construction equipment businesses are organized regionally with separate, brand-driven commercial organizations and distribution networks. The company employs 28,500 worldwide in more than 160 countries and has 12,400 dealers around the globe.

Following is an abridged version of the Company's Management Discussion and Analysis, statements, and footnotes to the statements. For the full text please refer to the Company's Form 20-F for 2002.

CNH has prepared its annual consolidated financial statements in accordance with generally accepted accounting principles in the United States or U.S. GAAP, and certain reclassifications have been made to conform historical financial statements to the CNH presentation. CNH has prepared its consolidated financial statements in U.S. Dollars and, unless otherwise indicated, all financial data set forth in this report is expressed in U.S. Dollars.

Our agricultural and construction equipment businesses are collectively referred to as our Equipment Operations. Our financial services businesses are collectively referred to as Financial Services.

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

Revenues Consolidated revenues for 2002 totaled approximately $9,940 million as compared to approximately $9,715 million in 2001. Adjusted for the favorable impact of foreign exchange rates ($55 million) and acquisitions ($305 million), consolidated revenues were essentially flat compared to 2001 despite a declining equipment market. The largest component of our consolidated revenues is our net sales of agricultural and construction equipment, which were $9,331 million in 2002 as compared to approximately $9,030 million in 2001. Adjusted for the impact of favorable exchange rates and acquisitions, net sales of equipment were essentially unchanged from 2001 levels.

Net Sales of Equipment Net sales of our Equipment Operations for the years ended December 31, 2002 and 2001 by geographic area were as follows:

(IN MILLIONS)	2002	2001
Net sales		
North America	$ 4,140	$ 4,197
Western Europe	3,317	3,168
Latin America	638	587
Rest of World	1,236	1,078
Total net sales	$ 9,331	$ 9,030

Net sales of equipment were up 3% in 2002 reflecting approximately $55 million in favorable currency translation impacts, and acquisitions which accounted for a further increase of $305 million. Overall in 2002, world market demand for major agricultural equipment product lines was approximately 5% higher than in 2001. Increased worldwide demand for tractors and increased demand for combines in Western Europe and Latin America more than offset declines in the North American and Rest of World markets. Our mix of agricultural equipment sales remained relatively constant as our overall tractor market share was essentially unchanged from 2001 while our combine market share increased slightly. World market demand for major construction equipment product lines declined in 2002, reflecting decreased demand in North America and Western Europe partially offset by increases in demand in Latin American and Rest of World markets. World market demand for backhoe loaders and skid steer loaders declined, while demand for heavy construction equipment increased. Our mix of sales weakened slightly as our overall backhoe loader and skid steer loader market shares declined, partially offset by an improvement in our heavy construction equipment market share.

Agricultural Equipment

(IN MILLIONS)	2002	2001
Net sales		
North America	$ 2,803	$ 2,876
Western Europe	2,141	1,970
Latin America	486	420
Rest of World	975	807
Total net sales	$ 6,405	$ 6,073

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Western Europe	2,141	1,970
Latin America	486	420
Rest of World	975	807
Total net sales	$ 6,405	$ 6,073

Net sales of agricultural equipment in 2002 were approximately 5% higher than in 2001. This increase was due primarily to increases in wholesale unit sales of tractors and combines and the favorable effects of currency translation, pricing and acquisitions ($55 million). Overall worldwide tractor market demand in 2002, as measured in units, increased by about 5% from 2001 levels, and overall combine demand increased by about 1%. Our overall worldwide retail market share of major agricultural equipment products was less than one-half of a percentage point lower in 2002 compared with 2001.

In North America, net sales of agricultural equipment decreased by about 3% in 2002 compared with 2001, reflecting lower wholesale tractor and combine unit sales. Total market demand for agricultural tractors in North America increased by about 1%. Demand for under 40 horsepower tractors increased by 6%. Industry demand for mid-sized (40 to 100 horsepower) tractors decreased by about 1%, demand for large two-wheel drive tractors over 100 horsepower decreased by approximately 15% while demand for four-wheel drive tractors decreased by almost 19%. Combine market demand decreased by about 20%.

In Western Europe, net sales of agricultural equipment increased by 9%, reflecting lower tractor but higher combine wholesale unit sales and the 5% increase in the average value of the Euro and the 4% increase in the average value of the British Pound, in each case as compared with the U.S. Dollar from 2002 to 2001. Overall tractor market demand, as measured in units, increased by about 5% in 2002 and overall combine market demand increased by about 14%.

In Latin America, net sales of agricultural equipment in 2002 were 16% higher than in 2001. Wholesale unit sales increased by about 21% and pricing and mix were favorable, but the average value of the Brazilian Real declined by approximately 20% in 2002 compared with 2001. Total market demand for agricultural tractors in Latin America increased by 14%, led by approximately 18% higher market demand for tractors in Brazil, based on unit sales, as the Brazilian government sustained its programs to assist farmers in purchasing equipment. Total market demand for combines rose by about 25%, with total industry unit sales of combines in Brazil increasing by about 38%.

In markets throughout the Rest of the World, net sales of agricultural equipment in 2002 increased by approximately 21% compared to 2001. Wholesale unit sales of tractors in 2002 were higher than in 2001, while unit sales of combines declined slightly. The increase in Rest of World markets was also due partially to an increase in the value of the Australian Dollar as compared with the U.S. Dollar by about 5% from 2001 to 2002.

Construction Equipment

(IN MILLIONS)	2002	2001
Net sales		
North America	$ 1,337	$ 1,321
Western Europe	1,176	1,198
Latin America	152	167
Rest of World	261	271
Total net sales	$ 2,926	$ 2,957

Net sales of construction equipment decreased by approximately 1% in 2002 compared with 2001. Excluding acquisitions, sales declined by approximately 9%. The decline in net sales reflects lower wholesale unit sales of backhoe loaders and skid steer loaders in the North American and Western European markets, partially offset by higher unit sales of heavy construction equipment products in the North American and Rest of World markets. Our overall unit sales decreased in 2002 by about 10%. Overall worldwide market demand, as measured in units, decreased by about 4% from 2001 to 2002, led by a 10% decline in the worldwide market demand for skid steer loaders for which we are the second largest producer in the industry, followed closely by an 8% decline in worldwide market demand for backhoe loaders, for which we are the industry leader. Worldwide market demand for heavy construction equipment increased by approximately 2%. Our overall worldwide retail market share declined by less than two percentage points in 2002 compared with 2001.

In North America, net sales of construction equipment increased by approximately 1% in 2002 compared with 2001, reflecting primarily the acquisition of Kobelco America, which occurred in the first quarter of 2002. Excluding Kobelco America, wholesale unit sales of backhoe loaders and skid steer loaders declined, while unit sales of heavy construction equipment products increased. The total market demand for construction equipment decreased by about 12%, including a 17% decline in demand for backhoe loaders, a 14% decline in demand for skid steer loaders and a 12% decline in demand for heavy construction equipment.

In Western Europe, net sales of construction equipment decreased by 2% including the acquisition of Kobelco Europe in the third quarter of 2002. Excluding Kobelco Europe, the decline in CNH's net sales reflected 10% lower wholesale unit sales, partially offset by the 5% increase in the value of the Euro and the 5% increase in the value of the British Pound from 2001 to 2002. Overall market demand, as measured in units, decreased by approximately 9% in 2002.

In Latin America, net sales of construction equipment decreased by 9% in 2002 compared with 2001. The decrease in net sales was principally due to the decline in the average value of the Brazilian Real by approximately 20% in 2002 compared with 2001, and a decrease of 9% in wholesale unit sales in that region. Total market demand, as measured in units, increased by about 2%, including a 4% increase in market demand for backhoe loaders, a 2% increase in Latin American market demand for heavy construction equipment and flat market demand for skid steer loaders.

In markets throughout the Rest of World, where we have a minimal presence, net sales of construction equipment decreased by 4% in 2002 compared with 2001. The reduction in net sales is primarily due to the sale of CNH's construction equipment operations in Australia and China to Kobelco Japan.

Finance and Interest Income Consolidated finance and interest income declined from $685 million in 2001 to $609 million in 2002 largely due to the decrease in Financial Services revenues. Revenues for Financial Services totaled $641 million in 2002, down $98 million from the $739 million reported in 2001. The decline in revenues was primarily caused by an approximately $110 million decrease in finance and interest income earned on retail and wholesale receivables in 2002 due principally to a 1.21% decrease in the average yield and a decrease in the average balance of outstanding retail and wholesale receivables of approximately $320 million. Securitization-related revenues remained essentially unchanged. As a partial offset, revenues from operating leases increased slightly.

Costs and Expenses Costs of goods sold increased by $316 million to $7,902 million in 2002, but as a percentage of net sales of equipment increased slightly from 84.0% in 2001 to 84.7% in 2002. Gross margin (net sales of equipment less cost of goods sold), expressed as a percentage of net sales of equipment, was 15.3% in 2002 as compared to 16.0% in 2001. This decline in gross margin reflected a decline in the gross margin of construction equipment from 15.3% in 2001 to 11.4% in 2002, that was only partially offset by an increase in the gross margin of agricultural equipment from 16.4% in 2001 to 16.9% in 2002. In total, gross margin deterioration was principally due to lower absorption of fixed costs, pricing pressures and unfavorable mix, all primarily related to construction equipment, which were partially offset by favorable agricultural equipment volume and pricing, the favorable impact of the Shanghai joint venture and the global alliance with Kobelco Japan completed during the year and a total of $76 million of merger-related profit improvements, primarily related to lower material costs.

In 2002, consolidated Selling, General and Administrative ("SG&A") expenses declined by $130 million to $1,094 million from $1,224 million in the prior year, as those expenses declined in both Equipment Operations and Financial Services. In Equipment Operations, SG&A expenses declined by $31 million to $884 million in 2002 from $915 million in 2001, or expressed as a percentage of net sales of equipment, a decrease from 10.1% in 2001 to 9.5% in 2002. The decrease in SG&A expenses in Equipment Operations was driven primarily by the reduction in pre-acquisition salaried headcount by approximately 700 persons. These reductions were principally due to the ongoing cost reduction initiatives and merger integration profit improvement activities initiated by us totaling approximately $38 million and by reductions in bad debt expense. These actions were partially offset by higher employee medical and pension costs, the impacts of inflation and the strengthening Euro, U.K. Pound and Australian Dollar on overseas SG&A expenses and by the inclusion in 2002 of SG&A costs from our Shanghai joint venture, Kobelco America and Kobelco Europe, which increased year-end salaried headcount by approximately 500 persons. SG&A expenses in Financial Services decreased by $104 million due to lower loan loss provisions of approximately $106 million, on a pre-tax basis, which were mainly due to a reduction in loans in the non-core businesses and reductions in the impairment charge related to retained interests in Asset Backed Securitization ("ABS") trust facilities.

Non-core financing activities were discontinued during 2001. During 2002, the non-core portfolio decreased 39% due to liquidations and write-offs, and the non-core portfolio loss provision also decreased.

Although we believe that the cessation of originations in these non-core portfolios has significantly reduced the potential for additional future charges, we may need to record additional loan loss provisions for these portfolios if there is a further,

unanticipated deterioration in market conditions affecting the underlying industries. The following information summarizes the significance of these North American non-core portfolios relative to our total loan portfolios and certain performance-related data as of December 31, 2002 and 2001:

(IN MILLIONS)	2002	2001
Non-core portfolio	$ 570	$ 939
Percentage of total portfolio	5%	10%
Delinquency percentage*	28%	25%
Annual loss percentage	8.66%	6.45%
Loss provision provided	$ 63	$ 110

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

By comparison, delinquency percentages for our North American core portfolio were 3.9% and 4.3% for 2002 and 2001, respectively, and annual loss percentages for the North American core portfolio remained constant at 0.8% for both 2002 and 2001.

Ongoing research and development ("R&D") expenses declined by $23 million from $306 million in 2001 to $283 million in 2002. Expressed as a percentage of net sales of equipment, R&D expenses declined slightly to 3.0% in 2002 compared with 3.4% in 2001 due to the timing of costs related to various phases of new model development programs and new product launches in the two years.

Our consolidated worldwide employment level has increased by approximately 400 persons from approximately 28,100 at the end of 2001 to approximately 28,500 at the end of 2002. This includes an increase of approximately 1,500 persons related to the Kobelco Japan global alliance and Shanghai joint venture, which were completed during 2002. Excluding acquisitions, consolidated worldwide employment levels have been reduced to approximately 27,100 in 2002 compared with 28,100 at the end of 2001 and approximately 36,000 at the time of the merger in late 1999. On this basis, total employment has now been reduced by approximately 8,900, or 25%, since the merger; salaried employment has been reduced by approximately 30% from approximately 15,200 at the time of the merger to approximately 10,700 at year-end 2002. Including acquisitions, year-end 2002 salaried headcount also declined from approximately 11,400 at year-end 2001 to approximately 11,200 at year-end 2002.

During 2002, we recorded $51 million in restructuring costs for the CNH Merger Integration Plan, including $50 million in Equipment Operations and $1 million in Financial Services. These restructuring costs relate to severance and other employee-related costs, write-down of assets, loss on the sale of assets and businesses, costs related to closing, selling, and downsizing existing facilities. The CNH Merger Integration Plan realized $114 million in annual profit improvements related to product offerings made available through our multiple distribution channels in 2002 in addition to the $430 million realized in 2000 and 2001. These cumulative annual profit improvements total $547 million in ongoing profit improvements compared to the base levels of revenues and costs incurred in the combined operations of New Holland and Case for the full year 1999. See Note 13, "Restructuring" to the Consolidated Financial Statements for a detailed analysis of our restructuring programs.

As a result of the successes we have had in implementing our merger integration and development plan and because of additional opportunities identified since the merger, we now expect to achieve $850 million in annual profit improvements by year-end 2005, including the approximately $547 million of annual profit improvements achieved through 2002 as compared to the base levels of revenues and costs incurred in the combined equipment operations of New Holland and Case for the full year 1999.

The reduction in consolidated interest expense from $726 million in 2001 to $554 million in 2002 was principally due to lower borrowings resulting from the June 2002 public offering of common shares and the concurrent conversion of debt with Fiat to equity and lower average interest rates. Interest expense in Equipment Operations decreased to $466 million in 2002 from $585 million in 2001 primarily as a result of the Fiat debt conversion as described above. The decrease in Financial Services interest expense of $97 million to $242 million was mainly due to lower average funding costs and to lower average borrowing levels supporting the approximately $400 million lower average balances of on-book retail and wholesale receivables and operating leases. In 2002, we incurred $236 million in consolidated interest expense relating to financing from Fiat as compared to $358 million in 2001.

Other, net decreased to $182 million in 2002 from $193 million in 2001. The decrease in other expenses was primarily attributable to the adoption of SFAS No. 142, which requires companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Thus, the expense incurred in 2001 as a result of amortizing such goodwill and intangibles did not recur in 2002. The decrease in goodwill was partially offset by higher pension and medical benefit costs for retired, inactive employees.

During 2002, total equity in income (loss) of unconsolidated subsidiaries and affiliates increased by $27 million to a net profit of $19 million as compared to net loss of $8 million in 2001. Financial Services equity in income of unconsolidated subsidiaries decreased $2 million during 2002 due primarily to the liquidation of pre-merger joint venture activities in Europe and start-up costs related to the new BPLG joint venture in Europe. Equity in income from our unconsolidated Equipment Operations activities increased from a loss of $14 million in 2001 to a profit of $15 million in 2002. The improvement was primarily due to the non-recurrence of the devaluation of the Turkish Lira that occurred in the first quarter of 2001.

Cumulative Effect of a Change in Accounting Principle, Net of Tax In January 2002, we adopted SFAS No. 142, which requires companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, SFAS No. 142 requires that goodwill and intangible assets deemed to have an indefinite useful life be reviewed for impairment upon the adoption of SFAS No. 142 on January 1, 2002 and annually thereafter.

We have identified three reporting units under the criteria set forth by SFAS No. 142: Agricultural Equipment, Construction Equipment and Financial Services. To determine fair value, we have relied on two valuation models: guideline Company method and discounted cash flow.

Upon adoption of SFAS No. 142 and effective in the first quarter of 2002, we recorded a one-time, non-cash charge of approximately $325 million, including approximately $6 million related to an equity method joint venture, to reduce the carrying value of goodwill attributed to our Construction Equipment reporting unit. Such charge is reflected as a cumulative effect of change in accounting principle, net of tax, in the accompanying consolidated statements of operations.

The impairment is associated principally with goodwill recorded in connection with New Holland's acquisition of Case in 1999. The impairment is primarily a result of the decline in the construction equipment market experienced by CNH and its competitors since the acquisition.

Tax Rates — Consolidated Our principal wholly-owned manufacturing operations are located in the United States, Italy, the United Kingdom, Belgium, France, Germany, Canada and Brazil and these jurisdictions therefore have the most significant impact on the effective tax rate for CNH as a whole. The highest statutory tax rate in these countries in the years ended December 31, 2002 and 2001 was 44% in Canada. The lowest statutory tax rate in these countries was 30% in the United Kingdom for both 2002 and 2001.

Our effective tax rate was approximately 3% in 2002. Excluding the impact of the cumulative effect of a change in accounting principle, our effective tax rate, was approximately 13% in 2002 compared to 24% in 2001. For an analysis of the principal factors affecting our effective tax rate, see Note 12, "Income Taxes" to the Consolidated Financial Statements.

Net Income The consolidated net loss in 2002 was $426 million, compared with a net loss of $332 million in 2001. On a diluted basis, losses per share were $4.40 and $6.00 per share in 2002 and 2001, respectively, based on diluted weighted average shares outstanding of 96.9 million and 55.4 million in 2002 and 2001, respectively. On a consolidated basis, the loss before cumulative effect of change in accounting principle and restructuring and other merger-related costs, net of tax, was $63 million in 2002 as compared to a net loss of $253 million in 2001.

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

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

During 2002, the average change in the currencies of our major operations as compared with the U.S. Dollar were increases in the average values of the Euro by 5.1%, the Australian Dollar by 5.1% and the British Pound by 4.1%. The average value of the Canadian Dollar declined by 1.4%, the value of the Japanese Yen declined by 3.2% and the Brazilian Real by 19.5%. The impact of these movements increased net sales by approximately $55 million or 0.6% and reduced the absolute gross margin by $52 million or 3.6%. The impact on net income was approximately $46 million unfavorable, as the impact on overhead costs was favorable.

Consolidated Statements of Operations

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001 (AND SUPPLEMENTAL INFORMATION)	CONSOLIDATED		SUPPLEMENTAL INFORMATION: EQUIPMENT OPERATIONS		SUPPLEMENTAL INFORMATION: FINANCIAL SERVICES	
	2002	2001	2002	2001	2002	2001
(IN MILLIONS, EXCEPT PER SHARE DATA)						
Revenues:						
Net sales	$ 9,331	$ 9,030	$ 9,331	$ 9,030	$ —	$ —
Finance and interest income	609	685	100	149	641	739
	9,940	9,715	9,431	9,179	641	739
Costs and Expenses:						
Cost of goods sold	7,902	7,586	7,902	7,586	—	—
Selling, general and administrative	1,094	1,224	884	915	210	314
Research, development and engineering	283	306	283	306	—	—
Restructuring and other merger-related costs	51	104	50	97	1	7
Interest expense — Fiat affiliates	236	358	198	308	38	50
Interest expense — other	318	368	268	277	204	289
Other, net	182	193	62	112	98	81
	10,066	10,139	9,647	9,601	551	741
Equity in Income (Loss) of Unconsolidated Subsidiaries and Affiliates:						
Financial Services	4	6	60	4	4	6
Equipment Operations	15	(14)	15	(14)	—	—
Income (loss) before taxes, minority interest and cumulative effect of change in accounting principle	(107)	(432)	(141)	(432)	94	4
Income tax provision (benefit)	(14)	(105)	(48)	(105)	34	—
Minority interest	8	5	8	5	—	—
Net income (loss) before cumulative effect of change in accounting principle	(101)	(332)	(101)	(332)	60	4
Cumulative effect of change in accounting principle, net of tax	(325)	—	(325)	—	—	—
Net income (loss)	$ (426)	$ (332)	$ (426)	$ (332)	$ 60	$ 4
Per share data:						
Basic earnings (loss) per share before cumulative effect of change in accounting principle	$ (1.05)	$ (6.00)				
Cumulative effect of change in accounting principle, net of tax	(3.35)	—				
Basic earnings (loss) per share	$ (4.40)	$ (6.00)				
Diluted earnings (loss) per share before cumulative effect of change in accounting principle	$ (1.05)	$ (6.00)				
Cumulative effect of change in accounting principle, net of tax	(3.35)	—				
Diluted earnings (loss) per share	$ (4.40)	$ (6.00)				

The "Consolidated" data in this statement include CNH Global N.V. and its consolidated subsidiaries and conform to the requirements of SFAS No. 94. The supplemental "Equipment Operations" (with "Financial Services" on the equity basis) data in this statement include primarily CNH Global N.V.'s agricultural and construction equipment operations. The supplemental "Financial Services" data in this statement include primarily CNH Global N.V.'s financial services business. Transactions between "Equipment Operations" and "Financial Services" have been eliminated to arrive at the "Consolidated" data. The accompanying notes to consolidated financial statements are an integral part of these Statements of Operations.

Consolidated Balance Sheets

AS OF DECEMBER 31, 2002 AND 2001 (AND SUPPLEMENTAL INFORMATION)	CONSOLIDATED		SUPPLEMENTAL INFORMATION: EQUIPMENT OPERATIONS		SUPPLEMENTAL INFORMATION: FINANCIAL SERVICES	
	2002	2001	2002	2001	2002	2001
(IN MILLIONS, EXCEPT SHARE DATA)						
ASSETS						
Current Assets:						
Cash and cash equivalents	$ 775	$ 663	$ 469	$ 378	$ 306	$ 285
Accounts and notes receivable	3,612	4,010	1,791	1,790	2,147	2,466
Intersegment notes receivable	—	—	1,083	524	354	344
Inventories	2,054	2,204	2,054	2,204	—	—
Deferred income taxes	505	454	393	333	112	121
Prepayments and other	108	100	102	97	6	3
Total current assets	7,054	7,431	5,892	5,326	2,925	3,219
Long-Term Receivables	2,099	2,150	230	203	1,869	1,947
Intersegment Long-Term Notes Receivable	—	—	700	1,112	—	—
Property, Plant and Equipment, net	1,449	1,354	1,437	1,333	12	21
Other Assets:						
Investments in unconsolidated subsidiaries and affiliates	375	266	328	235	47	31
Investment in Financial Services	—	—	1,019	1,147	—	—
Equipment on operating leases, net	544	612	—	—	544	612
Goodwill	2,533	2,810	2,395	2,672	138	138
Intangible assets	852	837	850	836	2	1
Other	1,854	1,752	1,516	1,369	338	383
Total other assets	6,158	6,277	6,108	6,259	1,069	1,165
Total	$ 16,760	$ 17,212	$ 14,367	$ 14,233	$ 5,875	$ 6,352
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current Liabilities:						
Current maturities of long-term debt — Fiat affiliates	$ 514	$ 732	$ 514	$ 617	$ —	$ 113
Current maturities of long-term debt — other	604	329	310	20	294	311
Short-term debt — Fiat affiliates	1,086	1,847	817	1,373	269	474
Short-term debt — other	1,663	1,370	1,067	670	596	700
Intersegment short-term debt	—	—	354	344	1,083	524
Accounts payable	1,436	1,217	1,555	1,287	183	166
Restructuring liability	50	74	50	67	—	7
Other accrued liabilities	1,712	1,784	1,567	1,650	169	144
Total current liabilities	7,065	7,353	6,234	6,028	2,594	2,439
Long-Term Debt — Fiat Affiliates	2,285	3,311	1,918	3,002	367	309
Long-Term Debt — Other	1,712	2,274	796	1,217	916	1,057
Intersegment Long-Term Debt	—	—	—	—	700	1,112
Other Liabilities:						
Pension, postretirement and postemployment benefits	1,759	1,173	1,739	1,163	20	10
Other	1,105	1,120	847	843	258	277
Total other liabilities	2,864	2,293	2,586	2,006	278	287
Commitments and Contingencies (Note 16) Minority Interest	73	72	72	71	1	1
Shareholders' Equity:						
Preference Shares, authorized 60,000,000, none issued	—	—	—	—	—	—
Common Shares, €2.25 par value; authorized 140,000,000 and 88,888,892 shares in 2002 and 2001, issued 131,238,200 and 55,536,766 shares in 2002 and 2001	305	143	305	143	118	37
Paid-in capital	4,327	2,995	4,327	2,995	910	918
Treasury stock, 116,706 shares in 2002 and 2001, at cost	(7)	(7)	(7)	(7)	—	—
Retained earnings (deficit)	(1,027)	(573)	(1,027)	(573)	49	242
Accumulated other comprehensive income (loss)	(835)	(646)	(835)	(646)	(58)	(50)
Unearned compensation on restricted shares and options	(2)	(3)	(2)	(3)	—	—
Total shareholders' equity	2,761	1,909	2,761	1,909	1,019	1,147
Total	$ 16,760	$ 17,212	$ 14,367	$ 14,233	$ 5,875	$ 6,352

The "Consolidated" data in this statement include CNH Global N.V. and its consolidated subsidiaries and conform to the requirements of SFAS No. 94. The supplemental "Equipment Operations" (with "Financial Services" on the equity basis) data in this statement include primarily CNH Global N.V.'s agricultural and construction equipment operations. The supplemental "Financial Services" data in this statement include primarily CNH Global N.V.'s financial services business. Transactions between "Equipment Operations" and "Financial Services" have been eliminated to arrive at the "Consolidated" data. The accompanying notes to consolidated financial statements are an integral part of these Balance Sheets.

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001 (AND SUPPLEMENTAL INFORMATION)	CONSOLIDATED		SUPPLEMENTAL INFORMATION: EQUIPMENT OPERATIONS		SUPPLEMENTAL INFORMATION: FINANCIAL SERVICES	
(IN MILLIONS)	2002	2001	2002	2001	2002	2001
Operating activities:						
Net income (loss)	$ (426)	$ (332)	$ (426)	$ (332)	$ 60	$ 4
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:						
Cumulative effect of change in accounting principle	325	—	325	—	—	—
Depreciation and amortization	346	424	228	319	118	105
Deferred income tax expense (benefit)	(277)	(174)	(195)	(91)	(82)	(83)
(Gain) loss on disposal of fixed assets	(15)	3	(15)	3	—	—
Undistributed (earnings) losses of unconsolidated subsidiaries	10	17	(42)	19	(4)	(6)
Changes in operating assets and liabilities:						
(Increase) decrease in receivables	580	(264)	101	(153)	479	(111)
(Increase) decrease in inventories	335	48	335	48	—	—
(Increase) decrease in prepayments and other current assets	(4)	137	(1)	(23)	(3)	160
(Increase) decrease in other assets	368	(155)	226	(239)	142	84
Increase (decrease) in payables	49	78	52	111	(3)	(33)
Increase (decrease) in other accrued liabilities	(228)	5	(235)	133	7	(128)
Increase (decrease) in other liabilities	8	217	22	127	(14)	90
Other, net	104	(186)	94	(190)	9	4
Net cash provided (used) by operating activities	1,175	(182)	469	(268)	709	86
Investing activities:						
Acquisitions and investments, net of cash acquired	(234)	(8)	(296)	(62)	(11)	(1)
Proceeds from sale of businesses and assets	182	287	60	114	122	173
Expenditures for property, plant and equipment	(241)	(229)	(237)	(221)	(4)	(8)
Expenditures for equipment on operating leases	(166)	(322)	—	—	(166)	(322)
Net cash used by investing activities	(459)	(272)	(473)	(169)	(59)	(158)
Financing activities:						
Intersegment activity	—	—	(100)	(1,102)	100	1,102
Proceeds from issuance of long-term debt — Fiat affiliates	—	1,646	—	1,499	—	147
Proceeds from issuance of long-term debt — other	738	824	9	824	729	—
Payment of long-term debt — Fiat affiliates	(544)	(129)	(487)	(13)	(57)	(116)
Payment of long-term debt — other	(1,022)	(1,197)	(137)	(529)	(885)	(668)
Net increase (decrease) in short-term revolving credit facilities	79	(853)	645	(410)	(566)	(443)
Issuance of common shares	201	—	201	—	73	55
Dividends paid	(28)	(28)	(28)	(28)	(3)	—
Other, net	—	—	—	—	—	—
Net cash provided (used) by financing activities	(576)	263	103	241	(609)	77
Effect of foreign exchange rate changes on cash and cash equivalents	(28)	(32)	(8)	(19)	(20)	(13)
Increase (decrease) in cash and cash equivalents	112	(223)	91	(215)	21	(8)
Cash and cash equivalents, beginning of year	663	886	378	593	285	293
Cash and cash equivalents, end of year	$ 775	$ 663	$ 469	$ 378	$ 306	$ 285

The "Consolidated" data in this statement include CNH Global N.V. and its consolidated subsidiaries and conform to the requirements of SFAS No. 94. The supplemental "Equipment Operations" (with "Financial Services" on the equity basis) data in this statement include primarily CNH Global N.V.'s agricultural and construction equipment operations. The supplemental "Financial Services" data in this statement include primarily CNH Global N.V.'s financial services business. Transactions between "Equipment Operations" and "Financial Services" have been eliminated to arrive at the "Consolidated" data. The accompanying notes to consolidated financial statements are an integral part of these Statements of Cash Flows.

Consolidated Statements of Changes in Shareholders' Equity

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001	COMMON SHARES	PAID-IN CAPITAL	TREASURY STOCK	UNEARNED COMPENSATION	RETAINED EARNINGS (DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL	COMPREHENSIVE INCOME (LOSS)
(IN MILLIONS)								
Balance, January 1, 2001	$ 143	$ 2,991	$ (6)	$ (2)	$ (213)	$ (399)	$ 2,514	
Comprehensive loss:								
Net loss	—	—	—	—	(332)	—	(332)	$ (332)
Translation adjustment	—	—	—	—	—	(110)	(110)	(110)
Pension liability adjustment (net of tax $89 million)	—	—	—	—	—	(117)	(117)	(117)
Derivative financial instruments:								
Losses deferred (net of tax of $12 million)	—	—	—	—	—	(47)	(47)	(47)
Losses reclassified to earnings	—	—	—	—	—	27	27	27
Total								$ (579)
Dividends declared	—	—	—	—	(28)	—	(28)	
Recognition of compensation on restricted stock	—	—	—	2	—	—	2	
Issuance of restricted shares, net of forfeitures		—	—	(1)	1	—	—	—
Issuance of stock options	—	4	—	(4)	—	—	—	
Balance, December 31, 2001	143	2,995	(7)	(3)	(573)	(646)	1,909	
Comprehensive loss:								
Net loss	—	—	—	—	(426)	—	(426)	$ (426)
Translation adjustment	—	—	—	—	—	88	88	88
Pension liability adjustment (net of tax of $134 million)	—	—	—	—	—	(278)	(278)	(278)
Derivative financial instruments:								
Losses deferred (net of tax of $16 million)	—	—	—	—	—	(30)	(30)	(30)
Losses reclassified to earnings	—	—	—	—	—	31	31	31
Total								$ (615)
Issuance of common shares	23	178	—	—	—	—	201	
Conversion of debt to equity	139	1,154	—	—	—	—	1,293	
Dividends declared	—	—	—	—	(28)	—	(28)	
Recognition of compensation on restricted stock and stock options	—	—	—	1	—	—	1	
Balance, December 31, 2002	**$ 305**	**$ 4,327**	**$ (7)**	**$ (2)**	**$ (1,027)**	**$ (835)**	**$ 2,761**	

The accompanying notes to consolidated financial statements are an integral part of these Statements of Changes in Shareholders' Equity.

Note 1: Nature of Operations

CNH Global N.V. ("CNH"), formerly New Holland N.V. ("New Holland"), is incorporated in The Netherlands under Dutch law. CNH's Equipment Operations manufacture, market and distribute a full line of agricultural and construction equipment on a worldwide basis. CNH's Financial Services operations offer a broad array of financial services products, including retail financing for the purchase or lease of new and used CNH and other manufacturers' products and other retail financing programs. To facilitate the sale of its products, CNH offers wholesale financing to dealers.

CNH is controlled by Fiat Netherlands Holding N.V. ("Fiat Netherlands"), a wholly owned subsidiary of Fiat S.p.A. ("Fiat"), a company organized under the laws of Italy, which owned approximately 85% of the outstanding common shares of CNH at December 31, 2002.

On April 1, 2003, CNH effected a 1-for-5 reverse stock split of its common shares. All references in the accompanying consolidated financial statements and notes thereto to earnings per share and the number of common shares have been retroactively restated for all periods presented to reflect this reverse stock split.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation CNH has prepared the accompanying consolidated financial statements in accordance with accounting principles generally accepted in the United States or U.S. GAAP. CNH has prepared its consolidated financial statements in U.S. Dollars and, unless otherwise indicated, all financial data set forth in these financial statements is expressed in U.S. Dollars. The financial statements include the accounts of CNH's majority-owned subsidiaries and reflect the interests of the minority owners of the subsidiaries that are not fully owned for the periods presented, as applicable. The operations and key financial measures and financial analysis differ significantly for manufacturing and distribution businesses and financial services businesses; therefore, management believes that certain supplemental disclosures are important in understanding the consolidated operations and financial results of CNH. In addition, CNH's principal competitors present supplemental data on a similar basis. Therefore, users of CNH's financial statements can use the supplemental data to make meaningful comparisons of CNH and its principal competitors. The financial statements reflect the consolidated results of CNH and also include, on a separate and supplemental basis, the consolidation of CNH's equipment operations and financial services operations as follows:

EQUIPMENT OPERATIONS The financial information captioned "Equipment Operations" reflects the consolidation of all majority-owned subsidiaries except for CNH's Financial Services business. CNH's Financial Services business has been included using the equity method of accounting whereby the net income and net assets of CNH's financial services business are reflected, respectively, in "Equity in Income (Loss) of Unconsolidated Subsidiaries and Affiliates — Financial Services" in the accompanying statements of operations, and in "Investment in Financial Services" in the accompanying balance sheets.

FINANCIAL SERVICES The financial information captioned "Financial Services" reflects the consolidation of CNH's financial services business.

All significant intercompany transactions, including activity within and between "Equipment Operations" and "Financial Services," have been eliminated in deriving the consolidated financial statements and data. Intersegment notes receivable, intersegment long-term notes receivable, intersegment short-term debt and intersegment long-term debt represent intersegment financing between Equipment Operations and Financial Services. During June 2002, a non-cash dividend of $250 million was declared by Financial Services. In exchange, Financial Services assumed an equal amount of debt from Equipment Operations.

Investments in unconsolidated subsidiaries and affiliates that are at least 20% owned, or where CNH exercises significant influence, are accounted for using the equity method. Under this method, the investment is initially recorded at cost and is increased or decreased by CNH's proportionate share of the entity's respective profits or losses, and decreased by amortization of any related goodwill before 2002. Dividends received from these entities reduce the carrying value of the investments. Investments wherein CNH owns less than 20% and where CNH does not exercise significant influence are stated at lower of cost or net realizable value.

The Company sells receivables, using consolidated special purpose entities, to limited purpose business trusts, and other privately structured facilities, which then issue asset-backed securities to private or public investors. Due to the nature of the assets held by the trusts and the limited nature of each trust's activities they are each classified as a qualifying special purpose entity ("QSPE") under Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." In accordance with SFAS No. 140, assets and liabilities of the QSPEs are not consolidated in the Company's consolidated balance sheets. For additional information on the Company's receivable securitization programs, see Note 4.

Use of Estimates in the Preparation of Financial Statements The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Revenue Recognition Equipment Operations record sales of equipment and replacement parts when title and all risks of ownership have transferred to the independent dealer or other customer. In the United States and the majority of international locations, title to equipment and replacement parts transfers to the dealer upon shipment. In Australia and some other international locations, certain equipment and replacement parts are shipped to dealers on a consignment basis under which title and risk of ownership are not transferred to the dealer. Under these circumstances, sales are not recorded until a retail customer has purchased the goods. Dealers may not return equipment or replacement parts while the applicable dealer contract remains in place. In the U.S. and Canada, if a dealer contract is terminated for any reason, CNH is obligated to repurchase new equipment from the dealer. CNH has credit limits and other safeguards in place to monitor the financial stability of its dealers. In cases where dealers are unable to pay for equipment or parts, CNH attempts to have these goods returned or negotiate a settlement of the outstanding receivables. CNH may provide certain sales incentives to dealers to stimulate sales to retail customers. The expense of such incentives is recorded as a deduction in arriving at net sales at the time the sale is recognized by CNH.

For all sales, no significant uncertainty exists surrounding the purchaser's obligation to pay for the equipment and replacement parts and CNH records appropriate provisions for doubtful receivables as necessary. Receivables are due upon the earlier of payment terms discussed below or sale to the retail customer. Fixed payment schedules exist for all sales to dealers but payment terms vary by geographic market and product line. In connection with these payment terms, CNH offers wholesale financing to many of its dealers including interest-free financing for specified periods of time which also vary by geographic market and product line. Interest is charged to dealers after the completion of the interest-free period. In 2002 and 2001, interest-free periods averaged 3.5 months and 4.5 months, respectively, on approximately 64% and 65%, respectively, of sales for the agricultural equipment business. In 2002 and 2001, interest-free periods averaged 3.6 months and 3.0 months, respectively, on approximately 71% and 74%, respectively, of sales for the construction equipment business. Sales to dealers that do not qualify for an interest-free period are subject to payment terms of 30 days or less.

Financial Services records earned finance charges (interest income) on retail and other notes receivables and finance leases using the effective interest method.

Modification Programs and Warranty Costs The costs of major programs to modify products in the customer's possession are accrued when these costs can be identified and quantified. Normal warranty costs are recorded at the time of sale.

Advertising CNH expenses advertising costs as incurred. Advertising expense totaled $67 million and $78 million for the years ended December 31, 2002 and 2001, respectively.

Research and Development Research and development costs are expensed as incurred.

Foreign Currency Translation CNH's non-U.S. subsidiaries and affiliates maintain their books and accounting records using local currency as the functional currency, except for those operating in hyperinflationary economies. Assets and liabilities of non-U.S. subsidiaries are translated into U.S. Dollars at period-end exchange rates, and net exchange gains or losses resulting from such translation are included in "Accumulated other comprehensive income (loss)" in the accompanying balance sheets. Income and expense accounts of non-U.S. subsidiaries are translated at the average exchange rates for the period, and gains and losses from foreign currency transactions are included in net income (loss) in the period during which they arise. The U.S. Dollar is used as the functional currency for subsidiaries and affiliates operating in highly inflationary economies for which both translation adjustments and gains and losses on foreign currency transactions are included in the determination of net income (loss) in the period during which they arise. Net foreign exchange gains and losses are reflected in "Other, net" in the accompanying statements of operations.

The Turkish Lira was significantly devalued against the U.S. Dollar during the first quarter of 2001. As a result, CNH recorded a net exchange loss of approximately $20 million related to its investments in New Holland Trakmak Tracktor Ve Ziraat Makineleri A.S. and Turk Traktor Ve Ziraat Makineleri A.S.

Cash and Cash Equivalents Cash equivalents are composed of all highly liquid investments with an original maturity of three months or less. Cash equivalents also include amounts deposited with affiliates, principally Fiat and its affiliates, which are repayable to CNH upon one day's notice. The carrying value of cash equivalents approximates fair value because of the short maturity of these investments.

Receivables and Receivable Sales Receivables are recorded at face value, net of allowances for doubtful accounts.

CNH sells retail receivables in securitizations and retains interest-only strips, subordinated tranches of notes, servicing rights, and in some cases a cash reserve account, all of which are retained interests in the securitized receivables. Gain or loss on sale of the receivables depends in part on the carrying amount of the financial assets allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer. The Company estimates fair value based on the present value of future expected cash flows estimated using management's best estimates of the key assumptions — credit losses, prepayment speeds, and discount rates commensurate with the risks involved.

Inventories Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the cost of raw materials, other direct costs and production overheads. Net realizable value is the estimate of the selling price in the ordinary course of business, less the cost of completion and selling. Provision is made for obsolete and slow-moving inventories.

Property, Plant and Equipment Property, plant and equipment are stated at cost, less accumulated depreciation. Expenditures for improvements that increase asset values and extend useful lives are capitalized. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets as follows:

CATEGORY	LIVES
Buildings and improvements	10 - 40 years
Plant and machinery	5 - 16 years
Other equipment	3 - 10 years

CNH capitalizes interest costs as part of the cost of constructing certain facilities and equipment. CNH capitalizes interest costs only during the period of time required to complete and prepare the facility or equipment for its intended use. The amount of interest capitalized in 2002 and 2001 is not significant in relation to the consolidated financial results.

CNH evaluates the recoverability of the carrying amount of long lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. CNH assesses the recoverability of assets to be held and used by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceed the fair value of the assets, based on a discounted cash flow analysis.

Software Developed for Internal Use CNH defines internal-use software as software acquired or internally developed or modified solely to meet the internal needs of CNH. Internal and external costs incurred during the preliminary project stage are expensed as incurred. Capitalization of such costs begins upon completion of the preliminary project stage, assessment of technological feasibility and upon management's authorization and commitment to fund the software project. Capitalization ceases at the point at which the computer software project is substantially complete and the software is ready for its intended use. Internal and external costs for data conversion, training and maintenance are expensed as incurred, and overhead costs are not capitalized. The capitalized costs of software acquired or developed for internal use are amortized on a straight-line basis over the useful life of the software, generally not exceeding 5 years.

Equipment on Operating Leases Financial Services purchases equipment that is leased to retail customers under operating leases from dealers. Income from operating leases is recognized over the term of the lease. Financial Services' investment in operating leases is based on the purchase price paid for the equipment. The investment is depreciated on a straight-line basis over the term of the lease to the estimated residual value at lease termination, which is calculated at the inception of the lease date. Realization of the residual values is dependent on Financial Services' future ability to market the equipment under the then prevailing market conditions. CNH continually evaluates whether events and circumstances have occurred which affect the estimated residual values of equipment on operating leases. Although realization is not assured, management believes that the estimated residual values are realizable. Expenditures for maintenance and repairs are the responsibility of the lessee.

Goodwill and Intangibles SFAS No. 142, "Goodwill and Other Intangible Assets," addresses financial accounting and reporting for intangible assets and goodwill. In January 2002, CNH adopted SFAS No. 142, which requires companies to stop amortizing goodwill and certain intangible assets with indefinite useful lives. Instead, SFAS No. 142 requires that goodwill and intangible assets deemed to have an indefinite useful life be reviewed for impairment upon the adoption of SFAS No. 142 on January 1, 2002 and at least annually thereafter. The Company will perform its annual impairment review during the fourth quarter of each year, commencing in the fourth quarter of 2002. Impairment testing for goodwill is done at a reporting unit level. CNH has identified three reporting units under the criteria set forth by SFAS No. 142: Agricultural Equipment, Construction Equipment and Financial Services. To determine fair value, CNH has relied on two valuation models: guideline Company method and discounted cash flow.

Goodwill represents the excess of the purchase price paid plus the liabilities assumed over the fair value of the tangible and identifiable intangible assets purchased. Before January 1, 2002, goodwill was amortized on a straight-line basis over 10 to 30 years. Goodwill relating to acquisitions of unconsolidated subsidiaries and affiliates is included in "Investments in unconsolidated subsidiaries and affiliates" in the accompanying balance sheets, and the related amortization is charged to "Equity in Income (Loss) of Unconsolidated Subsidiaries and Affiliates" in the accompanying statements of operations. During 2001, CNH continued to evaluate the recoverability of goodwill in compliance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." Prior to January 1, 2002, CNH continually evaluated whether events and circumstances had occurred that indicated the remaining estimated useful life of goodwill may warrant revision or that the remaining balance of goodwill may not have been recoverable. When factors indicated that goodwill should be evaluated for possible impairment, CNH used an estimate of the undiscounted cash flows over the remaining life of the goodwill in measuring whether the goodwill was recoverable.

Negative goodwill represents the excess of the fair value of the tangible and identifiable intangible assets purchased, with the fair value of non-current assets having been reduced to zero, over the purchase price paid plus liabilities assumed. Before January 1, 2002, negative goodwill was being amortized on a straight-line basis over approximately 3 years. At December 31, 2001 and 2000, negative goodwill, net of accumulated amortization, totaled $0 and $33 million, respectively.

Intangibles consist primarily of acquired dealer networks, trademarks, product drawings and patents. Non-indefinite lived intangible assets are being amortized on a straight-line basis over 5 to 30 years.

Reference is made to Note 3, "Acquisitions and Divestitures of Businesses and Investments," and Note 9, "Goodwill and Intangible Assets" for further information regarding goodwill and intangibles.

Income Taxes CNH follows an asset and liability approach for financial accounting and reporting for income taxes. CNH recognizes a current tax liability or asset for the estimated taxes payable or refundable on tax returns for the current year. A deferred tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and carryforwards. The measurement of current and deferred tax liabilities and assets is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated. Deferred tax assets are reduced, if necessary, by the amount of any tax benefits for which, based on available evidence, it is more likely than not that they will not to be realized.

Retirement Programs CNH operates numerous defined benefit and defined contribution pension plans, the assets of which are held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and CNH. The cost of providing defined benefit pension and other postretirement benefits is based upon actuarial valuations and is charged to income during the period of the

employees' service. The liability for termination indemnities is accrued in accordance with labor legislation in each country where such benefits are required. CNH contributions to deferred contribution plans are charged to income during the period of the employee's service.

Derivatives The Company uses derivative financial instruments to manage its interest rate exposures and foreign currency exposures. CNH does not hold or issue such instruments for trading purposes. Hedge accounting is applied if the changes in the fair market value of the derivative instruments are highly correlated to changes in the fair market value of the anticipated transactions and recognized assets and liabilities. As these instruments are primarily accounted for as hedges of anticipated transactions or recognized assets and liabilities, unrealized fair value gains and losses are not recognized in earnings as of the balance sheet date to the extent that the hedge is effective. The effective portion of unrealized gains and losses are recognized in earnings in the period in which the hedged transaction affects earnings. Subsequent to the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" on January 1, 2001, the fair value of all derivatives are recorded as assets or liabilities on the Consolidated Balance Sheets.

Reference is made to Note 17, "Financial Instruments," for further information regarding CNH's use of derivative financial instruments.

Stock-Based Compensation Plans The Company has stock-based employee compensation plans which are described more fully in Note 19, "Option and Incentive Plans." The Company accounts for those plans under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Compensation expense is reflected in net income (loss) for stock options granted with an exercise price less than the quoted market price of CNH common shares on the date of grant. No stock-based employee compensation cost is reflected in net income (loss), for options granted with an exercise price equal to the market value of CNH common shares on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation" to stock-based employee compensation for the years ended December 31, 2002 and 2001.

	2002	2001
Net loss, as reported	$ (426)	$ (332)
Add: Stock-based employee compensation expense included in reported net income, net of tax	1	2
Deduct: Total stock-based employee compensation expense determined under fair value-based methods, net of tax	(4)	(6)
Pro forma net loss	$ (429)	$ (336)
Earnings (loss) per share:		
Basic and Diluted — as reported	$ (4.40)	$ (6.00)
Basic and Diluted — pro forma	$ (4.45)	$ (6.05)

Note 3: Acquisitions and Divestitures of Businesses and Investments

Acquisitions and Investments

KOBELCO In January 2002, CNH entered into a global alliance with Kobelco Construction Machinery Co. Ltd. ("Kobelco Japan") and Kobe Steel, Ltd. for the development, production and sale of crawler excavators, including mini-excavators, on a worldwide basis. During the first quarter of 2002, CNH acquired a 65% interest in Kobelco America, Inc. ("Kobelco America") for approximately $101 million net of cash acquired and assumption of debt. The Kobelco America transaction is accounted for as a purchase and accordingly, the accompanying consolidated financial statements include the results of operations of Kobelco America from January 2002. In addition, in January 2002, CNH acquired a 10% interest in Kobelco Japan and other certain intangibles for $78 million. In July 2002, CNH increased its interest in Kobelco Japan from 10% to 20% for approximately $42 million. Goodwill associated with these transactions totaled $38 million. The CNH and Kobelco Japan alliance allows CNH to increase its interest in Kobelco Japan from 20% to 35% by the third quarter of 2004. The Kobelco Japan investment is accounted for using the equity method.

In July 2002, the European regional alliance between CNH and Hitachi Construction Machinery Company, Ltd. ("Hitachi") was terminated. CNH acquired Hitachi's interest in Fiat-Hitachi Excavator for approximately $42 million. Concurrent with acquiring Hitachi's interest, CNH, Kobelco Japan and Sumitomo Corporation formed Fiat-Kobelco Machinery S.p.A. (Italy) ("Fiat-Kobelco"). Fiat-Kobelco generally consists of the former Fiat-Hitachi Excavator and Kobelco Construction Machinery

Europe ("Kobelco Europe") businesses. After giving consideration to Kobelco Japan purchasing shares in Fiat-Kobelco from CNH for approximately $10 million, Fiat-Kobelco is owned by the venture partners as follows: CNH 75%, Kobelco Japan 20% and Sumitomo Corporation 5%. The CNH and Kobelco Japan alliance allows Kobelco Japan to increase its interest in Fiat-Kobelco from 20% to 35% by the third quarter of 2004.

Additionally, in connection with entering into this global alliance with Kobelco Japan, CNH received proceeds of approximately $24 million from the sale of CNH's construction equipment operations in Australia and China to Kobelco Japan.

SHANGHAI In January 2002, Shanghai New Holland Agricultural Machinery Corp., Ltd. ("Shanghai") commenced operations. Shanghai was formed as a joint venture between Shanghai Tractor and Internal Combustion Engine Corporation ("STEC"), a wholly-owned subsidiary of Shanghai Automotive Industry Corporation and CNH. Shanghai will manufacture, distribute and ultimately export agricultural tractors under 100 horsepower. Shanghai is owned by the venture partners as follows: CNH 60% and STEC 40%. CNH's original investment in Shanghai is approximately $14 million.

CNH CAPITAL EUROPE SAS During the second quarter of 2002, CNH and BNP Paribas Lease Group ("BPLG") formed CNH Capital Europe SAS ("CNH Capital Europe"), a retail financing partnership. CNH Capital Europe, which will hold the retail financing portfolio, will cover all brands and commercial activities of CNH in Europe. Under the partnership, BPLG owns 50.1% of the shares of CNH Capital Europe, and CNH owns the remaining 49.9% of the shares. CNH accounts for its interest in CNH Capital Europe using the equity method. BPLG provides funding and administrative services for CNH Capital Europe, while CNH's own European financial services businesses will be responsible for the marketing and origination of financial products.

CNH sold approximately $200 million of retail receivables to CNH Capital Europe during the fourth quarter of 2002. Additionally, CNH sold approximately $100 million of retail receivables directly to BPLG during the third quarter. The receivables sold were previously funded by CNH's financial services subsidiaries in the United Kingdom and Italy, respectively. CNH will continue to evaluate potential sales of the remaining assets in its European financial services subsidiaries to this partnership.

Divestitures During April 2001, CNH sold its Carr Hill Works, Doncaster, England, components facility to Graziano Trasmissioni S.p.A.

In January 2001, CNH sold its tractor manufacturing plant in Doncaster, England, to Landini S.p.A.

Note 4: Accounts and Notes Receivable

Wholesale notes and accounts arise primarily from the sale of goods to dealers and distributors. Under the standard terms of the wholesale receivable agreements, these receivables typically have interest-free periods of up to 12 months and stated original maturities of up to 24 months, with repayment accelerated upon the sale of the underlying equipment by the dealer. After the expiration of any interest-free period, interest is charged to dealers on outstanding balances until the Company receives payment. The interest-free periods are determined based on the type of equipment sold and the time of year of the sale. Interest rates are set based on market factors and the prime rate or LIBOR. CNH evaluates and assesses dealers on an ongoing basis as to their creditworthiness.

CNH provides and administers financing for retail purchases of new and used equipment sold through its dealer networks. CNH purchases retail installment sales, loan and finance lease contracts from its dealers. The terms of retail and other notes and finance leases generally range from 2 to 6 years, and interest rates on retail and other notes and finance leases vary depending on prevailing market interest rates and certain incentive programs offered by CNH.

A summary of accounts and notes receivables as of December 31, 2002 and 2001 is as follows:

(IN MILLIONS)	2002	2001
Wholesale notes and accounts	$ 2,541	$ 2,734
Retail and other notes and finance leases	2,827	3,026
Other	572	700
Total receivables	5,940	6,460
Less — Allowance for doubtful accounts	(229)	(300)
Less — Current portion	(3,612)	(4,010)
Total long-term receivables, net	**$ 2,099**	$ 2,150

Maturities of long-term receivables as of December 31, 2002 are as follows:

(IN MILLIONS)	AMOUNT
2004	$ 872
2005	455
2006	288
2007	184
2008 and thereafter	300
Total long-term receivables, net	**$ 2,099**

It has been CNH's experience that substantial portions of retail receivables are repaid before their contractual maturity dates. As a result, the above table is not to be regarded as a forecast of future cash collections.

Wholesale, retail and finance lease receivables have significant concentrations of credit risk in the agricultural and construction business sectors, the majority of which are in North America. CNH typically retains, as collateral, a security interest in the equipment associated with wholesale and retail notes receivable.

Wholesale Receivables Securitizations CNH sells wholesale receivables on a revolving basis to privately structured securitization facilities. The receivables are initially sold to wholly-owned bankruptcy-remote special purpose entities ("SPEs"), which are consolidated by CNH, but legally isolate the receivables from the creditors of CNH. These transactions are utilized as an alternative to the issuance of debt and allow CNH to realize a lower cost of funds due to the asset-backed nature of the receivables and the credit enhancements offered to investors.

Upon sale, receivables are removed from the balance sheet and proceeds are received for the difference between the receivables sold and the undivided interests in receivables that are required to be retained by CNH. In the event of a reduction in the receivables pool sold caused by charge-offs, the investors in the facility have recourse against the retained interests in the sold receivables. These retained interests fluctuate with the size of the sold portfolio as they are specified as percentages of the sold receivables. Investors have no recourse to CNH in excess of these retained interests. CNH continues to service the sold receivables and receives a fee, which approximates the fair value of the servicing obligation.

These facilities consist of a 364-day, $450 million facility that is renewable annually (most recently in March 2003) at the sole discretion of the purchasers, a seven-year committed, $650 million non-renewable facility that expires in October 2003 and a 364-day, C$325 million facility that is renewable annually (most recently in October 2002) upon agreement of the parties.

At December 31, 2002, $958 million and C$325 million were outstanding under these facilities, consisting of $1,153 million and C$382 million of wholesale receivables sold less CNH's retained undivided interests of $195 million and C$57 million. At December 31, 2001, $1,037 million and C$303 million were outstanding under these facilities, consisting of $1,208 million and C$361 million of wholesale receivables sold less CNH's retained undivided interests of $171 million and C$58 million. The retained interests provide recourse to investors in the event of default and are recorded at cost, which approximates fair value due to the short-term nature of the receivables, in "Accounts and notes receivable" in the accompanying consolidated balance sheets.

The cash flows between CNH and the facilities in 2002 and 2001 included:

	UNITED STATES		CANADA	
	2002	2001	**2002**	2001
(IN MILLIONS)				
Proceeds from new securitizations	**$ 356**	$ 115	**$ 26**	$ 75
Repurchase of receivables	**$ 391**	$ 128	**$ 5**	$ 22
Proceeds from collections reinvested in the facilities	**$ 2,963**	$ 3,046	**$ 953**	$ 810

In addition to the securitizations described above, certain foreign subsidiaries of CNH securitized or discounted receivables without recourse. For the year ended December 31, 2002, $381 million of wholesale receivables were sold under these programs of which $171 million remained outstanding as of December 31, 2002. For the year ended December 31, 2001, $134 million of wholesale receivables were sold of which $60 million remained outstanding as of December 31, 2001 under these programs. CNH records a discount each time receivables are sold to the counterparties in the facilities. This discount, which reflects the difference between interest income earned on the receivables sold and interest expense paid to investors in the facilities, along with related transaction expenses, is computed at the then prevailing market rates as stated in the sale agreement.

At December 31, 2002 and 2001, certain subsidiaries of CNH sold with recourse, wholesale receivables totaling $862 million and $530 million, respectively. The receivables sold are recorded in "Wholesale notes and accounts" in the preceding summary of accounts and notes receivable and the proceeds received from the sales are recorded as short-term debt as the transactions do not meet the criteria for derecognition in a transfer of financial assets.

Retail Receivables Securitizations In CNH's receivable asset securitization programs, qualifying retail finance receivables are sold to limited purpose, bankruptcy-remote consolidated subsidiaries of CNH. In turn, these subsidiaries establish separate trusts to which the receivables are transferred in exchange for the proceeds from asset-backed securities issued by the trusts. Due to the nature of the assets held by the trusts and the limited nature of each trust's activities, the trusts are each classified as a QSPE under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." In accordance with SFAS No. 140, assets and liabilities of the QSPEs are not consolidated in the Company's consolidated balance sheets. The QSPEs have a limited life and generally terminate upon final distribution of amounts owed to investors or upon exercise of a cleanup-call option by CNH. No recourse provisions exist that allow holders of the QSPEs' asset-backed securities to put those securities back to CNH. CNH does not guarantee any securities issued by the QSPEs.

CNH securitized retail notes with a net principal value of $2.6 billion and $2.1 billion in 2002 and 2001, respectively. CNH recognized gains on the sales of these receivables of $68 million and $87 million in 2002 and 2001, respectively.

In conjunction with these sales, CNH retains certain interests in the sold receivables including subordinated tranches of asset-backed securities ("ABS certificates") issued, interest-only strips, cash reserve accounts held in escrow ("Spread"), and rights to service the sold receivables ("Servicing Assets"). ABS certificates are classified as held to maturity securities, as the certificates are not subject to prepayment risk. The certificates are initially recorded at their allocated carrying value as a component of "Other assets" in the accompanying consolidated balance sheets. All other retained interests are also initially recorded at their allocated carrying value as "Accounts and notes receivables" and "Long-term receivables" in the accompanying balance sheets.

Interest-only strips represent rights to future cash flows arising after the investors in the securitization trust have received the return for which they contracted and other expenses of the trust are paid. The investors and the securitization trusts have no recourse beyond the Company's retained interest assets for failure of debtors to pay when due. The Company's retained interests are subordinate to investors' interests, and are subject to credit, prepayment and interest rate risks on the transferred financial assets.

Cash reserve accounts are created through the reduction of proceeds received by CNH from sales to provide security to investors in the event that cash collections from the receivables are not sufficient to remit principal and interest payments on the securities. In 2002 and 2001, the creation of new cash reserve accounts reduced proceeds from the sales of retail receivables by $71 million and $45 million, respectively. Total cash reserve escrow account balances were $216 million and $193 million at December 31, 2002 and 2001, respectively.

CNH services the trusts' securitized retail receivables and is entitled to receive a 1.00% annual servicing fee as compensation for these services. CNH determined that this servicing fee exceeds the fair value of the services provided and records a servicing asset. Servicing assets recorded were $19 million for each of 2002 and 2001, and are included in "Accounts and notes receivable" in the accompanying consolidated balance sheets. These assets are amortized over the period in which CNH earns the related servicing fees. Amortization of servicing assets was $19 million and $14 million in 2002 and 2001, respectively. The amortization is included in "Finance and interest income" in the accompanying consolidated statements of operations. Total servicing assets equaled $24 million, which approximates fair value at December 31, 2002 and 2001, respectively. The fair value of the servicing asset is determined by discounting future cash flows based on current discount and prepayment rate assumptions.

CNH's retained interests in the QSPEs and deposits held for the QSPEs as of December 31, 2002 and 2001 are as follows:

(IN MILLIONS)	2002	2001
Receivables:		
Interest only strip	$ 39	$ 52
Servicing asset	24	24
Spread and other	218	222
Total amount included in *"Accounts and notes receivable"*	281	298
Other assets:		
ABS certificates	213	225
Total amount included in *"Other assets"*	213	225
Total retained interests	**$ 494**	$ 523

CNH is required to remit the cash collected on the serviced portfolio to the investors within two business days. At December 31, 2002 and 2001, $28 million and $26 million, respectively, of unremitted cash payable is included in "Accounts payable" in the accompanying consolidated balance sheets.

Key economic assumptions used in measuring the initial fair value of retained interests for securitizations completed during 2002 and 2001 were as follows:

	RANGE		WEIGHTED AVERAGE	
KEY ASSUMPTION	2002	2001	2002	2001
Constant prepayment rate	11.72 - 20.00%	17.00 - 20.00%	16.69%	17.25%
Annual credit loss rate	0.51 - 0.70%	0.75 - 1.00%	0.63%	0.88%
Discount rate	4.62 - 7.45%	3.04 - 4.58%	4.97%	3.76%
Weighted-average maturity in months	20 - 28	20 - 24	26	22

CNH monitors the fair value of its retained interests outstanding each period by discounting expected future cash flows based on similar assumptions. The fair value is compared to the carrying value of the retained interests and any excess of carrying value over fair value results in an impairment of the retained interests with a corresponding offset to earnings. Based on this analysis, CNH reduced the value of its interest-only strips by $24 million and $76 million in 2002 and 2001, respectively, with an expense charged to "Selling, general and administrative" expense in the accompanying consolidated statements of operations.

The significant assumptions used in estimating the fair values of retained interests from sold receivables which remain outstanding and the sensitivity of the current fair value to immediate 10% and 20% adverse changes at December 31, 2002 and 2001 are as follows (in millions unless stated otherwise):

Impact on Fair Value

	2002			2001		
	ASSUMPTION	10% CHANGE	20% CHANGE	ASSUMPTION	10% CHANGE	20% CHANGE
Constant prepayment rate	18.44%	$ 1.5	$ 2.2	17.30%	$ 0.5	$ 1.1
Annual credit loss rate	1.04%	$ 4.4	$ 8.0	1.38%	$ 7.0	$ 13.7
Discount rate	5.11%	$ 0.7	$ 1.2	3.20%	$ 0.0	$ 0.1
Weighted-average remaining maturity	15 months			17 months		

The changes shown above are hypothetical. They are computed based on variations of individual assumptions without considering the interrelationship between these assumptions. As a change in one assumption may affect the other assumptions, the magnitude of the impact on fair value of actual changes may be greater or less than those illustrated above.

Actual and expected credit losses are summarized as follows:

	RECEIVABLES SECURITIZED IN			
	1999	2000	2001	2002
As of December 31, 2002	2.76%	1.38%	0.78%	1.04%
As of December 31, 2001	2.37%	2.03%	1.21%	

Static pool losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of assets securitized. Weighted-average remaining maturity represents the weighted-average number of months that the current collateral balance is expected to remain outstanding.

CNH's cash flows related to securitization activities for the years ended December 31, 2002 and 2001 are as follows:

(IN MILLIONS)	2002	2001
Proceeds from new retail securitizations	$ 2,598	$ 2,070
Servicing fees received	$ 37	$ 24
Cash received on other retained interests	$ 56	$ 46
Net cash paid on closed deals	$ 162	$ 96

Managed Portfolio

The following summarized the managed portfolio's quantitative information regarding delinquencies, net credit losses and the components of securitized financial assets:

	TOTAL PRINCIPAL AMOUNT OF RECEIVABLES AT DECEMBER 31,		TOTAL PRINCIPAL MORE THAN 30 DAYS DELINQUENT AT DECEMBER 31,		NET CREDIT LOSSES FOR THE YEARS ENDED DECEMBER 31,	
(IN MILLIONS)	2002	2001	2002	2001	2002	2001
Total receivables managed:						
Wholesale receivables	$ 3,875	$ 4,021	$ 112	$ 101	$ 24	$ 9
Retail and other notes and finance leases	8,174	8,172	469	571	122	143
Total managed	12,049	12,193	581	672	$ 146	$ 152
Less: Receivables securitized:						
Wholesale receivables	1,334	1,287	72	82		
Retail and other notes and finance leases	5,347	5,146	186	245		
Total securitized	6,681	6,433	258	327		
Receivables held in portfolio:						
Wholesale receivables	2,541	2,734	40	19		
Retail and other notes and finance leases	2,827	3,026	283	326		
Total held in portfolio	$ 5,368	$ 5,760	$ 323	$ 345		

Note 5: Inventories

Inventories as of December 31, 2002 and 2001 consist of the following:

(IN MILLIONS)	2002	2001
Raw materials	$ 295	$ 270
Work-in-process	267	244
Finished goods	1,492	1,690
Total inventories	$ 2,054	$ 2,204

Note 6: Property, Plant and Equipment

A summary of property, plant and equipment as of December 31, 2002 and 2001 is as follows:

(IN MILLIONS)	2002	2001
Land, buildings and improvements	$ 606	$ 564
Plant and machinery	1,875	1,678
Other equipment	282	274
Construction in progress	169	145
	2,932	2,661
Accumulated depreciation	(1,483)	(1,307)
Net property, plant and equipment	$ 1,449	$ 1,354

Depreciation expense totaled $202 million and $207 million for the years ended December 31, 2002 and 2001, respectively.

Note 7: Investments in Unconsolidated Subsidiaries and Affiliates

A summary of investments in unconsolidated subsidiaries and affiliates as of December 31, 2002 and 2001 is as follows:

METHOD OF ACCOUNTING	2002	2001
(IN MILLIONS)		
Equity method	$ 370	$ 249
Cost method	5	17
Total	**$ 375**	$ 266

During 2002, investments in unconsolidated subsidiaries and affiliates increased as a result of CNH's investment in Kobelco Japan and CNH Capital Europe. At December 31, 2002, investments accounted for using the equity method primarily include interests CNH has in various ventures in the United States, Europe, Turkey, Mexico, Japan and Pakistan.

In addition, CNH has various ownership interests in dealer development companies. Dealer development companies are legal entities in North America through which approved dealer candidates purchase a CNH dealership over a fixed period of years.

Note 8: Equipment on Operating Leases

A summary of Financial Services' equipment on operating leases as of December 31, 2002 and 2001 is as follows:

	2002	2001
(IN MILLIONS)		
Equipment on operating leases	$ 716	$ 738
Accumulated depreciation	(172)	(126)
Net equipment on operating leases	**$ 544**	$ 612

Depreciation expense totaled $114 million and $92 million for the years ended December 31, 2002 and 2001, respectively.

Lease payments owed to CNH for equipment under non-cancelable operating leases as of December 31, 2002, are as follows:

	AMOUNT
(IN MILLIONS)	
2003	$ 118
2004	81
2005	40
2006	18
2007	3
2008 and thereafter	—
Total	**$ 260**

Note 9: Goodwill and Intangibles

SFAS No. 142 requires companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, SFAS No. 142 requires that goodwill and intangible assets deemed to have an indefinite useful life be reviewed for impairment. CNH has identified three reporting units under the criteria set forth by SFAS No. 142: Agricultural Equipment, Construction Equipment and Financial Services. To determine fair value, CNH has relied on two valuation models: guideline Company method and discounted cash flow. Upon adoption of SFAS No. 142 and effective in the first quarter of 2002, CNH recorded a one-time, non-cash charge of approximately $325 million. Such charge is reflected as a cumulative effect of change in accounting principle, net of tax, in the accompanying consolidated statements of operations. The charge consists of $319 million to reduce the carrying value of goodwill attributable to the Construction Equipment reporting unit recorded in connection with New Holland's acquisition of Case in 1999 and approximately $6 million related to an equity method joint venture. The impairment is primarily a result of the decline in the construction equipment market experienced by CNH and its competitors since the acquisition.

The Company will perform its annual impairment review during the fourth quarter of each year, commencing in the fourth quarter of 2002. No additional impairment charge was required upon the Company's completion of its annual goodwill impairment review in the fourth quarter of 2002.

Had the provisions of SFAS No. 142 related to amortization of goodwill been applied since January 1, 2001, the Company's net loss and earnings (loss) per share for the years ended December 31, 2002 and 2001 would have been as follows:

(IN MILLIONS, EXCEPT PER SHARE DATA)	2002	2001
Net loss, as reported	$ (426)	$ (332)
Add:		
Goodwill amortization, net of tax	—	84
Intangible assets with an indefinite useful life amortization, net of tax	6	6
Adjusted net loss	**$ (426)**	$ (242)
Basic and diluted weighted-average shares outstanding	97	55
Basic and diluted earnings (loss) per share, as reported	**$ (4.40)**	$ (6.00)
Effect of SFAS No. 142	—	1.65
Adjusted basic and diluted earnings (loss) per share	**$ (4.40)**	$ (4.35)

Amortization of goodwill and intangible assets with indefinite useful lives continues to be reflected in historical financial statements presented for 2001.

Changes in the carrying amount of goodwill, by segment, for the year ended December 31, 2002, were as follows:

(IN MILLIONS)	AGRICULTURAL EQUIPMENT	CONSTRUCTION EQUIPMENT	FINANCIAL SERVICES	TOTAL
Balance at January 1, 2002	$ 1,737	$ 935	$ 138	$ 2,810
Impairment adjustment – adoption of SFAS No. 142	—	(319)	—	(319)
Acquisitions	—	38	—	38
Impact of foreign exchange	27	(23)	—	4
Balance at December 31, 2002	**$ 1,764**	**$ 631**	**$ 138**	**$ 2,533**

As of December 31, 2002 and 2001, the Company's intangible assets and related accumulated amortization consisted of the following:

		2002			2001		
	WEIGHTED AVG. LIFE	GROSS	ACCUMULATED AMORTIZATION	NET	GROSS	ACCUMULATED AMORTIZATION	NET
(IN MILLIONS)							
Intangible assets subject to amortization:							
Engineering drawings	20	$ 335	$ 51	$ 284	$ 335	$ 34	$ 301
Dealer networks	25	216	26	190	210	17	193
Other	10-30	158	53	105	119	49	70
		709	130	579	664	100	564
Intangible assets not subject to amortization:							
Trademarks		273	—	273	293	20	273
		$ 982	$ 130	$ 852	$ 957	$ 120	$ 837

CNH recorded amortization expense of $30 million during 2002 compared to $122 million during 2001. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the succeeding 5 years is $33 million. As acquisitions and dispositions occur in the future and as purchase price allocations are finalized, these amounts may vary.

For tax purposes, goodwill amortization for the years ended December 31, 2002 and 2001 was generally not deductible.

Note 10: Short-Term Debt

CNH has various lines of credit and liquidity facilities that include borrowings under both committed credit facilities and uncommitted lines of credit and similar agreements. Although currently constrained by its credit rating, CNH also has the ability to issue commercial paper in the United States and Australia. Under the terms of CNH's commercial paper programs, the principal amount of the commercial paper outstanding, combined with the amounts outstanding under the committed credit facilities, cannot exceed the total amount available under the committed credit facilities.

CNH has historically obtained, and may continue to obtain, a significant portion of its external financing from Fiat, on terms that CNH believes are at least as favorable as those available from unaffiliated third parties. The debt owed by CNH to Fiat is unsecured. In 2002, CNH paid a guarantee fee of between 0.03125% per annum and 0.125% per annum on the average amount outstanding under facilities guaranteed by Fiat. Fiat has agreed to maintain its existing treasury and debt financing arrangements with CNH for as long as it maintains control of CNH and, in any event, until December 31, 2004. After that time, Fiat has committed that it will not terminate CNH's access to these financing arrangements without affording CNH an appropriate time period to develop suitable substitutes.

The following table summarizes our credit facilities at December 31, 2002:

	MATURITY	AMOUNT	DRAWN	AVAILABLE	GUARANTOR
(IN MILLIONS)					
Committed Lines					
Revolving credit facility with third party	2005	$ 1,800	$ 0	$ 1,800	Fiat
Revolving credit facility with Fiat affiliate	2003	1,000	424	576	
Revolving credit facility with third party	2004	500	500	0	Fiat
Credit facilities with third parties shared with certain Fiat subsidiaries	2003-05	346	0	346	Fiat
Credit facilities with third parties	2003-04	250	0	250	Fiat
Other committed lines	various	393	393	0	Fiat
Other committed lines	various	326	309	17	
Total committed lines		4,615	1,626	2,989	
Uncommitted lines	various	40	40	0	Fiat
Uncommitted lines		1,080	919	161	
Asset-backed commercial paper liquidity facilities		1,560	167	1,393	
Total credit facilities		**$ 7,295**	**$ 2,752**	**$ 4,543**	
Credit facilities with Fiat affiliates or guaranteed by Fiat affiliates	various	$ 4,329	$ 1,357	$ 2,972	

A summary of short-term debt as of December 31, 2002 and 2001 is as follows:

	2002	2001
(IN MILLIONS)		
Equipment Operations		
Credit agreements*	$ 1,067	$ 670
Commercial paper	—	—
Short-term debt with Fiat affiliates	817	1,373
Short-term debt payable to Financial Services	354	344
Total short-term debt — Equipment Operations	**2,238**	2,387
Financial Services		
Credit agreements*	429	217
Commercial paper	—	—
Asset-backed commercial paper liquidity facility	167	483
Short-term debt with Fiat affiliates	269	474
Short-term debt payable to Equipment Operations	1,083	524
Total short-term debt — Financial Services	**1,948**	1,698
Less intersegment short-term debt	(1,437)	(868)
Total short-term debt	**$ 2,749**	$ 3,217

** The credit agreements for both Equipment Operations and Financial Services include borrowings under both committed credit facilities and uncommitted lines of credit and similar arrangements.*

The weighted-average interest rates on consolidated short-term debt at December 31, 2002 and 2001, were 4.55% and 3.58%, respectively. The average rate is calculated using the actual rates at December 31, 2002 and 2001 weighted by the amount of the outstanding borrowings of each debt instrument.

Borrowings under non-affiliated third-party revolving credit facilities bear interest at: (1) EURIBOR, plus an applicable margin; (2) LIBOR, plus an applicable margin; or (3) banker's bills of acceptance rates, plus an applicable margin.

The applicable margin on third-party debt depends upon:

- the initial maturity of the facility/credit line;
- the rating of short-term/long-term unsecured debt at the time the facility/credit line is negotiated; in cases where Fiat provides a guarantee, the margin negotiated reflects Fiat's credit standing at the time the facility/credit line was arranged;
- the extent of over-collateralization, in the case of receivables warehouse facilities; and
- the level of availability of credit lines for CNH in different jurisdictions.

The applicable margin for related-party debt is based on Fiat intercompany borrowing and lending rates applied to all of its affiliates. These rates are determined by Fiat based on its cost of funding for debt of different maturities. As Fiat's creditworthiness has been consistently and significantly better than that of CNH, the cost of the related-party debt has been lower than the corresponding rates that CNH could have been required to pay to unaffiliated third parties providing similar financing arrangements.

The range of applicable margins in 2002 has been between 0.15% and 1.21%.

Borrowings against asset-backed commercial paper liquidity facilities bear interest at prevailing commercial paper rates. Borrowings may be obtained in U.S. Dollars and certain other foreign currencies. Certain of CNH's revolving credit facilities contain contingent requirements in respect of the maintenance of financial conditions and impose some restrictions in respect of new liens on assets and changes in ownership of certain subsidiaries. At December 31, 2002, CNH was in compliance with all debt covenants. The non-affiliated third-party committed credit facilities generally provide for facility fees on the total commitment, whether used or unused, and provide for annual agency fees to the administrative agents for the facilities.

Note 11: Long-Term Debt

A summary of long-term debt as of December 31, 2002 and 2001 is as follows:

(IN MILLIONS)	2002	2001
Equipment Operations		
Public Notes:		
Payable in 2003, interest rate of 6.25%	$ 279	$ 279
Payable in 2005, interest rate of 7.25%	244	248
Payable in 2016, interest rate of 7.25%	254	275
Third-Party Loans:		
Payable in 2007, interest rate of 1.99% (floating rate)	120	129
Payable in 2007, interest rate of 1.99% (floating rate)	75	11
Payable in 2008, interest rate of 1.99% (floating rate)	10	81
Notes with Fiat affiliates:		
Payable in 2002, interest rate of 7.01%	—	600
Payable in 2003, interest rate of 7.71% (repaid in 2002)	—	400
Payable in 2003, interest rate of 3.95%	199	199
Payable in 2003, interest rate of 4.69%	200	200
Payable in 2003, interest rate of 4.69%	100	100
Payable in 2004, interest rate of 7.92%	100	400
Payable in 2005, interest rate of 7.81%	600	600
Payable in 2006, interest rate of 2.63% (floating rate)	450	450
Payable in 2006, interest rate of 2.67% (floating rate)	550	550
Other affiliated notes, weighted-average interest rate of 5.44% and 4.55%, respectively	233	120
Other debt	124	214
	3,538	4,856
Less current maturities	(824)	(637)
Total long-term debt — Equipment Operations	2,714	4,219
Financial Services		
Public Notes:		
Payable in 2002, interest rate of 6.15%	—	140
Payable in 2003, interest rate of 6.13%	191	191
Payable in 2007, interest rate of 6.75%	127	144
Notes payable in 2002, interest rate of 2.48%	—	82
Long-term portion of borrowings under committed revolving credit facility, weighted-average interest rate of 1.98% and 2.40% (floating rate), respectively	500	500
Long-term debt with Fiat affiliates, weighted-average interest rate of 3.75% and 4.22%, respectively	367	424
Intersegment debt with Equipment Operations, interest rate of 2.72% and 3.86%, respectively	700	1,112
Other debt	392	309
	2,277	2,902
Less current maturities	(294)	(424)
Total long-term debt — Financial Services	1,983	2,478
Less long-term debt payable to Equipment Operations	(700)	(1,112)
Total long-term debt	$ 3,997	$ 5,585

A summary of the minimum annual repayments of long-term debt, less current maturities of long-term debt, as of December 31, 2002, is as follows:

(IN MILLIONS)	AMOUNT
2004	$ 935
2005	1,221
2006	1,294
2007	249
2008 and thereafter	298
Total	**$ 3,997**

Note 12: Income Taxes

The sources of income (loss) before taxes and minority interest for the years ended December 31, 2002 and 2001 are as follows:

(IN MILLIONS)	2002	2001
The Netherlands source	$ (43)	$ 10
Foreign sources	(389)	(442)
Loss before taxes and minority interest	**$ (432)**	$ (432)

The provision (benefit) for income taxes for the years ended December 31, 2002 and 2001 consisted of the following:

(IN MILLIONS)	2002	2001
Current income taxes	$ 13	$ 69
Deferred income taxes	(27)	(174)
Total tax benefit	**$ (14)**	$ (105)

A reconciliation of CNH's statutory and effective income tax provision (benefit) before cumulative effect of change in accounting principle for the years ended December 31, 2002 and 2001 is as follows:

(IN MILLIONS)	2002	2001
Tax benefit at the Dutch statutory rate of 35%	$ (37)	$ (151)
Foreign income taxed at different rates	13	(29)
Effect of tax loss carryforwards	(8)	(16)
Change in valuation allowance	45	54
Non-deductible goodwill	4	29
Dividend withholding taxes and credits	(19)	2
Other	(12)	6
Total tax benefit	**$ (14)**	$ (105)

The components of the net deferred tax asset as of December 31, 2002 and 2001 are as follows:

(IN MILLIONS)	2002	2001
Deferred tax assets:		
Marketing and selling incentives	$ 118	$ 135
Bad debt reserves	79	113
Postretirement and postemployment benefits	426	297
Inventories	37	37
Warranty reserves	74	83
Restructuring reserves	79	28
Other reserves	675	572
Tax loss carryforwards	1,294	1,209
Less: Valuation allowance	(982)	(986)
Total deferred tax assets	1,800	1,488
Deferred tax liabilities:		
Fixed assets basis difference/depreciation	177	168
Intangibles	281	278
Inventories	45	20
Other	416	370
Total deferred tax liabilities	919	836
Net deferred tax assets	**$ 881**	$ 652

The net deferred tax assets are reflected in the accompanying balance sheets as of December 31, 2002 and 2001 as follows:

(IN MILLIONS)	2002	2001
Current deferred tax asset	$ 505	$ 454
Long-term deferred tax asset	1,362	1,086
Current deferred tax liability	(223)	(108)
Long-term deferred tax liability	(763)	(780)
Net deferred tax asset	**$ 881**	$ 652

CNH has net operating tax loss carryforwards in a number of foreign tax jurisdictions within its global operations. The years in which they expire are as follows: $1 million in 2003; $5 million in 2004; $8 million in 2005; $4 million in 2006; $400,000 in 2007; and $547 million with expiration dates from 2021 through 2022. CNH also has net operating tax loss carryforwards of $729 million with indefinite lives.

In 2002 and 2001, CNH recorded deferred tax assets without valuation allowances for U.S. Federal tax loss carryforwards in the amount of $116 million and $209 million, respectively. The realization of the deferred tax assets recorded as a result of the U.S. Federal tax loss carryforward is considered to be more likely than not. This determination was based upon the evaluation of the recent losses after considering the impact of non-recurring items, the impact of the cyclical nature of the business on past and future profitability, expectations of sufficient future U.S. taxable income prior to the years in which the carryforwards expire as well as the impact of profit improvement initiatives on the future earnings of U.S. operations. These expectations of future profitability were based on assumptions regarding the Company's market share, profitability of new model introductions and benefits from capital and operating restructuring actions. CNH cannot assure that it will generate the necessary profitability to realize all or part of the U.S. deferred tax assets and that in the future these assets will not require the recording of additional valuation allowances. A determination that it is more likely than not that some or all of the deferred tax assets currently recorded will not be realized could adversely impact CNH's results of operations and financial position as the required additional valuation allowance would be an additional charge recorded to tax expense in the period that such determination was made.

During 2002 and 2001, CNH generated income in certain international and U.S. state jurisdictions that supported reductions in the valuation allowance and recognized losses in certain international and U.S. state jurisdictions that supported increases in the valuation allowance. CNH has recorded deferred tax assets without valuation allowances in tax jurisdictions where CNH has generated income, as CNH believes it is more likely than not that such assets will be realizable in the future. CNH has recorded valuation allowances in certain tax jurisdictions where it does not expect to generate sufficient income to fully realize the deferred tax asset. As of December 31, 2002, CNH has $102 million of U.S. state tax loss carryforwards and $645 million of non-U.S. federal tax loss carryforwards for which CNH has established valuation allowances of $29 million and $577 million, respectively, as CNH has concluded it is more likely than not that these carryforwards will not be fully realized.

With respect to the valuation allowances recorded against the deferred tax assets of Case and its subsidiaries as of the acquisition date, any reduction in these valuation allowances will, in the future, be treated as a reduction of the goodwill recorded in conjunction with the acquisition and will not impact future periods' tax expense. As of December 31, 2002, the valuation allowance that is potentially subject to being allocated to goodwill as part of the Case acquisition totaled $535 million.

At December 31, 2002, the undistributed earnings of foreign subsidiaries totaled approximately $2,015 million. In most cases, such earnings will continue to be reinvested. Provision has generally not been made for additional taxes on the undistributed earnings of foreign subsidiaries. These earnings could become subject to additional tax if they are remitted as dividends or if CNH were to dispose of its investment in the subsidiaries. It has not been practical to estimate the amount of additional taxes that might be payable on the foreign earnings, and CNH believes that additional tax credits and tax planning strategies would largely eliminate any tax on such earnings.

CNH received (paid) cash of $83 million and $(63) million for taxes during 2002 and 2001, respectively.

Note 13: Restructuring

Through December 31, 2002, CNH recorded restructuring liabilities at the time management approved and committed CNH to a restructuring plan that identified all significant actions to be taken and the expected completion date of the plan was within a reasonable period of time. The restructuring liability included those restructuring costs that (1) can be reasonably estimated, (2) were not associated with or did not benefit activities that will be continued and (3) were not associated with or were not incurred to generate revenues after the plan's commitment date. Restructuring costs were incurred as a direct result of the plan and (1) were incremental to other costs incurred by CNH in the conduct of its activities prior to the commitment date, or (2) existed prior to the commitment date under a contractual obligation that will either continue after the exit plan is completed with no economic benefit to the enterprise or reflect a penalty to cancel a contractual obligation. Effective January 1, 2003, CNH has adopted SFAS No. 146.

CNH Merger Integration Plan As part of its merger integration, CNH has evaluated the divestiture or closure of certain manufacturing locations and parts depots. Through the consolidation of all functional areas, including the impact of divestiture actions required by the European and U.S. regulatory agencies in connection with the merger, CNH expects to significantly reduce its worldwide workforce. The CNH Merger Integration Plan takes into consideration duplicate capacity and other synergies including purchasing and supply chain management, and selling, general and administrative functions. These restructuring actions will be recorded and implemented through at least 2004.

The CNH Merger Integration Plan is comprised of two separate programs, the Case Purchase Accounting Restructuring Program and the CNH Merger Integration Program. The Case Purchase Accounting Restructuring Program encompasses all actions of the CNH Merger Integration Plan related to Case that qualify for purchase accounting treatment. The CNH Merger Integration Program encompasses all other actions of the CNH Merger Integration Plan.

CASE PURCHASE ACCOUNTING RESTRUCTURING PROGRAM During 1999, CNH recorded $90 million under the Case Purchase Accounting Restructuring Program as a part of the preliminary allocation of the Case purchase price. During 2000, in connection with the finalization of the Case purchase price allocation, an additional $264 million was recorded for the Case Purchase Accounting Restructuring Program. These costs primarily relate to closing, selling, and downsizing existing facilities and severance and other employee-related costs. During 2001, CNH reversed $31 million of the Case Purchase Accounting Restructuring Program accrual to goodwill as more employees left CNH voluntarily than originally anticipated and as costs to exit certain facilities were determined to be lower than anticipated.

Severance and other employee-related costs are those costs associated with reducing headcount at Case operations by approximately 2,200 people. These reductions were achieved by eliminating administrative and back office functions and related personnel and manufacturing personnel in facilities that were either closed or downsized. These costs include severance and contractual benefits in accordance with collective bargaining agreements, other agreements and CNH policy, outplacement services, medical and supplemental vacation and retirement payments. As of December 31, 2001, all terminations under the Case Purchase Accounting Restructuring Program had been completed.

The following table sets forth the CNH activities for the years ended December 31, 2000, 2001 and 2002 under the Case Purchase Accounting Restructuring Program:

(IN MILLIONS)	SEVERANCE AND OTHER EMPLOYEE RELATED COST	COSTS RELATED TO CLOSING/ SELLING/ DOWNSIZING EXISTING FACILITIES	OTHER COSTS	TOTAL
Balance at January 1, 2000	$ 90	$ —	$ —	$ 90
Additions	78	185	1	264
Reserves utilized	(61)	(72)	—	(133)
Changes in estimates	(39)	—	—	(39)
Balance at December 31, 2000	68	113	1	182
Reserves utilized	(50)	(91)	—	(141)
Changes in estimates	(12)	(19)	—	(31)
Balance at December 31, 2001	6	3	1	10
Reserves utilized	(6)	(3)	(1)	(10)
Balance at December 31, 2002	**$ —**	**$ —**	**$ —**	**$ —**

The specific restructuring measures and associated estimated costs were based on management's best business judgment under prevailing circumstances. All actions recorded in the Case Purchase Accounting Restructuring Program have been completed and there are no unresolved activities. Any additional restructuring actions relating to Case locations or employees will be recorded as restructuring and other merger-related costs under the CNH Merger Integration Program.

CNH MERGER INTEGRATION PROGRAM During 2000, CNH recorded $157 million of restructuring and other merger-related costs under the CNH Merger Integration Program that did not qualify for purchase accounting treatment. During 2001 and 2002, an additional $122 million and $61 million, respectively, were recorded under the CNH Merger Integration Program. These costs primarily relate to severance and other employee-related costs, write-down of assets, loss on the sale of assets and businesses, costs related to closing, selling and downsizing existing facilities and other merger-related costs. During 2001 and 2002, CNH reversed $18 million and $10 million, respectively, of the CNH Merger Integration Program accrual principally as a result of determining that costs to exit certain facilities were lower than anticipated.

Severance and other employee-related costs are those costs associated with reducing headcount at non-Case CNH operations by approximately 2,700 people as identified in the CNH Merger Integration Plan. These reductions were achieved by eliminating administrative and back office functions and related personnel and manufacturing personnel in facilities that were either closed or downsized. These costs include severance and contractual benefits in accordance with collective bargaining agreements, other agreements and CNH policy, outplacement services, medical and supplemental vacation and retirement payments.

As of December 31, 2002, CNH had terminated 2,600 employees under the CNH Merger Integration Program and has approximately 100 employees who have yet to be terminated under the program.

As management approves and commits to a restructuring action, CNH determines the assets that will be disposed of in the restructuring actions and records an impairment loss equal to the lower of their carrying amount or fair market value less the cost to sell. The fair market value of the assets is determined as the amount at which the asset could be bought or sold in a current transaction between willing parties. Impairment charges of $13 million and $15 million were included in costs provided for closing, selling and downsizing existing facilities and asset impairments in 2002 and 2001, respectively.

Other merger-related costs relate to incremental costs incurred by CNH in conjunction with merger integration activities at CNH. These costs are classified as "Restructuring and other merger-related costs" in the accompanying statements of operations. These expenses consist primarily of consulting expenses, systems integration expenses and employee relocation expenses. Other merger-related costs were recorded from the time of the merger through September, 2001.

The following table sets forth the CNH activities for the years ended December 31, 2000, 2001 and 2002, under the CNH Merger Integration Program:

(IN MILLIONS)	SEVERANCE AND OTHER EMPLOYEE RELATED COST	COSTS RELATED TO CLOSING/ SELLING/ DOWNSIZING EXISTING FACILITIES AND ASSET IMPAIRMENTS	OTHER RESTRUC-TURING COSTS	OTHER MERGER RELATED COST	TOTAL
Balance at January 1, 2001	12	51	6	—	69
Additions	74	18	15	15	122
Reserves utilized	(40)	(52)	(2)	(15)	(109)
Changes in estimates	—	(15)	(3)	—	(18)
Balance at December 31, 2001	46	2	16	—	64
Additions	34	17	10	—	61
Reserves utilized	(49)	(5)	(16)	—	(70)
Changes in estimates	(3)	(7)	—	—	(10)
Balance at December 31, 2002	**$ 28**	**$ 7**	**$ 10**	**$ —**	**$ 45**

The specific restructuring measures and associated estimated costs were based on management's best business judgment under prevailing circumstances. Management believes that the CNH Merger Integration Program reserve balance at December 31, 2002, is adequate to carry out the restructuring activities as outlined above, and CNH anticipates that all actions currently accrued for will be completed by December 31, 2003. Costs relating to the majority of these actions will be expended through the second quarter of 2003. As prescribed under U.S. GAAP, if future events warrant changes to the reserve, such adjustments will be reflected in the applicable statements of operations as "Restructuring and other merger-related costs."

Kobelco Purchase Accounting Restructuring Programs During 2002, CNH recorded $5 million under the Kobelco Purchase Accounting Restructuring Programs as a part of the preliminary allocation of the Kobelco America and Kobelco Europe purchase price. These amounts primarily relate to costs related to closing, selling and downsizing existing facilities and severance and other employee-related costs.

The following table sets forth the CNH activities for the year ended December 31, 2002 under the Kobelco Purchase Accounting Restructuring Programs:

	SEVERANCE AND OTHER EMPLOYEE RELATED COST	COSTS RELATED TO CLOSING/ SELLING/ DOWNSIZING EXISTING FACILITIES	TOTAL
(IN MILLIONS)			
Additions	$ 3	$ 2	$ 5
Balance at December 31, 2002	**$ 3**	**$ 2**	**$ 5**

Note 14: Employee Benefit Plans and Postretirement Benefits

Defined Benefit and Postretirement Benefit Plans CNH has various defined benefit plans that cover certain employees. Benefits are generally based on years of service and, for most salaried employees, on final average compensation. Benefits for salaried employees were frozen for pay and service as of December 31, 2000. Salaried employees receive a 3% increase for every year of employment after December 31, 2000 for a maximum of three years.

CNH's funding policies are to contribute to the plans amounts necessary to, at a minimum, satisfy the funding requirements as prescribed by the laws and regulations of each country. Plan assets consist principally of listed equity and fixed income securities.

CNH has postretirement health and life insurance plans that cover the majority of its U.S. and Canadian employees. For New Holland U.S. salaried and hourly employees, and for Case U.S. non-represented hourly and Case U.S. and Canadian salaried employees, the plans cover employees retiring on or after attaining age 55 who have had at least 10 years of service with the Company. For Case U.S. and Canadian hourly employees represented by a labor union, the plans generally cover employees who retire pursuant to their respective hourly plans and collective bargaining agreements. These benefits may be subject to deductibles, copayment provisions and other limitations, and CNH has reserved the right to change these benefits, subject to the provisions of any collective bargaining agreement. CNH U.S. and Canadian employees hired after January 1, 2001 and January 1, 2002, respectively, are not eligible for postretirement health and life insurance benefits under the CNH plans. Beginning in 2005, a defined dollar benefit will apply to salaried retiree medical coverage. Once the defined dollar benefit is reached, contributions paid by the retirees will increase by an amount equal to any premium cost increases above that amount.

In connection with CNH's acquisition of Orenstein & Koppel Aktiengesellschaft ("O&K") in December 1998, CNH recorded an unfunded pension obligation of approximately $140 million related to pension rights of non-active employees of O&K who are retired or whose employment has been terminated and who have vested rights. In connection with the acquisition of O&K, CNH entered into an agreement with the seller of O&K whereby the seller, in return for a payment of $140 million, has agreed to reimburse O&K for all future pension payments, including death benefits and medical support liabilities and any funding obligations under the collective bargaining agreement related to the non-active employees of O&K. An irrevocable, revolving bank guarantee was obtained to back the seller's guarantee of the future pension payment reimbursement. The actuarial present value related to this benefit obligation that is recorded on the balance sheet and reflected in the rollforward below was $145 million at December 31, 2002. CNH has an equal, corresponding other asset on its balance sheet to reflect the payment made by CNH to the seller in conjunction with the acquisition.

Former parent companies of New Holland and Case retained certain accumulated pension benefit obligations and related assets and certain accumulated postretirement health and life insurance benefit obligations. Accordingly, as these remain the obligations of the former parent companies, the financial statements of CNH do not reflect any related assets or liabilities.

The following assumptions were utilized in determining the funded status of CNH's defined benefit pension plans for the years ended December 31, 2002 and 2001:

	2002		2001	
	U.S. PLANS	NON-U.S. PLANS	U.S. PLANS	NON-U.S. PLANS
Weighted-average discount rates for obligations	6.75%	5.58%	7.25%	5.91%
Weighted-average discount rates for expense	7.25%	5.91%	7.50%	5.92%
Rate of increase in future compensation	N/A	3.42%	N/A	3.81%
Weighted-average, long-term rates of return on plan assets	9.00%	7.33%	9.00%	7.31%

The expected long-term rate of return on plan assets reflects management's expectations of long-term average rates of earnings on funds invested to provide for benefits included in the projected benefit obligations. The return is based on the outlook for inflation, fixed income returns and equity returns, while also considering the plans' historical returns, their asset allocation and investment strategy, as well as the views of investment managers and other large pension plan sponsors. Although not a guarantee of future results, the average annual return of key indices, allocated in a fashion similar to our U.S. plan assets, reflect a return of 11.45% over the last 10 years and 14.05% over the past 20 years. The expected long-term rate of return, which will be used beginning in 2003, will be 8.75% for the U.S. plans and between 6.00% and 7.50% for non-U.S. plans.

The following assumptions were utilized in determining the accumulated postretirement benefit obligation of CNH's postretirement health and life insurance plans for the years ended December 31, 2002 and 2001:

	2002		2001	
	U.S. PLANS	CANADIAN PLAN	U.S. PLANS	CANADIAN PLAN
Weighted-average discount rates for obligations	6.75%	6.75%	7.25%	6.50%
Weighted-average discount rates for expense	7.25%	6.50%	7.50%	6.50%
Rate of increase in future compensation	4.00%	3.50%	4.00%	3.50%
Weighted-average, assumed healthcare cost trend rate	10.00%	9.00%	8.00%	8.50%
Weighted-average, assumed ultimate healthcare cost trend rate	5.00%	5.00%	5.50%	5.00%
Year anticipated attaining ultimate healthcare cost trend rate	2008	2010	2006	2008

The measurement period for CNH's defined benefit pension plans and postretirement health and life insurance plans is January 1 through December 31. The following summarizes data from CNH's defined benefit pension plans and postretirement health and life insurance for the years ended December 31, 2002 and 2001:

	PENSION BENEFITS		OTHER POSTRETIREMENT BENEFITS	
	2002	2001	2002	2001
(IN MILLIONS)				
Change in benefit obligations:				
Actuarial present value of benefit obligation at beginning of measurement period	$ 1,759	$ 1,791	$ 863	$ 595
Service cost	25	29	15	12
Interest cost	115	114	58	50
Plan participants' contributions	5	7	4	—
Actuarial loss	172	30	134	248
Currency fluctuations	140	(39)	—	(2)
Gross benefits paid	(105)	(132)	(48)	(31)
Plan amendments	(80)	2	—	(31)
Acquisitions/divestitures	(4)	(41)	—	—
Curtailment gain	—	(4)	—	—
Settlement loss	—	2	—	—
Adjustments to reflect re-measurement of benefit obligation	—	—	(7)	22
Actuarial present value of benefit obligation at end of measurement period	2,027	1,759	1,019	863
Change in plan assets:				
Plan assets at fair value at beginning of measurement period	1,301	1,526	—	—
Actual return on plan assets	(153)	(88)	—	—
Currency fluctuations	62	(39)	—	—
Employer contributions	28	65	44	31
Plan participants' contributions	5	7	4	—
Gross benefits paid	(105)	(132)	(48)	(31)
Acquisitions/divestitures	(8)	(38)	—	—
Plan assets at fair value at end of measurement period	1,130	1,301	—	—
Funded status:	(897)	(458)	(1,019)	(863)
Unrecognized prior service cost	(61)	25	(42)	(59)
Unrecognized net loss resulting from plan experience and changes in actuarial assumptions	770	328	375	268
Remaining unrecognized net asset at initial application	—	—	46	55
Net amount recognized at end of year	$ (188)	$ (105)	$ (640)	$ (599)

	PENSION BENEFITS		OTHER POSTRETIREMENT BENEFITS	
	2002	2001	2002	2001
(IN MILLIONS)				
Amounts recognized in the statement of financial position consist of:				
Prepaid benefit cost	$ 121	$ 63	$ —	$ —
Accrued benefit liability	(949)	(399)	(640)	(599)
Intangible asset	20	23	—	—
Deferred tax assets	223	89	—	—
Accumulated other comprehensive income	397	119	—	—
Net amount recognized at end of year	$ (188)	$ (105)	$ (640)	$ (599)

The following summarizes the statement of operations impact of CNH's defined benefit pension plans and postretirement health and life insurance plans for the years ended December 31, 2002 and 2001:

	PENSION BENEFITS		OTHER POSTRETIREMENT BENEFITS	
	2002	2001	2002	2001
(IN MILLIONS)				
Components of net periodic benefit cost:				
Service cost	$ 25	$ 29	$ 15	$ 12
Interest cost	115	114	58	50
Expected return on assets	(110)	(119)	—	—
Amortization of:				
Transition asset	—	—	9	9
Prior service cost	4	3	(14)	(13)
Actuarial loss	22	3	16	6
Net periodic benefit cost	56	30	84	64
Curtailment (gain) loss	2	1	—	—
Total expense	$ 58	$ 31	$ 84	$ 64

The aggregate projected benefit obligation, aggregate accumulated benefit obligation and aggregate fair value of plan assets for pension plans with benefit obligations in excess of plan assets were $2,010 million, $1,912 million and $1,112 million, respectively, as of December 31, 2002, and $1,744 million, $1,591 million and $1,282 million, respectively, as of December 31, 2001.

Due to the poor performance of equity markets in 2002, the value of the CNH pension fund assets, which principally relate to plans in the United States and the United Kingdom, declined during 2002. SFAS No. 87, "Employers' Accounting for Pensions," requires recognition of an Additional Minimum Liability if the market value of plan assets is less than the accumulated benefit obligation at the end of the plan year. Based on year-end plan asset values, we have been required to increase the Additional Minimum Liability for these plans by approximately $412 million at December 31, 2002. This results in a decrease in Accumulated Other Comprehensive Income of approximately $278 million, net of tax.

The annual rates of increase in the per capita cost for the December 31, 2002 health care obligations are 10% for 2003 and decrease by 1% in each subsequent year until reaching 5% in 2008. Increasing the assumed health care cost trend rate by one percentage point would increase the total accumulated postretirement benefit obligation at December 31, 2002, by approximately $114 million, and would increase the aggregate of the service cost and interest cost components of the net 2002 postretirement benefit cost by approximately $8 million. Decreasing the assumed health care cost trend rate by one percentage point would decrease the total accumulated postretirement benefit obligation at December 31, 2002, by approximately $96 million, and would decrease the aggregate of the service cost and interest cost components of the net 2002 postretirement benefit cost by approximately $7 million.

Other Programs In Belgium, early retirement liabilities were accrued in connection with the restructuring of CNH's Belgian facilities initiated in 1991. Such liabilities were approximately $13 million and $10 million at December 31, 2002 and 2001, respectively. Programs in other countries are provided through payroll tax and other social contributions in accordance with local statutory requirements.

As required by Italian labor legislation, an accrual for an employee severance indemnity has been provided for a portion of CNH's Italian employees' annual salaries, indexed for inflation. At December 31, 2002 and 2001, the indemnity accruals were $87 million and $72 million, respectively.

Additionally, certain executives participate in a special plan approved by the Board of Directors of Fiat and CNH (the "Individual Top Hat Scheme"), which provides a lump sum to be paid in installments if an executive leaves, in certain circumstances, Fiat and/or its subsidiaries before the age of 65. Contributions to the Individual Top Hat Scheme totaled $446,000 and $1,717,000 in 2002 and 2001, respectively.

Defined Contribution Plans Effective January 1, 2001, both the Case and New Holland entities provide an identical defined contribution plan for their U.S. salaried employees (the "CNH Salaried Plan"). The CNH Salaried Plan allows employee elective deferrals on a pretax basis of up to 10% of pay with CNH matching such deferrals at a rate of 70 cents for each dollar deferred. In addition to matching contributions, CNH provides a fixed contribution of 5% of eligible salary per year. During 2002 and 2001, CNH contributed $14 million and $15 million, respectively, in matching contributions. During 2002 and 2001, CNH contributed $13 million and $8 million, respectively, in fixed contributions. Subject to CNH's operating results, CNH may make additional profit sharing matching contributions to the defined contribution plan. CNH made no profit sharing contributions in 2002 and 2001.

Effective January 1, 2001, both the Case and New Holland entities provide an identical defined contribution plan for their U.S. non-represented hourly employees (the "CNH Hourly Plan"). These plans allow employee elective deferrals on a pretax basis of up to 25% (15% prior to January 1, 2002) of base compensation with CNH matching such deferrals at a rate of 50% on the first 10% of a participant's contribution. During 2002 and 2001, CNH contributed $3 million and $5 million, respectively, in matching contributions.

Effective January 31, 2003, the Company will provide matching contributions to the CNH Salaried Plan and the CNH Hourly Plan in the form of CNH common shares rather than cash. This change affects all CNH U.S. employees eligible to contribute to this plan who receive a Company-provided match on a portion of their elective deferrals.

Note 15: Other Accrued Liabilities

A summary of other accrued liabilities as of December 31, 2002 and 2001 is as follows:

(IN MILLIONS)	2002	2001
Marketing and sales incentive programs	$ 333	$ 321
Current deferred tax liability	223	108
Warranty provisions	169	190
Accrued payroll	140	126
Value-added taxes and other taxes payable	107	13
Other accrued expenses	740	1,026
Total other accrued liabilities	**$ 1,712**	$ 1,784

Note 16: Commitments and Contingencies

Environmental CNH is involved in environmental remediation activities concerning potential liabilities under U.S. federal, U.S. state and non-U.S. environmental laws. These activities involve non-owned Waste Sites and properties currently or formerly owned by CNH where it is believed there has been a release of hazardous substances. These properties comprise a number of sites currently or formerly operated by CNH or its predecessors. Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments indicate that remedial efforts are probable and the costs can be reasonably estimated. Estimates of the liability are provided in ranges to reflect uncertainties due to a variety of factors that include lack of direct knowledge of historic industrial and waste handling activities that may have resulted in releases of hazardous substances, inherent limitations of subsurface soil and groundwater investigatory techniques, future changes in the laws, including their interpretation and implementation by governmental authorities, changes in remedial technologies, level of responsibility to be assumed by other potentially responsible parties and future land use. Probable liabilities may also be the subject of both asserted and unasserted claims, including those by government authorities that may be dormant or pursued over extremely long time periods. Moreover, because liability under CERCLA and similar laws can be strict, joint and several, CNH could be required to pay amounts in excess of its pro rata share of remediation costs at the Waste Sites. Settlements and government-approved and completed remediation projects can, in certain circumstances, be reopened based on newly discovered conditions and be subject to further remedial activities or settlement payments.

Based upon information currently available, management estimates potential environmental liabilities including remediation, decommissioning, restoration, monitoring and other closure costs associated with current or formerly owned or operated facilities, the Waste Sites, and other claims to be in the range of $42 million to $105 million. As of December 31, 2002, environmental reserves of approximately $63 million had been established to address these specific estimated potential liabilities. Such reserves are undiscounted. After considering these reserves, management is of the opinion that the outcome of these matters will not have a material adverse effect on CNH's financial position or results of operations.

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

Other Litigation CNH is party to various legal proceedings in the ordinary course of its business, including product warranty, dealer disputes, workers' compensation, and customer and employment matters. In addition, certain of CNH's Brazilian subsidiaries are currently contesting certain claims made by the Brazilian tax authorities related to taxation and employer social contributions.

On July 17, 2001, the European Commission issued a Statement of Objections alleging, among other things, that CNH's French and Italian subsidiaries adopted practices limiting sales outside of dealer territories. CNH submitted a reply to the European Commission and a hearing was held on January 28, 2002. On October 10, 2002, CNH received a request for additional information, which was provided on October 31, 2002. As of the date of this report, the Commission had not provided a ruling. The European Commission has the power to assess a wide range of fines, penalties and sanctions, which may be significant. Any fines would be assessed by the Commission only after a ruling by the Commission that these subsidiaries engaged in anti-competitive practices. CNH believes that the allegations should be dismissed. However, CNH is unable to predict the outcome of this proceeding and, while CNH intends to appeal the decision if the outcome is unfavorable, CNH cannot assure that any fine the Commission might impose would not have a material adverse impact on CNH's business, financial position and results of operations.

CNH is party to a lawsuit filed against it in the U.S. District Court for the Southern District of Florida claiming that the plaintiffs have an interest in respect of CNH's subsidiary O&K Orenstein & Koppel AG ("O&K"). The plaintiffs allege that O&K was expropriated from their Jewish grandfather in the 1930s during the Nazi era and sold to other companies. The plaintiffs claim that they are entitled to a 25% ownership interest in O&K and are seeking restitution of that 25% interest as well as monetary damages amounting to profits, dividends and other income derived therefrom. A Transfer Order has been entered transferring this litigation for pre-trial matters from the Florida federal court to the New Jersey Multidistrict Litigation Panel on litigation related to alleged misappropriation of Jewish property during the Nazi era. At CNH's request, the German embassy in the United States filed a Statement of Interest with the court, stating that the German Foundation "Remembrance, Responsibility and the Future" was the appropriate venue for plaintiffs' compensation and recommending the dismissal of this litigation. CNH has filed, accordingly, a motion to dismiss. CNH believes the allegations of the lawsuit are without merit and intends to continue its vigorous defense against the claims.

On October 29, 2002, the International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (the "UAW") and six named individuals filed a class action lawsuit in the Federal District Court for the Eastern District of Michigan against El Paso Tennessee Pipeline Co. (formerly Tenneco Inc.) and Case. The lawsuit alleges breach of contract and violations of various provisions of the Employee Retirement Income Security Act arising due to alleged changes in health insurance benefits provided to employees of the Tenneco Inc. agriculture and construction equipment business who retired before that business was transferred to Case in June 1994. El Paso Tennessee Pipeline Co. administers the health insurance programs for these employees. The lawsuit arose after El Paso Tennessee Pipeline Co. notified the retired employees that they will be required to pay a portion of the cost of those benefits. That lawsuit was voluntarily dismissed by the plaintiffs before an answer to the complaint was filed by any defendant. In December 2002, a lawsuit with the same claims and factual basis was filed against Case and El Paso Tennessee Pipeline Co. as a class action, but without the UAW as a plaintiff. CNH believes that there is no legal or factual basis for the claims against Case. While CNH is unable to predict the outcome of this proceeding, it believes that the outcome will not be material to its operations.

Management is of the opinion that the resolution of these claims, individually and in the aggregate, will not have a material adverse effect on CNH's financial position or results of operations.

Commitments Minimum rental commitments at December 31, 2002, under non-cancelable operating leases with lease terms in excess of one year are as follows:

(IN MILLIONS)	AMOUNT
2003	$ 47
2004	31
2005	19
2006	13
2007 and thereafter	58
Total minimum rental commitments	**$ 168**

Total rental expense for all operating leases was $40 million and $44 million for the years ended December 31, 2002 and 2001, respectively.

Guarantees As described in Note 2, CNH pays for normal warranty costs and the costs of major programs to modify products in the customers' possession within certain pre-established time periods. A summary of recorded activity for the years ended December 31, 2002 and 2001 for this commitment is as follows:

	2002	2001
(IN MILLIONS)		
Balance, beginning of year	$ 189	$ 305
Current year provision	216	197
Claims paid and other adjustments	(236)	(313)
Balance, end of year	**$ 169**	$ 189

Note 17: Financial Instruments

Fair Market Value of Financial Instruments The estimated fair market values of financial instruments that do not approximate their carrying values in the financial statements as of December 31, 2002 and 2001 are as follows:

	2002		2001	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
(IN MILLIONS)				
Accounts and notes receivable, net	$ 5,711	$ 5,790	$ 6,160	$ 6,191
Long-term debt	$ 3,997	$ 3,949	$ 5,585	$ 5,704

The fair value of accounts and notes receivable was based on discounting the estimated future payments at prevailing market rates. The fair value, which approximates carrying value, of the interest only strip component of CNH's accounts and notes receivables was based on loss, prepayment and interest rate assumptions approximating those currently experienced by CNH. The fair value of fixed-rate, public long-term debt was based on both quoted prices and the market value of debt with similar maturities and interest rates; the fair value of other fixed-rate borrowings were based on discounting using the treasury yield curve; the carrying amount of floating-rate accounts and notes receivable and long-term debt was assumed to approximate its fair value. As derivatives are recorded at fair market value on the balance sheet, the carrying amounts and fair market values are equivalent for CNH's foreign exchange forward contracts, currency options, interest rate swaps and interest rate caps.

Derivatives CNH utilizes derivative instruments to mitigate its exposure to interest rate and foreign currency exposures. Derivatives used as hedges are effective at reducing the risk associated with the exposure being hedged and are designated as a hedge at the inception of the derivative contract. CNH does not hold or issue such instruments for trading purposes. The credit and market risk for interest rate hedges are reduced through diversification among counterparties with high credit ratings. These counterparties include certain Fiat subsidiaries. The total notional amount of foreign exchange hedges with certain Fiat subsidiaries as counterparties was approximately $291 million as of December 31, 2002.

Foreign Exchange Contracts CNH has entered into foreign exchange forward contracts, swaps and options in order to manage and preserve the economic value of cash flows in non-functional currencies. CNH conducts its business on a multinational basis in a wide variety of foreign currencies and hedges foreign currency exposures arising from various receivables, liabilities and expected inventory purchases. Derivative instruments that are utilized to hedge the foreign currency risk associated with anticipated inventory purchases in foreign currencies are designated as cash flow hedges. Gains and losses on these instruments, to the extent that they have been effective, are deferred in other comprehensive income and recognized in earnings when the related inventory is sold. Ineffectiveness recognized related to these hedge relationships is recognized currently in the results of operations as "Other, net" and was not significant. The maturity of these instruments does not exceed 12 months and the net of tax losses deferred in other comprehensive income to be recognized in earnings over the 12 months ended December 31, 2003 are immaterial. The effective portion of changes in the fair value of the derivatives are

recorded in other comprehensive income and are recognized in the statement operations when the hedge item affects earnings.

CNH has also designated certain forwards and swaps as fair value hedges of certain short-term receivables and liabilities denominated in foreign currencies. The effective portion of the fair value gains or losses on these instruments are reflected in earnings and are offset by fair value adjustments in the underlying foreign currency exposures. Ineffectiveness related to these hedge relationships was not material.

Options and forwards not designated as hedging instruments are also used to hedge the impact of variability in exchange rates on foreign operational cash flow exposures. The changes in the fair values of these instruments are recognized directly in earnings, and are expected to generally offset the foreign exchange gains or losses on the exposures being managed, although the gain or loss on the exposure being hedged may be recorded in a different period than the gains or losses on the derivative instruments.

Interest Rate Derivatives CNH has entered into interest rate swaps agreements in order to manage interest rate exposures arising in the normal course of business for Financial Services. Interest rate swaps that have been designated in cash flow hedging relationships are being used by CNH to mitigate the risk of rising interest rates related to the anticipated issuance of short-term LIBOR-based debt in future periods. Gains and losses on these instruments, to the extent that the hedge relationship has been effective, are deferred in other comprehensive income and recognized in interest expense over the period in which CNH recognizes interest expense on the related debt. Ineffectiveness recognized related to these hedge relationships was not significant and is recorded in “Other, net” in the accompanying statements of operations. The maximum length of time over which CNH is hedging its interest rate exposure through the use of derivative instruments designated in cash flow hedge relationships is 72 months, and CNH expects approximately $14 million net of tax losses deferred in other comprehensive income to be recognized in earnings over the 12 months ended December 31, 2003.

Interest rate swaps that have been designated in fair value hedge relationships are being used by CNH to mitigate the risk of reductions in the fair value of existing fixed-rate, long-term bonds and medium-term notes due to decreases in LIBOR-based interest rates. This strategy is used mainly for the interest rate exposures for Equipment Operations. Gains and losses on these instruments are reflected in interest expense in the period in which they occur and an offsetting gain or loss is also reflected in interest expense based on changes in the fair value of the debt instrument being hedged due to changes in LIBOR-based interest rates. There was no ineffectiveness as a result of fair value hedge relationships in 2002.

CNH enters into forward starting interest rate swaps as hedges of the gains that are recognized upon the sale of receivables in ABS transactions as described in Note 4, “Accounts and Notes Receivable.” These instruments protect the Company from rising interest rates, which impact the rates paid on the securities issued to investors in connection with these transactions. The changes in the fair market value of these instruments are highly correlated to changes in the fair value of the anticipated cash flows from the securities to be issued. Gains and losses are deferred in other comprehensive income and recognized in “Finance and interest income” in the accompanying statements of operations at the time of the ABS issuance. Ineffectiveness of these hedge relationships was not significant in 2002.

CNH also utilizes both back-to-back interest rate swaps and back-to-back interest rate caps that are not designated in hedge relationships. Unrealized and realized gains and losses resulting from fair value changes in these instruments are recognized directly in earnings. These instruments are used to mitigate interest rate risk related to the Company’s asset-backed commercial paper facilities and various limited purpose business trusts associated with the Company’s retail note asset-backed securitization programs in North America. These facilities and trusts require CNH to enter into interest rate swaps and caps. To ensure that these transactions do not result in the Company being exposed to this risk, CNH enters into an offsetting interest rate swap or cap with substantially similar terms. Net gains and losses on these instruments were insignificant for 2002.

Note 18: Shareholders' Equity

On February 4, 2002, CNH's shareholders approved adoption of certain amendments to the articles of association of CNH, among which is an increase in CNH's authorized share capital to €450 million, divided into 140 million common shares and 60 million preferred shares. In addition, the shareholders have authorized the board of directors to resolve on any future issuance of authorized shares for a period of 5 years.

As of December 31, 2002, CNH has 131,238,200 common shares issued, of which 131,121,493 shares were outstanding. As of December 31, 2002, CNH has 116,706 treasury shares, which were acquired as a result of the cancellation of restricted shares under the CNH Equity Incentive Plan. No preferred shares are issued or outstanding.

In June 2002, CNH completed a public offering of 10 million shares of common stock. In July 2002, the underwriters exercised their over-allotment option for 700,000 additional shares. The offering was priced at $20.00 per share. Net proceeds after offering costs were approximately $201 million. Concurrent with this offering, Fiat, CNH's majority shareholder, exchanged $1.3 billion of CNH debt for 65 million common shares, equal to $1.3 billion divided by the public offering price of $20.00.

During the years ended December 31, 2002 and 2001, changes in CNH common shares issued were as follows:

(IN THOUSANDS)	2002	2001
Issued as of beginning of year	55,537	55,537
Issuances of CNH Common Shares:		
Public offering	10,700	—
Fiat conversion of debt to equity	65,000	—
Stock-based compensation for directors	1	—
Conversion of advance to capital	—	—
CNH Equity Incentive Plan	—	—
Share rights offering	—	—
Issued as of end of year	**131,238**	55,537

Dividends of $0.50 per common share, totaling $28 million, were declared and paid during 2002, prior to the June and July equity transactions noted above. During 2001, dividends of $0.50 per common share, totaling $28 million, were declared and paid.

See Note 24 for information on equity transactions occurring after December 31, 2002.

Note 19: Option and Incentive Plans

CNH Directors' Plan In 1999, CNH established the CNH Global N.V. Outside Directors' Compensation Plan ("CNH Directors' Plan"). As amended, the CNH Directors' Plan provides for: (1) the payment of an annual retainer fee and committee chair fee (collectively, the "Annual Fees") to independent outside members of the Board in the form of common shares of CNH; (2) an annual grant of options to purchase common shares of CNH; (3) an opportunity to receive up to 50% of their Annual Fees in cash; and (4) an opportunity to convert all or a portion of their Annual Fees into stock options. The exercise prices of all options granted under the CNH Directors' Plan are equal to or greater than the fair market value of CNH common shares on the respective grant dates. There are 200,000 common shares reserved for issuance under this plan. As of December 31, 2002, there were 117,536 common shares available for issuance under the CNH Directors' Plan.

The following table reflects option activity under the CNH Directors' Plan for the years ended December 31, 2002 and 2001:

	2002		2001	
	SHARES	EXERCISE PRICE*	SHARES	EXERCISE PRICE*
Outstanding at beginning of year	48,314	$ 42.00	24,151	$ 59.25
Granted	39,322	21.35	28,456	30.20
Forfeited	(5,172)	29.35	(4,293)	60.45
Outstanding at end of year	**82,464**	**33.10**	48,314	42.00
Exercisable at end of year	**61,954**	**31.80**	31,814	31.80

** Weighted-average*

The following table summarizes outstanding stock options under the CNH Directors' Plan at December 31, 2002:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICE	SHARES OUTSTANDING	CONTRACTUAL LIFE*	EXERCISE PRICE*	SHARES EXERCISABLE	EXERCISE PRICE*
$15.20 - $26.20	19,081	9.7 years	$ 15.20	19,081	$ 15.20
$26.21 - $40.00	43,525	9.4 years	29.05	29,015	29.95
$40.01 - $56.00	5,881	8.8 years	49.30	5,881	49.30
$56.01 - $77.05	13,977	8.3 years	63.05	7,977	65.35

** Weighted-average*

CNH Equity Incentive Plan In 1999, CNH established the CNH Equity Incentive Plan (the "CNH EIP"). As amended, the CNH EIP provides for grants of various types of awards to officers and employees of CNH and its subsidiaries. There are 5,600,000 common shares reserved for issuance under this plan. Certain options vest ratably over 4 years from the award date, while certain performance-based options vest subject to the attainment of specified performance criteria but no later than 7 years from the award date. All options expire after 10 years. Prior to 2001, the exercise prices of all options granted under the CNH EIP were equal to or greater than the fair market value of CNH common shares on the respective grant dates. During 2001, CNH granted stock options with an exercise price less than the quoted market price of CNH stock at the date of grant. The 2001 exercise price was based upon the average official price on the New York Stock Exchange during the 30-day period preceding the date of grant. The $3,729,600 of compensation cost related to the 2001 award has been deferred and is being charged to expense over the 4-year service period of the related options. The 2002 grant was issued at the fair value on the date of grant. As of December 31, 2002, there were 2,349,711 common shares available for issuance under the CNH EIP.

The following table reflects option activity under the CNH EIP for the years ended December 31, 2002 and 2001:

	2002		2001	
	SHARES	EXERCISE PRICE*	SHARES	EXERCISE PRICE*
Outstanding at beginning of year	1,907,182	$ 48.65	1,040,387	$ 68.85
Granted	1,424,240	16.20	1,065,600	31.70
Forfeited	(111,327)	46.60	(198,805)	63.75
Outstanding at end of year	3,219,995	34.35	1,907,182	48.65
Exercisable at end of year	774,780	57.10	355,585	68.85

** Weighted-average*

The following table summarizes outstanding stock options under the CNH Equity Incentive Plan at December 31, 2002:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICE	SHARES OUTSTANDING	CONTRACTUAL LIFE*	EXERCISE PRICE*	SHARES EXERCISABLE	EXERCISE PRICE*
$15.20 - $26.20	1,417,840	9.6 years	$ 16.20	—	$ —
$26.21 - $40.00	980,400	8.6 years	31.70	245,100	31.70
$40.01 - $77.05	821,755	7.1 years	68.85	529,680	68.85

** Weighted-average*

Under the CNH EIP, shares may also be granted as restricted shares. CNH establishes the period of restriction for each award and holds the stock during the restriction period. Certain restricted shares vest over 6 months to 7 years, while certain performance-based restricted shares vest subject to the attainment of specified performance criteria. Such performance-based restricted shares vest no later than 7 years from the award date. No restricted shares were awarded during 2002 and 2001. At December 31, 2002, restricted common shares outstanding totaled 4,128 shares.

CNH maintains a management bonus program that links a portion of the compensation paid to senior executives to our achievement of financial performance criteria specified by the Nominating and Compensation Committee of the CNH Board of Directors. Effective for the 2002 plan year only, a special incentive plan (the "2002 Special Incentive Program") was approved which provides a grant of restricted stock to certain senior executives upon meeting a specified financial position target. The 2002 Special Incentive Program will be administered under the CNH Equity Incentive Program. CNH will issue approximately 180,000 restricted shares under the program in 2003, which will vest one year from the date of grant.

Fiat Stock Option Program Certain employees of CNH are eligible to participate in stock option plans of Fiat ("Fiat Plans") whereby participants are granted options to purchase ordinary shares of Fiat ("Fiat Shares"). A summary of options granted under the Fiat Plans follows:

YEAR OF GRANT	OPTIONS GRANTED	EXERCISE PRICE	SHARE PRICE ON DATE OF GRANT
2002	479,000	€11.16	€11.88
2001	222,000	17.74	18.06

The exercise price was determined by the average official price of Fiat Shares on the Italian Stock Exchange during the daily sessions of the month preceding date of grant for the 2002 and 2001 grants. The 2002 and 2001 options vest ratably over a 4-year period. All options under the Fiat Plans expire 8 years after the grant date. The fair value of these options did not result in a material amount of compensation expense.

SFAS No. 123 Disclosure CNH has retained the intrinsic value method of accounting for stock-based compensation in accordance with APB No. 25. For disclosure purposes only under SFAS No. 123, the Black-Scholes pricing model was used to calculate the "fair value" of stock options. Based on this model, the weighted-average fair values of stock options awarded for the years ended December 31, 2002 and 2001 were as follows:

	2002	2001
CNH Directors' Plan	$ 8.95	$ 12.40
CNH EIP	$ 6.65	$ 14.70

The weighted-average assumptions used under the Black-Scholes pricing model were as follows:

	2002		2001	
	DIRECTORS' PLAN	EIP	DIRECTORS' PLAN	EIP
Risk-free interest rate	3.9%	3.8%	4.3%	4.1%
Dividend yield	2.4%	2.4%	1.5%	1.5%
Stock price volatility	51.0%	51.0%	47.0%	47.0%
Option life (years)	5.0	5.5	5.0	4.5

Pro forma net income (loss) and earnings (loss) per share assuming the fair value of accounting for stock-based compensation as prescribed under SFAS No. 123 is provided in Note 2.

Note 20: Earnings (Loss) per Share

The following reconciles the numerators and denominators of the basic and diluted earnings per share computations for income from continuing operations for the years ended December 31, 2002 and 2001:

(IN MILLIONS, EXCEPT PER SHARE DATA)	2002	2001
Basic		
Net loss	$ (426)	$ (332)
Weighted-average shares outstanding	97	55
Basic earnings (loss) per share before cumulative effect of change in accounting principle	$ (1.05)	$ (6.00)
Cumulative effect of change in accounting principle	(3.35)	—
Basic earnings (loss) per share	$ (4.40)	$ (6.00)
Diluted		
Net loss	$ (426)	$ (332)
Effect of dilutive securities (when dilutive)	—	—
Net loss after adjustment for dilutive conversions	$ (426)	$ (332)
Weighted-average shares outstanding — Basic	97	55
Effect of dilutive securities (when dilutive)	—	—
Weighted-average shares outstanding — Diluted	97	55
Diluted earnings (loss) per share before cumulative effect of change in accounting principle	$ (1.05)	$ (6.00)
Cumulative effect of change in accounting principle	(3.35)	—
Diluted earnings (loss) per share	$ (4.40)	$ (6.00)

Stock options to purchase 3,302 and 1,955 shares during 2002 and 2001, respectively, were outstanding but not included in the calculation of diluted loss per share as the impact of these options would have been anti-dilutive.

Note 21: Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) as of December 31, 2002 and 2001 are as follows:

(IN MILLIONS)	2002	2001
Cumulative translation adjustment	$ (419)	$ (507)
Minimum pension liability adjustment, net of taxes ($223 and $89, respectively)	(397)	(119)
Deferred gains (losses) on derivative financial instruments, net of taxes ($16 and $12, respectively)	(19)	(20)
Total	$ (835)	$ (646)

Note 22: Segment and Geographical Information

Segment Information CNH has three reportable segments: Agricultural Equipment, Construction Equipment and Financial Services. Certain reclassifications have been made to conform the historical segment and geographical information to the current CNH management reporting format.

Agricultural Equipment The agricultural equipment segment manufactures and distributes a full line of farm machinery and implements, including two-wheel and four-wheel drive tractors, combines, cotton pickers, grape and sugar cane harvesters, hay and forage equipment, planting and seeding equipment, soil preparation and cultivation implements and material handling equipment.

Construction Equipment The construction equipment segment manufactures and distributes a full line of construction equipment and has leading positions in excavators, crawler dozers, graders, wheel loaders, loader/backhoes, skid steer loaders and trenchers.

Financial Services The financial services segment is engaged in broad-based financial services for the global marketplace through various wholly owned subsidiaries and joint ventures in North America, Latin America, Europe, Australia and Asia Pacific. CNH provides and administers retail financing to end-use customers for the purchase or lease of new and used CNH and other agricultural and construction equipment sold by CNH dealers and distributors. CNH also facilitates the sale of insurance products and other financing programs to retail customers. In addition, CNH provides wholesale financing to CNH dealers and rental equipment operators, as well as financing options to dealers to finance working capital, real estate and other fixed assets and maintenance equipment in connection with their operations.

The accounting policies of the segments are described in Note 2, "Summary of Significant Accounting Policies." CNH evaluates segment performance based on operating earnings. CNH defines operating earnings as the income (loss) of Equipment Operations before interest expense, taxes and restructuring and other merger-related costs, including the income of Financial Services on an equity basis. Transfers between segments are accounted for at market value. Additionally, Fiat evaluates CNH's performance based on results of operations computed using accounting principles followed by Fiat. Results of operations computed using accounting principles followed by Fiat excludes, among other things, minority interest, provision (benefit) for income taxes, restructuring charges, net financial expense and equity in (income) loss of unconsolidated subsidiaries and affiliates.

CNH's reportable segments are strategic business units that offer different products and services. Each segment is managed separately.

(IN MILLIONS)	2002	2001	2000
Results of operations by segment per accounting principles followed by Fiat:			
Agricultural equipment	$ 201	$ 105	$ (43)
Construction equipment	(159)	13	127
Financial services	122	93	27
Eliminations	(10)	(23)	(69)
Results of operations	$ 154	$ 188	$ 42

A summary of reportable segment information, compiled under U.S. GAAP, for the years ended December 31, 2002, and 2001 is as follows:

(IN MILLIONS)	2002	2001
Revenues:		
Net sales		
Agricultural equipment	$ 6,405	$ 6,073
Construction equipment	2,926	2,957
Total net sales	9,331	9,030
External financial services	609	685
Intersegment financial services	32	54
Eliminations	(32)	(54)
Total	$ 9,940	$ 9,715
Investments in unconsolidated subsidiaries and affiliates (at the end of year):		
Agricultural equipment	$ 184	$ 169
Construction equipment	144	66
Financial services	47	31
Total	$ 375	$ 266
Depreciation and amortization:		
Agricultural equipment	$ 161	$ 232
Construction equipment	67	87
Financial services	118	105
Total	$ 346	$ 424
Segment assets (at the end of year):		
Agricultural equipment	$ 6,380	$ 6,410
Construction equipment	3,430	2,893
Financial services	5,875	6,352
Eliminations and other	1,075	1,557
Total	$16,760	$17,212
Expenditures for additions to long-lived assets*:		
Agricultural equipment	$ 198	$ 160
Construction equipment	39	61
Financial services	170	330
Total	$ 407	$ 551

** Includes equipment on operating leases and property, plant and equipment.*

Geographical Information The following highlights the results of CNH's operations by geographic area, by origin:

(IN MILLIONS)	UNITED STATES	CANADA	UNITED KINGDOM	ITALY	BELGIUM	OTHER	TOTAL
At December 31, 2002, and for the year then ended:							
Total revenues	**$ 4,073**	**$ 659**	**$ 1,343**	**$ 1,717**	**$ 772**	**$ 1,376**	**$ 9,940**
Long-lived assets*	**$ 1,091**	**$ 93**	**$ 116**	**$ 224**	**$ 126**	**$ 343**	**$ 1,993**
At December 31, 2001, and for the year then ended:							
Total revenues	$ 4,156	$ 606	$ 1,276	$ 1,636	$ 665	$ 1,376	$ 9,715
Long-lived assets*	$ 1,166	$ 103	$ 88	$ 190	$ 89	$ 330	$ 1,966

** Includes equipment on operating leases and property, plant and equipment.*

CNH is organized under the laws of the Kingdom of The Netherlands. Geographical information for CNH pertaining to The Netherlands is not significant or not applicable.

Note 23: Related-Party Information

In June 2002, Fiat, CNH's majority shareholder, exchanged $1.3 billion of CNH debt for 65 million common shares, equal to $1.3 billion divided by $20.00 per share, which was the price per share at which CNH sold 10 million shares in its concurrent public offering.

CNH has historically obtained, and may continue to obtain, a significant portion of its external financing and certain foreign exchange and interest rate-related contracts from Fiat and its affiliates, on terms that CNH believes are at least as favorable as those available from unaffiliated third parties. At December 31, 2002, CNH's outstanding debt with Fiat and its affiliates was approximately 50% of its total debt. Fiat guarantees $1,138 million or approximately 15% of CNH's outstanding debt. In addition, CNH pays Fiat a guarantee fee based on the average amount outstanding under facilities guaranteed by Fiat. In 2002, CNH paid a guarantee fee of between 0.03125% per annum and 0.125% per annum, while in 2001, the guarantee fee ranged between 0.0625% per annum and 0.125% per annum. Reference is made to Note 10, "Short-Term Debt" and Note 11, "Long-Term Debt" for further information regarding financing with Fiat.

CNH purchases some of its engines and other components from the Fiat Group, and companies of the Fiat Group provide CNH administrative services such as accounting and audit, maintenance of plant and equipment, research and development, information systems and training. In addition, CNH sells certain products to subsidiaries and affiliates of Fiat.

CNH's principal purchases of goods from Fiat and its affiliates include diesel engines from Iveco N.V., robotic equipment from Comau Pico Holdings Corporation, dump trucks from Astra V.I. S.p.A., and castings from Teksid. CNH also purchases tractors from its Mexican joint venture for resale in the United States.

Fiat has executed, on behalf of CNH, certain foreign exchange and interest rate-related contracts. As of December 31, 2002, CNH and its subsidiaries were parties to derivative or other financial instruments having an aggregate contract value of $334 million to which affiliates of Fiat were counterparties.

Fiat provides accounting services to CNH in Europe and Brazil through an affiliate that uses shared service centers to provide such services at competitive costs to various Fiat companies and third-party customers. Fiat provides internal audit services at the direction of CNH's internal audit department in certain locations where it is more cost effective to use existing Fiat resources. Routine maintenance of our plants and facilities in Europe is provided by a Fiat affiliate skilled in such work that also provides similar services to third parties. CNH purchases network and hardware support from and outsources a portion of its information services to a joint venture that Fiat has formed with IBM. Fiat also provides training services through an affiliate that is skilled at providing employee training. CNH purchases research and development from an Italian joint venture set up by Fiat and owned by various Fiat subsidiaries. This joint venture benefits from Italian government incentives granted to promote work in the less developed areas of Italy. CNH's management believes that the terms of the contracts entered into with Fiat and its affiliates are at least as favorable as those available from unaffiliated third parties.

Additionally, CNH participates in the stock option program of Fiat as described in Note 19, "Option and Incentive Plans."

The following table summarizes CNH's sales, purchases, and finance income and expense with affiliates of Fiat, CNH dealer development companies and joint ventures for the years ended December 31, 2002 and 2001:

(IN MILLIONS)	2002	2001
Sales of equipment	$ 7	$ 13
Sales to affiliated companies and joint ventures	161	199
Total sales to affiliates	**$ 168**	$ 212
Purchase of materials, production parts, merchandise and services	**$ 334**	$ 239
Finance and interest income	**$ 18**	$ 31
Interest expense	**$ 236**	$ 358

CNH management believes that the terms of sales and purchases provided to CNH by Fiat and its affiliates are at least as favorable as those available from unaffiliated third parties.

Note 24: Subsequent Events

The Board of Directors of CNH recommended a dividend of $0.25 per common share on March 5, 2003. The dividend will be payable on June 2, 2003 to shareholders of record at the close of business on May 19, 2003. Declaration of the dividend is subject to approval at the Annual General Meeting, held on May 8, 2003.

On March 27, 2003, CNH's shareholders approved, at an Extraordinary General Meeting, adoption of certain amendments to the Articles of Association of CNH, including an increase in CNH's authorized share capital to €1,350 million, divided into 400 million common shares and 200 million Series A preference shares with a per share par value of €2.25.

On April 1, 2003, CNH effected a 1-for-5 reverse stock split of its common shares. All references in the accompanying consolidated financial statements and notes thereto to earnings per share and the number of shares have been retroactively restated to reflect this reverse stock split.

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

The Series A Preferred Stock will not accrue dividends until January 1, 2005. Subsequently, the Series A Preferred Stock will pay a dividend at the then prevailing common dividend yield. However, should CNH achieve certain defined financial performance measures, the annual dividend will be fixed at the prevailing common dividend yield, plus an additional 150 basis points. Dividends will be payable annually in arrears, subject to certain provisions that allow for a deferral for a period not to exceed 5 consecutive years. The Series A Preferred Stock has a liquidation preference of $250 per share and each share is entitled to one vote on all matters submitted to CNH's shareholders. The Series A Preferred Stock will convert into 100 million CNH common shares at a conversion price of $20 per share automatically if the market price of the common share is greater than $24 at any time through and including December 31, 2006 or $21 at any time on or after January 1, 2007, subject to anti-dilution adjustment. In the event of dissolution or liquidation whatever remains of the Company's equity, after all its debts have been discharged, will first be applied to distribute to the holders of the Series A Preferred Stock, the nominal amount of their preference shares and thereafter the amount of the share premium reserve relating to the Series A Preferred Stock. Any remaining assets will be distributed to the holders of common shares in proportion to the aggregate nominal amount of their common shares.

The following unaudited pro forma balance sheet data illustrate the impact of issuing 8 million shares of Series A Preferred Stock, in exchange for the retirement of $2 billion of Equipment Operations indebtedness, which occurred on April 7 and 8, 2003, as if the transactions had occurred on December 31, 2002. The unaudited pro forma balance sheet data should be read in conjunction with the consolidated financial statements and notes thereto, set forth elsewhere in the Form 20-F.

On a pro forma basis, assuming the issuance of 8 million shares of Series A Preferred Stock, in exchange for the retirement of $2 billion of Equipment Operations indebtedness, which occurred on April 7 and 8, 2003, had occurred on January 1, 2002, interest expense would have declined by approximately $100 million on an annual, pre-tax basis in 2002.

	UNAUDITED PRO FORMA BALANCE SHEET DATA AS OF DECEMBER 31, 2002							
	CONSOLIDATED				EQUIPMENT OPERATIONS			
	ACTUAL 2002	PRO FORMA ADJUSTMENTS		PRO FORMA UNAUDITED 2002	ACTUAL 2002	PRO FORMA ADJUSTMENTS		PRO FORMA UNAUDITED 2002
(IN MILLIONS)								
Total Assets	$ 16,760			$ 16,760	**$ 14,367**			**$ 14,367**
Current Liabilities:								
Short-term debt	$ 2,749	$ (801)	A	$ 1,948	**$ 1,884**	$ (801)	A	**$ 1,083**
Other current liabilities	4,316	14	B	4,330	**4,350**	14	B	**4,364**
Total current liabilities	7,065	(787)		6,278	**6,234**	(787)		**5,447**
Long-term debt	3,997	(1,199)	A	2,798	**2,714**	(1,199)	A	**1,515**
Other long-term liabilities	2,864	—		2,864	**2,586**	—		**2,586**
Total long-term liabilities	6,861	(1,199)		5,662	**5,300**	(1,199)		**4,101**
Minority interest	73	—		73	**72**	—		**72**
Shareholders' equity	2,761	1,986	A, B	4,747	**2,761**	1,986	A, B	**4,747**
Total Liabilities and Shareholders' Equity	$ 16,760	$ —		$ 16,760	**$ 14,367**	$ —		**$ 14,367**

A — Reflects the issuance of 8 million shares of Series A Preferred Stock to Fiat and an affiliate in exchange for the retirement of $2 billion in Equipment Operations indebtedness owed to Fiat Group companies.

B — Reflects accrual of estimated transaction fees.

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

This report includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact contained or incorporated by reference in this report, including statements regarding our competitive strengths, business strategy, future financial position, budgets, projected costs and plans and objectives of management, are forward-looking statements. These statements may include terminology such as "may," "will," "expect," "should," "intend," "estimate," "anticipate," "believe," "continue," or similar terminology.

Our outlook is predominantly based on our interpretation of what we consider key economic assumptions and involves risks and uncertainties that could cause actual results to differ. Crop production and commodity prices are strongly affected by weather and can fluctuate significantly. Housing starts and other construction activity are sensitive to interest rates and government spending. Some of the other significant factors for us include general economic and capital market conditions, the cyclical nature of our business, customer buying patterns and preferences, foreign currency exchange rate movements, our hedging practices, our and our customers' access to credit, political uncertainty and civil unrest or war in various areas of the world, pricing, product initiatives and other actions taken by competitors, disruptions in production capacity, excess inventory levels, the effect of changes in laws and regulations (including government subsidies and international trade regulations), technological difficulties, changes in environmental laws, employee and labor relations, pension and health care costs, energy prices, real estate values, animal diseases, crop pests, harvest yields, government farm programs and consumer confidence, housing starts and construction activity, concerns related to modified organisms and fuel and fertilizer costs. Additionally, our achievement of the anticipated benefits of our profit improvement initiatives depends upon, among other things, industry volumes as well as our ability to effectively rationalize operations and to execute our multiple brand strategy. Further information concerning factors that could significantly affect expected results is included in the following sections of the 2002 Form 20-F: "Item 3. Key Information;" "Item 4. Information on the Company — CNH Business Strategy," "— Competition," "— Seasonality and Production Schedules" and "— Environmental Matters;" "Item 5. Operating and Financial Review and Prospects;" and "Item 6. Directors, Senior Management and Employees — Employees."

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

Board of Directors

Bruno Cova	*Director*
Alfredo Diana	*Director*
Edward A. Hiler	*Director*
Katherine M. Hudson	*Director*
Kenneth Lipper	*Director*
Ferruccio Luppi	*Director*
Paolo Monferino	*Director, President and Chief Executive Officer*
Giuseppe Morchio	*Director*
Michael E. Murphy	*Director*
James L.C. Provan	*Director*
Jean-Pierre Rosso	*Director and Chairman*

Officers

Harold D. Boyanovsky	*President, Construction Equipment Business*
Richard M. Christman	*President, Agricultural — North America and Australia – New Zealand Region*
Franco Fusignani	*President, Agricultural — Europe Africa and Asia Region*
William T. Kennedy	*Corporate Executive Vice President, Agricultural Equipment Business*
Michel Lecomte	*President Financial Services and Chief Financial Officer*
Roberto Miotto	*Senior Vice President, General Counsel and Secretary*
Giovanni B. Ravina	*Senior Vice President, Human Resources*
Valentino Rizzioli	*President, CNH Latin America*

Audit Committee

Katherine M. Hudson	*Chairperson*
Alfedo Diana	*Member*
James L.C. Provan	*Member*
Michael E. Murphy	*Member*

Corporate Offices

The registered offices of the Company are located at:

CNH Global N.V.
World Trade Center
Amsterdam Airport
Schiphol Boulevard 217
1118 BH Schiphol Airport
Amsterdam
The Netherlands

CNH Global N.V. also maintains Management Offices at:

100 South Saunders Road
Lake Forest, Illinois 60045
USA
Tel: +1 847 955-3910
Fax: +1 847 955-4923

CNH Manufacturing and Sales Locations

Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, France, Germany, India, Italy, Japan, Mexico, Pakistan, Poland, Portugal, Russia, Singapore, Spain, Switzerland, The Netherlands, Turkey, Ukraine, United Kingdom, United States, Uzbekistan

Annual Meeting

The Annual Meeting of Stockholders will be held at 9 a.m. on May 8, 2003 at the Company's offices in the World Trade Center, 10th floor, Tower B, Amsterdam Airport, The Netherlands.

Form 20-F and Investor Relations

From May 2003, stockholders may obtain, upon written request, a copy of the Form 20-F filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2002. Such requests, as well as other inquiries of an investor relations nature, should be addressed to:

Albert S. Trefts Jr.
CNH Global N.V.
100 South Saunders Road
Lake Forest, Illinois 60045
USA
Tel: +1 847 955-3821
Fax: +1 847 955-3961
E-mail address: albert.trefts@cnh.com

Requests may also be addressed to:

Taylor Rafferty Associates, Inc.
205 Lexington Avenue
New York, New York 10016-6022
USA
Tel: +1 212 889-4350
Fax: +1 212 683-2614

Shareholder Services — Dividend Reinvestment Plan

First time purchasers and existing shareholders may build their investment in the Company through the JPMorgan website at www.adr.com or call the toll free number or write to:

Global Invest Direct
JPMorgan Chase Bank
P.O. Box 43013
Providence, Rhode Island 02940-3013 USA
adr@jpmorgan.com
JPMorgan Chase Bank Service Center Phone:
toll free inside USA: +1 800 428-4237
from outside USA: +1 781 575-4328
8:30 a.m. – 6:00 p.m. Eastern Standard Time (USA)

Stock Exchange

Common shares of CNH Global N.V. have been listed on the New York Stock Exchange under the symbol "CNH" since November 12, 1999.

Registrar and Transfer Agent

Communications regarding lost, stolen or destroyed stock certificates or dividend checks, and changes of address should be directed, in writing, to:

JPMorgan Chase Bank
P.O. Box 43013
Providence, Rhode Island 02940-3013 USA
adr@jpmorgan.com

Main Corporate Documents Publication Dates

Annual Report 2002	*May 2003*
First Quarter Interim Report	*May 2003*
Form 20-F	*April 2003*
Second Quarter Interim Report	*September 2003*
Third Quarter Interim Report	*November 2003*

Auditors

Deloitte & Touche LLP

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Giovanni Agnelli, 1921—2003

In Memoriam

It is with profound sadness that we, the management and employees of CNH, express our deepest sympathy to the Agnelli family upon the death of Giovanni Agnelli, honorary chairman of the Fiat Group, our major shareholder. The dignity and the courage of this man have enriched the lives of all who work in our company.

CNH GLOBAL N.V. 100 SOUTH SAUNDERS ROAD, LAKE FOREST, ILLINOIS 60045 USA WWW.CNH.COM