



ANNUAL REPORT
CONSOLIDATED AND STATUTORY FINANCIAL STATEMENTS
AT DECEMBER 31, 2004 — 99TH FISCAL YEAR

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This Report has been translated into English from the original version in Italian.

In case of doubt the Italian version shall prevail.



ANNUAL REPORT

AT DECEMBER 31, 2004

Stockholders Meeting

Stockholders are invited to attend the Ordinary and Extraordinary Stockholders Meeting to be held at the Fiat Historical Center, 20 Via Chiabrera, Turin, on June 21, 2005, on the first call, on June 22, 2005, on the second call for the extraordinary session only, and on June 23, 2005, on the second call for the ordinary session and on third call for the extraordinary session, at 10:00 a.m. to resolve on the following:

Agenda

1. Statutory and Consolidated Financial Statements at December 31, 2004 and Report on Operations; pertinent and related resolutions.
2. Resolutions with respect to number, appointment of members to the Board of Directors and relevant fees.
3. Coverage of civil liability for Statutory Auditors in connection with their fulfillment of the additional functions entrusted to them.
4. Motion to update the Regulations for Stockholders Meetings.
5. Motion to amend Article 8 (Attendance and Representation at Stockholders Meetings) and Article 12 (Corporate Offices, Committees and Directors' Fees) of the Articles of Association; relevant resolutions.

Fiat S.p.A.

Corporate Headquarters: 250 Via Nizza, Turin, Italy
Paid-in capital: 4,918,113,540 euros
Entered in the Turin Company Register
Fiscal Code: 00469580013



Umberto Agnelli passed away in Turin during the night of May 27 - May 28, 2004.

He was 69 years old and had been Chairman of Fiat S.p.A. since February 28, 2003. For many years, Umberto Agnelli served in top positions at the Group's holding companies and at Fiat.

He was always guided in his work by a commitment to innovation, change and internationalization, which he viewed as avenues to steady growth for the Company and the country as a whole. In his eulogy, Carlo Azeglio Ciampi, Italy's President, said: "Until the end, he demonstrated an unwavering commitment and devoted all of his efforts to relaunching the great company that is so closely tied to the name of his family for the good of his beloved Turin."

BOARD OF DIRECTORS AND CONTROL BODIES

Board of Directors

<i>Chairman</i>	Luca Cordero di Montezemolo
<i>Vice Chairman</i>	John Elkann (1)
<i>Chief Executive Officer</i>	Sergio Marchionne (1)
<i>Directors</i>	Andrea Agnelli Angelo Benessia (2) Tiberto Brandolini d'Adda Flavio Cotti (1) Luca Garavoglia (2) Hermann Josef Lambertini (2) Pasquale Pistorio (1) Daniel John Winteler (1)
<i>Secretary of the Board</i>	Franzo Grande Stevens

(1) Member of the Nominating and Compensation Committee

(2) Member of the Internal Control Committee

Board of Statutory Auditors

<i>Statutory Auditors</i>	Cesare Ferrero – Chairman Giuseppe Camosci Giorgio Ferrino
<i>Alternate Auditors</i>	Giorgio Giorgi Natale Ignazio Girolamo Piero Locatelli

External Auditors

Deloitte & Touche S.p.A.

REPORT ON OPERATIONS

01

REPORT ON
OPERATIONS





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OVERVIEW

Dear Stockholders:

In 2004, Fiat worked hard and with determination to overcome the obstacles in its path, as it faced strong competition in the market at the same time that it was busy resolving structural problems. As a result, the data that we are presenting to you are those of a difficult and challenging year during which the Group nevertheless took a decisive step on the path to recovery.

We delivered on all of our stated objectives: attained operating breakeven, sharply reduced negative cash flow and maintained a strong liquidity position, which amounted to 5.3 billion euros by year's end. These improvements were achieved despite heavy restructuring costs and extraordinary charges of about 1 billion euros, which were attributable in large part to Fiat Auto.

But not all problems have been solved. At December 31, 2004, the Group's net financial position was negative by about 5 billion euros, and its statement of operations showed a net loss of 1.5 billion euros, which, however, was smaller than in 2003.

As we have been saying, Fiat is changing its course, and 2004 will be the last year of net losses for the Group.

Clearly, in 2004 we laid the groundwork for continued improvements in our performance in the current year.

The Group strengthened all levels of management. It also made significant changes in its organization. Fiat Auto adopted a leaner structure, and Fiat SpA reconfigured the way in which its corporate functions and operating units interact.

In 2005, these changes will enable us to enhance the Company's efficiency and competitiveness, to fully exploit all available synergies and to bring about a profound transformation in the mentality of our people.

From an economic standpoint, the work done during the year helped the Group achieve across-the-board improvements. All Sectors except Fiat Auto reported a positive operating result.

In 2004, the Group was faced with the need to change its top management, following the painful loss of Umberto Agnelli and the resignation of Giuseppe Morchio. As a result, on May 30, 2004, the Board of Directors appointed a new Chairman and Vice Chairman and, on June 1, 2004, a new Chief Executive Officer.

We successfully tackled the issue of our relationship with General Motors. As I am sure you are aware, we faced difficult negotiations, since we started from positions that were far apart and had to resolve many financial and industrial problems related to the alliance between our two companies.

Our position has always been that the put option had a monetary value. The outcome of the negotiations proved that we were right, and Fiat's rights were recognized. We were able to terminate the Master Agreement and dissolve the joint ventures. More importantly, we regained the freedom to develop new growth strategies for our Automobile operations.

* * *

Fiat Auto made significant progress in 2004, slashing its operating loss by more than 20%, but it still has a lot of work to do before it can regain its full strength.

This is the main issue that we face. Accordingly, the Group must concentrate its efforts on the Automobile Sector in order to accelerate the process of change that Fiat Auto is already pursuing. For this reason, in February 2005, the Chief Executive Officer of Fiat SpA took on the CEO job at Fiat Auto as well.

The time has come to focus on the key aspects of the car-making business: products, sales network and customer service. With this in mind, in 2005 Fiat Auto will improve its sales network, continue to cut nonessential costs, increase manufacturing efficiency and work to reposition its brands and strengthen their identity.

Our efforts in pursuit of these objectives will be aided by the introduction of four new models and the creation of an Alfa Romeo-Maserati sports car unit, which will help create synergies that will benefit both brands. In addition, we will be able to rely on stronger and steadier leadership.

We can expect no help from the market, as demand will show little or no improvement. Nevertheless, Fiat Auto will significantly reduce its operating loss, compared with a ratio of 4.1% on revenues in 2004.

The other Sectors, all of which performed better than anticipated in 2004, are expected to make further progress in 2005. More specifically, CNH should report gains both in revenues and profits, while Iveco, which will be faced with flat market demand, should be able to slightly increase its revenues and further expand its profit margins.

As a Group, we will focus on areas that can be leveraged to bring improvements. They include product renewal for all Sectors and R&D programs. In 2004, the Group had already invested about 4% of net revenues in research and development.

A move in this direction was the establishment of Fiat Powertrain Technologies, a new industrial unit that will integrate all of the Group innovation capabilities and expertise in the area of engines and transmissions.

We will also continue to devote the utmost attention to the development of our people, the Company's most important asset, and we will seek to establish a direct and transparent relationship between Fiat and civil society.

An example of this commitment is the release of the Fiat Group's first Sustainability Report, which is being published together with the 2004 Annual Report. The Sustainability Report provides all stakeholders with the tools they need to evaluate the performance of our business operations in 2004, not only in terms of their operating results, but also with respect to their environmental and social impact.

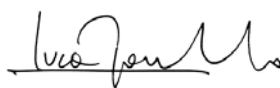
In 2004, the consolidated financial statements have been prepared in accordance with Italian accounting principles for the last time. Starting with the first quarter of 2005, these principles will be replaced by IAS/IFRS standards. The 2004 Report also contains a summary of the main differences between the accounting principles which will have an impact in preparing the Group Consolidated Financial Statements.

* * *

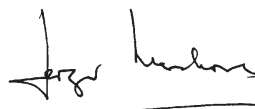
We still have a great deal of work ahead before the Group can fully regain its forward momentum. Therefore, we must accelerate change as much as possible. Management's task is to pursue this objective by pushing for effective execution and demanding quick achievement of the desired results.

We have the necessary financial and human resources. Thanks to the agreement with General Motors, we have also regained the strategic freedom that we need. We can now become a competitive automotive Group again, and we will make a decisive step in this direction in 2005. In the months ahead, we will continue to work on restoring the Company's health, and we expect to deliver a further improvement in operating income and achieve a positive bottom line, owing to the contribution of nonrecurring items.

Turin, March 24, 2005



Luca Cordero di Montezemolo
Chairman



Sergio Marchionne
Chief Executive Officer



THE FIAT GROUP

The Fiat Group's automotive manufacturing and service activities serve customers in more than 190 countries around the globe. Below is a description of how the Group is currently structured, as a result of its refocusing on the automotive business started in 2003 and continued in 2004.

AUTOMOTIVE ACTIVITIES

They account for 82% of total sales (before intercompany eliminations) and 73% of net invested capital. They include the following business lines:

– AUTOMOBILES

The Group's automobile operations are managed primarily by its Automobile Sector, which includes Fiat Auto Holdings B.V. and its subsidiaries. The Sector markets automobiles under the Fiat, Lancia and Alfa Romeo brands and light commercial vehicles under the Fiat brand.

The Automobile Sector provides financing services to its dealers and suppliers and offers motorists a comprehensive line of mobility services. Ferrari and Maserati are also part of the Fiat Group. They produce luxury sports cars that excel for their exclusive characteristics, technology and performance.

– AGRICULTURAL AND CONSTRUCTION EQUIPMENT

This Sector, which is led by CNH Global N.V., is active in the field of tractors and agricultural equipment through the Case IH, New Holland and Steyr brands and in the construction equipment business through the Case, New Holland and Kobelco brands. The Sector's financial services provide support to end customers and to its dealers.

– COMMERCIAL VEHICLES

Iveco S.p.A. is the lead company of the Commercial Vehicles Sector. This Sector designs, produces and sells complete lines of commercial vehicles (Iveco and Seddon Atkinson brands), busses (Iveco and Irisbus brands) and firefighting vehicles



(Camiva, Iveco and Magirus brands). The Sector provides a full range of financial services.

COMPONENTS SECTORS

These Sectors include Components and Metallurgical Products. Their products and areas of business are listed below:

- Automotive modules and components for lighting systems, exhaust systems, suspensions and shock absorbers, engine control units, and electronic systems.
- Engine blocks, cylinder heads and other components for cast-iron engines; cast-iron components for transmissions, gearboxes and suspensions; and magnesium bodywork components.

PRODUCTION SYSTEMS

This Sector is headed by Comau S.p.A. It produces Industrial automation systems for the automotive industry in the areas of

product and process engineering, logistics and management, manufacturing, installation, production startup and maintenance.

OTHER SECTORS

These Sectors, which include Services and Publishing and Communications, engage in the following businesses:

- Services in the areas of personnel administration, facility management, administrative and corporate finance consulting, information and communication technology, purchasing, and e-procurement.
- Publication of the La Stampa newspaper, and sale of advertising space for multimedia customers through Publikompass.

HIGHLIGHTS OF RESULTS

FINANCIAL AND OPERATING HIGHLIGHTS OF THE FIAT GROUP

(in millions of euros)	2004	2003	2002	2001	2000
Consolidated revenues	46,703	47,271	55,649	58,006	57,555
Operating result	22	(510)	(762)	318	855
EBITDA	1,335	1,950	(1,341)	3,408	5,125
EBIT	(833)	(319)	(3,955)	528	2,073
Result before taxes	(1,577)	(1,298)	(4,817)	(497)	1,050
Net result before minority interest	(1,548)	(1,948)	(4,263)	(791)	578
Group interest in net result	(1,586)	(1,900)	(3,948)	(445)	664
Net financial position positive/(negative)	(4,961)	(3,028)	(3,780)	(6,035)	(6,467)
Stockholders' equity before minority interest	5,757	7,494	8,679	13,607	15,209
Group interest in stockholders' equity	5,099	6,793	7,641	12,170	13,320
Net invested capital	10,718	10,522	12,459	19,642	21,676
Operating cash flow (Operating result plus depreciation and amortization)	2,190	1,759	1,852	3,198	3,907
Cash flow (Net result before minority interest plus depreciation and amortization)	620	321	(1,649)	2,089	3,630
Investments	2,349	2,499	3,289	3,911	3,757
of which in fixed assets	2,112	2,011	2,771	3,438	3,236
Research and development	1,810	1,747	1,748	1,817	1,725
Operating result/net revenues (ROS)	-	(1.1%)	(1.4%)	0.5%	1.5%
Operating result/average net invested capital (ROI)	0.2%	(4.4%)	(4.7%)	1.5%	4.2%
Net result before minority interest/net revenues	(3.3%)	(4.1%)	(7.7%)	(1.4%)	1.0%
Net result/Group interest in average stockholders' equity (ROE)	(26.7%)	(26.3%)	(39.9%)	(3.5%)	5.1%
Investments (Fixed assets)/depreciation	1.25	1.15	1.37	1.50	1.28
Number of employees	160,549	162,237	186,492	198,764	223,953

STATISTICAL DATA BY GEOGRAPHICAL REGION

	Number of Companies	Number of Employees	Number of Facilities	Number of R&D Centers
Italy	173	71,329	54	52
Europe excluding Italy	291	42,879	56	33
North America	89	12,400	28	17
Mercosur	43	24,229	19	10
Other regions	104	9,712	23	9
Total	700	160,549	180	121



FINANCIAL AND OPERATING HIGHLIGHTS BY SECTOR

	Net revenues		Operating result		EBIT		Net result before minority interest	
	2004 (in millions of euros)	2003 (in millions of euros)	2004 (in millions of euros)	2003 (in millions of euros)	2004 (in millions of euros)	2003 (in millions of euros)	2004 (in millions of euros)	2003 (in millions of euros)
Automobiles (<i>Fiat Auto</i>)	20,539	20,010	(840)	(979)	(1,577)	(1,607)	(2,019)	(2,058)
Ferrari – Maserati	1,512	1,261	6	32	5	31	(27)	2
Agricultural and Construction								
Equipment (<i>CNH</i>)	9,796	9,418	407	229	359	99	133	(192)
Commercial Vehicles (<i>Iveco</i>)	9,292	8,440	357	81	300	(84)	109	(258)
Components (<i>Magneti Marelli</i>)	3,804	3,206	116	32	98	(41)	55	(90)
Metallurgical Products (<i>Teksid</i>)	911	844	35	12	26	(56)	3	(91)
Production Systems (<i>Comau</i>)	1,716	2,293	32	2	15	(122)	(15)	(164)
Services (<i>Business Solutions</i>)	1,572	1,816	36	45	5	11	(26)	(20)
Publishing and Communications (<i>Itedi</i>)	407	383	12	10	10	9	2	1
Aviation (<i>FiatAvio</i>) (*)	–	625	–	53	–	33	–	13
Insurance (<i>Toro Assicurazioni</i>) (**)	–	1,654	–	44	–	1	–	52
Holdings, Miscellaneous and Eliminations	(2,846)	(2,679)	(139)	(71)	(74)	1,407	237	857
Total for the Group	46,703	47,271	22	(510)	(833)	(319)	(1,548)	(1,948)

	Cash flow (***)		Capital expenditures in fixed assets		Net invested capital		Number of employees	
	2004 (in millions of euros)	2003 (in millions of euros)	2004 (in millions of euros)	2003 (in millions of euros)	2004 (in millions of euros)	2003 (in millions of euros)	2004	2003
Automobiles (<i>Fiat Auto</i>)	(1,074)	(1,096)	1,330	1,100	2,561	1,806	45,121	44,563
Ferrari – Maserati	94	86	139	193	293	229	3,322	2,968
Agricultural and Construction								
Equipment (<i>CNH</i>)	526	258	210	217	3,946	4,148	25,746	26,825
Commercial Vehicles (<i>Iveco</i>)	417	46	148	210	1,047	1,310	30,771	31,511
Components (<i>Magneti Marelli</i>)	236	83	187	148	591	540	21,868	19,879
Metallurgical Products (<i>Teksid</i>)	51	(43)	44	56	249	194	8,571	7,556
Production Systems (<i>Comau</i>)	28	(108)	14	18	191	205	13,328	17,375
Services (<i>Business Solutions</i>)	7	10	11	7	17	(31)	6,519	7,113
Publishing and Communications (<i>Itedi</i>)	9	8	2	3	15	19	849	874
Aviation (<i>FiatAvio</i>) (*)	–	55	–	33	–	–	–	–
Insurance (<i>Toro Assicurazioni</i>) (**)	–	68	–	–	–	–	–	–
Holdings, Miscellaneous and Eliminations	326	954	27	26	1,808	2,102	4,454	3,573
Total for the Group	620	321	2,112	2,011	10,718	10,522	160,549	162,237

(*) Data for the Aviation Sector are shown until the date of its sale (July 1, 2003).

(**) Data for the Insurance Sector are shown until the date of its sale (May 2, 2003).

(***) Net result + depreciation and amortization.

STOCKHOLDERS

Financial communications

It is Fiat's primary interest to create and maintain a constant dialogue with its Stockholders and its Institutional Investors. Through its investor relations program, the Group pursues a policy of open communication with individual and institutional investors. In the course of the year, the Investor Relations function organizes presentations, live or through conference calls, after the regular publication of Group results or other events requiring direct communications with the market. Moreover, the program includes several seminars, which provide a more in-depth understanding of the operating performance and strategies of the principal Group Sectors, as well as meetings and roadshows that permit a direct relationship between the financial community and the Group's top management.

In 2004, Fiat presented a new version of its website www.fiatgroup.com providing it with updatings and new contents and functionalities, also to better respond to stakeholders' needs.

For holders of Fiat shares:

Toll-free telephone number in Italy: **800-804027**

Website: www.fiatgroup.com

E-mails: investor.relations@geva.fiatgroup.com
serviziotitoli@fiatgroup.com

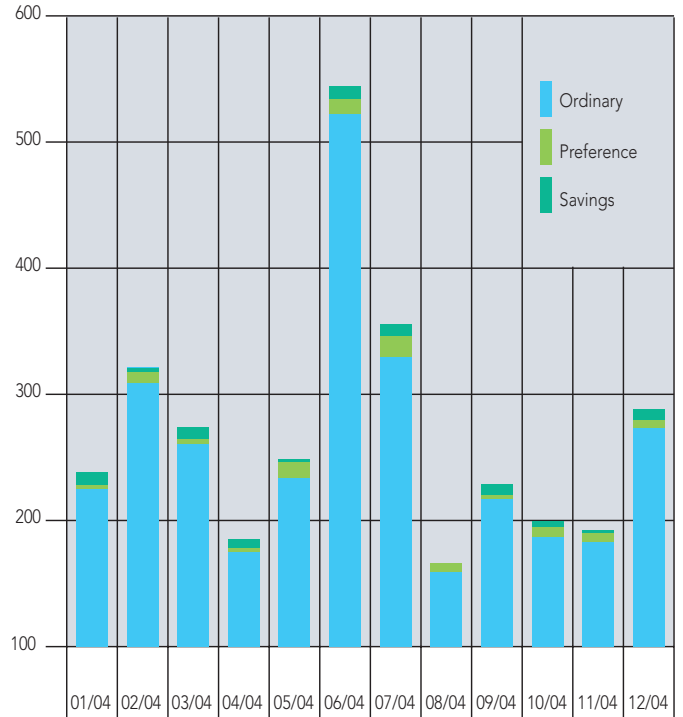
For holders of ADRs:

Toll-free telephone number in the USA and Canada: **800 900 11 35**

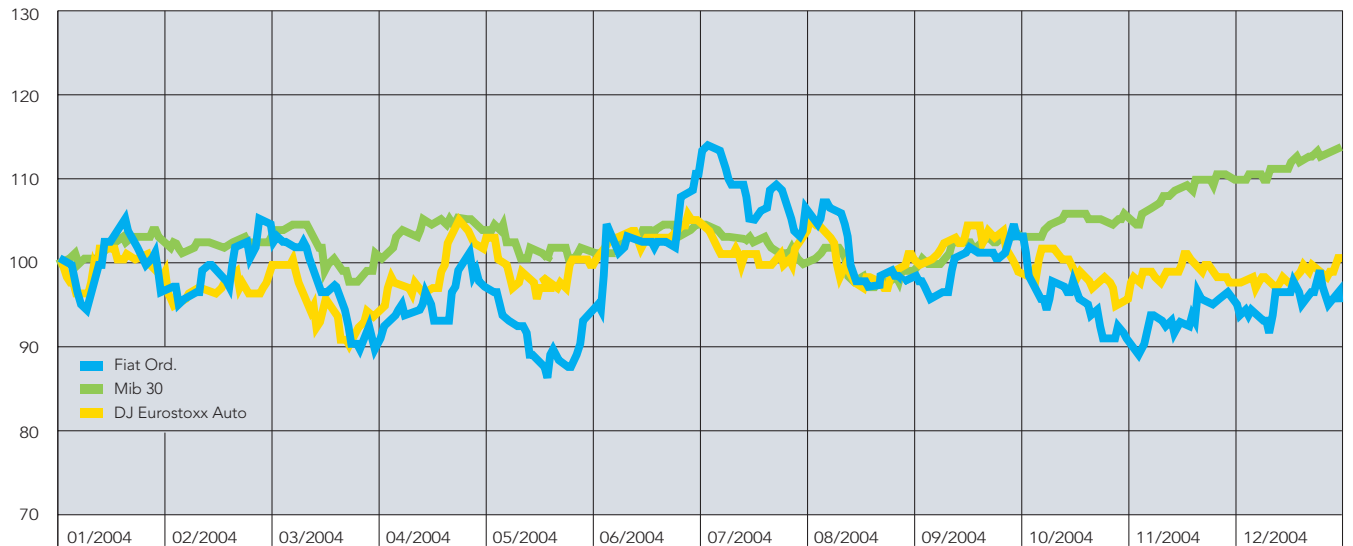
Outside the Usa and Canada: **781 575 43 28**

Website: www.adr.com

Average monthly trading volumes (in millions of shares)



Performance of FIAT stock with respect to MIBTEL index and Eurostoxx since January 1, 2004 (1/1/04=100)

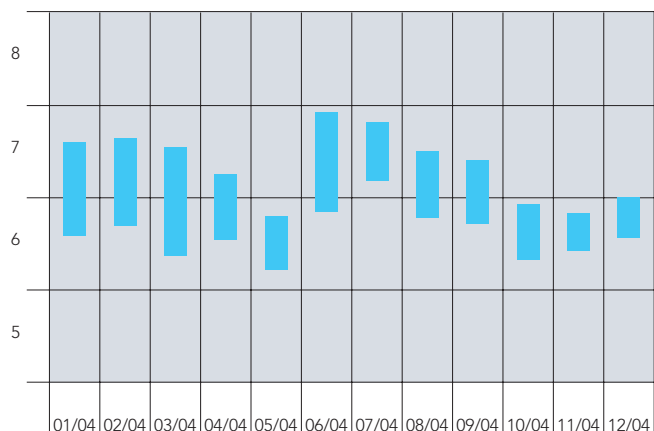


The recovery of leading European stock markets that began in 2003 expanded in 2004. The improvement in performance ranged from approximately +6% and +7%, respectively, on the Paris and London Stock Exchanges to approximately +13% and 15%, respectively, in Frankfurt and Madrid. The Milan Stock Exchange rose by approximately 16% in 2004. During 2004, the European automotive sector was impacted by the problems

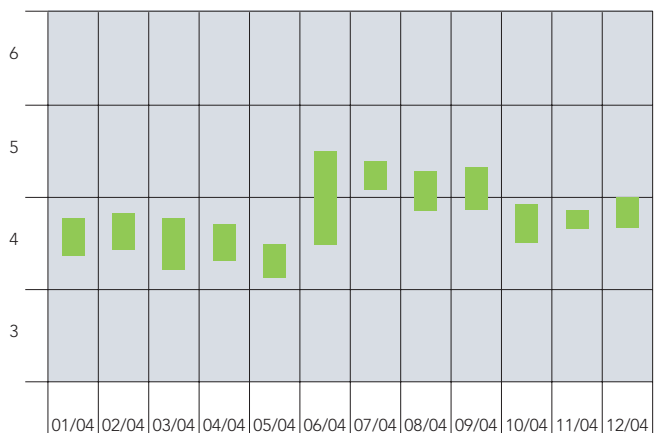
caused by the macroeconomic situation. The sector index (Dow Jones Eurostoxx Auto) was unchanged in 2004, in the face of a strong recovery (approximately 14.5%) posted during the previous year. Fiat stock slipped by approximately 4% over the course of the year. This performance naturally includes the expectations of the market for completion of restructuring and implementation of the Industrial Plan.

Minimum and maximum monthly price (in euros)

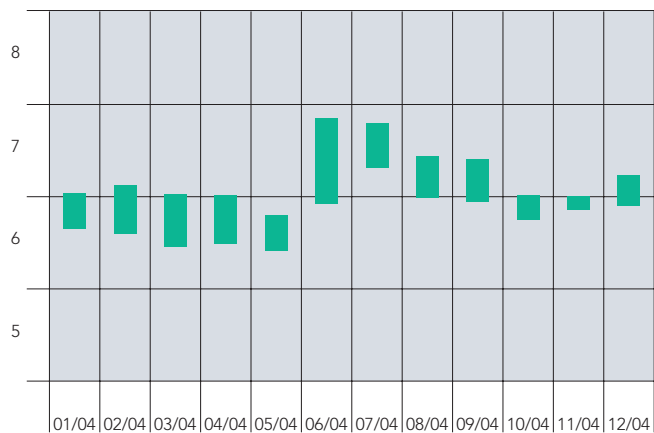
Fiat ordinary shares



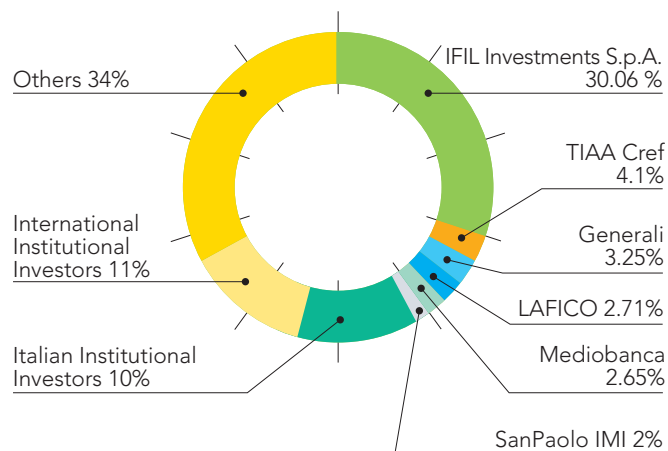
Fiat preference shares



Fiat savings shares



Major stockholders at 12/31/2004



Ordinary shares: 800,417,598

IFIL Investments S.p.A.	30.06%
TIAA Cref Inv. Mgmt.	4.12%
Generali Group	3.25%
Libyan Arab Foreign Inv. Co.	2.71%
Mediobanca	2.65%
SanPaoloIMI Group	approx. 2%
International Institutional Investors	approx. 11%
Italian Institutional Investors	approx. 10%
Other stockholders	approx. 34%

Highlights per share (in euros)

	2002	2003	2004
Cash flow per share (**)	(2.911)	0.407	0.633
Earnings per share	(6.660)	(2.412)	(1.620)
Dividend per share (*)			
ordinary and preference shares	-	-	-
savings share	-	-	-
Stockholders' equity per share at 12/31	13.489	8.623	5.209
Official price per share	12/30/02	12/30/03	12/30/04
ordinary shares	7.704	6.142	5.897
preference shares	4.348	3.704	3.976
savings shares	4.183	3.957	4.243

(*) Reflects the distribution of earnings attributable to the respective year.

(**) Net result + depreciation and amortization.

PRODUCTS AND SERVICES

FIAT AUTO

PRODUCTS

Seeing product innovation as one of the keys to sharpening its competitive edge, Fiat Auto put five new cars on the market in 2004. Well received by the public, these new models included the Lancia Musa compact MPV, the New Fiat Multipla – restyled, and boasting an even more lavish array of standard and available features – the Panda 4x4 and two Alfa Romeo models: the new 147 and the Crosswagon Q4, which marks the brand's return to all-wheel drive.

Attention was also devoted to improving existing models, extending the product lineup with new versions: the Lancia Ypsilon with the DFN robotized automatic transmission, the Fiat Idea with the Dualogic transmission, the Fiat Punto bConnect with standard satellite navigation system, and the Fiat Stilo equipped with a 100 horsepower JTD engine.

Fiat's range of light commercial vehicles was also reinforced during the year with the Ducato Model Year and Doblò Cargo versions. The real star of the season, though, was the New Scudo, with its even more attractive styling and technological features that brought further improvements in ride comfort and safety. Solid preparations for continuing to renew the Fiat Auto product lineup were also made in 2004, when an agreement was signed which will enable Fiat to enter the SUV market with a vehicle produced at Suzuki's plant in Hungary. Through an agreement with AdamOpel AG, moreover, the Opel Epsilon architecture will be used for the New Fiat Croma. The latter, together with the New Fiat Punto, the Alfa Romeo 159 and the Alfa Brera, is one of the new models with which Fiat Auto plans to take the market by storm in 2005.

SERVICES

Through its subsidiaries and joint ventures, Fiat Auto continued to provide financing services to dealers and suppliers in 2004. In vehicle rentals, the Sector's subsidiaries and associated companies followed through with their efforts to upgrade the sales and service network, focusing in particular on improving the profitability of new contracts.

Leasys, jointly owned by Fiat Auto and Enel, reinforced its leading position on the Italian long-term rental market by setting up a new business unit dealing in specially equipped light commercial vehicles.

Savarent acquired 14,000 new contracts during the year, confirming its important role as a captive company operating through the Fiat Auto dealer network.

In short-term vehicle rentals, 2004 saw important additions to the distribution network, which now has 72 outlets, including 11 in Italy's major airports.

FERRARI – MASERATI

Unbeaten on the racetrack, where the Formula 1 team won the Drivers' and Constructors' World Championships for the fifth and sixth consecutive years respectively, Ferrari also made a brilliant showing on the market. Sales rose sharply, spurred by the success of the 612 Scaglietti, which debuted at the Detroit Motor Show early in 2004. A further two Prancing Horse models also made their appearance in 2004: the F430, which features two F1-derived technological innovations (electronically controlled differential, and steering wheel mounted controls and paddle shifters) and the Superamerica, a 12-cylinder convertible that has already made a name for itself as the world's fastest open car.

Maserati, whose Quattroporte became the brand's best-selling model in 2004 after only one year on the market, also extended its product lineup. Thus, the Trident range now includes the Gran Sport, an aggressive coupe whose racetrack-bred styling is designed to appeal to younger buyers, the Spyder 90th Anniversary special series, and the MC12, a road-going version of the car that bore Maserati's colors in the FIA GT Championship competitions.

CNH GLOBAL

PRODUCTS

Over the last four years, CNH has made an all-out effort to modernize its products, renewing 97% of its agricultural equipment product offering and 85% of its construction equipment. This work affected an enormous number of models and versions: 140 in the area of [agricultural equipment](#) alone.

These new additions include the TL-A Series utility tractors, easy-to-use multifunction machines with a particularly quiet and comfortable cab and a powerful new 4.5-liter engine. Marketed under the New Holland brand name, they are designed to meet the needs of the European market, as are the new TVT Series tractors.

For the North American market, New Holland introduced new hay and forage equipment, the giants of the BA series, that offer even cutting, uniform crop flow and outstandingly rugged construction. Also new are the "Speedrower™" self-propelled windrowers. For the South American market, the brand presented the CS660 combine featuring a 9,000-liter grain tank and the TM 180 tractor with powershift transmission.

Case IH also unveiled new farm machinery, including tractors such as the JXU Maxxima for Europe and the compact Farmall units for the North American market, as well as the AFX8010 combine. The latter is equipped with a 12,000-liter grain tank and outperforms anything else the industry can offer. In the United States, Case IH introduced the new AFS AccuGuide



autoguidance system for the MX and STX Series tractors, while the ASM 1224 planter was launched in Brazil.

In 2004, CNH presented over 110 new or extensively improved products in its lineup of **construction equipment**. For Fiat Kobelco, these additions range from the SR-2 series compact excavators designed for easy maintenance and manoeuvrability in close-quarters applications, to the powerful E485 crawler excavators that combine high working speed with a 50 metric ton lift capacity.

New products from New Holland include the LB series backhoe loaders, with their exceptional loading and lifting performance, the EH130 short-radius excavators featuring the power and speed needed to tackle a wide variety of jobs, and the EH160 and EH215 excavators, whose cab is the roomiest and most comfortable on today's market.

Case introduced three R-series backhoe loaders for Europe, together with new M Series 2 backhoe loaders for the North American market. The latter market also saw the introduction of the CX80 crawler excavators, whose center-swing boom can be positioned right along a foundation, and a new range of wheel loader/tool carriers.

SERVICES

In North America, New Holland launched the ETDB (Easier To Do Business) initiative, which is designed to improve relationships with agricultural equipment dealers and help them work more profitably. Key goals are to promote the brand's growth, increase the proportion it represents of each dealership's business, and to strengthen ties to CNH.

In Latin America, Fiat Allis implemented new standards for 13 Brazilian dealers and their 22 sales outlets.

IVECO PRODUCTS

Iveco continued to renew its van and light truck lineup in 2004, presenting two new models: the Daily .14 HPI and the Daily .17 HPT. Both trucks are equipped with a new engine and transmission that confirms Iveco's leadership in the sector. The year also saw the launch of the Daily Agile version, which, thanks to its automated transmission and stability control, offers a level of ride comfort comparable to that of an automobile.

Iveco Eurocargo, the European leader in medium-weight transport, added two new high-end models to the range in 2004 – the 140E, with a GVM of 14,000 kg, and the 160E, with a GVM of 16,000 kg. A new version of the Eurocargo 4x4 with a completely redesigned cab was also introduced.

The heavyweight Stralis also rounded out the lineup in 2004 with the flagship Executive Space series featuring range-topping safety, comfort and practicality.

Iveco also launched the new Trakker: featuring the same cab as the Stralis AT/AD, this articulated quarry and construction vehicle is available in 60 different body types. Using the same tried and true technology for the frames, axles and suspensions as its predecessors, the new Trakker boasts outstanding off-road capacity under the most extreme load conditions. In addition,

the cutting-edge engineering concepts employed in the Trakker's Cursor 8 and Cursor 13 ensure unfailingly high performance together with unmatched dependability.

Iveco Irisbus also broadened its offerings, concentrating on low-emissions vehicles and in particular on units running on natural gas. In 2004, the city of Turin started field trials of the hydrogen-powered CityClass bus, the first public transport vehicle in Italy – and one of the first in the world – equipped with a fuel cell.

The range of special vehicles was also extended during the year to include new Iveco Astra articulated dumpers equipped with Cursor engines, and new solutions for the fire-fighting sector.

At the IAA International Motor Show in Hannover, Iveco presented its new range of engines for on-road applications, which already comply – well ahead of the deadline mandated by law – with Euro 4 and Euro 5 emissions requirements. In addition, the new range of Vector engines for industrial use, power generation and railway and marine applications was launched.

SERVICES

In 2004, Customer Service reinforced its global capacity, both from the standpoint of the quality and promptness of the support provided for Iveco brands, and in terms of geographical coverage. Spare parts logistics service for Irisbus and Iveco Motors, for example, was closely integrated with the service developed for commercial vehicles customers. Gradual standardization of on-board equipment made it possible to develop service schemes that can be extended to all types

of vehicle. Particular attention was devoted to enhancing the support that Customer Service International Operations provides for customers in Eastern European markets, Africa, the Middle East and the Asia Pacific region.

The Customer Support Center improved its remote diagnostics services, increasing the skills available at the Expert Center, and significantly increasing the number of remote services that were provided, which rose by 75% over 2003. During the year, the number of repair shops connected telematically to the system was also increased, ensuring that customers' needs can be satisfied more quickly than ever.

Iveco also launched the innovative E.A.SY. (Electronic Advanced System) diagnostics tool which proved to be an immediate hit with the repair network: in a few short months, over a thousand repair centers were already putting the system's enormous potential to profitable use.

2004 was also the year that saw the birth of P.O.W.E.R. (Parts on Web Easy Research), the new web-based electronic service parts catalog. This tool ensures that information can be updated continuously, making it easier to locate the right part and thus cutting repair times.

Careful attention to Customer Satisfaction data made it possible to build customer loyalty towards Iveco's aftersales offerings, which generated a record-breaking 18% increase in operating income by comparison with 2003.

Customer loyalty was also promoted through integrated measures such as maintenance and repair contracts, while a vehicle lifecycle management program was developed which will enable the network to seize commercial opportunities by tailoring its service offerings to the vehicle's residual value and use.



SUSTAINABILITY REPORT

Illustrating the Fiat Group's work in 2004 from the standpoint of its economic, social and environmental impact, enabling the public to gauge the contribution that the Group has made to responsible development: this is the goal of the Group's first Sustainability Report, published this year together with the Annual Report.

The Sustainability Report is addressed to the Group's stakeholders (employees, shareholders, suppliers, partners, customers, local communities and associations), and is designed to provide them with information about its efforts in the areas of management accountability, respect for the environment, and corporate social responsibility. In addition, it states its goals, and, as it is presented annually, provides an opportunity for measuring the progress made in a process of improvement that is, by nature, continuous.

In the past, Fiat has published documents which analyzed or discussed certain of the issues addressed in the Sustainability Report. Thus, the Sustainability Report builds on the experience gained through the Environmental Report, which Fiat has published since 1993, the Code of Conduct (successor to the Code of Ethics adopted in the early Nineties), the Internal Control System and the other tools of corporate governance. As such, it is the first balanced, integrated examination of Fiat's relationship with the civil society.

The Sustainability Report is rooted in the same ethical values that for over a century have informed Fiat's dealings with shareholders, employees, customers, the public, and the environment.

The social role that the Group has played in Italy's industrial and economic development is written in the history books, as is its contribution to providing affordable transportation, to promoting development in Southern Italy, to research, to improving the work environment and to setting up ecologically compatible manufacturing processes.

Today, in a period of growing public attention to the country's sustainable development, Fiat – like many other enterprises – has chosen this modern approach to strengthening a direct, open relationship with the civil society: the kind of relationship the Group has always prided itself on. The Sustainability Report, in fact, is not mandated by law, but expresses the Group's commitment to increasingly open communication in these vital areas.

Fiat believes that attention to the sustainability of its work does not hamper its business, but adds to its value. Thus the Sustainability Report increases its credibility, and enhances its international reputation.



It is a concrete example of a Triple Bottom Line (TBL) report. As such, it analyzes the Fiat Group's work and economic performance in the light of economic, environmental and social responsibility: the three sections into which the document is divided.

The section on **economic responsibility** makes it possible to assess the Fiat Group's transparency and openness with regard to shareholders, employees and the market, adding further important information to that provided in the Annual Report. For example, this section provides details of how added value was achieved, about loans and financing, about salaries and the cost of labor, about customer satisfaction, and how the Group's suppliers are broken down by category, geographical area and contract value.

The section on **environmental responsibility** summarizes all of the salient information given in the 2004 Environmental Report. It thus provides a full view of the action the Fiat Group has taken to ensure sustainable manufacturing practices at its production plants: reducing energy consumption, improving water reuse and discharge methods, recycling waste, certifying its facilities and establishing environmental safety systems.

In addition, it provides the information needed to gauge the Fiat Group's commitment to making vehicles that are increasingly compatible with the environment. Engines running

on conventional fuels, but featuring lower-than-ever consumption and emissions, like the small 1.3-liter 16-valve Multijet diesel, or Iveco's Cursor, Tector and HP powerplants. Alternative propulsion systems, like the lineup of natural gas-powered vehicles that Fiat introduced several years ago. Experimental hybrid or hydrogen-powered vehicles, like the Irisbus CityClass fuel cell bus, which began to ply Turin's streets late last year. Without forgetting the extensive research and field trials where the Fiat Group has joined forces with public administrations, putting its telematics expertise at their service in order to rationalize vehicle usage, improve traffic flow and increase road safety.

Finally, the section on **social responsibility**, which scrutinizes the Group's dealings with its people. This section not only provides details about the Group's employees – their geographical location, seniority, level of education, and so forth – but also illustrates Fiat's hiring policies, the initiatives in favor of talented young people, training and development, health, safety, equal opportunity and industrial relations.

The section concludes with an examination of the relations the Fiat Group established with the civil society, through investments, socially-oriented commercial programs, sustainable business initiatives, and cooperation with associations and organizations.



INNOVATION AND TECHNOLOGY

The Group made further increases in its research and development investments in 2004, bringing the total to 1,810 million euros or about 4% of Industrial Activities net revenues. Overall, R&D activities involved approximately 12,400 people at 121 centers in Italy and abroad.

In 2004, the Group's two R&D companies, the Fiat Research Center (FRC) and Elasis, intensified their interactions with each other and with the operating sectors' engineering services. Better coordination of policies, objectives and initiatives made it possible to rationalize skills and make the most of each center's areas of excellence.

FIAT RESEARCH CENTER

Environmentally-friendly engines, innovative vehicle structures, electronic chassis control systems, telematic applications, integrated transportation safety, environmental protection and advanced manufacturing methods. These are the fields where the Fiat Research Center concentrated its work in 2004, increasing its activities by 10% above those of the previous year. With a staff of around 930 employees at December 31, the FRC made significant progress during the year, with R&D output totaling over 470 projects. 118 new patent applications were

filed, bringing the total number of patents held by the Center to 1,211.

These activities benefited the Fiat Research Center's 430 clients, 150 of whom are outside the Group and include Fiat suppliers and other small and medium enterprises.

Of the many awards testifying to the high quality of the Center's work, one of the year's most important was "Italy 2004 – Best Innovator Award" promoted by A.T. Kearney and by the newspaper *Il Sole 24 Ore* with the cooperation of Confindustria, the Federation of Italian Industries. The award honors outstanding achievements in strategic innovations.

The Fiat Research Center's major accomplishments in 2004 are reviewed below:

- **Stop & Start prototype.** The system uses an innovative powerplant control device which integrates the engine and robotized transmission with a belt-driven alternator-starter to shut off the engine and restart it automatically at traffic lights or during stop-and-go driving and deceleration. The prototype, which has been successfully tested, cuts fuel consumption by over 20% under particular severe traffic conditions and provides an excellent cost-benefit ratio without detracting from ride comfort and driveability.
- **New natural gas applications for commercial vehicles.** IVECO's Tector CNG and Cursor 8 CNG compressed natural

gas engines, which recently went into production, were developed with the help of the Fiat Research Center's extensive know-how in natural gas propulsion systems for buses and heavy trucks. Compared with earlier electronically-controlled natural gas injection powerplants, the new engines offer higher specific horsepower, better fuel economy and hence lower emissions of carbon dioxide and pollutants. Their emissions are so low, in fact, that they already satisfy the stringent limits that will come into effect after 2010.

- **Enhanced AMT.** This new driveaway control system for vehicles equipped with an AMT Automated Manual Transmission was applied last September to versions of the Maserati Quattroporte for the North American market. The system ensures maximum acceleration performance and smooth, repeatable driveaway under all conditions by reducing clutch losses and the effects of environmental conditions. It employs a Model Reference driveaway control strategy developed by the Fiat Research Center and fine-tuned by Magneti Marelli.
- **Double-sheet Hydroforming.** This procedure is capable of producing double-shell components of complex shape in a single operation. Hydroforming pairs of flat overlapping sheets makes it possible to reduce investments in tooling by as much as 30%, and is an extremely competitive alternative technology for manufacturing niche products. Product performance can also be increased by combining hydroforming technology's flexibility with targeted product-process reengineering. The procedure's technical and economic feasibility was demonstrated by applying it to the body side panel of a low-volume model, where costs were reduced by more than 15%.
- **Safe Tunnel.** Part of a European Union program for the development of vehicle-infrastructure cooperative systems, this project aims at improving safety in tunnels. A telematic system installed on the vehicle detects any malfunctions of on-board systems, focusing in particular on potential fire hazards caused by critical parts such as the brake system. A control center which monitors vehicles via a wireless network alerts the driver of any such problems before the malfunctioning vehicle enters the tunnel. The center also transmits information regarding recommended speed and distance from the vehicle ahead. This information can either be viewed by the driver, or used to increase or decrease the vehicle's speed automatically. The integrated system was tested on Iveco trucks in the Frejus tunnel between Italy and France.
- **Innovative Dashboard.** An HVAC air distribution system integrated in the ducting beneath the dashboard was developed. The system employs a bistable wall-effect fluidic

nozzle instead of conventional airflow control by opening and closing passages inside the HVAC unit. On the basis of an installation study performed by Elasis, the Fiat Research Center designed the fluidic nozzles and the system used to control deflector movement.

ELASIS

Elasis, with a staff of around 800 employees at its two sites in Pomigliano and Lecce, is a highly specialized research center. Its work addresses technological innovation, complete vehicle development, mobility and its environmental impact, and traffic safety. It is provided with sophisticated computer-aided design tools and advanced physical and virtual testing equipment which are based on an ability to develop and manage information systems that puts Elasis in the front ranks of the world's R&D centers.

Elasis's primary mission, like that of the Fiat Research Center, is to improve the Fiat Group's competitiveness. In addition, it contributes to strengthening the entire Italian research system by working together with the Italian Ministries of Education, Universities and Research, Production Activities, and the Environment, as well as with major public and private research institutions in Italy and abroad.

In line with the Group's strategic policy framework, Elasis focused its efforts on methodologies, design and technologies in 2004.

Product and process methodologies. Work continued on developing an innovative design system based on archetypes, or in other words on models containing engineering know-how in the form of design rules. Virtual product analysis techniques were used in the areas of occupant compartment design and occupant/pedestrian impact protection, as well as to assess vehicle body aerodynamic performance and interior flow dynamics. The Virtual Car simulator made it possible to reduce validation times for electrical and electronic components, and to apply the benefits of robust design to the infotainment and navigation system installed on the new models that will be put on the market in 2005.

Engines. Further improvements were made to the FIRE series of engines. For the 1.4-liter unit in particular, consumption was trimmed 7% by reducing friction and pumping losses and increasing volumetric efficiency. In addition, a turbocharged 1.4-liter FIRE engine was developed that not only offers higher performance than conventional powerplants – even those with larger displacements – but also uses 9% less fuel. Major accomplishments were also made in improving transmissions, where special-purpose components were developed and noise



measurement methods were fine-tuned using specially designed test benches that are unmatched anywhere else in the automotive industry.

Vehicles. Vehicle design work in 2004 focused on a number of important initiatives for Fiat Auto, Ferrari and Maserati. In particular, Elasis developed a high-performance sports car prototype, the Alfa Romeo 8 C, whose engineering solutions will be used on future Fiat Auto models.

Together with the Fiat Research Center, Elasis designed a modular platform that can be used for vehicles with different wheelbases and for low environmental impact propulsion systems (natural gas, hybrids, etc.). The platform is designed with an eye to compatibility with current body framing lines and maximizes component standardization.

Traffic safety and mobility. During the year, Elasis once again partnered with the Provinces of Milan and Perugia, conducting joint projects for improving mobility and safety conditions on the road network which also involved infrastructure operators. These projects, which integrated telematic systems and new technologies, helped instill a culture of safety among road users. Similar projects involving other Italian city administrations are now in the pipeline.

ICT. In this area, Elasis continued to hone its skills in Product Lifecycle Management by developing application solutions and integrating systems and process analysis with a view to developing common standards for the Fiat Group. Advantages include shorter development times, no duplication of information, and optimized documentation.



ENVIRONMENT

In 2004, the Fiat Group Sectors put a range of products on the market whose environmental impact was lower than ever before in all three key areas of fuel economy, emissions control and efficiency. Corresponding improvements were made in manufacturing processes.

For both products and processes, these achievements stem from the kind of innovation that can only be made possible by continuing research, and the dedication of all the people involved.

The Group's research work is spearheaded by the Fiat Research Center, Elasis and the Center for the Study of Transportation Systems, who work in partnership with public and private organizations as well as with the R&D teams at each of the Group's companies.

This year, the Environmental Report has been combined with the Sustainability Report, which illustrates the our most important initiatives in the areas of social, economic and environmental responsibility, as well as the year's major achievements.

- **Research.** Together with other European auto makers and component manufacturers, the Fiat Research Center participates in two 15-year projects co-funded by the European Union to promote the introduction of hydrogen-powered vehicles. In addition, the FRC worked alongside IVECO - IRISBUS and component suppliers to develop an advanced kit for ensuring safe operating conditions for natural gas tanks on buses.
- **Spark ignition engines.** Research addressed the pressing need to reduce fuel consumption and hence CO₂ emissions while maintaining the same or better levels of ride comfort, performance and driveability.

- **Diesel engines.** IVECO reached an important goal during the year, when it certified compliance of its Cursor 10 and 13 engines with SCR selective catalytic reduction and urea injection with the Euro 4 emissions requirements which will come into effect in October 2006, and the Euro 5 requirements slated for introduction in October 2008. These engines versions were presented at the Hannover International Motor Show in September, and will equip Stralis trucks in order to satisfy the member states' legislation before the European requirements come into effect. Together with the SCR and SCR-T particulate filter systems, vertical and horizontal Cursor 8 engines will meet Euro 4 and Euro 5 emissions limits. In Irisbus applications, they cut emissions by as much as 75% compared to earlier engines. These powerplants will be marketed starting in 2005.
- **Ongoing process improvements.** Concrete application of ISO 14001 methods and the associated continual improvement programs also made it possible to improve our performance in managing manufacturing waste, and to reduce volatile organic compound solvent emissions from the Group's paint shops. Corporate personnel involved in these areas were provided with a total of 47,400 hours of specialized training.

Overview of the main environmental achievements of the Fiat Group's Italian industrial facilities over more than a decade

	1991	2003	2004
Recycled waste	61.0%	82.8%	83.1%
Waste to controlled landfills	37.0%	7.4%	9.6%
Solvent emissions from paint shops (g/m ²)	144.0	72.4	74.1

HUMAN RESOURCES

At December 31, 2004, the Group had 160,549 employees, compared with 162,237 at the end of 2003. The Group hired a total of about 14,600 new employees in 2004 — 3,600 in Italy and 11,000 in other countries. A total of about 18,400 employees (about 6,300 in Italy and 12,100 in other countries) left the Company. Business acquisitions and disposals resulted in a net increase of 2,100 employees. The net change is mainly the result of additions stemming from the consolidation of the Electronic Systems operations by Magneti Marelli, offset in part by reductions attributable primarily to the sale of Fiat Engineering and the Midas operations and by transfers of employees from Comau Service to associated companies.

ORGANIZATIONAL AND MANAGEMENT CHANGES

The organization of the Fiat Group underwent major changes in 2004.

Fiat Auto put in place a new organization designed to deliver efficient management through fast and lean processes that are based on teamwork and are characterized by quickness of execution and willingness by employees to take full responsibility for their actions.

Once Fiat Auto had been reorganized, Fiat S.p.A. changed its structure as well, following two basic guidelines: deploy a simpler organization and develop a stronger interaction with the operating Sectors.

In addition to its traditional role as a publicly traded holding company, Fiat S.p.A. will continue to perform the fundamental mission of providing guidance and strategic development to the Sectors, each of which will continue to enjoy operational autonomy. In addition, the Parent Company will continue to provide support to the Sectors' businesses and coordination in those areas that require a centralized management approach.

In order to make its organizational and management model more modern and in tune with the current competitive environment, the Fiat Group established the Group Executive Council. The function of this new governance body will be to identify and maximize Group synergies, evaluate opportunities and risks for Group companies, share best practices, speed up and communicate Group decisions and initiatives and shorten the decision-making process.

In 2004, the Group continued to strengthen its management organization, adding a considerable number of managers with international experience.

More than 100 managers were hired from outside the Group, including 10 who were selected to fill top positions in the Group's Sectors.

ENHANCING THE VALUE OF HUMAN RESOURCES

The high skill level possessed by the Group's staff is demonstrated by the large number of professionals it includes (23,868 in total, 45% of whom work outside Italy).

Hiring Qualified Resources. In 2004, the Group hired more than 350 recent college graduates. Among the initiatives that Fiat carries out to strengthen its cooperation with the academic community is the significant support it grants to the degree program of the Automotive Engineering School at Turin's Politecnico University. The first 29 students graduated from this specialized degree program in 2004.

Leadership. As part of its effort to support organizational and management change, the Group introduced a new leadership model designed to foster change in its corporate culture and in the way its people operate.

The first phase of the leadership assessment process for this new model involved the Group's top executives. The assessment process is gradually being applied to all management employees.

Training and Professional Development. In 2004, the Group invested 108 million euros (2.4% of its total payroll) in training and professional development programs designed to support the operations of Group companies around the world. About 77,000 employees received training and professional development support.

Isvor Fiat, the training organization of the Fiat Group, was the main provider of training services.

Isvor Fiat provided training, consulting and professional support programs representing a total of 24,297 classroom/training days. An additional 30,700 employees received a total of 182,700 hours of Web-based distance learning support.

Fiat Grants and Scholarships. The Fiat Grants and Scholarships Program, which was created to help the children of active Group employees both in Italy and abroad, is continuing with considerable success.

In 2004, Fiat awarded 573 grants, including 182 to students in Italy and 391 to students in other countries, at a total cost of 952,000 euros.

INDUSTRIAL RELATIONS

Most of the activity in the area of industrial relations involved **managing the impact on employment** of the actions taken to respond to difficult market conditions and reduce overhead within the framework of restructuring programs started in previous years and new programs launched in 2004. These goals were achieved using the social shock-absorber programs available under existing laws and through social impact plans, most of which agreed with employee unions, that cushioned the impact of downsizing measures on Group employees.

In Italy, employee redundancies were handled primarily through the so-called "mobilità di accompagnamento alla pensione", i.e. layoff with long-term unemployment benefits, which enables employees who meet certain age and seniority requirements and leave the Company within the framework of large-scale layoffs to receive supplemental income (a mobility allowance)



for the years remaining (maximum of three) until they are eligible for retirement benefits. In 2004, about 2,000 employees became eligible for mobility allowances. About one-fourth of these employees qualified for long-term mobility allowances. These allowances, which are available in special cases under a law that was enacted in April 2003 and remained in force through the end of 2004, are provided over a longer period than regular mobility allowances.

Situations that required temporary reductions in capacity utilization were handled using the "Cassa Integrazione Guadagni Ordinaria" (Regular Temporary Layoff Benefits Fund). The "Cassa Integrazione Guadagni Straordinaria" (Special Temporary Layoff Benefits Fund) was used only for 494 employees at the Arese plant.

Outside Italy, the occupational consequences of restructuring initiatives were handled primarily through social impact plans agreed with the unions. The most important agreements involved CNH (decrease of combine-harvester production capacity, which resulted in the closure of the Neustadt factory in Germany); Magneti Marelli (closure of the M.M. Lighting plant in Cannock, U.K., and grouping of the Motopropulsion facilities in France, which required the transfer of certain operations from

Nanterre to Argentan); and Comau (social impact program in connection with the downsizing of the Comau Systèmes production facilities in France).

As required under the applicable EU Directive, issues concerning the restructuring of the Group and its current condition, especially those that have a transnational impact, were the subject of information and consultations with the members of the Fiat Group European Works Council at the meeting of the Restricted Committee in April 2004 and at the annual plenary meeting on November 8 and 9, 2004. On the latter occasion, Sergio Marchionne, the Group's Chief Executive Officer, explained the key aspects of the strategy adopted by the new management team and confirmed the commitment and determination with which the Group is pursuing its stated improvement objectives. More specifically, he focused on the actions that must be undertaken, and which are largely already underway, to ensure the renewal and recovery of Fiat Auto. The policy of pursuing a dialog and holding discussions with employee representatives was followed at the national level in other countries as well, according to local practices and labor agreements. In Italy in particular, the Group's Chief Executive Officer met with Italian union leaders on several occasions, while



the Chief Executive Officers of the individual Sectors held meetings with representatives of their employees.

With regard to **collective bargaining** involving compensation issues, the agreements reached with the unions call for wage increases that are generally in line with the rate of inflation. Increases in excess of the rate of inflation were granted by companies with favorable operating results or in special situations.

In Italy, employees received the wage increases provided for under the National Collective Labor Agreement for Metalworking Employees (office and factory staff). This Agreement, which was renewed in May 2003, called for an average wage increase of 2.5% in 2004. The provisions of the Agreement regarding employee compensation expired at the end of 2004. On January 14, 2005, the unions submitted to Federmeccanica (a national organization that represents Italian metalworking businesses) their wage increase requests for 2005 and 2006. The procedures for the renewal of the Collective Labor Agreement require the unions to abstain from wage-related strikes for a period of four months after they submit their requests in order to allow negotiations to proceed. Group employees were also awarded the Annual Performance

Bonus. Under the Group-wide Agreement of 1996, which is still in force, the bonus was computed on the basis of indicators of the Group's overall performance, provided by the 2003 Consolidated Financial Statements, and quality indicators for the individual Sectors.

Outside Italy, the main labor agreements included the renewal of the Collective Labor Agreement for Metalworking Employees in Germany (following the signing of an agreement for the region of Baden Württemberg in February 2004, which set terms that were used as a reference point for the agreement signed in other German regions), which provided increases of 2.2% in 2004 and 2.7% in 2005. This agreement also introduced greater flexibility for employers, enabling them to increase average weekly work hours when special production needs require it. In France, most Group companies carried out their annual labor negotiations, granting employees wage increases that averaged between 1.5% and 2%. In Poland as well, the majority of Group companies reached wage agreements with the unions, granting average raises of about 3%. In Brazil, wage-related agreements provided employees with increases that were in line with those granted by other large



groups, and employees received annual bonuses that varied according to company results.

Overall, labor disputes were relatively minor, with the exception of the strikes that affected Fiat Auto's Sata plant in Melfi in the spring of 2004 and Iveco's Brescia factory in the fall. The dispute in Melfi forced the stoppage of the Sata facility, as well as component plants located in the same district, for a period of about three weeks. For about 10 days, this situation had a major negative impact on other Fiat Auto facilities, where production gradually ground to a halt due to the lack of deliveries of components and vehicle assemblies produced in Melfi. The dispute was settled with an agreement signed on May 9, 2004. The agreement changed the distribution of work shifts and called for the wage packages of Sata employees gradually to be brought on par with those of other Fiat Auto employees. The strikes in Brescia were called to demand negotiations for a supplemental labor agreement at the factory level that would provide wage increases in excess of those paid in the rest of the Group. Consequently, the Company refused to negotiate these demands.

The main development involving companies **outside Italy** was the strike called this past November by the UAW (United Auto Workers) in the United States, which involved 650 CNH employees represented by said Union (plants in Racine, Wisconsin; Burlington, Iowa; the Engineering center in Burr Ridge, Illinois, and the Depot of St. Paul, Minnesota), for the renewal of the Company Collective Labor Agreement. The previous agreement, which expired on May 2, 2004, had been in force for six years and had called for exceptionally burdensome compensation and benefit packages that resulted in labor costs double those of other CNH plants in the United States. The dispute at CNH was five-month long and during this period CNH used temporary workers to continue production, as allowed under U.S. laws and practices. A settlement agreement was reached on March 19, 2005 with a ratification vote by the employees affected by the agreement. It provides for wage increases in line with those granted at the major competitors' facilities and includes many of the proposals put forth by the company to increase flexibility and reduce labor cost as well as health care costs for retirees.

FINANCIAL REVIEW OF THE FIAT GROUP AND FIAT S.P.A.

INTRODUCTION

In order to facilitate the analysis of the results for 2004 and their comparison with 2003, the most important transactions affecting the scope of consolidation of the Group in 2004 as compared with 2003 are illustrated below:

- Fiat Auto Holdings' retail financing activities in Brazil were sold to the Itaù banking group at the end of March 2003 and deconsolidated from the same date.
- The agreement to sell the Toro Assicurazioni Group to the DeAgostini Group was signed on May 2, 2003 and the relevant operations were deconsolidated as of the same date.
- On May 27, 2003, as part of the agreement signed by Fiat and Capitalia, Banca Intesa, Sanpaolo IMI and Unicredito on March 11, 2003, and following approval by the competent authorities, the sale by Fiat to the Banks of a majority interest (51%) of Fidis Retail Italia was concluded. At that time, Fidis Retail Italia controlled part of the European activities of Fiat Auto Holdings in the field of retail consumer financing for automobile purchases.
The sale to Fidis Retail Italia of the equity investments in the other financial companies covered by the agreement was finalized in October 2003, with the sole exception of the company active in the United Kingdom, which was sold in 2004.
- In execution of the contract signed on July 1, 2003 and after having met the conditions precedent, the sale of the aerospace activities of FiatAvio S.p.A. to Avio Holding S.p.A., a company 70% owned by The Carlyle Group and 30% by Finmeccanica S.p.A., was finalized. Said activities were deconsolidated effective from the date of the agreement.
- In February 2004, 100% of the interest held in Fiat Engineering S.p.A. was sold to Maire Investimenti S.p.A. and the company was therefore deconsolidated as of the beginning of the year. At the same time, Fiat Partecipazioni S.p.A. subscribed to a capital increase at Maire Investimenti S.p.A. and now owns 30% of the capital of this company. On said 30% interest, both parties hold put and call options that are exercisable within three years at a predetermined price.
- Effective January 1, 2004, Magneti Marelli consolidated Magneti Marelli Electronic Systems on a line-by-line basis following gradual acquisition of actual control over this strategic supplier of Fiat Auto and other automotive groups. In 2002 this business had been sold to the Mekfin Group, which later sold it to the Ixfin Group. So that the company would punctually respect the commitment it had made to its customers and continue pursuing its growth strategies, an agreement was initialed at the end of 2003 between the Ixfin Group and the Fiat Group, on the basis of which Magneti Marelli, pursuant to an agreement providing for an usufruct on the company's voting shares, started becoming

increasingly involved in the management of the Electronic Systems activity in 2004. Finally, on July 28, 2004, the Fiat Group decided to acquire full ownership thereof by exercising a call option.

- In September, Magneti Marelli sold 100% of the Midas business (automotive repair and maintenance services) in Europe and Latin America to the Norauto Group. These activities were deconsolidated as of September 30, 2004.

To allow a meaningful comparison with prior period data, the figures for 2003 used in the analyses presented in the following pages have been prepared on the basis of the "Continuing Operations", i.e. excluding data of companies that were sold in 2003 (Toro Assicurazioni, FiatAvio, Fraikin, IPI, Fidis Retail Italia and Fiat Auto's retail financing activities in Brazil).

It should be noted that in 2003, Continuing Operations included Fiat Engineering, that was deconsolidated effective January 1, 2004 and had reported revenues of 369 million euros and operating income of 20 million euros in fiscal 2003. Conversely, the Electronic Systems operations of Magneti Marelli mentioned above reported revenues of 476 million euros and an operating income of 26 million euros in 2004.

To provide clearer information on the Group's operating performance, the financial figures are illustrated and commented in the chapter, "Financial Position and Operating Results by Activity Segment" broken down according to Industrial Activities and Financial Activities.

FINANCIAL REVIEW OF THE FIAT GROUP

In a highly competitive market, in 2004 the Group was able to achieve its stated objective to attain operating breakeven. Improvements were achieved in all Group Sectors, with the exception of Fiat Auto whose loss was however reduced by over 20%.

The net loss was lower than in 2003, when it had benefited from net capital gains of about 1.7 billion euros mainly on the disposal of activities.

At December 31, 2004, the Group's liquidity amounted to 5.3 billion euros, compared with 7 billion euros at the beginning of 2004, despite a gross indebtedness, which fell by approximately 3.4 billion euros as the Group repaid bonds totaling approximately 2.7 billion euros.

OPERATING PERFORMANCE

Highlights of the Group's operating performance are illustrated below. For a more detailed analysis, see the section "Operating Performance – Sectors of Activity".

Net Revenues

Fiat Group **net revenues**, including changes in contract work in progress, totaled 46,703 million euros, reflecting a 1.2% decrease from the previous year, largely due to the disposal of activities. If only Continuing Operations in 2003 are considered – excluding the revenues of sold businesses – there was an increase of 5% in consequence of higher volumes of activity at most Sectors. This positive effect was partially reduced, especially at CNH, by the negative foreign exchange effect due to the weakening of the dollar.

Revenues broken down by Sector are illustrated below:

- **Fiat Auto** reported revenues of 20,539 million euros for 2004, up 5.5% from the 19,477 million euros for Continuing Operations in 2003, mainly due to higher sales volumes. Fiat Auto sold a total of approximately 1,766,000 automobiles and commercial vehicles, up 4.2% from 2003.

In Western Europe, 1,193,000 vehicles were sold, 1.2% more than in the previous year. Most of the increase in sales volumes occurred in Italy (+4.9%), thanks to the success of new models, while volumes contracted on the other principal markets of Western Europe, with decreases of 8.9% in France, 9.1% in Germany, and 6.1% in Great Britain.

Outside of Western Europe, sales volumes expanded strongly in Brazil (+12.7%), stimulated by the recovery in demand and introduction of new models. On the other hand, sales decreased by 13.8% in Poland due to lower local market demand with respect to 2003.

- **Ferrari – Maserati** reported revenues of 1,512 million euros, up by 20% from the previous year notwithstanding the negative foreign exchange effect. The improvement is partly attributable to higher Maserati sales, driven by the success of the Quattroporte model and higher volumes for Ferrari, thanks to the positive contribution made by the 612 Scaglietti and Challenge highway models, as well as the introduction in the fourth quarter of the new F430, successor to the 360 Modena model.

- In 2004 **CNH** posted revenues of 9,796 million euros. The increase from the 9,418 million euros reported for fiscal 2003 (+4%) was limited by the negative foreign exchange effect provoked by appreciation of the euro against the dollar. When expressed in dollars, the functional currency of this Sector, and net of the foreign exchange effect, the increase was approximately 9%. The increase is attributable to strong sales performance of both agricultural and construction equipment, particularly in the Americas, and higher prices.

Revenues rose in the agricultural equipment segment thanks to the strong increase in tractor sales in North America, as well as the positive sales performance reported in Latin America and other countries worldwide. On the other hand, sales declined in Western Europe with respect to 2003 due to feeble growth in the market for tractors and lower demand for combine harvesters. Construction equipment sales revenues improved markedly thanks to the major growth in volumes of all principal product lines. The overall increase in units sold was consistent with the growth that took place in the global market.

(in millions of euros)	2004		2003
	Consolidated	Continuing Operations	Consolidated
Net revenues	46,703	44,498	47,271
Cost of sales	39,623	38,468	40,830
Gross operating result	7,080	6,030	6,441
Overhead	4,629	4,509	4,748
Research and Development	1,810	1,724	1,747
Other operating income (expenses)	(619)	(511)	(456)
Operating result	22	(714)	(510)
Investment income (expenses) (*)	8	(79)	(156)
Non-operating income (expenses) (**)	(863)	359	347
EBIT	(833)	(434)	(319)
Financial income (expenses)	(744)	(1,067)	(979)
Result before taxes	(1,577)	(1,501)	(1,298)
Income taxes	(29)	541	650
Net result	(1,548)	(2,042)	(1,948)
Net result of Discontinued Operations	–	90	–
Net result before minority interest	(1,548)	(1,952)	(1,948)
Group interest in net result	(1,586)		(1,900)

(*) This item includes investment income (expenses) as well as write-downs and write-ups due to adjustments in equity investments accounted for using the equity method.

(**) The 2003 figure of Continuing Operations includes 1,742 million euros in net gains on the disposal of Discontinuing Operations.

The greatest increases were posted in North America and Latin America, while sales declined in Western Europe from a year earlier.

- **Iveco** had revenues of 9,292 million euros in 2004, up by 10.1% from the 8,440 million euros in 2003, mainly in consequence of the significant increase in volumes. Approximately 162,300 units were sold, up by 10.9% from the previous year, and 129,200 of these units were sold in Western European countries, for an increase of 8.3%. Expanding demand in Europe stimulated the strong performance of the Sector, which reported sales increases on all of its principal markets. The greatest gains were realized in France (+14.6%), Germany (+16.5%), and Spain (+13.4%). In the medium range vehicle segment, the Sector increased its share while maintaining its position as market leader in Western Europe, thanks to the New Eurocargo model. In contrast, the market share of Iveco contracted slightly in the light and heavy range vehicle segments.
- **Magneti Marelli** had revenues of 3,804 million euros in 2004. The 18.7% increase from the previous year stemmed largely from the change in the scope of operations: effective January 1, 2004, the Sector consolidated the Electronic Systems business. On a comparable consolidation and foreign exchange basis, revenues increased by 6%, driven mainly by technological improvements of its products. In particular, production of the Diesel Buy system was launched in the Engine Control area, together with that of new headlights in the Lighting area. The Suspension business reported higher volumes, particularly in Poland, connected with the production of new models by Fiat Auto.

- **Teksid** closed the year with revenues of 911 million euros, up by +7.9% from the previous year in consequence of the higher volumes that more than offset the negative foreign exchange effect. The Cast Iron Business benefited from higher demand in North America and Brazil, posting an 11% increase in activity. Sales volumes were positive at the Magnesium Business Unit as well (+4.9%) thanks to the increase in sales in Europe and its strong presence on the North American market.
- **Comau**, with revenues of 1,716 million euros, reported a 25.2% downturn in revenues with respect to the previous year, largely due to the transfer to Fiat Auto and Fiat-GM Powertrain of its Service and Molding activities. On a comparable basis and excluding the negative foreign exchange effect, revenues fell by 9%, largely on account of the decrease in the NAFTA area in consequence of lower contract work commitments received in 2003.
- **Business Solutions** reported revenues of 1,572 million euros, down by 13.4% from the previous fiscal year. This decrease stemmed mainly from the sale of Fiat Engineering, which was only partially offset by consolidation of the activities of the Atlanet telephone company. On a comparable consolidation basis, revenues were substantially the same as in 2003.
- **Itedi** reported revenues of 407 million euros, 6.3% higher than in fiscal 2003. This improvement derived from higher advertising revenues, sales of the weekly magazine "Specchio," and brand-stretching initiatives, which offset the decrease stemming from lower daily newspaper sales.

(in millions of euros)	2004		2003		Change with respect to the Continuing Operations
	Consolidated	Continuing Operations	Consolidated	Continuing Operations	
Automobiles (Fiat Auto)	20,539	19,477	20,010		1,062
Ferrari – Maserati	1,512	1,261	1,261		251
Agricultural and Construction Equipment (CNH)	9,796	9,418	9,418		378
Commercial Vehicles (Iveco)	9,292	8,440	8,440		852
Components (Magneti Marelli)	3,804	3,206	3,206		598
Metallurgical Products (Teksid)	911	844	844		67
Production Systems (Comau)	1,716	2,293	2,293		(577)
Services (Business Solutions)	1,572	1,816	1,816		(244)
Publishing and Communications (Itedi)	407	383	383		24
Aviation (FiatAvio) (*)	–	–	625		–
Insurance (Toro Assicurazioni) (**)	–	–	1,654		–
Holdings, Miscellaneous and Eliminations	(2,846)	(2,640)	(2,679)		(206)
Total	46,703	44,498	47,271		2,205

(*) Revenues for the Aviation Sector are shown until the date of its sale (July 1, 2003).

(**) Revenues for the Insurance Sector are shown until the date of its sale (May 2, 2003).

Operating Result

In 2004, the Group achieved its target of operating balance by posting a positive **operating result** of 22 million euros, in contrast with a loss of 510 million euros in fiscal 2003. This improvement was even more marked (+736 million euros) when compared with Continuing Operations in 2003, which reported an operating loss of 714 million euros. This target was achieved thanks to the strong growth in operating income at many Sectors, including Iveco, CNH, and Marelli, which contributed the most, and the lower operating loss at Fiat Auto.

During 2004, **research and development costs**, which are posted directly to the statement of operations and thus included in the operating result, totaled 1,810 million euros. This value is 86 million euros higher than the costs for Continuing Operations in 2003, in confirmation of the strategy to renew its product range and its commitment to innovation.

Research costs increased at Fiat Auto, largely on account of the introduction of the New Ducato and Punto models, at Magneti Marelli, partly on account of the consolidation of the Electronic Systems business, and by Ferrari-Maserati. Lower research and development costs were reported by CNH, due to the negative foreign exchange effect; when expressed in dollars, they showed a slight increase.

The operating result broken down by Sector is illustrated below:

- **Fiat Auto** reduced its operating loss from 1,094 million euros for Continuing Operations in 2003 to -840 million euros in

2004. Thus, on a comparable consolidation basis, the loss decreased by 254 million euros. The improvement was due to the increase in volumes and improved mix, obtained thanks in large part to the new models. The effect of prices and especially the measures taken to reduce costs were partially set off by a 51 million euro increase in research and development costs.

- **Ferrari – Maserati** closed fiscal 2004 with operating income of 6 million euros, recovering in the last quarter from the operating losses sustained in the first nine months of the year. Nevertheless, the Sector did not reach the level achieved a year earlier (operating income of 32 million euros) since the favorable effect of new models on volumes and sales mix and product cost efficiency gains were offset by the negative foreign exchange effect and higher research and development costs.

- **CNH** operating income rose to 407 million euros, up 178 million euros from the 229 million euros recorded a year earlier. Significantly higher unit sales and a more favorable product and price mix, coupled with the savings generated by the programs implemented to streamline the manufacturing organization, more than offset a rise in raw material costs and the unfavorable impact of the appreciation of the euro. The biggest increases were achieved in the Americas, where the Sector posted positive results in all market segments in which it operates.

(in millions of euros)	2004		2003	
	Consolidated	Continuing Operations	Consolidated	Change with respect to the Continuing Operations
Automobiles (Fiat Auto)	(840)	(1,094)	(979)	254
Ferrari – Maserati	6	32	32	(26)
Agricultural and Construction Equipment (CNH)	407	229	229	178
Commercial Vehicles (Iveco)	357	81	81	276
Components (Magneti Marelli)	116	32	32	84
Metallurgical Products (Teksid)	35	12	12	23
Production Systems (Comau)	32	2	2	30
Services (Business Solutions)	36	45	45	(9)
Publishing and Communications (Itedi)	12	10	10	2
Aviation (FiatAvio) (*)	–	–	53	–
Insurance (Toro Assicurazioni) (**)	–	–	44	–
Holdings, Miscellaneous and Eliminations	(139)	(63)	(71)	(76)
Total	22	(714)	(510)	736

(*) Operating Result for the Aviation Sector is shown until the date of its sale (July 1, 2003).

(**) Operating Result for the Insurance Sector is shown until the date of its sale (May 2, 2003).

- **Iveco** closed fiscal 2004 with operating income of 357 million euros, up sharply from the operating income of 81 million euros reported in 2003. The Sector benefited from the positive effect of higher volumes, repositioning of the product range, and major savings on product costs.
- **Magneti Marelli** reported major growth in its operating income, which rose from 32 million euros in 2003 to 116 million euros in 2004. This result also benefited from the contribution made by the Electronic Systems business, which was consolidated effective January 1, 2004 and generated operating income of approximately 26 million euros. This improvement, which totaled 58 million euros on a comparable consolidation basis, was achieved through actions that made it possible to render the cost structure more competitive and absorb the pressure on sales prices.
- **Teksid** closed fiscal 2004 with operating income of 35 million euros, compared with income of 12 million euros in 2003. The improvement in the operating result is attributable to the positive effect of higher volumes and efficiency gains realized through streamlining of production structures, which largely offset the increase in costs of raw materials and the negative foreign exchange effect.
- **Comau** posted operating income of 32 million euros, compared with income of 2 million euros in 2003. This marked improvement was realized thanks to higher margins on contract work, extensive streamlining of overhead costs, and more efficient use of internal resources.
- **Business Solutions** reported operating income of 36 million euros for 2004. The decrease from the 45 million euros in operating income reported for 2003 is attributable to changes in the scope of consolidation. On a comparable basis, operating income would have shown an improvement of 11 million euros thanks to the positive effects of efficiencies realized in all its operating areas.
- **Itedi** had operating income of 12 million euros in 2004. The increase from the 10 million euros reported a year earlier stemmed from higher advertising revenues, lower paper costs, and continuation of the company-wide cost cutting program.

EBIT (Earnings Before Interest and Taxes)

Group **EBIT** was -833 million euros, compared with -319 million euros in 2003 (equal to a loss of 434 million euros for Continuing Operations alone). In 2003, the balance of net gains/losses resulting from the disposal of activities (principally the Toro Assicurazioni Group and FiatAvio) totaled 1,747 million euros, while in 2004 the sales of Fiat Engineering, Midas, and Edison shares and warrants generated net gains of 154 million euros. The comparison with Continuing Operations net of these gains thus shows an improvement of 1,194 million euros, including

736 million euros contributed by the operating result detailed hereinabove. The reduction in provisions and expenses for restructuring and lower extraordinary writedowns represent the other principal causes of improvement.

The change in EBIT was influenced by the following items:

The balance of **non-operating income and expenses** in 2004 was -863 million euros, in contrast with a positive 359 million euros for Continuing Operations in 2003 (positive balance of 347 million euros at the consolidated level in 2003). Net of the foregoing gains, the 2004 figure would be 1,017 million euros, compared with the corresponding amount (for Continuing Operations) of -1,388 million euros in 2003 (1,400 million euros at a consolidated level). The 2004 figure reflects the following items:

- Restructuring expenses of 508 million euros (658 million euros in 2003): these expenses are represented by the costs incurred or determined according to plans for personnel laid off with long-term unemployment benefits, severance incentives, and writedown of property, plant and equipment and intangible fixed assets aimed at production streamlining. Restructuring expenses include expenses and provisions that refer mainly to Fiat Auto (325 million euros), CNH (65 million euros), and Magneti Marelli (45 million euros).
- A total of -35 million euros (215 million euros in 2003) in other extraordinary writedowns of activities, due to a change in the market outlook of certain businesses, particularly in regard to the depreciation of property, plant, and equipment at Fiat Auto.
- A total of 435 million euros (501 million euros) in extraordinary provisions to reserves for future risks and charges, other expenses and prior period expenses, net of other non-operating income and prior period income, with approximately 246 million euros of this total being attributable to the process of reorganization and streamlining of relationships with Group suppliers.
- Prior-period tax charges of 39 million euros (26 million euros in 2003).

In 2003, the costs were largely represented by the restructuring expenses connected with industrial streamlining programs, particularly at Fiat Auto, CNH, and Comau, and writedowns of assets, especially fixed assets at Fiat Auto, made on the basis of changed market prospects. Other expenses and extraordinary provisions to various liabilities and risk reserves also had an impact, such as those for flood damage at the Termoli plant and the residual commitments stemming from investments in the telecommunications sector.

Investment income totaled 8 million euros, against a net loss of 79 million euros from Continuing Operations in 2003, which reflected losses of 76 million euros in losses at the Leasys joint venture, which were reduced to 20 million euros in 2004.

Result before taxes

The Group's **loss before taxes** was 1,577 million euros, compared with a loss of 1,298 million euros in 2003 (loss of 1,501 million euros for Continuing Operations). The slight worsening in comparison with the figure for Continuing Operations stems from the previously mentioned decrease in EBIT, although this was offset by lower net financial expenses.

Net financial expenses totaled 744 million euros in 2004, compared with 979 million euros in 2003. The comparison with Continuing Operations alone, which had total net financial expenses of 1,067 million euros, shows an improvement of 323 million euros. Excluding the net positive effect of approximately 300 million euros in non-recurring gains from the unwinding of the equity swap on General Motors shares and the negative effects of adjustments to receivables and financial fixed assets of approximately 90 million euros, the improvement with respect to Continuing Operations is largely attributable to the lower average level of indebtedness in 2004, and lower interest rates.

Result for the Fiscal Year

The **consolidated net loss before minority interest** was 1,548 million euros, compared with the loss of 1,948 million euros in 2003 (net loss of 2,042 million euros for Continuing Operations).

Income taxes totaled a positive balance of 29 million euros, compared with a negative balance of 541 million euros for Continuing Operations in 2003 (and a negative balance of 650 million euros at the consolidated level). The income taxes due for fiscal 2004 include: 128 million euros (125 million euros in 2003) for IRAP, the regional tax on production activities in Italy and 187 million euros (31 million euros in 2003) for other current taxes, largely in consequence of the positive results posted by a number of companies operating abroad. These amounts were offset by the benefits of the Italian tax consolidation program and posting of net deferred tax assets, principally for Fiat S.p.A., the recovery of which became reasonably certain in consequence of the settlement received in February 2005 upon termination of the Master agreement with General Motors. Income taxes in 2003 included the reversal of 494 million euros in deferred tax assets, largely against the gains realized upon sale of the Toro Assicurazioni Group and FiatAvio S.p.A.

The **Group's interest in net loss** was 1,586 million euros, compared with a loss of 1,900 million euros in fiscal 2003.

As a result, the net loss per share amounted to 1.62 euros, compared with a net loss per share of 2.412 euros in 2003.

BALANCE SHEET

On the previous page, the financial structure shows items on both the assets and liabilities side, with a breakdown between current and non-current assets and liabilities. Specifically:

- In addition to cash and securities, current assets include assets held for sale or consumption in the normal course of business and thus comprise assets generated by financial services, including assets under financial lease. Current assets also include amounts which are expected to be received within twelve months of the year-end.
- Current liabilities include those to be settled in the normal course of business, liabilities held primarily for trading purposes, and those due within twelve months of the year-end or which cannot be renegotiated in that period.

The following analysis provides the information necessary for correlation with the principal items characteristic of the industrial activities, such as working capital and net invested capital.

For a more complete analysis of these items, please see the Notes to the Consolidated Financial Statements.

Intangible Fixed Assets

Intangible fixed assets (start-up and expansion costs, goodwill, intangible fixed assets in progress, and others) totaled 3,322 million euros, down by 402 million euros from the 3,724 million euros at December 31, 2003. Of this decrease, approximately 160 million euros are attributable to changes in foreign exchange rates, which particularly impacted the carrying value of goodwill, and 211 million euros are attributable to the negative balance of amortization and investments.

Investments during the year totaled 264 million euros (527 million euros in 2003), while **amortization** totaled 475 million euros (519 million euros in 2003), of which 162 million euros for goodwill (192 million euros in 2003).

Property, Plant and Equipment

Property, plant and equipment totaled 9,537 million euros, down by 138 million euros from December 31, 2003, when they totaled 9,675 million euros.

The decrease in property, plant and equipment (net of "Leased assets") totaled 52 million euros and is mainly attributable to

disinvestments during the fiscal year (approximately 270 million euros) and writedowns (84 million euros), which were only partially offset by the balance of investments and depreciation (+198 million euros), change in the scope of consolidation (approximately +60 million euros, almost entirely attributable to the line-by-line consolidation of Magneti Marelli Electronic

(in millions of euros)	At 12.31.2004	At 12.31.2003
ASSETS		
Intangible fixed assets	3,322	3,724
Goodwill	2,140	2,402
Other intangible fixed assets	1,182	1,322
Property, plant and equipment	9,537	9,675
Property, plant and equipment	8,709	8,761
Vehicles covered by operating leases	828	914
Financial fixed assets	3,779	3,950
Financial receivables held as fixed assets	(*) 19	29
Deferred tax assets	2,161	1,879
Total Non-Current Assets	18,818	19,257
Net inventories (1)	5,972	6,484
Trade receivables	4,777	4,553
Other receivables	3,021	3,081
Financial assets not held as fixed assets	117	120
Finance lease contracts receivable	(*) 1,727	1,797
Financial receivables from others	(*) 7,151	10,750
Securities	(*) 2,126	3,789
Cash	(*) 3,164	3,211
Total Current Assets	28,055	33,785
Trade accruals and deferrals	398	407
Financial accruals and deferrals	(*) 327	386
TOTAL ASSETS	47,598	53,835
LIABILITIES AND STOCKHOLDERS EQUITY		
Stockholders equity	5,757	7,494
Stockholders equity of the Group	5,099	6,793
Minority interest	658	701
Deferred income tax reserves	197	211
Reserves for risks and charges	5,185	5,168
Reserves for employee severance indemnities	1,286	1,313
Financial payables due beyond 12 months	(*) 8,933	15,418
Total Non-Current Liabilities	15,601	22,110
Trade payables	11,955	12,588
Other payables (1)	2,565	2,742
Financial payables due within 12 months (2)	(*) 9,810	6,616
Total Current Liabilities	24,330	21,946
Trade accruals and deferrals	1,178	1,329
Financial accruals and deferrals	(*) 732	956
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	47,598	53,835
NET FINANCIAL POSITION	(*) (4,961)	(3,028)

(1) To improve representation of net inventories of contract work in progress, certain items related to advances from customers for contract work, which were previously reported under "Other payables" were deducted from inventories. Consistently with this change, the amounts of "Net inventories" and "Other payables," at December 31, 2003 were adjusted by 428 million euros. Inventories are shown net of advances received for contract work in progress (9,645 million euros at December 31, 2004 and 8,876 million euros at December 31, 2003).

(2) At December 31, 2004, the item included the mandatory convertible facility for 3 billion euros and the loan by Citigroup, secured by the "EDF Put", for approximately 1,150 million euros. At December 31, 2003, it included the exchangeable bond for an amount of 1,765 million euros.

Systems), and positive foreign exchange differences of approximately 46 million euros.

"Leased assets" decreased by 86 million euros, mainly in consequence of disinvestments during the period (303 million euros), which were only partially offset by the positive balance of 221 million euros between investments and depreciation. Aggregate **investments** in fixed assets totaled 2,112 million euros in 2004 (2,011 million euros in 2003), including those in long-term leases, which increased by 50 million euros, from 358 million euros in 2003 to 408 million euros in 2004.

Depreciation of property, plant and equipment totaled 1,693 million euros in 2004 (1,750 million euros in 2003), including 187 million euros for leased assets (219 million euros in 2003). At December 31, 2004, **accumulated depreciation and writedowns** of fixed assets totaled 18,364 million euros, corresponding to approximately 66% of gross fixed assets, compared with approximately 64% at December 31, 2003.

Financial Fixed Assets

Financial fixed assets totaled 3,779 million euros, compared with 3,950 million euros at December 31, 2003. The decrease of 171 million euros is largely attributable to the dividends paid by BUC – Banca Unione di Credito (184 million euros), accounted for using the equity method, and only partially offset by the positive balance of revaluations and writedowns.

Financial Assets not held as Fixed Assets

Financial assets not held as fixed assets totaled 117 million euros, substantially the same as at December 31, 2003.

Net Deferred Tax Assets

Net deferred tax assets (deferred tax assets net of deferred income tax reserves) totaled 1,964 million euros at December 31, 2004, compared with of 1,668 million euros at December 31, 2003. The increase that occurred during the fiscal year is attributable to the posting of net deferred tax assets (written down in previous years as the conditions for recording them were not met) totaling 296 million euros, of which 277 million euros for Fiat S.p.A., the recovery of which became reasonably certain in consequence of the settlement received in February 2005 upon cancellation of the Master Agreement with General Motors.

Working Capital

The Group's **working capital** increased by 604 million euros to a negative 1,530 million euros, up from the negative 2,134 million euros reported at the end of 2003.

The following table illustrates the composition of working capital at the end of 2003 and 2004.

(in millions of euros)	At 12.31.2004	At 12.31.2003	Change
Net inventories (1)	5,972	6,484	(512)
Trade receivables	4,777	4,553	224
Trade payables	(11,955)	(12,588)	633
Other receivables/(payables) (1)	(324)	(583)	259
Working capital	(1,530)	(2,134)	604

(1) The amounts at December 31, 2003 include the effect of the adjustment for a total of 428 million euros, which is described in the footnote of the Balance Sheet.

An analysis of the changes affecting the main components of working capital is provided below.

Net inventories (raw materials, finished products, and work in progress), net of advances received for contract work in progress, totaled 5,972 million euros, against 6,484 million euros at December 31, 2003. The decrease is largely attributable to Fiat Auto, which reduced its stock of new and used vehicles by over 20% during the year, and the impact of the change in the euro/dollar exchange rate on CNH inventories.

Trade receivables totaled 4,777 million euros, up by 224 million euros from the 4,553 million euros at December 31, 2003. The increase is mainly attributable to Iveco and Ferrari-Maserati, which increased their levels of activity and revenues by 10% and 20%, respectively, in 2004.

Trade payables totaled 11,955 million euros, down by 633 million euros with respect to the 12,588 million euros at December 31, 2003. The decrease is largely attributable to Fiat Auto, which had increased its production levels during the last quarter of 2003 upon the introduction of new models, levels that stabilized during 2004.

The negative balance of **other receivables/(payables)**, which also includes trade accruals and deferrals, improved from -583 million euros at December 31, 2003 to -324 million euros. The decrease of 259 million euros is mainly attributable to the requirements generated by payment in 2004 of payables to employees leaving the Group at the end of 2003 (especially Fiat Auto), the increase at CNH of deposits securing disposals of trade receivables, which were only partially offset by lower receivables from Tax Authorities (mainly for VAT).

Reserves

Reserves ("Reserves for risks and charges" plus the "Reserves for employee severance indemnities") totaled 6,471 million euros and were substantially in line (-10 million euros) with the value at the beginning of the fiscal year, when they totaled 6,481 million euros.

At December 31, 2004, the reserves mainly included: income tax reserves for 77 million euros (98 million euros in 2003), warranty

reserves for 901 million euros (791 million euros in 2003), restructuring reserves for 408 million euros (471 million euros in 2003), reserves for pensions for 1,432 million euros (1,503 million euros in 2003), reserves for employee severance indemnities for 1,286 million euros (1,313 million euros in 2003), and reserves for other risks and charges for 2,276 million euros (2,216 million euros in 2003).

Net Invested Capital

Net invested capital totaled 10,718 million euros, compared with 10,522 million euros at December 31, 2003. The increase of 196 million euros is attributable to the increase in working capital and deferred tax assets, which were only partially offset by the decrease in fixed assets (mainly foreign exchange effect and disinvestments during the period), and financial fixed assets (dividends paid by BUC - Banca Unione di Credito accounted for using the equity method).

The following table illustrates the composition of net invested capital at the end of 2004 and 2003.

(in millions of euros)	At 12.31.2004	At 12.31.2003	Change
Intangible fixed assets	3,322	3,724	(402)
Property, plant and equipment	9,537	9,675	(138)
Financial fixed assets	3,779	3,950	(171)
Financial assets not held as fixed assets	117	120	(3)
Deferred tax assets	2,161	1,879	282
Reserves	(6,668)	(6,692)	24
Working capital	(1,530)	(2,134)	604
Net invested capital	10,718	10,522	196

Stockholders' Equity

Consolidated stockholders' equity totaled 5,757 million euros (7,494 million euros at December 31, 2003). The reduction largely reflects the loss posted for the period (1,548 million euros), the reduction in minority interests (62 million euros), largely in consequence of the purchase of residual shares in Fiat Auto Poland), distributed dividends (19 million euros), and the decrease stemming from foreign exchange translation differences (126 million euros).

Stockholders' equity of the Group was 5,099 million euros, against 6,793 million euros at December 31, 2003.

Net Financial Position

The net financial position, i.e. net indebtedness (financial payables and related accruals and deferrals, net of cash and securities) minus financial receivables, totaled -4,961 million euros at December 31, 2004, reflecting an increase of 1,933 million euros compared with the negative net financial position of 3,028 million euros at the beginning of the fiscal year.

The following table shows the net financial position at December 31, 2004 and December 31, 2003.

(in millions of euros)	At 12.31.2004	At 12.31.2003	Change
Financial payables	(18,743)	(22,034)	3,291
Accrued financial expenses	(523)	(593)	70
Prepaid financial expenses	93	85	8
Cash	3,164	3,211	(47)
Securities	2,126	3,789	(1,663)
Net indebtedness (*)	(13,883)	(15,542)	1,659
Financial receivables and lease contracts receivable	8,897	12,576	(3,679)
Accrued financial income	234	301	(67)
Deferred financial income	(209)	(363)	154
Net Financial Position	(4,961)	(3,028)	(1,933)
<i>(*) Net Indebtedness</i>			
Industrial Activities	(5,909)	(5,088)	(821)
Financial Activities	(7,974)	(10,454)	2,480

Aggregate liquidity (Cash and Securities) of the Group at December 31, 2004, held principally by the companies that operate centralized cash management activities, totaled approximately 5.3 billion euros, approximately 1.7 billion euros less than at December 31, 2003, partially in consequence of the reimbursement of financial payables, including bond loans of 2.7 billion euros.

Net indebtedness (financial payables and relative accruals and deferrals, net of cash and securities) totaled approximately 13.9 billion euros at December 31, 2004, about 1.7 billion euros less than at December 31, 2003. The net indebtedness of Industrial Activities increased by 821 million euros in connection with the operating requirements of the period, while the net indebtedness of Financial Activities decreased by approximately 2.5 billion euros in consequence of the reduction in financial assets for the reasons described hereunder in the analysis of the "Financial Position and Operating Results by Activity Segment."

Gross indebtedness (financial payables and relative accruals and deferrals), equal to 19.2 billion euros, decreased by approximately 3.4 billion euros, principally in consequence of the reimbursement of bonds, including the bond for approximately 1 billion euros issued by Fiat Finance & Trade, reimbursed at the end of March 2004, and the bond exchangeable for General Motors shares for 2.2 billion dollars, equal to approximately 1.8 billion euros.

In connection with the above bond, it should be noted that:

- During the first quarter of 2004, Fiat had repurchased 540 million dollars in bonds to be cancelled out of a total of 2,229 million dollars;
- in June 2004, pursuant to the contractual right of each bondholder to request early reimbursement of all or part of its bonds, reimbursement for the above indicated amount was requested by the contractually envisaged deadline. As of

December 31, 2004, a 17-million-dollar loan is still outstanding (approximately 13 million euros).

At December 31, 2004, gross indebtedness included, among other things, the mandatory convertible facility agreement (3 billion euros) and the loan by Citigroup (lead manager of a restricted pool of banks), secured by the agreements with EDF as part of the Italennergia Bis transaction (approximately 1,150 million euros).

The **net financial position** – net indebtedness minus financial receivables – totaled a negative 4,961 million euros at December 31, 2004, reflecting an increase from the negative 3,028 million euros recorded at December 31, 2003.

This change stemmed principally from the operating requirements of the period, particularly the loss posted for the year, the increase in working capital and lower sales of trade receivables.

For a more detailed analysis of the above items, and more specifically as regards bonds, please see the Notes to the Consolidated Financial Statements.

Financial receivables and lease contracts receivable at December 31, 2004 include financial receivables from the dealer network totaling 1,220 million euros (2,020 million euros at December 31, 2003).

The aggregate total of Group receivables from the dealer network is illustrated as follows.

<i>(in millions of euros)</i>	At 12.31.2004	At 12.31.2003	Change
Trade receivables	1,286	1,208	78
Financial receivables	1,220	2,020	(800)
Total receivables from the dealer network	2,506	3,228	(722)

Receivables from the dealer network are typically generated by sales of vehicles and are generally managed under dealer network financing programs as a typical component of the portfolio of the financial services companies. These receivables are interest bearing, with the exception of an initial limited, non-interest bearing installment payment period. On the consolidated balance sheet, the interest-bearing portion of the receivables is classified as a financial receivable and thus included in the net financial position, while the non-interest bearing portion is classified as a trade receivable (and thus excluded from the net financial position).

The contractual terms governing the relationships with the dealer networks vary from Sector to Sector and from country to country. However, these receivables are collected in approximately two to four months on average.

The receivables from the dealer network illustrated in the preceding table are net of allowances for doubtful accounts totaling 408 million euros at December 31, 2004 (313 million euros at December 31, 2003), computed on the basis of historical statistical analyses and updated according to evolutions in market trends. During 2004, 137 million euros (27 million euros in 2003) were allocated to reserves, and 94 million euros (46 million euros in 2003) were used. At December 31, 2004, the Group held guarantees totaling more than 2 billion euros as security for these receivables.

The receivables illustrated in the preceding table are net of sale with or without recourse, as follows:

<i>(in millions of euros)</i>	At 12.31.2004			At 12.31.2003			Change		
	Trade receivables	Financial receivables	Total	Trade receivables	Financial receivables	Total	Trade receivables	Financial receivables	Total
With recourse	937	59	996	1,387	–	1,387	(450)	59	(391)
Without recourse	2,927	852	3,779	2,598	740	3,338	329	112	441

At December 31, 2004, gross indebtedness totaled 19.2 billion euros and continued to be within the targets agreed upon with the Lending Banks under the Mandatory Convertible Facility Agreement (23.6 billion euros), while the pro-forma net financial position (computed, as envisaged in the facility agreement, by subtracting from the net financial position the Citigroup loan of approximately 1,150 million euros but not the receipt of the

1,550 million euros as a result of the agreement reached with General Motors on February 13, 2005) exceeded the limit of 3.6 billion euros contractually agreed for this parameter. The Lending Banks therefore have the right according to contractual terms and conditions, to proceed with the conversion of the facility for an amount up to 2 billion euros in principal.

CONSOLIDATED STATEMENT OF CASH FLOWS

The Group's **cash** (bank account deposits and cash) totaled 3,164 million euros at December 31, 2004, down slightly (-47 million euros) from its level at December 31, 2003 (3,211 million euros). The securities in which cash is temporarily invested decreased from 3,789 million euros at December 31, 2003 to 2,126 million euros at December 31, 2004: thus, the Group's liquid assets at December 31, 2004 totaled 5,290 million euros, down by 1,710 million euros after reimbursement of bonds for 2.7 billion euros.

The following table shows the consolidated statement of cash flows for the past three fiscal years.

The **cash flows used in operating activities** in 2004 totaled 358 million euros (compared with the cash flows of 1,947 million euros used in fiscal 2003).

The increase in working capital that, on a comparable scope of consolidation, absorbed a total of 608 million euros (872 millions in 2003), was only partially offset by cash flow (net income plus amortization and depreciation) that, net of net gains on

<i>(in millions of euros)</i>	2004	2003	2002
A) Cash at January 1	3,211	3,489	2,133
B) Cash flows provided by (used in) operating activities:			
Net result before minority interest	(1,548)	(1,948)	(4,263)
Depreciation and amortization	2,168	2,269	2,614
Net change in reserve for employee severance indemnities	(37)	(136)	(70)
Change in deferred income taxes	(319)	422	(884)
Gains on disposals	(162)	(1,873)	124
Revaluations and writedowns of equity investments	2	177	525
Impairment	147	424	991
Change in current assets and liabilities:			
Trade receivables	(259)	125	423
Net inventories	464	(389)	1,325
Trade payables	(531)	6	(104)
Other payables, receivables, accruals and deferrals (1)	(282)	(614)	184
Reserve for income taxes and other reserves	(36)	(287)	545
Changes in the scope of consolidation and others	35	(123)	(357)
Total	(358)	(1,947)	1,053
C) Cash flows provided by (used in) investment activities:			
Investments in:			
Fixed assets	(2,112)	(2,011)	(2,771)
Equity investments	(239)	(212)	(563)
Intangible assets and deferred charges	(237)	(488)	(518)
Investment grants	92	134	90
Reserves distributed by companies accounted for using the equity method	184	-	-
Proceeds from the sale of fixed assets	358	4,167	3,231
Net change in financial receivables	2,976	1,146	2,456
Change in securities	1,684	(3,065)	(175)
Change in securities of insurance companies net of policy liabilities and accruals	-	-	430
Other changes	339	3,226	(84)
Total	3,045	2,897	2,096
D) Cash flows provided by (used in) financing activities:			
Increase in borrowings	1,256	1,989	12,047
Repayment of borrowings	(4,704)	(6,178)	(9,392)
Net change in short-term borrowings	713	1,134	(5,358)
Increase in capital stock	16	1,860	1,215
Purchase/Sales of treasury stock	4	(18)	(77)
Dividends paid	(19)	(15)	(228)
Total	(2,734)	(1,228)	(1,793)
E) Total change in cash	(47)	(278)	1,356
F) Cash at December 31	3,164	3,211	3,489

(1) In 2002, this item does not include payment of the balance of assets and liabilities contributed by Fiat Auto to the Fiat - GM Powertrain joint venture, which was posted at the item "Changes in the scope of consolidation and others."

disposals and non-monetary costs and revenues deriving from the writedowns of fixed assets and deferred tax liabilities, totaled a positive 286 million euros (negative 706 million euros in 2003).

Investment activities generated positive cash flow of 3,045 million euros in 2004, compared with 2,897 million euros in 2003. Net of the change in marketable securities (which largely represent short-term investment of liquid funds), investment activities generated a total of 1,361 million euros, compared with the 5,962 million euros in 2003, which had benefited from the flows generated by disposals of assets.

The net reduction in financial receivables, which partially reflects the decrease in financing extended by the financial services activities, and receivables from others owed to the industrial companies, generated 2,976 million euros in available funds (1,146 million euros generated in 2003).

The principal applications during the year consisted of:

- investments in property, plant and equipment of 2,112 million euros (2,011 million euros in 2003), including 408 million euros in investments in vehicles to be leased on a long-term basis (358 million euros in 2003);
- investments in intangible fixed assets of 237 million euros (488 million euros in 2003).

In fiscal 2004, the proceed resulting from the disposal of fixed assets, dividends received by BUC – Banca Unione di Credito, which was accounted for using the equity method, net of expenses for the purchase of investments, generated 303 million euros in available funds, while fiscal 2003 had benefited from net proceeds of 3,995 million euros from the disposal of assets, in addition to the collection of receivables paid back by the sold companies.

Financing activities absorbed 2,734 million euros in 2004, compared with 1,228 million euros absorbed in 2003. In 2004, a total of 4,704 million euros in financing was reimbursed. Net of new financing, including short-term loans for 713 million euros (1,134 million euros in 2003), reimbursements totaled 2,735 million euros (3,055 million euros in 2003) and refer, among others, to the repayment of bonds of approximately 1 billion euros issued by Fiat Finance & Trade and the bond exchangeable for General Motors shares of 2.2 billion dollars (equal to approximately 1.8 billion euros).

FINANCIAL REVIEW BY ACTIVITY SEGMENT

The following analyses of the statement of operations and the balance sheet illustrate the performance of the Group, broken down according to “Industrial Activities” and “Financial Activities”. Financial Activities include – for Fiat Auto, CNH and Iveco – the companies that provide financing (to retail customers, dealers and, to a lower extent, to suppliers) and leasing and rental services, as described more in detail in the reports on the operating performance of the Sectors.

Principles of Analysis

The classification between Industrial and Financial Activities was realized by defining specific sub-consolidated financial statements according to the normal business performed by each Group company.

The equity investments held by companies belonging to an activity segment in companies included in another segment were accounted for using the equity method.

To avoid skewing the operating result of normal operations to be represented here, the effect of this valuation on the statement of operations is illustrated under the item “Result of intersegment equity investments.”

The holding companies (Fiat S.p.A., IHF-Internazionale Holding Fiat S.A., Fiat Partecipazioni S.p.A., Fiat Netherlands Holding N.V.) were classified under Industrial Activities.

The sub-consolidated financial statements of the Industrial Activity segment also includes companies that operate centralized cash management activities, i.e. that raise financial resources on the market and finance Group companies, without providing financial services to others.

The transactions relating to the sale of receivables carried out at market conditions between the industrial and financial companies of the Group are posted as financial receivables and payables in the balance sheet of Financial Activities. For the purposes of this breakdown the portion of these items that, according to the last contractual relationship established with others, is still of a commercial nature, insofar as it does not bear interest, was reclassified directly in the sub-consolidated results of Financial Activities under trade receivables and payables.

Operating Performance by Activity Segment

Industrial Activities

The **net revenues** for Industrial Activities in 2004, including changes in contract work in progress, totaled 45,707 million euros, up by 5.4% with respect to fiscal 2003. The improvement is attributable to the increase in revenues at the automotive and components Sectors. The revenues of Comau and the Services Sector decreased due to the change in the scope of operations.

The **operating result** for Industrial Activities in 2004 was a loss of 272 million euros, reflecting a significant improvement from the operating loss of 938 million euros reported in the previous year, thanks to a lower operating loss at Fiat Auto and improved results at Iveco, CNH, Magneti Marelli, Comau, and Teksid.

In 2004, the **EBIT** of Industrial Activities was a negative 1,146 million euros, compared with the negative 476 million euros in 2003, although that period had benefited from the positive balance of 1,766 million euros in net gains/losses deriving from disposal of assets. Excluding this effect, the EBIT in 2004 improved by approximately 1.1 billion euros in consequence of the lower operating loss (666 million euros) and lower non-operating expenses (432 million euros).

Financial Activities

Financial Activities generated **net revenues** of 1,883 million euros in 2004, largely in line with those of 2003, when they totaled 1,870 million euros.

The increase in revenues realized by Fiat Auto was offset by the decrease at CNH, which was entirely attributable to depreciation of the dollar with respect to the euro.

The **income before taxes** of Financial Activities totaled a positive 277 million euros (loss of 22 million euros in 2003, which did not include the impact of the result of investments owned by financial companies in industrial companies), thanks to the profits realized by Financial Activities in all three automotive sectors.

The improvement is mainly attributable to Fiat Auto and Iveco, whose income before taxes benefited:

- from lower non-operating expenses, down by over 100 million euros, which in 2003 included, among other items, those stemming from revision of the operating and organizational processes of the renting companies in the Automobile Sector and the residual loss stemming from the sale of Fraikin;
- the approximately 90 million euro improvement in the result of investments, in particular Fiat Auto, which in 2003 had sustained a loss of 76 million euros on the investment in Leasys.

(in millions of euros)	2004			2003		
	Consolidated	Industrial Activities	Financial Activities	Continuing Operations	Industrial Activities	Financial Activities
Net revenues	46,703	45,707	1,883	44,498	43,380	1,870
Cost of sales	39,623	39,319	1,191	38,468	37,985	1,235
Gross operating result	7,080	6,388	692	6,030	5,395	635
Overhead	4,629	4,333	296	4,509	4,186	323
Research and development	1,810	1,810	–	1,724	1,724	–
Other operating income (expenses)	(619)	(517)	(102)	(511)	(423)	(88)
Operating result	22	(272)	294	(714)	(938)	224
Investment income (expenses) (*)	8	(18)	26	(79)	(16)	(63)
Non-operating income (expenses) (**)	(863)	(856)	(7)	359	478	(119)
EBIT	(833)	(1,146)	313	(434)	(476)	42
Financial income (expenses)	(744)	(708)	(36)	(1,067)	(1,003)	(64)
Result before taxes	(1,577)	(1,854)	277	(1,501)	(1,479)	(22)
Income taxes	(29)	(120)	91	541	486	55
Net result	(1,548)	(1,734)	186	(2,042)	(1,965)	(77)
Result of intersegment investments	–	186	–	90	13	(326)
Net result before minority interest	(1,548)	(1,548)	186	(1,952)	(1,952)	(403)

(*) This item includes investment income (expenses) as well as write-downs and write-ups due to adjustments in non-intersegment equity investments valued using the equity method.

(**) The 2003 figure for Industrial Activities includes 1,766 million euros in net gains on disposals of assets, while the figure for Financial Activities includes a net loss on disposals of 24 million euros.

BALANCE SHEET BY ACTIVITY SEGMENT

(in millions of euros)	At 12.31.2004			At 12.31.2003		
	Consolidated	Industrial Activities	Financial Activities	Consolidated	Industrial Activities	Financial Activities
■ ASSETS						
Intangible fixed assets	3,322	3,221	101	3,724	3,600	124
Goodwill	2,140	2,058	82	2,402	2,307	95
Other intangible fixed assets	1,182	1,163	19	1,322	1,293	29
Property, plant and equipment	9,537	8,699	838	9,675	8,750	925
Property, plant and equipment	8,709	8,692	17	8,761	8,742	19
Vehicles covered by operating leases	828	7	821	914	8	906
Financial fixed assets	3,779	5,336	518	3,950	5,119	681
Financial receivables held as fixed assets	(*) 19	19	-	29	28	1
Deferred tax assets	2,161	2,062	99	1,879	1,794	85
Total Non-Current Assets	18,818	19,337	1,556	19,257	19,291	1,816
Net inventories (1)	5,972	5,942	30	6,484	6,450	34
Trade receivables	4,777	4,546	587	4,553	4,294	531
Other receivables	3,021	2,246	792	3,081	2,801	476
Financial assets not held as fixed assets	117	117	-	120	120	-
Finance lease contracts receivable	(*) 1,727	-	1,727	1,797	-	1,797
Financial receivables	(*) 7,151	7,741	6,401	10,750	10,545	9,024
Financial receivables from others	7,151	984	6,167	10,750	2,086	8,664
Intersegment financial receivables	-	6,757	234	-	8,459	360
Securities	(*) 2,126	1,932	194	3,789	3,670	119
Cash	(*) 3,164	3,021	143	3,211	3,121	90
Total Current Assets	28,055	25,545	9,874	33,785	31,001	12,071
Trade accruals and deferrals	398	364	36	407	347	64
Financial accruals and deferrals	(*) 327	370	26	386	417	22
■ TOTAL ASSETS	47,598	45,616	11,492	53,835	51,056	13,973
■ LIABILITIES AND STOCKHOLDERS' EQUITY						
Stockholders' equity	5,757	5,758	2,074	7,494	7,493	1,851
Deferred income tax reserves	197	173	24	211	135	76
Reserves for risks and charges	5,185	5,021	164	5,168	4,996	172
Reserves for employee severance indemnities	1,286	1,277	9	1,313	1,304	9
Financial payables due beyond 12 months	(*) 8,933	8,093	2,576	15,418	14,495	2,885
Financial payables to others	8,933	8,079	854	15,418	14,480	938
Intersegment financial payables	-	14	1,722	-	15	1,947
Total Non-Current Liabilities	15,601	14,564	2,773	22,110	20,930	3,142
Trade payables	11,955	12,210	82	12,588	12,827	113
Other payables (1)	2,565	2,327	274	2,742	2,614	246
Financial payables due within 12 months (2)	(*) 9,810	9,146	5,919	6,616	5,495	7,978
Financial payables to others	9,810	8,926	884	6,616	5,150	1,466
Intersegment financial payables	-	220	5,035	-	345	6,512
Total Current Liabilities	24,330	23,683	6,275	21,946	20,936	8,337
Trade accruals and deferrals	1,178	1,059	121	1,329	1,165	166
Financial accruals and deferrals	(*) 732	552	249	956	532	477
■ TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	47,598	45,616	11,492	53,835	51,056	13,973
■ NET FINANCIAL POSITION	(*) (4,961)	(4,708)	(253)	(3,028)	(2,741)	(287)

(1) To improve representation of net inventories of contract work in progress, certain items related to advances from customers for contract work, which were previously reported under "Other payables" were deducted from inventories.

Consistently with this change, the amounts of "Net inventories" and "Other payables," at December 31, 2003 were adjusted by 428 million euros. Inventories are shown net of advances received for contract work in progress (9,645 million euros at December 31, 2004 and 8,876 million euros at December 31, 2003).

(2) At December 31, 2004, the item included the mandatory convertible facility for 3 billion euros and the loan by Citigroup, secured by the "EDF Put", for approximately 1,150 million euros. At December 31, 2003, it included the exchangeable bond for an amount of 1,765 million euros.

BREAKDOWN OF NET INDEBTEDNESS AND NET FINANCIAL POSITION BY ACTIVITY SEGMENT

(in millions of euros)	At 12.31.2004			At 12.31.2003		
	Consolidated	Industrial Activities	Financial Activities	Consolidated	Industrial Activities	Financial Activities
Financial payables net of intersegment activities	(18,743)	(10,482)	(8,261)	(22,034)	(11,531)	(10,503)
Accrued financial expenses	(523)	(451)	(72)	(593)	(416)	(177)
Prepaid financial expenses	93	71	22	85	68	17
Cash	3,164	3,021	143	3,211	3,121	90
Securities	2,126	1,932	194	3,789	3,670	119
Net indebtedness	(13,883)	(5,909)	(7,974)	(15,542)	(5,088)	(10,454)
Financial receivables and lease contracts receivable	8,897	1,003	7,894	12,576	2,114	10,462
Accrued financial income	234	232	2	301	298	3
Deferred financial income	(209)	(34)	(175)	(363)	(65)	(298)
Net Financial Position	(4,961)	(4,708)	(253)	(3,028)	(2,741)	(287)

Cash and cash equivalents collected by the centralized cash management during its activity have been recorded in the item Financial payables net of intersegment activities in the Industrial

Activities column. However, funds that were transferred to Financial Activities, were posted net of the relative intersegment relationships, as shown in the table below.

(in millions of euros)	At 12.31.2004			At 12.31.2003		
	Consolidated	Industrial Activities	Financial Activities	Consolidated	Industrial Activities	Financial Activities
Financial payables to others due within 12 months	9,810	8,926	884	6,616	5,150	1,466
Financial payables to others due beyond 12 months	8,933	8,079	854	15,418	14,480	938
(Intersegment financial receivables)	–	(6,757)	(234)	–	(8,459)	(360)
Intersegment financial payables	–	234	6,757	–	360	8,459
Financial payables net of intersegment activities	18,743	10,482	8,261	22,034	11,531	10,503

The Group's net indebtedness (financial payables net of intersegment payables, cash, and marketable securities) decreased by a further 1,659 million euros in 2004 (from 15,542 million euros to 13,883 million euros). In particular:

- the net indebtedness of Industrial Activities increased by 821 million euros in consequence of the operating requirements of the period (mainly the loss for the period and the increase in working capital), and was partially offset by the collection

of financing and deposits included in financial receivables at December 31, 2003;

- the net indebtedness of financial activities instead shows a decrease of 2,480 million euros, reflecting lower financing to the sales network of the Automobile Sector, the lower amount of financing provided to suppliers and the sale of the financial company of the Automobile Sector that operated in the United Kingdom.

FINANCIAL REVIEW OF FIAT S.P.A.

OPERATING PERFORMANCE

The Parent Company Statement of Operations showed a loss of 949 million euros, as compared to the loss of 2,359 million euros in the previous fiscal year.

The breakdown of this result is illustrated in the following table:

(in millions of euros)	2004	2003
Investment income	683	400
Adjustments to financial assets	(1,641)	(2,379)
Net financial expenses	(137)	(169)
Cost of personnel and services net of revenues	(119)	(130)
Non-operating income (expenses)	(13)	(20)
Income taxes	278	(61)
Net result	(949)	(2,359)

Investment income totaled 683 million euros, and consisted of dividends and the gain of 606 million euros resulting from partial reimbursement of capital stock by the subsidiary IHF – Internazionale Holding Fiat S.A.

The **adjustments to financial assets** posted in 2004 totaled 1,641 million euros, reflecting the 1,624 million euro writedown in the book value of the investment in Fiat Partecipazioni S.p.A., which was mainly impacted by the negative performance of the Automobiles Sector.

In 2003, these adjustments totaled 2,379 million euros and stemmed from the writedown of the investment in Fiat Partecipazioni (again, impacted by the negative performance of the Automobiles Sector), in Fiat Netherlands Holding N.V. (for the losses generated by Iveco and CNH) and Magneti Marelli Holding S.p.A.

Net financial expenses totaled 137 million euros, down from the 169 million euros reported in 2003, thanks to lower interest expenses in consequence of the decline in interest rates and reduced indebtedness.

The **cost of personnel and services net of revenues** totaled 119 million euros, as compared with 130 million euros in 2003. In particular:

- the **cost of personnel and services** totaled 207 million euros and consisted of service costs totaling 110 million euros, personnel costs totaling 53 million euros, and, for the remainder, amortization and other operating costs. The 36 million euro decrease stems from the lower cost of personnel. The average number of employees was 151 persons (including 12 persons seconded to the principal companies of the Group), against an average number of 167 persons in 2003 (including 15 persons who were seconded);
- **Revenues** totaled 88 million euros, consisting of licensing fees for use of the Fiat brand, calculated as a percentage of the revenues generated by the individual Group companies that use it, and the services rendered by executives. The decrease

of 25 million euros with respect to the previous year derives from lower charges to Group companies following the sale of activities in 2003.

Net **non-operating expenses** totaled 13 million euros, consisting mainly of the extraordinary expenses incurred in 2004 following implementation of the Parent Company restructuring and reorganization plan.

In 2003, they consisted mainly of commissions paid to Mediobanca S.p.A for extension of the commitments it had assumed as part of the 2002 agreement for sale of 34% of Ferrari.

Income taxes totaled a positive 278 million euros, due almost entirely to the posting of deferred tax assets on tax losses carried forward and temporary differences, the recovery of which became reasonably certain in consequence of the settlement received in February 2005 upon cancellation of the Master Agreement with General Motors.

Instead, in 2003 they were negative, due to the cancellation of tax prepayments whose recovery in following years was no longer reasonably certain (61 million euros).

BALANCE SHEET

The following table illustrates highlights of the Parent Company Balance Sheet:

(in millions of euros)	At 12/31/2004	At 12/31/2003
Fixed assets	5,342	7,404
of which: equity investments	5,249	7,282
Working capital	99	77
Total net invested capital	5,441	7,481
Stockholders' equity	4,466	5,415
Net financial position	(975)	(2,066)

Fixed assets consist mainly of investments in the most important companies of the Group.

The principal increase was represented by the purchase from Fiat Partecipazioni S.p.A of the investments in Comau S.p.A., Teksid S.p.A., and Business Solutions S.p.A. for 244 million euros as part of the plan to streamline the Group corporate structure and portfolio of investments in Fiat S.p.A.

The greatest decreases consisted of the partial reimbursement of the capital stock of IHF – Internazionale Holding Fiat S.A. (reduction in its book value by 635 million euros) and writedowns of the previously analyzed investments.

Working capital is comprised by inventories net of advances, trade, tax, and employee receivables/payables, and credits for tax prepayments, totaling 73 million euros, as well as ordinary treasury stock in the amount of 26 million euros (4,384,019 shares). The 22 million euro increase with respect to December 31, 2003 is mainly the result of increased deferred tax assets net of higher trade payables.

Stockholders' equity totaled 4,466 million euros at December 31, 2004, down by 949 million euros with respect to December 31, 2003 due to the loss for the year.

The **net financial position** at December 31, 2004 was a negative 975 million euros, as compared to 2,066 million euros at December 31, 2003. A breakdown is the following:

<i>(in millions of euros)</i>	<i>At 12/31/2004</i>	<i>At 12/31/2003</i>
Financial receivables and cash	2,321	1,437
Financial payables	(3,169)	(3,414)
Financial accruals and deferrals	(127)	(89)
Net financial position	(975)	(2,066)

Financial receivables include short-term financing granted to the subsidiary Fiat Ge.Va. S.p.A. falling due in 2005 and cash deposited on its current account.

The financial payables consist primarily of the "Mandatory facility" loan of 3 billion euros granted by a pool of banks that falls due in September 2005.

The improvement in the net financial position with respect to the previous year stems mainly from the cash received in consequence of the partial reimbursement of capital by the subsidiary IHF – Internazionale Holding Fiat S.A.

The reader is referred to the cash flow statement at the end of the Notes to the Statutory Financial Statements of Fiat S.p.A. for a more complete analysis of the items posted on the Statement of Operations and Balance Sheet.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IAS/IFRS)

Following the coming into force of European Regulation No. 1606 dated July 2002, EU companies traded on EU regulated markets are required to adopt IAS/IFRS ("IFRS") in the preparation of their 2005 consolidated financial statements. This will require a restatement of prior years.

At the present date, Fiat is finalizing its process of transition to IFRS and will report 2005 First Quarter results and prior year comparatives in accordance with IFRS.

This note describes the policies that Fiat is adopting in preparing the IFRS opening consolidated balance sheet at January 1, 2004, as well as the main differences in relation to the Italian GAAP used to prepare the consolidated financial statements until December 31, 2004.

The 2004 IFRS consolidated financial statements will be prepared in accordance with IFRS 1 – *First-time Adoption of IFRS* based on the IFRS applicable from January 1, 2005, as published as of December 31, 2004.

In particular, the 2004 IFRS financial statements will be prepared in accordance with:

- IAS 39 – *Financial Instruments: Recognition and Measurement* in its entirety. In particular, the Group is adopting derecognition requirements retrospectively from the date in which financial assets and financial liabilities had been derecognized under Italian GAAP.
- IFRS 2 – *Share-based Payment*, which was published by the IASB on February 19, 2004 and adopted by the European Commission on February 7, 2005.

FIRST-TIME ADOPTION OF IFRS

GENERAL PRINCIPLE

The Group is required to apply the accounting standards in force at the reporting date for its first IFRS financial statements retrospectively to all periods presented, except for some exemptions adopted by the Group in accordance with IFRS 1, as described in the following paragraph.

The opening IFRS balance sheet at January 1, 2004 will reflect the following differences as compared to the consolidated Italian GAAP balance sheet prepared at December 31, 2003 in accordance with Italian GAAP:

- all assets and liabilities qualifying for recognition under IFRS, including assets and liabilities that were not recognized under Italian GAAP, shall be recognized and measured in accordance with IFRS;
- all assets and liabilities recognized under Italian GAAP that do not qualify for recognition under IFRS shall be eliminated;
- certain balance sheet items will be reclassified in accordance with IFRS.

The impact of these adjustments shall be recognized directly in opening equity at the date of transition to IFRS (January 1, 2004).

OPTIONAL EXEMPTIONS ADOPTED BY THE GROUP

Business combinations – The Group elected not to apply IFRS 3 *Business Combinations* retrospectively to the business combinations that occurred before the date of transition to IFRS.

Employee benefits – The Group elected to recognize all cumulative actuarial gains and losses that existed at January 1, 2004, even if it decided to use the corridor approach for later actuarial gains and losses.

Cumulative translation differences – The cumulative translation differences arising from the consolidation of foreign operations will be set at nil as at January 1, 2004; gains or losses on subsequent disposal of any foreign operation shall only include accumulated translation differences after January 1, 2004.

DESCRIPTION OF MAIN DIFFERENCES BETWEEN ITALIAN GAAP AND IFRS

The following paragraph provide a description of main differences between Italian GAAP and IFRS that will have effects on Fiat consolidated financial statements.

A. DEVELOPMENT COSTS

Under Italian GAAP applied research and development costs may alternatively be capitalized or charged to operations when incurred. Fiat Group has mainly expensed R&D costs when incurred. IAS 38 – *Intangible Assets* requires that research costs be expensed, whereas development costs that meet the criteria for capitalization must be capitalized and then amortized from the start of production over the economic life of the related products.

The Group will capitalize development costs of the Automobile, Ferrari – Maserati, Agricultural and Construction Equipment, Commercial Vehicle and Components Sectors by using the retrospective approach in compliance with IFRS 1.

In accordance with IAS 36 – *Impairment of Assets*, impairment tests will be applied to development costs capitalized as intangible assets and impairment losses will be recognized if the recoverable amount of an asset is less than its carrying amount, as further described in the paragraph "Impairment of assets".

B. EMPLOYEE BENEFITS

The Group sponsors funded and unfunded defined benefit pension plans, as well as other long term benefits to employees.

Under Italian GAAP these benefits, with the exception of the Reserve for Employee Severance Indemnities ("TFR") that is accounted for in compliance to a specific Italian law, are mainly recorded in accordance with IAS 19 – *Employee Benefits*, applying the corridor approach, which consists of amortizing over the remaining service lives of active employees only the portion of net cumulative actuarial gains and losses that exceeds the greater of 10% of either the defined benefit obligation or the fair value of the plan assets, while the portion included in the 10% remains unrecognized.

With the adoption of IFRS, TFR will be considered a defined benefit obligation to be accounted for in accordance with IAS 19 and consequently will be recalculated applying the Projected Unit Credit Method.

Furthermore, as mentioned in the paragraph "Optional exemptions", the Group has elected to recognize all cumulative actuarial gains and losses that existed at January 1, 2004, with a negative impact on stockholders' equity.

The Group has decided to use the corridor approach for actuarial gains and losses that will arise after January 1, 2004.

C. BUSINESS COMBINATIONS

As mentioned above, the Group has elected not to apply IFRS 3 – *Business Combinations* retrospectively to the business combinations that occurred before the date of transition to IFRS.

As prescribed in IFRS 3, starting from January 1, 2004, the IFRS income statement will no longer include goodwill amortization charges.

D. REVENUE RECOGNITION – SALES WITH A BUY-BACK COMMITMENT

Under Italian GAAP, the Group recognizes revenues from sales of products at the time title passes to the customer, which is generally at the time of shipment. For contracts for vehicle sales and buy-backs at a specified price, a specific reserve for future risks and charges is set aside based on the difference between the guaranteed residual value and the estimated realizable value of vehicles, taking into account the probability that such option will be exercised. This reserve is set up at the time of the initial sale and adjusted periodically over the period of the contract. The costs of refurbishing the vehicles, to be incurred when the buy-back option is exercised, are reasonably estimated and accrued at the time of the initial sale.

Under IAS 18 – *Revenue* new vehicle sales with a buy-back commitment do not meet criteria for revenue recognition, because the significant risks and rewards of ownership of the goods are not necessarily transferred to the buyer. Consequently, this kind of contracts require to be treated as operating lease transactions. More specifically, the vehicles sold with a buy-back commitment expiring within 12 months are to

be treated as assets in inventory; when the term falls beyond 12 months from the initial sale, they will be treated as fixed assets in Property, Plant and Equipment. The difference between the carrying value (corresponding to the manufacturing cost) and the estimated resale value (net of refurbishing costs) at the end of the buy-back period, will be depreciated on a straight-line basis over the same time. The initial sale price received will be accounted as a liability. The difference between the initial sale price and the buy-back price will be recognized as rental revenue on a straight-line basis over the duration of the operating lease.

The opening IFRS stockholders' equity at January 1, 2004 will include a negative impact, mainly represented by the portion of the margin accounted for under Italian GAAP on vehicles sold with a buy-back commitment prior to January 1, 2004, that will be recognized under IFRS over the remaining buy-back period, net of the effects due to the adjustments to the provisions for vehicle sales with a buy-back commitment, accounted for under Italian GAAP.

The above mentioned accounting treatment will have a significant impact on reported sales and cost of goods sold; furthermore, these impacts in future years will depend on changes in volume and characteristics of these contracts year-over-year. Notwithstanding this, these changes are not expected to have material impact on reported earnings.

E. REVENUE RECOGNITION – OTHER

Under Italian GAAP recognition of disposals relies on legal and contractual form (transfer of legal title).

Under IFRS, when risks and rewards are not substantially transferred to the buyer and the seller maintains a continuous involvement in the operations or assets being sold, the transaction is not recognized as a sale.

Consequently, some disposal transactions, such as the disposal of 14% interest in Italennergia Bis and some minor real estate transactions, will be reversed retrospectively: the related asset will be recognized in the IFRS balance sheet, the initial gain recorded under Italian GAAP will be reversed and the cash received at the moment of the sale will be accounted for as a financial liability.

In particular, in 2001 the Company acquired a 38.6% shareholding in Italennergia S.p.A., now Italennergia Bis ("Italennergia"), a company formed between Fiat, Electricité de France ("EDF") and certain financial investors for the purpose of acquiring control of the Montedison - Edison ("Edison") group through tender offers. Italennergia assumed effective control of Edison at the end of the third quarter of that year and consolidated Edison from October 1, 2001. In 2002 the shareholders of Italennergia entered into agreements which resulted, among other things, in the transfer of a 14% interest in Italennergia from Fiat to other shareholders (with a put option that would require Fiat to repurchase the shares transferred in

certain circumstances) and the assignment to Fiat of a put option to sell its shares in Italenergia to EDF in 2005, based on market values at that date, but subject to a contractually agreed minimum price which is in excess of book value.

Under Italian GAAP, Fiat has accounted for its investments in Italenergia under the equity method, based on a 38.6% shareholding through September 30, 2002 and a 24.6% shareholding from October 1, 2002; in addition it recorded a gain of 0.2 billion euros before taxes on the sale of its 14% interest in the investee to other shareholders effective September 30, 2002.

Under IFRS, the transfer of the 14% interest in Italenergia to the other shareholders is not considered to meet the requirements for revenue recognition set out in IAS 18, mainly due to the existence of the put options granted to the transferees and de facto constraints on the transferees' ability to pledge or exchange the transferred assets in the period from the sale through 2005. Accordingly, the gain recorded in 2002 for the sale under Italian GAAP will be reversed, and the results of applying the equity method of accounting to the investment in Italenergia will be recomputed to reflect a 38.6% interest in the net results and stockholders' equity of the investee, as adjusted for the differences between Italian GAAP and IFRS applicable to Italenergia.

F. SCOPE OF CONSOLIDATION

Under Italian GAAP, the subsidiary BUC – Banca Unione di Credito, as requested by law, has been excluded from the scope of consolidation as it has non-homogeneous operations and is accounted for using the equity method.

IFRS do not allow this kind of exclusion: consequently, BUC will be included in the IFRS scope of consolidation.

Furthermore, under Italian GAAP investments that are not controlled on a legal basis or a de facto basis determined considering voting rights are excluded from the scope of consolidation.

Under IFRS, in accordance with SIC 12 – *Consolidation – Special Purpose Entities*, a Special Purpose Entity ("SPE") shall be consolidated when the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity.

This standard applies to all receivables securitization transactions entered by the Group (see beyond paragraph "Sales of receivables"), as well as to a real estate securitization transaction entered in 1998 and to the sale of Fiat Auto Spare Parts business to "Società di Commercializzazione e Distribuzione Ricambi S.p.A" ("SCDR") in 2001.

In particular, in 1998 the Group entered in a real estate securitization and, under Italian GAAP, the related revenue

was recognized at the date of the legal transfer of the assets involved. In the IFRS balance sheet at January 1, 2004 these assets will be written back at their historical cost, net of revaluation accounted before the sale time, if any. Cash received at the time of transaction will be accounted for against financial debt.

The IFRS stockholders' equity at January 1, 2004 will be negatively impacted by the cumulative effect of the reversal of capital gain on the initial disposal and of the revaluation previously recognized under Italian GAAP, net of related effect on asset depreciation, as well as the recognition of financial charges on related debt, net of the reversal of rental fees paid, if any. The impact on 2004 net result is not expected to be material.

Furthermore, in 2001 the Group participated with a specialist logistics operator and other financial investors in the formation of "Società di Commercializzazione e Distribuzione Ricambi S.p.A" ("SCDR"), a company whose principal activity is the purchase of spare parts from Fiat Auto for resale to end customers. At that date Fiat Auto and its subsidiaries sold their spare parts inventory to SCDR recording a gain. The Group's investment in SCDR represents 19% of SCDR's stock capital and is accounted for under the equity method for Italian GAAP.

Under IFRS, SCDR qualifies as a Special Purposes Entity (SPE) as defined by SIC 12 due to the continuing involvement of Fiat Auto in SCDR operations. Consequently, SCDR will be consolidated on a line by line basis in IFRS financial statements, with a negative impact on financial debt. Opening stockholders' equity at January 1, 2004 will be reduced by the amount corresponding to the holding gain on inventory held by SCDR on that date.

G. PROPERTY, PLANT AND EQUIPMENT

Under Italian GAAP and IFRS, assets included in Property, Plant and Equipment are usually recorded at cost, corresponding to the purchase price plus direct attributable cost of bringing the assets up to working condition.

Under Italian GAAP, Fiat revalued certain Property, Plant and Equipment to amounts in excess of historical cost, as permitted or required by specific laws of the countries in which the assets were located. These revaluations were credited to stockholders' equity and the revalued assets were depreciated over their remaining useful lives.

Furthermore, under Italian GAAP, the land directly related to buildings included in Property, Plant and Equipment is depreciated together with the related building depreciation.

The revaluations and land depreciation purely are not allowed under IFRS. Therefore IFRS stockholders' equity at January 1, 2004 will reflect a negative impact, related to the effect of the

elimination of the asset revaluation recognized in the balance sheet, partially offset by the reversal of the land depreciation charged to prior period income statements.

In the 2004 IFRS income statement, the abovementioned adjustments will have a positive impact due to the reversal of the depreciation on revalued assets, net of adjustments on gains and losses, if any, on disposal of related assets, and to the reversal of lands depreciation.

H. WRITE-OFF OF DEFERRED COSTS

Under Italian GAAP, the Group defers and amortizes certain costs (mainly start-up and related charges). IFRS require these to be expensed when incurred.

In particular, costs incurred in connection with share capital increases, which are also deferred and amortized under Italian GAAP, will be deducted directly from the proceeds of the increase and debited to stockholders' equity under IFRS.

I. IMPAIRMENT OF ASSETS

Under Italian GAAP, the Group tests for impairment its intangible assets with indefinite useful life (mainly goodwill) annually by comparing its carrying amount with its recoverable amount in term of value in use of the asset itself (or group of assets). In determining the value in use the Group estimates the future cash inflows and outflows of the asset (or group of assets) to be derived from the continuing use of the asset and from its ultimate disposal, and discounts those future cash flows. If the recoverable amount is lower than the carrying value, an impairment loss is recognized for the difference.

With reference to tangible fixed assets, under Italian GAAP the Group accounts for specific write-offs when the asset will no longer be used. Furthermore, in presence of impairment indicators, the Group tests for impairment tangible fixed assets, using the undiscounted cash flow method in determining the recoverable amount of homogeneous group of assets. If the recoverable amount is lower than the carrying value, an impairment loss will be recognized for the difference.

Under IFRS, intangible assets with indefinite useful life should be tested for impairment by a methodology substantially similar to the one required by Italian GAAP. Development costs, capitalized under IFRS and expensed under Italian GAAP, will be attributed to related cash generating unit and tested for impairment together with the related tangible fixed assets, applying the discounted cash flow method in determining their recoverable amount.

Consequently, the reconciliation between Italian GAAP and IFRS will reflect adjustments due to both impairment losses on development costs previously capitalized for IFRS purposes,

and the effect of discounting on the determination of the recoverable amount of tangible fixed assets.

L. RESERVES FOR RISKS AND CHARGES

Differences between Italian GAAP and IFRS refer mainly to the following items:

- **Restructuring reserve:** the Group provides restructuring reserves based upon management best estimate of the costs to be incurred in connection with each of its restructuring programs at the time such programs are formally decided. Under IFRS the requirements to recognize a constructive obligation in the financial statements are more restrictive, and some restructuring reserve recorded under Italian GAAP could be reversed.
- **Reserve for vehicle sales incentives:** under Italian GAAP Fiat Auto accounts for certain incentives at the time at which a legal obligation to pay the incentives arises, which may occur in periods subsequent to that in which the initial sale to the dealer network is made. Under IAS 37 companies are required to make provision not only for legal, but also for constructive obligations based on an established pattern of past practice. In the context of the IFRS restatement exercise, Fiat has reviewed its practice in the area of vehicle sales incentives and has determined that for certain forms of incentives a constructive obligation exists which should be provided under IFRS at the date of sale.

M. RECOGNITION AND MEASUREMENT OF DERIVATIVES

Beginning in 2001 the Fiat Group adopted – to the extent that it is consistent and not in contrast with general principles set forth in the Italian law governing financial statements – IAS 39 *Financial Instruments: Recognition and Measurement*. In particular, taking into account the restrictions under Italian law, the Group maintained that IAS 39 was applicable only in part and only in reference to the designation of derivative financial instruments as “hedging” or “non-hedging instruments” and with respect to the symmetrical accounting of the result of the valuation of the hedging instruments and the result attributable to the hedged items (“hedge accounting”). The transactions which, according to the Group’s policy for risk management, are able to meet the conditions stated by the accounting principle for hedge accounting treatment, are designated as hedging transactions; the others, although set up for the purpose of managing risk exposure (inasmuch as the Group’s policy does not permit speculative transactions), have been designated as “trading”.

Main differences between Italian GAAP and IFRS may be summarized as follows:

- **Instruments designated as “hedging instruments”** – under Italian GAAP, the instrument is valued symmetrically with the

underlying hedged item. Therefore, where the hedged item has not been adjusted to fair value in the financial statements, the hedging instrument has also not been adjusted. Similarly, where the hedged item has not yet been recorded in the financial statements (hedging of future flows), the valuation of the hedging instrument at fair value is deferred.

Under IFRS:

- In the case of a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value shall be recognized in the income statement and the gain or loss on hedged item attributable to the hedge risk shall adjust the carrying amount of the hedged item and be recognized in the income statement. Consequently, no impact will arise on net income (except for the ineffective portion of the hedge, if any) and on net equity, while adjustments will impact the carrying values of hedging instruments and hedged items.
- In the case of a cash flow hedge (hedging of future flows), the portion of gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized directly in equity through the statement of changes in equity; the ineffective portion of the gain or loss shall be recognized in the income statement. Consequently, with reference to the effective portion, only a difference on net equity will arise between Italian GAAP and IFRS.

■ **Instruments designated as "non-hedging instruments"**

(except for foreign currency derivative instruments) - under Italian GAAP, these instruments are valued at market value and the differential, if negative compared to the contractual value, is recorded in the income statement, in accordance with concept of prudence. Under IAS 39 also the positive differential should also be recorded on the other hand. With reference to foreign currency derivative instruments, instead, the accounting treatment adopted under Italian GAAP is in compliance with IAS 39.

In this context, as mentioned in the Italian GAAP consolidated financial statements as of December 31, 2003, Fiat was party to a Total Return Equity Swap contract on General Motors shares, in order to hedge the risk implicit in the Exchangeable Bond on General Motors shares. This swap, despite being entered into for hedging purposes, could not be treated in hedge accounting and accordingly was defined as non-hedging instrument. Consequently, the positive fair value of the instrument as of December 31, 2003, amounting to 0.4 billion euros, had not been recorded under Italian GAAP. During 2004, Fiat closed the contract, realizing a gain of 0.3 billion euros.

In the IFRS restatement, the above mentioned positive fair value at December 31, 2003 will be recognized in opening equity, while, following the unwinding of the swap, a negative adjustment of the same amount will be recorded in the 2004 income statement.

N. TREASURY STOCK

In accordance with Italian GAAP, the Group accounts for treasury stock as an asset and records related valuation adjustments and gains or losses on disposal in the consolidated statements of operations.

Under IFRS treasury stock shall be deducted from stockholders' equity and all movements in treasury stock shall be recorded in stockholders' equity rather than in the income statement.

O. STOCK OPTIONS

Under Italian GAAP, with reference to share-based payment transactions, no obligations or compensation expenses are recognized.

In accordance with IFRS 2 – *Share-based Payment*, the full amount fair value of stock options on the date of grant must be expensed. Changes in fair value after the grant date have no impact on the initial measurement. The compensation expense corresponding to the options' fair value shall be recognized in payroll costs on a straight-line basis over the period from the grant date to the vesting date, with the offsetting credit recognized directly in equity.

It should be mentioned that the Group will apply the transitional provision stated by IFRS 2 and therefore will apply this standard to all stock options granted after November 7, 2002 and not yet vested at the effective date of IFRS 2 (January 1, 2005). No compensation expense is required to be recognized for stock options granted prior to November 7, 2002.

P. ADJUSTMENTS ON THE VALUATION OF INVESTMENTS IN ASSOCIATES

These adjustments will represent the effect of the IFRS adjustments on the Group portion of the net equity of associates accounted for using the equity method.

Q. SALES OF RECEIVABLES

The Fiat Group sells a significant part of its finance, trade and tax receivables through either securitization programs or factoring transactions.

A securitization transaction entails the sale without recourse of a portfolio of receivables to a securitization vehicle. This special purpose entity finances the purchase of the receivables by issuing asset-backed securities (i.e. securities whose repayment and interest flow depend upon the cash flow generated by the portfolio). Asset-backed securities are divided into classes according to their degree of seniority and rating: the most senior classes are placed with investors on the market; the junior class, whose repayment is subordinated to the senior classes, is normally subscribed for by the seller. The residual interest in

the receivables retained by the seller is therefore limited to the junior securities it has subscribed for.

Factoring transactions may be with or without recourse on the seller; certain factoring agreements without recourse include deferred purchase price clauses (i.e. the payment of a minority portion of the purchase price is conditional upon the full collection of the receivables), require a first loss guarantee of the seller up to a limited amount or imply a continuing significant exposure to the receivables cash flow.

According to Italian GAAP, all receivables sold through either securitization or factoring transactions (both with and without recourse) have been derecognized. Furthermore, with specific reference to the securitization of retail loans and leases originated by the financial services companies, the net present value of the interest flow implicit in the installments, net of related costs, has been recognized in the income statement.

Under IFRS:

- As mentioned above, SIC 12 *Special Purpose Entities* stated that an SPE shall be consolidated when the substance of the relationship between the entity and the SPE indicates that the

SPE is controlled by that entity: all securitization transactions will be therefore reversed, because the subscription of the junior asset-backed securities by the seller entails its control in substance over the SPE.

- IAS 39 allows for the derecognition of a financial asset when, and only when, the risks and rewards of the ownership of the assets are substantially transferred: consequently, all portfolios sold with recourse, and the majority of those sold without recourse, since risks and rewards have not been substantially transferred, will be reinstated in the IFRS balance sheet.

The impact of such adjustments on the stockholders' equity and on the net income will be not material.

R. ACCOUNTING FOR DEFERRED INCOME TAXES

This adjustment will include the combined effect of the net deferred tax effects, after allowance, on the above mentioned IFRS adjustments, as well as other minor differences between Italian GAAP and IFRS on the recognition of tax assets and liabilities.

CORPORATE GOVERNANCE

INTRODUCTION

The Fiat Group adopted and abides by the Corporate Governance Code, which is mentioned as a model in the regulations issued by Borsa Italiana (Italian Stock Exchange) on corporate governance.

Furthermore, as an issuer of financial instruments listed on various international markets, including the New York Stock Exchange, Fiat adopted a system of corporate governance in line with the principles of international best practice and in particular United States laws, with the inclusion, as appropriate, of the Sarbanes-Oxley Act.

In accordance with the regulatory requirements of Borsa Italiana, an “[Annual Report on Corporate Governance](#)” is prepared and made available on the occasion of the annual stockholders meeting that approves the financial statements. It is also available in the section “Investor Relations” on the website www.fiatgroup.com, which also contains all the documents regarding the Fiat Group corporate governance system. In compliance with the guidelines issued by Assonime and Emittenti Titoli S.p.A., this Report is composed of four sections: the first containing a general description of the structure of corporate governance, the second that analyzes in detail the provisions of the Corporate Governance Code, the third that highlights certain of the more significant aspects of the United States law, and the fourth that contains summary tables and Corporate Governance documents of the Fiat Group. The aspects of significance for this Report on Operations are illustrated as follows.

DIRECTION AND COORDINATION ACTIVITIES

Fiat S.p.A. is not subject to direction and coordination activities by companies or entities. Pursuant to Article 2497 bis of the Italian Civil Code, its subsidiaries, with the exception of particular cases, have identified Fiat S.p.A. as the entity that performs direction and coordination activities. This activity consists in indicating the general strategic and operating guidelines of the Group and takes concrete form in the definition and updating of the corporate governance and internal control model, issuance of a Code of Conduct adopted by the Group, and elaboration of the general policies for the management of human and financial resources, purchasing of factors of production, and communication. Furthermore, coordination of the Group envisages centralized management, through dedicated companies, of cash management, corporate and administrative, internal audit, and training services.

This allows the subsidiaries, which retain full management and operating autonomy, to realize economies of scale by availing themselves of professional and specialized services with improving levels of quality and to concentrate their resources on management of their core business.

BOARD OF DIRECTORS

As envisaged in the Articles of Association, the number of members of the Board of Directors ranges from nine to fifteen. The Stockholders Meeting held on May 13, 2003 set the number of members of the Board of Directors at eleven for the 2003, 2004, and 2005 fiscal years, and they shall remain in office until the date of the Stockholders Meeting that will be called to approve the financial statements for 2005.

As envisaged in Article 16 of the Company's Articles of Association, the representation of the company is invested, severally, in all executive directors, and as envisaged in Article 12, the Vice Chairman, if appointed, shall act as Chairman if the latter is absent or prevented from acting. As in the past, the Board of Directors adopted a model for delegation of broad operating powers to the Chairman and the Chief Executive Officer, authorizing them to severally perform all ordinary and extraordinary acts that are consistent with the Company's purpose and not reserved by law or otherwise delegated or reserved to the Board of Directors itself. In practice, the Chairman exercises coordination and strategic guidance within the activities of the Board of Directors, while the Chief Executive Officer is in charge of the operating management of the Group.

The Board defined the “[Guidelines for Significant Transactions and Transactions with Related Parties](#),” by which it reserved the right to examine and approve in advance any transaction of significance in the balance sheet, economic and financial figures, including the most significant transactions with related parties, and subject all transactions with related parties to special criteria of substantial and procedural fairness.

Therefore, decisions regarding significant transactions are excluded from the mandate granted to executive directors. The term “significant transactions” refers to those transactions that in and of themselves require the company to inform the market thereof, in accordance with rules established by market supervisory authorities.

When the Company needs to execute significant transactions, the executive directors shall provide the Board of Directors reasonably in advance with a summary analysis of the strategic consistency, economic feasibility, and expected return for the Company.

Decisions regarding the most significant transactions with related parties are also excluded from the mandate granted to executive directors, with all decisions being subject to special rules of substantial and procedural fairness and disclosure to the Board.

The Board is comprised by three executive directors and eight non-executive directors – that is, who do not hold delegated authority or perform executive functions in the Company or the Group – five of whom are independent.

The **executive directors** are the Chairman, the Vice Chairman, who substitutes for the Chairman if the latter is absent or prevented from acting, and the Chief Executive Officer. They also hold management positions in subsidiaries: Luca Cordero di Montezemolo is Chairman and Chief Executive Officer of Ferrari S.p.A., John Elkann is Chairman of Itedi S.p.A., and Sergio Marchionne, in addition to being Chairman of the principal subsidiaries, is also Chief Executive Officer of Fiat Auto S.p.A.

The qualifications of the **independent directors** are reviewed annually and based on the absence of investment in or economic relationships with the Company, its executive directors, its controlling companies or subsidiaries, or kinship ties to the executive directors of these companies such as to compromise their independent judgment.

The Board of Directors meeting held on March 24, 2005 confirmed that the directors Angelo Benessia, Flavio Cotti, Luca Garavoglia, Hermann-Josef Lamberti, and Pasquale Pistorio satisfied these requirements of independence. The presence of five independent directors satisfies the requirements envisaged in the recommendations of the Corporate Governance Code and guarantees that cases of potential conflict between the interests of the Company and those of the controlling stockholder are assessed impartially.

Some of the current directors also hold positions at other listed companies or of a significant interest. Excluding the previously mentioned positions held by executive directors at the Fiat Group, the most significant are as follows:

- Angelo Benessia: Vice Chairman of RCS Quotidiani S.p.A.;
- Tiberto Brandolini D'Adda: Chief Executive Officer of Exor Group; Director of: Giovanni Agnelli e C. S.a.p.A., Spirito Santo Financial Group, IFIL Investments S.p.A., Vittoria Assicurazioni S.p.A.; Chairman of the "Conseil de Surveillance" of Worms & Cie;
- Luca Cordero di Montezemolo: Director of: Tod's S.p.A., Indesit Company S.p.A., Davide Campari S.p.A., Pinault Printemps Redoute; Member of the International Advisory Board of Citigroup Inc.;
- Flavio Cotti: Chairman of the Advisory Board of Credit Suisse Group; Director of Georg Fischer AG;
- John Elkann: Vice Chairman of Giovanni Agnelli e C. S.a.p.A.; Director of: IFI S.p.A., IFIL Investments S.p.A., Exor Group;
- Luca Garavoglia: Chairman of Davide Campari Milano S.p.A.;
- Hermann-Josef Lamberti: Member of the Board of Managing Directors of Deutsche Bank AG; Chairman of the Supervisory Board of Deutsche Bank Privat- und Geschäftskunden AG; Non-Executive Director of Euroclear SA/NV; Member of: the Supervisory Board of Schering AG, Carl Zeiss AG;
- Sergio Marchionne: Chairman of the Lonza Group AG; Vice Chairman of SGS S.A.; Director of Serono S.A.;
- Pasquale Pistorio: Honorary Chairman of S.T. Microelectronics; Director of Telecom Italia S.p.A.;
- Daniel J. Winteler: Chief Executive Officer of IFIL Investments S.p.A.; Director of: Worms & Cie, Alpitour S.p.A., Juventus S.p.A.

COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

The Board established the Nominating and Compensation Committee and the Internal Control Committee, while it has not yet found it necessary to establish a committee for the nomination of directors, having previously entrusted the Chairman with the task of coordinating the submission of proposals and nominees.

INTERNAL CONTROL SYSTEM

Amending what was defined in 1999, partly in order to receive the changes made to the Corporate Governance Code, the Board adopted the "Guidelines for the Internal Control System," which came into effect on January 1, 2003.

Essential parts of the Internal Control System are the **Code of Conduct** that replaced the Code of Ethics in 2002, and the **Compliance Program** adopted by the Board of Directors on February 28, 2003 pursuant to the "Norms Governing the Administrative Liability of Legal Entities" envisaged in Legislative Decrees no. 231/2001 and no. 61/2002, and subsequently amended on February 28, 2005.

The Code of Conduct expresses the professional principles of corporate conduct that Fiat has adopted and with which directors, statutory auditors, employees, consultants, and partners must comply.

The **Compliance Program** of Fiat S.p.A., which was prepared in compliance with the guidelines prepared by Confindustria, envisages a system of procedures and controls designed to reduce the risk that the offenses envisaged in Legislative Decree no. 231/2001 be committed and is comprised by a General Part and two Special Parts (Offenses Committed in Relations with Public Agencies and White Collar Crime). A Compliance Officer function was established, headed by the Head of Internal Audit and Compliance Officer, with the mission of promoting effective and proper implementation of the Compliance Program, including monitoring of corporate conduct and the right to constant disclosures on significant activities. Group companies are steadily amending or adopting compliance programs in accordance with Group's general principles, after identifying their respective sensitive processes and the specific procedures to be implemented at each individual company.



In application of the Compliance Program, the Code of Conduct, and the Sarbanes Oxley Act, the [Procedure for Whistleblowings Management](#) was adopted in order to regulate the management of reports and claims filed by individuals inside and outside the Company regarding presumed violations of the code of conduct, financial and/or accounting fraud against the company, oppressive behavior towards employees or third parties.

The procedure defines the duties and responsibilities of the different company bodies, regulates the activities of reception of whistleblowings, of their assessment and review, and of determination and communication of any disciplinary measures. The procedure reaffirms the Group's commitment to safeguarding the whistleblower, anonymous or in good faith, against any form of reprisal.

The [Procedure for the assignment of services to External Auditors](#) was also adopted in order to regulate the commissioning by Fiat S.p.A. and its subsidiaries of external auditors for the Group and the companies and professional offices that belong to the same network of those auditors in order to ensure the mandatory independence of those auditors.

It identifies work commissioned for audit services, audit-related services, and non-audit services, defining the powers and limits of the assignment of services, the procedures for approval, and the obligations for reporting final figures.

Documents and information regarding the Company are disseminated in compliance with the "[Disclosures and Controls Procedures](#)" adopted in conformity with the Securities Exchange Act of 1934 and the Sarbanes Oxley Act of 2002. Periodic and extraordinary financial information and price sensitive information is disseminated on the basis of these Disclosures and Controls Procedures.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors is comprised of three Statutory Auditors and three Alternates, all of whom, as required by Article 19 of the Articles of Association, must be entered in the Auditors' Register and have at least three years' experience as chartered accountants. Furthermore, they may not hold the position of statutory auditor in



more than five other listed companies, with the exception of the controlling companies and subsidiaries of Fiat S.p.A.

The members of the Board of Statutory Auditors are Cesare Ferrero, Chairman, and Giuseppe Camosci and Giorgio Ferrino. Their term expires on the date of the stockholders meeting that approves the financial statements for 2005. In addition to the positions respectively held as Chairman of the Board of Statutory Auditors and statutory auditor at the controlling companies IFI S.p.A. and IFIL Investments S.p.A., Cesare Ferrero also holds the position of director at Autostrada Torino Milano S.p.A., Davide Campari Milano S.p.A., and Pininfarina S.p.A. The other statutory auditors do not hold other positions in listed companies.

In accordance with the Article 17 of the Company's Articles of Association and as allowed under the Consolidated Law on Financial Intermediation, properly organized minority groups may appoint one Statutory Auditor. According to the Company's Articles of Association, the minimum equity interest needed to submit a slate of candidates was originally set at 3%. The purpose of this threshold is to ensure that the candidates being proposed are supported by a group of minority

stockholders that is sufficiently representative and authoritative to speak in juxtaposition to the majority. Pursuant to a resolution by the extraordinary stockholders meeting of May 11, 2004, this threshold was reduced to 1%, in favor of minority stockholders in recognition of the greater fragmentation of stockholdings observed recently. Thus far, the minority stockholders have not exercised this right, although Fiat believes that the independence of its Board of Statutory Auditors is guaranteed by the requirements of independence and professionalism prescribed by law and the Articles of Association, and the unquestioned professional authoritativeness that has always distinguished its members. Furthermore, in accordance with the Articles of Association, the slates of candidates must be deposited at the registered office of the company at least ten days before the scheduled date of the Stockholders Meeting on its first call and be accompanied by statements certifying satisfaction of the requirements prescribed by law and the Articles of Association and that they are not ineligible or incompatible, on penalty of rejection of those slates.

STOCK OPTIONS PLANS

Thus far, the Board has approved Stock Option Plans offered to about 900 managers of the Group's Italian and foreign companies who are qualified as "Direttore" or have been included in the Management Development Program for high-potential managers. Plan regulations share these common features:

- Options are granted to individual managers on the basis of objective parameters that take into account the level of responsibility assigned to each person and his or her performance.
- If employment is terminated or an employee's relationship with the Group is otherwise severed, options that are not exercisable become null and void. However, vested options may be exercised within 30 days from the date of termination, with certain exceptions.
- The option exercise price, which is determined based on the average stock market price for the month preceding the option grant, can vary as a result of transactions affecting the Company's capital stock. It must be paid in cash upon the purchase of the underlying shares.
- The options are normally exercisable starting one year after they are granted and for the following eight years, but during the first four years, exercise is limited to annual tranches, which may be accumulated, of no more than 25% of the total granted.

In consideration of the options previously granted under the aforesaid plans and that have since expired upon termination of employment, a total of 10,502,543 option rights corresponding to the same number of shares represent treasury stock to be assigned to the holders of options pursuant to the conditions envisaged in the specific Regulations.

In addition, the Board of Directors resolved to grant Mr. Sergio Marchionne, as a portion of his variable compensation as Chief Executive Officer, options for the purchase of 10,670,000 Fiat ordinary shares at the price of 6.583 euros per share, exercisable from June 1, 2008 to January 1, 2011. In each of the first three years, he accrues the right to purchase, from June 1, 2008, a maximum of 2,370,000 shares per year and on June 1, 2008 he accrues the right to purchase, effective that date, the residual portion amounting to 3,560,000 shares. The right to exercise the options related to this latest portion of shares is subject to certain predetermined profitability targets that should be reached during the reference period.

The table below summarizes the information on options granted outstanding at December 31, 2004. They are part of Stock Options Plans, with the exception of options granted to Board Members as shown in the specific table in the Notes to the Financial Statements.

	2004			2003		
	Number of shares	Average exercise price (*)	Market price	Number of shares	Average exercise price (*)	Market price
Options outstanding on 1/1	12,697,743	16.46	6.14	15,791,700	18.8	7.7
Options granted during the year	–	–	–	1,045,943	6.69	6.69
Expired options	2,195,200	–	–	4,139,900	–	–
Options outstanding on 12/31	10,502,543	16.38	5.9	12,697,743	16.46	6.14
Options exercisable on 12/31	7,144,748	18.8	5.9	5,537,925	20.45	6.14

(*) Following the capital increases in January 2002 and July 2003, the exercise prices were adjusted by applying the factors calculated by Borsa Italiana, in the amount of 0.98543607 and 0.93167321, respectively.

TRANSACTIONS AMONG GROUP COMPANIES AND WITH RELATED PARTIES

Transactions among Group companies, whether they are made to support vertical manufacturing integration or to provide services, are carried out at terms that, considering the quality of the goods or services involved, are competitive with those available in the marketplace.

The specific mission of a Group Sector is to provide services to other members of the Group through companies which, because of their specialized nature, are able to achieve continuous improvements in quality and economies of scale.

Within this framework, the main transactions between the Parent Company, Fiat S.p.A., and its subsidiaries and associated companies are summarized below:

- Licensing of the right to use the Fiat trademark, for a consideration based on a percentage of sales, to Fiat Auto S.p.A.
- Services provided by Fiat management personnel to Fiat Auto S.p.A., Iveco S.p.A., Teksid S.p.A., Magneti Marelli Holding S.p.A., Comau S.p.A., Business Solutions S.p.A., C.R.F. Società Consortile per Azioni and other Group companies.
- Grant of suretyships and guarantees in connection with the issuance of billets de trésorerie (Fiat France S.A.), bonds and lines of credit (Fiat Finance and Trade Ltd and other Group companies), and to secure bank loans (Fiat Auto S.p.A., Teksid S.p.A., Fiat Partecipazioni S.p.A., Fiat Automoveis S.A., Banco CNH Capital S.A., CNH America LLC, and other Group companies), and payment obligations under building rental contracts (Ingest Facility S.p.A., Fiat Auto S.p.A., Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni, Editrice La Stampa S.p.A., Fiat Automobil Vertriebs GmbH, International Metropolitan Automotive Promotion (France) S.A., Fiat Motor Sales Ltd, and other Group companies).
- Rental of buildings to Ingest Facility S.p.A. and Fiat Information & Communication Services società consortile per azioni.
- Loans granted to Fiat Ge.Va. S.p.A.
- Purchase of support and consulting services provided by Fiat Gesco S.p.A. (corporate, fiscal and administrative issues), KeyG Consulting S.p.A. (administration), Fiat Ge.Va. S.p.A. (financial services).
- Purchase of inspection and internal auditing services from Fiat Revisione Interna S.c.r.l.

- Purchase of information technology services provided by Global Value S.p.A. and eSPIN S.p.A.
- Purchase of external relations services provided by Fiat Information & Communication Services S.c.p.a.
- Purchase of office space, personal and real property maintenance services provided by Ingest Facility S.p.A., and other general services provided by Fiat Servizi per l'Industria S.c.p.a.
- Purchase of personnel training services provided by Isvor Fiat S.c.p.a.
- Purchase of automobiles from Fiat Auto S.p.A.

Fiat S.p.A., as consolidating company, and almost all its Italian subsidiaries decided to comply with the fiscal consolidated report according to articles 177/129 of T.U.I.R. (Italian Tax Income Consolidation Act).

Transactions with related parties that must be mentioned include legal professional consultancy services and activities as secretary of the Board of Directors rendered by Franzo Grande Stevens to Fiat S.p.A. for 427 thousand euros.

All the transactions involving intra-Group deliveries of goods and services that are part of the regular operations of the companies involved are discussed in a special section of the Notes to the Consolidated Financial Statements (Note 21 – Other Information).

Based on the information received from the various Group companies, there were no atypical or unusual transactions during the year. Extraordinary transactions among Group companies or with related parties that occurred during the year are reviewed in the following page:

- partial repayment of capital, insofar as it is buoyant compared with the small size of investments in equity interests, by IHF S.A. to the single stockholder Fiat S.p.A.
- sale of maintenance activities at the different plants of the Sector and metal sheet pressing at the Mirafiori plant from Comau S.p.A. to Fiat Auto S.p.A. and Fiat GM Powertrain, for a defined price, on the basis of appropriate accounting assessments and appraisals of market value carried out by an independent appraiser.

In 2004, Fiat S.p.A. acquired from Fiat Partecipazioni S.p.A. the investments this company held in Comau S.p.A., Teksid S.p.A. and Business Solutions S.p.A. as part of the corporate and legal streamlining program.

Interests held by Directors and Statutory Auditors (Article 79 of Consob Regulations, Resolution No. 11971 of 5.14.1999)

(number of shares)

First name and last name	Description of investments	Number of shares held at 12.31.2003	Number of shares bought in 2004	Number of shares sold in 2004	Number of shares held at 12.31.2004
Luca Cordero di Montezemolo	Fiat ordinary	19,172	–	–	19,172
Cesare Ferrero	Fiat ordinary	1	–	–	1

SIGNIFICANT EVENTS OCCURRING SINCE THE END OF THE FISCAL YEAR AND BUSINESS OUTLOOK

SIGNIFICANT EVENTS OCCURRING SINCE THE END OF THE FISCAL YEAR

The most significant transactions completed by the Fiat Group during early 2005 are reviewed below:

- On February 13, 2005 the Board of Directors of Fiat and General Motors approved a contract to terminate the Master Agreement and related Joint Ventures between the two companies. The agreement envisages that General Motors pays to Fiat 1.55 billion euros to terminate the Master Agreement, including cancellation of the put option and the unwinding of all joint ventures.

In detail, the agreement provides that:

- GM pay to Fiat 1.55 billion euros, 1 billion euros of which have already been paid with the remainder being paid upon completion of the unwinding of the Joint Ventures, which is expected within 90 days.
 - GM return its 10% stake in Fiat Auto Holdings B.V. to Fiat.
 - GM get a 50% interest in the Bielsko Biala plant, in Poland, which manufactures the 1.3 liter Diesel engine as well as 50% of the involved technologies.
 - GM co-own JTD engine technology while continuing to take most of its European requirements from the Fiat plant in Pratola Serra. Notwithstanding co-ownership of engine technology, GM cannot manufacture JTD Diesel engines outside Europe that are to be exported to Europe.
 - Both Fiat and GM continue to support the joint development of existing platforms.
 - Fiat continue to sell engineering support to GM for the development of diesel technology.
 - The unwinding of the joint ventures and supply agreements will be put in place as quickly as possible in order to avoid any potential disruption to the respective businesses.
- Also in February, Fiat announced that the ownership of Maserati, until then wholly owned by Ferrari, will be transferred to Fiat as soon as practicable. The move foresees that Alfa Romeo and Maserati will co-operate closely technically and commercially – particularly in important international markets. Maserati will, however, continue its co-operation with Ferrari – especially in industrial, technical, engine and sales network terms – which has helped re-vitalize the marque.
 - Early in March, Magneti Marelli signed an agreement with the Turkish Group Koç for controlling the automotive supplier company Mako Elektrik Sanayi Ve Ticaret A.S., moving from 43% to 95% of participation. Mako is actually market leader in Turkey in automotive lighting systems. Magneti Marelli will commit Mako's business management to its subsidiary company Automotive Lighting.

- On March 21, 2005 Fiat exercised the Put option on EDF (the so-called "EDF Put") relating to the interest held in Italergergia Bis and equivalent to 24.6% of the shares, as well as the Put on the 14% holding sold to the three Banks (Banca Intesa, IMI Investimenti and Capitalia) in 2002.
- On March 24, Fiat announced the creation of Fiat Powertrain Technologies, a new industrial unit that will integrate all the Group's innovation capabilities and expertise in engines and transmissions. The new company will operate in 12 countries with 26 plants and 16 research and development centers and will combine the resources, employees and activities of Fiat Auto Powertrain, Iveco Powertrain, Magneti Marelli Powertrain (including Motor Sport), Iveco Motoren Forschung and the Powertrain research activities of the Fiat Research Center and Elasis.
- At the 75th Geneva International Motor Show, Fiat Auto provided concrete proof of its vitality by unveiling, in a world preview, three new models that will be brought to market in 2005.

The first is the new Fiat Croma, which marks Fiat Auto's return to the D Segment. Offered with a choice of powerful but environmentally friendly engines, it combines pleasing and harmonious lines with lively performance and the roominess of a minivan.

Along with the new Croma, the Sector introduced two Alfa Romeo models: the 159 sports sedan and the Brera coupé. The 159, the base model of a new family of cars, offers both a spacious interior and the sporty performance typical of Alfa Romeo. The Brera, a very exciting 2+2 model, is notable for the harmony and beauty of its Giugiaro styling and for the outstanding technology of its Alfa Romeo engine and components.

Geneva also offered a venue for new ideas to Ferrari, which unveiled the F430 Spider, and to Lancia, which brought out the Ypsilon Sport, a concept car developed with Zagato.

We also wish to announce that the filings required to comply with the law on data protection, which in the past were carried out in accordance with the old, repealed law, are currently being updated. The new filings will also take into account the innovations found in Legislative Decree No. 196/2003. In particular, the planning document on security has been updated due to the need to reflect the Group's ongoing quest for increased security, which is a permanent work in progress.

BUSINESS OUTLOOK

In 2005, the automobile market should hold steady in Italy and the rest of Western Europe, and expand in Brazil. Demand for agricultural equipment is expected to show little change in

North America and contract slightly in Latin America and Europe. The forecast for construction equipment calls for limited growth in the Americas and stability in Europe. Unit sales of commercial vehicles should be about the same as in 2004, except for a modest increase in shipments of medium vehicles.

The expectation of a relatively flat demand pattern in the main markets where the Group operates will produce a further increase in competitive pressures.

Against this background, **Fiat Auto** will continue to pursue a strategy designed to improve the quality and profitability of its sales. The Company's efforts will be aided by the introduction of four new models in 2005: three of them were unveiled at the Geneva International Motor Show, while the new Fiat Punto will be presented next autumn.

The Group will continue to implement cost-cutting programs, which, combined with improved sales results, should enable the Automobile Sector to achieve its stated objective of ending

the year with a smaller operating loss with respect to the one amounting to 4.1% of revenues recorded in 2004.

In 2005, **CNH** will seek to exploit the full potential of its recently and completely renovated product line to strengthen its position as a global enterprise. That should lead to an improved performance and higher revenues and profits.

Iveco also anticipates a further improvement in its operating performance, which it will achieve by strengthening its presence in the market for heavy vehicles. The Sector's goals are a slight increase in revenues in the face of flat market demand and further expansion of its profit margins.

For the **Fiat Group** as a whole, 2005 will be another year devoted to restoring the Company's strength, with the expectation of reporting a further improvement in operating income and positive earnings after nonrecurring items. Consequently, 2004 was the last year in which the Fiat Group will report a net loss.

REPORT ON OPERATIONS

01

REPORT ON
OPERATIONS

OPERATING PERFORMANCE
SECTORS OF ACTIVITY



60 Automobiles
 64 Ferrari – Maserati
 66 Agricultural and Construction
 Equipment

69 Commercial Vehicles
 73 Components
 75 Metallurgical Products

77 Production Systems
 79 Services
 81 Publishing and Communications



Automobiles



Agricultural and Construction
 Equipment



Commercial Vehicles



Components



Production
 Systems



Services



Publishing and
 Communications



Fiat Auto AUTOMOBILES — FIAT AUTO

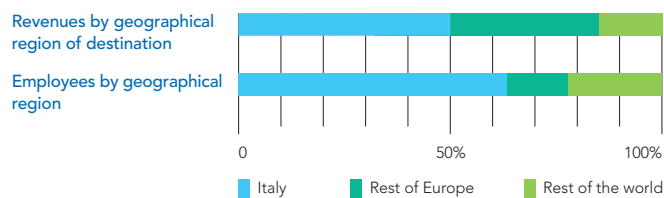


HIGHLIGHTS

(in millions of euros)	2004	2003	2002
Net revenues	20,539	20,010	22,147
Operating result	(840)	(979)	(1,343)
EBIT (*)	(1,577)	(1,607)	(2,214)
Net result before minority interest	(2,019)	(2,058)	(2,739)
Cash flow (**)	(1,074)	(1,096)	(1,780)
Capital expenditures	1,330	1,100	1,115
Research and development	990	939	861
Net invested capital	2,561	1,806	1,254
Number of employees	45,121	44,563	49,544

(*) Includes non-operating income and expenses.

(**) Net result + depreciation and amortization.



SALES PERFORMANCE

In Western Europe, demand for automobiles increased by 2.1% compared with 2003.

In some of Europe's main markets, growth was almost in line with the previous year. The same was not true in Great Britain, where demand contracted slightly (-0.5%), and Spain, where, on the contrary, shipments were up a healthy 9.8%. In Italy, demand was little changed (+0.5%) from 2003.

Market trends shifted dramatically in Poland and Brazil, reversing last year's performances, with shipments decreasing significantly in Poland (-10.1%) but increasing in Brazil (+8.5%).

Automobile Market

(in thousands of units)	2004	2003	% change
France	2,005	2,003	0.1
Germany	3,194	3,174	0.7
Great Britain	2,573	2,586	(0.5)
Italy	2,259	2,247	0.5
Spain	1,514	1,380	9.8
Western Europe	14,439	14,145	2.1
Poland	318	354	(10.1)
Brazil	1,297	1,196	8.5



In 2004, conditions were particularly favorable in the market for light commercial vehicles, with Western European demand reaching almost 1.9 million units. Shipments were up in all European markets, with the best gains occurring in Poland (+18.7%), Great Britain (+9.2%), Spain (+10%) and France (+7.3%). In Italy, the negative trend of 2003 reversed itself and demand expanded by 3.5%. Outside Europe, the Brazilian

Sales Performance – Automobiles and Light Commercial Vehicles

(in thousands of units)	2004	2003	% change
France	73.2	80.4	(8.9)
Germany	107.8	118.7	(9.1)
Great Britain	86.7	92.3	(6.1)
Italy	704.3	671.2	4.9
Spain	72.4	75.2	(3.7)
Rest of Western Europe	148.8	141.6	5.0
Western Europe	1,193.2	1,179.4	1.2
Poland	60.6	70.3	(13.8)
Brazil	358.1	317.7	12.7
Rest of the world	154.1	128.1	20.3
Total units sold	1,766.0	1,695.5	4.2
Associated companies	90.7	83.0	9.3
Grand total	1,856.7	1,778.5	4.4

market performed especially well (+20%). Against this background, Fiat Auto sold 271,000 light commercial vehicles in 2004 (a gain of 9.8%) and confirmed the leadership position it has achieved in Italy and many of Europe's markets.

In Western Europe, Fiat Auto's share of the automobile market was 7.2%, 0.2 percentage points less than in 2003. In Europe's largest markets, the Sector's share held relatively steady compared with 2003, as was the case in Italy, where Fiat Auto's market share held at 28%. The largest decreases in market share occurred in Poland (-0.7 percentage points) and Brazil (-1.6 percentage points).

The Sector's share of the Western European market for light commercial vehicles was 10.7%, or 0.5 percentage points less than in 2003.

Fiat Auto sold a total of about 1,766,000 vehicles in 2004, or 4.2% more than in 2003.

This increase is the net result of divergent performances in the different countries of Europe. Sales were down significantly in the main European markets compared with 2003. This was particularly true in France, where the decrease was 8.9%, continuing the negative trend that started in 2003. In Great Britain and Spain, there was a reversal of last year's performance, with unit sales down 6.1% and 3.7%, respectively. In Italy, a favorable trend pushed sales up by 4.9% to more than 700,000 units. The same occurred in Brazil, where shipments rose 12.7%, but sales decreased sharply in Poland (-13.8%).

In 2004, Fiat Auto continued to work on redefining its presence in markets outside the EU, focusing on those that are strategically most significant: Latin America and Turkey.

In **Brazil**: The stabilization of the economy and lower interest rates helped spur a recovery of the automobile market, which expanded by 8.5% compared with 2003.

The Palio (introduced in November 2003), the new Siena and new Palio WE (launched in March), the new Mille (Uno), which consolidated Fiat Auto's leadership of the A Segment, and



the new Strada light commercial vehicle were extremely well received by customers.

In **Argentina**: The Argentinian economy is continuing to recover from the deep crisis of 2002. The market ended the year with demand doubled compared with 2003. Fiat took advantage of this favorable environment to increase its market share to 10.7%, or 0.3 percentage points greater than in 2003.

In **Turkey**: The salient event of 2004 was the campaign to encourage the demolition of old cars, which, coupled with easier access to credit between January and May, caused demand to explode. Because imports account for about 75% of the country, the government enacted in June measures canceling all incentives. Overall market demand for automobiles and light commercial vehicles totaled about 700,000 units in 2004 (+91% compared with 2003). The success of the Doblò model (101,000 units were produced in 2004, including about

70,000 units for sale abroad) enabled Tofas to retain its preeminent position among Turkish carmakers.

PRODUCT INNOVATION

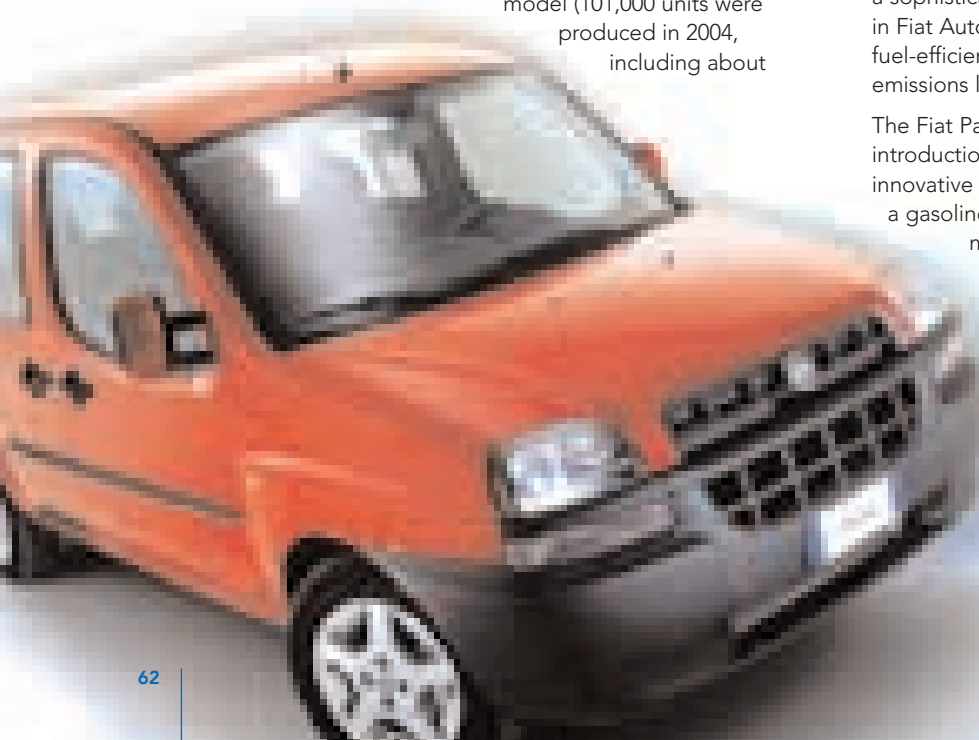
In 2004, Fiat Auto continued to pursue a strategy focused on upgrading its model lineup and increasing its competitiveness in anticipation of 2005, when the Sector will launch several brand-new models in market segments that are important for the profitability of its brands. The most important new launches will be those of the New Fiat Punto, the New Fiat Croma, the Alfa Romeo 159 and the Alfa Romeo Brera.

During the last quarter of 2004, the Lancia Musa was presented to customers in Italy, with its commercial launch in the other European markets scheduled for early 2005. The Lancia Musa, a sophisticated and elegant car, marks another step forward in Fiat Auto's commitment to the environment. The available fuel-efficient, low emission engines comply with the Euro 4 emissions limits.

The Fiat Panda family of cars was expanded with the introduction of a Multijet version, which is powered by this innovative diesel engine, and toward the end of the year by a gasoline-fueled 4x4 model. A Multijet version of the 4x4 model will follow in 2005.

The Sector also expanded the model lines of the Fiat Idea (a version with a Dualogic transmission was added), the Fiat Punto (the bConnect version with a standard satellite navigation system has become available) and the Fiat Stilo (a version with a 100 bhp JTD engine is now being offered).

Between June and October, in addition to the Lancia Musa mentioned above, Fiat



Auto launched the New Fiat Multipla, the Alfa Crosswagon Q4 (an entry in the all-wheel-drive market niche) and the restyled Alfa 147.

In the light commercial vehicle segment, the Sector introduced the New Scudo, which will play a key role in enhancing brand profitability, and rounded out the Ducato line.

In 2004, Fiat Auto and AdamOpel AG signed a contract whereby Fiat will use General Motors Epsilon architecture for the production of the New Fiat Croma, which was unveiled in a world preview at the Geneva International Motor Show in March 2005.

Another contract, signed with Suzuki, will help Fiat enter the SUV segment with a jointly developed, Fiat-branded vehicle that will be manufactured by Suzuki in Hungary.

FINANCIAL AND SERVICE ACTIVITIES

In 2004, **financing provided to the distribution network** totaled about 11,090 million euros. The use of programs to securitize receivables from the distribution network carried out directly by the industrial companies accounts, among other reasons, for the decrease of 9.5% compared with 2003.

In Europe, **financing provided to suppliers** decreased to about 6,342 million euros, or 22.7% less than in the previous year.

In the **renting business**, the Sector's associated companies continued to implement in 2004 the programs launched in previous years to strengthen the distribution and maintenance network while focusing on enhancing the profitability of new contracts. This strategy produced a significant improvement in the financial performance of these companies compared with 2003.

In 2004, Leasys, a Fiat Auto/Enel joint venture, established a new business unit that operates in the segment of specially equipped commercial vehicles, which enabled it to strengthen its position as the leader of the Italian market for long-term rentals.

Savarent continued to perform the function of a captive company operating through the Fiat Auto dealer network, and serving mainly private customers and small and medium-size businesses.

At the end of 2004, the Sector's rental fleet numbered 140,000 units, or 4.5% more than in 2003.

In the area of **mobility services**, Fiat Auto continued to develop and market mobility services that use the bConnect system to pinpoint the location of vehicles.

The Sector's financing and service operations generated revenues of 708 million euros in 2004, compared with 1,339 million euros in 2003. The revenue decrease is due essentially to the sale and deconsolidation of the European and Brazilian retail operations. On a comparable basis, revenues generated



by the financing and service operations increased by 6%, compared with 2003.

Income before taxes increased to 81 million euros, up from 23 million euros in 2003 (loss of 95 million euros in 2003 on a comparable basis). Better results reported by affiliated companies and a decrease in non-operating charges account for this improvement.

RESULTS FOR THE YEAR

The salient data of the Sector's operating performance in 2004 include a 2.6% gain in net revenue, which increased to 20,539 million euros, and a reduction in the operating loss, which shrank from 979 million euros in 2003 to 840 million euros in 2004. Restated on a comparable scope of consolidation basis, net revenues show an increase of 5.5%, and the operating loss falls by 254 million euros. This improvement was made possible by higher unit sales and by an improvement in the sales mix, particularly thanks to the newer models (new Panda, Idea, Alfa GT). Actions taken with respect to prices and discounts also had a positive effect, while cutbacks in production costs made possible mainly by process efficiencies were especially important.

The net loss for the year totaled 2,019 million euros, compared with a net loss of 2,058 million euros in 2003.

Research and development outlays, which increased to 990 million euros, or 5.4% more than in 2003, refer primarily to the introduction of new models (Nuovo Ducato and Nuova Punto).



FERRARI – MASERATI



HIGHLIGHTS

(in millions of euros)	2004	2003	2002
Net revenues	1,512	1,261	1,208
Operating result	6	32	70
EBIT (*)	5	31	44
Net result before minority interest	(27)	2	22
Cash flow (**)	94	86	99
Capital expenditures	139	193	176
Research and development	147	130	94
Net invested capital	293	229	142
Number of employees	3,322	2,968	2,896

(*) It includes non-operating income and expenses.

(**) Net result + depreciation and amortization.

SALES PERFORMANCE

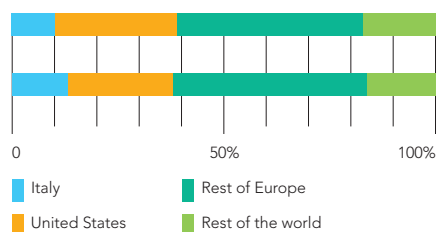
Ferrari – Maserati ended 2004 having attained important objectives both in terms of sales and sports results. The most noteworthy achievements include record unit sales, which enabled the Sector to report revenues that, at more than 1.5 billion euros, were almost 20% higher than in the previous year and the highest in its history, and winning the World Constructors Championship for the sixth consecutive year and the World Drivers Championship for the fifth year in a row. The increase in sales reflects the success of the Challenge Stradale and Enzo limited editions and the excellent customer response to the 612 Scaglietti. In the last quarter of 2004, the new F430 also went on sale. Another model of strategic importance is the highly successful Maserati Quattroporte, which became the best-selling Maserati model in the same year it was introduced.

On the production side, the Ferrari F430, which was unveiled at the Paris Motor Show and developed as a replacement for the 360, has already been honored with prestigious awards, and several highly regarded international publications have named it best car in its class. Ferrari also introduced the Superamerica, a 12-cylinder *berlinetta* that reinterprets the convertible-car concept by offering highly original solutions.

As part of its marketing strategy, Maserati continued to expand its model line, introducing a total of four new models. In 2004,

Ferrari S.p.A. – Car sales by geographical region

Maserati S.p.A. – Car sales by geographical region





the commercial launch of the Quattroporte, the flagship car that was unveiled at the Frankfurt Motor Show in September 2003, was followed by the introduction of the GranSport, a sporty coupé with very aggressive styling, enhanced performance and a racing-based set up that is especially designed to appeal to younger drivers.

In addition, the Spyder 90th Anniversary and MC12, which began to ship this winter, were introduced along with updated versions of the well-established Spyder and Coupé offering new styling and mechanical components. The MC12, a limited-edition car presented at the Geneva Motor Show, was extremely well received by the public and has been honored with numerous prestigious awards. The highway version was used to develop a racing version, which has been highly successful in the FIA GT Championship, marking the official return of the Marque of the Trident to automobile racing.

The Sector sold a total of 9,565 cars to end customers (7,077 in 2003, +35%), including 4,975 Ferraris (4,238 in 2003, +17%) and 4,590 Maseratis (2,839 in 2003, +62%). The **Ferrari** sales network sold 4,850 cars. The United States, with 1,434 cars sold (+2.4%) was again the most important market for Ferrari, followed by Europe, where the cars



sold totaled 2,557 units (+6.5%). Germany was the top market in Europe and the second largest country market in the world with 660 units (about the same as in 2003). A total of 529 Ferrari cars were sold in Italy (+2%).

The **Maserati** sales network sold 4,877 cars, or 68% more than in 2003. The most important markets were the United States (1,186 units, +35%) and Germany (785 units, +68%). A total of 628 cars were sold in Italy (+74%).

RESULTS FOR THE YEAR

The Sector's operating and financial data show that the consolidated revenues of Ferrari – Maserati rose to 1,512 million euros, up 20% from the 1,261 million euros booked in 2003.

Operating income totaled 6 million euros, compared with 32 million euros in 2003. The beneficial effects of higher unit sales, a more favorable product mix and the progress made in lowering product costs were offset by costs incurred to strengthen Maserati and by the negative impact of a weakening of the U.S. dollar.





HIGHLIGHTS

(in millions of euros)	2004	2003	2002
Net revenues	9,796	9,418	10,513
Operating result	407	229	163
EBIT (*)	359	99	165
Net result before minority interest	133	(192)	(211)
Cash flow (**)	526	258	330
Capital expenditures	210	217	431
Research and development	214	229	300
Net invested capital	3,946	4,148	5,140
Number of employees	25,746	26,825	28,528

(*) It includes non-operating income and expenses.

(**) Net result + depreciation and amortization.

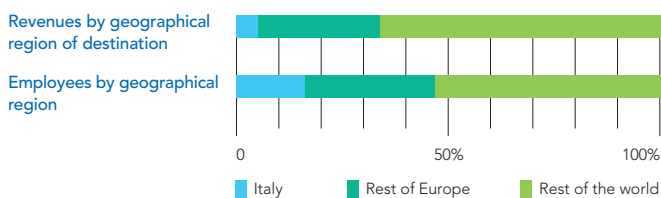
SALES PERFORMANCE

In 2004, the worldwide market for **agricultural equipment** enjoyed significantly higher sales than in 2003. Demand was up 13% in North America – especially for high-horsepower tractors and combine harvesters – and 12% in Latin America. In Western Europe, market demand was up a more modest 4%, due also to lower demand for combine harvesters.

Overall, CNH reported higher agricultural equipment unit sales compared with 2003, but performance varied by market segment. In North America, CNH’s tractor shipments were up strongly, rising at a faster rate than that of the market in general. Gratifying results were also achieved in Latin America and the rest of the world. The exception was Western Europe, where CNH’s shipments were down both for combine harvesters, which were impacted by a weak demand, and tractors.

The market for **construction equipment** expanded at a rapid pace, with unit sales increasing by 28% in North America, 48% in Latin America, 16% in Western Europe and 14% in the rest of the world. All principal product lines contributed to this growth.

In 2004, CNH benefited from the rising demand, increasing its total shipments of construction equipment at a rate consistent with that of the overall market. In the important North American market, Sector’s shipments grew at a faster rate than that recorded by the market; in Latin America, CNH recorded





significant increases in all its segments. In contrast, unit shipments of all its main products decreased in Western Europe.

GROWTH STRATEGIES

The overall merger integration process generated incremental profit improvements, mainly coming from material cost reductions, excluding steel, manufacturing footprint and efficiency actions. Further economies of scale were the result of the additional reduction in the number of suppliers and the streamlining of parts depots. The manufacturing footprint rationalization plan resulted in the reduction of the number of plants to 39. Moreover, new products contributed significant incremental profit.

In an effort to better compete in the international markets, in January 2005 CNH began the consolidation of its construction equipment family brands in Europe and Latin America, into one New Holland brand. The company is focusing on two construction brands – Case and New Holland. This consolidation will allow CNH to provide better support to its dealers, strengthen its dealer network, and result in the availability of a greater range of products.

PRODUCT INNOVATION

Implementation of common platforms for agricultural and construction equipment continued in 2004, significantly contributing to the product range renewal. From 2001 to 2004 CNH has renewed 97% of its agricultural equipment product offering and 85% of its construction equipment.

In 2004, more than 140 new and upgraded models were launched by CNH's agricultural equipment brands. In Europe it received two prestigious awards for New Holland products and one for Case IH, and in North America three awards were received for New Holland products and four for Case IH.

More than 1,200 products were reviewed by "Construction Equipment" magazine in 2004: selections made on the basis of input received from readers and the magazine's editors own experience with equipment technology permitted to find the 100 products that most notably highlight not just innovation but manufacturers investing in research and development for greater productivity, efficiency and safety of their machines. Winners included New Holland's B series wheel loaders and EH series excavators, and Case's compact excavators, hydraulic hammers and compaction equipment.

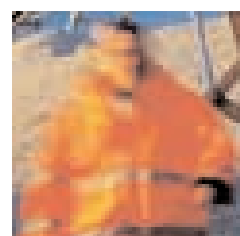
FINANCIAL ACTIVITIES

In 2004 CNH financial activities posted revenues of 540 million euros, slightly less (approximately -2%) from the 549 million euros of 2003. If expressed in dollars, the accounting currency of the Sector, revenues would have been approximately 8.3% higher.

Income before taxes totaled 185 million euros, compared with 116 million euros in 2003. The improvement, which amounted to about US\$100 when expressed in that currency, is attributable to better spreads on the Company's asset backed securitization transactions and improved margins on interest. Continued improvements in portfolio quality have resulted in steady declines in past due and delinquency rates in the Company's core business and lower provisions for loan losses for the year.

RESULTS FOR THE YEAR

In 2004, CNH had revenues of 9,796 million euros (US\$12,186 million), compared with 9,418 million euros (US\$10,654 million) in 2003. The increase over the previous year (+4%) was constrained





by the negative impact of the appreciation of the euro versus the U.S. dollar. If the currency translation effect is eliminated by comparing figures stated in constant U.S. dollars (the Sector's reporting currency), revenues show a gain of 9%. This improvement reflects higher sales both in agricultural machines and, to an even more pronounced degree, construction equipment on a worldwide basis and in particular in the Americas, and increased sales prices.

Operating income totaled 407 million euros, sharply up compared with the operating income of 229 million euros posted in 2003 (respectively US\$507 million and US\$259 million in 2003). Significantly higher unit sales and a more favorable product and price mix, coupled with the savings generated by the programs implemented to streamline the manufacturing organization, more than offset a rise in raw material costs and other economics. The biggest increases were achieved in the Americas, with the Sector posting positive results in all its market segments. These positive results were partially offset by declines in Western Europe where, especially in the agricultural

equipment segment, the competitive conditions did not allow for sufficient price increases to recover increased steel costs and other economics.

The Sector formulated a plan to integrate the operations of the Case and New Holland businesses at the time of the merger whose realization resulted in incremental profit improvements of approximately US\$200 million in 2004 and brought the cumulative synergies to about 1 billion dollars at the end of 2004.

Depreciation and amortization for the period totaled 393 million euros (450 million euros in 2003), of which 127 million euros for the amortization of goodwill connected with the acquisition of Case.

Research and development expenses amounted to 214 million euros. The reduction from the 229 million euros recorded in 2003 is due to the currency translation effect (approximately 3% if expressed in dollars).

CNH reported for 2004 a net income of 133 million euros, of which 115 million euros were allocated to the Sector, compared with the net loss of 192 million euros in 2003, of which 198 million euros were allocated to the Sector. This result include non-operating expenses for 65 million euros related to restructuring costs linked to the Sector integration plan.

Cash flow was a positive 526 million euros, compared with 258 million euros in 2003.



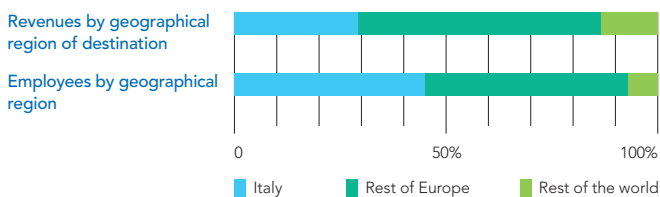


HIGHLIGHTS

(in millions of euros)	2004	2003	2002
Net revenues	9,292	8,440	9,136
Operating result	357	81	102
EBIT (*)	300	(84)	(409)
Net result before minority interest	109	(258)	(493)
Cash flow (**)	417	46	(70)
Capital expenditures	148	210	587
of which: Vehicles under long-term rentals	12	28	331
Research and development	231	212	239
Net invested capital	1,047	1,310	1,582
Number of employees	30,771	31,511	38,113

(*) It includes non-operating income and expenses.

(**) Net result + depreciation and amortization.



SALES PERFORMANCE

In 2004, Western European demand for commercial vehicles (GVW > 2.8 tons) increased to about 1,064,100 units, or 11.8% more than in 2003 (about 951,400 units). The largest increases occurred in Great Britain (+14.6%), Spain (+14.3%), France (+10.7%) and Germany (+9.6%). Shipments were also up in Italy, where they rose by 6% compared with 2003.

Commercial Vehicles Market (GVW ≥ 2.8 tons)

(in thousands of units)	2004	2003	% change
France	175.4	158.5	10.7
Germany	231.3	211.0	9.6
Great Britain	189.7	165.6	14.6
Italy	124.8	117.7	6.0
Spain	108.1	94.6	14.3
Other Western European countries	234.8	204.0	15.1
Western Europe	1,064.1	951.4	11.8

Commercial Vehicles Market (GVW ≥ 2.8 tons)

(in thousands of units)	2004	2003	% change
Heavy	235.8	216.2	9.1
Medium	78.6	74.3	5.8
Light	749.7	660.9	13.4
Western Europe	1,064.1	951.4	11.8



New registrations of light commercial vehicles (GVW between 2.8 and 6 tons) grew to 749,630, for a healthy increase of 13.4% compared with the 660,900 units sold in 2003. While demand was up in all European markets, the gains were particularly strong in Great Britain (+20.7), Spain (+18.1%) and France (+13.3%).

Demand for medium vehicles (GVW between 6.1 and 15.9 tons) also improved, rising to 78,621 units (+5.8% compared with 2003). All of the European markets benefited from the increase in demand, including Germany, where the market expanded at a sustained rate of 11.3%. The exception was Italy, where shipments were down a modest 0.8% compared with 2003.

New registrations of heavy vehicles (GVW > 16 tons) grew to 235,837 units, or 9.1% more than in 2003. The best gains were recorded in Germany (+16.7%), Spain (+7.7%) and France (+4.6%). Demand held relatively steady in Italy (+3.3%), declined slightly in Great Britain (-1.2%) and was generally up in all of the remaining markets.

In Western Europe, the bus market expanded to 24,493 units, or 2.9% more than in 2003 (23,805 vehicles). This improvement is the net result of a positive trend in Italy (+19.2%) and Spain (+9.4%), offset in part by a contraction in Germany (-5.7%) and France (-2.4%). Demand was unchanged in Great Britain.

Iveco's share of the Western European market for vehicles with a curb weight of 2.8 tons or more was 11.1% (0.4 percentage

points less than in 2003), due mainly to weakness in Iveco's main markets, where the Sector's share went from 13% in 2003 to 12.6% in 2004.

Iveco's market share decreased from 9.8% to 9.3% in the light-vehicle segment, but improved to 28.2% (+0.8 percentage points) in the medium-vehicle segment, where Iveco was again the European market leader thanks to the contribution of the New Eurocargo, which it launched in 2003. At 11.1%, Iveco's

Sales Performance – Units Sold by Country

<i>(in thousands of units)</i>	2004	2003	% change
France	20.4	17.8	14.6
Germany	16.3	14.0	16.5
Great Britain	14.6	13.8	5.9
Italy	38.7	38.3	1.1
Spain	16.8	14.8	13.4
Rest of Western Europe	22.4	20.6	8.7
Western Europe	129.2	119.3	8.3
Eastern Europe	10.8	9.7	11.9
Rest of the world	22.3	17.5	27.7
Total units sold	162.3	146.4	10.9
Associated companies	57.5	49.6	16.0
Grand total	219.8	196.0	12.2



share of the heavy-vehicle segment was about the same as in 2003 (11.3%).

The Irisbus Group increased its penetration of the Western European market by 0.7 percentage points compared with 2003, reaching 25.8%, as the net result of increases in Italy (+1 percentage point) and Spain (+1.7 percentage points) and decreases in Great Britain (-0.6 percentage points) and France (-2.6 percentage points). There was no significant change in market share in Germany.

Iveco sold 162,300 vehicles worldwide (+10.9% over 2003). The Sector's licensee associated companies shipped approximately 57,500 units (+16%). In Western Europe, Iveco sold about 129,200 vehicles, or 8.3% more than in 2003.

This positive sales performance reflects favorable conditions in all markets, particularly those of Western Europe.

The Irisbus Group sold a total of 8,262 vehicles, slightly down (-0.5%) from the previous year.

Iveco's engine production increased by 14.9% to about 435,000 units (379,000 units in 2003). Shipments to other Fiat Group Sectors (Fiat Auto and CNH) were especially strong. Sales to noncaptive customers totaled more than 50,000 engines (about 46,000 units in 2003).

In China, Naveco, a 50-50 joint venture with the Yuejijin Group, produced and sold about 15,000 light vehicles (+2.4%).

In Turkey, the Otoyoil licensee sold 5,263 vehicles (+19.6%), while Iveco's Indian licensee, Ashok Leyland, manufactured and shipped 52,227 units (+14.3% compared with 2003).

FINANCIAL AND SERVICE ACTIVITIES

In 2004, the finance companies of the Iveco Finance Group, which provide financing and leasing services to support the sales of Iveco products in Western Europe, signed 27,021 contracts to finance sales of new commercial vehicles (22,533 in 2003) and 7,271 contracts for used commercial vehicles, busses, trailers and semitrailers, for a total of 34,292 new transactions. Iveco Finance provided funding for 25.2% of the vehicles sold by the Sector (22% in 2003). A total of 103,080 financing contracts were outstanding at the end of 2004 (103,345 at December 31, 2003) with a total net value of 2,575 million euros (about 2,300 million euros at the end of 2003), including 333 million euros in dealer financing contracts (about 310 million euros in 2003).

The pool of rental vehicles operated by the Transolver Services companies numbered about 3,770 units at the end of 2004, with 155 new contracts signed during the year.

The Sector's operations that provide rental and financing services to Iveco's distribution network and retail customers

Sales Performance – Units Sold by Product Segment

(in thousands of units)	2004	2003	% change
Heavy	37.6	32.9	14.1
Medium	21.1	19.3	9.1
Light	91.0	81.5	11.6
Busses (*)	8.6	8.6	–
Divisions (**)	4.0	4.0	–
Total units sold	162.3	146.4	10.9

(*) Irisbus + Iveco's Bus Division.

(**) Astra, Defense and Firefighting Vehicles.

generated net revenues of 637 million euros in 2004, down slightly from the 655 million euros booked in 2003.

In 2004, these operations generated income before taxes of 11 million euros, compared with a loss of 43 million euros in 2003. An increase in the operating income generated by the rental operations and a decrease in nonoperating charges, which in 2003 included the residual loss on the sale of Fraikin, are the main reasons for this improvement.

PRODUCT INNOVATION AND INVESTMENTS

During the closing months of the year, the Sector launched important programs that will come to fruition at the manufacturing and distribution level in future years.

Major projects carried out in 2004 focused mainly on achieving compliance with the Euro 4-5 emissions standards and renovating all segments of the bus line (coach, long-distance and urban).

The Sector's development work concerned primarily the restyling of the Light product line; the renewal of the Heavy Off Road Trakker line; the development of active, passive and preventive safety systems; and issues related to on-the-road productivity.

In the area of engines, Iveco completed the investments needed to produce four new families of engines (F1, NEF, CURSOR and VECTOR) and carried out the development, certification and installation procedures required for automotive use of the main versions available in each engine family. At the same time, it continued to develop additional engine families configured for automotive, agricultural, power generation, marine and railroad applications.

An important achievement was the selection of the Bourbon Lancy plant, in France, as the recipient of the prestigious JIPM TPM Award.

Iveco also invested in improving the quality and performance of the transmissions and front and rear axles it manufactures at its Turin and Barcelona factories. In addition, it launched several ambitious innovation projects involving alternative fuels, engines fueled with compressed or regular natural gas that have a low environmental impact, injection and turbocharging systems, and exhaust-gas treatment systems.

Commercial launches carried out in 2004 included products in the Light line (vehicles equipped with the three-liter F1C engine), Heavy line (new Trakker), Medium line (Eurocargo 4x4), Astra line (rigid AAT40 Dumper) and gearbox line (ESP DAILY).

RESULTS FOR THE YEAR

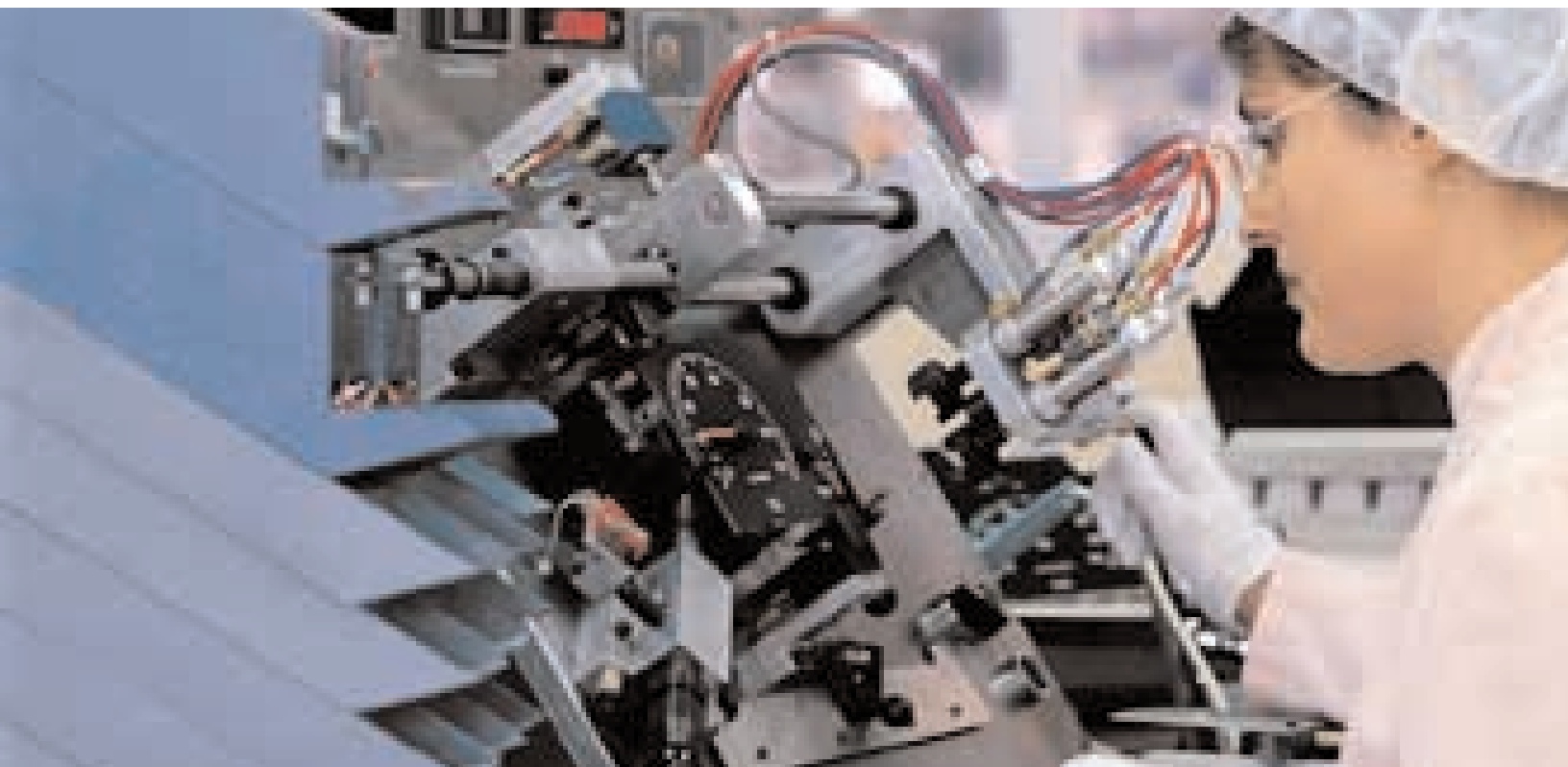
In 2004, driven by the improvement in unit sales discussed above, Iveco's net revenues grew to 9,292 million euros, or 10.1% more than in 2003.

Operating income totaled 357 million euros, compared with 81 million euros in 2003. This remarkable gain reflects the combined impact of a higher volume of sales and the positive effect that product range repositioning had on prices. Significant inroads were also made in lowering product costs and handling trade-ins.

Depreciation and amortization amounted to 308 million euros in 2004 (304 million euros in 2003).

Iveco posted a net income of 109 million euros, compared with a loss of 258 million euros in 2003. This year-over-year improvement of 367 million euros is the product of the increase in operating income combined with the impact of a major decrease in restructuring charges.





HIGHLIGHTS

(in millions of euros)	2004	2003	2002
Net revenues	3,804	3,206	3,288
Operating result	116	32	(16)
EBIT (*)	98	(41)	(348)
Net result before minority interest	55	(90)	(435)
Cash flow (**)	236	83	(245)
Capital expenditures	187	148	148
Research and development	193	158	162
Net invested capital	591	540	524
Number of employees	21,868	19,879	20,716

(*) It includes non-operating income and expenses.

(**) Net result + depreciation and amortization.

SALES PERFORMANCE

For Magneti Marelli, 2004 was a period of consolidation and business growth.

At the sales level, the Sector strengthened its relationships with major manufacturers. All product lines booked a significant number of orders for new models which will make it possible to increase the percentage of revenues generated by non-captive customers.

Highlights of each Business Unit's performance are as follows:

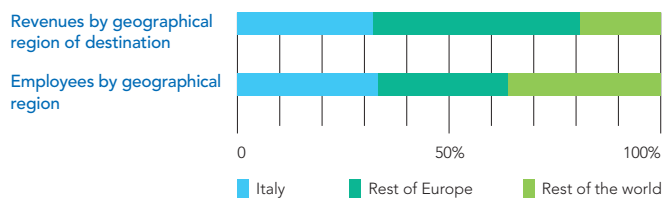
Lighting Group

Revenues at December 31, 2004 totaled 1,084 million euros, an increase of 7% over the previous year on a comparable exchange basis. This increase was largely due to the new high intensity discharge xenon headlamps and adaptive front lighting systems. The most important new orders received during the year were from BMW, Mercedes-Benz, Chevrolet, AUDI and Volkswagen.

Engine Management

Revenues at December 31, 2004 totaled 775 million euros, a 6.5% increase over the previous year's 742 million euros on a comparable exchange basis. Much of this increase stemmed from the introduction of the Diesel Buy system.

In 2004, an agreement to develop a new Multijet diesel injection system was signed with Siemens VDO Automotive.





Cofap Automotive Suspension

Revenues at December 31, 2004 amounted to 1,002 million euros as against 970 million euros in the previous year. This was a 4.6% increase over 2003 on a comparable exchange basis, and was made possible by the increased volumes for the Panda in Poland which offset declining Italian sales.

In Europe, new orders were received from PSA and Mercedes. Orders were booked from GM in the United States, and from DCX, Ford, GM and Volkswagen in Brazil.

Electronic Systems

Consolidated revenues following the company's acquisition totaled 476 million euros. The business made significant sales as a result of the large-scale introduction of a new telematic product for PSA. From the standpoint of the order portfolio, 2004 saw many important orders from major manufacturers, including the "Nanoflorence" system for Fiat's new Stilo and Ducato, instrument panels for PSA Group light trucks and passenger cars, and units for AUDI and Volkswagen vehicles.

An agreement whereby Microsoft and Fiat will cooperate in the development of telematic systems became operational during the first half of the year.

Exhaust Systems

Revenues at December 31, 2004 were 365 million euros, a 5.8% increase over 2003's 346 million euros on a comparable exchange basis. Strong sales of the Panda in Poland, where production of the new 1.3 SDE (small diesel engine) which equips Fiat and Opel passenger cars was also ramped up, more than compensated for the lackluster performance that certain Fiat models continued to show on the Italian market.

New orders were acquired in the course of the year, and specifically for the exhaust gas aftertreatment system for the new Fiat 1.6 MDE (medium diesel engine) outfitting Fiat – Lancia and Alfa Romeo vehicles, and for the exhaust system for the new Fiat Ducato, for which development got under way late in 2004. The latter system will also be installed on PSA Group light trucks produced by Sevel S.p.A., a joint venture between PSA and Fiat Auto.

A number of development programs have been initiated to adapt exhaust systems to Euro 4 and 5 requirements.

Motorsport

Magneti Marelli participates in the major motorsport championships as a technical partner. In 2004, it supplied electronic control systems, fuel system and electromechanical components, and telemetry and data acquisition systems to leading Formula 1 teams, including Ferrari, Toyota, Renault, Sauber, Minardi, Cosworth, McLaren and Williams. In addition, Magneti Marelli supplied electronic control systems to Yamaha, which won the Moto GP1 championship in 2004. During the year, Magneti Marelli also entered into cooperative agreements with Mercedes-Ilmor and Br-Honda.

RESULTS FOR THE YEAR

In 2004, Magneti Marelli posted consolidated net revenues of 3,804 million euros; on a comparable consolidation and exchange rate basis, revenues thus grew by 6% over the previous year.

As the European automotive market remained stable during the year, this increase in revenues was due more to technological improvement of product than to any actual increase in volumes.

In particular, revenues for the Engine Management Business Unit increased as a result of the introduction of the Diesel Buy system, while for the Lighting Group the increase was achieved thanks to the new high intensity discharge xenon headlamps and adaptive front lighting systems. For the Cofap Automotive Suspension Business Unit, volumes rose when the new Panda went into production in Poland.

Operating income amounted to 116 million euros. As business volumes were comparable to those of the preceding year, this approximately 58 million euro improvement was achieved through measures which made the cost structure more competitive and made it possible to ease pressure on sales prices.

Depreciation and amortization of 181 million euros (compared with 173 million euros in 2003) and research and development expenditures of 193 million euros (158 million euros in 2003) accounted for 10% of revenues.

Net income of 55 million euros (compared with the 90 million euro net loss in 2003) reflected the improvements in operating income and gains on the disposal of Midas.

As a result of this strong net income performance, cash flow amounted to 236 million euros, as against 83 million euros in 2003.



HIGHLIGHTS

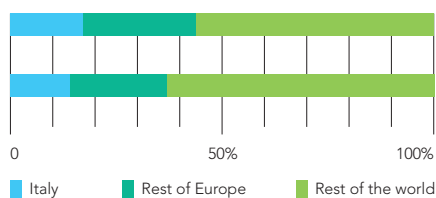
(in millions of euros)	2004	2003	2002
Net revenues	911	844	1,539
Operating result	35	12	27
EBIT (*)	26	(56)	(137)
Net result before minority interest	3	(91)	(214)
Cash flow (**)	51	(43)	(121)
Capital expenditures	44	56	78
Research and development	4	7	21
Net invested capital	249	194	250
Number of employees	8,571	7,556	7,368

(*) It includes non-operating income and expenses.

(**) Net result + depreciation and amortization.

Revenues by geographical region of destination

Employees by geographical region



SALES PERFORMANCE

In 2004, Teksid continued with its restructuring plan, which involves both the Cast Iron Business Unit and the Magnesium Business Unit. The plan is aimed at bringing production structures and income generating capacity back into line in all production plants, even under current market conditions.

The situation for the individual Business Units was as follows:

- In 2004, the **Magnesium** Business Unit (Meridian) continued to concentrate on the North American market, which accounted for 80% of revenues as against 82% in 2003. Though volumes increased by 4.9%, revenues were penalized by the strengthening of the euro against the US dollar, dropping 4.2% as a result.
- The **Cast Iron** Business Unit continued to boost its efficiency in 2004 by rationalizing production facilities. Together with an 11% increase in volumes, the gains in profitability achieved through these measures softened the unfavorable impact of euro/dollar exchange rates and the spiraling cost of raw materials. Restructuring also continued at the Crescentino plant, which is sharpening its focus on the manufacture of



components for light vehicles. At the sales level, Teksid further broadened its customer base in the automotive industry, acquiring contracts from Japanese manufacturers in China, increasing the volumes produced for General Motors in Brazil, and forging stronger links with Renault and PSA in Europe.

RESULTS FOR THE YEAR

In 2004, the Sector posted revenues of 911 million euros, an increase of 7.9% (or 10.9% on a comparable exchange basis) over 2003, thanks to the larger sales volumes achieved by both Business Units. As in 2003, 87% of revenues were generated by “non-captive” customers.

Operating income for the year was 35 million euros. Profitability was up 23 million euros, an improvement that can be attributed to the positive impact of higher volumes and the efficiency



gains achieved by rationalizing production units, which were partially offset by the adverse effects of exchange rates (2 million euros) and higher prices for raw materials.

Net income for the year amounted to 3 million euros, a significant improvement over the 91-million-euro loss in 2003, when the Sector was impacted by non-operating expenses including those generated by the restructuring plan mentioned above.



HIGHLIGHTS

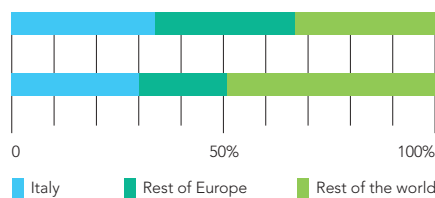
(in millions of euros)	2004	2003	2002
Net revenues	1,716	2,293	2,320
Operating result	32	2	(101)
EBIT (*)	15	(122)	(247)
Net result before minority interest	(15)	(164)	(302)
Cash flow (**)	28	(108)	(238)
Capital expenditures	14	18	20
Research and development	17	17	17
Net invested capital	191	205	163
Number of employees	13,328	17,375	18,186

(*) It includes non-operating income and expenses.

(**) Net result + depreciation and amortization.

Revenues by geographical region of destination

Employees by geographical region



SALES PERFORMANCE

In 2004, the Sector's reference market continued to be adversely affected by a climate of uncertainty and by the financial difficulties experienced by most automotive manufacturers, both of which impacted capital investment policies. The euro's sharp rise against the dollar also gave Japanese and Korean suppliers an advantage over their European counterparts in the emerging markets and the US.

In 2004, new orders for contract work came to 1,463 million euros, an increase of 5% over 2003, or 10% on a comparable consolidation and exchange rate basis. Strong growth in the volume of orders from the NAFTA area (up 50% on a comparable exchange basis) compensated for the unfavorable effect of the depreciation of the dollar against the euro.

Overall, 55% of the orders for contract work were acquired in Europe and 32% in the NAFTA area, with the remaining 13% coming from the Mercosur and new markets (4% from China). Orders can be broken down as follows: 20% from Fiat Group companies (as against 19% in 2003), and 80% from other automotive manufacturers.

At December 31, 2004, the order portfolio for contract work amounted to 1,042 million euros on a comparable consolidation basis, an increase of around 7% over the previous year.



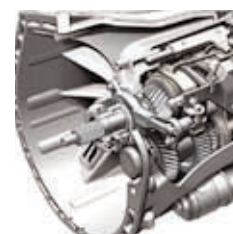
In 2004, maintenance service operations (Comau Service) received orders for an amount in line with the previous year, amounting to approximately 342 million euros net of the effects of business profile restructuring. Of these orders, 52% came from Fiat Group companies.

RESULTS FOR THE YEAR

Business portfolio restructuring continued in 2004, when the respective dies and service activities were transferred to Fiat Auto and Fiat-GM Powertrain starting on January 1, 2004.

The consolidated statement of operations for 2004 shows revenues of 1,716 million euros, down 25.2% from the 2,293 million euros posted a year earlier. The decrease in revenues was largely due to the transfer of the service and Mirafiori dies activities to Fiat Auto and Fiat-GM Powertrain.

On a comparable consolidation and exchange rate basis, Sector's revenues dropped 9%. Most of this decrease occurred for contract work in the NAFTA area because of the small order backlog at the beginning of the year. By contrast, revenues from



maintenance services held firm. Operations generated 32 million euros in income: a marked improvement over the 2 million euros posted in 2003 thanks to better margins on contract work, extensive streamlining of overhead costs and more efficient use of resources.

The net result for 2004 showed a loss of 15 million euros, a significant improvement over the 164 million euro loss recorded in the previous year, which was strongly affected by major restructuring programs in a number of countries, including Italy, France and the United Kingdom.



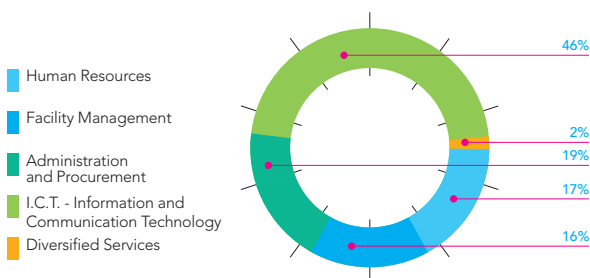
HIGHLIGHTS

(in millions of euros)	2004	2003	2002
Net revenues	1,572	1,816	1,965
Operating result	36	45	67
EBIT (*)	5	11	(140)
Net result before minority interest	(26)	(20)	(119)
Cash flow (**)	7	10	(77)
Capital expenditures	11	7	14
Net invested capital	17	(31)	478
Number of employees	6,519	7,113	7,900

(*) It includes non-operating income and expenses.

(**) Net result + depreciation and amortization.

Revenues by business unit



SALES PERFORMANCE

In 2004, the business services market showed no appreciable signs of recovering from the slump that affected it during 2003.

Against this background, the Sector brought a further impetus to its efforts to concentrate on the captive market, confirming the strategy outlined last year and reinforced in the course of 2004.

Operating performance of each of the Sector's business units is reviewed below:

- **Human Resources:** Services provided by this unit include payroll and human resource management (H.R.Services S.p.A.), training (Isvor Knowledge System S.p.A.) and temporary employment (Worknet S.p.A.). Aggregate revenues totaled 261 million euros, of which 77% were from "non-captive" customers, especially for training and temporary employment services. In the latter area, the restructuring process continued at Worknet, which was sold in February 2005.
- **Facility Management:** Through Ingest Facility S.p.A., this unit handles regular and extraordinary maintenance of industrial and non-industrial buildings. Turnover amounted to 254 million euros, 57% from non-captive customers.



- **Administration and Procurement:** In 2004, parameters and scope of activities were further defined within the Group. This was the occasion to set standards of service and mutual responsibilities in greater detail. Turnover in 2004 amounted to 299 million euros, 77% of which was from “captive” customers.
- **I.C.T. – Information and Communication Technology:** The main activity in this unit is Global Value, a joint venture with IBM. e-Spin, a competence center active in a number of specific areas of innovation, most notably in the online application and management of business processes, is also part of this unit, as is Atlanet, a provider of fixed telephony services and connectivity in general. Consolidated from January 2004, Atlanet broke even after the heavy losses

incurred in the previous year. The unit as a whole posted revenues of about 728 million euros in 2004, 51% of which came from Fiat Group companies. Of this total, Atlanet contributed 155 million euros, with 78% from non-Fiat customers.

RESULTS FOR THE YEAR

Revenues for the Sector totaled 1,572 million euros (49% from the captive market) in 2004, a decline of 13.4% compared with the previous year. This decrease was chiefly due to the divestiture of Fiat Engineering, as well as to the lower volumes achieved in information technology.

Operating income amounted to 36 million euros, compared with 45 million euros the previous year. On a comparable scope of operations, however, operating income improved by 11 million euros, largely as a result of the major efficiency gains and cost cuts made in all units.

The net result for 2004 showed a loss of 26 million euros, slightly worse than last year (20 million euros). Most of the loss was generated by writedowns on equity investments (25 million euros) and mostly at Global Value Service. However, on a comparable scope of operations, the result showed an improvement of 5 million euros.



HIGHLIGHTS

(in millions of euros)	2004	2003	2002
Net revenues	407	383	360
Operating result	12	10	3
EBIT (*)	10	9	1
Net result before minority interest	2	1	(5)
Cash flow (**)	9	8	3
Capital expenditures	2	3	3
Net invested capital	15	19	40
Number of employees	849	874	923

(*) It includes non-operating income and expenses.

(**) Net result + depreciation and amortization.

SALES PERFORMANCE

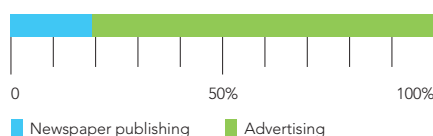
In 2004, sales of Italian newspapers averaged approximately 5.7 million copies a day, a figure that was substantially unchanged since the previous year. The advertising market grew by 7.3% in 2004. Performance by the various media was far from uniform: while television advertising grew by 10.4% and radio gained 21.7%, demand for print advertising increased by only 1.5%.

Editrice La Stampa S.p.A. reported an average daily circulation of 339,000 copies in 2004, down from 358,000 copies in 2003. This decrease reflected the fact that several joint marketing arrangements with other papers were discontinued during the year, as well as lower newsstand sales and a reduction in the number of subscriptions. Brand extension measures designed to increase newsstand sales of additional products leveraging the paper's brand name continued in 2004.

Revenues from the sale of newspapers and other publishing products totaled 78 million euros in 2004. This was an increase of 2 million euros over 2003, as sales of Specchio (for which a additional charge over the paper's newsstand price was introduced in September 2003) and successful brand extension efforts offset the dropoff in sales volumes.

Advertising revenues amounted to 94 million euros, as against 92 million euros in the previous year.

Revenues by business unit





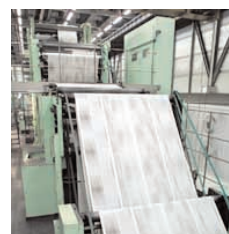
Publikompass S.p.A. booked advertising billings of 330 million euros, compared with 307 million euros in 2003. This increase was partly due to new licensing agreements, and was achieved despite the termination of a major advertising arrangement which the publisher involved decided to manage independently mid-way through the year.

In December 2004, a plan was approved to invest in new web offset presses, which starting in January 2007 will make it possible to produce a full-color 96-page product in the new compact 31x45 cm format.

In April 2004, Itedi acquired a 58% interest in BMI S.p.A., the licensee who broadcasts "Radio Nostalgia", aired chiefly in Liguria.

RESULTS FOR THE YEAR

Itedi posted net revenues of 407 million euros in 2004, an increase over the previous year's 383 million euros achieved thanks to additions in the pool of newspapers whose advertising space is managed by the Sector, sales of Specchio, and the year's brand extension initiatives. It should be noted that the



revenues reported for 2004 do not include those generated by BMI, which have temporarily been accounted for under the equity method of consolidation.

Operating income was 12 million euros, as against 10 million euros in 2003. This improvement stemmed from the better margins achieved with the new newspaper clients, lower paper costs, and the Sector's across-the-board efforts to rationalize costs, which continued throughout the year.

Net income for the year was 2 million euros (up from 1 million in 2003), despite the heavy tax burden, and the impact of IRAP, the regional tax on production activities, in particular.

MOTION TO ALLOCATE THE LOSS FOR FISCAL 2004

Dear Stockholders,

The Statutory Financial Statements at December 31, 2004 show a loss of 949,100,522. We propose that these Financial Statements be approved and that this loss be carried forward.

Turin, March 24, 2005

The Board of Directors

By:

A handwritten signature in black ink, appearing to read 'Luca Cordero di Montezemolo', is written over a horizontal line.

Luca Cordero di Montezemolo

CHAIRMAN

FIAT GROUP



**CONSOLIDATED FINANCIAL
STATEMENTS AT DECEMBER 31, 2004**





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Fiat S.p.A.

Corporate Headquarter: 250 Via Nizza, Turin, Italy
Paid-in Capital: 4,918,113,540 euros
Entered in the Turin Company Register
Fiscal Code: 00469580013

CONSOLIDATED BALANCE SHEET

■ ASSETS

<i>(in millions of euros)</i>	<i>December 31, 2004</i>	<i>December 31, 2003</i>
AMOUNTS DUE FROM STOCKHOLDERS FOR SHARES SUBSCRIBED BUT NOT CALLED	-	-
FIXED ASSETS		
Intangible fixed assets (note 1)		
Start-up and expansion costs	115	144
Research, development and advertising expenses	28	22
Industrial patents and intellectual property rights	402	406
Concessions, licenses, trademarks and similar rights	297	347
Goodwill	151	151
Intangible assets in progress and advances	204	246
Other intangible assets	136	157
Differences on consolidation	1,989	2,251
Total	3,322	3,724
Property, plant and equipment (note 2)		
Land and buildings	2,696	2,736
Plant and machinery	3,204	3,393
Industrial and commercial equipment	1,708	1,504
Other assets	1,232	1,314
Construction in progress and advances	697	728
Total	9,537	9,675
Financial fixed assets (note 3)		
Investments in:		
unconsolidated subsidiaries	236	435
associated companies	3,330	3,202
other companies	158	257
Total Investments	3,724	3,894
Receivables from others:		
due within one year	18	4
due beyond one year	1	25
Total Receivables from others	19	29
Total Receivables	19	29
Other securities	55	56
Treasury Stock	-	-
Finance lease contracts receivable	1,727	1,797
Total	5,525	5,776
TOTAL FIXED ASSETS	18,384	19,175
CURRENT ASSETS		
Inventories (note 4)		
Raw materials and supplies	1,155	1,099
Work in progress and semifinished products	789	944
Contract work in progress	2,886	4,077
Finished goods and merchandise	3,711	4,052
Advances to suppliers	7,076	5,188
Total	15,617	15,360

CONSOLIDATED BALANCE SHEET

<i>(in millions of euros)</i>	<i>December 31, 2004</i>	<i>December 31, 2003</i>
CURRENT ASSETS (continued)		
Receivables	(note 5)	
Trade receivables:		
due within one year	3,899	3,733
due beyond one year	29	25
Total Trade receivables	3,928	3,758
Receivables from unconsolidated subsidiaries:		
due within one year	49	73
due beyond one year	3	3
Total Receivables from unconsolidated subsidiaries	52	76
Receivables from associated companies:		
due within one year	855	764
due beyond one year	9	–
Total Receivables from associated companies	864	764
Taxes Receivable:		
due within one year	1,114	1,413
due beyond one year	123	137
Total Taxes receivable	1,237	1,550
Deferred tax assets		
due within one year	748	536
due beyond one year	1,413	1,343
Total Deferred tax assets	2,161	1,879
Other receivables:		
due within one year	1,575	1,319
due beyond one year	142	167
Total Other receivables	1,717	1,486
Total	9,959	9,513
Financial assets not held as fixed assets	(note 6)	
Investments		
in other companies	33	32
Total Investments	33	32
Other securities	2,184	3,845
Treasury stock	26	32
Financial receivables		
Receivables from unconsolidated subsidiaries:		
due within one year	565	475
due beyond one year	–	46
Total Financial receivables from unconsolidated subsidiaries	565	521
Receivables from associated companies:		
due within one year	225	413
due beyond one year	181	231
Total Financial receivables from associated companies	406	644
Receivables from others:		
due within one year	3,806	6,488
due beyond one year	2,374	3,097
Total Financial receivables from others	6,180	9,585
Total Financial receivables	7,151	10,750
Total	9,394	14,659
Cash	(note 7)	
Bank and post office accounts	3,151	3,195
Checks	3	9
Cash on hand	10	7
Total	3,164	3,211
TOTAL CURRENT ASSETS	38,134	42,743
ACCRUED INCOME AND PREPAID EXPENSES	(note 8)	
Other accrued income and prepaid expenses	725	793
TOTAL ACCRUED INCOME AND PREPAID EXPENSE	725	793
■ TOTAL ASSETS	57,243	62,711

CONSOLIDATED BALANCE SHEET

■ LIABILITIES AND STOCKHOLDERS' EQUITY

<i>(in millions of euros)</i>	<i>December 31, 2004</i>	<i>December 31, 2003</i>
STOCKHOLDERS' EQUITY		
	(note 9)	
Stockholders' equity of the Group		
Capital stock	4,918	4,918
Additional paid-in capital	–	279
Legal reserve	447	659
Treasury stock valuation reserve	26	32
Retained earnings and other reserves	1,294	2,805
Net loss	(1,586)	(1,900)
Total	5,099	6,793
Minority interest	658	701
TOTAL STOCKHOLDERS' EQUITY	5,757	7,494
RESERVES FOR RISKS AND CHARGES		
	(note 10)	
Reserve for pensions and similar obligations	1,432	1,503
Income tax reserves	274	309
Other reserves	3,585	3,478
Insurance policy liabilities and accruals	91	89
TOTAL RESERVES FOR RISKS AND CHARGES	5,382	5,379
RESERVE FOR EMPLOYEE SEVERANCE INDEMNITIES		
	(note 11)	
	1,286	1,313
PAYABLES		
	(note 12)	
Bonds:		
due within one year	1,868	1,034
due beyond one year	6,944	8,576
Total Bonds	8,812	9,610
Convertible bonds:		
due within one year	–	1,765
due beyond one year	13	–
Total Convertible bonds	13	1,765
Financial Payables from stockholders:		
due within one year	–	–
due beyond one year	–	–
Total Financial payables from stockholders:	–	–
Borrowings from banks:		
due within one year	6,949	2,697
due beyond one year	1,815	6,687
Total Borrowings from banks	8,764	9,384
Other financial payables:		
due within one year	704	809
due beyond one year	161	155
Total Other financial payables	865	964
Advances:		
due within one year	2,556	2,877
due beyond one year	7,361	6,272
Total Advances	9,917	9,149
Trade payables:		
due within one year	10,949	11,733
due beyond one year	43	36
Total Trade payables	10,992	11,769
Notes payable:		
due within one year	207	224
due beyond one year	–	1
Total Notes payable	207	225
Payables to unconsolidated subsidiaries		
due within one year	49	68
Total Payables to unconsolidated subsidiaries	49	68

CONSOLIDATED BALANCE SHEET

<i>(in millions of euros)</i>	<i>December 31, 2004</i>	<i>December 31, 2003</i>
PAYABLES (continued)		
Payables to associated companies:		
due within one year	997	842
Total Payables to associated companies	997	842
Taxes payable:		
due within one year	714	833
due beyond one year	29	28
Total Taxes payable	743	861
Social security payable:		
due within one year	308	283
due beyond one year	2	4
Total Social security payable	310	287
Other payables:		
due within one year	1,202	1,288
due beyond one year	37	28
Total Other payables	1,239	1,316
TOTAL PAYABLES	42,908	46,240
ACCRUED EXPENSES AND DEFERRED INCOME	(note 13)	
Other accrued expenses and deferred income	1,910	2,285
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	1,910	2,285
■ TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	57,243	62,711

CONSOLIDATED BALANCE SHEET

■ MEMORANDUM ACCOUNTS (note 14)

<i>(in millions of euros)</i>	<i>December 31, 2004</i>	<i>December 31, 2003</i>
GUARANTEES GRANTED		
Unsecured guarantees		
Suretyships		
on behalf of associated companies	–	10
on behalf of others	2,719	3,050
Total Suretyships	2,719	3,060
Guarantees of notes		
on behalf of others	217	259
Total Guarantees of notes	217	259
Other unsecured guarantees		
on behalf of unconsolidated companies	30	–
on behalf of associated companies	269	295
on behalf of others	2,235	2,780
Total Other unsecured guarantees	2,534	3,075
Total Unsecured guarantees	5,470	6,394
Secured guarantees		
on behalf of others	50	36
Total Secured guarantees	50	36
TOTAL GUARANTEES GRANTED	5,520	6,430
COMMITMENTS		
Commitments related to derivative financial instruments	21,319	20,798
Commitments to purchase property, plant and equipment	408	329
Other commitments	12,813	10,350
TOTAL COMMITMENTS	34,540	31,477
THIRD-PARTY ASSETS HELD BY THE GROUP	1,594	1,923
GROUP ASSETS HELD BY THIRD PARTIES	3,218	4,496
OTHER MEMORANDUM ACCOUNTS	284	380
■ TOTAL MEMORANDUM OF ACCOUNTS	45,156	44,706

CONSOLIDATED STATEMENT OF OPERATIONS

<i>(in millions of euros)</i>	2004	2003	2002
VALUE OF PRODUCTION (note 15)			
Revenues from sales and services	46,488	48,346	55,427
Change in work in progress, semifinished and finished products inventories	(202)	700	(816)
Change in contract work in progress	215	(1,075)	222
Additions to internally produced fixed assets	809	688	1,107
Other income and revenues:			
revenue grants	54	52	47
other	1,462	1,637	2,105
Total Other income and revenues	1,516	1,689	2,152
TOTAL VALUE OF PRODUCTION	48,826	50,348	58,092
COSTS OF PRODUCTION (note 16)			
Raw materials, supplies and merchandise	28,951	28,392	30,289
Services	7,984	8,505	9,890
Leases and rentals	364	367	468
Personnel:			
salaries and wages	4,462	4,707	5,457
social security contributions	1,168	1,249	1,365
employee severance indemnities	187	244	256
employee pensions and similar obligations	178	185	100
other costs	374	303	376
Total Personnel costs	6,369	6,688	7,554
Amortization, depreciation and writedowns:			
amortization of intangible fixed assets	475	519	595
depreciation of property, plant and equipment	1,693	1,750	2,019
writedown of fixed assets	31	35	3
writedown of receivables among current assets and cash	287	278	366
Total Amortization, depreciation and writedowns	2,486	2,582	2,983
Change in raw materials, supplies and merchandise inventories	(230)	81	38
Provisions for risks	1,394	1,163	1,138
Other provisions	15	17	30
Other operating costs	1,075	1,028	1,304
Expenses of financial services companies	376	668	1,115
Insurance claims and other insurance costs	20	1,367	4,045
TOTAL COSTS OF PRODUCTION	48,804	50,858	58,854
DIFFERENCE BETWEEN THE VALUE AND COSTS OF PRODUCTION	22	(510)	(762)
FINANCIAL INCOME AND EXPENSES (note 17)			
Investment income from:			
unconsolidated subsidiaries	–	–	4
associated companies	1	1	1
other companies	8	21	151
Total Investment income	9	22	156
Other financial income:			
from receivables held as fixed assets:			
from others	–	3	2
from securities held as fixed assets other than equity investments	1	–	156
from securities held as current assets other than equity investments	39	119	147

CONSOLIDATED STATEMENT OF OPERATIONS

(in millions of euros)	2004	2003	2002
FINANCIAL INCOME AND EXPENSES (continued)			
Other financial income (continued)			
Other income from:			
unconsolidated subsidiaries	4	8	25
associated companies	6	7	23
others	1,221	1,320	1,866
Total Other income	1,231	1,335	1,914
Total Other financial income	1,271	1,457	2,219
Interest and other financial expenses from:			
unconsolidated subsidiaries	–	3	2
associated companies	5	6	2
others	1,939	2,480	2,931
Total Interest and other financial expenses	1,944	2,489	2,935
Foreign exchange gains and losses	25	47	(111)
TOTAL FINANCIAL INCOME AND EXPENSES	(639)	(963)	(671)
ADJUSTMENTS TO FINANCIAL ASSETS	(note 18)		
Revaluations of:			
equity investments	125	91	68
financial fixed assets other than equity investments	–	–	–
securities held in current assets other than equity investments	–	14	7
Total Revaluations	125	105	75
Writedowns of:			
equity investments	126	263	809
financial fixed assets other than equity investments	23	1	84
securities held in current assets other than equity investments	2	8	45
financial receivables	71	5	18
Total Writedowns	222	277	956
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS	(97)	(172)	(881)
EXTRAORDINARY INCOME AND EXPENSES	(note 19)		
Income:			
gains on disposals	162	1,826	1,081
other income	154	191	154
Total Income	316	2,017	1,235
Expenses:			
losses on disposals	5	50	1,239
taxes relating to prior years	39	26	79
other expenses	1,135	1,594	2,420
Total Expenses	1,179	1,670	3,738
TOTAL EXTRAORDINARY INCOME AND EXPENSES	(863)	347	(2,503)
LOSS BEFORE TAXES	(1,577)	(1,298)	(4,817)
Income taxes	(note 20)	650	(554)
LOSS BEFORE MINORITY INTEREST	(1,548)	(1,948)	(4,263)
Minority interest	(38)	48	315
NET LOSS	(1,586)	(1,900)	(3,948)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The 2004 consolidated financial statements have been prepared in accordance with the rules contained in Italian Legislative Decree No. 127 dated April 9, 1991, which fulfilled the Fourth and Seventh EC Directives and the revisions introduced by Legislative Decree No. 6 of 2003 "Reform of Corporate Law". The significant events which occurred after the end of the fiscal year described in the Report of Operations are an integral part of the notes to the consolidated financial statements.

The consolidated financial statements include the financial statements of Fiat S.p.A., the Parent Company, and of all Italian and foreign subsidiaries that constitute the Fiat Group ("Fiat" or "The Group"), in which Fiat S.p.A. holds directly or indirectly more than 50% of the voting capital and/or has de facto control over operations. The companies in which the Parent Company holds, directly or indirectly, control jointly with other partners, are normally accounted for using the equity method. The same is true for the associated companies in which the Group exercises a significant influence.

Certain insignificant subsidiaries, including those acquired for resale, which total less than 0.3% in 2004 (0.3% in 2003 and 0.5% in 2002) of total consolidated revenues and for which it is not practicable to obtain the necessary information on a timely basis without disproportionate expense, have been excluded from consolidation. This exclusion does not affect the assertion that the consolidated financial statements are a true and fair representation of the financial position and results of operations of the Group. Furthermore, the subsidiary BUC – Banca Unione di Credito, as allowed by law, has been excluded from the scope of consolidation inasmuch as it has non-homogeneous operations and is accounted for using the equity method.

As discussed in Report on Operations, the composition of the Fiat Group underwent several significant changes in 2004, and in particular:

- In February 2004, 100% of the interest held in Fiat Engineering S.p.A. was sold to Maire Investimenti S.p.A. and the company was therefore deconsolidated as of the beginning of the year. At the same time, the Fiat Group subscribed to a capital increase at Maire Investimenti S.p.A. (now Maire Engineering S.p.A.) and currently owns 30% of the capital of this company. On said 30% interest, both parties hold put (Fiat Group) and call (Maire Engineering S.p.A.) options that are exercisable within three years at a predetermined price.
- In the second quarter of 2004, the Group consolidated Magneti Marelli Electronic Systems (formerly Ixfin Magneti Marelli Sistemi Elettronici) on a line-by-line basis following gradual acquisition of actual control over this strategic supplier of Fiat Auto and other automotive groups. In 2002

this business had been sold to the Mekfin Group, which in turn sold it to the Ixfin Group. So that the company would punctually respect the commitments it had made to its customers and continue pursuing its growth strategies, an agreement was signed at the end of 2003 between the Ixfin Group and the Fiat Group, on the basis of which Magneti Marelli, pursuant to an agreement providing for the beneficial interest in the shares of Ixfin Magneti Marelli Sistemi Elettronici, started to take an increasingly active role in the management of Electronic Systems in 2004. Finally, on July 28, 2004 the Fiat Group decided to acquire full ownership thereof by exercising a call option.

- In September, Magneti Marelli sold the 100% interest in the **Midas** business (automotive repair and maintenance services) in Europe and Latin America to the Norauto Group and deconsolidated the related activities from September 30, 2004.

For a better understanding of the variations in the statement of operations, it should be noted that major changes in the composition of the Group took place during 2003, the most important of which that had an impact on 2004 are indicated below:

- At the end of March 2003, the **retail financing** activities of Fiat Auto Holdings in **Brazil** were sold to the Itaú banking group and deconsolidated from that date.
- On May 2, 2003, the agreement for the sale of the Toro Assicurazioni Group to the DeAgostini Group was executed and the Toro Group was deconsolidated as of that date.
- On May 27, 2003, Fiat and a pool of banks completed the sale of 51% of Fidis Retail Italia (FRI), a company which at that time controlled part of the European consumer credit business of Fiat Auto Holdings for retail automobile purchases; another part of this business was sold to FRI in October 2003, while the sale of the Company operating in the United Kingdom was concluded in 2004.
- In July 2003 the agreement was executed for the sale of the aerospace activities of FiatAvio S.p.A. to Avio Holding S.p.A., 70% owned by The Carlyle Group and 30% by Finmeccanica S.p.A.

PRINCIPLES OF CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared from the statutory financial statements of the Group's single companies or consolidated Sectors approved by the Boards of Directors and adjusted, where necessary, by the directors of the companies to conform with Group accounting principles and to eliminate tax-driven adjustments. The Group's accounting principles respect the requirements set forth by Legislative Decree No. 127 of April 9, 1991, interpreted and supplemented by the Italian accounting principles issued by

the National Boards of Dottori Commercialisti and of Ragionieri and, where there are none and not at variance, by those laid down by the International Accounting Standards Board (I.A.S.B.).

As regards the transition to International Accounting Standards "International Financial Reporting Standards IFRS" issued by the I.A.S.B., reference should be made to the specific section in the Report on Operations.

In order to obtain a true and fair representation of the financial position and results of operations of the Group, taking into account their functional integration, the financial companies that provide services to the industrial Sectors and the insurance companies have been consolidated on a line-by-line basis. As a result, adjustments to the balance sheet and statement of operations format have been made in applying Article 32 of Legislative Decree No. 127/91, which provides for changes to be made to obtain a more clear, true and correct representation of the financial position and results of operations.

Again in reference to the financial statement formats, integrations have been made to comply with Legislative Decree No. 6 of 2003 "Reform of Corporate Law". Accordingly, the corresponding figures for the previous years have been reclassified.

Principles of consolidation

Assets and liabilities, and revenues and expenses, of subsidiaries consolidated on a line-by-line basis are included in the consolidated financial statements, regardless of the percentage of ownership. Carrying values of investments are eliminated against the subsidiaries' related stockholders' equity. The portion of stockholders' equity and results of operations attributed to minority interests are disclosed separately. When losses pertaining to minority interests exceed the value of their share of the relevant capital stock, the excess, or deficit, is charged to the Group, unless the minority stockholders are expressly committed to reimbursing the losses, in which case the excess is recorded as an asset in the consolidated financial statements. If no such commitment is in place, should income be realized in the future, the minority interests' share of that income will be attributed to the Group, up to the amount necessary to recover the losses previously attributed to the Group.

Differences arising from the elimination of investments (since 1994) against the related stockholders' equity of the investment at the date of acquisition are allocated to the assets and liabilities of the company being consolidated, up to the limit of their current value. The residual value, if positive, is capitalized as an asset, "Differences on consolidation", and is amortized on the straight-line basis over the estimated period of recoverability. Negative residual amounts are recorded as a component of stockholders' equity, "Consolidation reserve"

(or as a liability, "Consolidation reserve for future risks and charges", when due to a forecast of unfavorable economic results).

Intercompany profits and losses are eliminated net of related tax effects, together with all intercompany receivables, payables, revenues and expenses arising on transactions within the Group. Exceptions are the gross margins on intercompany sales of plant and equipment produced and sold at prices in line with market conditions, in which case such eliminations would be effectively irrelevant and not cost-beneficial. Also subject to elimination are guarantees, commitments and risks relating to companies included in the scope of consolidation.

The balance sheets of foreign subsidiaries are translated into euros by applying the exchange rates in effect at year end. The statements of operations of foreign subsidiaries are translated using the average exchange rates for the year. In the financial statements of subsidiaries operating in high-inflation countries (cumulative inflation in excess of 100% in three years), accounting principles for hyperinflationary economies are used.

Exchange differences resulting from the translation of opening stockholders' equity at current exchange rates and at the exchange rates used at the end of the previous year, as well as differences between net income expressed at average exchange rates and expressed at current exchange rates, are reflected in the stockholders' equity caption "Cumulative translation adjustments".

The exchange rates used are summarized in Note 23.

OTHER INFORMATION

The following information is presented in the Report on Operations:

- Significant events occurring since the end of the fiscal year and business outlook;
- Transactions among Group Companies and with related parties;
- Statement of cash flows.

Accounting principles

Balance sheet

Fixed assets

Intangible fixed assets

Intangible assets and deferred charges expected to benefit future periods are recorded at cost, adjusted by amortization calculated on a straight-line basis over the period to be benefited. In particular, goodwill and differences on

consolidation are amortized over a period of no more than 20 years, taking into account their expected period of recovery. In general, the Group periodically reviews that the carrying value of such assets is not higher than the estimated recovery value, in relation to their use or realization, as determined by reference to the most recent corporate plans according to the method indicated in the Italian Accounting Principle No. 24 "Intangible assets". In cases in which there is a permanent impairment in the estimated recovery value that is lower than carrying value, appropriate writedowns are recorded.

The costs of researching and developing new products and/or processes are mainly included in the results of operations in the period in which such costs are incurred.

Goodwill is recorded as an asset when acquired for consideration.

Property, plant and equipment

Property, plant and equipment are recorded at purchase or construction cost. These values are adjusted where specific laws of the country in which the assets are located allow or require revaluation, in order to reflect, even if only partially, changes in the purchasing power of the currency. Cost also includes financing expenses incurred during the construction period for specific loans, where significant.

Depreciation is provided on a straight-line basis at rates that reflect the estimated useful life of the related assets.

When, at the balance sheet date, property, plant and equipment show a permanent impairment in value below their carrying value, such assets are written down to the lower value, according to the method indicated in the Italian Accounting Principle No. 16, "Tangible assets".

Ordinary repairs and maintenance expenses related to property, plant and equipment are charged to the statement of operations in the year in which they are incurred, while maintenance expenses which increase the value of property, plant and equipment are capitalized and depreciated over the estimated useful lives of the assets.

Capital investment grants related to investments in property, plant and equipment are recorded as deferred income when collection becomes certain and credited to income over the useful life of the related asset.

The revaluation of assets allowed by Law No. 342/2000, which effected only a very few Italian companies of the Group, was reversed in the consolidated financial statements, for purposes of giving preference to the uniformity and comparability of the accounting principles.

Financial fixed assets

Financial fixed assets include investments in unconsolidated subsidiaries, associated companies and other companies,

financial receivables held for investment purposes and other securities.

Investments in unconsolidated subsidiaries, in companies in which Fiat exercises joint control with other partners, as well as in associated companies (those in which Fiat exercises, directly or indirectly, a significant influence), are normally accounted for using the equity method. This method is not used in cases in which the investor no longer exercises significant influence over the investee, in which case the cost is considered to be the value of the investment taken from the prior year's financial statements.

Investments in other companies are valued at cost. In the event of a permanent impairment in value, a specific allowance is provided as a direct reduction of the asset account.

Financial receivables are recorded at estimated realizable value.

Securities are recorded at cost, including additional direct charges. In the event of permanent impairment, a valuation allowance is provided as a direct reduction of the securities.

Financial fixed assets include finance lease contracts receivable, recorded at cost. The related depreciation is calculated, according to the financial method, based on the life of the lease and the related risk in managing such contracts.

Current assets

Inventories of raw materials, semifinished products, finished goods and contract work in progress completed within the fiscal year are valued at the lower of cost or market, cost being determined on a First In-First-Out (FIFO) basis. The valuation of inventories includes the direct costs of materials, labor and indirect costs (variable and fixed). Provision is made for obsolete and slow-moving raw materials, finished goods, spare parts and other supplies based on their expected future use and realizable value.

Work in progress on long-term contracts is valued based on the stage of completion and is recorded gross of advance payments received from customers. Eventual losses on such contracts are fully recorded when they become known.

Receivables are recorded at estimated realizable value. Any unearned interest included in the nominal value of financial receivables has been deferred to future periods. Receivables sold to third parties with recourse or without recourse (including those sold as part of securitization transactions) are eliminated from receivables and disclosed in the memorandum accounts. Receivables denominated in foreign currency are translated at the exchange rate in effect at year end. Resulting exchange gains and losses are included in the statement of operations.

Other receivables also include deposits to guarantee the securitization transactions of trade receivables (securitization

refers to particular programs of discounting trade receivables without recourse, with a collateral deposit as a guarantee).

Current assets also include investments and securities acquired as short-term investments which are valued at the lower of cost or market, cost being determined on a Last-In First-Out (LIFO) basis.

Treasury stock consists of Fiat S.p.A. shares bought by Fiat; it is valued at the lower of cost or market, cost being determined on a Last-In First-Out (LIFO) basis or the exercise price of the stock options serviced by the treasury stock.

A specific reserve for treasury stock is also recorded under the stockholders' equity of the Group for the same amount.

Reserves for risks and charges and employee severance indemnities

The reserves for risks and charges include provisions to cover losses or liabilities likely to be incurred but uncertain as to the amount or as to the date on which they will arise.

In particular, the reserve for pensions and similar obligations includes provisions for long-term service or other bonuses (including pension funds required by some countries in which the Group operates), payable to employees and former employees under contractual agreements or by law, recorded on an actuarial basis, where applicable. In particular, where reference is made to IAS 19 "Employee Benefits" for the accounting of certain contractual features in the absence of specific Italian regulations, the Group has adopted the "corridor" method.

Restructuring reserves include the costs to carry out corporate reorganization and restructuring plans and are provided in the year the company formally decides to commence such plans and the relative costs can be reasonably estimated.

The reserve for employee severance indemnities comprises liability for severance indemnities that Italian companies accrue each year end for employees, as determined in accordance with labor legislation. In particular, the liability includes a portion of the employee's annual salary and is indexed for inflation in accordance with Italian rules.

Payables

Payables are recorded at face value; the portion of interest included in the nominal amount is deferred until future periods in which it is earned. Accounts payable denominated in foreign currency are translated at the exchange rate in effect at year end. Resulting exchange gains and losses are included in the statement of operations.

Taxes payable includes the tax charge for the current year recorded in the statement of operations.

Accruals and deferrals

Accruals and deferrals are determined using the accrual method based on the income and expense to which they relate.

Securitization of financial receivables

The Fiat Group has programs for discounting financial receivables originated by the financial services companies using securitization transactions. This discounting of financial receivables calls for the sale without recourse of a portfolio of financial receivables to a non-Group securitization vehicle. This company finances the purchase of the portfolio by issuing securities which it backs (Asset Backed Securities). The securities issued are divided into two types having different characteristics: the first is placed on the market, occasionally subdivided by various classes of ratings, and subscribed to by investors; the second, the reimbursement of which is subordinated to the first, is subscribed to by the seller. The risk for the seller is limited to the portion of the securities which it has subscribed. At the end of each accounting period, therefore, such securities are evaluated in relation to the performance of the receivables sold and may be written down on the basis of this evaluation. These securities are recorded in Financial receivables.

Lastly, these sales without recourse require the immediate recognition of the present value of the future margin implicit in the receivables sold, net of discounting costs. This net value is included in the Value of production since it relates to revenues arising out of the normal operations of the financial services companies (to this end, the financial income of such companies is included in revenues from sales and services, as described in the relevant note).

Memorandum accounts

Derivative financial instruments

Financial instruments used to hedge exchange and interest rate fluctuations and, in general, changes in the assets and liabilities, are presented in Note 14. Derivative financial instruments are recorded at inception in the memorandum accounts at their notional contract amount.

Beginning in 2001, the Fiat Group adopted – to the extent that it is consistent and not in contrast with general principles set forth in the Italian law governing financial statements – the international accounting standard IAS 39 "Financial Instruments: Recognition and Measurement", applicable beginning January 1, 2001. Such principle covers the accounting treatment of all financial assets and liabilities in and off-balance sheet and, in particular, states that derivative financial instruments should be valued at fair value. Taking into account the restrictions under Italian law and the evolution of the law now

underway, the Group maintains, consistently with Consob rulings, that IAS 39 is applicable only in part and only in reference to the designation of derivative financial instruments as "hedging" or "non-hedging instruments" and with respect to the symmetrical accounting of the result of the valuation of the derivative hedging instrument and the result attributable to the hedged item ("hedge accounting"). The transactions which, according to the Group's policy for risk management, are able to meet the conditions stated by the accounting principle for hedge accounting treatment are designated as hedging transactions; the others although set up for the purpose of managing risk (inasmuch as the Group's policy does not permit speculative transactions), have been designated as "trading".

Details of the accounting treatment adopted are as follows.

For foreign exchange instruments designated as hedges, the premium or discount, representing the difference between the spot exchange rate at the inception of the contract and the forward exchange rate, is recorded in the statement of operations, in Financial income and expenses, in accordance with the accrual method. Differences between the value of such instruments using the exchange rates at inception and those at year end are also included in the statement of operations to offset the exchange effects of the items being hedged. In particular, for contracts put into place to hedge the exchange risk of future transactions that are considered highly probable, the effects of the alignment with the year-end exchange rate are deferred until the year in which the underlying transactions are recorded.

For interest rate instruments designated as hedges, the interest rate differential is included in the statement of operations, in Financial income and expenses, in accordance with the accrual method, offsetting the effects of the hedged transaction.

Derivative financial instruments hedging interest rate fluctuations that are designated as trading instruments are valued at market value and the differential, if negative compared to the contractual value, is recorded in the statement of operations as Financial income and expenses, in accordance with the concept of prudence.

The same prudent principle is followed in recording derivative financial instruments to manage trading risks (for example equity swaps) that do not meet the conditions for hedge accounting treatment.

Statement of Operations

Revenue recognition

Revenues from sales and services are recognized on the accrual basis net of returns, discounts, allowances and rebates.

Revenues from sales of products are recognized at the moment title passes to the customer, which is generally at the

time of shipment. Under contracts for vehicle sale and buy-back at a specified price, a specific reserve for future risks and charges is set aside based on the difference between the guaranteed residual value and the estimated realizable value of the used asset, taking into account the probability that such option will be exercised; this reserve is set up at the time of the initial sale and adjusted periodically over the period of the contract.

Revenues from services are recorded when they are performed. Revenues from long-term contracts are recognized using the percentage of completion method.

Revenues from sales and services include income from the normal business of the financial services companies.

Revenues also include amounts received from financing leases, net of depreciation, and income from company assets on operating leases.

Premiums collected by the insurance companies are recognized in the statement of operations on an accrual basis.

Costs

Costs are recognized on an accrual basis.

Research and development costs are principally charged to the statement of operations in the period in which they are incurred. Research-related revenue grants provided by the Government or the EU are credited to the statement of operations when collection becomes certain.

Advertising and promotion expenses are charged to the statement of operations in the year incurred.

Estimated product warranty costs are charged to the statement of operations at the time the sale is recorded.

The Costs of production include the interest and expenses in the normal course of business of the financial services companies, as well as insurance claims and other technical costs of the insurance companies.

Financial income and expenses

Financial income and expenses are recorded on an accrual basis.

Income and expenses resulting from derivative financial instruments, as well as relevant year-end exchange differences, are included in the statement of operations in accordance with the above mentioned policies disclosed under the memorandum accounts.

Costs relating to the factoring of receivables and notes of any type (with recourse, without recourse, securitization) and nature (trade, financial, other) are charged to the statement of operations on an accrual basis.

Income taxes

Income taxes currently payable are provided for in accordance with the existing legislation of the countries in which the Group operates.

Deferred tax liabilities or deferred tax assets are determined for all of the temporary differences between the consolidated assets and liabilities and the corresponding amounts for purposes of taxation, including those deriving from the most significant consolidation adjustments. As allowed by the applicable Accounting Principles, deferred tax assets are also recorded to account for the tax benefit of tax loss carryforwards whenever the specific conditions for future recoverability are met.

In particular, deferred tax assets have only been recorded if there is a reasonable certainty of their future recovery. Deferred tax liabilities are not recorded if it is unlikely that a future liability will arise.

Deferred tax assets and liabilities are offset if they refer to the same company and to taxes which can be compensated. The balance from offsetting the amounts is recorded in deferred tax assets in current assets, if a deferred tax asset, and in the Deferred tax reserve, if a deferred tax liability.

COMPOSITION, PRINCIPAL CHANGES AND OTHER INFORMATION

Fixed assets

1 Intangible fixed assets

<i>(in millions of euros)</i>	Net of amortization 12/31/2003	Additions	Amortization	Change in the scope of consolidation	Reclassi- fications	Foreign exchange effects	Disposals and Other changes	Net of amortization 12/31/2004
Start-up and expansion costs	144	11	(41)	–	–	1	–	115
Research, development and advertising expenses	22	4	(9)	–	11	–	–	28
Industrial patents and intellectual property rights	406	48	(116)	3	85	(14)	(10)	402
Concessions, licenses, trademarks and similar rights	347	37	(82)	(16)	21	(10)	–	297
Goodwill	151	1	(16)	38	–	(9)	(14)	151
Intangible assets in progress and advances	246	99	–	–	(131)	–	(10)	204
Other intangible assets	157	38	(65)	(7)	14	–	(1)	136
Differences on consolidation	2,251	26	(146)	–	–	(130)	(12)	1,989
Total Intangible fixed assets	3,724	264	(475)	18	–	(162)	(47)	3,322

Intangible fixed assets are shown net of writedowns of 662 million euros (614 million euros at December 31, 2003) of which 604 million euros (579 million euros at December 31, 2003) relates to Goodwill and Differences on consolidation. Writedowns recorded in 2004 amount to 48 million euros (55 million euros in 2003) and are included in the Disposals and Other changes column.

Start-up and expansion costs at December 31, 2004 consist of deferred plant start-up costs and corporate formation costs of 57 million euros (60 million euros at December 31, 2003) and capital increase costs of 58 million euros (84 million euros at December 31, 2003).

Differences on consolidation amount to 1,989 million euros at December 31, 2004, (2,251 million euros at December 31, 2003) and include the net goodwill (net of amortization and writedowns, as described below) on the acquisition of the Case Group and other CNH Group companies for 1,756 million euros, the Irisbus Group for 43 million euros, Meridian Technologies Inc. for 23 million euros, certain Components Sector companies for 39 million euros (including 20 million euros as a result of the purchase of Magneti Marelli Sistemi Elettronici in 2004), certain Production Systems Sector companies for 39 million euros and other minor companies for 26 million euros. Differences on consolidation also include goodwill deriving from the Tender Offer issued in 2000 for the shares of Magneti Marelli S.p.A. for 15 million euros, as well as goodwill from the CNH Global N.V. capital increase effected in 2000 for 48 million euros.

As regards the amounts recorded in Goodwill and Differences on consolidation, amortization is charged over periods ranging from five to twenty years, on the basis of the expected recoverability of these amounts. At the end of the year, however, specific reviews were conducted to verify whether such amounts are recoverable by considering the existing prospects of earnings. From the analyses performed, taking into consideration the changed market conditions, the restructuring plans initiated by certain Sectors of the Group and the consequent impact on the business plans of various Sectors, permanent impairments in value were identified at December 31, 2004 that gave rise to writedowns totaling 25 million euros (38 million euros at December 31, 2003).

2 Property, plant and equipment

(in millions of euros)	Net of depreciation 12/31/2003	Additions	Depreciation	Change in the scope of consolidation	Reclassi- fications	Foreign exchange effects	Disposals and Other changes	Net of depreciation 12/31/2004	Accumulated depreciation 12/31/2004
Land and buildings	2,736	61	(139)	16	56	29	(63)	2,696	2,010
Plant and machinery	3,393	293	(605)	28	167	4	(76)	3,204	7,810
Industrial and commercial equipment	1,504	493	(627)	14	323	16	(15)	1,708	6,828
Other assets	1,314	616	(322)	(1)	11	(11)	(375)	1,232	1,716
Construction in progress and advances	728	649	–	3	(557)	(1)	(125)	697	–
Total Property, plant and equipment	9,675	2,112	(1,693)	60	–	37	(654)	9,537	18,364

Property, plant and equipment include revaluations required or allowed by national laws, which, net of related accumulated depreciation, amount to 197 million euros at December 31, 2004 (231 million euros at December 31, 2003).

No interest expenses were capitalized in 2004 or in 2003.

The change in the scope of consolidation shows a positive balance of 60 million euros as a result of the inclusion of companies in consolidation for 125 million euros and the sale of companies for 65 million euros.

Reclassifications refer to a reduction in construction in progress and advances on purchases of property, plant and equipment existing at the end of the prior year which were reclassified at the time they were effectively acquired and put into operation.

Disposals and Other changes, with a negative balance of 654 million euros, also includes the writedowns recorded during the year for 84 million euros (351 million euros in 2003), detailed by Sector as follows: Automobiles 75 million euros, Metallurgical Products 4 million euros, Components 1 million euros, and other minor companies 4 million euros. This item also comprises disposals relating to assets on operating leases of 303 million euros.

Other assets include vehicles on operating leases for 828 million euros at December 31, 2004 (914 million euros at December 31, 2003), mainly relating to long-term leases.

The depreciation rates used are determined on the basis of the estimated useful lives of the assets and are listed below:

	Depreciation rates	
Land and buildings	3%	– 9%
Plant and machinery	8%	– 21%
Industrial and commercial equipment	16%	– 28%
Other assets	11%	– 25%

3 Financial fixed assets

Investments

(in millions of euros)	Value at 12/31/2003	Equity in earnings	Equity in losses	Change in the scope of consolidation	Acquisitions and Capitalizations	Foreign exchange effects	Disposals and Other changes	Value at 12/31/2004
Unconsolidated subsidiaries	435	11	(31)	(13)	16	2	(184)	236
Associated companies	3,202	113	(70)	3	74	17	(9)	3,330
Other companies	257	1	(9)	(3)	7	–	(95)	158
Total Investments	3,894	125	(110)	(13)	97	19	(288)	3,724

Equity in earnings and Equity in losses include the Group's share of the income or the loss of companies accounted for using the equity method. With regard to the companies accounted for at cost, Equity in losses includes the loss in value recorded in the year.

The negative Change in the scope of consolidation of 13 million euros, with reference to Investments in unconsolidated subsidiaries, is due to the line-by-line consolidation of some minor subsidiaries.

The amounts included in "Acquisitions and Capitalizations" (97 million euros) are mainly related to the following acquisitions and capitalizations:

- Investments in unconsolidated subsidiaries (16 million euros): capitalization of the company Fiat Auto S.A. de Ahorro para Fines Determinados (6 million euros), acquisition of the company BMI S.p.A. (4 million euros) and other minor companies (6 million euros);
- Investments in associated companies (74 million euros): acquisitions of the companies Maire Engineering S.p.A (35 million euros) and Immobiliare Novoli S.p.A. (21 million euros); capitalization of the companies CNH Capital Europe S.A.S. (8 million euros), CNH de Mexico SA de CV (5 million euros) and other minor companies (5 million euros);
- Investments in other companies (7 million euros): acquisition of the company Lingotto S.p.A. (3 million euros) and other minor companies (4 million euros).

Disposals and Other changes, which show a decrease of 288 million euros, refer principally to:

- Investments in unconsolidated subsidiaries (-184 million euros): the change refers to the dividends distributed by BUC-Banca Unione Credito;
- Investments in associated companies (-9 million euros): sale of the company Toro Targa Assicurazioni S.p.A. (-13 million euros) and other minor companies (4 million euros);
- Investments in other companies (-95 million euros): the decrease is due to the sale of Edison S.p.A. shares for 65 million euros and the sale of the company Gas Turbine Technologies S.p.A. for 6 million euros, the liquidation of Kish Receivables Company (21 million euros) and sales of other minor companies (3 million euros).

Investments held at December 31, 2004, by type of consolidation method, are analyzed as follows:

<i>(in millions of euros)</i>	<i>At 12/31/2004</i>	<i>At 12/31/2003</i>
Investments accounted for using the equity method	3,465	3,539
Investments valued on a cost basis:		
listed companies	93	158
unlisted companies	166	197
Total Investments valued at cost	259	355
Total Investments	3,724	3,894

Investments accounted for using the equity method: the decrease (74 million euros) is due to the dividends distributed mainly by BUC – Banca Unione di Credito and is partially offset by adjustments to account for the equity in the earnings and losses of the other companies accounted for using the equity method.

Investments valued on a cost basis: the decrease (65 million euros) in listed companies is mainly due to the sale of Edison S.p.A. shares. The reduction in unlisted companies valued at cost (-31 million euros) is the result of the liquidation of the Kish Receivables Company (-21 million euros) and the sale of other minor companies (-10 million euros).

The principal investments in unconsolidated subsidiaries are the following:

<i>(in millions of euros)</i>	<i>At 12/31/2004</i>		<i>At 12/31/2003</i>	
	%	Amount	%	Amount
Unconsolidated subsidiaries:				
Buc - Banca Unione di Credito	100.0	171	100.0	340
Leasys S.p.A.	51.0	16	51.0	36
Other unconsolidated subsidiaries (minor amounts)		49		59
Total		236		435

As allowed by law, the above companies have not been consolidated either because their operations are so dissimilar (BUC – Banca Unione di Credito) or because it would not have been possible to obtain the necessary information for their consolidation on a timely basis without disproportionate expense or because their operations are not significant. Such companies show a negative net financial position of 443 million euros (297 million euros at December 31, 2003).

As regards the investment in Leasys S.p.A., this company is subject to joint control with the other partner, even though the Fiat Group holds 51% of capital stock; like the other principal jointly controlled companies, the investment is accounted for using the equity method.

Investments in associated companies are as follows:

<i>(in millions of euros)</i>	At 12/31/2004		At 12/31/2003	
	%	Amount	%	Amount
Associated companies:				
Fiat-GM Powertrain B.V.	50.0	1,258	50.0	1,172
Italenergia Bis S.p.A.	24.6	514	24.6	512
Fidis Retail Italia S.p.A.	49.0	420	49.0	372
Tofas-Türk Otomobil Fabrikasi Tofas A.S.	37.9	183	37.9	156
Sevel S.p.A.	50.0	120	50.0	118
Rizzoli Corriere della Sera MediaGroup S.p.A.	9.8	101	9.8	99
Kobelco Construction Machinery Co. Ltd.	20.0	99	20.0	103
Naveco Ltd.	50.0	94	50.0	102
CNH Capital Europe S.a.S.	49.9	58	49.9	45
Société Européenne de Véhicules Légers du Nord-Sevelnord Société Anonyme	50.0	52	50.0	49
Consolidated Diesel Company	50.0	49	50.0	54
Jiangsu Nanya Auto Co. Ltd.	50.0	39	50.0	54
New Holland HFT Japan Inc.	50.0	30	50.0	32
Türk Traktor Ve Ziraat Makineleri A.S.	37.5	30	37.5	33
CBC-Iveco Ltd.	50.0	21	50.0	40
Immobiliare Novoli S.p.A.	40.0	21	–	–
IPI S.p.A.	10.0	16	10.0	16
LBX Company LLC	50.0	16	50.0	15
Transolver Finance Establecimiento Financiero de Credito S.A.	50.0	15	50.0	14
Global Value Services S.p.A.	50.0	14	50.0	36
New Holland Trakmak Traktor A.S.	37.5	13	37.5	14
Maire Engineering S.p.A.	30.0	12	–	–
Al-Ghazi Tractors Ltd.	43.2	12	43.2	12
Hua Dong Teksid Automotive Foundry Co. Ltd.	50.0	7	50.0	7
CNH de Mexico SA de CV	50.0	7	50.0	6
Toro Targa Assicurazioni S.p.A.	–	–	49.0	13
Other associated companies		129		128
Total		3,330		3,202

The above list also comprises certain companies under joint control, the most important of which are Fiat-GM Powertrain B.V., Sevel S.p.A., Société Européenne de Véhicules Légers du Nord-Sevelnord Société Anonyme and Naveco Ltd. Such companies carry a negative net financial position of 1,203 million euros (negative of 1,093 million euros at December 31, 2003).

Fiat-GM Powertrain B.V.

Fiat-GM Powertrain B.V. is an industrial joint venture for the manufacture of engines and gears for cars that was set up in the second half of 2001 between Fiat and General Motors Corporation (General Motors) under the well-known strategic alliance. The key figures taken from the financial statements of Fiat-GM Powertrain, drawn up in accordance with the accounting principles of the Group for the valuation of the investment using the equity method at December 31, 2004 and 2003 are as follows:

<i>(in millions of euros)</i>	At 12/31/2004	At 12/31/2003
Balance sheet data		
Fixed assets	3,149	3,250
Total assets	6,581	6,611
Net indebtedness	(1,273)	(1,238)
Stockholders' equity	2,516	2,344

<i>(in millions of euros)</i>	2004	2003
Statement of operations data		
Net sales	6,530	6,598
Operating income	255	296
Net financial expenses	31	38
Net income	139	180

In view of the strictly industrial nature of the joint venture and in order to achieve a reading of its industrial performance that is consistent with the past, commencing in 2001 and during the period in which the industrial convergence is being implemented (estimated in approximately three years), the Group's share of the results of the company has been included in the consolidated statement of operations as a split between the operating/industrial component and the other non-operating components. In particular, the Group's share of the operating result of the company (127 million euros in 2004, 147 million euros in 2003, 143 million euros in 2002 and 47 in the second half of 2001), determined by the transfer pricing policy adopted, is included in the consolidated statement of operations as an adjustment to the cost of the products purchased from the joint venture, whereas the share of the result in the other non-operating components is allocated to the respective principal captions, without effect on the total net result recorded by the Group.

Lastly, as a consequence of the "Termination Agreement" signed between Fiat and General Motors on February 13, 2005, the joint venture will be dissolved during the first half of 2005 in the manner described previously in the Report on Operations – Significant events occurring since the end of the fiscal year and business outlook. Based upon the rules established in the agreement for the allocation of the assets between the two partners, it is deemed that the carrying value of Fiat-GM Powertrain recorded in the financial statements is fully recoverable.

Italenergia Bis

With reference to the investment in Italenergia Bis S.p.A., during the second half of 2002, the Fiat Group sold a 14% holding to certain other stockholders of the company (Banca Intesa, IMI Investimenti and Capitalia, hereinafter the "Banks") for 548 million euros, realizing a gain of 189 million euros. The related sales contracts and the contemporaneous agreements with another stockholder of Italenergia Bis (Electricité de France, hereinafter "EDF") provide, among other things, that:

- By virtue of an option acquired in respect of EDF (the so-called EDF Put), Fiat may elect, between March and April 2005, to sell the shares it still holds in Italenergia Bis (223,151,568 shares, equal to 24.6%), to EDF, at a price corresponding to the value of the investment, as estimated on the basis of the valuations performed by three experts appointed for that purpose. That price, less a premium of 127 million euros, payable only in the event the option is exercised, may not be less than a minimum (floor) of 1,147 million euros, or 5.141698 euros per share.
- In connection with the EDF Put, the Banks (in addition to the put agreements negotiated independently with EDF for their respective initial holdings in Italenergia Bis) obtained a so-called "tag along/drag along" agreement from Fiat, and Fiat arranged a symmetrical Put/Call contract with EDF (conditional upon the prior exercise of the EDF Put by Fiat) that gives rise to two scenarios:
 - a) Fiat independently exercises the EDF Put on its own 24.6% holding and in this case:
 - The Banks exercise the "tag along" under which the Banks ask Fiat to exercise for each of them the put clause of the put/call agreed with EDF at the same price conditions as the EDF Put (valuation at fair market value, minimum floor of 5.141698 euro per share).
 - The corresponding "drag along" allows Fiat to reacquire the Banks' shares in any case and to surrender them to EDF which in turn has, by means of the call clauses in the Put/Call, the right to ask Fiat to acquire and surrender the shares. In substance, by means of the call, EDF may (providing that Fiat exercised the EDF Put, which is a condition for the Put/Call) acquire the entire original Fiat investment.
 - b) Fiat does not independently exercise the EDF Put on its own 24.6% holding and in this case:
 - The individual Banks, separately, have the right to request Fiat to exercise its Put on EDF which allows the Banks to exercise the "tag along", as described above, and to realize a gain.
 - Fiat may elect not to exercise the EDF Put, as instead requested, and the Banks have the right to ask that Fiat purchase from the same Banks their respective 4.66% holdings at the lower of the price determined pursuant to the EDF Put, in accordance with the same criteria and procedures agreed with EDF, and 6.5 euros per share.
 - Fiat does not have a call right on the Banks' holdings which were sold to the Banks definitively.

In conclusion, the 14% holding in Italenergia Bis sold by Fiat is subject to Put options exercisable in 2005 by each of the Banks. Nevertheless, the effects of the sale were considered final and the resulting gain realized in 2002, in that Fiat had contemporaneously stipulated a put option with EDF that will give it the right, in the event that the Banks ask to purchase said shares, to sell them to EDF at the same price conditions as the EDF Put.

In order to complete disclosure, it should be pointed out that in December 2004 Fiat received a letter in which EDF advised that it intends to invoke the arbitration rights available under the Put Option Agreement signed in September 2002 with Fiat. EDF claims that certain recent changes to Italian legislation have raised uncertainty regarding the nature and extent of the rights and interests that it would acquire under the Put Option Agreement. Fiat has reviewed its legal position on the issues raised by EDF and it believes that its rights under the Put Option Agreement are unaffected by the position communicated by EDF. At the end of December 2004, EDF asked the organization which administers arbitration proceedings – the London Court of International Arbitration – to commence arbitration for the above reasons. Fiat has presented its defense case before the Court. It is probable that the arbitration will end by the end of the year.

Again in December, EDF initiated arbitration proceedings against Fiat with regard to the Put on the 14% holding sold to the three Banks in 2002 and functionally at the service of the tag-along/drag-along right granted to the same Banks in the event of exercising the Put Option relative to the 24.6% holding. In this request, too, EDF claims that certain recent changes to Italian legislation have raised uncertainty regarding the nature and extent of the rights and interests that it would acquire under the Put Option Agreement. Also in this case, Fiat has reviewed its legal position on the issues raised by EDF and it believes that its rights under the Put Option Agreement are well-founded. The arbitration is under the administration of the International Chamber of Commerce and in its initial stages.

The legal steps taken by EDF are to be associated with similar actions undertaken by EDF with regard to the other stockholders of Italenergia Bis and with the well-known initiatives, according to press reports, advanced in relation to other operators in the sector and financial operators aimed at identifying an industrial or financial partner in Italenergia Bis. Press sources have also revealed that negotiations are underway between the Italian and French governments concerning the reciprocal opening of the electricity market.

On March 21, 2005 Fiat exercised the Put option relating to 24.6% of the shares as well as the Put on the 14% holding sold to the three banks in 2002.

Fidis Retail Italia (FRI)

With reference to the associated company Fidis Retail Italia S.p.A. ("FRI"), this company was set up to take over the European activities of the Automobile Sector in the area of consumer financing for retail automobile purchases. To this end, those activities, performed by various companies operating in different countries in Europe, were gradually sold to FRI, after obtaining the necessary authorizations from the local regulatory agencies. As envisaged by the Framework Agreement signed on May 27, 2002 by Fiat and the "Money Lending Banks" (Capitalia, Banca Intesa, SanPaolo IMI and later Unicredito Italiano), on May 27, 2003, the Fiat Group sold 51% of FRI's shares and, as a result, the relative control, to Synesis Finanziaria S.p.A., an Italian company held equally by the four Banks, at the price of 370 million euros. This transaction led to a loss of 15 million euros that had already been set aside in a specific reserve for risks in the consolidated financial statements at December 31, 2002, based upon the binding agreements signed by the parties at that time. The sale contract calls for Put and Call options that can be summarized as follows:

- Call Option by Fiat Auto to purchase 51% of Fidis Retail Italia, held by Synesis Finanziaria, exercisable quarterly up to January 31, 2008 (initially up to January 31, 2006, before the extension agreed on February 4, 2005) at a price increased prorata temporis over the sales price plus additional payments less any distributions.
- Synesis Finanziaria's right to ask Fiat Auto to exercise the above purchase option on 51% of Fidis Retail Italia in the event of which, by January 31, 2008 (January 31, 2006, before the above mentioned extension) there is a change in control of Fiat or Fiat Auto (also through the sale of a substantial part of the companies owned by Fiat Auto or one of its brands Fiat, Alfa and Lancia) as set forth in the relative stockholders agreement between Fiat Auto, Synesis Finanziaria and the four money lending banks.
- So-called "tag along" option on behalf of Synesis Finanziaria if the same events referred to in the preceding point occur after January 31, 2008 (originally January 31, 2006).
- So-called "drag along" option on behalf of Fiat Auto in the event of the sale of the investment after January 31, 2008 (January 31, 2006, before the above mentioned extension).

As a result of the transaction, FRI was deconsolidated and has repaid all the loans it previously obtained from the centralized treasury department of the Group.

Investments in other companies

Investments in other companies are as follows:

(in millions of euros)	At 12/31/2004	At 12/31/2003
Other companies:		
Other listed companies	93	158
Other unlisted companies	65	99
Total	158	257

Other listed companies principally comprise shares of Mediobanca S.p.A. for 93 million euros (93 million euros in 2003). During 2004 Edison S.p.A. shares have been sold that had a carrying value of 65 million euros at December 31, 2003.

Had the portfolio of the major listed stocks at December 31, 2004 been valued at fair value based on market prices, it would have been approximately 75 million euros higher than the carrying value in the financial statements (approximately 59 million euros higher than the carrying value at December 31, 2003).

No fair values have been determined for the Other unlisted companies as this type of calculation would require a significant effort which would outweigh the benefits of obtaining such information.

Receivables

(in millions of euros)	At 12/31/2004				At 12/31/2003			
	Due within one year	Due beyond one year	Of which due beyond 5 year	Total	Due within one year	Due beyond one year	Of which due beyond 5 year	Total
Receivables from others	18	1	–	19	4	25	2	29
Total Receivables	18	1	–	19	4	25	2	29

Financial receivables held as fixed assets are shown net of the allowances for doubtful accounts of 3 million euros (5 million euros at December 31, 2003), with a provision of 3 million euros during the year 2004.

Financial receivables recorded in the financial statements at December 31, 2004 and 2003 approximate their fair values which have been calculated using the present value method, based on a discount rate which reflects market conditions, the duration and the risk of insolvency.

Other securities

(in millions of euros)	At 12/31/2004	At 12/31/2003	Change
Other securities	55	56	(1)

Other securities are shown in the financial statements net of the allowance for writedowns of 24 million euros (32 million euros at December 31, 2003). The writedown refers to the adjustment of the securities to estimated realizable value.

At December 31, 2004, the carrying values are substantially in line with fair value.

Finance lease contracts receivable

(in millions of euros)	Net amount 12/31/2003	Additions	Financial amortization	Foreign exchange effects	Change in the scope of consolidation	Disposal and Other changes	Net amount 12/31/2004	Accumulated amortization and writedowns 12/31/2004
Finance lease contracts receivable	1,797	793	(557)	(5)	4	(305)	1,727	1,192

Finance lease contracts receivable refer to vehicles sold by the Automotive Sectors under finance leases.

Finance lease contracts receivable do not include vehicles on operating leases, which are included under Property, plant and equipment.

Current assets

4 Inventories

(in millions of euros)	At 12/31/2004			At 12/31/2003		
	Gross	Allowance	Net	Gross	Allowance	Net
Raw materials and supplies	1,343	(188)	1,155	1,306	(207)	1,099
Work in progress and semifinished products	815	(26)	789	966	(22)	944
Contract work in progress	2,886	–	2,886	4,077	–	4,077
Finished goods and merchandise	4,080	(369)	3,711	4,482	(430)	4,052
Advances to suppliers	7,076	–	7,076	5,188	–	5,188
Total Inventories	16,200	(583)	15,617	16,019	(659)	15,360
Advance payments on contract work in progress (*)	(9,645)	–	(9,645)	(8,876)	–	(8,876)
Net inventories	6,555	(583)	5,972	7,143	(659)	6,484

(*) For the sake of clarity, certain items involving customer advances on contract work recorded previously under "Other Payables" (Note 12), were included in the item Advance payments on contract work in progress at December 31, 2004. Consistently with this change, the value of Advance payments on contract work in progress at December 31, 2003 was adjusted by 428 million euros.

Movements in the inventory allowance accounts during the year were as follows:

(in millions of euros)	At 12/31/2003	Use and provisions	Foreign exchange effects	Change in the scope of consolidation	At 12/31/2004
Allowance for inventory writedowns	659	(78)	(2)	4	583

Inventories of 15,617 million euros at December 31, 2004 (15,360 million euros at December 31, 2003) increased by 257 million euros compared to the prior year. Advance payments received from customers on contract work in progress (mainly connected with work to complete the T.A.V. project) amount to 9,645 million euros (8,876 million euros at December 31, 2003) and are recorded in Payables (Note 12). Inventories, net of such advance payments received from customers, amount to 5,972 million euros (6,484 million euros at December 31, 2003). Advances to suppliers principally relate to the amounts paid by Fiat S.p.A. to the consortiums involved in the T.A.V. project. Contract work in progress decreased mainly as a result of the Change in the scope of consolidation.

5 Receivables

An analysis of receivables by due date is as follows:

(in millions of euros)	At 12/31/2004				At 12/31/2003			
	Due within one year	Due beyond one year	Of which due beyond 5 year	Total	Due within one year	Due beyond one year	Of which due beyond 5 year	Total
Trade receivables	3,899	29	11	3,928	3,733	25	3	3,758
Receivables from unconsolidated subsidiaries	49	3	–	52	73	3	–	76
Receivables from associated companies	855	9	–	864	764	–	–	764
Tax receivables	1,114	123	41	1,237	1,413	137	–	1,550
Deferred tax assets	748	1,413	–	2,161	536	1,343	–	1,879
Other receivables from:								
Employees	36	2	–	38	33	2	–	35
Social security agencies	25	–	–	25	14	–	–	14
Others	1,514	140	8	1,654	1,272	165	9	1,437
Total Other receivables	1,575	142	8	1,717	1,319	167	9	1,486
Total Receivables	8,240	1,719	60	9,959	7,838	1,675	12	9,513

An analysis of receivables by type is as follows:

(in millions of euros)	At 12/31/2004			At 12/31/2003		
	Trade	Other	Total	Trade	Other	Total
Trade receivables	3,928	–	3,928	3,758	–	3,758
Receivables from unconsolidated subsidiaries	36	16	52	53	23	76
Receivables from associated companies	813	51	864	742	22	764
Tax receivables	–	1,237	1,237	–	1,550	1,550
Deferred tax assets	–	2,161	2,161	–	1,879	1,879
Other receivables from:						
Employees	–	38	38	–	35	35
Social security agencies	–	25	25	–	14	14
Other	–	1,654	1,654	–	1,437	1,437
Total Other receivables	–	1,717	1,717	–	1,486	1,486
Total Receivables	4,777	5,182	9,959	4,553	4,960	9,513

Trade receivables amount to 4,777 million euros, a growth of 224 million euros compared to 4,553 million euros at the end of 2003. The increase is mainly attributable to Iveco and Ferrari-Maserati, which raised their levels of business in 2004, producing a growth in revenues of 10% and 20%, respectively.

Trade receivables are shown net of allowances for doubtful accounts of 474 million euros at December 31, 2004 (476 million euros at December 31, 2003). Movements in the allowance accounts during the year are as follows:

(in millions of euros)	At 12/31/2003	Provisions	Use and other changes	Change in the scope of consolidation	At 12/31/2004
Allowances for doubtful accounts	476	110	(106)	(6)	474

Receivables from tax authorities principally refer to VAT and income taxes receivable from the Italian tax authorities and include the tax credit relating to the advance payments of income tax on employee severance indemnities paid by Italian companies. The portion of interest accrued on that receivable relating to the current year is recorded in Financial income and expenses.

“Other receivables from others” include deferred tax assets of 2,161 million euros (1,879 million euros at December 31, 2003), accounted for in accordance with the accounting policies described previously. Additional information on these assets is provided in Note 10 - Reserves for risks and charges, under Deferred income tax reserve.

6 Financial assets not held as fixed assets

Investments

Investments in other companies amount to 33 million euros at December 31, 2004 (32 million euros at December 31, 2003) and consist of investments held by insurance companies.

Other securities

(in millions of euros)	At 12/31/2004	At 12/31/2003	Change
Italian government securities	95	55	40
Other securities	2,089	3,790	(1,701)
Total Other securities	2,184	3,845	(1,661)

Italian government securities also include securities issued by other public entities and guaranteed by the Italian government.

At December 31, 2004, Other securities include short-term bonds and commercial paper for 703 million euros (1,480 million euros at December 31, 2003) and highly rated liquidity funds of leading international banks for 1,481 million euros (2,365 million euros at December 31, 2003) in which mainly the treasury management companies of the Group had made temporary and highly liquid investments of available cash resources. Additional liquidity in the form of bank accounts and cash is included in Cash for 3,164 million euros (3,211 million euros at December 31, 2003 - Note 7).

The securities portfolio of 2,184 million euros at December 31, 2004 (3,845 million euros at December 31, 2003) approximates fair value.

Treasury stock

(in milioni di euro)	At 12/31/2004		At 12/31/2003	
	Number of shares (thousands)	Cost (in millions of euros)	Number of shares (thousands)	Cost (in millions of euros)
Fiat S.p.A. shares held by Fiat S.p.A. and subsidiaries:				
Ordinary	4,384	26	4,969	32
Total Treasury stock	4,384	26	4,969	32

Treasury stock consists of 4,384,019 Fiat ordinary shares held by Fiat S.p.A. and amounts to 26 million euros, net of writedowns recorded during the year totaling 2 million euros. Such stock is held to cover the commitments for the Stock Options granted to directors and employees. In particular, 2,667,615 shares are for coverage of the Stock Options accruing to Mr. Morchio and exercisable up to May 30, 2005 at the price of 5.623 euros and 670,000 shares are for the partial coverage of the Stock Options granted to Mr. Marchionne, as described in greater detail in Note 14, in the paragraph commenting on commitments for derivative financial instruments.

Financial receivables

(in millions of euros)	At 12/31/2004				At 12/31/2003			
	Due within one year	Due beyond one year	Of which due beyond 5 year	Total	Due within one year	Due beyond one year	Of which due beyond 5 year	Total
Receivables from unconsolidated subsidiaries	565	–	–	565	475	46	–	521
Receivables from associated companies	225	181	–	406	413	231	–	644
Receivables from others	3,806	2,374	414	6,180	6,488	3,097	422	9,585
Total Financial receivables	4,596	2,555	414	7,151	7,376	3,374	422	10,750

Financial receivables amounting to 7,151 million euros at December 31, 2004 (10,750 million euros at December 31, 2003), net of allowances for doubtful accounts of 440 million euros (316 million euros at December 31, 2003), decreased by 3,599 million euros compared to the end of the prior year. This reduction reflects lower loans made to dealer networks in the Automobile Sector, as well as the decline in the loans made to suppliers. Also contributing to the decrease in financial receivable are the sale of the financial activities of the Automobile Sector in the United Kingdom (deconsolidation of financial receivables for about 690 million euros) and the collection of receivables and deposits held at December 31, 2003 by industrial companies and treasury management companies of the Group.

Movements in the allowances for doubtful financial accounts receivable during the year are as follows:

(in millions of euros)	At 12/31/2003	Provisions	Use and other changes	Change in the scope of consolidation	At 12/31/2004
Allowances for doubtful accounts	316	239	(96)	(19)	440

The fair value of Financial receivables would be approximately 7,143 million euros at December 31, 2004 (10,800 million euros at December 31, 2003). The fair value of financial receivables was determined in accordance with the method indicated in Note 3 - Financial fixed assets – Receivables.

Receivables from associated companies of 406 million euros at December 31, 2004 (644 million euros at December 31, 2003) decreased by 238 million euros mainly due to loan repayments.

Financial receivables from others amount to 6,180 million euros at December 31, 2004 (9,585 million euros at December 31, 2003), of which 5,302 million euros (7,914 million euros at December 31, 2003) consist of financing granted to retail customers as well as dealer networks and suppliers. As regards the receivables from the dealer networks, reference can be made to the information provided in the Report on operations Financial Review of the Fiat Group and Fiat S.p.A., with regard to the note on the Net Financial Position. Financial receivables from others also include the net value of subordinated securities of 319 million euros (214 million euros at December 31, 2003) subscribed as part of the securitization of financial receivables.

7 Cash

(in millions of euros)	At 12/31/2004	At 12/31/2003
Bank and post office accounts	3,151	3,195
Checks	3	9
Cash on hand	10	7
Total Cash	3,164	3,211

Cash recorded in the financial statements at December 31, 2004 and 2003 is in line with the fair value at the same dates.

8 Accrued income and expenses

(in millions of euros)	At 12/31/2004	At 12/31/2003
Other Accrued income and prepaid expenses:		
Commercial accrued income		
Accrued interest and commissions	2	5
Other	17	14
Total Commercial accrued income	19	19
Commercial prepaid expenses		
Interest	8	39
Other	371	349
Total Commercial prepaid expenses	379	388
Financial accrued income	234	301
Financial prepaid expenses	93	85
Total Accrued income and prepaid expenses	725	793

Financial accrued income mainly includes day-to-day interest earned on securities and derivative financial instruments.

9 Stockholders' equity

Statement of changes in Stockholders' equity of the Group

<i>(in millions of euros)</i>	Capital stock	Additional paid-in capital	Legal reserve	Treasury stock valuation reserve	Cumulative translation adjustments	Retained earnings, Net loss for the year	Total
Balance at December 31, 2001	2,753	1,636	659	282	28	6,812	12,170
Capital stock increase as resolved on December 10, 2001	329	691	–	–	–	–	1,020
Dividends paid (0.310 euros per ordinary and preference share and 0.465 euros per savings share)	–	–	–	–	–	(198)	(198)
Foreign exchange translation adjustments	–	–	–	–	(1,407)	–	(1,407)
Change in treasury stock in portfolio	–	–	–	(29)	–	29	–
Other minor changes	–	–	–	–	–	4	4
Net loss	–	–	–	–	–	(3,948)	(3,948)
Balance at December 31, 2002	3,082	2,327	659	253	(1,379)	2,699	7,641
Capital stock increase as resolved on June 26, 2003	1,836	–	–	–	–	–	1,836
Fiat S.p.A. fiscal 2002 loss covered by Additional paid-in capital	–	(2,053)	–	–	–	2,053	–
Allocation of the value of unopted rights sold on the market to Additional paid-in capital	–	5	–	–	–	–	5
Foreign exchange translation adjustments	–	–	–	–	(802)	–	(802)
Change in treasury stock in portfolio	–	–	–	(221)	–	221	–
Other minor changes	–	–	–	–	–	13	13
Net loss	–	–	–	–	–	(1,900)	(1,900)
Balance at December 31, 2003	4,918	279	659	32	(2,181)	3,086	6,793
Fiat S.p.A. fiscal 2003 loss covered by Additional paid-in capital and Legal reserve	–	(279)	(212)	–	–	491	–
Foreign exchange translation adjustment	–	–	–	–	(106)	–	(106)
Change in treasury stock in portfolio	–	–	–	(6)	–	6	–
Other minor changes	–	–	–	–	–	(2)	(2)
Net loss	–	–	–	–	–	(1,586)	(1,586)
Balance at December 31, 2004	4,918	–	447	26	(2,287)	1,995	5,099

Capital stock

Capital stock, fully paid-in, amounts to 4,918 million euros at December 31, 2004 and consists of 983,622,708 shares as follows:

- 800,417,598 ordinary shares;
- 103,292,310 preference shares;
- 79,912,800 savings shares;

all with a par value of 5 euros each.

With reference to Capital stock, it should be mentioned that:

- Pursuant to resolutions by the Board of Directors on December 10, 2001 and June 26, 2003, the capital may be further increased through rights offerings for a maximum of 82 million euros, and thus reach a total of 5 billion euros, with the issuance of a maximum of 16,377,292 ordinary shares at a par value of 5 euros each on February 1, 2007, following exercise of the residual "FIAT ordinary share warrants 2007" issued as part of the capital increase of February 2002 and still outstanding. It should be recalled that Fiat reserved the right to pay the warrant holders in cash, starting on January 2, 2007, in lieu of the shares to be issued (shares in exchange for warrants), for the difference between the arithmetic average of the official market price of Fiat ordinary shares in December 2006 and the warrant exercise price, unless this difference exceeds the maximum amount set and previously communicated by Fiat, in which case the holder of the warrants may opt to subscribe to the shares in exchange for the warrants.
- Pursuant to the resolution by the Extraordinary Stockholders' Meeting on September 12, 2002, the Board of Directors has the right to increase the capital one or more times by September 11, 2007, up to a maximum of 8 billion euros, of which 3 billion

euros are to be reserved, pursuant to paragraph 7 of Article 2441 of the Italian Civil Code, to the banks that underwrote the "Mandatory Convertible Facility" described in Note 12 if the facility is not reimbursed earlier than the contractual deadline of September 2005. In fact, in this case, any residual debt for the principal will be reimbursed in the form of ordinary shares of Fiat S.p.A. subscribed by the banks, with the obligation that they be offered as an option to all Fiat stockholders.

- The resolutions for the capital increases servicing the stock option plans (28 million euros) have been revoked, as the Board of Directors decided on June 26, 2003 to use ordinary treasury stock to be purchased for this purpose.

Additional paid-in capital

Additional paid-in capital, which amounted to 279 million euros at December 31, 2003, has been totally offset in 2004 following its utilization to cover the loss for fiscal 2003 as voted by the Stockholders' Meeting held May 11, 2004.

Legal reserve

The legal reserve amounts to 447 million euros at December 31, 2004 with a reduction of 212 million euros in respect of December 31, 2003 following its utilization to cover the loss for fiscal 2003.

Cumulative translation adjustments

Cumulative translation adjustments show a negative change of 106 million euros compared to December 31, 2003 mainly due to the effect of the weakness of the U.S. dollar against the euro.

Retained earnings and Other reserves

Retained earnings and Other reserves include, in addition to the undistributed earnings of the consolidated companies, also monetary revaluation reserves and other reserves in suspension of taxes.

Reconciliation to Stockholders' equity and Net loss of the Parent company Fiat S.p.A.

<i>(in millions of euros)</i>	Stockholders' equity at 12/31/2004	Net Income (Loss) 2004	Stockholders' equity at 12/31/2003	Net Income (Loss) 2003
Statutory financial statements of Fiat S.p.A.	4,466	(949)	5,415	(2,359)
Elimination of the carrying values of consolidated investments and the related dividend income recorded in the statutory financial statements of Fiat S.p.A.	(5,122)	(676)	(7,143)	(254)
Elimination of writedowns against consolidated investments recorded by Fiat S.p.A.	-	1,639	-	2,371
Equity and results of operations of consolidated companies	5,831	(1,913)	8,598	(1,634)
Consolidation adjustments:				
Elimination of intra-Group dividends	-	(386)	-	(92)
Elimination of intra-Group profit and losses from sales of investments	-	698	-	25
Elimination of intra-Group profit and losses in inventories, investments, property, plant and equipment and other adjustments	(76)	1	(77)	43
Consolidated financial statements	5,099	(1,586)	6,793	(1,900)

Minority interest

The minority interest in stockholders' equity of 658 million euros (701 million euros at December 31, 2003) refers mainly to the following companies consolidated on a line-by-line basis:

	At 12/31/2004 (% held by minority stockholders)	At 12/31/2003 (% held by minority stockholders)
Italian companies:		
Ferrari S.p.A.	44.0	44.0
Teksid S.p.A.	19.5	19.5
Foreign companies:		
Fiat Auto Holdings B.V.	10.0	10.0
CNH Global N.V.	15.5	14.9

The minority interest percentage ownership in Fiat Auto Holdings B.V. includes the effects of the recapitalization of 5 billion euros resolved by the Stockholders' Meeting of Fiat Auto Holdings B.V. held April 23, 2003 and subscribed to by Fiat Partecipazioni S.p.A. (the direct parent company of Fiat Auto Holdings B.V.) for 3 billion euros, whereas General Motors had not subscribed to its share of the capital increase, as described in Note 14.

It should be pointed out that in accordance with the accounting policies described previously, the losses pertaining to General Motors, the minority stockholder in Fiat Auto Holding B.V. (Automobile Sector), were allocated to General Motors up to the value of its share of capital stock, and the excess, or deficit, that arose starting from the third quarter of 2002, was charged to the Group (202 million euros in 2004, 204 million euros in 2003 and 296 million euros in 2002).

10 Reserves for risks and charges

(in millions of euros)	At 12/31/2004	At 12/31/2003	Change
Reserve for pensions and similar obligations	1,432	1,503	(71)
Income tax reserves:			
Current income tax reserve	77	98	(21)
Deferred income tax reserve	197	211	(14)
Total Income tax reserves	274	309	(35)
Other reserves:			
Warranty reserve	901	791	110
Restructuring reserves	408	471	(63)
Various liabilities and risk reserves	2,276	2,216	60
Total Other reserves	3,585	3,478	107
Insurance policy liabilities and accruals	91	89	2
Total Reserves for risks and charges	5,382	5,379	3

Reserve for pensions and similar obligations

The reserve includes provisions for pensions and similar obligations determined on an actuarial basis, where applicable, and payable to employees and former employees according to contractual agreements or by law, where applicable.

Income tax reserves

The Deferred income tax reserve at December 31, 2004 includes deferred tax liabilities, net of deferred tax assets, which have been offset where possible by the individual companies. The Deferred income tax reserve, net of Deferred tax assets recorded under Receivables (Note 5), is composed as follows:

(in millions of euros)	At 12/31/2004	At 12/31/2003	Change
Deferred income tax reserve	197	211	(14)
Deferred tax assets	(2,161)	(1,879)	(282)
Total	(1,964)	(1,668)	(296)

The net change of 296 million euros compared to December 31, 2003 is mainly due to the recording of deferred tax assets (written down in previous years as the conditions for recording them were not met), the recoverability of which became highly probable in view of the change in the prospects of future earnings. In particular, due to the settlement paid to Fiat by General Motors in February 2005, deferred tax assets of 277 million euros relating to the benefit of tax loss carryforwards and temporary differences relating to Fiat S.p.A. became reasonably certain of recovery.

The Deferred income tax reserve, net of Deferred tax assets recorded under Other receivables from others, can be analyzed as follows:

(in millions of euros)	At 12/31/2004	At 12/31/2003
Deferred tax liabilities for:		
Accelerated depreciation	402	492
Deferred tax on gains	171	493
Capital investment grants	17	18
Other	694	684
Total Deferred tax liabilities	1,284	1,687
Deferred tax assets for:		
Taxed reserves for risks and charges	(1,076)	(1,021)
Inventories	(126)	(126)
Taxed allowances for doubtful accounts	(137)	(86)
Pension funds	(338)	(289)
Adjustments to financial assets	(1,717)	(2,056)
Other	(812)	(680)
Total Deferred tax assets	(4,206)	(4,258)
Theoretical tax benefit connected to tax loss carryforwards	(4,591)	(4,313)
Adjustments for assets whose recoverability is not reasonably certain	5,549	5,216
Total Deferred income tax reserve, net of Deferred tax assets	(1,964)	(1,668)

As disclosed in the accounting policies, in recording Deferred tax assets, each company in the Group critically evaluated whether the conditions existed for the future recoverability of such assets on the basis of updated strategic plans, accompanied by the related tax plans. For this reason, the total theoretical future tax benefits deriving from positive temporary differences (4,206 million euros at December 31, 2004 and 4,258 million euros at December 31, 2003) and tax loss carryforwards (4,591 million euros at December 31, 2004 and 4,313 million euros at December 31, 2003) have prudently been reduced for a total of 5,549 million euros at December 31, 2004 and 5,216 million euros at December 31, 2003.

In particular, the Deferred income tax reserve net of Deferred tax assets includes 1,208 million euros (1,259 million euros at December 31, 2003) of tax benefits connected to tax loss carryforwards. However, a further tax benefit connected to tax loss carryforwards of 3,383 million euros (3,054 million euros at December 31, 2003) has not been recorded in the financial statements.

Deferred taxes have not been provided on the undistributed earnings of subsidiaries since no transactions are expected to be entered into that would warrant their taxation.

Deferred taxes of 59 million euros (72 million euros at December 31, 2003) have not been provided on temporary differences relating to reserves and provisions in suspension of taxes, since they are not expected to be used in a manner which would warrant their taxation.

Other reserves

Restructuring reserves amount to 408 million euros at December 31, 2004 (471 million euros at December 31, 2003) and are related to the corporate restructuring programs of the following Sectors (in millions of euros): Automobile 216 (160 at December 31, 2003), Agricultural and Construction Equipment 36 (83 at December 31, 2003), Commercial Vehicles 56 (75 at December 31, 2003), Metallurgical Products 8 (24 at December 31, 2003), Components 59 (64 at December 31, 2003), Production Systems 17 (54 at December 31, 2003), Services 6 (8 at December 31, 2003), Other Sectors 10 (3 at December 31, 2003).

The Various liabilities and risk reserves amount to 2,276 million euros at December 31, 2004 (2,216 million euros at December 31, 2003) and represent the amounts set aside by individual companies of the Group principally in connection with contractual and commercial risks and disputes. The increase of 60 million euros compared to December 31, 2003 is the result of a combination of ordinary provisions of 751 million euros, extraordinary provisions of 259 million euros, decreases for the effect of foreign exchange differences of 15 million euros, decreases for utilizations of 1,370 million euros and decreases for reversals and other for 435 million euros.

11 Reserve for employee severance indemnities

<i>(in millions of euros)</i>	At 12/31/2003	Provisions	Use and Other changes	At 12/31/2004
Reserve for employee severance indemnities	1,313	187	(214)	1,286

The total reserve for employee severance indemnities amounts to 1,286 million euros at December 31, 2004 (1,313 million euros at December 31, 2003) and includes the severance indemnities accrued at year-end in favor of the employees of the companies in accordance with legal requirements.

12 Payables

Payables may be analyzed by due date as follows:

(in millions of euros)	At 12/31/2004				At 12/31/2003			
	Due within one year	Due beyond one year	Of which due beyond 5 years	Total	Due within one year	Due beyond one year	Of which due beyond 5 years	Total
Bonds	1,868	6,944	3,928	8,812	1,034	8,576	3,804	9,610
Convertible bonds	–	13	–	13	1,765	–	–	1,765
Financial payables from stockholders	–	–	–	–	–	–	–	–
Borrowings from banks	6,949	1,815	74	8,764	2,697	6,687	115	9,384
Other financial payables	704	161	32	865	809	155	34	964
Advances (*)	2,556	7,361	–	9,917	2,877	6,272	–	9,149
Trade payables	10,949	43	–	10,992	11,733	36	–	11,769
Notes payable	207	–	–	207	224	1	–	225
Payables to unconsolidated subsidiaries	49	–	–	49	68	–	–	68
Payables to associated companies	997	–	–	997	842	–	–	842
Taxes payable	714	29	10	743	833	28	2	861
Social security payable	308	2	–	310	283	4	–	287
Other payables	1,202	37	11	1,239	1,288	28	–	1,316
Total Payables	26,503	16,405	4,055	42,908	24,453	21,787	3,955	46,240

(*) of which Advance payments on contract work in progress totals 9,645 million euros at December 31, 2004 (8,876 million euros at December 31, 2003).

Payables may be analyzed by type as follows:

(in millions of euros)	At 12/31/2004				At 12/31/2003			
	Trade	Financial	Other	Total	Trade	Financial	Other	Total
Bonds	–	8,812	–	8,812	–	9,610	–	9,610
Convertible bonds	–	13	–	13	–	1,765	–	1,765
Financial payables from stockholders	–	–	–	–	–	–	–	–
Borrowings from banks	–	8,764	–	8,764	–	9,384	–	9,384
Other financial payables	–	865	–	865	–	964	–	964
Advances	–	–	9,917	9,917	–	–	9,149	9,149
Trade payables	10,992	–	–	10,992	11,769	–	–	11,769
Notes payable	7	200	–	207	9	216	–	225
Payables to unconsolidated subsidiaries	17	31	1	49	21	47	–	68
Payables to associated companies	939	58	–	997	789	48	5	842
Taxes payable	–	–	743	743	–	–	861	861
Social security payable	–	–	310	310	–	–	287	287
Other payables	–	–	1,239	1,239	–	–	1,316	1,316
Total Payables	11,955	18,743	12,210	42,908	12,588	22,034	11,618	46,240

Payables decreased by 3,332 million euros compared to December 31, 2003 due to the following:

- Trade payables total 11,955 million euros, with a decrease of 633 million euros compared to 12,588 million euros at the end of 2003. The reduction is principally attributable to Fiat Auto, which, during the last quarter of 2003, as a result of the launch of new car models, had increased production levels that during 2004 returned to normal levels.
- Financial payables decreased by 3,291 million euros mainly due to the repayment of bonds, including the bond for about 1 billion euros issued by Fiat Finance and Trade, repaid at the end of March 2004, and the bond convertible into General Motors common stock for 2.2 billion U.S. dollars, equivalent to approximately 1.8 billion euros.
- Other payables increased by 592 million euros primarily due to the effect of the advances received from customers (mainly connected with work to complete the T.A.V. project - see Note 4).

Financial payables total 18,743 million euros at December 31, 2004 (22,034 million euros at December 31, 2003). Financial payables due within one year amount to 9,810 million euros at December 31, 2004 (6,616 million euros at December 31, 2003) and their carrying values approximate fair value as a consequence of the short-term maturity. These payables include the loan of approximately 1,150 million euros guaranteed by the EDF put option and the Mandatory Convertible Facility of 3 billion euros, described later.

The portion of medium and long-term Financial payables due beyond one year amounts to 8,933 million euros at December 31, 2004 (15,418 million euros at December 31, 2003). The scheduled maturities are:

<i>(in millions of euros)</i>	2006	2007	2008	2009	Thereafter	Total
Medium and long-term financial payables due beyond one year	3,311	692	369	527	4,034	8,933

The fair value of medium and long-term Financial payables due beyond one year would be 125 million euros higher than the carrying value at December 31, 2004 (at December 31, 2003, fair value would have been 397 million euros lower than the carrying value). The fair values of such financial payables take into account the current market cost of funding with similar maturities, and, for bonds, their market prices.

The interest rates and the nominal currencies of medium and long-term financial payables, including the current portion of 7,253 million euros at December 31, 2004 (2,757 million euros at December 31, 2003) are as follows:

<i>(in millions of euros)</i>	Less than 5%	From 5% to 7.5%	From 7.5% to 10%	From 10% to 12.5%	Greater than 12.5%	Total
Euro and euro-zone currencies	6,079	6,720	61	2	–	12,862
U.S. dollar	159	807	785	–	–	1,751
Japanese yen	295	–	–	–	–	295
Brazilian real	22	7	783	19	118	949
British pound	–	171	–	–	–	171
Canadian dollar	134	–	–	–	–	134
Other	3	19	2	–	–	24
Total 2004 medium and long-term debt	6,692	7,724	1,631	21	118	16,186
Total 2003 medium and long-term debt	8,918	8,083	968	6	200	18,175

Financial payables with nominal rates in excess of 12.5% relate principally to companies operating in Brazil.

Medium and long-term financial payables include the loan of approximately 1,150 million euros secured from Citigroup and a small group of banks that is guaranteed by the EDF put option (refer to the EDF Put described in Note 3) held by the Fiat Group on its remaining investment (24.6%) in Italenergia Bis and the shares in the same Italenergia Bis pledged by Fiat. The loan is due in September 2005.

Financial payables secured by mortgages and other liens on property, plant and equipment amount to 1,272 million euros at December 31, 2004 (1,234 million euros at December 31, 2003).

At December 31, 2004, the Group has an unused "committed" line of credit available mainly denominated in U.S. dollars for an equivalent amount of more than 1,700 million euros (approximately 2,000 million euros at December 31, 2003). The decrease can principally be ascribed to the effects of the translation of the credit lines in their original currencies to euros.

Bonds

Bonds, including convertible bonds, amount to 8,825 million euros (11,375 million euros at December 31, 2003) and can be analyzed by year of maturity as follows:

(in millions of euros)	2005	2006	2007	2008	2009	Thereafter	Total
EMTN	1,421	2,350	181	227	168	2,600	6,947
Convertible bonds	–	–	13	–	–	–	13
Other bonds	447	–	93	–	367	958	1,865
Total Bonds	1,868	2,350	287	227	535	3,558	8,825

The bonds issued by the Fiat Group are governed by different terms and conditions according to the following types of bonds:

- *Euro Medium Term Note (EMTN Program)*: these notes have been issued under a program that is utilized for approximately 7 billion euros and guaranteed by Fiat S.p.A. Issuers taking part in the program are Fiat Finance & Trade Ltd. S.A. (for an amount outstanding of 6,802 million euros), Fiat Finance North America Inc. (for an amount outstanding of 65 million euros) and Fiat Finance Canada Ltd. (for an amount outstanding of 80 million euros).
- *Convertible bonds*: this represents the residual debt, after repayment, in July 2004, of the 5-year bond originally convertible into General Motors Corp. common stock (“Exchangeable”), at a conversion price of 69.54 U.S. dollars per share with 3.25% interest and maturing on January 9, 2007. With reference to this bond, during the first quarter of 2004 Fiat repurchased, for cancellation, 540 million U.S. dollars in bonds out of total of 2,229 million U.S. dollars. In June 2004, by virtue of the contractually envisaged right of each bondholder to request early repayment of all or part of its bonds, repayment for a total of 1,672 million dollars (equivalent to approximately 1.4 billion euros) in bonds was requested by the deadline provided by the contract. A residual debt of 17 million U.S. dollars (equivalent to 13 million euros) remains at this date. With reference to the risk, implicit in the bond, of an increase in the General Motors share price above 69.54 U.S. dollars, a Total Return Equity Swap agreement was put into place, terminated in 2004 and replaced by the purchase of a call option on General Motors stock, as described in Note 14.
- *Other bonds*: these refer to the following issues:
 - Bonds issued by Fiat Finance & Trade Ltd. S.A. with coupon interest at 1.5% and maturing June 27, 2005 for an amount of 40 billion Japanese yen, equivalent to 287 million euros;
 - Bonds issued by Case New Holland Inc. (“CNH Inc.”) in 2004 (with coupon interest at 9.25% and maturing August 1, 2011 for an amount of 1,050 million U.S. dollars, equivalent to 771 million euros) and in 2005 (with coupon interest at 6.00% and maturing June 1, 2009 for an amount of 500 U.S. dollars, equivalent to 367 million euros); the bond indenture contains a series of financial covenants that are common to the high yield American bond market;
 - Bonds issued by CNH America LLC and CNH Capital America for a total amount outstanding of 599 million U.S. dollars, equivalent to 440 million euros.

The prospectuses, the offering circulars or their abstracts relating to the aforementioned principal bond issues are available on the Group’s website at www.fiatgroup.com under “Shareholders and Investors – Financial Publications”.

The majority of the bonds issued by the Group contain commitments (“covenants”) by the issuer and in some cases by Fiat, as the guarantor, that, in international practice, are common for bond issues of this type when the issuers are in the same industrial segment in which the Group operates, such as, in particular: (i) the so-called negative pledge clause which requires that the benefit of any real present or future guarantees given as collateral on the assets of the issuer and/or Fiat, on other bonds and other credit instruments should be extended to these bonds, to the same degree, (ii) the so-called pari passu clause, on the basis of which obligations cannot be undertaken which are senior to the bonds issued, (iii) the obligation of providing periodical disclosure, (iv) for some of the bond issues, the so-called cross-default clauses whereby the bonds become immediately due and payable when certain defaults arise in respect of other financial instruments issued by the Group and (v) other clauses generally present in issues of this type.

The bonds issued by Case New Holland Inc. (“CNH Inc.”) with coupon interest at 9.25% and maturing on August 1, 2011 (for an amount of 1,050 million U.S. dollars, equivalent to 771 million euros) and with coupon interest at 6.00% and maturing on June 1, 2009 (for an amount of 500 million U.S. dollars, equivalent to 367 million euros), contain, moreover, financial covenants common to the high yield American bond market which place restrictions, among other things, on the possibility of the issuer and certain companies of the CNH group to secure new debt, pay dividends or buyback treasury stock, realize certain investments, conclude transactions with associated companies, give collateral on its assets, conclude sale and leaseback transactions, sell certain fixed assets or merge with

other companies and financial covenants which impose a maximum limit on further indebtedness by the CNH group companies which can not exceed a specific ratio of cash flows to dividend payments and financial expenses. Such covenants are subject to various exceptions and limitations and, in particular, some of these would no longer be binding should the bonds be assigned an investment grade rating by Standard & Poor's Rating Services and/or Moody's Investors Service.

The major bond issues outstanding at December 31, 2004 are the following:

	Currency	Face value of outstanding bonds (in millions)	Coupon	Maturity	Outstanding amount (in millions of euros)
Euro Medium Term Notes:					
Fiat Fin. North America	EUR	100	5.13%	Feb. 21, 2005	65
Fiat Finance & Trade	EUR	155	Indexed	July 5, 2005	155
Fiat Finance & Trade	EUR	130	Indexed	July 5, 2005	130
Fiat Finance & Trade	EUR	500	6.13%	Aug. 1, 2005	500
Fiat Finance & Trade	EUR	300	6.13%	Aug. 1, 2005	300
Fiat Finance & Trade	GBP	120	7.00%	Oct. 19, 2005	170
Fiat Finance & Trade (1)	EUR	1,700	5.75%	May 25, 2006	1,700
Fiat Finance Canada	EUR	100	5.80%	July 21, 2006	80
Fiat Finance & Trade (1)	EUR	500	5.50%	Dec. 13, 2006	500
Fiat Finance & Trade (1)	EUR	1,000	6.25%	Feb. 24, 2010	1,000
Fiat Finance & Trade (1)	EUR	1,300	6.75%	May 25, 2011	1,300
Fiat Finance & Trade (1)	EUR	617	(2)	(2)	617
Others (3)					430
Total Euro Medium Term Notes					6,947
Convertible bonds:					
Fiat Fin. Luxembourg (4)	USD	17	3.25%	Jan. 9, 2007	13
Total Convertible bonds					13
Other bonds:					
Fiat Finance & Trade	JPY	40,000	1.50%	June 27, 2005	287
CNH America LLC	USD	218	7.25%	Aug. 1, 2005	160
CNH Capital America LLC	USD	127	6.75%	Oct. 21, 2007	93
Case New Holland Inc.	USD	1,050	9.25%	Aug. 1, 2011	771
Case New Holland Inc.	USD	500	6.00%	June 01, 2009	367
CNH America LLC	USD	254	7.25%	Jan. 15, 2016	187
Total Other bonds					1,865
Total Bonds					8,825

(1) Bonds listed on the Mercato Obbligazionario Telematico of the Italian stock exchange (EuroMot). Furthermore, the majority of the bonds issued by the Fiat Group are also listed on the Luxembourg stock exchange.

(2) "Fiat Step-Up Amortizing 2001-2011" bonds repayable at face value in five equal annual installments each for 20% of the total issued (617 million euros) due beginning from the sixth year (November 7, 2007) by reducing the face value of each bond outstanding by one-fifth. The last installment will be repaid on November 7, 2011. The bonds pay coupon interest equal to: 4.40% in the first year (Nov. 7, 2002), 4.60% in the second year (Nov. 7, 2003), 4.80% in the third year (Nov. 7, 2004), 5.00% in the fourth year (Nov. 7, 2005), 5.20% in the fifth year (Nov. 7, 2006), 5.40% in the sixth year (Nov. 7, 2007), 5.90% in the seventh year (Nov. 7, 2008), 6.40% in the eighth year (Nov. 7, 2009), 6.90% in the ninth year (Nov. 7, 2010), 7.40% in the tenth year (Nov. 7, 2011).

(3) Bonds with amounts outstanding equal to or less than the equivalent of 50 million euros.

(4) Bonds convertible into General Motors Corp. common stock.

The Fiat Group intends to repay the issued bonds in cash at maturity by utilizing available liquid resources. To this end, available liquidity at the end of 2004 totals approx. 5.3 billion euros. The Fiat Group also has available unused committed credit lines for more than 1.7 billion euros.

Moreover, the companies in the Fiat Group may from time to time buy back bonds on the market that were issued by the Group also for purposes of their cancellation. Such buybacks, if made, will depend upon market conditions, the financial situation of the Group and other factors which could affect such decisions.

Mandatory Convertible facility

Medium and long-term financial payables also include the 3 billion euros Mandatory Convertible facility stipulated in execution of the Framework Agreement, dated May 27, 2002, with Capitalia, Banca Intesa, SanPaolo IMI and Unicredito Italiano (Money Lending Banks) for the purpose of providing the Fiat Group with the financial support it needs to implement its industrial plans. The facility was secured on September 24, 2002 from a syndicate of banks, including the Money Lending Banks, in which BNL, Monte dei Paschi di Siena, ABN Amro, BNP Paribas, Banco di Sicilia and Banca Toscana (hereinafter "the Banks") also participated. The main features of the Mandatory Convertible facility are listed in the following paragraphs.

The Mandatory Convertible facility expires on September 20, 2005 and is repayable with a new issue of Fiat S.p.A. ordinary shares, which the Banks have agreed to underwrite and offer pre-emptively to all Fiat stockholders. The issue price per share will be the average of 14.4409 euros (the adjusted value compared to the original value of 15.50 euros in accordance with the rules established by the AIAF – Italian Association of Financial Analysts – following the Fiat S.p.A. capital increase of July 2003) and the average stock market price in the last three or six months, depending on the case, preceding the repayment date. The same formula will also be applied in the event of an earlier repayment date.

The capital stock increase should be approved at the expiration of the three-year term of the facility, for an amount equal to the outstanding balance of the facility. Fiat may elect to repay the facility in cash at an earlier date, even partially, every six months, provided that, even after repayment, its rating is at least equal to investment grade level.

Conditions giving rise to an earlier expiration date of the facility include the occurrence of an event that creates a serious crisis for the company, such as the request for a court-appointed administrator or other proceedings of composition with creditors, a bankruptcy filing, or one of the causes of business dissolution set forth in the previous Article 2448 now Article 2484 of the Italian Civil Code. In addition, the Banks in the facility arrangement have the right to demand early repayment of the entire amount of the facility and proceed with the conversion of the debt into capital in the following cases:

- Fiat Group companies have not fulfilled their duty to repay liquid and current financial obligations of an aggregate amount of more than 1 billion euros;
- the independent auditors have issued a negative opinion on the consolidated financial statements, unless new auditors, who must have accepted the assignment within 30 days, issue a favorable opinion no later than 60 days thereafter;
- Fiat becomes the target of a takeover bid in accordance with Articles 106 and 107 of the Consolidated Law on Financial Intermediation.

Lastly, the Banks also have the right but not the obligation to demand early repayment of a portion of the amount of the facility, up to a maximum of 2 billion euros, after 24 months have elapsed from the signing of the agreement (and, therefore, beginning from July 26, 2004), in the event that the Group's debt is not rated "investment grade" by at least one of the leading international rating agencies and, after 18 months have elapsed from the signing of the agreement (January 26, 2004), in the event that the level of net and/or gross financial indebtedness (respectively in the definitions of "Net financial position" and "Total financial liabilities" used by the Group and detailed in the Report on Operations) is more than 20% higher than the corresponding level established by the Financial Objectives stipulated in the facility agreement.

The aforementioned Financial Objectives refer, in particular, to the reduction of net indebtedness in the Net Financial Position to less than 3 billion euros by the date the Board of Directors approves the 2002 annual financial statements and the maintenance of that level at March 31, June 30, September 30 and December 31 of each year until the expiration of the facility. Pursuant to the agreement, the proceeds are considered which are generated by the transactions related to the sale of the investment in Italergeria Bis S.p.A., including those connected with the Citigroup facility of approximately 1,150 million euros, described previously, and the financial effects arising from binding contracts for the sale of assets (investments, companies, plant and equipment, etc.), comprising those not yet executed. The agreement also states that Gross Financial Indebtedness must be reduced by 12 billion euros, compared to March 31, 2002, by the date the Board of Directors approves the 2002 annual financial statements and must be maintained at less than 23.6 billion euros at March 31, June 30, September 30 and December 31 of each year until the expiration of the facility.

At December 31, 2004, gross indebtedness totals 19.2 billion euros and continues to be within the targets agreed upon with the Lending Banks under the Mandatory Convertible Facility Agreement (23.6 billion euros), while the proforma net financial position (calculated, as envisaged in the facility agreement, by subtracting from the net financial position the Citigroup loan of approximately 1,150 million euros but not the receipt of 1,550 million euros as a result of the agreements reached with General Motors on February 13, 2005) exceeds the limit of 3.6 billion euros contractually agreed for this parameter. The Lending Banks therefore have the right, in accordance with the contractual terms and conditions, to proceed with the conversion of the facility into capital for an amount up to 2 billion euros.

At December 31, 2004, the ratings assigned to the Group by the major rating agencies are the following:

	Short-term	Medium-term
Moody's Investors Service (*)	Not Prime	Ba3
Standard & Poor's Rating Services (*)	B	BB-
Fitch Ratings	B	BB-

(*) For purposes of the Mandatory Convertible facility, the most important rating agencies are Standard & Poor's and Moody's.

The ratings of the Group represented in the table refer to the "non-investment grade" category. The Banks did not exercise their consequent right to demand early repayment of the facility and to proceed with the conversion of the debt into capital for an amount up to 2 billion euros.

13 Accrued expenses and deferred income

(in millions of euros)	At 12/31/2004	At 12/31/2003
Commercial accrued expenses:		
Interest and commissions	63	71
Other	445	504
Total Commercial accrued expenses	508	575
Commercial deferred income:		
Interest	77	62
Other	593	692
Total Commercial deferred income	670	754
Financial accrued expenses	523	593
Financial deferred income	209	363
Total Accrued expenses and deferred income	1,910	2,285

Financial accrued expenses include interest expense on financial payables for the portion relating to the current year.

Financial deferred income includes deferred interest income on the portfolio of the financial services companies.

14 Memorandum accounts

Guarantees granted

(in millions of euros)	At 12/31/2004	At 12/31/2003
Guarantees granted		
Unsecured guarantees		
Suretyships:		
on behalf of associated companies	–	10
on behalf of others	2,719	3,050
Total Suretyships	2,719	3,060
Guarantees of notes:		
on behalf of others	217	259
Total Guarantees of notes	217	259
Other unsecured guarantees:		
on behalf of unconsolidated subsidiaries	30	–
on behalf of associated companies	269	295
on behalf of others	2,235	2,780
Total Other unsecured guarantees	2,534	3,075
Total Unsecured guarantees	5,470	6,394
Secured guarantees		
on behalf of others	50	36
Total Secured guarantees	50	36
Total Guarantees granted	5,520	6,430

At December 31, 2004, Guarantees granted by the Group total 5,520 million euros (6,430 million euros at December 31, 2003), detailed as follows:

- suretyships total 2,719 million euros (3,060 million euros at December 31, 2003). The reduction of 341 million euros is principally due to the deconsolidation of Fiat Engineering and lower guarantees granted on behalf of Sava S.p.A. for the bonds it has issued and are now falling due;
- other unsecured guarantees of 2,534 million euros (3,075 million euros at December 31, 2003) include commitments for receivables and bills discounted with recourse in the amount of 1,696 million euros (2,203 million euros at December 31, 2003). The receivables and bills discounted with recourse refer to trade receivables and other receivables for 1,613 million euros (2,144 million euros at December 31, 2003) and financial receivables for 83 million euros (59 million euros at December 31, 2003). The volume of receivables discounted with recourse in 2004 was 13,178 million euros (15,341 million euros in 2003).

Although not included in the memorandum accounts, receivables and bills discounted by the Group without recourse having due dates beyond December 31, 2004 amount to 9,809 million euros (in 2003, 9,852 million euros with due dates beyond December 31, 2003). Receivables and bills discounted without recourse refer to trade receivables and other receivables for 4,689 million euros (4,638 million euros at December 31, 2003) and financial receivables for 5,210 million euros (5,214 million euros at December 31, 2003). The discounting of financial receivables principally refers to securitization transactions involving accounts receivables from the final (retail) customers of the financial services companies. The accounting treatment for securitization transactions is disclosed in the Accounting Principles. The volume of receivables and bills discounted without recourse in 2004 was 27,540 million euros (33,298 million euros in 2003).

In summary, the discounted receivables and bills at December 31, 2004 are as follows:

(in millions of euros)	At 12/31/2004			At 12/31/2003		
	Trade receivables and Other receivables	Financial receivables	Total	Trade receivables and Other receivables	Financial receivables	Total
With recourse	1,613	83	1,696	2,144	59	2,203
Without recourse	4,689	5,120	9,809	4,638	5,214	9,852

The Parent Company and certain of its subsidiaries are involved in various legal actions and disputes. However, the settlement of such actions and disputes should not give rise to significant losses or liabilities which have not already been set aside in specific risk reserves.

Commitments

(in millions of euros)	At 12/31/2004	At 12/31/2003
Commitments and rights related to derivative financial instruments	21,319	20,798
Commitments to purchase property, plant and equipment	408	329
Other commitments	12,813	10,350
Total Commitments	34,540	31,477

Commitments amount to 34,540 million euros at December 31, 2004 (31,477 million euros at December 31, 2003) and include commitments and rights for derivative financial instruments of 21,319 million euros at December 31, 2004 (20,798 million euros at December 31, 2003). Derivative financial instruments are shown at their notional value (the amount of reference used to calculate the economic effects of the contract) which does not necessarily represent the amount exchanged between the parties.

In particular, the following transactions exist at December 31, 2004:

- contracts to hedge foreign exchange risks of 5,350 million euros (4,830 million euros at December 31, 2003);
- contracts to hedge interest rate exposure of 13,880 million euros (14,142 million euros at December 31, 2003);

- contracts for combined hedging of foreign exchange and interest rate risks of 783 million euros (848 million euros at December 31, 2003);
- equity swaps for 66 million euros (978 million euros at December 31, 2003, inclusive of the equity swap on General Motors stock for 916 million euros);
- call options purchased on General Motors common stock for 1,240 million euros.

These transactions are not subject to risks that may derive from the non-fulfillment by the counterparties insofar as the contracts are entered into with several primary national and international financial institutions. Approximately 52% of the contracts outstanding at December 31, 2004 will expire during 2005 and the remainder in the period 2006-2022, of which 14% will expire after 2009. The consolidated statement of operations includes the effects both of the contracts that expired in 2004 and the provisions for the contracts outstanding at year-end, as stated in the Accounting Policies.

Hedging activities using derivative financial instruments have not undergone significant changes during the year, either in types of instruments or amounts outstanding.

The Group's financial policy attaches particular importance to the management and control of financial risks that can significantly impact profits. The Group has adopted a series of guidelines regarding the management of exchange rate and interest rate exposure. The policy allows derivative financial instruments to be used only for managing exchange and interest rate risks connected to balance sheet flows and assets and liabilities, and not for speculative purposes.

As in previous years, in 2004, foreign exchange risk management followed the aforementioned policy and maintained the character of selective risk management. The reduction in exchange exposure, substantially originating from the positive balance between exports and imports, was based on the expected trend in exchange rates and the need to hedge the exchange levels of reference without completely foregoing the benefits deriving from a favorable trend in the rates. Again this year, the management of exchange risks was based principally on a combination of currency options.

In 2004, the management of interest rate exposure also followed the aforementioned guidelines which state that derivative financial instruments should be used to reach a fixed exposure level and minimize financing costs, and to ensure a correct matching of financing and investments by the financial services companies.

The derivative financial instruments principally relate to foreign exchange forward contracts, currency swaps and currency options or, as regards interest rate risks, interest rate swaps, forward rate agreements and options on interest rates, as well as interest rate and currency swaps for the combined management of currency and interest rate risks.

A comparison of the carrying values and the fair values of derivative financial instruments by contract type is set forth below:

(in millions of euros)	At 12/31/2004			At 12/31/2003		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Foreign exchange risk management instruments	20	97	77	(3)	59	62
Interest rate risk management instruments	132	441	309	138	319	181
Foreign exchange and interest rate risk management instruments	187	192	5	174	176	2
Equity swaps and equity options	(4)	(4)	-	(1)	439	440
Total	335	726	391	308	993	685

The fair value of these derivative financial instruments was estimated based on year-end market prices for instruments with similar characteristics and maturities.

The increase in the fair value of the transactions for the management of interest rate risk is essentially related to the reduction in euro interest rates for medium term maturities.

The difference between the "Carrying value" and "Fair Value" is mainly due to the accounting principles adopted for the valuation of the financial instruments designated as hedges. As disclosed in the Accounting Policies, it is not possible to completely adopt IAS 39 under current Italian law since all derivative financial instruments would have to be recorded at fair value in the financial statements, including those designated as hedges. The latter, instead, have been valued symmetrically with the underlying hedged item. Therefore, where the hedged item has not been adjusted to fair value in the financial statements, the hedging financial instruments have also not been adjusted. Similarly, where the hedged item has not yet been recorded in the financial statements (hedging of future flows), the valuation of the hedging instrument at fair value is deferred.

At December 31, 2004, the integral adoption of IAS 39, with reference to the aforementioned derivative financial instruments, would have had an effect on the balance sheet, on the one hand, for the adjustment of derivative financial instruments to arrive at fair value with a positive effect of 391 million euros (a positive effect of 685 million euros at December 31, 2003), and, on the other hand, for the adjustment of the hedged balance sheet items (mainly payables) with a net negative effect (due to the trend in interest rates) of 329 million euros (262 million euros at December 31, 2003) and, for the part relating to the hedging of future flows, a higher accumulated value of reserves in stockholders' equity of 41 million euros (a lower accumulated value of 22 million euros at December 31, 2003), net of the amount set aside for deferred income taxes. The integral adoption of IAS 39, always with reference to the aforementioned derivative financial instruments, would have led to negative effects on the net result for the year of approximately 286 million euros, net of tax charges (positive effects of 272 million euros at December 31, 2003). This economic impact would basically have been the result of the provision, at December 31, 2003, of the positive fair value of the Equity Swap on General Motors shares.

With particular regard to the previously mentioned equity swap arrangements, the amount at December 31, 2004 of 66 million euros represents the notional amount of the equity swap stipulated to hedge the risk of an increase in the Fiat share price above the exercise price of 10,000,000 stock options granted to Mr. Marchionne. In particular, the Board of Directors resolved to grant Mr. Marchionne, as a portion of his variable compensation as Chief Executive Officer, options for the purchase of 10,670,000 Fiat ordinary shares at the price of 6.583 euros per share, exercisable from June 1, 2008 to January 1, 2011. In each of the first three years, he accrues the right to purchase, from June 1, 2008, a maximum of 2,370,000 shares per year and on June 1, 2008 he accrues the right to purchase, effective that date, the residual portion amounting to 3,560,000 shares. The right to exercise the options related to this last portion of shares is subject to certain predetermined profitability targets that should be reached during the reference period. The risk of a significant increase in the Fiat share price above the exercise price of these options has been covered, with reference to 670,000 shares, by treasury stock in portfolio (see Note 6), whereas with reference to the remaining 10,000,000 shares, the aforementioned "Total Return Equity Swap" agreement was put into place with a reference price of 6.583 euro per share and expiring on July 29, 2005. In accordance with accounting principles, the aforementioned Equity Swap, despite being entered into for hedging purposes, cannot be treated in hedge accounting and accordingly is defined as a trading derivative financial instrument. It follows that, in accordance with the principle of prudence, if during the period of the contract the Fiat shares perform positively, the positive fair value of the instrument is not recorded in the statement of operations; if, instead, the performance is negative, the negative fair value of the instrument is recorded immediately as a cost under financial expenses. At December 31, 2004, the Equity Swap has a negative fair value of 7 million euros that has therefore been recorded in the financial statements.

At December 31, 2003, the Equity Swaps caption included:

- For 62 million euros, the notional amount of the equity swap stipulated to hedge the risk of an increase in the Fiat share price above the exercise price of 10,000,000 stock options granted to Mr. Morchio. Near the contract expiration date (August 2004), the equity swap was replaced by the aforementioned contract in respect of the stock options granted to Mr. Marchionne. The replacement gave rise to income of 5 million euros. Moreover, during 2004, the aforementioned stock options expired upon the resignation of Mr. Morchio.
- For 916 million euros, the notional amount of the equity swap stipulated in 2002 at the same time as the sale of the General Motors shares and which was put into place to hedge the risk, implicit in the Exchangeable bonds described previously, of an increase in the General Motors share price above the conversion price (Note 12). During the first half of 2004, this equity swap was terminated in advance and replaced, in order to hedge the risk implicit in the Exchangeable bonds, by the purchase of call options on General Motors common stock. The transaction gave rise to net financial income of approx. 300 million euros. Following the repayment of almost all the bonds (see Note 12), these options, although purchased for hedging purposes, are classified as trading transactions and valued at the lower of cost and market (3 million euros at December 31, 2004).

Other commitments amounted to 12,813 million euros at December 31, 2004 (10,350 million euros at December 31, 2003) and include commitments for the execution of works in the amount of 10,261 million euros (8,011 million euros at December 31, 2003) under the contracts between Fiat S.p.A., as General Contractor, and Treno Alta Velocità T.A.V. S.p.A. for the design and construction

of a high-speed railway lines between Bologna - Florence and Turin - Milan. The increase of 2,250 million euros compared to December 31, 2003 relates principally to the agreements reached during 2004 regarding the Florence-Bologna section for 187 million euros; the subsection Turin-Novara for 83 million euros; agreements for the section Novara-Milan for 1,976 million euros and monetary adjustments for 4 million euros. Fiat S.p.A. in turn assigned the design and construction of these works to the CAVE.T. and CAV.TO.MI consortiums. In order to guarantee the contractual advances and the proper execution of the works, Fiat S.p.A. granted bank suretyships to T.A.V. S.p.A. totaling 1,972 million euros. Similarly, as called for by the contract, the CAVE.T. and CAV.TO.MI consortiums granted bank suretyships to Fiat S.p.A. for 617 million euros and 1,279 million euros, respectively. Consequently, the guarantees granted are substantially covered by the guarantees received.

Other commitments and important contractual rights

Relations with General Motors

As described in the Report on Operations – Significant events occurring since the end of the fiscal year and business outlook, on February 13, 2005 Fiat and General Motors signed a “Termination Agreement” to dissolve the Master Agreement and the joint ventures between the two groups. The agreement calls for the payment by General Motors to Fiat of 1.55 billion euros (of which 1 billion euros was already paid on February 14, 2005) to dissolve the Master Agreement, including the cancellation of the put option and the unwinding of the joint ventures. This sum will allow Fiat to recover the value of Fiat’s investments in the Fiat-GM Powertrain and GM-Fiat Purchasing joint ventures recorded in the financial statements, the value of 50 percent of the Bielsko Biala (Poland) plant, which it will continue to manage, and the value of the JTD engine technology, which will be co-owned with General Motors. The sum will also entail recognition by Fiat of more than 1 billion euros of compensation to dissolve the alliance and cancel the Put on Fiat Auto shares.

Ferrari

A summary is presented below of the rights arising from the purchase in 2002 of 34% of the capital stock of Ferrari S.p.A. for 775 million euros by Mediobanca S.p.A., within the framework of a consortium set up for the acquisition and placement of the Ferrari shares. Fiat realized a gain of 671 million euros on this sale, net of selling expenses. The sale contract sets out the following principal elements:

- Mediobanca assumed the responsibility of sole Global Coordinator in charge of coordinating and leading the consortium.
- Mediobanca cannot sell its Ferrari shares to another group in the automobile industry as long as the Fiat Group maintains a 51% controlling interest in Ferrari. Barring certain specific assumptions, the Fiat Group can not reduce its investment in Ferrari below 51% until the end, depending on the case, of the third or fourth year subsequent to signing the contract.
- Fiat holds a call option that allows it to repurchase the Ferrari shares at any time before June 30, 2006 (the original date of June 30, 2005 was extended by one year during the course of 2003, by virtue of the payment of a premium of 16 million euros), except during the five months subsequent to the presentation of an IPO application to the competent authorities. The option exercise price is equal to the original price at which the shares were sold plus interest during the period based on the BOT yield plus 4%.
- Mediobanca, moreover, does not hold any put option to resell the purchased Ferrari shares to Fiat, even in the event that the IPO does not occur or is not completed.
- Fiat may share, in declining percentages, in any gain realized by Mediobanca and the other members of the consortium in the event of an IPO.

Teksid

Teksid S.p.A. is the object of a Put and Call contract with the partner Norsk Hydro concerning the subsidiary Meridian Technologies Inc. (held 51% by the Teksid Group and 49% by the Norsk Hydro Group). In particular, should there be a strategic deadlock in the management of the company (namely in all those cases in which a unanimous vote in favor is not reached by the directors on the board as regards certain strategic decisions disciplined by the contract between the stockholders), the following rights would arise:

- Put Option of Norsk Hydro with Teksid on the 49% holding: the sale price would be commensurate with the initial investment made in 1998, revalued *pro rata temporis*, net of dividends paid.

- Call Option of Teksid with Norsk Hydro on the 49% holding (exercisable whenever Norsk Hydro renounces its right to exercise the Put Option described above): the sale price would be the higher value between the initial investment made by Norsk Hydro in 1998, calculated according to the criteria expressed previously, and 140% of the Fair Market Value (in this regard, an increase of 2% per year is established in the event the option is exercised from the start of 2008 until 2013, thus up to 150% of the relative value).

It should be pointed out that so far the conditions that would give rise to the strategic deadlock are considered to be quite remote.

Fiat S.p.A. is subject to a put contract with Renault (in reference to the original investment of 33.5% in Teksid, now 19.52%).

In particular, Renault would acquire the right to exercise a sale option on the treasury stock to Fiat, in the following cases:

- in the event of nonfulfilment in the application of the protocol of the agreement and admission to receivership or any other redressment procedure;
- in the event Renault's investment in Teksid falls below 15% or Teksid decides to invest in a structural manner outside the foundry sector;
- should Fiat be the object of the acquisition of control by another car manufacturer.

The exercise price of the option is established as follows:

- for 6.5% of the capital stock of Teksid, the initial investment price increased *pro rata temporis*;
- for the remaining amount of capital stock of Teksid, the share of the accounting net equity at the exercise date.

End-of-life vehicles

In September 2000, the European Union issued Directive 2000/53/CE relative to end-of-life vehicles. This Directive, among other things, provides that, in the future, vehicle manufacturers will have to bear all, or a significant part of, the costs arising from the collection, treatment and recovery of end-of-life vehicles. The above Directive is currently being introduced into the national legislation of the individual member states and will be applicable for all vehicles placed on the market starting from July 2002; beginning January 2007 all vehicles on the market will be covered, even those placed before July 2002. The Directive was introduced in Italy in June 2003 and in the major markets (Germany, the Netherlands, Belgium, France, Spain, Slovenia, Portugal, Austria and Norway). Fiat Auto is pursuing a strategy aimed at zero service cost for the manufacturer by promoting networks for the disposal of the vehicles or taking part in networks set up by other competitors, which, in the majority of cases, is made possible by the creation of a process that is economically self-sustained by the recovery value of the spare parts. Consequently, no liabilities are recognized for the Group.

Group assets held by third parties

Group assets held by third parties amount to 3,218 million euros at December 31, 2004 (4,496 million euros at December 31, 2003), a decrease of 1,278 million euros from December 31, 2003. They include securities deposited with banks and other financial institutions totaling 156 million euros (1,042 million euros at December 31, 2003). The reduction of 886 million euros of the amount of securities deposited with banks is mainly due to their redemption at maturity by the issuers. This item also includes tangible fixed assets, products and goods of some Automotive Sectors held by outside suppliers for processing totaling 3,062 million euros (3,454 million euros at December 31, 2003).

15 Value of production

Revenues from sales and services and Change in contract work in progress

Revenues from sales and services and Change in contract work in progress amount to 46,703 million euros in 2004 compared to 47,271 million euros in 2003. They include revenues from sales and services of 46,488 million euros (48,346 million euros in 2003) and the change in contract work in progress of 215 million euros (-1,075 million euros in 2003).

For comments on these items, refer to the Report on operations.

The Fiat Group is divided into business sectors and operates in various geographical areas. The distribution by business sector of Revenues from sales and services and Change in contract work in progress (net of intra-Group transactions) is as follows:

<i>(in millions of euros)</i>	2004	2003	2002
Revenues from sales and services and Change in contract work in progress by operating sector			
Automobiles	20,356	19,839	21,908
Ferrari and Maserati	1,502	1,250	1,194
Agricultural and Construction Equipment	9,791	9,410	10,502
Commercial Vehicles	8,960	8,206	8,816
Components	2,586	2,087	2,085
Metallurgical Products	798	735	1,411
Production Systems	1,285	1,756	1,763
Services	802	1,019	1,005
Publishing and Communications	398	372	346
Aviation (*)	–	625	1,532
Insurance (**)	–	1,654	4,834
Other companies	225	318	253
Total Revenues from sales and services and Change in contract work in progress	46,703	47,271	55,649

(*) The Aviation Sector's revenues are included up to the date of sale (July 1, 2003).

(**) The Insurance Sector's revenues are included up to the date of sale (May 2, 2003).

Net revenues by area of destination may be analyzed as follows:

<i>(in millions of euros)</i>	2004	2003	2002
Revenues from sales and services and Change in contract work in progress by destination			
Italy	15,618	16,381	20,120
Europe (excluding Italy)	18,180	18,884	21,072
North America	5,857	5,920	7,411
Mercosur	3,196	2,595	3,268
Other areas	3,852	3,491	3,778
Total Revenues from sales and services and Change in contract work in progress	46,703	47,271	55,649

Other income and revenues

<i>(in millions of euros)</i>	2004	2003	2002
Revenue grants	54	52	47
Capital gains	87	187	290
Prior period income	345	423	518
Investment grants	61	78	114
Other income	969	949	1,183
Total Other income and revenues	1,516	1,689	2,152

16 Costs of production

Costs of production total 48,804 million euros (50,858 million euros in 2003) with a decrease of 4% compared to 2003. On a comparable consolidation basis, there would be an increase of 1.1%. The main variations can be explained as follows:

Raw materials, supplies and merchandise

Raw materials, supplies and merchandise amount to 28,951 million euros, an increase of 2% compared to 2003 (2.3% on a comparable consolidation basis). Raw materials, supplies and merchandise as a percentage of revenues, on a comparable consolidation basis, would be 62% (63% in 2003).

Services

Services amount to 7,984 million euros, a decrease of 6.1% compared to 2003 (an increase of 0.4% on a comparable consolidation basis). This amount is equal to 17.1% of revenues (18% in 2003). On a comparable consolidation basis, the percentage of services expenses to revenues would be 17.1% (18.4% in 2003). Services include advertising costs, external information technology and telecommunication service costs, external maintenance costs and transportation costs.

Personnel

Personnel costs consist of the following:

(in millions of euros)	2004	2003	2002
Salaries and wages	4,462	4,707	5,457
Social security contributions	1,168	1,249	1,365
Employee severance indemnities	187	244	256
Employee pensions and similar obligations	178	185	100
Other costs	374	303	376
Total Personnel costs	6,369	6,688	7,554

Personnel costs amount to 6,369 million euros in 2004, a decrease of 4.8% compared to 2003, mostly due to the effects of the change in the scope of consolidation. On a comparable consolidation basis, the decrease would be 2.4%. Personnel costs are equal to 13.6% of revenues (14.1% in 2003). Personnel costs as a percentage of revenues, on a comparable consolidation basis, would be 13.6% (14.5% in 2003).

An analysis of the average number of employees by category is provided as follows:

	2004			2003			2002		
	Companies consolidated on a line-by-line basis	Companies consolidated by the proportional method	Total	Companies consolidated on a line-by-line basis	Companies consolidated by the proportional method	Total	Companies consolidated on a line-by-line basis	Companies consolidated by the proportional method	Total
Average number of employees									
Managers	2,634	–	2,634	2,948	–	2,948	3,483	2	3,485
White-collar	53,271	–	53,271	60,407	–	60,407	67,487	114	67,601
Blue-collar	105,589	–	105,589	110,887	–	110,887	118,999	320	119,319
Total	161,494	–	161,494	174,242	–	174,242	189,969	436	190,405

The average number of employees in 2004 totals 161,494, a decrease of 12,748 employees compared to 2003. This decrease is partly due to employees who left the Group, also in connection with employee reduction plans, and partly to the change in the scope of consolidation principally in relation to the sale of FiatAvio S.p.A., the Toro Assicurazioni Group and the retail financing activities of the Automobile Sector.

In 2004 and 2003, there are no companies accounted for using the proportional method.

Provisions for risks

Provisions for risks of 1,394 million euros in 2004 (1,163 million euros in 2003) relate to the vehicle warranty reserve for 636 million euros in 2004 (490 million euros in 2003), mainly in the Automotive Sectors, and to other reserves connected with industrial risks for 758 million euros (673 million euros in 2003).

Other operating costs

<i>(in millions of euros)</i>	2004	2003	2002
Losses on sale of fixed assets	83	47	86
Prior period expenses	208	226	297
Indirect and other taxes	128	147	229
Sundry expenses	656	608	692
Total Other operating costs	1,075	1,028	1,304

Insurance claims and other insurance costs

Insurance claims and other insurance costs amount to 20 million euros in 2004 (1,367 million euros in 2003). The decrease from 2003 is due to the sale of the Toro Assicurazioni Group in May 2, 2003.

17 Financial income and expenses

Investment income

<i>(in millions of euros)</i>	2004	2003	2002
Dividends	9	12	103
Tax credit on dividends	–	5	22
Gains on sale of investments held in current assets	–	5	31
Total Investment income	9	22	156

Investment income includes income from associated companies of 1 million euros (1 million euros in 2003) and from other companies of 8 million euros (21 million euros in 2003), with a reduction of 13 million euros compared to 2003 due to the change in the scope of consolidation.

Dividends were mainly received from minority investments valued at cost.

Other financial income, interest and other financial expenses, foreign exchange gains and losses

The following analysis of "Other financial income", "Interest and other financial expenses" and "Foreign exchange gains and losses" presents the amounts shown in the related captions on the statement of operations and also the amounts of income and expenses of the Group's financial companies presented in the captions on the statement of operations under "Revenues from sales and services" and "Interest and other expenses of financial services companies", respectively. The last line in the table shows "Other financial income" and "Interest and other financial expenses" as presented on the statement of operations, excluding the financial activities.

Other financial income

(in millions of euros)	2004	2003	2002
Other financial income from:			
receivables held as fixed assets from others	-	3	2
securities held as fixed assets other than equity investments	1	-	156
securities held as current assets other than equity investments	39	119	147
Other income from:			
unconsolidated subsidiaries	4	8	25
associated companies	29	34	38
others:			
bank and other interest	190	266	264
customer interest and lease income	922	1,166	2,010
discounts and other income	65	81	124
income from derivative financial instruments	996	1,132	1,603
Total from others	2,173	2,645	4,001
Total Other income	2,206	2,687	4,064
Total Other financial income	2,246	2,809	4,369
of which:			
Other financial income, excluding financial services companies	1,271	1,457	2,219

Interest and other financial expenses

(in millions of euros)	2004	2003	2002
Interest and other financial expenses from:			
unconsolidated subsidiaries	-	3	2
associated companies	5	6	2
others:			
bond interest	587	681	769
bank interest	316	558	656
interest on trade and other payables	27	18	71
interest on notes payable	7	49	106
interest on other financial payables	167	185	273
discounts and other expenses	544	534	635
expenses from derivative financial instruments	666	1,115	1,492
losses on sale of securities	1	8	44
Total Interest and other financial expenses from others	2,315	3,148	4,046
Total Interest and other financial expenses	2,320	3,157	4,050
of which:			
Interest and other financial expenses, excluding financial services companies	1,944	2,489	2,935

Foreign exchange gains and losses

(in millions of euros)	2004	2003	2002
Foreign exchange gains and losses:			
exchange differences balance	25	47	(111)
Total foreign exchange gains and losses	25	47	(111)
of which:			
Foreign exchange gains and losses excluding financial services companies	25	47	(111)

Other financial income of 2,246 million euros in 2004 (2,809 million euros in 2003), when shown net of Interest and other financial expenses of 2,320 million euros (3,157 million euros in 2003) and the net balance of foreign exchange gains of 25 million euros (47 million euros in 2003) results in a net negative balance of 49 million euros (a net negative balance of 301 million euros in 2003). However, the result for fiscal 2003 had benefited from financial income, net of the relative financial expenses, on the businesses sold (mainly the retail activities of Fiat Auto and the Toro Assicurazioni Group) for approximately 170 million euros. On a comparable consolidation basis, the improvement is about 420 million euros and is the consequence of both nonrecurring transactions (mainly the net amount of income of approximately 300 million euros from the termination of the Equity Swap on General Motors stock) and lower average indebtedness during the year and generally more favorable market interest rates.

Foreign exchange gains, net, of 25 million euros (foreign exchange gains, net, of 47 million euros in 2003), represent the balance between foreign exchange gains of 2,443 million euros in 2004 (2,519 million euros in 2003) and foreign exchange losses of 2,418 million euros in 2003 (2,472 million euros in 2003).

Discounts and other expenses include receivables discounting and securitization expenses of 195 million euros in 2004 (280 million euros in 2003).

18 Adjustments to financial assets

(in millions of euros)	2004	2003	2002
Revaluations:			
Equity investments	125	91	68
Financial fixed assets other than equity investments	–	–	–
Securities held in current assets other than equity investments	–	14	7
Total Revaluations	125	105	75
Writedowns:			
Equity investments	126	263	809
Financial fixed assets other than equity investments	23	1	84
Securities held in current assets other than equity investments	2	8	45
Financial receivables	71	5	18
Total Writedowns	222	277	956
Total Adjustments to financial assets	(97)	(172)	(881)

Revaluations and writedowns of equity investments also include the share of the earnings and losses of companies accounted for using the equity method.

Revaluations of equity investments of 125 million euros in 2004 include the results of following companies (in millions of euros): BUC – Banca Unione Credito 9 (11 in 2003), various companies of CNH Global N.V. 28 (24 in 2003), companies of Automobiles Sector 56 (20 in 2003), other companies 32 (36 in 2003).

Writedowns of equity investments of 126 million euros in 2004 (263 million euros in 2003) include the share of the losses of the companies valued using the equity method and the permanent impairments in value of the companies valued at cost, for the following (in millions of euros): various companies of CNH Global N.V. 4 (9 in 2003), companies in the Automobile Sector 51 (112 in 2003), companies of the Commercial Vehicles Sector 28 (3 in 2003), companies of the Service Sector 26 (7 in 2003), other companies 17 (4 in 2003). In 2003, the amount included writedowns in following companies (in millions of euros): Italergeria Bis S.p.A. 24, Atlanet S.p.A. 56, and the first four months of Toro Assicurazioni Group 48.

Writedowns of financial receivables of 71 million euros (5 million euros in 2003) include provisions to the allowance for doubtful financial accounts receivable to adjust certain items to realizable value after settlement for the partial collection of a receivable which became known during the early months of 2005.

19 Extraordinary income and expenses

(in millions of euros)	2004	2003	2002
Extraordinary income			
Gains on disposals of investments and other fixed assets	162	1,826	1,081
Other income:			
Prior period income	19	32	8
Other income	135	159	146
Total Other income	154	191	154
Total Extraordinary income	316	2,017	1,235
Extraordinary expenses			
Losses on disposal of investments and other fixed assets	(5)	(50)	(1,239)
Taxes relating to prior years	(39)	(26)	(79)
Other expenses:			
Extraordinary provisions to reserves	(432)	(585)	(980)
Other extraordinary expenses	(685)	(969)	(1,400)
Prior period expenses	(18)	(40)	(40)
Total Other expenses	(1,135)	(1,594)	(2,420)
Total Extraordinary expenses	(1,179)	(1,670)	(3,738)
Total Extraordinary income and expenses	(863)	347	(2,503)

Gains on disposals of investments and other fixed assets amount to 162 million euros in 2004 (1,826 million euros in 2003). They include the gains on the following (in millions of euros): sale of Midas Group 32 (28 million euros net of the expenses and provisions connected with the transaction, classified in extraordinary provisions to reserves), sale of Fiat Engineering S.p.A. 60 (58 million euros net of the collateral costs classified as extraordinary expenses), sale of Edison shares 32 million euros, Edison Warrant 30 million euros, other minor investments 8 million euros.

Gains on disposals of investments and other fixed assets amounted to 1,826 million euros in 2003 and included the gains on the following (in millions of euros): sale of Toro Assicurazioni Group 427 (390 million euros net of the expenses and provisions connected with the transaction, classified as other extraordinary expenses), sale of the Automobile Sector's Retail financing activities in Brazil 103, sale of the 55.95% investment in IPI S.p.A. 15, sale of the 50.1% investment in IN ACTION S.r.l. 8, sale of FiatAvio S.p.A. 1,266 (1,258 net of the expenses connected with the transaction), sales of other minor investments 7.

Other extraordinary income of 135 million euros (159 million euros in 2003) refers to nonrecurring income of the individual companies of the Group mainly for the release of extraordinary reserves that proved in excess of requirements.

Losses on disposals of investments and other fixed assets amount to 5 million euros in 2004 (50 million euros in 2003).

Taxes relating to prior years amounted to 39 million euros in 2004 (26 million euros in 2003).

Other extraordinary expenses amounting to 1,135 million euros in 2004 (1,594 million euros in 2003), include principally expenses and provisions for risks in relation to corporate restructuring transactions of 508 million euros, other extraordinary writedowns of assets on the basis of changes in market prospects and the consequent new business plans of 35 million euros. They also include additional extraordinary expenses and provisions to reserves for future risks and charges for a total of 592 million euros, the most significant of which refer to expenses for the rationalization and restructuring of relationships with suppliers of the Group (246 million euros). Other extraordinary expenses also include 18 million euros of prior period expenses.

Other extraordinary expenses can be detailed by Sector as follows (amounts in millions of euros): Automobiles 742 (711 in 2003), Agricultural Equipment 68 (142 in 2003), Commercial Vehicles 70 (170 in 2003), Metallurgical Products 25 (67 in 2003), Components 68 (86 in 2003), Production Systems 17 (140 in 2003), Services 16 (31 in 2003), Other Sectors and Companies 129 (247 in 2003).

Other extraordinary expenses amounting to 1,594 million euros in 2003, included principally expenses and provisions for risks in relation to corporate restructuring transactions of 658 million euros, other extraordinary writedowns of assets on the basis of changes in market prospects and the consequent new business plans of 215 million euros. They also included additional extraordinary expenses and provisions for future risks and charges totaling 721 million euros, of which the most significant were: provisions for the remaining commitments connected with the IPSE initiative (47 million euros), expenses and provisions recorded in reference to relations existing with the Ixfin Group (53 million euros), incidental costs and other provisions connected with the sale of the Toro

Assicurazioni Group (37 million euros), incidental costs and other provisions connected with other sales which took place in 2003 and in prior years (102 million euros), damages caused by flooding at the Termoli factory (71 million euros) and, lastly, commissions paid to Mediobanca for the extension of the commitments undertaken by Mediobanca itself under the "Ferrari" contract described in Note 14 (16 million euros). Other extraordinary expenses also included prior years' expenses of 40 million euros.

20 Income taxes

Income taxes recorded in the consolidated statement of operations in 2004, 2003 and 2002 are as follows:

<i>(in millions of euros)</i>	2004	2003	2002
Current taxes:			
IRAP	128	125	141
Other taxes	187	31	192
Total Current taxes	315	156	333
Deferred taxes	(344)	494	(887)
Total Income taxes	(29)	650	(554)

Income taxes paid by the Group in 2004 and 2003 amounted to 292 million euros and 132 million euros, respectively.

The reconciliation between the tax charge recorded in the consolidated financial statements and the theoretical tax charge, calculated on the basis of the theoretical tax rates in effect in Italy, is the following:

<i>(in millions of euros)</i>	2004	2003	2002
Theoretical income taxes	(520)	(441)	(1,734)
Utilization of tax loss carryforwards	(128)	(57)	(47)
Tax effect of permanent differences	6	136	(325)
Tax effect of difference between foreign tax rates and theoretical Italian tax rates	5	(6)	13
Deferred tax assets not provided	459	881	1,361
Other differences	21	12	37
Income taxes recorded in financial statements excluding IRAP (current and deferred income taxes)	(157)	525	(695)
IRAP	128	125	141
Income taxes recorded in financial statements (current and deferred income taxes)	(29)	650	(554)

In order to render the reconciliation between income taxes recorded in the financial statements and theoretical income taxes more meaningful, the IRAP tax is not taken into consideration. Since the IRAP tax has a taxable basis that is different from income before taxes, it generates distortions between one year and another. Accordingly, the theoretical income taxes were determined by applying only the tax rate in effect in Italy (IRES equal to 33% in 2004) to the income before taxes.

In 2004 and 2003, as a result of the loss reported by the Group, the effective tax rate is not significant.

With reference to the above reconciliation, the permanent differences include the tax effect on non-taxable income of 226 million euros in 2004 (148 million euros in 2003) and on nondeductible costs of 232 million euros in 2004 (341 million euros in 2003).

In 2004, Other differences include unrecovered withholdings for 11 million euros (20 million euros in 2003).

21 Other information

Assets by geographical area

<i>(in millions of euros)</i>	Total Assets		
	2004	2003	2002
Europe	43,996	49,690	75,254
North America	8,661	9,200	12,013
Mercosur	3,207	2,890	3,451
Other areas	1,379	931	1,803
Total Assets	57,243	62,711	92,521

The reduction in total assets of 5,468 million euros is mainly due to changes in the scope of consolidation principally in conjunction with the sale of the activities of Fiat Engineering S.p.A. and lower financial receivables due both to the reduction in loan activities and the change in the scope of consolidation as a result of the sale of the financial activities of the Automobile Sector in the United Kingdom (see Note 6).

Capital expenditures by geographical area

<i>(in millions of euros)</i>	Total Capital Expenditures		
	2004	2003	2002
Europe	1,811	1,723	2,225
North America	170	138	313
Mercosur	104	120	150
Other areas	27	30	83
Total Capital expenditures	2,112	2,011	2,771

Operating income by geographical area

The following analysis of operating income by geographical area excludes the operating income of the Group's insurance companies.

<i>(in millions of euros)</i>	Total Operating Income		
	2004	2003	2002
Europe	(713)	(832)	(1,136)
North America	375	139	(118)
Mercosur	334	135	260
Other areas	14	(5)	89
Total Industrial and Financial activities	10	(563)	(905)
Insurance companies	12	53	143
Total Operating income	22	(510)	(762)

Net Sales and Revenues, Operating income (loss), Depreciation and Amortization, Capital expenditures by segment

(in millions of euros)	Net sales revenues			Operating Income (Loss)	Depreciation and Amortization	Capital expenditures	Total Assets
	Third parties	Inter- segment (*)	Total				
2004							
Automobiles	20,356	183	20,539	(840)	945	1,330	17,839
Ferrari and Maserati	1,502	10	1,512	6	121	139	1,099
Agricultural and Construction Equipment	9,791	5	9,796	407	393	210	12,134
Commercial Vehicles	8,960	332	9,292	357	308	148	9,505
Components	2,586	1,218	3,804	116	181	187	2,393
Metallurgical Products	798	113	911	35	48	44	728
Production Systems	1,285	431	1,716	32	43	14	3,560
Services	802	770	1,572	36	33	11	783
Publishing and communications	398	9	407	12	7	2	228
Other companies and eliminations (****)	225	(3,071)	(2,846)	(139)	89	27	8,974
Group total	46,703	-	46,703	22	2,168	2,112	57,243
2003							
Automobiles	19,839	171	20,010	(979)	962	1,100	20,908
Ferrari and Maserati	1,250	11	1,261	32	85	193	965
Agricultural and Construction Equipment	9,410	8	9,418	229	450	217	12,928
Commercial Vehicles	8,206	234	8,440	81	304	210	9,108
Components	2,087	1,119	3,206	32	173	148	2,418
Metallurgical Products	735	109	844	12	49	56	739
Production Systems	1,756	537	2,293	2	56	18	4,125
Services	1,019	797	1,816	45	30	7	1,892
Publishing and communications	372	11	383	10	7	3	251
Aviation (**)	625	-	625	53	41	33	-
Insurance (***)	1,654	-	1,654	44	16	-	-
Other companies and eliminations (****)	318	(2,997)	(2,679)	(71)	96	26	9,377
Group total	47,271	-	47,271	(510)	2,269	2,011	62,711
2002							
Automobiles	21,908	239	22,147	(1,343)	959	1,116	30,026
Ferrari and Maserati	1,194	14	1,208	70	77	176	897
Agricultural and Construction Equipment	10,502	11	10,513	163	541	431	14,434
Commercial Vehicles	8,816	320	9,136	102	424	587	10,846
Components	2,085	1,203	3,288	(16)	190	148	2,752
Metallurgical Products	1,411	128	1,539	27	93	78	857
Production Systems	1,763	557	2,320	(101)	64	20	4,763
Services	1,005	960	1,965	67	42	14	3,306
Publishing and communications	346	14	360	3	8	3	227
Aviation (**)	1,532	2	1,534	210	69	130	3,206
Insurance (***)	4,834	82	4,916	147	47	14	19,041
Other companies and eliminations (****)	253	(3,530)	(3,277)	(91)	100	54	2,166
Group total	55,649	-	55,649	(762)	2,614	2,771	92,521

(*) Intersegment net sales and revenues include revenues between Group companies consolidated line-by-line and reporting to different Sectors. Intersegment sales are accounted for at transfer prices that are substantially in line with market conditions.

(**) The Aviation Sector's revenues are included up to the date of sale (July 1, 2003).

(***) The Insurance Sector's revenues are included up to the date of sale (May 2, 2003).

(****) The operating income (loss) of "Other Companies" amounts to -120 million of euros in 2004, -137 million euros in 2003 and -105 million euros in 2002.

Research and development expenses

Each year significant expenditures are borne by the Group for research and development programs that generally cover a period of several years and which are charged to income in the year incurred.

In 2004 and 2003 direct research and development expenses were 1,810 million euros and 1,747 million euros, respectively. For the most important projects, the Group has applied for financing to the Italian government and the European Community under related legislation.

At the end of 2004, there were multiyear research and innovation projects that are being examined or for which incentives are being paid, by the above authorities, which show estimated expenditures in the relative applications amounting to approximately 997 million euros (an amount which also comprises projects on which the balance of the incentives was received in the same year). The Group filed/received low-rate loans for 226 million euros and grants for 436 million euros in respect of these projects which could also give rise to receipts for incentives in future years. The amounts received during 2004, referring to the aforementioned expenditures, totaled 22 million euros in low-rate loans and 52 million euros in grants, for a cumulative total at December 31, 2004 of 42 million euros in low-rate loans and 157 million euros in grants.

The average interest rate on financing received for research and innovation at December 31, 2004 was 2.08% (2.27% for outstanding financing at December 31, 2003).

Maintenance costs

Maintenance costs charged to income in 2004 and 2003 amounted to 370 million euros and 435 million euros, respectively.

Advertising costs

Advertising costs charged to income in 2004 and 2003 amounted to 898 million euros and 921 million euros, respectively.

22 Statement of cash flows

The Statement of cash flows is included, and commented on, in the Report on Operations Financial Review of the Fiat Group and Fiat S.p.A.

A reconciliation between cash and the Group net financial position is also reported in the Report on Operations – Financial Review of the Fiat Group and Fiat S.p.A.

23 Translation of foreign financial statements

The principal exchange rates used in 2004 and 2003 to translate the foreign currency financial statements into euros were:

	Average 2004	At 12/31/2004	Average 2003	At 12/31/2003
U.S. dollar	1.244	1.362	1.131	1.263
British sterling	0.679	0.705	0.692	0.705
Swiss franc	1.544	1.543	1.521	1.558
Polish zloty	4.526	4.084	4.398	4.717
Brazilian real	3.635	3.615	3.474	3.649
Argentine peso	3.664	4.045	3.335	3.713

24 Emoluments to directors and statutory auditors

(in thousands of euros)	2004			2003		
	Fiat S.p.A.	Subsidiaries	Total	Fiat S.p.A.	Subsidiaries	Total
Directors	5,128	7,167	12,295	4,764	6,904	11,668
Statutory auditors	147	30	177	147	125	272
Total Emoluments	5,275	7,197	12,472	4,911	7,029	11,940

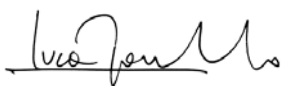
These refer to emoluments to which the Directors and Statutory Auditors of Fiat S.p.A. are entitled for carrying out these functions also in other companies included in the scope of consolidation.

The list of companies included in the consolidated financial statements (Article 38 and 39 of Legislative Decree 127/91) is attached

Turin, March 24, 2005

The Board of Directors

By:



Luca Cordero di Montezemolo

Chairman

**ANNEX TO THE NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

THE COMPANIES OF THE FIAT GROUP

As required by Consob Resolution No. 11971 of May 14, 1999 as amended (Articles 81 and 126 of the Regulations), a complete list of the companies and significant equity investments of the Group is provided below.

The companies on this list have been classified according to percentage of ownership, method of consolidation and type of business. The information provided for each company includes: name, registered office, country and capital stock

stated in the original currency. The percentage of Group consolidation and the percentage held by Fiat S.p.A. or its subsidiaries are also shown.

A separate column shows the percentage held of the voting rights at the ordinary stockholders' meeting, when this figure differs from the percentage interest held in the company.

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
Controlling company								
■ Parent company								
Fiat S.p.A.	Turin	Italy	4,918,113,540	EUR	-	-	-	-
Subsidiaries consolidated on a line-by-line basis								
■ Automobiles								
Fiat Auto Holdings B.V.	Amsterdam	Netherlands	1,000,000	EUR	90.00	Fiat Partecipazioni S.p.A.	90.000	
Banco Fidis de Investimento SA	São Paulo	Brazil	116,235,465	BRL	89.97	Fidis S.p.A.	98.970	
						Fiat Automoveis S.A. - FIASA	1.000	
B.D.C. S.A.	Brussels	Belgium	23,651,294	EUR	90.00	Fiat Auto (Belgio) S.A.	99.998	
						Fiat Auto (Suisse) S.A.	0.002	
Clickar Assistance S.r.l.	Turin	Italy	335,632	EUR	90.00	Fidis S.p.A.	100.000	
Easy Drive S.r.l.	Turin	Italy	10,400	EUR	90.00	Fiat Auto S.p.A.	99.000	
						Fiat Center Italia S.p.A.	1.000	
FAL Fleet Services S.A.S.	Trappes	France	3,000,000	EUR	90.00	Fidis Renting Italia S.p.A.	100.000	
Fiat Auto Argentina S.A.	Buenos Aires	Argentina	463,938,188	ARS	90.00	Fiat Auto S.p.A.	63.336	
						Fiat Automoveis S.A. - FIASA	36.664	
Fiat Auto (Belgio) S.A.	Brussels	Belgium	20,951,220	EUR	90.00	Fiat Finance Netherlands B.V.	99.998	
						Fiat Auto (Suisse) S.A.	0.002	
Fiat Auto Contracts Ltd	Slough Berkshire	United Kingdom	15,500,000	GBP	90.00	Fidis Renting Italia S.p.A.	100.000	
Fiat Auto Dealer Financing SA	Brussels	Belgium	62,000	EUR	89.86	Fiat Auto (Belgio) S.A.	99.839	
Fiat Auto Espana S.A.	Alcalá De Henares	Spain	60,696,601	EUR	90.00	Fiat Finance Netherlands B.V.	99.998	
						Fiat Auto (Suisse) S.A.	0.002	
Fiat Auto Financial Services (Wholesale) Ltd.	Slough Berkshire	United Kingdom	3,500,000	GBP	90.00	Fidis S.p.A.	100.000	
Fiat Auto (France) S.A.	Trappes	France	91,050,000	EUR	90.00	Fiat Finance Netherlands B.V.	99.999	
Fiat Auto Hellas S.A.	Argyroupoli	Greece	33,533,499	EUR	90.00	Fiat Finance Netherlands B.V.	100.000	
Fiat Auto (Ireland) Ltd.	Dublin	Ireland	5,078,952	EUR	90.00	Fiat Finance Netherlands B.V.	100.000	
Fiat Auto Japan K.K.	Minatu-Ku. Tokyo	Japan	420,000,000	JPY	90.00	Fiat Auto S.p.A.	100.000	
Fiat Auto Kreditbank GmbH	Vienna	Austria	5,000,000	EUR	90.00	Fiat Auto S.p.A.	50.000	
						Fidis S.p.A.	50.000	
Fiat Auto Lease N.V.	Utrecht	Netherlands	454,000	EUR	90.00	Fidis Renting Italia S.p.A.	100.000	
Fiat Auto Maroc S.A.	Casablanca	Morocco	314,000,000	MAD	89.96	Fiat Auto S.p.A.	99.950	
Fiat Auto Nederland B.V.	Lijnden	Netherlands	5,672,250	EUR	90.00	Fiat Auto Holdings B.V.	100.000	
Fiat Auto Poland S.A.	Bielsko-Biala	Poland	660,334,600	PLN	90.00	Fiat Auto S.p.A.	100.000	
Fiat Auto Portuguesa S.A.	Alges	Portugal	8,000,000	EUR	90.00	Fiat Finance Netherlands B.V.	100.000	
Fiat Auto South Africa (Proprietary) Ltd	Sunninghill	South Africa	540	ZAR	90.00	Fiat Auto S.p.A.	100.000	
Fiat Auto S.p.A.	Turin	Italy	2,500,000,000	EUR	90.00	Fiat Auto Holdings B.V.	100.000	
Fiat Auto (Suisse) S.A.	Geneva	Switzerland	21,400,000	CHF	90.00	Fiat Auto S.p.A.	100.000	
Fiat Auto (U.K.) Ltd	Slough Berkshire	United Kingdom	44,600,000	GBP	90.00	Fiat Finance Netherlands B.V.	100.000	
Fiat Auto Var S.r.l.	Turin	Italy	10,200,000	EUR	90.00	Fiat Auto S.p.A.	100.000	
Fiat Automobil AG	Heilbronn	Germany	97,280,000	EUR	90.00	Fiat Finance Netherlands B.V.	99.000	
						Fiat Auto (Suisse) S.A.	1.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
Fiat Automobil GmbH	Vienna	Austria	37,000	EUR	90.00	Fiat Finance Netherlands B.V.	100.000	
Fiat Automobil Vertriebs GmbH	Frankfurt	Germany	8,700,000	EUR	90.00	Fiat Automobil AG	100.000	
Fiat Automobiler Danmark A/S	Glostrup	Denmark	55,000,000	DKK	90.00	Fiat Finance Netherlands B.V.	100.000	
Fiat Automoveis S.A. - FIASA	Betim	Brazil	1,432,341,332	BRL	90.00	Fiat Auto S.p.A.	100.000	
Fiat Center Italia S.p.A.	Turin	Italy	2,000,000	EUR	90.00	Fiat Auto S.p.A.	100.000	
Fiat Center (Suisse) S.A.	Geneva	Switzerland	13,000,000	CHF	90.00	Fiat Auto (Suisse) S.A.	100.000	
Fiat CR Spol. S.R.O.	Prague	Czech Republic	1,000,000	CZK	90.00	Fiat Auto S.p.A.	100.000	
Fiat Credit Belgio S.A.	Evere	Belgium	3,718,500	EUR	90.00	Fidis S.p.A.	99.999	
Fiat Credito Compania Financiera S.A.	Buenos Aires	Argentina	94,107,977	ARS	90.00	Fidis S.p.A. Fiat Auto Argentina S.A.	99.999 0.001	
Fiat Distribuidora Portugal S.A.	Lisbon	Portugal	450,300	EUR	90.00	Fiat Auto Portuguesa S.A.	100.000	
Fiat Finance Holding S.A.	Luxembourg	Luxembourg	2,300,000	EUR	90.00	Fidis S.p.A. Fiat Finance Netherlands B.V.	99.995 0.005	
Fiat Finance Netherlands B.V.	Amsterdam	Netherlands	690,000,000	EUR	90.00	Fiat Auto S.p.A.	100.000	
Fiat Handlerservice GmbH	Heilbronn	Germany	5,100,000	EUR	90.00	Fiat Automobil AG	100.000	
Fiat India Automobiles Private Limited	Mumbai	India	18,780,741,500	INR	90.00	Fiat Auto S.p.A.	100.000	
Fiat India Private Ltd.	Mumbai	India	4,477,502,700	INR	89.78	Fiat India Automobiles Private Limited Fiat Auto S.p.A.	79.081 20.673	80.313 19.438
Fiat Magyarorszag Kereskedelmi KFT.	Budapest	Hungary	150,000,000	HUF	90.00	Fiat Auto S.p.A.	100.000	
Fiat Motor Sales Ltd	Slough Berkshire	United Kingdom	1,500,000	GBP	90.00	Fiat Auto (U.K.) Ltd	100.000	
Fiat SR Spol. SR.O.	Bratislava	Slovak Republic	1,000,000	SKK	90.00	Fiat Auto S.p.A.	100.000	
Fiat Versicherungsdienst GmbH	Heilbronn	Germany	26,000	EUR	94.90	Fiat Automobil AG Rimaco S.A.	51.000 49.000	
Fidis Credit Danmark A/S	Glostrup	Denmark	500,000	DKK	90.00	Fiat Finance Netherlands B.V.	100.000	
Fidis Dealer Services B.V.	Utrecht	Netherlands	698,000	EUR	90.00	Fiat Auto Nederland B.V.	100.000	
Fidis Faktoring Polska Sp. z o.o.	Warsaw	Poland	1,000,000	PLN	90.01	Fidis S.p.A. Fiat Polska Sp. z o.o.	99.950 0.050	
Fidis Finance Polska Sp. z o.o.	Warsaw	Poland	10,000,000	PLN	90.00	Fidis S.p.A. Fiat Polska Sp. z o.o.	99.980 0.020	
Fidis Hungary KFT	Budapest	Hungary	13,000	EUR	90.00	Fidis S.p.A.	100.000	
Fidis Renting Italia S.p.A.	Turin	Italy	5,800,000	EUR	90.00	Fiat Auto S.p.A.	100.000	
Fidis S.p.A.	Turin	Italy	311,232,342	EUR	90.00	Fiat Auto S.p.A. Nuove Iniziative Finanziarie 2 S.r.l.	99.900 0.100	
Finplus Renting S.A.	Madrid	Spain	3,955,986	EUR	90.00	Fidis Renting Italia S.p.A.	100.000	
Inmap 2000 Espana S.L.	Alcalá De Henares	Spain	8,237,907	EUR	90.00	Fiat Auto Espana S.A.	100.000	
International Metropolitan Automotive Promotion (France) S.A.	Paris	France	56,000	EUR	90.00	Fiat Auto (France) S.A.	100.000	
Italian Automotive Center S.A.	Brussels	Belgium	19,749,554	EUR	90.00	B.D.C. S.A.	100.000	
Sata-Società Automobilistica Tecnologie Avanzate S.p.A.	Melfi	Italy	276,640,000	EUR	90.00	Fiat Auto S.p.A.	100.000	
Savarent Società per Azioni	Turin	Italy	21,000,000	EUR	90.00	Fidis Renting Italia S.p.A.	100.000	
Sofice-Société de Financement des Concessionnaires s.a.s.	Trappes	France	3,353,600	EUR	90.00	Fiat Auto (France) S.A.	100.000	
Tarfin S.A.	Geneva	Switzerland	500,000	CHF	90.00	Fidis S.p.A.	100.000	
Targa Infomobility S.p.A.	Turin	Italy	100,000	EUR	90.00	Fidis S.p.A.	100.000	
Targa Rent S.r.l.	Turin	Italy	310,000	EUR	90.00	Fidis S.p.A.	100.000	
Targasys Espana S.L.	Alcalá De Henares	Spain	5,000	EUR	90.00	Fiat Auto Espana S.A.	100.000	
Targasys Stock SA	Alcalá De Henares	Spain	5,108,799	EUR	90.00	Fiat Auto Espana S.A. Fiat Finance Holding S.A.	99.999 0.001	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
■ Agricultural and Construction Equipment								
CNH Global N.V.	Amsterdam	Netherlands	319,359,348	EUR	84.54	Fiat Netherlands Holding N.V. CNH Global N.V.	84.450 0.109	84.542 0.000
Austoft Industries Limited	Bundaberg	Australia	16,353,225	AUD	84.54	CNH Australia Pty Limited	100.000	
Banco CNH Capital S.A.	Curitiba	Brazil	252,285,242	BRL	84.54	CNH Global N.V. CNH Latin America Ltda.	59.760 40.240	
Bli Group Inc.	Wilmington	U.S.A.	1,000	USD	84.54	CNH America LLC	100.000	
Blue Leaf I.P. Inc.	Wilmington	U.S.A.	1,000	USD	84.54	Bli Group Inc.	100.000	
Case Brazil Holdings Inc.	Wilmington	U.S.A.	1,000	USD	84.54	CNH America LLC	100.000	
Case Canada Receivables Inc.	Calgary	Canada	1	CAD	84.54	CNH Capital America LLC	100.000	
Case Credit Australia Investments Pty Ltd	St. Marys	Australia	187,360,048	AUD	84.54	CNH Australia Pty Limited	100.000	
Case Credit Holdings Limited	Wilmington	U.S.A.	5	USD	84.54	CNH Capital America LLC	100.000	
Case Credit Ltd.	Calgary	Canada	1	CAD	84.54	Case Credit Holdings Limited CNH Canada Ltd.	99.500 0.500	
Case Equipment Holdings Limited	Wilmington	U.S.A.	5	USD	84.54	CNH America LLC	100.000	
Case Equipment International Corporation	Wilmington	U.S.A.	1,000	USD	84.54	CNH America LLC	100.000	
Case Europe S.a.r.l.	Roissy	France	7,622	EUR	84.54	CNH America LLC	100.000	
Case Harvesting Systems GmbH	Neustadt	Germany	281,211	EUR	84.54	CNH America LLC	100.000	
Case India Limited	Wilmington	U.S.A.	5	USD	84.54	CNH America LLC	100.000	
Case International Marketing Inc.	Wilmington	U.S.A.	5	USD	84.54	CNH America LLC	100.000	
Case LBX Holdings Inc.	Wilmington	U.S.A.	5	USD	84.54	CNH America LLC	100.000	
Case Machinery (Shanghai) Co. Ltd.	Shanghai	People's Rep. of China	2,250,000	USD	84.54	CNH America LLC	100.000	
Case New Holland Inc.	Wilmington	U.S.A.	5	USD	84.54	CNH Global N.V.	100.000	
Case United Kingdom Limited	Basildon	United Kingdom	3,763,618	GBP	84.54	CNH America LLC	100.000	
Case Wholesale Receivables Inc.	Wilmington	U.S.A.	1,000	USD	84.54	CNH Capital America LLC	100.000	
CNH America LLC	Wilmington	U.S.A.	0	USD	84.54	Case New Holland Inc.	100.000	
CNH Argentina S.A.	Buenos Aires	Argentina	29,611,105	ARS	84.54	New Holland Holdings Argentina S.A. CNH Latin America Ltda.	80.654 19.346	
CNH Australia Pty Limited	St. Marys	Australia	306,785,439	AUD	84.54	CNH Global N.V.	100.000	
CNH Baumaschinen GmbH	Berlin	Germany	61,355,030	EUR	84.54	CNH International S.A.	100.000	
CNH Belgium N.V.	Zedelgem	Belgium	27,268,300	EUR	84.54	CNH International S.A.	100.000	
CNH Canada Ltd.	Toronto	Canada	28,000,100	CAD	84.54	CNH Global N.V.	100.000	
CNH Capital America LLC	Wilmington	U.S.A.	0	USD	84.54	CNH Capital LLC	100.000	
CNH Capital Australia Pty Limited	St. Marys	Australia	83,248,874	AUD	84.54	CNH Australia Pty Limited	100.000	
CNH Capital Benelux	Zedelgem	Belgium	6,350,000	EUR	84.54	CNH Global N.V. CNH Capital U.K. Ltd	98.999 1.001	
CNH Capital (Europe) plc	Dublin	Ireland	38,100	EUR	84.54	CNH Capital plc CNH Financial Services A/S CNH Financial Services S.r.l. CNH Global N.V. CNH International S.A. New Holland Financial Services Ltd CNH Trade N.V.	99.984 0.003 0.003 0.003 0.003 0.001	
CNH Capital Insurance Agency Inc.	Wilmington	U.S.A.	5	USD	84.54	CNH Capital America LLC	100.000	
CNH Capital LLC	Wilmington	U.S.A.	0	USD	84.54	CNH America LLC	100.000	
CNH Capital plc	Dublin	Ireland	6,386,791	EUR	84.54	CNH Global N.V.	100.000	
CNH Capital Receivables LLC	Wilmington	U.S.A.	0	USD	84.54	CNH Capital America LLC	100.000	
CNH Capital U.K. Ltd	Basildon	United Kingdom	10,000,001	GBP	84.54	CNH Global N.V.	100.000	
CNH Componentes, S.A. de C.V.	São Pedro	Mexico	135,634,842	MXN	84.54	CNH America LLC	100.000	
CNH Danmark A/S	Hvidovre	Denmark	12,000,000	DKK	84.54	CNH International S.A.	100.000	
CNH Deutschland GmbH	Heilbronn	Germany	18,457,650	EUR	84.54	CNH International S.A.	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
CNH Engine Corporation	Wilmington	U.S.A.	1,000	USD	84.54	CNH America LLC	100.000	
CNH Financial Services	Puteaux	France	3,738,141	EUR	84.54	CNH Global N.V.	100.000	
CNH Financial Services A/S	Hvidovre	Denmark	500,000	DKK	84.54	CNH Global N.V.	100.000	
CNH Financial Services GmbH	Heilbronn	Germany	200,000	EUR	84.54	CNH International S.A.	100.000	
CNH Financial Services S.r.l.	Modena	Italy	10,400	EUR	84.54	CNH Global N.V.	100.000	
CNH France S.A.	Le Plessis-Belleville	France	138,813,150	EUR	84.54	CNH International S.A.	100.000	
CNH International S.A.	Luxembourg	Luxembourg	300,000,000	USD	84.54	CNH Global N.V.	100.000	
CNH Italia s.p.a.	Modena	Italy	15,600,000	EUR	84.54	CNH Global N.V.	100.000	
CNH Latin America Ltda.	Contagem	Brazil	674,264,183	BRL	84.54	CNH Global N.V.	87.880	
						Case Brazil Holdings Inc.	10.610	
						Case Equipment International Corporation	1.510	
CNH Maquinaria Spain S.A.	Coslada	Spain	21,000,000	EUR	84.54	CNH International S.A.	99.999	
CNH Osterreich GmbH	St. Valentin	Austria	2,000,000	EUR	84.54	CNH Global N.V.	100.000	
CNH Polska Sp. z o.o.	Plock	Poland	162,591,660	PLN	84.54	CNH Belgium N.V.	99.995	
						Fiat Polska Sp. z o.o.	0.005	
CNH Portugal-Comercio de Tractores e Maquinas Agricolas Ltda	Carnaxide	Portugal	498,798	EUR	84.54	CNH International S.A.	99.980	
						CNH Italia s.p.a.	0.020	
CNH Receivables LLC	Wilmington	U.S.A.	0	USD	84.54	CNH Capital America LLC	100.000	
CNH Serviços Técnicos e Desenvolvimento de Negócios Ltda	Curitiba	Brazil	1,000,000	BRL	84.54	Banco CNH Capital S.A.	100.000	
CNH Trade N.V.	Amsterdam	Netherlands	50,000	EUR	84.54	CNH Global N.V.	100.000	
CNH U.K. Limited	Basildon	United Kingdom	91,262,275	GBP	84.54	New Holland Holding Limited	100.000	
CNH Wholesale Receivables LLC	Wilmington	U.S.A.	0	USD	84.54	CNH Capital America LLC	100.000	
Fiat Kobelco Construction Machinery S.p.A.	San Mauro Torinese	Italy	80,025,291	EUR	63.09	CNH Italia s.p.a.	59.625	
						CNH Global N.V.	15.000	
Fiatallis North America LLC	Wilmington	U.S.A.	32	USD	84.54	CNH America LLC	100.000	
Fiat-Kobelco Construction Machinery Belgium SA	Herstal-lez-Liege	Belgium	247,900	EUR	63.09	Fiat Kobelco Construction Machinery S.p.A.	100.000	
Flexi-Coil (U.K.) Limited	Basildon	United Kingdom	1,000	GBP	84.54	CNH Canada Ltd.	100.000	
Harbin New Holland Tractors Co., Ltd.	Harbin	People's Rep.of China	2,859,091	USD	84.54	New Holland Mauritius (Private) Ltd.	99.000	
						CNH International S.A.	1.000	
HFI Holdings Inc.	Wilmington	U.S.A.	1,000	USD	84.54	CNH America LLC	100.000	
JV Uzcaseagroleasing LLC	Tashkent	Uzbekistan	0	USD	43.12	Case Credit Holdings Limited	51.000	
JV UzCaseMash LLC	Tashkent	Uzbekistan	0	USD	50.73	Case Equipment Holdings Limited	60.000	
JV UzCaseService LLC	Tashkent	Uzbekistan	0	USD	43.12	Case Equipment Holdings Limited	51.000	
JV UzCaseTractor LLC	Tashkent	Uzbekistan	0	USD	43.12	Case Equipment Holdings Limited	51.000	
Kobelco Construction Machinery America LLC	Wilmington	U.S.A.	0	USD	54.95	New Holland Excavator Holdings LLC	65.000	
Kobelco Construction Machinery Europe BV in liquidation	Almere	Netherlands	567,225	EUR	63.09	Fiat Kobelco Construction Machinery S.p.A.	100.000	
MBA AG	Bassersdorf	Switzerland	4,000,000	CHF	84.54	CNH Global N.V.	100.000	
New Holland Australia Pty Ltd	Riverstone	Australia	1	AUD	84.54	CNH Australia Pty Limited	100.000	
New Holland (Canada) Credit Company	Burlington	Canada	1,000	CAD	84.54	CNH Canada Ltd.	99.000	
						Case Credit Ltd.	1.000	
New Holland (Canada) Credit Holding Ltd. in liquidation	Toronto	Canada	1	CAD	84.54	CNH Canada Ltd.	100.000	
New Holland Canada Ltd.	Saskatoon	Canada	10,403	CAD	84.54	CNH Canada Ltd.	100.000	
New Holland Credit Australia Pty Limited	Riverstone	Australia	725,834	AUD	84.54	CNH Capital Australia Pty Limited	100.000	
New Holland Credit Company LLC	Wilmington	U.S.A.	0	USD	84.54	CNH Capital LLC	100.000	
New Holland Excavator Holdings LLC	Wilmington	U.S.A.	0	USD	84.54	CNH America LLC	100.000	
New Holland Financial Services Ltd	Basildon	United Kingdom	50,000	GBP	84.54	CNH Global N.V.	100.000	
New Holland Holding Limited	London	United Kingdom	165,000,000	GBP	84.54	CNH International S.A.	100.000	
New Holland Holdings Argentina S.A.	Buenos Aires	Argentina	23,555,415	ARS	84.54	CNH Latin America Ltda.	100.000	
New Holland Ltd	Basildon	United Kingdom	1,000,000	GBP	84.54	CNH Global N.V.	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
New Holland Mauritius (Private) Ltd.	Port Louis	Mauritius	78,571,333	USD	84.54	CNH Global N.V.	100.000	
New Holland Tractor Ltd. N.V.	Antwerp	Belgium	9,631,500	EUR	84.54	New Holland Holding Limited	100.000	
New Holland Tractors (India) Private Ltd	New Delhi	India	168,736,580,600	INR	84.54	New Holland Mauritius (Private) Ltd.	100.000	
O & K - Hilfe GmbH	Berlin	Germany	25,565	EUR	84.54	CNH Baumaschinen GmbH	100.000	
Pryor Foundry Inc.	Oklahoma City	U.S.A.	1,000	USD	84.54	CNH America LLC	100.000	
Receivables Credit II Corporation	Calgary	Canada	1	CAD	84.54	CNH Capital America LLC	100.000	
RosCaseMash	Saratov	Russia	200,000	RUR	32.34	Case Equipment Holdings Limited	38.250	51.000
Shanghai New Holland Agricultural Machinery Corporation Limited	Shanghai	People's Rep.of China	35,000,000	USD	50.73	New Holland Mauritius (Private) Ltd.	60.000	
Commercial Vehicles								
Iveco S.p.A.	Turin	Italy	858,400,000	EUR	100.00	Fiat Netherlands Holding N.V.	100.000	
Amce-Automotive Manufacturing Co.Ethiopia	Addis Ababa	Ethiopia	3,000,000	ETB	70.00	Iveco S.p.A.	70.000	
Astra Veicoli Industriali S.p.A.	Piacenza	Italy	10,400,000	EUR	100.00	Iveco S.p.A.	100.000	
Brandschutztechnik Gorlitz GmbH	Gürlitz	Germany	511,292	EUR	88.00	Iveco Magirus Brandschutztechnik GmbH	88.000	
C.A.M.I.V.A. Constructeurs Associés de Matériels S.A.	Saint-Alban-Leyse	France	1,870,169	EUR	99.96	Iveco Eurofire (Holding) GmbH	99.961	
Componentes Mecanicos S.A.	Barcelona	Spain	37,405,038	EUR	59.39	Iveco Pegaso S.L.	59.387	
Effe Grundbesitz GmbH	Ulm	Germany	10,225,838	EUR	100.00	Iveco Investitions GmbH	90.000	
						Iveco S.p.A.	10.000	
Euromoteurs S.A.	Garchizy	France	2,098,560	EUR	100.00	Iveco France S.A.	100.000	
European Engine Alliance S.c.r.l.	Turin	Italy	32,044,797	EUR	61.51	CNH Global N.V.	33.333	
						Iveco S.p.A.	33.333	
Heuliez Bus S.A.	Rorthais	France	9,000,000	EUR	100.00	Société Charolaise de Participations S.A.	100.000	
IÄV-Industrie-Anlagen-Verpachtung GmbH	Ulm	Germany	25,565	EUR	100.00	Iveco Investitions GmbH	95.000	
						Iveco S.p.A.	5.000	
Ikarus Egyedi Autobusz GY	Budapest	Hungary	350,000,000	HUF	68.15	Irisbus Holding S.L.	68.146	
Ikarus Trade Kft.	Budapest	Hungary	423,220,000	HUF	100.00	Ikarusbus Jamugyarto RT	99.976	
						Irisbus Holding S.L.	0.024	
Ikarusbus Jamugyarto RT	Szokesfehervar	Hungary	974,268,827	HUF	100.00	Irisbus Italia S.p.A.	99.998	
						Irisbus France S.A.	0.002	
Industrial Vehicles Center Hainaut S.A.	Charleroi	Belgium	600,000	EUR	100.00	S.A. Iveco Belgium N.V.	95.000	
						Iveco Nederland B.V.	5.000	
Irisbus Australia Pty. Ltd.	Dandenong	Australia	1,500,000	AUD	100.00	Irisbus Holding S.L.	100.000	
Irisbus Benelux Ltd.	Leudelange	Luxembourg	594,000	EUR	100.00	Irisbus France S.A.	99.983	
						Société Charolaise de Participations S.A.	0.017	
Irisbus Deutschland GmbH	Mainz-Mombach	Germany	22,000,000	EUR	100.00	Irisbus Holding S.L.	100.000	
Irisbus France S.A.	Vénissieux	France	142,482,000	EUR	100.00	Irisbus Holding S.L.	100.000	
Irisbus Holding S.L.	Madrid	Spain	233,670,000	EUR	100.00	Iveco S.p.A.	99.999	
						Iveco Pegaso S.L.	0.001	
Irisbus Iberica S.L.	Madrid	Spain	28,930,788	EUR	100.00	Irisbus Holding S.L.	100.000	
Irisbus Italia S.p.A.	Turin	Italy	100,635,750	EUR	100.00	Irisbus Holding S.L.	100.000	
Irisbus (U.K.) Ltd	Watford	United Kingdom	200,000	GBP	100.00	Irisbus Holding S.L.	100.000	
IVC Brabant N.V. S.A.	Groot	Belgium	800,000	EUR	100.00	S.A. Iveco Belgium N.V.	75.000	
						Iveco Nederland B.V.	25.000	
IVC Nutzfahrzeuge AG	Hendschiken	Switzerland	3,500,000	CHF	100.00	Iveco (Schweiz) AG	100.000	
IVC Véhicules Industriels S.A.	Morges	Switzerland	1,200,000	CHF	100.00	Iveco (Schweiz) AG	100.000	
Iveco Argentina S.A.	Córdoba	Argentina	26,700,000	ARS	100.00	Iveco S.p.A.	99.999	
						Astra Veicoli Industriali S.p.A.	0.001	
Iveco Austria GmbH	Vienna	Austria	6,178,000	EUR	100.00	Iveco S.p.A.	100.000	
Iveco Bayern GmbH	Nuremberg	Germany	742,000	EUR	100.00	Iveco Magirus AG	100.000	
Iveco Colombia Ltda.	Santa Fe' de Bogota	Colombia	2,870,909,000	COP	100.00	Iveco Venezuela C.A.	99.974	
						Iveco Latin America Ltda	0.026	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
Iveco Contract Services Limited	Watford	United Kingdom	2,000,000	GBP	100.00	Iveco (UK) Ltd	100.000	
Iveco Danmark A/S	Glostrup	Denmark	501,000	DKK	100.00	Iveco S.p.A.	100.000	
Iveco Eurofire (Holding) GmbH	Weisweil	Germany	30,776,857	EUR	100.00	Iveco Magirus AG	90.032	
						Iveco S.p.A.	9.968	
Iveco Fiat Brasil Ltda	Sete Lagoas	Brazil	170,100,000	BRL	95.00	Fiat Automoveis S.A. - FIASA	50.000	
						Iveco S.p.A.	48.576	
						Iveco Latin America Ltda	1.424	
Iveco Finance AG	Kloten	Switzerland	1,500,000	CHF	100.00	Iveco (Schweiz) AG	100.000	
Iveco Finance GmbH	Ulm	Germany	40,000,000	EUR	100.00	Iveco Magirus AG	100.000	
Iveco Finance Limited	Watford	United Kingdom	100	GBP	100.00	Iveco (UK) Ltd	100.000	
Iveco Finanziaria S.p.A.	Turin	Italy	30,000,000	EUR	100.00	Iveco S.p.A.	100.000	
Iveco Finland OY	Espoo	Finland	200,000	EUR	100.00	Iveco S.p.A.	100.000	
Iveco France S.A.	Trappes	France	93,800,000	EUR	100.00	Iveco S.p.A.	100.000	
Iveco International Trade Finance S.A.	Paradiso	Switzerland	25,000,000	CHF	100.00	Iveco S.p.A.	100.000	
Iveco Investitions GmbH	Ulm	Germany	2,556,459	EUR	100.00	Iveco Magirus AG	99.020	
						Iveco S.p.A.	0.980	
Iveco Latin America Ltda	São Paulo	Brazil	534,700,000	BRL	100.00	Iveco S.p.A.	99.999	
						Astra Veicoli Industriali S.p.A.	0.001	
Iveco Lease GmbH	Ulm	Germany	775,000	EUR	100.00	Iveco Magirus AG	100.000	
Iveco Limited	Watford	United Kingdom	117,000,000	GBP	100.00	Iveco (UK) Ltd	100.000	
Iveco Lorraine S.a.s.	Haunconcourt	France	305,600	EUR	100.00	Iveco France S.A.	100.000	
Iveco L.V.I. S.a.s.	Saint-Priest-En-Jarez	France	503,250	EUR	100.00	Iveco France S.A.	100.000	
Iveco Magirus AG	Ulm	Germany	250,000,000	EUR	100.00	Iveco S.p.A.	53.660	
						Fiat Netherlands Holding N.V.	46.340	
Iveco Magirus Brandschutztechnik GmbH	Ulm	Germany	6,493,407	EUR	100.00	Iveco Eurofire (Holding) GmbH	99.764	
						Iveco S.p.A.	0.236	
Iveco Mezzi Speciali S.p.A.	Brescia	Italy	13,120,000	EUR	100.00	Iveco Eurofire (Holding) GmbH	100.000	
Iveco Motorenforschung AG	Arbon	Switzerland	4,600,000	CHF	100.00	Iveco S.p.A.	60.000	
						Iveco France S.A.	40.000	
Iveco Motors of North America Inc.	Wilmington	U.S.A.	1	USD	100.00	Iveco S.p.A.	100.000	
Iveco Nederland B.V.	Breda	Netherlands	4,537,802	EUR	100.00	Iveco S.p.A.	100.000	
Iveco Nord Nutzfahrzeuge GmbH	Hamburg	Germany	818,500	EUR	100.00	Iveco Magirus AG	100.000	
Iveco Nord-Ost Nutzfahrzeuge GmbH	Berlin	Germany	2,120,000	EUR	100.00	Iveco Magirus AG	100.000	
Iveco Norge A.S.	Voyenenga	Norway	18,600,000	NOK	100.00	Iveco S.p.A.	100.000	
Iveco Nutzfahrzeuge Nord-West GmbH	Dortmund-Wambel	Germany	1,355,000	EUR	100.00	Iveco Magirus AG	100.000	
Iveco Otomotiv Ticaret A.S.	Samandira-Kartal/Istanbul	Turkey	5,960,707,000,000	TRL	100.00	Iveco S.p.A.	99.995	
Iveco Participations S.A.	Trappes	France	10,896,100	EUR	100.00	Iveco S.p.A.	100.000	
Iveco Pegaso S.L.	Madrid	Spain	105,213,628	EUR	100.00	Iveco S.p.A.	99.999	
						Astra Veicoli Industriali S.p.A.	0.001	
Iveco Pension Trustee Ltd	Watford	United Kingdom	2	GBP	100.00	Iveco Limited	50.000	
						Iveco (UK) Ltd	50.000	
Iveco Plan S.A. de Ahorro para fines determinados	Buenos Aires	Argentina	153,000	ARS	100.00	Iveco Argentina S.A.	99.600	
						Fiat Argentina S.A.	0.400	
Iveco Poland Ltd.	Warsaw	Poland	46,974,500	PLN	100.00	Iveco S.p.A.	99.989	
						Fiat Polska Sp. z o.o.	0.011	
Iveco Portugal-Comercio de Veiculos Industriais S.A.	Vila Franca de Xira	Portugal	15,962,000	EUR	100.00	Iveco S.p.A.	99.997	
						Astra Veicoli Industriali S.p.A.	0.001	
Iveco (Schweiz) AG	Kloten	Switzerland	9,000,000	CHF	100.00	Iveco Nederland B.V.	100.000	
Iveco South Africa (Pty) Ltd.	Wadewille	South Africa	15,000,750	ZAR	100.00	Iveco S.p.A.	100.000	
Iveco Sud-West Nutzfahrzeuge GmbH	Mannheim-Neckarau	Germany	1,533,900	EUR	100.00	Iveco Magirus AG	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
Iveco Sweden A.B.	Arlov	Sweden	600,000	SEK	100.00	Iveco S.p.A.	100.000	
Iveco Trucks Australia Limited	Dandenong	Australia	47,492,260	AUD	100.00	Iveco S.p.A.	100.000	
Iveco (UK) Ltd	Watford	United Kingdom	47,000,000	GBP	100.00	Iveco S.p.A.	100.000	
Iveco Ukraine Inc.	Kiev	Ukraine	55,961,760	UAK	99.97	Iveco S.p.A.	99.968	
Iveco Venezuela C.A.	La Victoria	Venezuela	2,495,691,000	VEB	100.00	Iveco S.p.A.	100.000	
Iveco West Nutzfahrzeuge GmbH	Cologne	Germany	1,662,000	EUR	100.00	Iveco Magirus AG	100.000	
Karosa A.S.	Vysoke Myto	Czech Republic	1,065,559,000	CZK	97.60	Irisbus France S.A.	97.596	
Karosa r.s.o.	Bratislava	Slovak Republic	200,000	SKK	97.60	Karosa A.S.	100.000	
Lavorazione Plastica S.r.l.	Turin	Italy	14,955	EUR	100.00	Iveco S.p.A.	98.997	
						Sicca S.p.A.	1.003	
Lohr-Magirus Feuerwehrtechnik GmbH	Kainbach	Austria	1,271,775	EUR	95.00	Iveco Magirus Brandschutztechnik GmbH	95.000	
Mediterranea de Camiones S.L.	Valencia	Spain	48,080	EUR	100.00	Iveco Pegaso S.L.	100.000	
Officine Brennero S.p.A.	Trento	Italy	7,120,000	EUR	100.00	Iveco S.p.A.	100.000	
S.A. Iveco Belgium N.V.	Zellik	Belgium	6,000,000	EUR	100.00	Iveco S.p.A.	99.983	
						Iveco Nederland B.V.	0.017	
S.C.I. La Méditerranéenne	Vitrolles	France	248,000	EUR	100.00	Iveco France S.A.	50.000	
						Société de Diffusion de Vehicules Industriels-SDVI S.A.S.	50.000	
Seddon Atkinson Vehicles Ltd	Oldham	United Kingdom	41,700,000	GBP	100.00	Iveco (UK) Ltd	100.000	
Sicca S.p.A.	Modena	Italy	5,300,000	EUR	100.00	Iveco S.p.A.	100.000	
Société Charolaise de Participations S.A.	Vénissieux	France	2,370,000	EUR	100.00	Irisbus Holding S.L.	100.000	
Société de Diffusion de Vehicules Industriels-SDVI S.A.S.	Trappes	France	7,022,400	EUR	100.00	Iveco France S.A.	100.000	
Transolver Finance S.A.	Trappes	France	30,244,800	EUR	100.00	Iveco S.p.A.	100.000	
Transolver Service S.A.	Madrid	Spain	610,000	EUR	100.00	Iveco Pegaso S.L.	100.000	
Transolver Service S.p.A.	Turin	Italy	1,989,000	EUR	100.00	Iveco S.p.A.	100.000	
Transolver Services GmbH	Heilbronn	Germany	750,000	EUR	100.00	Iveco Magirus AG	100.000	
Transolver Services S.A.	Trappes	France	38,000	EUR	100.00	Fiat France S.A.	90.000	
						Iveco France S.A.	10.000	
Trucksure Services Ltd	Watford	United Kingdom	900,000	GBP	100.00	Iveco (UK) Ltd	100.000	
Utilitaires & Véhicules Industriels Franciliens-UVIF SAS	La Garenne	France	1,067,500	EUR	100.00	Iveco France S.A.	100.000	
Zona Franca Alari Sepauto S.A.	Barcelona	Spain	520,560	EUR	51.87	Iveco Pegaso S.L.	51.867	
2 H Energy S.A.S.	Fécamp	France	2,000,000	EUR	100.00	Iveco S.p.A.	100.000	

■ Ferrari and Maserati

Ferrari S.p.A.	Modena	Italy	20,000,000	EUR	56.00	Fiat S.p.A.	56.000	
Charles Pozzi S.A.	Levallois-Perret	France	280,920	EUR	56.00	Société Française de Participations Ferrari - S.F.P.F. S.A.R.L.	100.000	
Ferrari Deutschland GmbH	Wiesbaden	Germany	1,000,000	EUR	56.00	Ferrari International S.A.	100.000	
Ferrari International S.A.	Luxembourg	Luxembourg	13,112,000	EUR	56.00	Ferrari S.p.A.	99.999	
						Ferrari N.America Inc.	0.001	
Ferrari Maserati UK	Slough Berkshire	United Kingdom	50,000	GBP	56.00	Ferrari International S.A.	100.000	
Ferrari N.America Inc.	Englewood Cliffs	U.S.A.	200,000	USD	56.00	Ferrari S.p.A.	100.000	
Ferrari San Francisco Inc.	Mill Valley	U.S.A.	100,000	USD	56.00	Ferrari N.America Inc.	100.000	
Ferrari (Suisse) SA	Nyon	Switzerland	1,000,000	CHF	56.00	Ferrari International S.A.	100.000	
GSA-Gestions Sportives Automobiles S.A.	Meyrin	Switzerland	1,000,000	CHF	56.00	Ferrari International S.A.	100.000	
Maserati North America Inc.	Englewood Cliffs	U.S.A.	1,000	USD	56.00	Ferrari N.America Inc.	100.000	
Maserati S.p.A.	Modena	Italy	31,000,000	EUR	56.00	Ferrari S.p.A.	100.000	
Pozzi Rent Snc	Lyon	France	15,256	EUR	56.00	Charles Pozzi S.A.	100.000	
Société de Transformation Automobile Lyonnaise - S.T.A.L. S.a.r.l.	Lyon	France	155,498	EUR	56.00	Charles Pozzi S.A.	100.000	
Société Française de Participations Ferrari - S.F.P.F. S.A.R.L.	Levallois-Perret	France	6,000,000	EUR	56.00	Ferrari International S.A.	100.000	
410 Park Display Inc.	New York	U.S.A.	100	USD	56.00	Ferrari N.America Inc.	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli- dation	Interest held by	% interest held	% of voting rights
■ Components								
Magneti Marelli Holding S.p.A.	Corbetta	Italy	254,324,998	EUR	99.99	Fiat S.p.A.	99.991	100.000
Automotive Lighting Brotterode GmbH	Meiningen	Germany	7,270,000	EUR	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting Holding GmbH in liquidation	Innsbruck	Austria	11,952,191	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Automotive Lighting Italia S.p.A.	Venaria Reale	Italy	2,000,000	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Automotive Lighting LLC	Farmington Hills	U.S.A.	25,001,000	USD	99.99	Magneti Marelli Holding U.S.A. Inc.	100.000	
Automotive Lighting o.o.o.	Rjiasan	Russia	36,875,663	RUR	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting Polska Sp. z o.o.	Sosnowiec	Poland	83,500,000	PLN	99.99	Automotive Lighting Reutlingen GmbH Fiat Polska Sp. z o.o.	99.997 0.003	
Automotive Lighting Rear Lamps Deutschland GmbH	Grasbrunn-Neukerferloh	Germany	25,565	EUR	98.99	Automotive Lighting Rear Lamps Italia S.p.A.	99.000	
Automotive Lighting Rear Lamps Espana S.A.	Llinares del Valles	Spain	9,153,693	EUR	99.99	Automotive Lighting Rear Lamps Italia S.p.A.	100.000	
Automotive Lighting Rear Lamps France S.A.	Saint Denis	France	1,011,536	EUR	99.98	Automotive Lighting Rear Lamps Italia S.p.A.	99.992	
Automotive Lighting Rear Lamps Italia S.p.A.	Tolmezzo	Italy	13,220,000	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Automotive Lighting Reutlingen GmbH	Reutlingen	Germany	1,330,000	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Automotive Lighting S.R.O.	Jihlava	Czech Republic	927,637,000	CZK	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting UK Limited	Cannock	United Kingdom	15,387,348	GBP	99.99	Magneti Marelli Holding S.p.A.	100.000	
Fiat CIEI S.p.A.	Corbetta	Italy	624,000	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Iluminacao Automotiva Ltda	Contagem	Brazil	93,260,418	BRL	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Industrial Yorcka de Mexico S.A. de C.V.	Mexico City	Mexico	50,000	MXN	99.99	Yorcka de Mexico S.r.l. de CV Industrial Yorcka de Tepotzotlan S.A. de C.V.	98.000 2.000	
Industrial Yorcka de Tepotzotlan S.A. de C.V.	Mexico City	Mexico	50,000	MXN	99.99	Yorcka de Mexico S.r.l. de CV Industrial Yorcka de Mexico S.A. de C.V.	99.000 1.000	
Industrias Magneti Marelli Mexico S.A. de C.V.	Tepotzotlan	Mexico	50,000	MXN	99.99	Magneti Marelli Mexico S.A. Servicios Administrativos Corp. IPASA S.A.	99.998 0.002	
Kadron S/A	Maua	Brazil	20,000,000	BRL	99.69	Magneti Marelli do Brasil Industria e Comercio SA	100.000	
Magneti Marelli After Market S.p.A.	Turin	Italy	15,349,500	EUR	99.99	Magneti Marelli Holding S.p.A.	99.999	100.000
Magneti Marelli Argentina S.A.	Buenos Aires	Argentina	2,000,000	ARS	99.90	Magneti Marelli France S.A. Magneti Marelli Holding S.p.A.	84.563 15.437	
Magneti Marelli Automotive Components (WUHU) Co. Ltd.	Anhui	People's Rep. of China	3,000,000	USD	99.99	Magneti Marelli Powertrain S.p.A.	100.000	
Magneti Marelli Cofap Companhia Fabricadora de Pecas	Santo Andre	Brazil	244,206,231	BRL	99.62	Magneti Marelli Holding S.p.A.	99.628	99.966
Magneti Marelli Components B.V.	Amsterdam	Netherlands	53,600,000	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Magneti Marelli Conjuntos de Escape S.A.	Buenos Aires	Argentina	12,000	ARS	99.99	Magneti Marelli Sistemi di Scarico S.p.A. Magneti Marelli Argentina S.A.	99.000 1.000	
Magneti Marelli Controle Motor Ltda.	Hortolandia	Brazil	127,175,621	BRL	99.99	Magneti Marelli Powertrain S.p.A. Fiat do Brasil S.A.	99.997 0.003	
Magneti Marelli Deutschland GmbH	Russelsheim	Germany	1,050,000	EUR	99.99	Magneti Marelli After Market S.p.A.	100.000	
Magneti Marelli do Brasil Industria e Comercio SA	Hortolandia	Brazil	16,868,427	BRL	99.69	Magneti Marelli Holding S.p.A.	99.695	99.976
Magneti Marelli Electronica SL	Barcelona	Spain	18,388,581	EUR	99.99	Magneti Marelli Sistemi Elettronici S.p.A.	100.000	
Magneti Marelli Elektronische Systeme GmbH	Heilbronn	Germany	100,000	EUR	99.99	Magneti Marelli Sistemi Elettronici S.p.A.	100.000	
Magneti Marelli Eletronica Ltda	São Paulo	Brazil	88,185,301	BRL	99.99	Magneti Marelli Sistemi Elettronici S.p.A.	100.000	
Magneti Marelli Escapamentos Ltda	Amparo	Brazil	65,736,384	BRL	99.99	Magneti Marelli Sistemi di Scarico S.p.A. Fiat do Brasil S.A.	99.997 0.003	
Magneti Marelli Exhaust Systems Polska Sp. z o.o.	Sosnowiec	Poland	15,000,000	PLN	99.99	Magneti Marelli Sistemi di Scarico S.p.A. Fiat Polska Sp. z o.o.	99.993 0.007	
Magneti Marelli France S.A.	Nanterre	France	67,380,000	EUR	99.88	Magneti Marelli Holding S.p.A. Ufima S.A.S.	99.884 0.003	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
Magneti Marelli Guangzhou Motor Vehicle Instruments Co. Limited	Guangzhou	People's Rep.of China	8,100,000	USD	99.99	Magneti Marelli Sistemi Elettronici S.p.A.	100.000	
Magneti Marelli Holding U.S.A. Inc.	Wixom	U.S.A.	10	USD	99.99	Magneti Marelli Holding S.p.A.	100.000	
Magneti Marelli Iberica S.A.	Madrid	Spain	99,766	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Magneti Marelli Infotelecom Ltda	São Paulo	Brazil	999	BRL	99.99	Magneti Marelli Eletronica Ltda	99.900	
						Magneti Marelli do Brasil Industria e Comercio SA	0.100	
Magneti Marelli Mexico S.A.	Tepotztlan	Mexico	23,611,680	MXN	99.99	Magneti Marelli Sistemi Elettronici S.p.A.	100.000	
Magneti Marelli Motopropulsion France SAS	Nanterre	France	10,692,500	EUR	99.88	Magneti Marelli France S.A.	100.000	
Magneti Marelli North America Inc.	Wilmington	U.S.A.	40,223,205	USD	99.62	Magneti Marelli Cofap Companhia Fabricadora de Peças	100.000	
Magneti Marelli Poland S.A.	Sosnowiec	Poland	10,567,800	PLN	99.99	Magneti Marelli Holding S.p.A.	99.995	
						Fiat Polska Sp. z o.o.	0.005	
Magneti Marelli Powertrain GmbH	Russelsheim	Germany	100,000	EUR	99.99	Magneti Marelli Powertrain S.p.A.	100.000	
Magneti Marelli Powertrain (Shanghai) Co. Ltd.	Shanghai	People's Rep.of China	10,000,000	USD	99.99	Magneti Marelli Powertrain S.p.A.	100.000	
Magneti Marelli Powertrain S.p.A.	Corbetta	Italy	85,690,872	EUR	99.99	Magneti Marelli Holding S.p.A.	99.999	100.000
Magneti Marelli Powertrain U.S.A. LLC	Sanford	U.S.A.	25,000,000	USD	99.99	Magneti Marelli Holding U.S.A. Inc.	100.000	
Magneti Marelli Sistemi di Scarico S.p.A.	Corbetta	Italy	20,000,000	EUR	99.99	Magneti Marelli Components B.V.	100.000	
Magneti Marelli Sistemi Elettronici S.p.A.	Corbetta	Italy	74,897,548	EUR	99.99	Magneti Marelli Holding S.p.A.	99.999	100.000
Magneti Marelli South Africa (Proprietary) Limited	Johannesburg	South Africa	1,950,000	ZAR	99.99	Magneti Marelli Sistemi di Scarico S.p.A.	100.000	
Magneti Marelli Suspension Systems Poland Sp. z o.o.	Sosnowiec	Poland	43,100,000	PLN	99.99	Magneti Marelli Holding S.p.A.	99.993	
						Fiat Polska Sp. z o.o.	0.007	
Magneti Marelli Svenska A/B in liquidation	Goteborg	Sweden	100,000	SEK	99.99	Magneti Marelli Components B.V.	100.000	
Magneti Marelli Systèmes Electroniques France S.A.S.	Nanterre	France	40,040,016	EUR	99.99	Magneti Marelli Sistemi Elettronici S.p.A.	100.000	
Magneti Marelli Tubos de Escape SL	Barcelona	Spain	10,154,256	EUR	99.99	Magneti Marelli Sistemi di Scarico S.p.A.	100.000	
Magneti Marelli U.K. Limited	Cannock	United Kingdom	12,400,000	GBP	99.99	Magneti Marelli Components B.V.	100.000	
Malaysian Automotive Lighting SDN. BHD	Penang	Malaysia	8,000,000	MYR	79.99	Automotive Lighting Reutlingen GmbH	80.000	
Servicios Administrativos Corp. IPASA S.A.	Col. Chapultepec	Mexico	1,000	MXN	99.99	Magneti Marelli Mexico S.A.	99.990	
						Industrias Magneti Marelli Mexico S.A. de C.V.	0.010	
Sistemi Sospensioni S.p.A.	Corbetta	Italy	60,500,000	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Tecnologia de Iluminacion Automotriz S.A. de C.V.	Chihuahua	Mexico	50,000	MXN	99.99	Automotive Lighting LLC	100.000	
Tutela Lubrificantes S.A.	Contagem	Brazil	941,028	BRL	99.99	Magneti Marelli Holding S.p.A.	100.000	
Ufima S.A.S.	Nanterre	France	44,940	EUR	99.94	Magneti Marelli Holding S.p.A.	35.541	
						Fiat Partecipazioni S.p.A.	34.980	
						Magneti Marelli Components B.V.	29.426	
Yorka de Mexico S.r.l. de CV	El Marques Queretaro	Mexico	50,000	MXN	99.99	Magneti Marelli Holding U.S.A. Inc.	100.000	

■ Production Systems

Comau S.p.A.	Grugliasco	Italy	140,000,000	EUR	100.00	Fiat S.p.A.	100.000	
Autodie International, Inc.	Grand Rapids	U.S.A.	1,000	USD	100.00	Comau Pico Holdings Corporation	100.000	
Comau Argentina S.A.	Buenos Aires	Argentina	3,617,977	ARS	100.00	Comau S.p.A.	55.283	
						Comau do Brasil Industria e Comercio Ltda.	44.689	
						Fiat Argentina S.A.	0.028	
Comau Belgium N.V.	Zedelgem	Belgium	175,000	EUR	100.00	Comau S.p.A.	99.900	
						Comau Service France S.A.	0.100	
Comau Deutschland GmbH	Boblingen	Germany	1,330,000	EUR	100.00	Comau S.p.A.	100.000	
Comau do Brasil Industria e Comercio Ltda.	Betim	Brazil	112,794,611	BRL	100.00	Comau S.p.A.	99.999	
						Fiat do Brasil S.A.	0.001	
Comau Estil Unl.	Luton	United Kingdom	46,108,100	USD	100.00	Comau S.p.A.	100.000	
COMAU Germann-Intec GmbH & Co. KG	Heilbronn	Germany	1,478,614	EUR	100.00	Germann-Intec Verwaltungs GmbH	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
Comau India Private Limited	Pune	India	58,435,020	INR	100.00	Comau S.p.A. Comau Deutschland GmbH	99.990 0.010	
COMAU Ingest Sverige AB	Trollhattan	Sweden	5,000,000	SEK	100.00	Comau S.p.A. Ingest Facility S.p.A.	51.000 49.000	
Comau Pico Holdings Corporation	New York	U.S.A.	100	USD	100.00	Comau S.p.A.	100.000	
Comau Poland Sp. z o.o.	Bielsko-Biala	Poland	2,100,000	PLN	100.00	Comau S.p.A. Fiat Polska Sp. z o.o.	99.976 0.024	
Comau Romania S.R.L.	Bihor	Romenia	3,249,800,000	ROL	100.00	Comau S.p.A.	100.000	
Comau SA Body Systems (Pty) Ltd.	Uitenhage	South Africa	300	ZAR	100.00	Comau South Africa (Pty) Ltd.	100.000	
Comau SA Press Tools and Parts (Pty) Ltd.	Uitenhage	South Africa	100	ZAR	100.00	Comau South Africa (Pty) Ltd.	100.000	
Comau SA Properties (Pty) Ltd.	Uitenhage	South Africa	100	ZAR	100.00	Comau South Africa (Pty) Ltd.	100.000	
Comau Sciaky S.A.	Trappes	France	40,000	EUR	99.76	Comau Systèmes France S.A.	99.760	
Comau Service France S.A.	Trappes	France	1,086,000	EUR	99.99	Comau S.p.A.	99.987	
Comau Service Systems S.L.	Madrid	Spain	250,000	EUR	100.00	Comau S.p.A.	100.000	
Comau Service U.K. Ltd	Watford	United Kingdom	50,000	GBP	100.00	Comau S.p.A.	100.000	
Comau (Shanghai) Automotive Equipment Co. Ltd.	Shanghai	People's Rep. of China	1,000,000	USD	100.00	Comau S.p.A.	100.000	
Comau South Africa (Pty) Ltd.	Uitenhage	South Africa	1,001,000	ZAR	100.00	Comau S.p.A.	100.000	
Comau Systèmes France S.A.	Trappes	France	9,112,592	EUR	100.00	Comau S.p.A.	100.000	
Eagle Test and Assembly Co.	Southfield	U.S.A.	1,000	USD	100.00	Comau Pico Holdings Corporation	100.000	
Estil Shrewsbury Ltd. in liquidation	Shropshire	United Kingdom	100	GBP	100.00	Comau Estil Unl.	100.000	
Geico do Brasil Ltda	Betim	Brazil	202,950	BRL	48.78	Geico S.p.A. Comau do Brasil Industria e Comercio Ltda.	95.565 0.044	
Geico Endustriyel Taahhut A.S.	Istanbul	Turkey	100,000,000,000	TRL	50.98	Geico S.p.A.	99.959	
Geico S.p.A.	Cinisello Balsamo	Italy	3,627,000	EUR	51.00	Comau S.p.A.	51.000	
Germann-Intec Verwaltungs GmbH	Heilbronn	Germany	25,000	EUR	100.00	Comau Deutschland GmbH	100.000	
Mecaner S.A.	Urduliz	Spain	6,000,000	EUR	100.00	Comau S.p.A.	100.000	
Novi Industries, Inc.	Novi	U.S.A.	1,000	USD	100.00	Comau Pico Holdings Corporation	100.000	
Pico East, Inc.	Macomb	U.S.A.	1,000	USD	100.00	Comau Pico Holdings Corporation	100.000	
Pico Estil Control Systems Ltd.	Rainham	United Kingdom	100	GBP	100.00	Comau Estil Unl.	100.000	
Pico Estil Manufacturing Ltd. in liquidation	Luton	United Kingdom	5,000	GBP	100.00	Comau Estil Unl.	100.000	
Pico Europe, Inc.	Southfield	U.S.A.	1,000	USD	100.00	Comau S.p.A.	100.000	
Pico Expatriate, Inc.	Southfield	U.S.A.	1,000	USD	100.00	Comau Pico Holdings Corporation	100.000	
Pico laisa S.de R.L. de C.V.	Tepozotlan	Mexico	3,000	MXN	100.00	Progressive Mexico S.de R.L. de C.V. Comau S.p.A.	99.967 0.033	
Pico Pitex S.de R.L. C.V.	Tepozotlan	Mexico	3,000	MXN	100.00	Progressive Mexico S.de R.L. de C.V. Comau S.p.A.	99.967 0.033	
Pico Resources, Inc.	Southfield	U.S.A.	1,000	USD	100.00	Comau Pico Holdings Corporation	100.000	
Precision.Com Corp.	Plymouth	U.S.A.	1,000	USD	100.00	Comau Pico Holdings Corporation	100.000	
Progressive Industries Co. of Canada Ltd.	Windsor	Canada	100	CAD	100.00	Comau S.p.A.	100.000	
Progressive Mexico S.de R.L. de C.V.	Tepozotlan	Mexico	3,000	MXN	100.00	Comau S.p.A. Comau Deutschland GmbH	99.967 0.033	
Progressive Tool & Industries Company	Southfield	U.S.A.	21,455	USD	100.00	Comau Pico Holdings Corporation	100.000	
Trebol Tepozotlan S.de R.L. de C.V.	Tepozotlan	Mexico	3,000	MXN	100.00	Progressive Mexico S.de R.L. de C.V. Comau S.p.A.	99.967 0.033	
Wisne Automation & Engineering Co.	Novi	U.S.A.	1,000	USD	100.00	Comau Pico Holdings Corporation	100.000	
■ Metallurgical Products								
Teksid S.p.A.	Turin	Italy	239,600,000	EUR	80.48	Fiat S.p.A.	80.482	
Accurcast Limited in liquidation	Saint John	Canada	39,684,600	CAD	41.05	Meridian Technologies Inc.	100.000	
Compania Industrial Frontera S.A. de C.V.	São Pedro	Mexico	50,000	MXN	80.48	Teksid Hierro de Mexico S.A. de C.V.	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
Fonderie du Poitou Fonte S.A.S.	Ingrandes-sur-Vienne	France	26,958,464	EUR	80.48	Teksid S.p.A.	100.000	
Funfrap-Fundicao Portuguesa S.A.	Cacia	Portugal	13,697,550	EUR	67.29	Fonderie du Poitou Fonte S.A.S.	83.607	
Jutras Die Casting Limited in liquidation	Saint John	Canada	24,490,715	CAD	41.05	Meridian Technologies Inc.	100.000	
Magnesium Products of America Inc.	Eaton Rapids	U.S.A.	43,454,000	USD	41.05	Meridian Technologies Inc.	100.000	
Magnesium Products of Italy S.r.l.	Verres	Italy	13,962,000	EUR	41.05	Magnesium Products of America Inc.	100.000	
Meridian Deutschland GmbH	Heilbronn	Germany	25,600	EUR	41.05	Meridian Technologies Inc.	100.000	
Meridian Magnesium LLC in liquidation	Wilmington	U.S.A.	4,962	USD	41.05	Meridian Technologies Japan Inc.	90.000	
						Meridian Technologies Inc.	10.000	
Meridian Technologies Inc.	Saint John	Canada	173,123,445	CAD	41.05	Teksid S.p.A.	31.450	
						Teksid Acquisition Inc.	19.550	
Meridian Technologies Japan Inc.	Saint John	Canada	6,210	CAD	41.05	Meridian Technologies Inc.	100.000	
Shanghai Meridian Magnesium Products Company Limited	Shanghai	People's Rep. of China	8,000,000	USD	24.63	Meridian Technologies Inc.	60.000	
Société Bretonne de Fonderie et de Mécanique S.A.	Caudan	France	10,549,859	EUR	80.48	Teksid S.p.A.	100.000	
Teksid Acquisition Inc.	Toronto	Canada	68,800,001	CAD	80.48	Teksid S.p.A.	100.000	
Teksid do Brasil Ltda	Betim	Brazil	59,899,570	BRL	80.48	Teksid S.p.A.	100.000	
Teksid Hierro de Mexico S.A. de C.V.	São Pedro	Mexico	567,466,400	MXN	80.48	Teksid S.p.A.	100.000	
Teksid Inc.	Wilmington	U.S.A.	100,000	USD	80.48	Teksid S.p.A.	100.000	
Teksid Iron Poland Sp. z o.o.	Skoczow	Poland	115,678,500	PLN	80.48	Teksid S.p.A.	99.996	
						Fiat Polska Sp. z o.o.	0.004	

Services

Business Solutions S.p.A.	Turin	Italy	10,000,000	EUR	100.00	Fiat S.p.A.	100.000	
Atlant S.p.A.	Turin	Italy	2,000,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Building Services S.r.l.	Turin	Italy	90,000	EUR	51.00	Ingest Facility S.p.A.	51.000	
Building Support S.r.l.	Turin	Italy	90,000	EUR	51.00	Building Services S.r.l.	100.000	
Business Solutions Argentina S.A.	Buenos Aires	Argentina	12,000	ARS	100.00	Business Solutions do Brasil Ltda	99.992	
						Fiat Auto Argentina S.A.	0.008	
Business Solutions Deutschland FiatGroup GmbH	Ulm	Germany	200,000	EUR	100.00	Business Solutions S.p.A.	100.000	
Business Solutions do Brasil Ltda	Nova Lima	Brazil	36,915,855	BRL	100.00	Business Solutions S.p.A.	100.000	
Business Solutions France FiatGroup S.a.s.	Levallois-Perret	France	695,600	EUR	100.00	Business Solutions S.p.A.	100.000	
Business Solutions Iberica Fiat Group SL	Madrid	Spain	369,327	EUR	100.00	Business Solutions S.p.A.	80.000	
						Fiat Iberica S.A.	20.000	
Business Solutions Polska Sp. z o.o.	Bielsko-Biala	Poland	3,600,000	PLN	100.00	Business Solutions S.p.A.	99.986	
						Fiat Polska Sp. z o.o.	0.014	
Delivery & Mail S.r.l.	Turin	Italy	90,000	EUR	100.00	Ingest Facility S.p.A.	100.000	
eSPIN S.p.A.	Turin	Italy	1,000,000	EUR	100.00	Business Solutions S.p.A.	100.000	
Fast Buyer do Brasil Ltda	Nova Lima	Brazil	50,000	BRL	99.92	Fast-Buyer S.p.A.	99.998	
						Business Solutions do Brasil Ltda	0.002	
Fast Buyer France S.a.r.l.	Paris	France	7,700	EUR	99.92	Fast-Buyer S.p.A.	100.000	
Fast-Buyer S.p.A.	Turin	Italy	500,000	EUR	99.92	Business Solutions S.p.A.	99.916	
Fiat GES.CO. Belgium N.V.	Brugge	Belgium	62,500	EUR	100.00	Gesco U.K. Limited	99.960	
						Fiat Gesco S.p.A.	0.040	
Fiat Gesco S.p.A.	Turin	Italy	3,600,000	EUR	100.00	Business Solutions S.p.A.	100.000	
Gesco U.K. Limited	Basildon	United Kingdom	750,000	GBP	100.00	Fiat Gesco S.p.A.	75.000	
						Fiat United Kingdom Limited	25.000	
Global Value S.p.A.	Turin	Italy	1,000,000	EUR	50.00	Business Solutions S.p.A.	50.000	
H.R. Services S.p.A.	Turin	Italy	400,000	EUR	100.00	Business Solutions S.p.A.	100.000	
Individua S.p.A.	Milan	Italy	105,000	EUR	100.00	WorkNet società di fornitura di lavoro temporaneo-per azioni	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
Ingest Facility Polska Sp. z o.o.	Bielsko-Biala	Poland	500,000	PLN	100.00	Ingest Facility S.p.A. Fiat Polska Sp. z o.o.	99.800 0.200	
Ingest Facility S.p.A.	Turin	Italy	1,700,000	EUR	100.00	Business Solutions S.p.A.	100.000	
Isvor Knowledge System S.p.A.	Turin	Italy	500,000	EUR	98.61	Business Solutions S.p.A. Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	70.000 30.000	
KeyG Consulting S.p.A.	Turin	Italy	167,352	EUR	60.00	Fiat Gesco S.p.A. Business Solutions S.p.A.	52.800 7.200	
Learning Systems S.p.A.	Milan	Italy	104,000	EUR	50.29	Isvor Knowledge System S.p.A.	51.000	
Risk Management S.p.A.	Turin	Italy	120,000	EUR	100.00	Business Solutions S.p.A.	100.000	
Sadi Brasil Ltda.	Nova Lima	Brazil	100,000	BRL	96.95	Business Solutions do Brasil Ltda CNH Latin America Ltda. Fiat Automoveis S.A. - FIASA Iveco Fiat Brasil Ltda Iveco Latin America Ltda	60.000 10.000 10.000 10.000 10.000	
Sadi Polska-Agencja Celna Sp. z o.o.	Bielsko-Biala	Poland	500,000	PLN	100.00	Servizi e Attività Doganali per l'Industria S.p.A. Fiat Polska Sp. z o.o.	99.800 0.200	
Scuola di Pubblica Amministrazione s.p.a.	Lucca	Italy	100,000	EUR	51.97	Isvor Knowledge System S.p.A.	52.700	
Servizi e Attività Doganali per l'Industria S.p.A.	Turin	Italy	520,000	EUR	100.00	Business Solutions S.p.A.	100.000	
Sestrieres S.p.A.	Sestriere	Italy	16,120,000	EUR	100.00	Business Solutions S.p.A. Fiat Partecipazioni S.p.A.	70.000 30.000	
Sporting Club Sestrieres S.R.L.	Sestriere	Italy	312,000	EUR	100.00	Sestrieres S.p.A.	100.000	
Telexis do Brasil Ltda.	Nova Lima	Brazil	1,400	BRL	99.94	Fast Buyer do Brasil Ltda Business Solutions do Brasil Ltda	71.357 28.643	
Trantor S.r.l.	Milan	Italy	104,000	EUR	100.00	Ingest Facility S.p.A.	100.000	
Worknet Formazione S.r.l.	Milan	Italy	50,000	EUR	100.00	WorkNet società di fornitura di lavoro temporaneo-per azioni	100.000	
WorkNet società di fornitura di lavoro temporaneo-per azioni	Rome	Italy	1,000,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
■ Publishing and Communications								
Itedi-Italiana Edizioni S.p.A.	Turin	Italy	5,980,000	EUR	100.00	Fiat S.p.A.	100.000	
Editrice La Stampa S.p.A.	Turin	Italy	4,160,000	EUR	100.00	Itedi-Italiana Edizioni S.p.A.	100.000	
Publikompass S.p.A.	Milan	Italy	3,068,000	EUR	100.00	Itedi-Italiana Edizioni S.p.A.	100.000	
■ Miscellaneous and Holding companies								
Centro Ricerche Plast-Optica S.p.A.	Amaro	Italy	1,033,000	EUR	72.34	C.R.F. Società Consortile per Azioni Automotive Lighting Rear Lamps Italia S.p.A.	51.000 24.500	
Consorzio "Sirio" per la Sicurezza Industriale	Turin	Italy	56,364	EUR	66.24	Fiat Auto S.p.A. Iveco S.p.A. Magnet Marelli Powertrain S.p.A. Fiat S.p.A. Comau S.p.A. Ferrari S.p.A. Teksid S.p.A. Irisbus Italia S.p.A. Magnet Marelli Sistemi Elettronici S.p.A. Fiat Gesco S.p.A. Sistemi Sospensioni S.p.A. Fiat Kobelco Construction Machinery S.p.A. C.R.F. Società Consortile per Azioni Fiat Servizi per l'Industria S.c.p.a.	36.978 9.692 1.661 1.594 1.588 1.545 1.404 1.314 1.221 1.168 1.163 1.133 1.129 1.064	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
						Fiat Ge.Va. S.p.A.	0.948	
						Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	0.947	
						Fidis S.p.A.	0.711	
						Magneti Marelli Sistemi di Scarico S.p.A.	0.498	
						CNH Italia s.p.a.	0.494	
						Automotive Lighting Italia S.p.A.	0.488	
						Editrice La Stampa S.p.A.	0.488	
						Elasis-Società Consortile per Azioni	0.488	
						Ingest Facility S.p.A.	0.487	
						Fiat Partecipazioni S.p.A.	0.432	
						H.R. Services S.p.A.	0.373	
						Fiat Information & Communication Services società consortile per azioni	0.219	
						Astra Veicoli Industriali S.p.A.	0.213	
						Atlanet S.p.A.	0.213	
						Magneti Marelli Holding S.p.A.	0.213	
						Savarent Società per Azioni	0.213	
						Servizi e Attività Doganali per l'Industria S.p.A.	0.213	
						Fiat-Revisione Interna S.c.r.l.	0.121	
						Iveco Mezzi Speciali S.p.A.	0.121	
						Fiat Center Italia S.p.A.	0.089	
						Isvor Knowledge System S.p.A.	0.089	
						Consorzio Fiat Media Center	0.082	
						Orione-Consorzio Industriale per la Sicurezza e la Vigilanza	0.082	
						Business Solutions S.p.A.	0.078	
						eSPIN S.p.A.	0.078	
						Fast-Buyer S.p.A.	0.078	
						Itedi-Italiana Edizioni S.p.A.	0.075	
						Maserati S.p.A.	0.075	
						Pharos S.r.l.	0.075	
						Risk Management S.p.A.	0.075	
						Sisport Fiat Società per Azioni-SF	0.075	
						Fiat International S.p.A.	0.045	
						Palazzo Grassi S.p.A.	0.045	
						Automotive Lighting Rear Lamps Italia S.p.A.	0.044	
						Lavorazione Plastica S.r.l.	0.044	
						Delivery & Mail S.r.l.	0.039	
						Easy Drive S.r.l.	0.039	
						Global Value S.p.A.	0.039	
						Iveco Finanziaria S.p.A.	0.039	
C.R.F. Società Consortile per Azioni	Orbassano	Italy	45,400,000	EUR	93.81	Fiat Auto S.p.A.	40.000	
						Iveco S.p.A.	20.000	
						Magneti Marelli Holding S.p.A.	20.000	
						CNH Italia s.p.a.	5.000	
						Comau S.p.A.	5.000	
						Teksid S.p.A.	5.000	
						Fiat Partecipazioni S.p.A.	4.000	
						Ferrari S.p.A.	1.000	
Deposito Avogadro S.r.l.	Turin	Italy	100,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
Elasis-Società Consortile per Azioni	Pomigliano d'Arco	Italy	20,000,000	EUR	91.12	Fiat Auto S.p.A.	56.000	
						C.R.F. Società Consortile per Azioni	27.933	
						CNH Italia s.p.a.	6.800	
						Iveco S.p.A.	3.300	
						Comau S.p.A.	1.500	
						Magneti Marelli Holding S.p.A.	1.500	
						Fiat Partecipazioni S.p.A.	1.450	
						Ferrari S.p.A.	1.100	
						Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	0.250	
						Fiat S.p.A.	0.167	
Fahag Immobilien-und Finanz-Gesellschaft AG	Zurich	Switzerland	500,000	CHF	100.00	IHF-Internazionale Holding Fiat S.A.	100.000	
Fias Fiat Administration und Service GmbH	Ulm	Germany	102,258	EUR	98.00	Iveco Magirus AG	80.000	
						Fiat Automobil AG	20.000	
Fiat Argentina S.A.	Buenos Aires	Argentina	520,002	ARS	100.00	Fiat Partecipazioni S.p.A.	99.990	
						SGR-Sociedad para la Gestion de Riesgos S.A.	0.010	
Fiat Concord S.A.	Buenos Aires	Argentina	1	ARS	100.00	Fiat Argentina S.A.	99.996	
						SGR-Sociedad para la Gestion de Riesgos S.A.	0.004	
Fiat do Brasil S.A.	Nova Lima	Brazil	999,684	BRL	100.00	Fiat Partecipazioni S.p.A.	99.932	
						Fiat Gesco S.p.A.	0.061	
						Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	0.007	
Fiat Energia S.r.l.	Turin	Italy	350,088,770	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Fiat Financas Brasil Ltda	Nova Lima	Brazil	2,469,701	BRL	100.00	Fiat Ge.Va. S.p.A.	99.994	
						Fiat do Brasil S.A.	0.006	
Fiat Finance and Trade Ltd	Luxembourg	Luxembourg	251,494,000	EUR	100.00	Fiat Ge.Va. S.p.A.	99.993	
						Fiat Finance Canada Ltd.	0.007	
Fiat Finance Canada Ltd.	Calgary	Canada	10,099,885	CAD	100.00	Fiat Ge.Va. S.p.A.	100.000	
Fiat Finance Luxembourg S.A.	Luxembourg	Luxembourg	100,000	USD	100.00	Intermap (Nederland) B.V.	99.000	
						Fiat Netherlands Holding N.V.	1.000	
Fiat Finance North America Inc.	Wilmington	U.S.A.	40,090,010	USD	100.00	Fiat Ge.Va. S.p.A.	60.526	
						Fiat S.p.A.	39.474	
Fiat France S.A.	Paris	France	55,216,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Fiat Gesco UK Limited in liquidation	London	United Kingdom	625,767	GBP	100.00	Fiat United Kingdom Limited	100.000	
Fiat Ge.Va. S.p.A.	Turin	Italy	224,440,000	EUR	100.00	Fiat S.p.A.	100.000	
Fiat Gra.De EEIG	Watford	United Kingdom	0	GBP	91.59	Fiat Auto S.p.A.	46.000	
						CNH Global N.V.	23.000	
						Fiat Netherlands Holding N.V.	23.000	
						Business Solutions S.p.A.	2.000	
						Fiat S.p.A.	2.000	
						Comau S.p.A.	1.000	
						C.R.F. Società Consortile per Azioni	1.000	
						Magneti Marelli Holding S.p.A.	1.000	
						Teksid S.p.A.	1.000	
						Fiat Iberica S.A.	Madrid	Spain

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
Fiat Information & Communication Services società consortile per azioni	Turin	Italy	800,000	EUR	95.55	Fiat S.p.A.	51.000	
						CNH Italia s.p.a.	10.000	
						Fiat Auto S.p.A.	10.000	
						Iveco S.p.A.	10.000	
						Business Solutions S.p.A.	3.000	
						Comau S.p.A.	3.000	
						Ferrari S.p.A.	3.000	
						Itedi-Italiana Edizioni S.p.A.	3.000	
						Magneti Marelli Holding S.p.A.	3.000	
						Teksid S.p.A.	3.000	
						Fiat Partecipazioni S.p.A.	1.000	
Fiat International S.p.A.	Turin	Italy	61,300,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Fiat Netherlands Holding N.V.	Amsterdam	Netherlands	4,366,482,748	EUR	100.00	Fiat S.p.A.	60.563	
						Fiat Partecipazioni S.p.A.	39.437	
Fiat Partecipazioni S.p.A.	Turin	Italy	3,924,685,869	EUR	100.00	Fiat S.p.A.	100.000	
Fiat Polska Sp. z o.o.	Warsaw	Poland	25,500,000	PLN	99.99	Fiat Partecipazioni S.p.A.	99.904	
						Fiat Auto Poland S.A.	0.029	
						Automotive Lighting Polska Sp. z o.o.	0.010	
						Magneti Marelli Exhaust Systems Polska Sp. z o.o.	0.010	
						Magneti Marelli Poland S.A.	0.010	
						Magneti Marelli Suspension Systems Poland Sp. z o.o.	0.010	
						Teksid Iron Poland Sp. z o.o.	0.010	
						Business Solutions Polska Sp. z o.o.	0.002	
						CNH Polska Sp. z o.o.	0.002	
						Comau Poland Sp. z o.o.	0.002	
						Fidis Faktoring Polska Sp. z o.o.	0.002	
						Fidis Finance Polska Sp. z o.o.	0.002	
						Ingest Facility Polska Sp. z o.o.	0.002	
						Sadi Polska-Agencja Celną Sp. z o.o.	0.002	
						Sirio Polska Sp. z o.o.	0.002	
Iveco Poland Ltd.	0.001							
Fiat Servizi per l'Industria S.c.p.a.	Turin	Italy	3,850,000	EUR	95.70	Fiat S.p.A.	36.468	
						Fiat Auto S.p.A.	33.532	
						Iveco S.p.A.	6.000	
						H.R. Services S.p.A.	4.500	
						Magneti Marelli Holding S.p.A.	4.000	
						Business Solutions S.p.A.	3.000	
						CNH Italia s.p.a.	3.000	
						Fiat Partecipazioni S.p.A.	3.000	
						Teksid S.p.A.	2.000	
						Comau S.p.A.	1.500	
						C.R.F. Società Consortile per Azioni	1.500	
Editrice La Stampa S.p.A.	1.500							
Fiat Servizi S.A.	Paradiso	Switzerland	100,000	CHF	100.00	IHF-Internazionale Holding Fiat S.A.	100.000	
Fiat United Kingdom Limited	London	United Kingdom	860,000	GBP	100.00	Fiat Partecipazioni S.p.A.	100.000	
Fiat U.S.A. Inc.	New York	U.S.A.	16,830,000	USD	100.00	Fiat S.p.A.	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
Fiat-Revisione Interna S.c.r.l.	Turin	Italy	300,000	EUR	93.28	Fiat Auto S.p.A.	20.000	
						Fiat Partecipazioni S.p.A.	15.667	
						Fiat S.p.A.	14.000	
						CNH Global N.V.	10.000	
						Iveco S.p.A.	10.000	
						Comau S.p.A.	5.000	
						Ferrari S.p.A.	5.000	
						Itedi-Italiana Edizioni S.p.A.	5.000	
						Magneti Marelli Holding S.p.A.	5.000	
						Teksid S.p.A.	5.000	
						Business Solutions S.p.A.	4.333	
Fiat Ge.Va. S.p.A.	1.000							
IHF-Internazionale Holding Fiat S.A.	Paradiso	Switzerland	100,000,000	CHF	100.00	Fiat S.p.A.	100.000	
Intermap (Nederland) B.V.	Amsterdam	Netherlands	200,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	Turin	Italy	300,000	EUR	95.36	Fiat S.p.A.	26.000	
						Fiat Auto S.p.A.	22.000	
						Iveco S.p.A.	17.000	
						CNH Italia s.p.a.	12.000	
						Magneti Marelli Holding S.p.A.	9.000	
						Comau S.p.A.	8.000	
						Business Solutions S.p.A.	3.000	
Teksid S.p.A.	3.000							
La Stampa Europe SAS	Paris	France	18,600,000	EUR	100.00	Fiat France S.A.	100.000	
Neptunia Assicurazioni Marittime S.A.	Lausanne	Switzerland	10,000,000	CHF	100.00	Rimaco S.A.	100.000	
New Business Quattordici S.p.A.	Turin	Italy	1,000,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
New Business 7 S.p.A.	Turin	Italy	11,899,524	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
New Business 8 S.p.A.	Turin	Italy	1,437,210	EUR	100.00	New Business 7 S.p.A.	100.000	
Palazzo Grassi S.p.A.	Venice	Italy	8,500,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Pharos S.r.l.	Turin	Italy	105,000	EUR	95.90	Fiat Servizi per l'Industria S.c.p.a.	95.238	
						Fiat Partecipazioni S.p.A.	4.762	
Rimaco S.A.	Lausanne	Switzerland	350,000	CHF	100.00	IHF-Internazionale Holding Fiat S.A.	100.000	
Sisport Fiat Società per Azioni-SF	Turin	Italy	7,120,800	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	

Subsidiaries valued by the equity method

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
■ Automobiles								
Alfa Romeo Inc.	Orlando	U.S.A.	3,000,000	USD	90.00	Fiat Auto S.p.A.	100.000	
Alfa Romeo Motors Ltd.	Bangkok	Thailand	160,000,000	THB	90.00	Fiat Auto S.p.A.	99.999	
Andalcar Motor S.L.	Jerez	Spain	2,186,928	EUR	90.00	Inmap 2000 Espana S.L.	100.000	
Auto Italia Erfurt GmbH in liquidation	Erfurt	Germany	2,985,000	EUR	90.00	Fiat Automobil Vertriebs GmbH	100.000	
F.A. Austria Commerz GmbH	Vienna	Austria	37,000	EUR	90.00	Fiat Auto (Suisse) S.A.	100.000	
Fiat Auto Egypt Industrial Company SAE	Giza	Egypt	50,000,000	EGP	72.36	Fiat Auto S.p.A.	80.400	
Fiat Auto Egypt S.A.E.	Giza	Egypt	5,000,000	EGP	71.64	Fiat Auto Egypt Industrial Company SAE	99.000	
Fiat Auto S.A. de Ahorro para Fines Determinados	Buenos Aires	Argentina	60,000	ARS	90.01	Fiat Auto Argentina S.A. Fiat Argentina S.A.	99.900 0.100	
Fiat Auto Thailand Pvt. Ltd.	Bangkok	Thailand	300,000,000	THB	90.00	Fiat Auto S.p.A.	100.000	
Fiat Automoviles Venezuela C.A.	Caracas	Venezuela	300,000	VEB	90.00	Fiat Automoveis S.A. - FIASA	100.000	
Italcar SA	Casablanca	Morocco	4,000,000	MAD	90.00	Inmap 2000 Espana S.L.	100.000	
Leasys S.p.A.	Fiumicino	Italy	319,200,000	EUR	45.90	Fidis Renting Italia S.p.A.	51.000	
Multipoint Sevilla S.A.	Seville	Spain	2,336,596	EUR	90.00	Inmap 2000 Espana S.L.	100.000	
Sirio Polska Sp. z o.o.	Bielsko-Biala	Poland	1,350,000	PLN	90.00	Fiat Auto Poland S.A. Fiat Polska Sp. z o.o.	99.963 0.037	
Targa Trafficmaster S.p.A.	Turin	Italy	3,453,000	EUR	89.00	Fidis S.p.A.	98.886	
Zao Nizhegorod Motors	Nizhnjy Novgorod	Russia	24,660,000	RUR	65.83	Fiat Auto S.p.A.	73.139	73.127
■ Agricultural and Construction Equipment								
Farmers New Holland Inc.	Wilmington	U.S.A.	650,000	USD	84.54	CNH America LLC	100.000	
La Grande New Holland Inc.	Wilmington	U.S.A.	404,800	USD	64.12	CNH America LLC	75.840	
Medicine Hat New Holland Ltd.	Ottawa	Canada	977,000	CAD	74.56	New Holland Canada Ltd.	88.188	
Memphis New Holland Inc.	Wilmington	U.S.A.	487,600	USD	81.79	CNH America LLC	96.739	
Northside New Holland Inc.	Wilmington	U.S.A.	250,000	USD	77.78	CNH America LLC	92.000	
Pensacola Tractor & Equipment Inc.	Wilmington	U.S.A.	330,000	USD	84.54	CNH America LLC	100.000	
Ridgeview New Holland Inc.	Wilmington	U.S.A.	440,000	USD	67.61	CNH America LLC	79.977	
St. Catharines New Holland Ltd.	Ottawa	Canada	327,700	CAD	57.22	New Holland Canada Ltd.	67.684	
Sunrise Tractor & Equipment Inc.	Wilmington	U.S.A.	875,000	USD	78.55	CNH America LLC	92.914	
Tri-County New Holland Inc.	Wilmington	U.S.A.	400,000	USD	84.54	CNH America LLC	100.000	
■ Commercial Vehicles								
Altra S.p.A.	Genoa	Italy	516,400	EUR	66.67	Irisbus Italia S.p.A.	66.670	
F. Pegaso S.A.	Madrid	Spain	993,045	EUR	100.00	Iveco Pegaso S.L.	100.000	
Financière Pegaso France S.A.	Trappes	France	260,832	EUR	100.00	Iveco Pegaso S.L.	100.000	
Iveco S.P.R.L.	Kinshasa	Congo (Dem. Rep. Congo)	340,235,000	CDF	100.00	Iveco S.p.A. Astra Veicoli Industriali S.p.A.	99.992 0.008	
■ Components								
Cofap Fabricadora de Pecas Ltda	Santo Andre	Brazil	60,838,291	BRL	68.14	Magneti Marelli do Brasil Industria e Comercio SA	68.350	
Seima Italiana Auto Svet	Krasnig Oktjabr Kirz	Russia	14,574,000	RUR	99.99	Automotive Lighting Rear Lamps Italia S.p.A.	100.000	
■ Production Systems								
Comau AGS S.p.A.	Grugliasco	Italy	1,000,000	EUR	100.00	Comau S.p.A.	100.000	
Comau Australia Pty. Ltd	Wingfield	Australia	765,589	AUD	100.00	Comau S.p.A.	100.000	
Comau Russia OOO	Moscow	Russia	4,770,225	RUR	100.00	Comau S.p.A. Comau Deutschland GmbH	99.000 1.000	
Sciaky s.a.s.	Bonneuil Sur Marne	France	795,077	EUR	99.76	Comau Sciaky S.A.	100.000	

Subsidiaries valued by the equity method (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
■ Metallurgical Products								
Teksid of India Private Limited Company in liquidation	Bardez-Goa	India	403,713,830	INR	80.48	Teksid S.p.A.	100.000	
■ Services								
Cromos Consulenza e Formazione S.r.l. in liquidation	Turin	Italy	13,000	EUR	76.00	Business Solutions S.p.A.	76.000	
Matrix S.r.l. in liquidation	Turin	Italy	30,000	EUR	99.95	Business Solutions S.p.A. Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	99.000 1.000	
■ Publishing and Communications								
BMI S.p.A.	Genoa	Italy	124,820	EUR	58.00	Itedi-Italiana Edizioni S.p.A.	58.004	
■ Miscellaneous and Holding companies								
Banca Unione di Credito (Cayman) Ltd	Grand Cayman	Cayman Islands	10,000,000	CHF	100.00	BUC - Banca Unione di Credito	100.000	
BUC - Banca Unione di Credito	Lugano	Switzerland	100,000,000	CHF	100.00	IHF-Internazionale Holding Fiat S.A.	100.000	
Business Solutions FiatGroup USA Inc.	Wilmington	U.S.A.	1,000	USD	100.00	Fiat Partecipazioni S.p.A.	100.000	
Centro Studi sui Sistemi di Trasporto-CSST S.p.A.	Turin	Italy	520,000	EUR	84.42	Fiat Auto S.p.A. Iveco S.p.A. C.R.F. Società Consortile per Azioni	49.000 30.000 11.000	
European Engine Alliance EEIG	Basildon	United Kingdom	0	GBP	61.51	CNH U.K. Limited Iveco S.p.A.	33.333 33.333	
Fiat (China) Business Co., Ltd.	Beijing	People's Rep. of China	500,000	USD	100.00	Fiat Partecipazioni S.p.A.	100.000	
Fiat Russia OOO	Moscow	Russia	18,509,050	RUR	100.00	Fiat Partecipazioni S.p.A. Fiat International S.p.A.	80.000 20.000	
Isvor Dealernet S.r.l. in liquidation	Turin	Italy	10,000	EUR	94.29	Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni Fiat Auto S.p.A.	80.000 20.000	
Luganova S.A.	Lugano	Switzerland	3,000,000	CHF	100.00	BUC - Banca Unione di Credito	100.000	
SGR-Sociedad para la Gestion de Riesgos S.A.	Buenos Aires	Argentina	10,000	ARS	99.96	Rimaco S.A.	99.960	
Sistemi Ambientali S.p.A. in liquidation	Rivoli	Italy	9,544,080	EUR	99.79	Fiat Partecipazioni S.p.A.	99.785	

Subsidiaries valued at cost

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
■ Automobiles								
Fiat Auto de Mexico Sociedad Anonima de Capital Variable (S.A. de C.V.) in liquidation	Mexico City	Mexico	50,000	MXN	90.00	Fiat Auto S.p.A. Fiat Automoveis S.A. - FIASA	99.998 0.002	
Fiat Auto Espana Marketing Instituto Agrupacion de Interes Economico	Alcalá De Henares	Spain	30,051	EUR	85.50	Fiat Auto Espana S.A.	95.000	
Fiat Auto Marketing Institute (Portugal) ACE	Alges	Portugal	15,000	EUR	72.00	Fiat Auto Portuguesa S.A.	80.000	
Nuove Iniziative Finanziarie 2 S.r.l.	Turin	Italy	25,000	EUR	90.00	Fiat Auto S.p.A. Fidis S.p.A.	99.000 1.000	
Powertrain India Pvt. Ltd. in liquidation	Mumbai	India	101,000	INR	90.00	Fiat India Automobiles Private Limited	100.000	
Pro-Car LLC	Moscow	Russia	1,001,000	RUR	90.00	Nuove Iniziative Finanziarie 2 S.r.l.	100.000	
■ Agricultural and Construction Equipment								
Case Credit Wholesale Pty. Limited	St. Marys	Australia	347,750	AUD	84.54	CNH Australia Pty Limited	100.000	
Consorzio Fiat-Kobelco Isvor Dealernet Rete in liquidation	San Mauro Torinese	Italy	20,658	EUR	41.75	Fiat Kobelco Construction Machinery S.p.A. Isvor Dealernet S.r.l. in liquidation	47.500 12.500	
Fermec North America Inc.	Wilmington	U.S.A.	5	USD	84.54	CNH America LLC	100.000	
International Harvester Company	Wilmington	U.S.A.	1,000	USD	84.54	CNH America LLC	100.000	
J.I. Case Company Limited	Basildon	United Kingdom	2	GBP	84.54	Case United Kingdom Limited	100.000	
■ Commercial Vehicles								
Consorzio per la Formazione Commerciale Iveco-Coforma	Turin	Italy	51,646	EUR	59.54	Iveco S.p.A. Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	50.000 10.000	
Gestrans S.A.	Suresnes	France	45,730	EUR	100.00	Irisbus France S.A.	100.000	
Iran Magirus-Deutz	Teheran	Iran	180,000,000	IRR	100.00	Iveco Magirus AG	100.000	
Irisbus North America Limited Liability Company	Dover	U.S.A.	20,000	USD	100.00	Irisbus France S.A.	100.000	
Iveco Defence Vehicles S.p.A.	Bolzano	Italy	100,000	EUR	100.00	Iveco S.p.A.	100.000	
M.R. Fire Fighting International S.A.	Brasov	Romenia	35,000,000	ROL	75.88	Iveco Magirus Brandschutztechnik GmbH Brandschutztechnik Gorlitz GmbH Iveco Eurofire (Holding) GmbH	74.000 1.000 1.000	
■ Components								
Automotive Lighting Japan K.K.	Kohoku-Ku-Yokohama	Japan	10,000,000	JPY	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Magneti Marelli Automotive Components (India) Limited	Pune	India	125,000,000	INR	99.99	Magneti Marelli Components B.V.	100.000	
Magneti Marelli Electronic Systems (Asia) Limited	Hong Kong	People's Rep. of China	10,000	HKD	99.99	Magneti Marelli Sistemi Elettronici S.p.A. Magneti Marelli Systèmes Electroniques France S.A.S.	99.990 0.010	
Yorka Northamerica Corp.	Southfield	U.S.A.	10,000	USD	99.99	Yorka de Mexico S.r.l. de CV	100.000	
■ Production Systems								
Comau (Shanghai) International Trading Co. Ltd.	Shanghai	People's Rep. of China	200,000	USD	100.00	Comau S.p.A.	100.000	
Comau U.K. Limited	Telford	United Kingdom	2,500	GBP	100.00	Comau S.p.A.	100.000	
Synesis	Modugno	Italy	20,000	EUR	75.00	Comau S.p.A.	75.000	

Subsidiaries valued at cost (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
■ Services								
Consorzio Polaris	Turin	Italy	3,099	EUR	86.63	Matrix S.r.l. in liquidation	86.673	
CONSORZIO SERMAGEST - Servizi Manutentivi Gestionali	Turin	Italy	15,000	EUR	60.00	Ingest Facility S.p.A.	60.000	
Fast Buyer Middle East A.S.	Bursa	Turkey	95,000,000,000	TRL	98.72	Fast-Buyer S.p.A.	98.800	
Gestione Servizi Territoriali S.r.l.	Turin	Italy	90,000	EUR	60.00	Ingest Facility S.p.A.	60.000	
■ Miscellaneous and Holding companies								
Centro.com S.r.l.	Turin	Italy	10,094	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Consorzio Fiat Media Center	Turin	Italy	222,076	EUR	45.89	Astra Veicoli Industriali S.p.A.	1.852	
						Atlanet S.p.A.	1.852	
						Business Solutions S.p.A.	1.852	
						Clickar Assistance S.r.l.	1.852	
						CNH Italia s.p.a.	1.852	
						Comau S.p.A.	1.852	
						Editrice La Stampa S.p.A.	1.852	
						eSPIN S.p.A.	1.852	
						Fast-Buyer S.p.A.	1.852	
						Fiat Auto S.p.A.	1.852	
						Fiat Center Italia S.p.A.	1.852	
						Fiat Gesco S.p.A.	1.852	
						Fiat Information & Communication Services società consortile per azioni	1.852	
						Fiat S.p.A.	1.852	
						Global Value S.p.A.	1.852	
						Irisbus Italia S.p.A.	1.852	
						Itedi-Italiana Edizioni S.p.A.	1.852	
						Iveco S.p.A.	1.852	
						Leasys S.p.A.	1.852	
						Magneti Marelli After Market S.p.A.	1.852	
						Maserati S.p.A.	1.852	
						Palazzo Grassi S.p.A.	1.852	
						Pharos S.r.l.	1.852	
						Savarent Società per Azioni	1.852	
						Sestrieres S.p.A.	1.852	
						Targa Infomobility S.p.A.	1.852	
						WorkNet società di fornitura di lavoro temporaneo-per azioni	1.852	
Fiat Common Investment Fund Limited	London	United Kingdom	2	GBP	100.00	Fiat United Kingdom Limited	100.000	
Fiat Oriente S.A.E. in liquidation	Cairo	Egypt	50,000	EGP	100.00	Fiat Partecipazioni S.p.A.	100.000	
Fides Corretagens de Securos Ltda	Nova Lima	Brazil	365,525	BRL	100.00	Rimaco S.A.	99.998	
ISVOR DILTS Leadership Systems Inc.	Burlingame	U.S.A.	1,000	USD	48.63	Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	51.000	
Isvor Fiat India Private Ltd. in liquidation	New Delhi	India	1,750,000	INR	95.36	e addestramento industriale per Azioni	100.000	
Komdix SAS	Paris	France	40,000	EUR	100.00	Fiat France S.A.	100.000	
Luto Servizi S.A. in liquidation	Lugano	Switzerland	100,000	CHF	100.00	BUC - Banca Unione di Credito	100.000	
Norfinance & Associés S.A. in liquidation	Geneva	Switzerland	4,600,000	CHF	100.00	BUC - Banca Unione di Credito	100.000	

Subsidiaries valued at cost (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
Nuova Immobiliare Cinque S.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Nuova Immobiliare Quattro S.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Nuova Immobiliare Tre S.p.A.	Turin	Italy	120,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Nuove Iniziative Finanziarie 3 S.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Orione-Consorzio Industriale per la Sicurezza e la Vigilanza	Turin	Italy	26,342	EUR	95.61	Fiat S.p.A.	82.010	
						Editrice La Stampa S.p.A.	2.000	
						Fiat Auto S.p.A.	2.000	
						CNH Italia s.p.a.	1.000	
						Comau S.p.A.	1.000	
						Fiat Gesco S.p.A.	1.000	
						Fiat Ge.Va. S.p.A.	1.000	
						Fiat Partecipazioni S.p.A.	1.000	
						Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	1.000	
						Iveco S.p.A.	1.000	
						Magneti Marelli Holding S.p.A.	1.000	
Palazzo Grassi S.p.A.	1.000							
Sisport Fiat Società per Azioni-SF	1.000							

Associated companies valued by the equity method

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
■ Automobiles								
Fiat-GM Powertrain B.V.	Amsterdam	Netherlands	232,000	EUR	45.00	Fiat Auto Holdings B.V.	50.000	
Fidis Bank G.m.b.H.	Vienna	Austria	4,740,000	EUR	45.00	Fiat Auto S.p.A.	50.000	
Fidis Retail Italia S.p.A.	Turin	Italy	672,076,000	EUR	44.10	Fiat Auto S.p.A.	49.000	
GM-Fiat Worldwide Purchasing B.V.	Amsterdam	Netherlands	300,000	EUR	45.00	Fiat Auto Holdings B.V.	50.000	
IN ACTION S.r.l.	Arese	Italy	336,000	EUR	44.91	Fidis S.p.A.	49.900	
Jiangsu Nanya Auto Co. Ltd.	Nanjing	People's Rep. of China	1,409,469,782	CNY	45.00	Fiat Auto S.p.A.	50.000	
Società di Commercializzazione e Distribuzione Ricambi S.p.A.	Turin	Italy	100,000	EUR	17.10	Fiat Auto S.p.A.	19.000	
Società Europea Veicoli Leggeri-Sevel S.p.A.	Atessa	Italy	68,640,000	EUR	45.00	Fiat Auto S.p.A.	50.000	
Société Européenne de Véhicules Légers du Nord-Sevelnord Société Anonyme	Paris	France	80,325,000	EUR	45.00	Fiat Auto (France) S.A.	50.000	
Somaca-Société Marocaine Construction Automobiles S.A.	Casablanca	Morocco	60,000,000	MAD	18.00	Fiat Auto S.p.A.	20.000	
Targasys S.r.l.	Turin	Italy	4,322,040	EUR	36.00	Fidis S.p.A.	40.000	
Tofas-Turk Otomobil Fabrikasi Tofas A.S.	Levent	Turkey	450,000,000,000	TRL	34.07	Fiat Auto S.p.A.	37.856	
■ Agricultural and Construction Equipment								
Al-Ghazi Tractors Ltd	Karachi	Pakistan	195,165,660	PKR	36.50	CNH Global N.V.	43.170	
Challenger New Holland Ltd.	Ottawa	Canada	589,600	CAD	40.13	New Holland Canada Ltd.	47.473	
CNH Capital Europe S.a.S.	Puteaux	France	88,482,297	EUR	42.19	CNH Global N.V.	49.900	
CNH de Mexico SA de CV	São Pedro	Mexico	165,276,000	MXN	42.27	CNH Global N.V.	50.000	
Consolidated Diesel Company	Whitakers	U.S.A.	100	USD	42.27	CNH Engine Corporation	50.000	
Employers Health Initiatives LLC	Wilmington	U.S.A.	0	USD	42.27	CNH America LLC	50.000	
Kobelco Construction Machinery Co. Ltd.	Hiroshima	Japan	320,000,000,000	JPY	16.91	CNH Italia s.p.a.	20.000	
LBX Company LLC	Wilmington	U.S.A.	0	USD	42.27	Case LBX Holdings Inc.	50.000	
L&T Case Equipment Limited	Mumbai	India	240,100,000	INR	42.27	CNH America LLC	50.000	
Megavolt L.P. L.L.L.P.	Wilmington	U.S.A.	500,000	USD	33.82	CNH America LLC	40.000	
New Holland Finance Ltd	Basingstoke	United Kingdom	2,900,001	GBP	41.43	CNH Global N.V.	49.000	
New Holland HFT Japan Inc.	Sapporo	Japan	240,000,000	JPY	42.27	CNH Global N.V.	50.000	
New Holland Trakmak Traktor A.S.	Izmir	Turkey	800,000,000,000	TRL	31.70	CNH Global N.V.	37.500	
Rathell Farm Equipment Company Inc.	Wilmington	U.S.A.	640,000	USD	36.58	CNH America LLC	43.266	
Turk Traktor Ve Ziraat Makineleri A.S.	Ankara	Turkey	47,000,000,000,000	TRL	31.70	CNH Global N.V.	37.500	
■ Commercial Vehicles								
Afin Leasing AG	Vienna	Austria	1,500,000	EUR	40.00	Iveco International Trade Finance S.A.	40.000	
Closed Joint Stock Company "AUTO-MS"	Zaporozhye	Ukraine	26,568,000	UAK	38.62	Iveco S.p.A.	38.618	
Elettronica Trasporti Commerciali S.r.l. (Eltrac S.r.l.)	Turin	Italy	109,200	EUR	50.00	Iveco S.p.A.	50.000	
GEIE V.IV.RE	Boulogne	France	0	EUR	50.00	Iveco S.p.A.	50.000	
Haveco Automotive Transmission Co. Ltd.	Zhajiag	People's Rep. of China	200,010,000	CNY	33.33	Iveco S.p.A.	33.333	
Iveco Uralaz Ltd.	Miass	Russia	65,255,056	RUR	33.33	Iveco S.p.A.	33.330	
Machen-Iveco Holding S.A.	Luxembourg	Luxembourg	26,000,000	GBP	30.00	Iveco S.p.A.	30.000	
Naveco Ltd.	Nanjing	People's Rep. of China	2,527,000,000	CNY	50.00	Iveco S.p.A.	50.000	
Otoyol Pazarlama A.S.	Samandira-Kartal/Istanbul	Turkey	1,590,000,000,000	TRL	27.00	Iveco S.p.A.	27.000	
Otoyol Sanayi A.S.	Samandira-Kartal/Istanbul	Turkey	36,750,000,000,000	TRL	27.00	Iveco S.p.A.	27.000	
Transolver Finance Establecimiento Financiero de Credito S.A.	Madrid	Spain	9,315,500	EUR	50.00	Iveco S.p.A.	50.000	
VIVE.RE Gruppo Europeo di Interesse Economico	Turin	Italy	0	EUR	50.00	Iveco S.p.A.	50.000	

Associated companies valued by the equity method (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
■ Ferrari and Maserati								
Ferrari Maserati Cars International Trading (Shanghai) Co. Ltd.	Shanghai	People's Rep. of China	3,000,000	USD	22.40	Ferrari S.p.A.	40.000	
■ Components								
Mako Elektrik Sanay Ve Ticaret A.S.	Osmangazi Bursa	Turkey	16,500,000,000,000	TRL	43.00	Magneti Marelli Holding S.p.A.	43.000	
■ Production Systems								
Gonzalez Production Systems Inc.	Pontiac	U.S.A.	10,000	USD	49.00	Comau Pico Holdings Corporation	49.000	
G.P. Properties I L.L.C.	Pontiac	U.S.A.	10,000	USD	49.00	Comau Pico Holdings Corporation	49.000	
■ Metallurgical Products								
Hua Dong Teksid Automotive Foundry Co. Ltd.	Zhenjiang-Jangsu	People's Rep. of China	306,688,237	CNY	40.24	Teksid S.p.A.	50.000	
Nanjing Teksid Iron Foundry Co. Ltd.	Nanjing	People's Rep. of China	199,617,600	CNY	40.24	Teksid S.p.A.	50.000	
■ Services								
Global Value Services S.p.A.	Turin	Italy	10,730,000	EUR	50.00	Business Solutions S.p.A.	50.000	
Global Value Soluções Ltda	Nova Lima	Brazil	2,000	BRL	50.00	Business Solutions do Brasil Ltda	50.000	
Servizio Titoli S.p.A.	Turin	Italy	126,000	EUR	27.24	Business Solutions S.p.A.	27.238	
S.I.NO.DO. - Sistema Informativo Normativa Doganale in liquidation	Turin	Italy	77,469	EUR	50.00	Servizi e Attività Doganali per l'Industria S.p.A.	50.000	
■ Publishing and Communications								
Editalia S.r.l.	Caserta	Italy	2,868,918	EUR	45.00	Editrice La Stampa S.p.A.	45.000	
Editoriale Corriere Romagna S.r.l.	Forli	Italy	2,856,000	EUR	40.00	Editrice La Stampa S.p.A.	40.000	
Edizioni Dost S.r.l.	Bologna	Italy	1,042,914	EUR	40.00	Editrice La Stampa S.p.A.	40.000	
Società Editrice Mercantile S.r.l.	Genoa	Italy	4,247,000	EUR	40.00	Editrice La Stampa S.p.A.	40.000	
■ Miscellaneous and Holding companies								
IPI S.p.A.	Turin	Italy	40,784,134	EUR	10.00	Fiat Partecipazioni S.p.A.	10.000	
Italenergia Bis S.p.A.	Turin	Italy	906,624,000	EUR	24.61	Fiat Energia S.r.l.	24.613	
Livingstone Motor Assemblers Ltd.	Livingstone	Zambia	20,000,000	ZMK	20.00	Fiat Partecipazioni S.p.A.	20.000	
Lombard Bank Malta PLC	Valletta	Malta	2,056,630	MTL	26.53	BUC - Banca Unione di Credito	26.531	
Rizzoli Corriere della Sera MediaGroup S.p.A.	Milan	Italy	762,019,050	EUR	9.80	Fiat Partecipazioni S.p.A.	9.797	10.189
Rubattino 87 S.r.l.	Milan	Italy	10,845,400	EUR	30.59	Fiat Partecipazioni S.p.A.	30.589	

Associated companies valued at cost

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
■ Automobiles								
Car City Club S.r.l.	Turin	Italy	390,000	EUR	29.70	Savarent Società per Azioni	33.000	
Consorzio per la Reindustrializzazione dell'area di Arese S.r.l.	Arese	Italy	1,020,000	EUR	27.00	Fiat Auto S.p.A.	30.000	
Fabrication Automobiles de Tiaret SpA	Wilaya de Tiaret	Algeria	1,225,000,000	DZD	32.91	Fiat Auto S.p.A.	36.571	
Fidis Rent GmbH	Frankfurt	Germany	50,000	EUR	44.10	Fiat Handlerservice GmbH	49.000	
G.E.I.E. Gisevel	Paris	France	15,200	EUR	45.00	Fiat Auto (France) S.A.	50.000	
G.E.I.E.-Sevelind	Paris	France	15,200	EUR	45.00	Fiat Auto (France) S.A.	50.000	
N. Technology S.p.A.	Chivasso	Italy	1,500,000	EUR	18.00	Fiat Auto S.p.A.	20.000	
■ Commercial Vehicles								
Atlas Véhicules Industriels S.A.	Casablanca	Morocco	2,200,000	MAD	48.97	Iveco S.p.A.	48.973	
CBC-Iveco Ltd.	Changzhou	People's Rep. of China	664,000,000	CNY	50.00	Iveco S.p.A.	50.000	
Consorzio Iveco Fiat-Oto Melara	Rome	Italy	51,646	EUR	50.00	Iveco S.p.A.	50.000	
Sotra S.A.	Abidijan	Ivory Coast	3,000,000,000	XAF	39.80	Irisbus France S.A.	39.800	
Zastava-Kamioni D.O.O.	Kragujevac	Serbia and Montenegro	1,673,505,893	YUM	33.68	Iveco S.p.A.	33.677	
■ Ferrari and Maserati								
GPWC Holdings B.V.	Amsterdam	Netherlands	2,500,000	EUR	11.20	Ferrari S.p.A.	20.000	
Iniziativa Fiorano S.r.l.	Modena	Italy	90,000	EUR	18.67	Ferrari S.p.A.	33.333	
■ Components								
Flexider S.p.A.	Turin	Italy	4,131,655	EUR	25.00	Magneti Marelli Holding S.p.A.	25.000	
Gulf Carosserie India Limited	Worli	India	5,000,000	INR	20.00	Magneti Marelli Holding S.p.A.	20.000	
Mars Seal Private Limited	Mumbai	India	400,000	INR	23.97	Magneti Marelli France S.A.	24.000	
Matay Otomotiv Yan Sanay Ve Ticaret A.S.	Istanbul	Turkey	2,400,000,000,000	TRL	28.00	Magneti Marelli Holding S.p.A.	28.000	
M.I.P.-Master Imprese Politecnico	Milan	Italy	20,658	EUR	50.00	Magneti Marelli Holding S.p.A.	50.000	
■ Production Systems								
Consorzio Fermag	Rome	Italy	144,608	EUR	40.00	Comau S.p.A.	40.000	
Consorzio Generazione Forme-CO.GE.F.	San Mauro Torinese	Italy	15,494	EUR	33.33	Comau S.p.A.	33.333	
■ Metallurgical Products								
S.A.S.-Società Assofond Servizi S.r.l.	Trezzano sul Naviglio	Italy	520,000	EUR	16.10	Teksid S.p.A.	20.000	
Servicios Industriales Parque Fundidores S.de r.l. de C.V.	São Pedro	Mexico	10,000	MXN	26.82	Teksid Hierro de Mexico S.A. de C.V.	33.330	
■ Services								
Multiservizi Reggio Calabria - Società per Azioni	Reggio di Calabria	Italy	120,000	EUR	29.40	Gestione Servizi Territoriali S.r.l.	49.000	
Niugarit.Promocao e Desenvolvimento de Actividades Industriais em Cooperacao Ltda	Lisbon	Portugal	49,880	EUR	29.97	Fast-Buyer S.p.A.	30.000	
S.I.MA.GEST2 Società Consortile a Responsabilità Limitata	Zola Predosa	Italy	50,000	EUR	30.00	Ingest Facility S.p.A.	30.000	
Società Cooperativa Delta Più r.l. in liquidation	Trieste	Italy	44,865	EUR	34.96	Cromos Consulenza e Formazione S.r.l. in liquidation	46.000	
■ Miscellaneous and Holding companies								
Agenzia Internazionalizzazione Imprese Torino S.r.l. in l.	Turin	Italy	102,000	EUR	35.00	Fiat Partecipazioni S.p.A.	35.000	
Alcmena S.a.r.l.	Luxembourg	Luxembourg	5,000,000	EUR	20.00	BUC - Banca Unione di Credito	20.000	
Ciosa S.p.A. in liquidation	Milan	Italy	516	EUR	25.00	Fiat Partecipazioni S.p.A.	25.000	
Concordia Finance S.A.	Luxembourg	Luxembourg	12,900,000	EUR	30.00	Fiat Netherlands Holding N.V.	30.000	

Associated companies valued at cost (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
CONFORM - Consorzio Formazione Manageriale	Avellino	Italy	51,600	EUR	48.17	Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni Isvor Knowledge System S.p.A.	35.000 15.000	
Consorzio Oto-BPD in liquidation	Aulla	Italy	103,291	EUR	50.00	Fiat Partecipazioni S.p.A.	50.000	
Consorzio Parco Industriale di Chivasso	Chivasso	Italy	51,650	EUR	23.10	Fiat Partecipazioni S.p.A.	23.100	
Consorzio per lo Sviluppo delle Aziende Fornitrici	Turin	Italy	241,961	EUR	29.30	CNH Italia s.p.a. Fiat Auto S.p.A. Iveco S.p.A.	10.672 10.672 10.672	
Consorzio Prode	Naples	Italy	51,644	EUR	45.56	Elasis-Società Consortile per Azioni	50.000	
Consorzio Scire	Pomigliano d'Arco	Italy	51,644	EUR	45.56	Elasis-Società Consortile per Azioni	50.000	
Consorzio Scuola Superiore per l'Alta Formazione Universitaria Federico II	Naples	Italy	127,500	EUR	18.22	Elasis-Società Consortile per Azioni	20.000	
Expo 2000 - S.p.A.	Turin	Italy	2,828,750	EUR	24.50	Fiat Partecipazioni S.p.A.	24.498	
FMA-Consultoria e Negocios Ltda	São Paulo	Brazil	1	BRL	50.00	Fiat do Brasil S.A.	50.000	
Giraglia Immobiliare S.p.A.	Milan	Italy	3,500,000	EUR	28.24	Fiat Partecipazioni S.p.A.	28.240	
Immobiliare Novoli S.p.A.	Florence	Italy	20,640,000	EUR	40.00	Fiat Partecipazioni S.p.A.	40.000	
Interfinanziaria S.A.	Paradiso	Switzerland	1,000,000	CHF	33.33	IHF-Internazionale Holding Fiat S.A.	33.330	
Italpark-Società per Infrastrutture Ausiliarie di Trasporti S.p.A. in liquidation	Rome	Italy	247,899	EUR	29.00	Fiat Partecipazioni S.p.A.	29.000	
Le Monde Europe S.A.	Paris	France	3,658,800	EUR	32.00	La Stampa Europe SAS	32.000	
Le Monde Presse S.A.	Paris	France	7,327,930	EUR	27.28	La Stampa Europe SAS	27.277	
Maire Engineering S.p.A.	Rome	Italy	7,857,143	EUR	30.00	Fiat Partecipazioni S.p.A.	30.000	
MB Venture Capital Fund I N.V.	Amsterdam	Netherlands	50,000	EUR	45.00	Fiat Partecipazioni S.p.A.	45.000	
Motorcity Park S.r.l.	Milan	Italy	3,112,463	EUR	40.00	Fiat Partecipazioni S.p.A.	40.000	
Nuova Didactica S.c. a r.l.	Modena	Italy	112,200	EUR	19.54	Ferrari S.p.A. CNH Italia s.p.a.	16.364 12.273	
Presse Europe Régions S.A.	Paris	France	62,087,232	EUR	25.28	La Stampa Europe SAS	25.280	
QSF Qualità Servizi Formazione GEIE	Turin	Italy	10,329	EUR	23.84	Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	25.000	
Tecnologie per il Calcolo Numerico-Centro Superiore di Formazione S.c. a r.l.	Trento	Italy	100,000	EUR	23.45	C.R.F. Società Consortile per Azioni	25.000	
Zetesis S.p.A.	Milan	Italy	494,000	EUR	40.00	Fiat Partecipazioni S.p.A.	40.000	

Other companies valued at cost

Name	Registered office	Country	Capital stock	Currency	% of Group consolidation	Interest held by	% interest held	% of voting rights
■ Agricultural and Construction Equipment								
Polagris S.A.	Pikieliszki	Lithuania	1,133,400	LTT	9.35	CNH Polska Sp. z o.o.	11.054	
■ Commercial Vehicles								
Consorzio Bolzano Energia	Bolzano	Italy	12,000	EUR	16.67	Iveco S.p.A.	16.667	
Consorzio Spike	Genoa	Italy	90,380	EUR	15.00	Iveco S.p.A.	15.000	
Trucks & Bus Company	Tajoura	Libya	87,000,000	LYD	17.24	Iveco Pegaso S.L.	17.241	
■ Components								
Consorzio U.L.I.S.S.E.	Rome	Italy	227,241	EUR	11.36	Magneti Marelli Holding S.p.A.	11.360	
■ Services								
Byte Software House - S.p.A.	Turin	Italy	4,215,000	EUR	17.79	Business Solutions S.p.A.	17.794	
Consorzio Topix	Turin	Italy	932,000	EUR	11.23	Atlanet S.p.A.	11.230	
H.R.O. Polska Sp. z o.o.	Bielsko-Biala	Poland	400,000	PLN	18.00	Business Solutions Polska Sp. z o.o.	18.000	
We-Cube.Com S.p.A.	Turin	Italy	666,668	EUR	14.79	Business Solutions S.p.A.	14.790	
■ Miscellaneous and Holding companies								
Ascai Servizi S.r.l.	Rome	Italy	73,337	EUR	13.43	Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	14.080	
Consorzio Sorore	Siena	Italy	9,296	EUR	16.66	Fiat Partecipazioni S.p.A.	16.663	
Consorzio Technapoli	Naples	Italy	1,626,855	EUR	10.12	Elasis-Società Consortile per Azioni	11.110	
Ercolè Marelli & C. S.p.A. in liquidation	Milan	Italy	9,633,000	EUR	13.00	Fiat Partecipazioni S.p.A.	13.000	
Euromedia Luxembourg One S.A.	Luxembourg	Luxembourg	52,500,000	USD	14.29	Fiat Netherlands Holding N.V.	14.286	
Fin.Priv. S.r.l.	Milan	Italy	20,000	EUR	14.29	Fiat S.p.A.	14.285	
IRCC-Istituto per la Ricerca e la Cura del Cancro-Torino S.p.A.	Turin	Italy	15,500,000	EUR	19.36	Fiat Partecipazioni S.p.A.	19.355	
Istituto Europeo di Oncologia S.r.l.	Milan	Italy	57,305,382	EUR	10.90	Fiat Partecipazioni S.p.A.	10.903	
Lingotto S.p.A.	Turin	Italy	17,264,000	EUR	17.02	Fiat Partecipazioni S.p.A.	17.019	
Selvi & Cie S.A.	Geneva	Switzerland	2,400,000	CHF	16.67	BUC - Banca Unione di Credito	16.666	
Société Anonyme Technique Immobilière et Financière de la Sadim (S.A.T.I.F.)	Monaco	Princ.of Monaco	750,000	EUR	12.60	Fiat Partecipazioni S.p.A.	12.600	

FIAT S.P.A.
03
FIAT S.P.A.

**FINANCIAL STATEMENTS
AT DECEMBER 31, 2004**



FIAT



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Fiat S.p.A.

Corporate Headquarters: 250 Via Nizza, Turin, Italy

Paid-in Capital: 4,918,113,540 euros

Entered in the Turin Company Register

Fiscal Code: 00469580013

BALANCE SHEET

■ ASSETS

	December 31, 2004 (in euros)	December 31, 2003 (in euros)
FIXED ASSETS		
Intangible fixed assets (note 1)		
Start-up and expansion costs	41,726,538	56,916,950
Concessions, licenses, trademarks and similar rights	54,868	97,891
Intangible assets in progress and advances	185,759	180,080
Other intangible fixed assets	8,187,824	19,422,996
Total	50,154,989	76,617,917
Property, plant and equipment (note 2)		
Land and buildings	35,831,465	37,187,059
Plant and machinery	2,887,128	3,881,608
Other assets	4,766,873	4,169,698
Total	43,485,466	45,238,365
Financial fixed assets (note 3)		
Investments in:		
Subsidiaries	5,122,130,119	7,143,056,463
Other companies	126,730,177	139,075,478
Total investments	5,248,860,296	7,282,131,941
Other securities	74,180	74,672
Total	5,248,934,476	7,282,206,613
TOTAL FIXED ASSETS	5,342,574,931	7,404,062,895
CURRENT ASSETS		
Inventories (note 4)		
Contract work in progress	91,261,958	74,402,481
Advances to suppliers	7,053,456,999	5,162,514,994
Total	7,144,718,957	5,236,917,475
Receivables (note 5)		
Trade receivables (*)	350,602,953	198,904,177
Receivables from subsidiaries	25,250,689	16,437,527
Tax receivables (**)	288,901,943	404,210,624
Deferred tax assets	277,000,000	-
Receivables from others (***)	32,795,820	75,013,535
Total	974,551,405	694,565,863
Financial assets not held as fixed assets (note 6)		
Treasury stock (total par value 21,920,095 euros)	26,413,309	28,044,570
Financial receivables:		
From subsidiaries	2,320,580,431	1,436,664,083
Total	2,346,993,740	1,464,708,653
Cash (note 7)		
Bank and post office accounts	324,705	245,921
Cheques	-	1,200
Cash on hand	554	487
Total	325,259	247,608
TOTAL CURRENT ASSETS	10,466,589,361	7,396,439,599
ACCRUED INCOME AND PREPAID EXPENSES (note 8)	6,881,119	11,560,153
■ TOTAL ASSETS	15,816,045,411	14,812,062,647
(*) Amounts due within one year	350,318,902	198,594,303
Amounts due beyond one year	284,051	309,874
(**) Amounts due within one year	286,720,362	401,752,997
Amounts due beyond one year	2,181,581	2,457,627
(***) Amounts due within one year	32,735,791	74,990,162
Amounts due beyond one year	60,029	23,373

BALANCE SHEET

■ LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2004 (in euros)	December 31, 2003 (in euros)
STOCKHOLDERS' EQUITY	(note 9)	
Capital stock	4,918,113,540	4,918,113,540
Additional paid-in capital	–	278,962,232
Revaluation reserve under Law No. 413 of 12/30/91	22,590,857	22,590,857
Legal reserve	446,561,762	659,340,011
Treasury stock valuation reserve	26,413,309	28,044,570
Other reserves		
Extraordinary reserve	1,631,261	112,253,587
Reserve for purchase of treasury shares	–	971,955,430
Out-of-period income reserve under Art. 55, Presidential Decree No. 917 of 12/22/86 (Article 18, Law No. 675 of 8/12/77)	–	1,914,925
Reserve for grants under Article 102, Presidential Decree No. 1523 of 6/30/67	–	17,693,098
Reserve for capital grant under Regional Law No. 19/84	–	122,780
	1,631,261	1,103,939,820
Retained earnings	–	763,109,624
Net loss	(949,100,522)	(2,358,789,924)
TOTAL STOCKHOLDERS' EQUITY	4,466,210,207	5,415,310,730
RESERVES FOR RISKS AND CHARGES	(note 10)	
Reserve for pensions and similar obligations	19,273,212	23,964,546
Other reserves	29,738,650	31,018,247
TOTAL RESERVES FOR RISKS AND CHARGES	49,011,862	54,982,793
RESERVE FOR EMPLOYEE SEVERANCE INDEMNITIES	(note 11)	
	11,616,488	14,112,307
PAYABLES	(note 12)	
Borrowings from banks (*)	3,060,245,135	3,030,000,204
Advances	7,336,405,933	5,371,031,598
Trade payables	501,654,329	399,485,100
Payables to subsidiaries	222,730,082	402,819,172
Payables to controlling company	234,360	–
Taxes payable	8,986,970	10,701,921
Social security payable	2,797,294	2,344,037
Other payables (**)	26,484,115	18,997,465
TOTAL PAYABLES	11,159,538,218	9,235,379,497
ACCRUED EXPENSES AND DEFERRED INCOME	(note 13)	
	129,668,636	92,277,320
■ TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	15,816,045,411	14,812,062,647
<i>Payables are intended to be due within the subsequent fiscal year, except the following:</i>		
(*) Amounts due within one year	3,060,245,135	204
Amounts due beyond one year	–	3,030,000,000
(**) Amounts due within one year	13,491,702	7,188,656
Amounts due beyond one year	12,992,413	11,808,809

BALANCE SHEET

■ MEMORANDUM ACCOUNTS (note 14)

	December 31, 2004 (in euros)	December 31, 2003 (in euros)
GUARANTEES GRANTED		
Unsecured guarantees		
Suretyships on behalf of:		
Subsidiaries	672,385,005	789,465,315
Others	1,116,275,497	1,283,134,073
	1,788,660,502	2,072,599,388
Other unsecured guarantees on behalf of:		
Subsidiaries	9,596,883,852	13,422,684,768
Others	171,364,028	217,686,478
	9,768,247,880	13,640,371,246
TOTAL GUARANTEES GRANTED	11,556,908,382	15,712,970,634
COMMITMENTS		
Commitments related to supply contracts	10,261,146,601	8,010,928,125
Commitments related to derivative financial instruments	90,397,500	61,730,000
Other commitments	9,296,224	12,853,280
TOTAL COMMITMENTS	10,360,840,325	8,085,511,405
■ TOTAL MEMORANDUM ACCOUNTS	21,917,748,707	23,798,482,039

STATEMENT OF OPERATIONS

	2004 (in euros)	2003 (in euros)
VALUE OF PRODUCTION	(note 15)	
Revenues from sales and services	59,775,406	73,271,898
Change in contract work in progress	16,859,476	20,038,288
Other income and revenues	11,851,617	19,217,446
TOTAL VALUE OF PRODUCTION	88,486,499	112,527,632
COSTS OF PRODUCTION	(note 16)	
Raw materials, supplies and merchandise	423,376	384,685
Services	109,849,162	99,821,396
Leases and rentals	949,056	735,001
Personnel		
Wages and salaries	29,980,662	41,480,282
Social security contributions	9,873,787	12,845,132
Employee severance indemnities	4,088,328	30,443,304
Employee pensions and similar obligations	2,189,912	5,101,776
Other costs	6,745,987	7,664,954
	52,878,676	97,535,448
Amortization, depreciation and writedowns		
Amortization of intangible fixed assets	26,496,908	26,522,758
Depreciation of property, plant and equipment	3,220,295	3,250,914
	29,717,203	29,773,672
Other operating costs	13,451,449	14,491,726
TOTAL COSTS OF PRODUCTION	207,268,922	242,741,928
DIFFERENCE BETWEEN THE VALUE AND COSTS OF PRODUCTION	(118,782,423)	(130,214,296)
FINANCIAL INCOME AND EXPENSES	(note 17)	
Investment income		
Subsidiaries	676,123,797	397,034,992
Other companies	6,433,015	2,892,475
	682,556,812	399,927,467
Other financial income		
From securities held as fixed assets other than equity investments	2,467	2,556
Other income		
Subsidiaries	63,019,390	40,523,699
Others	9,955,470	13,215,790
	72,974,860	53,739,489
	72,977,327	53,742,045
Interest and other financial expenses		
Subsidiaries	17,686,797	16,787,602
Others	192,535,010	206,355,568
	210,221,807	223,143,170
Foreign exchange gains and losses	283,349	604,146
TOTAL FINANCIAL INCOME AND EXPENSES	545,595,681	231,130,488

STATEMENT OF OPERATIONS

	2004 (in euros)	2003 (in euros)
ADJUSTMENTS TO FINANCIAL ASSETS	(note 18)	
Writedowns		
Equity investments	1,639,152,526	2,373,625,928
Securities among current assets other than equity investments	1,631,261	5,076,490
TOTAL ADJUSTMENTS	(1,640,783,787)	(2,378,702,418)
EXTRAORDINARY INCOME AND EXPENSES	(note 19)	
Income		
Gains on disposals	28,000	106,366
Other income	1,551,187	88,482
	1,579,187	194,848
Expenses		
Losses on disposals	428,922	-
Taxes relating to prior years	-	2,440,787
Other expenses	14,721,837	18,093,821
	15,150,759	20,534,608
TOTAL EXTRAORDINARY INCOME AND EXPENSES	(13,571,572)	(20,339,760)
INCOME (LOSS) BEFORE TAXES	(1,227,542,101)	(2,298,125,986)
Income taxes	(note 20)	
	(278,441,579)	60,663,938
NET GAIN (LOSS)	(949,100,522)	(2,358,789,924)

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES AND METHODS

The financial statements at December 31, 2004, which include the balance sheet, the statement of operations and the notes to the financial statements, have been prepared in accordance with the format and regulations set forth in Legislative Decree No. 127 of April 9, 1991, and in compliance with the new provisions of the Italian Civil Code enacted by the Legislative Decree No. 6 of January 17, 2003 (Reform for the system of governance of listed companies and cooperatives). Accordingly, certain items on the balance sheet and statement of operations for the previous year have been reclassified using the terms introduced by the new legislation.

The Statutory Financial Statements also provide the additional information required by CONSOB.

The valuation criteria used, which are discussed below, are consistent with those used in previous fiscal years, where not amended by the new provisions of the Italian Civil Code, and comply with the provisions of Article 2426 of the Italian Civil Code. In particular, the adoption of new statutory provisions governing valuation criteria did not impact determination of the loss for the year and comparison with the loss reported for the previous year.

In particular:

■ BALANCE SHEET

Intangible fixed assets

Start-up and expansion costs consist of costs incurred in connection with capital increases. They are capitalized on the basis of their estimated useful life. They are amortized on a straight-line basis over five years.

Trademarks are recorded at a value that reflects only the administrative cost of registration. To ensure a conservative valuation, this amount is amortized on a straight-line basis over three years.

The other intangible fixed assets are represented by the commissions paid for organization of the convertible facility granted in 2002. They are amortized on a pro-rated basis according to the term of the facility.

Property, plant and equipment and depreciation

Property, plant and equipment is recorded at acquisition cost plus directly attributable charges. As indicated in a separate schedule, the value of some of these assets includes the inflation adjustments required under the pertinent laws. Improvement costs are added to the value of the asset in question only when they permanently increase their value. Depreciation is computed on a straight-line basis at rates deemed adequate in view of the estimated useful life of the assets. For assets acquired during the fiscal year, the annual depreciation is taken at half the regular rate. The cost of maintenance and repairs is charged directly to income when incurred.

Financial fixed assets

Financial fixed assets include equity investments and other securities.

Equity investments are stated in the balance sheet at their historical cost and, more exactly, on the basis of the costs

incurred or, when business operations are transferred, at the values set forth in the respective contracts in accordance with the appraisals required by law, determined by the LIFO method with annual adjustments. As shown in a separate schedule, some of these assets have been adjusted for inflation, as required by the relevant legislation.

Investments in companies for which other than temporary impairment occurred are written down accordingly.

If in subsequent fiscal years the reasons for these adjustments are no longer valid, the writedowns are reversed. No reversals are made for writedowns recognized prior to the effective date of Decree Law No. 127/1991.

Other securities include securities shown at their net purchase price, adjusted for the accrual of any premium or discount earned or incurred upon issuance or purchase, because the securities, which are pledged to fund scholarship grants, are not held for trading purposes.

Inventories

Inventories include contract work in progress and advances to suppliers.

Work in progress relates to long-term contracts (i.e. contracts signed between Fiat and Treno Alta Velocità - T.A.V. S.p.A. in connection with the High-Speed Railway Project, described in Note 4) and is valued on the basis of the respective production cost.

Amounts received from the bidder company T.A.V. S.p.A. while work is in progress are treated as a form of financing and are included among the liabilities under advances, while those paid to the subcontracting consortia are booked under inventories - advances to suppliers.

Revenues are booked when the work is actually delivered and accepted by customers.

Treasury stock

Treasury stock is valued at the lower of its purchase cost (calculated using the LIFO method in annual installments) and its market value or the stock option exercise price when it is used to cover it.

A corresponding treasury stock reserve for the same amount has been recorded in the balance sheet under stockholders' equity. This reserve cannot be used to cover losses.

Receivables and payables

Accounts receivable are shown at their estimated realizable value, which represents the difference between their face value and the adjustments included in the allowance for doubtful accounts. The individual items are shown in the balance sheet net of the respective allowances.

Based on past experience, the amount of these allowances is determined in accordance with a prudent estimate of uncollectible amounts and reflects the risks associated with specific delinquent accounts.

The receivables and payables denominated in the currencies of countries not belonging to the EMU are expressed in euros at the spot exchange rate on the closing date of the fiscal year,

and the relative exchange losses and gains are posted to the statement of operations.

Any net income is set aside for the portion not used to cover the loss for the year, if any, in a special reserve that cannot be distributed until cash is available.

Accruals and deferrals

Accruals and deferrals are determined by the accrual method, in accordance with the general principle of assigning revenues and expenses to the accounting period in which they are earned or incurred.

Reserves for risks and charges

Reserves for risks and charges are established to cover costs or liabilities that have already been incurred or the occurrence of which was probable or definite at the end of the fiscal year, but were undetermined either as to amount or time of probable occurrence.

Reserve for employee severance indemnities

The reserve for employee severance indemnities represents the actual liability toward employees accrued as of the end of the fiscal year and is adjusted each year in accordance with current laws and collective bargaining agreements.

MEMORANDUM ACCOUNTS

Suretyships and other unsecured guarantees

The suretyships and other unsecured guarantees granted on behalf of subsidiaries and others are posted under memorandum accounts.

The suretyships granted against payment of the leases of subsidiaries are posted in the amount of the provided guarantee; the suretyships for the Sava Notes are posted in the amount of the outstanding notes; the suretyships and other unsecured guarantees granted for financing, bonds, credit facilities, and commercial paper of subsidiaries and others are posted for the value of these notes at December 31.

The Other unsecured guarantees include the amount of the risk of withdrawal on sales of receivables with recourse. The receivables sold with recourse are eliminated from the balance sheet; the risk of withdrawal is reported under memorandum accounts and described in the notes to the financial statements.

The suretyships granted by others for enterprise debts, in particular those granted by the Consortia participating in the High-Speed Railway Project to guarantee the successful conclusion of work and the advances posted on the liability side of the balance sheet under "Advances," are not reported under memorandum accounts but described instead in the notes to the financial statements.

Commitments

The Group's commitments are posted under memorandum accounts in their amount at December 31. In particular, the supply commitments for the High-Speed Railway Project include the amount of supply commitments envisaged in the original

agreements made with Treno Alta Velocità - T.A.V. S.p.A., the amounts envisaged in agreements for alterations during construction, and relative monetary adjustments.

If the amount of a commitment cannot be quantified, the commitment is not posted under memorandum accounts but described instead in the notes to the financial statements.

Derivative financial instruments

Derivative financial instruments are recorded at inception in the memorandum accounts at their notional contract amount.

More specifically, derivative financial instruments classified as trading instruments insofar as they do not satisfy the requirements for hedge accounting treatment, are valued at their market value and the differential, if negative compared to the contractual value, is recorded in the statement of operations, in Financial income and expenses in accordance with the principle of prudence. In contrast, for instruments that can be classified as hedging, the effects of the transaction are posted on the statement of operations in such a way as to offset the effects of the hedged flows.

STATEMENT OF OPERATIONS

Dividends

Dividends are recorded in the year when declared by the disbursing companies.

Financial income and expenses

Financial income and expenses are recorded on the accrual basis. Costs relating to the sale of receivables of any type (with and without recourse) and nature (trade, financial, other) are charged to the statement of operations on an accrual basis.

Income taxes

Liability for corporate income taxes due for the fiscal year is determined in accordance with the current legislation.

Deferred tax assets and liabilities are determined on the basis of the temporary differences that arise between asset and liability items and the corresponding tax items.

In particular, deferred tax assets are recognized only when it is reasonably certain that they will be recovered. Conversely, deferred tax liabilities are not recognized if it is unlikely that the corresponding obligations will in fact arise.

For a three-year period starting in 2004, Fiat S.p.A. and almost all of its Italian subsidiaries have decided to participate in the national tax consolidation program envisaged in Articles 117 and 129 of the Consolidated Law on Income Tax (T.U.I.R.). Fiat S.p.A. functions as a consolidating company and determines a single taxable base for the group of companies participating in the tax consolidation program, which thus benefits from the possibility of setting off taxable income with tax losses on a single tax return.

Each company participating in the tax consolidation contributes its taxable income or loss to the consolidated tax return; Fiat S.p.A. posts a credit in its favor for the IRES (corporate income tax) to be paid. In contrast, for those companies that contribute tax losses, Fiat S.p.A. posts a payable equal to the IRES on the portion of the loss that is actually set off at the group level.

ANALYSIS OF THE INDIVIDUAL ITEMS

Fixed assets

1 Intangible fixed assets

Start-up and expansion costs

At December 31, 2004, they totaled 41,727 thousand euros, and include costs (bank charges and other charges) incurred in connection with the 2002 and 2003 capital increases.

The decrease of 15,190 thousand euros since December 31, 2003 is the result of amortization during the fiscal year.

Concessions, licenses, trademarks and similar rights

This item, which amounted to 55 thousand euros at December 31, 2004, includes trademarks owned by the Company, which are amortized over three years.

The net decrease of 43 thousand euros compared with December 31, 2003 is the net effect of the following items:

<i>(in thousands of euros)</i>	
Amortization	(71)
Capitalization of expenses for new trademark registrations	31
Deletions	(3)
Net change	(43)

Intangible assets in progress and advances

This item reflects the costs incurred in connection with ongoing administrative procedures required to register trademarks.

With respect to December 31, 2003 it showed a net increase of 5 thousand euros to 185 thousand euros at December 31, 2004.

Other intangible fixed assets

They totaled 8,188 thousand euros at December 31, 2004 and represented the commissions and charges paid for organization of the three-year convertible facility granted in 2002 by a pool of banks arranged by Capitalia, Banca Intesa, Sanpaolo IMI, and Unicredit Banca. They are amortized on a pro-rated basis according to the term of the facility (September 24, 2002 - September 16, 2005).

The decrease of 11,235 thousand euros with respect to December 31, 2003 is due to the amortization for the fiscal year.

2 Property, plant and equipment

At December 31, 2004, property, plant and equipment totaled 43,485 thousand euros (45,238 thousand euros at December 31, 2003). These amounts are net of accumulated depreciation of 20,362 thousand euros at December 31, 2004 and 17,910 thousand euros at December 31, 2003.

The net decrease of 1,753 thousand euros is the effect of the following items:

<i>(in thousands of euros)</i>	
Additions	
New vehicles (2,600); purchase of furniture and equipment (73)	2,673
Disposals	
Sales of vehicles (1,198), elimination of obsolete furniture and equipment (7)	(1,205)
Depreciation	(3,221)
Net change	(1,753)

Depreciation taken in 2004 was computed using the following rates:

	Depreciation rates
Buildings	3%
Plant and machinery	10%
Furniture	12%
Equipment	20%
Vehicles	25%

3 Financial fixed assets

Investments

This item totaled 5,248,860 thousand euros at December 31, 2004, down 2,033,272 thousand euros from December 31, 2003.

A breakdown of changes occurred during the year is provided in the following tables:

Increases/(decreases)

(in millions of euros)

Company name and registered office	% owned by Fiat S.p.A.	2003 Book value	Acquisitions Capital increases	Capital reim- bursements Disposals	Writedowns	2004 Book value
Subsidiaries						
Ferrari S.p.A. – Modena	56.00	161				161
Magneti Marelli Holding S.p.A. – Corbetta	99.99	667				667
Comau S.p.A. – Grugliasco	100.00	–	83			83
Teksid S.p.A. – Turin	80.48	–	97			97
Business Solutions S.p.A. – Turin	100.00	–	65			65
Itedi - Italiana Edizioni S.p.A. – Turin	100.00	16				16
Fiat Finance North America Inc. – Wilmington (United States)	39.47	17			(4)	13
Fiat Ge.Va. S.p.A. – Turin	100.00	222				222
Fiat Netherlands Holding N.V. – Amsterdam (Netherlands)	60.56	2,350				2,350
Fiat Partecipazioni S.p.A. – Turin	100.00	3,015			(1,624)	1,391
Fiat USA Inc. – New York (United States)	100.00	25			(2)	23
IHF - Internazionale Holding Fiat S.A. – Paradiso (Switzerland)	100.00	668		(635)		33
Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni – Turin	26.00	–	9		(9)	–
Other companies		2		(1)		1
Total subsidiaries		7,143	254	(636)	(1,639)	5,122
Other companies						
Mediobanca S.p.A. – Milan	1.80	93				93
Istituto per la Ricerca e la Cura del Cancro S.p.A. – Turin	–	6		(6)		–
Istituto Europeo di Oncologia S.r.l. – Milan	–	6		(6)		–
Fin.Priv. S.r.l. – Milan	14.29	14				14
Consortium S.r.l. – Milan	2.62	20				20
Total other companies		139	–	(12)	–	127
■ Grand total		7,282	254	(648)	(1,639)	5,249

In particular, increases include:

<i>(in thousands of euros)</i>	
Acquisitions	
Subsidiaries:	
100% of Comau S.p.A. from Fiat Partecipazioni S.p.A.	82,413
80.48% of Teksid S.p.A. from Fiat Partecipazioni S.p.A.	96,644
100% of Business Solutions S.p.A. from Fiat Partecipazioni S.p.A.	65,360
Total	244,417
Capital increases	
Subsidiaries:	
Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	9,547
Total increases	253,964

In particular, decreases include:

<i>(in thousands of euros)</i>	
Disposals	
Subsidiaries:	
100% of Fiat International S.p.A. to Fiat Partecipazioni S.p.A.	278
100% of Fiat Oriente S.A.E. in liquidation to Fiat Partecipazioni S.p.A.	7
Total subsidiaries	285
Other companies:	
19.35% of Istituto per la Ricerca e la Cura del Cancro S.p.A. to Fiat Partecipazioni S.p.A.	6,197
10.90% of Istituto Europeo di Oncologia S.r.l. to Fiat Partecipazioni S.p.A.	6,148
Total other companies	12,345
Total	12,630
Capital reimbursements	
Subsidiaries:	
IHF – Internazionale Holding Fiat S.A.	635,453
Writedowns of carrying value	
Subsidiaries:	
Fiat Partecipazioni S.p.A. (mainly due to the negative performance of the Automobile Sector)	1,623,973
Fiat Finance North America Inc.	3,976
Fiat U.S.A. Inc.	1,657
Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	9,547
Total	1,639,153
Total decreases	2,287,236

The table at the end of these Notes to the Financial Statements contains a list of equity investments and the additional information required under Article 2427 of the Italian Civil Code and the supplemental data recommended by CONSOB, including changes in quantity and value of subsidiaries and associated companies and, for publicly traded companies, a comparison between the book value and the market value.

The purchases from and sales to Fiat Partecipazioni S.p.A. of the indicated investments were carried out as part of the ongoing program to streamline the corporate structure of the Group, aimed at focusing Fiat S.p.A. more on its role as the direct holding company of the Operating Sectors, with the exclusion of the Automobiles Sector for contingent reasons, while concentrating portfolio investments or those pertaining to “non-core” activities in other sub-holdings. The acquisitions of investments in Comau S.p.A., Teksid S.p.A., and Business Solutions S.p.A. were made at a price in line with the value of the relevant stockholders’ equity on a consolidated basis at December 31, 2004. This amount was considered to be prudently representative of the current value of the transferred companies in consideration of their current financial situation and the prospects resulting from the plans.

The decrease for the investment in IHF - Internazionale Holding Fiat S.A. is the result of the reduction in the capital stock of the subsidiary carried out during the fiscal year, from 2 billion Swiss francs to 100 million Swiss francs, through reimbursement of 1.9 billion Swiss francs. This reimbursement involved a 635 million euros reduction in the book value of the investment upon cancellation of shares, and income of 606 million euros for the remaining part of revenue (note 17).

As required by Article 2426, Section 3, of the Italian Civil Code, it should be emphasized that certain investments are carried at an amount that exceeds the value of the corresponding portion of the underlying stockholders' equity in the latest approved financial statements, after deducting dividends and after the adjustments required for consolidation purposes.

In particular, the values of the investments in Magneti Marelli Holding S.p.A., Fiat Partecipazioni S.p.A., and Ferrari S.p.A. determined on the basis of the abovementioned criteria that are reported on the balance sheet are higher than the corresponding shares of stockholders' equity in the companies (34 million euros, 482 million euros, and 65 million euros, respectively). When determining possible adjustments for permanent losses, it was taken into account that these investments have objectively higher inherent values than what is documented by accounting records.

In particular:

- Magneti Marelli Holding S.p.A.: the higher values for the investment reported on the balance sheet were maintained in consideration of the positive performance of the subsidiary during the fiscal year and a positive business outlook;
- Fiat Partecipazioni S.p.A.: when determining the adjustment for the impairment, the contractually agreed gain on the indirect investment in Italenergia Bis S.p.A. that can be realized in 2005 upon exercise of the put option for sale to EDF was taken into account; in addition to the higher current value (represented by the stock market price at year end), with respect to the carrying value of the investment in Rizzoli Corriere della Sera MediaGroup S.p.A.;
- Ferrari S.p.A.: the higher values for the investment on the balance sheet was maintained in consideration of the current value shown on the occasion of the sale of 34% of the investment to Mediobanca in 2002 (see Note 14 hereunder for the disclosure of the mutual commitments assumed at that time) and a positive business outlook.

All the other investments in subsidiaries have a book value that is less than or equal to the stockholders equity determined in accordance with the aforesaid principles.

Other securities

These consist of listed Treasury securities pledged to fund scholarship grants.

At December 31, 2004, their book value totaled 74 thousand euros (based on their quotations at December 30, 2004), compared with 75 thousand euros at December 31, 2003.

As regards fixed assets, the tables at the end of these Notes to the Financial Statements include the following:

- the additional information on cost, upward adjustments, writedowns and amortization and depreciation required under Article 2427 of the Italian Civil Code; and
- as required under Article 10 of Law No. 72 of March 19, 1983, a mention of the assets held at December 31, 2004 which have been adjusted for inflation pursuant to the relevant laws.

Current assets

4 Inventories

This item consists of costs incurred in connection with the High-Speed Railway Project. Fiat, as general contractor, has signed contracts with Treno Alta Velocità - T.A.V. S.p.A. (which, in turn, had received the order from F.S. S.p.A. - Italian Railways) for the executive design and construction of two high-speed rail lines (Bologna-Florence and Turin-Milan; the latter is split up in the Turin-Novara and Novara-Milan lines). At December 31, 2004, contract prices for the works were the following: 3,825 million euros for the Bologna-Florence line, 4,456 million euros for the Turin-Novara line, and 1,981 million euros for the Novara-Milan line. Work on this latter line began following the signing of the amendment of July 21, 2004.

Fiat S.p.A. has entrusted the CAVE.T. and CAV.TO.MI. consortia with the design and execution of works, retaining responsibility for coordination and organization, while project management was subcontracted. The contracts for the job connected to the Turin-Novara and Novara-Milan lines are still in course of definition with the CAV.TO.MI. Consortium.

Financing of the project is carried out by means of advances paid by T.A.V. S.p.A. to Fiat S.p.A., which then transfers to the two consortia the net amounts after deducting its fee (about 3.8%).

The following items are included under Inventories:

■ **Contract work in progress**

This item, which totaled 91,262 thousand euros at December 31, 2004, includes cumulative costs for coordination, organization, and project management work. This item refers for 54,316 thousand euros (48,346 thousand euros at December 31, 2003) to the Florence-Bologna line, for 35,124 thousand euros (26,056 thousand euros at December 31, 2003) to the Turin-Novara line and for 1,822 thousand euros to the Novara-Milan line. The item presents an increase in contract work in progress totaling 16,860 thousand euros with respect to the end of 2003.

■ **Advances to suppliers**

Advances totaled 7,053,457 thousand euros and include disbursements made to the Alta Velocità Emilia Toscana - CAVE.T. (3,083,502 thousand euros) and Alta Velocità Torino-Milano - CAV.TO.MI. Consortia (3,495,604 thousand euros for the Turin-Novara line and 474,253 thousand euros for the Novara-Milan line), and to engineering companies commissioned to supervise work (98 thousand euros) mainly progress payments due for work completed and contractual advances. Work completed as at December 31, 2004 totaled 6,413,023 thousand euros. Of this amount, the Bologna-Florence line accounted for 2,835,931 thousand euros (2,491,634 thousand euros at December 31, 2003), the Turin-Novara line for 3,355,210 thousand euros (2,091,650 thousand euros at December 31, 2003), and the Novara-Milan line for 221,882 thousand euros.

This item shows an increase of 1,890,942 thousand euros from December 31, 2003, as a result of the advances paid to CAVE.T. for 317,438 thousand euros, to CAV.TO.MI. for 1,573,406 thousand euros (1,099,153 thousand euros for the Turin-Novara line and 474,253 thousand euros for the Novara-Milan line) and to engineering companies for 98 thousand euros.

As explained later, the item Advances on the liabilities side of the balance sheet includes contractual advances totaling 7,336,406 thousand euros paid by the bidder company Treno Alta Velocità - T.A.V. S.p.A.

Fiat S.p.A. provided T.A.V. S.p.A. with bank suretyships totaling 1,971,807 thousand euros (642,342 thousand euros for the Bologna-Florence line, 816,516 thousand euros for the Turin-Novara line, and 512,949 thousand euros for the Novara-Milan line) as security for contractual advances received and proper execution of work. Conversely, the CAVE.T. Consortium provided Fiat S.p.A. with bank suretyships totaling 617,638 thousand euros, as envisaged by contract. The CAV.TO.MI. Consortium issued suretyships totaling 785,687 thousand euros for the Turin-Novara line and 493,221 thousand euros for the Novara-Milan line.

5 Receivables

Receivables amounted to 974,552 thousand euros at December 31, 2004. A breakdown of the net increase of 279,986 thousand euros from the figure at the end of 2003 is provided in the following table:

<i>(in thousands of euros)</i>	12/31/04	12/31/03	Change
Trade receivables	350,861	199,162	151,699
Allowance for doubtful accounts	(258)	(258)	–
Total trade receivables	350,603	198,904	151,699
Subsidiaries	25,251	16,438	8,813
Due from Tax Authorities	288,902	404,211	(115,309)
Deferred tax assets	277,000	–	277,000
Other (mainly factoring companies)	32,796	75,013	(42,217)
Total receivables	974,552	694,566	279,986

Compared with December 31, 2003, trade receivables increased by 151,699 thousand euros. These receivables are mainly the result of corresponding amounts owed by T.A.V. S.p.A. for works completed in 2004, net of receivables sold.

The liabilities include, under trade payables, the amounts owed to CAVE.T. and CAV.TO.MI.

The receivables from subsidiaries at December 31, 2004 consist primarily of the provision of services (4,779 thousand euros) and credits for IRES calculated on the taxable income contributed by the Italian companies participating in the national tax consolidation program (18,286 thousand euros). They show a net increase of 8,813 thousand euros with respect to December 31, 2003.

At the end of 2004, tax credits totaled 288,902 thousand euros and included credits for consolidated Group VAT of 45,976 thousand euros (of which 20,025 thousand euros were requested for reimbursement, net of conversion into cash, and 25,951 thousand euros were carried forward), credits for IRPEG (mainly for 2003) of 183,439 thousand euros, 55,848 thousand euros for advances and other credits for IRES transferred to Fiat S.p.A. by Italian companies that participate in the national tax consolidation program, and other minor amounts for 3,639 thousand euros.

There was a net decrease in tax credits of 115,309 thousand euros with respect to December 31, 2003, resulting from:

<i>(in thousands of euros)</i>	
Lower consolidated Group VAT credits	(170,060)
IRES credit deriving from the national tax consolidation program	55,848
Miscellaneous items	(1,097)
Net change	(115,309)

Deferred taxes consist of the balance of deferred tax assets net of deferred tax liabilities. Overall, the temporary differences and relative theoretical tax effects, calculated on the basis of the IRES rate of 33% at December 31, 2004 and IRPEG of 34% at December 31, 2003, can be broken down as follows:

<i>(in thousands of euros)</i>	12/31/2004	12/31/2003
Deferred tax assets for temporary differences:		
Writedowns of investments deductible in future fiscal years	632,944	694,591
Taxed liabilities and risk reserves and other minor differences	12,525	10,459
Total deferred tax assets	645,469	705,050
Deferred tax liabilities for:		
Gains (sale of Ferrari S.p.A. stock) deferred for taxation in future fiscal years	(79,602)	(119,580)
Total theoretical benefit on temporary differences	565,867	585,470
Theoretical benefit on tax losses that can be carried forward	253,936	122,306
Value adjustments for assets whose recoverability is not reasonably certain	(542,803)	(707,776)
Total deferred tax assets	277,000	-

As previously indicated in the Accounting Principles and Methods, deferred tax assets are recognized only when it is reasonably certain that they will be recovered. In particular, thanks to the indemnity paid to Fiat S.p.A. by General Motors in February 2005 for termination of the Master Agreement, the recovery of a portion of the tax effect on the temporary differences that arose in previous fiscal years and tax losses carried forward became certain.

In particular, deferred tax assets are recognized only when it is reasonably certain that they will be recovered. Conversely, deferred tax liabilities are not recognized if it is unlikely that the corresponding obligations will in fact arise.

Miscellaneous items showed a net decrease of 42,217 thousand euros, mainly due to less receivables sold in factoring, in expectation of liquidation at the end of the year.

Finally, in regard to the items on the financial statements that represent receivables, note that:

- Amounts of receivables due from companies abroad are not significant.
- Amounts of receivables with a residual term of more than five years are not significant.

6 Financial assets not held as fixed assets

Treasury stock

At December 31, 2004, treasury stock amounted to 26,413 thousand euros, which is 1,631 thousand euros less compared with December 31, 2003. Treasury stock included 4,384,019 ordinary shares, for a total par value of 21,920 thousand euros. These shares are held to cover the commitments undertaken in connection with stock option plans for directors and employees. The decrease in treasury stock with respect to December 31, 2003 is due to its alignment to the stock option exercise price.

Financial receivables

This item totaled 2,320,581 thousand euros at December 31, 2004, compared with 1,436,664 thousand euros at the end of 2003. This item consists of two fixed rate loans of 800,000 thousand euros and 1,200,000 thousand euros, due on February 22, 2005 and March 16, 2005, respectively, provided to the subsidiary Fiat Ge.Va. S.p.A, and liquidity left on deposit with this same company (320,581 thousand euros).

7 Cash

Bank and post office accounts

This item, which at the end of December 31, 2004 amounted to 325 thousand euros, showed an increase of 79 thousand euros with respect to December 31, 2003.

Cheques

At December 31, 2004, there were no cheques.

Cash on hand

Cash on hand at December 31, 2004 was in line with the figure at December 31, 2003.

8 Accrued income and prepaid expenses

Accrued income

At 2,353 thousand euros, accrued income showed a decrease of 969 thousand euros from the amount at December 31, 2003. Of this amount, 2,223 thousand euros represent accrued interest on the loans granted to the subsidiary Fiat Ge.Va. S.p.A.

Prepaid expenses

These totaled 4,528 thousand euros at December 31, 2004, for a net decrease of 3,710 thousand euros compared with December 31, 2003, mainly connected to the consideration that is contractually owed to TOROC for sponsorship of the XX Winter Olympic Games in 2006, applicable to future fiscal years.

9 Stockholders Equity

Capital stock

Capital stock, fully paid-in, amounted to 4,918,114 thousand euros at December 31, 2004 and consists of 983,622,708 shares as follows:

- 800,417,598 ordinary shares;
- 103,292,310 preference shares;
- 79,912,800 savings shares;

all with a par value of 5 euros each.

With reference to Capital stock, it should be mentioned that:

- Pursuant to resolutions by the Board of Directors on December 10, 2001 and June 26, 2003, the capital may be further increased through rights offerings for a maximum of 82 million euros, and thus reach a total of 5 billion euros, with the issuance of a maximum of 16,377,292 ordinary shares at a par value of 5 euros each on February 1, 2007, following exercise of the residual "FIAT ordinary share warrants 2007" issued as part of the capital increase of February 2002 and still outstanding. It should be recalled that Fiat reserved the right to pay the warrant holders in cash, starting on January 2, 2007, in lieu of the shares to be issued (shares in exchange for warrants), for the difference between the arithmetic average of the official market price of Fiat ordinary shares in December 2006 and the warrant exercise price, unless this difference exceeds the maximum amount set and previously communicated by Fiat, in which case the holder of the warrants may opt to subscribe to the shares in exchange for the warrants.
- Pursuant to the resolution by the Extraordinary Stockholders' Meeting on September 12, 2002, the Board of Directors has the right to increase the capital one or more times by September 11, 2007, up to a maximum of 8 billion euros, of which 3 billion euros are to be reserved, pursuant to paragraph 7 of Article 2441 of the Italian Civil Code, to the banks that underwrote the "Mandatory Convertible Facility" described in Note 12 if the facility is not reimbursed earlier than the contractual deadline of September 16, 2005.

In fact, in this case, any residual debt for the principal will be reimbursed in the form of ordinary shares of Fiat S.p.A. subscribed by the banks, with the obligation that they be offered as an option to all Fiat stockholders.

- The resolutions for the capital increases servicing the stock option plans (28 million euros) have been revoked, as the Board of Directors decided on June 26, 2003 to use ordinary treasury stock to be purchased for this purpose.

Additional paid-in capital

At December 31, 2004, there was no additional paid-in capital in consequence of its being used to cover the loss for fiscal 2003, as resolved by the stockholders meeting of May 11, 2004.

Legal reserve

The legal reserve totaled 446,562 thousand euros, a decrease of 212,778 thousand euros from the prior year, in consequence of its being used to cover the loss for fiscal 2003, as resolved by the stockholders meeting of May 11, 2004.

Treasury stock valuation reserve

The treasury stock valuation reserve totaled 26,413 thousand euros at December 31, 2004, with a decrease of 1,631 thousand euros from the prior year, following the alignment of the stock to the stock option exercise value.

Other reserves

Extraordinary reserve

At December 31, 2004, the extraordinary reserve totaled 1,631 thousand euros, with a net decrease of 110,623 thousand euros from the previous year in consequence of its being used to cover the loss for fiscal 2003 (112,254 thousand euros), as resolved by the stockholders meeting of May 11, 2004, and the transfer of the writedown of the adjustment of the stock to the exercise value of the stock options (1,631 thousand euros).

Reserve for purchase of treasury shares

At December 31, 2004, there was no reserve for purchase of treasury shares, in consequence of its being used to cover the loss of fiscal 2003, as resolved by the stockholders meeting of May 11, 2004.

Out-of-period income reserve under Art. 55 of Presidential Decree No. 917 of December 22, 1986 (Art. 18 of Law No. 675 of August 12, 1977)

At December 31, 2004, there was no out-of-period income reserve under Art. 55 of Presidential Decree No. 917 of December 22, 1986 (Art. 18 of Law No. 675 of August 12, 1977), in consequence of its being used to cover the loss for fiscal 2003, as resolved by the stockholders meeting of May 11, 2004.

Reserve for capital grants under Art. 102 of Presidential Decree No. 1523 of June 30, 1967

At December 31, 2004, there was no reserve for capital grants under Art. 102 of Presidential Decree No. 1523 of June 30, 1967, in consequence of its being used to cover the loss for fiscal 2003, as resolved by the stockholders meeting of May 11, 2004.

Reserve for capital grants under Regional Law 19/84

At December 31, 2004, there was no reserve for capital grants under Regional Law 19/84, in consequence of its being used to cover the loss for fiscal 2003, as resolved by the stockholders meeting of May 11, 2004.

Retained earnings

At December 31, 2004, there were no retained earnings, in consequence of their being used to cover the loss for fiscal 2003, as resolved by the stockholders meeting of May 11, 2004.

In the tables at the end of the Notes to the Financial Statements are illustrated the following:

- tax treatment applicable to reserves and capital;
- origin, possibility of use, and possibility of distribution of items posted under stockholders equity.

The table below shows the changes that affected stockholders equity in 2002, 2003 and 2004:

<i>(in millions of euros)</i>	Total	Capital stock	Additional paid-in capital	Revaluation reserve under Law No. 413 of 12/30/91	Legal reserve	Treasury stock valuation reserve	Other reserves (*)	Retained earnings	Net income (loss) for the fiscal year
Balance at December 31, 2001	7,168.8	2,753.0	1,636.0	22.6	659.3	37.6	1,094.4	587.2	378.7
Allocation of net income for the 2001 fiscal year:									
Dividends paid to Stockholders	(202.8)								(202.8)
Transfer of the remaining net income	-							175.9	(175.9)
Utilization of part of the reserve for purchase of treasury shares with transfer to treasury stock valuation reserve	-					3.5	(3.5)		
Transfer of part of treasury stock valuation reserve to reserve for purchase of treasury shares following writedown of treasury stock	-					(20.4)	20.4		
Transfer of part of treasury stock valuation reserve to reserve for purchase of treasury shares for assignment of shares to the Chairman of the Board of Directors	-					(0.3)	0.3		
Transfer of part of extraordinary reserve to reserve for purchase of treasury shares	(18.7) 18.7						(18.7) 18.7		
Capital increase from 2,753 million euros to 3,082.1 million euros through issue of shares with a share premium as resolved by the Board of Directors on December 10, 2001	1,020.2	329.1	691.1						
Loss for the year	(2,052.6)								(2,052.6)
Balance at December 31, 2002	5,933.6	3,082.1	2,327.1	22.6	659.3	20.4	1,111.6	763.1	(2,052.6)
Coverage of the loss for fiscal 2002 through recourse to a portion of the additional paid-in capital	-		(2,052.6)						2,052.6
Utilization of part of the reserve for purchase of treasury shares with transfer to treasury stock valuation reserve	-					12.8	(12.8)		
Transfer of part of treasury stock valuation reserve to reserve for purchase of treasury shares following writedown of treasury stock	-					(5.1)	5.1		
Allocation to additional paid-in capital of the value of unexercised option rights sold on the stock market	4.5		4.5						
Capital increase from 3,082.1 million euros to 4,918.1 million euros through issue of ordinary shares as resolved by the Board of Directors on June 26, 2003	1,836.0	1,836.0							
Loss for the year	(2,358.8)								(2,358.8)
Balance at December 31, 2003	5,415.3	4,918.1	279.0	22.6	659.3	28.1	1,103.9	763.1	(2,358.8)
Coverage of the loss for fiscal 2003 through recourse to the additional paid-in capital	-		(279.0)						279.0
Coverage of the loss for fiscal 2003 through recourse to portion of the legal reserve	-				(212.8)				212.8
Coverage of the loss for fiscal 2003 through recourse to:									
Extraordinary reserve	-						(112.3)		112.3
reserve for purchase of treasury shares	-						(971.9)		971.9
Out-of-period income reserve under Article 55 of Presidential Decree No. 917 of 12/22/86	-						(1.9)		1.9
Reserve for capital grants under Article 102 of Presidential Decree No. 1523 of 6/30/67	-						(17.7)		17.7
Reserve for capital grants under Regional Law No. 19/84	-						(0.1)		0.1
Coverage of the loss for fiscal 2003 through recourse to retained earnings	-							(763.1)	763.1
Transfer of part of treasury stock valuation reserve to extraordinary reserve following writedown of treasury stock	-					(1.6)	1.6		
Loss for the year	(949.1)								(949.1)
Balance at December 31, 2004	4,466.2	4,918.1	-	22.6	446.5	26.5	1.6	-	(949.1)

(*) Broken down as follows	12/31/2004	12/31/2003	12/31/2002
Extraordinary reserve	1.6	112.3	112.3
Out-of-period income reserve under Article 55 of Presidential Decree No. 917 of 12/22/86	–	1.9	1.9
Reserve for capital grants under Article 102 of Presidential Decree No. 1523 of 6/30/67	–	17.7	17.7
Reserve for capital grants under Regional Law No. 19/84	–	0.1	0.1
Reserve for purchase of treasury shares	–	971.9	979.6
Total	1.6	1,103.9	1,111.6

10 Reserves for risks and charges

Reserve for pensions and similar obligations

This reserve covers early retirement incentives and payments and bonuses due to retired employees. It was established as a result of supplemental collective and individual agreements, the latter being determined on the basis of actuarial computations. At December 31, 2004, it totaled 19,273 thousand euros, for a net decrease of 4,691 thousand euros compared with the end of 2003, broken down as follows:

<i>(in thousands of euros)</i>	
Provisions for the fiscal year charged to income	2,525
Cash conversion of reserve for early retirement incentives	(3,130)
Utilization for the fiscal year	(4,086)
Net change	(4,691)

Other reserves

This item consists of contractually envisaged commissions owed for future listing of Ferrari S.p.A. shares (23,256 thousand euros) on the stock market, expenses for employee bonuses (6,423 thousand euros) and scholarships (60 thousand euros). It totaled 29,739 thousand euros at December 31, 2004, a net decrease of 1,279 thousand euros compared with December 31, 2003.

The change resulted from the following:

<i>(in thousands of euros)</i>	
Provision for the fiscal year charged to income	6,443
Utilization for the fiscal year, mainly for bonuses granted to employees	(6,405)
Cash conversion of excess reserve	(1,317)
Net change	(1,279)

Fiat S.p.A. is still subject to a pending lawsuit for damages resulting from alleged violation of an agreement granting the pre-emption right on the sale of land located at Via Rivalta 15 in Turin.

Given the pending nature of this action, as well as its specific conditions, no reasonable prediction can be made as to its outcome or the costs that the company might sustain.

11 Reserves for employee severance indemnities

At December 31, 2004, this reserve totaled 11,616 thousand euros, a net decrease of 2,496 thousand euros from the end of 2003.

A breakdown of the change is as follows:

<i>(in thousands of euros)</i>	
Provision for the fiscal year charged to income	4,088
Utilization for the fiscal year	(6,584)
Net change	(2,496)

12 Payables

Borrowings from banks

This item amounted to 3,060,245 thousand euros at December 31, 2004 with an increase of 30,245 thousand euros comparable to the figure at December 31, 2003.

They are represented by 3 billion euros for the mandatory convertible facility granted pursuant to the Framework Agreement of May 27, 2002 with Capitalia, Banca Intesa, SanPaolo IMI, and Unicredit Banca (the Lending Banks) for the purpose of providing the Fiat Group with the financial support it needs to implement its industrial plan. The facility was disbursed on September 24, 2002 by a pool of banks comprising the lending banks and BNL, Monte dei Paschi di Siena, ABN Amro, BNP Paribas, Banco di Sicilia, and Banca Toscana (hereinafter referred to as "the Banks"). They also include the commissions contractually owed for the first two years (60,000 thousand euros). The principal characteristics of the Mandatory Convertible Facility are as follows:

- The facility has a term of three years, it expires on September 16, 2005 and it may be repaid with newly issued Fiat S.p.A. ordinary shares. Moreover, Fiat may elect to repay the facility in cash at an earlier date, even partially, on a six-monthly basis on condition that, even after the repayment, its rating remains at least equal to the investment grade level. Any residual liability for principal will be repaid with ordinary shares of Fiat S.p.A., which the banks have agreed to underwrite and offer pre-emptively to all Fiat stockholders. The issue price per share will be the average of 14.4409 euros (in accordance with the rules of the Italian Association of Financial Analysts - AIAF - the value has been adjusted with respect to the original value of 15.50 euros following the capital increase of Fiat S.p.A.) and the average stock market price in the last three or six months, depending on the case, preceding the facility repayment date. The same formula will be applied in the event of an earlier expiration date.
- The capital increase shall be approved at the expiration of the three-year term of the facility, for an amount equal to the outstanding balance of the facility.
- Conditions giving rise to an earlier expiration date of the facility include the occurrence of an event that creates a serious crisis for the company, such as the request for a court-appointed administrator or other proceedings of composition with creditors, a bankruptcy filing, or one of the causes of business dissolution set forth in Article 2484 of the Italian Civil Code (formerly Article 2448). In addition, the Banks have the authority to demand early repayment of the entire amount of the facility and proceed with the conversion of the debt into capital in the following cases:
 - Fiat Group companies have not fulfilled their duty to repay liquid and current financial obligations of an aggregate amount of more than 1 billion euros;
 - the external auditors have issued a negative opinion on the consolidated financial statements, unless new auditors, who must have accepted the assignment within 30 days, issue a favorable opinion no later than 60 days thereafter;
 - Fiat becomes the target of a take-over bid in accordance with Article 106 and 107 of the Consolidated Law on Financial Intermediation by third parties.
- Lastly, the Banks also have the right but are not obliged to demand early repayment of a portion of the amount of the facility, up to a maximum of 2 billion euros, after 24 months have elapsed from the signing of the agreement (and, therefore, beginning from July 26, 2004), in the event that at least one of the leading international rating agencies does not maintain the "investment grade" rating and, after 18 months have elapsed from the signing of the agreement (January 26, 2004), in the event that the level of net and/or gross financial indebtedness (respectively in the definitions of "net financial position" and "financial payables" used by the Group and detailed in the Report on Operations) is more than 20% higher than the corresponding level established by the Financial Objectives stipulated in the facility agreement.
- The aforementioned Financial Objectives refer, in particular, to the reduction of the negative balance of the net financial position to less than 3 billion euros by the date the Board of Directors approves the 2002 financial statements and the maintenance of that level until the expiration of the facility. Pursuant to the agreement, the proceeds generated from the transactions related to the sale of the investment in Italennergia Bis S.p.A. are also considered, including those connected with the Citigroup facility of approximately 1,150 million euros, and the financial effects arising from binding contracts for the sale of assets (equity investments, companies, plant and equipment, etc.), including those not yet executed. The agreement also states that gross indebtedness must be reduced by 12 billion euros, compared to March 31, 2002, by the date the Board of Directors approves the 2002 financial statements and must be maintained at less than 23.6 billion euros until the expiration of the facility.

At December 31, 2004, gross indebtedness totals 19.2 billion euros and continues to be within the targets agreed upon with the Lending Banks under the Mandatory Convertible Facility Agreement (23.6 billion euros), while the proforma net financial position (calculated, as envisaged in the facility agreement, by subtracting from the net financial position the Citigroup loan of approximately 1,150 million euros exceeds the limit of 3.6 billion euros contractually agreed for this parameter. The Lending Banks therefore have the right, in accordance with the contractual terms and conditions, to proceed with the conversion of the facility into capital for an amount up to 2 billion euros.

At December 31, 2004, the ratings assigned to the Group by the major rating agencies are the following:

	Short-term	Medium-term
Moody's Investors Service (*)	Not Prime	Ba3
Standard & Poor's Rating Services (*)	B	BB-
Fitch Ratings	B	BB-

(*) For purposes of the Mandatory Convertible facility, the most important rating agencies are Standard & Poor's and Moody's.

The ratings of the Group represented in the table refer to the "non-investment grade" category. The Banks did not exercise their consequent right to demand early repayment of the facility and to proceed with the conversion of the debt into capital for an amount up to 2 billion euros.

Advances

Advances totaled 7,336,406 thousand euros and consisted of advances received from Treno Alta Velocità - T.A.V. S.p.A. for the High-Speed Railway Project, as previously described at Note 4, Inventories. They refer mainly to work completion and contractual advances. The Florence-Bologna line accounted for 3,203,920 thousand euros, the Turin-Novara line for 3,639,264 thousand euros and the Novara-Milan line for 493,222 thousand euros. Work completed as at December 31, 2004 amounted to 2,949,350 thousand euros, 3,494,780 thousand euros and 230,757 thousand euros, respectively.

The 1,965,374 thousand euro increase since December 31, 2003 is due to 330,118 thousand euros in advances received for work completed on the Florence-Bologna line, 1,142,034 thousand euros in advances received for work completed on the Turin-Novara line, contractual advances (262,465 thousand euros) and advances for work completion on the Novara-Milan line (230,757 thousand euros).

T.A.V. S.p.A. has been provided with bank suretyships to secure these advances and proper execution of work for a total of 1,971,807 thousand euros, as described more exhaustively in Notes 4 and 14.

Trade payables

Trade payables stem from services received (consulting, publications, etc.) and amounts due to CAVE.T. and CAV.TO.MI. for progress payments due for work completed in the fourth quarter of 2004 and paid in the first quarter of 2005. They totaled 501,655 thousand euros at December 31, 2004, a net increase of 102,170 thousand euros compared with December 31, 2003, mainly due to the consideration owed to the CAV.TO.MI. Consortium for the new Novara-Milan line for which works have started.

Payables to subsidiaries

These stood at 222,730 thousand euros at December 31, 2004, showing a net decrease of 180,089 thousand euros from a year earlier.

A breakdown of this item is as follows:

(in thousands of euros)	12/31/04	12/31/03	Change
Financial payables	101,746	383,334	(281,588)
Trade payables	10,683	15,635	(4,952)
Payables for consolidated IRES	71,816	–	71,816
Other payables	38,485	3,850	34,635
Total payables to subsidiaries	222,730	402,819	(180,089)

Financial payables at December 31, 2004 include amounts payable to subsidiaries for their VAT credits, which they transferred to Fiat S.p.A. under the consolidated VAT filing system.

Trade payables reflect the purchase of administrative and general services.

The payables for consolidated IRES refer to the payables to the Italian subsidiaries for IRES calculated on the portion of the tax losses contributed by these companies as part of the national tax consolidation and offset during the year with taxable income contributed by others, as well as advances and other IRES transferred to Fiat S.p.A. by the companies participating in this program.

The other payables include 30,017 thousand euros for price equalizations owed to Fiat Partecipazioni S.p.A. for the purchase of investments in Comau S.p.A., Teksid S.p.A., and Business Solutions S.p.A.

Payables to controlling company

These total 234 thousand euros at December 31, 2004, with an increase by the same amount with respect to December 31, 2003. They refer almost entirely to recovery of the expenses incurred by the controlling company on behalf of Fiat S.p.A.

Taxes payable

At December 31, 2004, taxes payable totaled 8,987 thousand euros, a net decrease of 1,715 thousand euros from the figure at December 31, 2003. A breakdown is as follows:

(in thousands of euros)	12/31/04	12/31/03	Change
VAT payable	5,672	5,866	(194)
Taxes withheld on payments to employees and independent contractors	2,887	2,624	263
Liability for substitute tax payable on the capital gain from the sale of IN.TE.SA. (Legislative Decree No. 358/1997)	–	1,747	(1,747)
Miscellaneous items	428	465	(37)
Total taxes payable	8,987	10,702	(1,715)

Social security payable

This item totaled 2,797 thousand euros at December 31, 2004, an increase of 453 thousand euros from December 31, 2003.

Other payables

At December 31, 2004, other payables amounted to 26,484 thousand euros, for a net year-on-year increase of 7,486 thousand euros. A breakdown is provided below:

(in thousands of euros)	12/31/04	12/31/03	Change
Former Chief Executive Officer for retirement incentives to be paid in installments over 20 years	6,063	6,310	(247)
Employees for fees to be paid	10,187	2,356	7,831
Payables to employees who left the Company	7,472	5,963	1,509
Payables to stockholders of Toro Assicurazioni S.p.A., Magneti Marelli S.p.A. and Comau S.p.A. for public offerings	869	869	–
Dividends payable	315	449	(134)
Miscellaneous payables	1,578	3,051	(1,473)
Total other payables	26,484	18,998	7,486

Finally, in regard to payables posted on the balance sheet, note that:

- The amount of payables to foreign entities are not significant.
- Payables with a residual term of more than five years amount to 10,623 thousand euros.

13 Accrued expenses and deferred income

Accrued expenses

The balance of 129,650 thousand euros at December 31, 2004 is 37,394 thousand euros higher than the figure at December 31, 2003. A breakdown of this item is provided below:

<i>(in thousands of euros)</i>	12/31/04	12/31/03	Change
Interest on convertible facility	30,258	29,833	425
Commissions on convertible facility	98,951	58,952	39,999
Interest due to Intermap (Nederland) B.V.	395	344	51
Interest on Fiat Ge.Va. S.p.A. loans	–	3,101	(3,101)
Miscellaneous	46	26	20
Total accrued expenses	129,650	92,256	37,394

Deferred income

Deferred income totaled 19 thousand euros at December 31, 2004, representing a decrease of 2 thousand euros with respect to the end of the previous year and regarding income to be collected in 2005.

14 Memorandum accounts

Guarantees granted

Unsecured guarantees

Suretyships

Suretyships totaled 1,788,660 thousand euros at December 31, 2004.

They include suretyships provided on behalf of FiatSava S.p.A. (1,008,367 thousand euros) to secure a debenture issue and to secure Billets de Trésorerie issued by Group companies and third parties (totaling 200,000 thousand euros), bank loans (172,361 thousand euros), and rent payment obligations for buildings in relation to real estate securitization operations carried out during the past fiscal years (407,932 thousand euros).

The net decrease of 283,939 thousand euros from December 31, 2003 is mainly due to lower guarantees provided to secure Sava debentures (166,475 thousand euros) and bank loans (107,456 thousand euros).

Other unsecured guarantees

This item totaled 9,768,248 thousand euros at December 31, 2004.

It includes the following:

- 9,596,884 thousand euros in guarantees provided on behalf of subsidiaries to secure loans (Banco CNH Capital S.A. 496,143 thousand euros, Fiat Automoveis S.A. 89,629 thousand euros, Iveco Fiat Brasil Ltda 19,540 thousand euros, CNH America LLC 125,716 thousand euros, Iveco Latin America Ltda 2,366 thousand euros, Fiat Partecipazioni S.p.A. 1,130,387 thousand euros in favor of Citigroup), bond issues (Fiat Finance and Trade Ltd. 7,088,647 thousand euros, Fiat Finance North America Inc. 100,000 thousand euros, Fiat Finance Luxembourg S.A. 12,623 thousand euros, Fiat Finance Canada Ltd. 100,000 thousand euros), credit lines (New Holland Credit Company LLC 25,475 thousand euros, CNH Capital Australia Pty Ltd 18,799 thousand euros, Case Credit Ltd 61,052 thousand euros, Fiat Finance North America Inc. 1,468 thousand euros), VAT credit under the Group consolidation process (125,111 thousand euros), as provided under Ministerial Decree of 12/13/79 as amended, and sundry guarantees (199,928 thousand euros);
- 87,204 thousand euros for the risk of nonpayment on receivables due from tax authorities;
- 84,160 thousand euros in miscellaneous guarantees.

The turnover of receivables sold with recourse in 2004 was 183 million euros (387 million euros in 2003).

Although they are not included in the memorandum accounts, trade receivables and other receivables due after December 31, 2004 were sold without recourse for a total of 415 million euros (396 million euros in 2003 for receivables due after December 31, 2003). The turnover of receivables sold without recourse totaled 843 million euros in 2004 (1,471 million euros in 2003).

The net decrease of 3,872,123 thousand euros compared to December 31, 2003, is due mainly to fewer guarantees on behalf of subsidiaries following the reimbursement of bonds and reduced use of credit facilities.

Upon sale of its controlling interest in the rolling stock activities, Fiat S.p.A. assumed certain obligations towards the purchaser Alstom N.V. in guarantee of any breaches of contract occurring prior to the sale. On the basis of due diligence results, it is believed that Fiat does not face a reasonable likelihood of loss.

Commitments

Commitments related to supply contracts

This item totaled 10,261,147 thousand euros at December 31, 2004. Of this amount, 3,824,713 thousand euros represent the commitment (corresponding to the contractual amounts) stemming from the agreement executed on May 7, 1996 and the supplemental agreements signed by Fiat S.p.A. and Treno Alta Velocità - T. A.V. S.p.A. for the design and construction of the Bologna-Florence high-speed rail line, 4,455,909 thousand euros for the commitment undertaken pursuant to the agreement of February 14, 2002 and subsequent supplement agreements for the design and construction of the Turin-Novara line, and 1,980,525 thousand euros for the commitment undertaken pursuant to the agreement of July 21, 2004 for the design and construction of the Novara-Milan line. The increase of 2,250,219 thousand euros compared with December 31, 2003 includes agreements reached during 2004 regarding the Florence-Bologna line, specifically alterations to the network (95,009 thousand euros), urgent corrective measures (38,468 thousand euros) and monetary adjustments (53,306 thousand euros), agreements regarding the Turin-Novara line, specifically relating to alterations (9,662 thousand euros) and monetary adjustments (73,249 thousand euros), and the agreement regarding the Novara-Milan line (1,976,000 thousand euros) and monetary adjustments (4,525 thousand euros).

Fiat S.p.A. has subcontracted design and construction of the works to the CAVE.T. and CAV.TO.MI. Consortia.

Fiat S.p.A. provided T.A.V. S.p.A. with bank suretyships totaling 1,971,807 thousand euros as security for contractual advances received and proper execution of work. These guarantees are not recorded under the Memorandum Accounts since advances are included under Liabilities - Advances. Likewise, the CAVE.T. and CAV.TO.MI Consortia provided Fiat S.p.A. with the contractually envisaged bank suretyships totaling 617,638 thousand euros and 1,278,908 thousand euros, respectively.

Commitments for derivative financial instruments

These totaled 90,398 thousand euros at December 31, 2004, reflecting an increase of 28,668 thousand euros with respect to December 31, 2003, and refer for 65,830 thousand euros to the equity swap on Fiat shares and for 24,568 thousand euros to Forward Rate Agreements made to cover the risks connected with changes in the rate of the mandatory convertible facility.

With particular regard to the previously mentioned equity swap arrangements, the amount at December 31, 2004 represents the notional amount of the equity swap stipulated to hedge the risk of an increase in the Fiat share price above the exercise price of 10,000,000 stock options granted to Mr. Marchionne. In particular, the Board of Directors resolved to grant Mr. Marchionne, as a portion of his variable compensation as Chief Executive Officer, options for the purchase of 10,670,000 Fiat ordinary shares at the price of 6.583 euros per share, exercisable from June 1, 2008 to January 1, 2011. In each of the first three years, he accrues the right to purchase, from June 1, 2008, a maximum of 2,370,000 shares per year and on June 1, 2008 he accrues the right to purchase, effective that date, the residual portion amounting to 3,560,000 shares. The right to exercise the options related to this last portion of shares is subject to certain predetermined profitability targets that should be reached during the reference period. The risk of a significant increase in the Fiat share price above the exercise price for these options has been covered, with reference to 670,000 shares, by treasury stock in portfolio, whereas with reference to the remaining 10,000,000 shares, the aforementioned "Total Return Equity Swap" agreement was put into place with a reference price of 6.583 euro per share and expiring on July 29, 2005.

In accordance with accounting principles, the aforementioned Equity Swap, despite being entered into for hedging purposes, cannot be treated in hedge accounting and accordingly is defined as a trading derivative financial instrument. It follows that, in accordance with the principle of prudence, if during the period of the contract the Fiat shares perform positively, the positive fair value of the instrument is not recorded in the statement of operations; if, instead, the performance is negative, the negative fair value of the instrument is recorded immediately as a cost under financial expenses.

At December 31, 2004, the Equity Swap has a negative fair value of 6,830 thousand euros that has therefore been recorded in the financial statements.

At December 31, 2003, the Equity Swaps caption included, for 61,730 thousand euros, the notional amount of the equity swap stipulated to hedge the risk of an increase in the Fiat share price above the exercise price of 10,000,000 stock options granted to Mr. Morchio. Near the contract expiration date (August 31, 2004), the equity swap was replaced by the aforementioned contract in respect of the stock options granted to Mr. Marchionne. The replacement gave rise to income of 5,010 thousand euros. It is to specify that, during 2004, the aforementioned stock options expired upon the resignation of Mr. Morchio.

Four forward rate agreements were made in the last quarter of 2004 with the subsidiary Fiat Ge.Va. S.p.A., with an aggregate par value of 2,000 million euros, to hedge the risk related to an increase in interest rates. In particular, these agreements predetermine in the form of fixed rates the variable part of the interest that will be paid on the mandatory convertible facility during the final period of its term in 2005. At December 31, 2004, these FRA had an aggregate negative fair value of 912 thousand euros, but since the transactions in question must be classified as hedging, satisfying the requirements of the accounting principle for treatment in hedge accounting and having to offset the effects of the 2005 transaction that was subject to hedging, expenses were not charged for fiscal 2004.

Other commitments

This item, which totaled 9,296 thousand euros at December 31, 2004 (12,853 thousand euros at December 31, 2003), represents the residuary amount of the commitment, undertaken by Fiat on the occasion of its centennial under a resolution adopted by the Stockholders Meeting on June 22, 1998, to defray, over a ten-year period, the costs incurred to provide courses for a Degree in Automotive Engineering and pay for the renovation of the respective building. The decrease of 3,557 thousand euros from December 31, 2003 reflects the outlays incurred in the year to renovate the building and teach the courses.

A summary is presented below of the rights arising from the purchase, during 2002, of 34% of the capital stock of Ferrari S.p.A. for 775 million euros by Mediobanca S.p.A., within the framework of a consortium set up for the acquisition and placement of the Ferrari shares. Fiat realized a gain of 671 million euros on this sale, net of selling expenses. The sales contract sets out the following principal elements:

- Mediobanca assumed the responsibility of sole Global Coordinator in charge of coordinating and leading the consortium.
- Mediobanca can not sell its Ferrari shares to another group in the automobile industry as long as the Fiat Group maintains a 51% controlling interest in Ferrari. Barring certain specific assumptions, the Fiat Group can not reduce its investment in Ferrari below 51% until the end, depending on the case, of the third or fourth year subsequent to signing the contract.
- Fiat holds a call option that allows it to repurchase the Ferrari shares at any time before June 30, 2006 (the original date of June 30, 2005 was extended by one year during the course of 2003), except during the five months subsequent to the presentation of an IPO application to the competent authorities. The option exercise price is equal to the original price at which the shares were sold plus interest during the period based on the BOT yield plus 4%.
- Mediobanca, moreover, does not hold any put option to resell the purchased Ferrari shares to Fiat, even in the event that the IPO does not occur or is not completed.
- Fiat may share, in differing percentages, in any gain realized by Mediobanca and the other members of the consortium in the event of an IPO.

As part of the sale of Piemongest S.p.A. to Iupiter S.r.l., Fiat S.p.A. guaranteed performance of the obligations envisaged under that transaction.

It should be noted that, while Renault has a 19.52% interest in Teksid S.p.A., Fiat S.p.A. and Renault have agreed that this may be resold to Fiat S.p.A., should there be a material change in the conditions upon which the original agreement was based.

15 Value of production

Service revenues

Service revenues, which amounted to 59,776 thousand euros in 2004, are mainly the result of transactions with Group companies.

They refer for 47,695 thousand euros (of which 47,153 thousand euros Fiat Auto and 542 thousand euros Al Ghazi Tractors Ltd.) to fees paid for the use of the Fiat trademark by the individual companies determined as a percentage of sales. The contractually established percentages are as follows: Fiat Auto S.p.A. 0.5% and Al Ghazi Tractors S.p.A. 0.75%.

Service revenues also include 12,081 thousand euros for services rendered by management personnel of Fiat S.p.A. at the main Group companies.

Overall, they decreased by 13,497 thousand euros over 2003, due to less bills to Group companies in consequence of the divestiture of activities.

Change in contract work in progress

This item represents mainly costs incurred during the fiscal year for project management, coordination, and organization in connection with the High-Speed Railway Project and capitalized as part of inventories.

Totaling 16,859 thousand euros in 2004, or 3,179 thousand euros less than in 2003, it mainly consists of services provided by suppliers outside the Group (16,486 thousand euros).

Other income and revenues

Other income and revenues amounted to 11,852 thousand euros in 2004 and include 2,337 thousand euros in rental income from buildings owned by Fiat S.p.A. and leased to Group companies; 3,562 thousand euros in fees paid by miscellaneous companies for services performed by employees of Fiat S.p.A. in the capacity of Directors; 706 thousand euros in miscellaneous income and expense reimbursements; 5,247 thousand euros in prior period income, largely represented by provisions for early retirement incentives not owed following the premature severance of employees and bonuses to employees that were ascertained upon audit to be less than what was paid. They show a decrease of 7,366 thousand euros compared with 2003 mainly in consequence of lower fees paid to Directors performed by employees.

16 Costs of production

Raw materials, supplies and merchandise

This item totaled 423 thousand euros in 2004, against 385 thousand euros in 2003.

It consists mainly of the cost of research publications, office supplies and printed forms.

Services

Service costs amounted to 109,849 thousand euros in 2004, an increase of 10,028 thousand euros compared with 2003 due to higher expenses for services related to projects in the administrative area of interest to the Group.

This item represents expenses for consulting services and research studies, as well as for travel, financial, administrative, tax and external relations services. It also includes ordinary and extraordinary maintenance and general expenses (security, cleaning, EDP, telephone, insurance, etc.). Amounts paid to Group companies for services provided totaled 46,916 thousand euros and include support and administrative and financial consulting services in Italy (3,244 thousand euros to Fiat Gesco S.p.A., 1,073 thousand euros to Fiat Ge.Va. S.p.A., and 3,258 thousand euros to KeyG Consulting S.p.A.) and abroad (900 thousand euros to Fiat do Brasil S.A.); external relations services (1,056 thousand euros to Fiat I&CS S.c.p.A.); personnel training services (3,460 thousand euros to Isvor Fiat S.c.p.A.); office management, maintenance (9,922 thousand euros to Ingest Facility S.p.A.); personnel management and similar services (6,543 thousand euros to Fiat Se.p.In. S.c.p.A.); information technology services (3,045 thousand euros to Global Value S.p.A., 1,892 thousand euros to eSPIN S.p.A.); security services (3,266 thousand euros to Consorzio Orione and 1,180 thousand euros to Consorzio Sirio), and accounting and internal audit services (5,087 thousand euros to Fiat Revisione Interna S.c.r.l.).

It also includes consulting, research and professional fees of 48,645 thousand euros.

Leases and rentals

Leases and rentals totaled 949 thousand euros in 2004, or 214 thousand euros more than in 2003.

Personnel

This item amounted to 52,879 thousand euros in 2004 and includes provisions to the Reserve for pensions and similar obligations for bonuses and severance incentives (2,190 thousand euros). This item shows a decrease of 44,656 thousand euros with respect to 2003

due to lower wage and salary and social security contributions and decreased retirement incentives. The Company's average number of staff decreased from 167 employees in 2003, including 87 managers, 75 clerical staff, and 5 blue collar workers to 151 employees in 2004, including 83 managers, 63 clerical staff, and 5 blue collar workers.

During 2004, 12 managers were seconded to the Group's main subsidiaries (15 in 2003), which were billed for the respective costs.

Amortization and depreciation

This item totaled 29,717 thousand euros in 2004, with a net decrease of 57 thousand euros from the previous year. They refer for 26,496 thousand euros to the amortization of intangible fixed assets and for 3,221 thousand euros to the depreciation of property, plant and equipment.

Other operating costs

At 13,452 thousand euros, this item was 1,040 thousand euros less than in 2003.

It includes indirect taxes and fees (42 thousand euros for municipal property taxes, 127 thousand euros for nondeductible VAT, etc.); contributions and association fees (1,228 thousand euros); costs connected to contributions to fund the automotive engineering degree course (3,661 thousand euros); losses on sales of vehicles and office equipment (217 thousand euros), prior period expenses (990 thousand euros) and sundry items.

It also includes fees paid to the Statutory Auditors and Directors of Fiat S.p.A. amounting to 147 thousand euros and 5,463 thousand euros, respectively.

Directors' fees included 5,091 thousand euros in compensation awarded by the Stockholders' Meeting as well as fees set by the Board of Directors for Directors vested with particular offices, and 372 thousand euros for compensation provided in kind, which was booked under services.

17 Financial income and expenses

Investment income

Income from investments came to 682,557 thousand euros in 2004, an increase of 282,630 thousand euros compared with 2003.

A breakdown is as follows:

<i>(in thousands of euros)</i>	2004	2003
Subsidiaries		
Dividends distributed by:		
Fiat Ge.Va. S.p.A.	70,000	6,700
FiatAvio S.p.A.	-	100,000
Fiat Partecipazioni S.p.A.	-	70,000
Business Solutions S.p.A.	-	67,000
Itedi S.p.A.	-	10,620
Toro Assicurazioni S.p.A.	-	49
Total	70,000	254,369
Tax credit on dividends paid	-	142,666
Reimbursements of capital (portion in excess of the reduction of the book value)		
IHF - Internazionale Holding Fiat S.A.	606,124	-
Total subsidiaries	676,124	397,035
Other companies		
Dividends distributed by:		
Mediobanca S.p.A.	5,647	2,541
Fin. Priv. S.r.l.	786	351
Total other companies	6,433	2,892
Total investment income	682,557	399,927

Regarding the gain resulting from the reimbursement of capital of IHF - Internazionale Holding Fiat S.A. see comments contained in the previous Note 3.

Other financial income

From securities held as fixed assets other than equity investments

This item consists of interest earned on securities pledged to fund scholarship grants. Income from these securities totaled 2 thousand euros in 2004, in line with 2003.

Other income

Other income came to 72,975 thousand euros in 2004, an increase of 19,235 thousand euros compared with 2003.

A breakdown is as follows:

(in thousands of euros)	2004	2003
Subsidiaries		
Interest earned from:		
Fiat Ge.Va. S.p.A.	48,968	33,840
Miscellaneous	335	21
Total	49,303	33,861
Fees for suretyships and unsecured guarantees provided on behalf of the following Group companies:		
Fiat Finance and Trade Ltd	2,299	2,815
Fiat Partecipazioni S.p.A.	711	706
Fiat France S.A.	396	–
Fiat Auto Financial Services Limited	333	371
Banco CNH Capital S.A.	297	278
Fiat Finance Luxembourg S.A.	249	569
New Holland Credit Company LLC	212	255
Fiat Auto S.p.A.	204	270
Ingest Facility S.p.A.	201	201
Miscellaneous	561	608
Total	5,463	6,073
Income on derivative financial instruments		
Intermap (Nederland) B.V.	5,010	–
Fiat Ge.Va. S.p.A.	2,617	–
Total	7,627	–
Other income	626	590
Total subsidiaries	63,019	40,524
Others		
Interest earned on bank deposits	1	1
Interest earned on amounts receivable from the Tax Authorities	6,847	9,926
Other interest income	330	51
Fees for suretyships provided:		
FiatSava S.p.A.	2,681	3,111
Miscellaneous	97	127
Total	2,778	3,238
Total others	9,956	13,216
Total other income	72,975	53,740

Interest and other financial expenses

Interest and other financial expenses amounted to 210,222 thousand euros in 2004, or 12,921 thousand euros less than in 2003.

A breakdown is provided below:

<i>(in thousands of euros)</i>	2004	2003
Subsidiaries		
Interest and other financial expenses paid to:		
Fiat Ge.Va. S.p.A.	8,327	15,010
Intermap (Nederland) B.V.	2,379	844
Total	10,706	15,854
Fees paid to:		
Fiat Ge.Va. S.p.A.	151	12
Interest on derivative financial instruments	6,830	906
Miscellaneous	–	15
Total subsidiaries	17,687	16,787
Others		
Interest paid on convertible facility	109,511	123,489
Fees paid on convertible facility	70,200	70,200
Interest and other financing charges paid to banks	8	20
Interest paid to other lenders	444	327
Interest expenses and charges for the sale of receivables	11,763	11,807
Charges for stock listings, dividend payments and other charges	609	513
Total others	192,535	206,356
Total interest and other financial expenses	210,222	223,143

Foreign exchange gains and losses

This is a new item added in compliance with the provisions of Legislative Decree no. 6 of January 17, 2003.

It refers to net foreign exchange gains totaling 283 thousand euros in 2004, with a net decrease of 321 thousand euros from 2003.

The item includes a net loss of 7 thousand euros that has not yet been realized, deriving from an adjustment of receivables and payables denominated in foreign currency at the spot exchange rates on the closing date of the fiscal year.

18 Adjustments to financial assets

Writedowns of equity investments

This item totaled 1,639,153 thousand euros in 2004 and included Fiat Partecipazioni S.p.A. (1,623,973 thousand euros), Isvor Fiat S.c.p.A. (9,547 thousand euros), Fiat Finance North America Inc. (3,976 thousand euros), and Fiat USA Inc. (1,657 thousand euros).

In 2003, writedowns included Fiat Netherlands Holding N.V. (1,000,425 thousand euros), Fiat Partecipazioni S.p.A. (1,210,084 thousand euros), Magneti Marelli Holding S.p.A. (144,221 thousand euros), Fiat USA Inc. (9,747 thousand euros), Istituto Europeo di Oncologia S.r.l. (2,939 thousand euros), Isvor Fiat S.c.p.A. (4,321 thousand euros), Fiat International S.p.A. (1,279 thousand euros), Fiat Se.p.In. S.c.p.A. (569 thousand euros), and Fiat Revisione Interna S.c.r.l. (41 thousand euros).

Writedowns of securities among current assets other than equity investments

This item amounted to 1,631 thousand euros and consists of the adjustment of the book value of treasury stock to the stock option exercise price.

In 2003, it amounted to 5,076 thousand euros.

19 Extraordinary income and expenses

Extraordinary income

Extraordinary income totaled 1,579 thousand euros in 2004, for an increase of 1,384 thousand euros from the previous year. It consists of 1,464 thousand euros for tax expenses determined in previous years in an amount exceeding what was owed upon payment and 115 thousand euros in other income.

Extraordinary expenses

Extraordinary expenses in 2004 totaled 15,151 thousand euros and consisted of 429 thousand euros from losses on the disposal of investments, 14,704 thousand euros on incentives and expenses for the retirement of personnel in consequence of corporate restructuring and reorganization plans, and 18 thousand euros for other costs.

The losses on disposals refer to the sale to Fiat Partecipazioni S.p.A. of 100% of Fiat International S.p.A. (84 thousand euros), of 19.35% of the Istituto per la Ricerca e la Cura del Cancro S.p.A. (197 thousand euros), and 10.90% of the Istituto Europeo di Oncologia S.r.l. (148 thousand euros).

In 2003 they essentially referred to bank commissions paid to Mediobanca S.p.A. for the postponement of the commitments undertaken in connection with the "Ferrari" contract (15,504 thousand euros) and expenses connected with the valuation of the Insurance Sector headed by Toro Assicurazioni S.p.A. (1,617 thousand euros), and IRPEG (corporate income taxes) for fiscal 2002 (2,441 thousand euros).

20 Income taxes

In 2004, there was income for 278,442 thousand euros. In particular, they include current income taxes (IRES) (credit 1,442 thousand euros) stemming mainly from the income owed to Fiat S.p.A. for the tax loss used in connection with the consolidated tax return to set off taxable income contributed by other companies, as well as deferred tax assets of 277,000 thousand euros, which were previously commented on at note 5.

On the other hand, in 2003 there was a net tax liability of 60,664 thousand euros following cancellation of the deferred tax assets determined in previous fiscal years when it became unlikely that they could be recovered and thus posted on the financial statements.

In 2004, taxes represented 22.7% of income before taxes, and the difference with the theoretical IRES rate of 33% is due mainly to the negative effect of writedowns of the investments carried out in the fiscal year that are no longer deductible according to current tax norms, but partially balanced by the positive effect of deferred tax assets posted in consequence of temporary differences that arose in previous years and tax losses carried forward.

ANALYSIS OF FIXED ASSETS AND SUPPLEMENTAL INFORMATION

Cost of fixed assets

	Gross value at beginning of fiscal year			Increases			Decreases			Gross value at the end of fiscal year		
	Historical cost	Upward adjustments	Total	Reclassifications	Purchases	Reclassifications	Disposals, sales and contributions		Historical cost	Upward adjustments	Total	
							Historical cost	Upward adjustments				
<i>(in thousands of euros)</i>												
Intangible fixed assets												
Start-up and expansion costs:												
Cost of capital increase to 3,082.13 million euros (Board Resolution of 12/10/01)	19,224		19,224						19,224		19,224	
Cost of capital increase to 4,918.11 million euros (Board Resolution of 06/26/03)	56,729		56,729						56,729		56,729	
Leasehold improvements	651		651				(651)		-		-	
	76,604	-	76,604	-	-	-	(651)	-	75,953	-	75,953	
Concessions, licenses, trademarks and similar rights	910		910	24	7		(44)		897		897	
Intangible assets in progress and advances	180		180	(24)	31		(2)		185		185	
Other Intangible fixed assets												
Expenses connected to convertible facility	33,628		33,628						33,628		33,628	
	111,322	-	111,322	-	38	-	(697)	-	110,663	-	110,663	
Property, plant and equipment												
Land and buildings	45,945	102	46,047						45,945	102	46,047	
Plant and machinery	10,057		10,057						10,057		10,057	
Other fixed assets	7,044		7,044		2,673		(1,974)		7,743		7,743	
	63,046	102	63,148	-	2,673	-	(1,974)	-	63,745	102	63,847	

	Gross value at beginning of fiscal year			Increases			Decreases			Gross value at the end of fiscal year		
	Historical cost	Upward adjustments	Total	Capital increases, purchases	Reclassifications	Permanent losses in value	Disposals Sales		Historical cost	Upward adjustments	Total	
							Historical cost	Upward adjustments				
<i>(in thousands of euros)</i>												
Financial fixed assets												
Investments in:												
Subsidiaries	12,939,729	38,583	12,978,312	253,964			(637,900)	(7)	12,555,793	38,576	12,594,369	
Other companies	148,743		148,743				(22,013)		126,730		126,730	
	13,088,472	38,583	13,127,055	253,964	-	-	(659,913)	(7)	12,682,523	38,576	12,721,099	
Other securities:												
Debt securities	75		75				(1)		74		74	
	75	-	75	-	-	(1)	-	-	74	-	74	

Upward adjustments of fixed assets

Classes of assets (in thousands of euros)	Upward adjustments included in gross value at beginning of period	Increases	Deductions for divested assets	Upward adjustments included in gross value at end of period
Property, plant and equipment				
Land and buildings	102			102
Plant and machinery	–			–
	102	–	–	102
Financial fixed assets				
Investments in:				
Subsidiaries	38,583	–	(7)	38,576

Depreciation and amortization of fixed assets

Classes of assets (in thousands of euros)	Amortization and depreciation at beginning of fiscal year	Increases due to additions during the fiscal year	Decreases due to disposals during the fiscal year	Reclassifi- cations	Amortization and depreciation at end of fiscal year
Intangible fixed assets					
Start-up and expansion costs					
Cost of capital increase to 3,082.13 million euros (Board Resolution of 12/10/2001)	7,690	3,844			11,534
Cost of capital increase to 4,918.11 million euros (Board Resolution of 06/26/2003)	11,346	11,346			22,692
Leasehold improvements	651		(651)		–
	19,687	15,190	(651)	–	34,226
Concessions, licenses, trademarks and similar rights	812	71	(41)		842
Other Intangible fixed assets					
Expenses connected to convertible facility	14,205	11,235			25,440
	34,704	26,496	(692)	–	60,508
Property, plant and equipment					
Land and buildings	8,861	1,355			10,216
Plant and machinery	6,175	995			7,170
Other fixed assets	2,874	871	(769)		2,976
	17,910	3,221	(769)	–	20,362

Writedowns of financial fixed assets

Classes of assets (in thousands of euros)	Writedowns at beginning of fiscal year	Increases due to additions during the fiscal year	Disposals during the fiscal year	Decreases due to Permanent losses in value	Reversals of writedowns	Writedowns at end of fiscal year
Financial fixed assets						
Investments in:						
Subsidiaries	5,835,255	1,639,153	(2,169)			7,472,239
Other companies	9,668		(9,668)			–
	5,844,923	1,639,153	(11,837)	–	–	7,472,239

Art. 10, Law No. 72 of March 19, 1983 - Analysis of assets adjusted for inflation as of December 31, 2004

Classes of assets (in euros)	Historical cost		Upward adjustments permitted by Law			Upward adjustments included in book value at end of period
	not subject to upward adjustments	subject to upward adjustments	No. 74 of 2/11/52	No. 72 of 3/19/83	No. 413 of 12/30/91	
Property, plant and equipment						
Land and buildings	45,791,125	154,566	19,385		82,785	102,170
Plant and machinery	10,056,829					–
Other fixed assets	7,742,667					–
	63,590,621	154,566	19,385	–	82,785	102,170

Classes of assets (in euros)	Historical cost		Valuation reserves	Upward adjustments permitted by Law			Upward adjustments included in book value at end of period
	not subject to upward adjustments	subject to upward adjustments		No. 74 of 2/11/52	No. 576 of 12/2/75	No. 72 of 3/19/83	
Financial fixed assets							
Investments in:							
Subsidiaries	12,527,892,044	27,900,031	(7,472,238,385)	41,933	2,123,212	36,411,284	38,576,429
Other companies	126,730,177						–
	12,654,622,221	27,900,031	(7,472,238,385)	41,933	2,123,212	36,411,284	38,576,429

List of investments in subsidiaries and associated companies required under Art. 2427, Section 5, of the Italian Civil Code and additional information specified in the Consob communication of February 23, 1994

■ Subsidiaries

included in financial fixed assets

Company and registered office	Capital (in euros)	Result for the last fiscal year (in euros)	Stockholders equity (in euros)	% owned by Fiat S.p.A	Number of shares	Total book value (in euros)
Ferrari S.p.A. – Modena						
At 12/31/03	20,000,000	(23,527,637)	124,591,315	56.00	4,480,000	160,675,480
At 12/31/04	20,000,000	41,251,883	165,843,199	56.00	4,480,000	160,675,480
Magneti Marelli Holding S.p.A. – Corbetta						
At 12/31/03	254,324,998	(136,247,494)	626,990,476	99.99	254,301,607	666,932,086
Ordinary shares						
At 12/31/03				100.00	250,500,601	656,936,752
At 12/31/04				100.00	250,500,601	656,936,752
Preference shares						
At 12/31/03				99.39	3,801,006	9,995,334
At 12/31/04				99.39	3,801,006	9,995,334
At 12/31/04	254,324,998	(14,516,304)	612,474,172	99.99	254,301,607	666,932,086
Comau S.p.A. – Grugliasco						
At 12/31/03				–	–	–
■ Purchase					140,000,000	82,413,200
At 12/31/04	140,000,000	(10,895,549)	112,186,408	100.00	140,000,000	82,413,200
Teksid S.p.A. – Turin						
At 12/31/03				–	–	–
■ Purchase					192,834,000	96,644,200
At 12/31/04	239,600,000	(17,608,985)	113,624,939	80.48	192,834,000	96,644,200
Business Solutions S.p.A. – Turin						
At 12/31/03				–	–	–
■ Purchase					10,000,000	65,360,200
At 12/31/04	10,000,000	(5,278,785)	13,338,609	100.00	10,000,000	65,360,200
Itedi - Italiana Edizioni S.p.A. – Turin						
At 12/31/03	5,980,000	12,028,000	30,400,212	100.00	11,500,000	15,899,105
At 12/31/04	5,980,000	(1,265,986)	28,434,950	100.00	11,500,000	15,899,105
Elasis Società Consortile per Azioni – Pomigliano d'Arco						
At 12/31/03	20,000,000	9,000	20,009,000	0.17	33,334	29,974
At 12/31/04	20,000,000	44,342	20,104,768	0.17 +99.83 ind.	33,334	29,974
Fiat Finance North America Inc. Wilmington (United States)						
At 12/31/03	USD 31,741,892 40,090,010	617,447 779,835	35,841,888 45,268,304	39.47	150	17,118,000
■ Writedown to reflect loss in value						(3,976,000)
At 12/31/04	USD 29,432,501 40,090,010	57,785 78,709	33,291,985 45,347,013	39.47 +60.53 ind.	150	13,142,000
Fiat Ge.Va. S.p.A. – Turin						
At 12/31/03	224,440,000	5,169,726	313,371,830	100.00	224,440,000	222,262,897
At 12/31/04	224,440,000	47,711,134	291,082,964	100.00	224,440,000	222,262,897
Fiat Information & Communication Services società consortile per azioni – Turin						
At 12/31/03	800,000	61,735	904,776	51.00	408,000	430,000
At 12/31/04	800,000	23,846	928,622	51.00 +49.00 n.v. ind.	408,000	430,000
Fiat International S.p.A. – Turin						
At 12/31/03	1,300,000	(1,200,616)	277,791	100.00	1,300,000	277,791
■ Disposal					(1,300,000)	(277,791)
At 12/31/04	–	–	–	–	–	–

List of investments (continued)

Company and registered office	Capital (in euros)	Result for the last fiscal year (in euros)	Stockholders equity (in euros)	% owned by Fiat S.p.A	Number of shares	Total book value (in euros)
Fiat Netherlands Holding N.V. – Amsterdam (Netherlands)						
At 12/31/03	4,366,482,748	(735,461,574)	3,879,759,231	60.56	57,488,376	2,349,582,656
At 12/31/04	4,366,482,748	157,044,140	3,850,560,371	60.56 +39.44 ind.	57,488,376	2,349,582,656
Fiat Oriente S.A.E. (in liquidation) – Cairo (Egypt)						
At 12/31/03	EGP 6,437 50,000	1,285 9,985	43,394 337,057	100.00	12,500	7,472
█ Disposal					(12,500)	(7,472)
At 12/31/04	-	-	-	-	-	-
Fiat Partecipazioni S.p.A. – Turin						
At 12/31/03	3,924,685,869	(1,617,149,865)	2,947,512,055	100.00	3,924,685,869	3,015,465,082
█ Writedown to reflect loss in value						(1,623,973,000)
At 12/31/04	3,924,685,869	(1,779,119,739)	1,168,392,316	100.00	3,924,685,869	1,391,492,082
Fiat-Revisione Interna S.c.r.l. – Turin						
At 12/31/03	300,000	(297,162)	306,870	14.00 n.v.	42,000	42,962
At 12/31/04	300,000	26,438	333,308	14.00 n.v. +86.00 ind.	42,000	42,962
Fiat Servizi per l'Industria S.c.p.a. – Turin						
At 12/31/03	3,850,000	(1,558,840)	1,414,323	36.47	1,404,000	515,803
At 12/31/04	3,850,000	238,346	1,652,669	36.47 +63.53 ind.	1,404,000	515,803
Fiat U.S.A. Inc. – New York (United States)						
At 12/31/03	USD 13,325,416 16,830,000	239,242 302,163	24,839,837 31,372,714	100.00	1,000	24,897,726
█ Writedown to reflect loss in value						(1,657,000)
At 12/31/04	USD 12,355,921 16,830,000	207,961 283,264	23,240,568 31,655,978	100.00	1,000	23,240,726
IHF - Internazionale Holding Fiat S.A. – Paradiso (Switzerland)						
At 12/31/03	CHF 1,283,779,447 2,000,000,000	(331,572,733) (516,557,161)	1,283,854,912 2,000,117,568	100.00	2,000,000	668,897,557
█ Reimbursements of capital					(1,900,000)	(635,452,680)
At 12/31/04	CHF 64,808,814 100,000,000	181,021,006 279,315,412	245,906,014 379,432,980	100.00	100,000	33,444,877
Isvor Fiat Società consortile di sviluppo e addestramento Industriale per Azioni – Turin						
At 12/31/03	300,000	(16,617,627)	(571,053)	26.00	78,000	-
█ Advance on capital increase						46,526
█ Advance on capital contribution						9,500,000
█ Writedown to reflect loss in value						(9,546,526)
At 12/31/04	300,000	(9,139,001)	539,946	26.00 +74.00 ind.	78,000	-
Orione - Consorzio Industriale per la Sicurezza e la Vigilanza – Turin						
At 12/31/03	26,342	(387,543)	(361,201)	82.01		21,108
At 12/31/04	26,342	(479,932)	(453,590)	82.01 +14.00 ind.		21,108
Consorzio "Sirio" per la Sicurezza Industriale – Turin						
At 12/31/03	56,239	2,799	69,613	1.59		764
At 12/31/04	56,364	49,478	119,216	1.59 +70.23 ind.		764
█ Total subsidiaries						5,122,130,119

List of investments in other companies and additional information specified in the Consob communication of February 23, 1994

■ Other companies included in financial fixed assets

Company and registered office	% owned by Fiat S.p.A.	Number of shares	Total book value (in euros)
Mediobanca S.p.A. – Milan			
At 12/31/03	1.81	14,118,350	92,840,388
At 12/31/04	1.80	14,118,350 ^{*)}	92,840,388 168,149,548
Istituto per la Ricerca e la Cura del Cancro S.p.A. – Turin			
At 12/31/03	19.35	6,000,000	6,197,483
■ Disposal		(6,000,000)	(6,197,483)
At 12/31/04	–	–	–
Istituto Europeo di Oncologia S.r.l. – Milan			
At 12/31/03	10.90		6,147,818
■ Disposal			(6,147,818)
At 12/31/04	–		–
Fin.Priv. S.r.l. – Milan			
At 12/31/03	14.29		14,354,662
At 12/31/04	14.29		14,354,662
Consortium S.r.l. – Milan			
At 12/31/03	2.27		19,529,683
At 12/31/04	2.62		19,529,683
Consorzio Fiat Media Center – Turin			
At 12/31/03	1.67		5,165
At 12/31/04	1.85		5,165
Consorzio Lingotto – Turin			
At 12/31/03	5.40		279
At 12/31/04	5.40		279
■ Total other companies			126,730,177

*) Based on market prices on December 30, 2004.

% owned by Fiat S.p.A.

The indirect percentage held in the ordinary capital of subsidiaries is also indicated.

Treasury stock at December 31, 2004

	% owned by Fiat S.p.A.	Number of shares	Book value		Par value	
			per share (in euros)	total (in euros)	per share (in euros)	total (in euros)
Ordinary shares						
At 12/31/03	0.45	4,384,019	6.40	28,044,569	5.00	21,920,095
Alignment of the stock option exercise price				(1,631,261)		
At 12/31/04	0.45	4,384,019	6.025	26,413,308 *) 25,852,560	5.00	21,920,095

*) Based on market prices on December 30, 2004.

Tax status on equity reserves and other reserves – Presidential Decree No. 917 of December 22, 1986

Description	Total amount of equity reserves and other reserves which would be included in the Company's taxable income in the event of distribution (in euros)	Total amount of other reserves generated from net income (in euros)	Total amount of equity reserves and other reserves which would not be included in the stockholders' taxable income in the event of distribution (in euros)	Total (in euros)
Revaluation reserve under Law No. 413 of Dec. 30, 1991	22,590,857			22,590,857
Legal reserve	352,292,766	32,898,413	61,370,584	446,561,763
Treasury stock valuation reserve		26,413,309		26,413,309
Other reserves				
Extraordinary reserve		1,631,261		1,631,261
	374,883,623	60,942,983	61,370,584	497,197,190

In accordance with specific resolutions of the Stockholders Meeting, the following reserves were transferred to capital stock:

Reserve under Art. 34 of Law No. 576 of 12/2/75	453,070,328
Revaluation reserve under Law No. 576 of 12/2/75	97,675,103
Revaluation reserve under Law No. 72 of 3/19/83	266,350,533

which in the event of distribution would be included in the Company's taxable income, and:

Revaluation reserve under Law No. 74 of 2/11/52	20,052,596
Extraordinary reserve	953,046

Origin, possibility of use, and possibility of distribution of Stockholders equity reserves

Nature/description	Amount (in euros)	Possibility of use	Available share (in euros)	Summary of the applications made during the last three years	
				For coverage of losses (in euros)	For other reasons (in euros)
Capital stock	4,918,113,540				
Capital stock reserves:					
Legal reserve	61,370,584	B	–	29,241,925	
Revaluation reserve under Law No. 413 of Dec. 30, 1991	22,590,857	A,B,C	22,590,857		
Earnings reserves:					
Legal reserve	385,191,179	B	–	183,536,323	
Treasury stock valuation reserve	26,413,309	–	–		
Extraordinary reserve	1,631,261	A,B,C	1,631,261		
Total	5,415,310,730		24,222,118	212,778,248	
Portion that cannot be distributed (*)			24,222,118		
Residual portion that can be distributed			–		

Legend:

A: For capital increases

B: For coverage of losses

C: For distribution to stockholders

(*) Cannot be distributed due to start-up and expansion costs that must still be amortized (Art. 2426 Italian Civil Code, number 5).

Analysis of cash flow

(in thousands of euros)	2004	2003	
A. Initial short-term financial assets	1,303,578	1,359,994	
B. Cash flow - operating activities			
Income (loss) for the fiscal year	(949,101)	(2,358,790)	
Depreciation and amortization	29,717	29,774	
Losses (gains) on disposals of fixed assets	595	(1,462)	
Income from reimbursement of principal IHF – Internazionale Holding Fiat S.p.A.	(606,124)	–	
Writedowns of equity investments	1,639,153	2,369,573	
Net change in reserve for employee severance indemnities and other reserves	(8,466)	(21,367)	
Changes in capital stock	31,415	(196,675)	
	137,189	(178,947)	
C. Cash flow - investing activities			
Investments in fixed assets			
Equity investments	(253,964)	(1,602,430)	
Other fixed assets	(2,711)	(59,154)	
Selling price, or redemption value, of long-term investments	1,254,823	3,665	
	998,148	(1,657,919)	
D. Cash flow - financing activities			
Contributions by stockholders	–	1,835,986	
Changes in reserves	–	4,464	
Other changes	30,000	30,000	
Repayment of borrowings	(250,000)	(90,000)	
	(220,000)	1,780,450	
E. Net cash flow for the period	(B+C+D)	915,337	(56,416)
F. Final short-term financial assets	(A+E)	2,218,915	1,303,578

N.B. The short-term financial assets include the financial receivables from subsidiaries and cash, net of payables to subsidiaries for the VAT receivable transferred to Fiat.

Fees paid to Directors, Statutory Auditors and General Managers (in thousands of euros) (Article 78 of Consob Regulation No. 11971/99)

First name and last name	Office held in 2004	Term of office	Expiration (*)	Compensation for office held	Non-cash benefits (**)	Bonuses and other incentives	Other compensation
Still in office:							
Luca Cordero di Montezemolo	Director	1/1-5/30	2006	354.3	54.2		6,660.2
	Chairman	5/30-12/31		1)			2)
John Elkann	Director	1/1-5/30	2006	354.3	27.5		
	Vice Chairman	5/30-12/31		3)			
Sergio Marchionne	Director	1/1-5/30	2006	1,948.0	26.9		506.3
	Chief Executive Officer	6/1-12/31		4)			5)
Andrea Agnelli	Director	5/30-12/31	2005	47.5	4.0		
Angelo Benessia	Director	1/1-12/31	2006	98.0	26.9		
Tiberto Brandolini d'Adda	Director	5/30-12/31	2005	47.5	4.0		
Flavio Cotti	Director	1/1-12/31	2006	92.0	26.9		
Luca Garavoglia	Director	1/1-12/31	2006	98.0	26.9		
Hermann Josef Lamberti	Director	1/1-12/31	2006	95.0	26.9		
Pasquale Pistorio	Director	12/23-12/31	2005	4.2			
Daniel John Winteler	Director	1/1-12/31	2006	92.0	26.9		
				6)			
Cesare Ferrero	Chairman of the Board of Statutory Auditors	1/1-12/31	2006	63.0			30.0
Giuseppe Camosci	Statutory Auditor	1/1-12/31	2006	42.0			
Giorgio Ferrino	Statutory Auditor	1/1-12/31	2006	42.0			
No longer in office:							
Umberto Agnelli	Chairman	1/1-5/27		730.3	44.3		
Giuseppe Morchio	Chief Executive Officer	1/1-5/30		517.3	58.8		
Franz Grande Stevens	Director	1/1-4/26		277.9	17.4		
	Secretary of the Board			7)			

(*) Year in which the Stockholders' Meeting is convened for approval of the Annual Report, coinciding with expiration of the term of office.

(**) They include the pro-rata and pro-quota share of the insurance policy approved by the Stockholders' Meeting and the use of means of transport for personal purposes.

1) The gross annual compensation for the office of Chairman amounts to 500,000 euros.

2) The compensations for the offices held in the subsidiaries Itedi (143.2) and Ferrari (6,517), the latter inclusive of the variable compensation and a result-related bonus.

3) The gross annual compensation for the office of Vice Chairman amounts to 500,000 euros.

4) The gross annual fixed compensation for the office of Chief Executive Officer amounts to 1,600,000 euros, while the variable compensation can be equal to 100% of fixed compensation as a maximum.

5) Compensation for office held at the subsidiary IHF S.A. (171.7) and annual provision for severance indemnities (334.6).

6) Compensation channeled to IFIL Investments S.p.A.

7) The gross annual fee for the post of Secretary amounts to 250,000 euros.

Stock Options granted to Directors (Article 78 of Consob Resolution No. 11971/99)

Grantee		Options held at the beginning of the year			Options granted during the year			Options exercised during the year			Options expired in the year		Options held at the end of the year		
		Number of options	Average exercise price	Exercise period (mm/yy)	Number of options	Average exercise price	Exercise period (mm/yy)	Number of options	Average exercise price	Average market price at exercise date	Number of options	Number of options	Average exercise price	Exercise period (mm/yy)	
Paolo Fresco	Chairman	2,250,000	20.614	07/01-01/10							2,250,000	20.614	07/01-01/10		
Giuseppe Morchio	Chief Executive Officer	13,338,076	5.623	03/04-03/10						10,670,461 (*)	2,667,615	5.623	05/05		
Sergio Marchionne	Chief Executive Officer				10,670,000	6.583	06/08-01/11(**)				10,670,000	6.583	06/08-01/11		

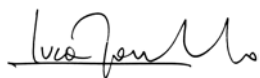
(*) Options expired upon termination of office.

(**) The options are exercisable for one-third of the shares only upon satisfaction of the profitability targets, whose amount and reference period are defined in advance.

Turin, March 24, 2005

The Board of Directors

By:



Luca Cordero di Montezemolo

Chairman

REPORT OF THE EXTERNAL AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 156 OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998

To the Stockholders of FIAT S.p.A.:

We have audited the consolidated financial statements of Fiat S.p.A. and subsidiaries (Fiat Group) as of and for the year ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Italy as recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob"). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the adequacy and the fairness of the

accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion. The audit of the financial statements of subsidiaries in the Components sector, which statements reflect total assets representing 3% of consolidated total assets and revenues representing 6% of consolidated revenues, is the responsibility of other auditors.

For the opinion on the prior year's consolidated financial statements, which are presented for comparative purposes as required by law, reference should be made to our auditors' report dated April 8, 2004.

In our opinion, the consolidated financial statements of Fiat Group as of and for the year ended December 31, 2004, comply with the Italian statutory provisions governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and results of operations of the Fiat Group.

Turin, Italy

April 5, 2005

Deloitte & Touche S.p.A.



Piergianni Pasquarelli – Partner

This report has been translated into the English language solely for convenience of international readers.

**REPORT OF THE EXTERNAL AUDITORS ON THE FINANCIAL STATEMENTS
PURSUANT TO ART. 156 OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998**

To the Stockholders of FIAT S.p.A.:

We have audited the financial statements of Fiat S.p.A. as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Italy as recommended by the Italian Regulatory Commission for Companies and the Stock Exchange (CONSOB). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the adequacy and the fairness of the accounting principles used and

the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion. The audit of the financial statements of the subsidiary Magneti Marelli Holding S.p.A., in which Fiat holds an investment which represents 13% of the total investments in shareholdings and 4% of the total assets reported in the financial statements, is the responsibility of other auditors.

For the opinion on the prior year's financial statements, which are presented for comparative purposes as required by law, reference should be made to our auditors' report dated April 8, 2004.

In our opinion, the financial statements of Fiat S.p.A. as of and for the year ended December 31, 2004 comply with the Italian statutory provisions governing the criteria for their preparation; accordingly, they give a true and fair view of the Company's financial position and results of operations.

Turin, Italy
April 5, 2005

Deloitte & Touche S.p.A.



Piergianni Pasquarelli - Partner

This report has been translated into the English language solely for convenience of international readers.

REPORT OF THE BOARD OF STATUTORY AUDITORS PURSUANT TO ARTICLE 41 OF LEGISLATIVE DECREE NO. 127/1991

Dear Stockholders:

The consolidated financial statements of Fiat S.p.A. at December 31, 2004, including the balance sheet, statement of operations and respective notes, which are being submitted for your consideration, show a net loss of 1,586 million euros, compared with a net loss of 1,900 million euros in the preceding fiscal year. They were communicated to us within the statutory deadlines, together with the Report on Operations, and were prepared in accordance with the method of presentation required under Legislative Decree No. 127 of April 9, 1991.

The tests carried out by Deloitte & Touche S.p.A., which is responsible for the audit, have shown that the amounts included in the financial statements are consistent with the Parent Company's accounting records, the statutory and consolidated financial statements of its subsidiaries and the official information provided by said subsidiaries.

The financial statements communicated by the subsidiaries to the Parent Company for the purpose of compiling the consolidated financial statements were prepared by the respective management bodies, reviewed by the bodies and/or individuals responsible for monitoring each individual company, as required under the pertinent legal systems, and audited by

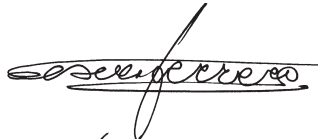
the audit firm, in accordance with the procedure required for certification of the consolidated financial statements. Consequently, as allowed under Article 41, Section 3 of Legislative Decree No. 127 of April 9, 1991, the Board of Statutory Auditors did not review these financial statements or the consolidated financial statements, except for the areas discussed below.

The determination of the scope of consolidation, the selection of the principles used to consolidate equity investments and the procedures used for that purpose comply with the requirements of Legislative Decree No. 127 of April 9, 1991. Therefore, the structure of the consolidated financial statements is technically correct and overall consistent with the pertinent legislation. In particular, it also includes the information required by Consob with registered letter DAC/RM/97002477 of March 14, 1997 concerning companies whose securities are listed both in Italy and in regulated markets in North America.

The Report on Operations presents fairly the results and financial position, as well as the operations in 2004 and the events that have occurred since the end of the fiscal year, for the complex of companies subject of the consolidation process. Based on our examination, this report is consistent with the consolidated financial statements.

Turin, May 26, 2005

The Statutory Auditors

Cesare Ferrero 

Giuseppe Camosci 

Giorgio Ferrino 

REPORT OF THE BOARD OF STATUTORY AUDITORS PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/1998, AND ARTICLE 2429, SECTION 3, OF THE ITALIAN CIVIL CODE

We mourn the passing of Umberto Agnelli. In our bereavement, we find solace in the thought that our memories of him will always be in our hearts.

* * *

Dear Stockholders:

Article 153 of Legislative Decree No. 58 of February 24, 1998 envisages that the Board of Statutory Auditors report to the Stockholders Meeting, convened to approve the statutory financial statements, the results of its oversight activity, indicating any omissions or improper transactions it discovered, and empowers it to put forth motions regarding the financial statements, their approval and other matters under its jurisdiction.

This Report is provided in accordance with the abovementioned provision and pursuant to Article 2429, Section 3, of the Italian Civil Code.

During the fiscal year just ended, we performed the duties incumbent upon us under Article 149 of Legislative Decree No. 58 of February 24, 1998, and are able to report specific information on the subjects listed below.

We attended the meetings of the Board of Directors, where we received detailed information on the Company's operations and on the main operating, financial and asset transactions carried out or in the process of being carried out by the Company and/or its subsidiaries. In this area, we determined and ascertained that all pending or completed transactions comply with all pertinent provisions of the law and the Articles of Association, are not in conflict with any resolution adopted by the Stockholders Meeting or produce no conflicts of interest, and are consistent with the principles of sound management.

The Company's organization is adequate, based on the size of the Company. As part of our work, we met with the executives in charge of the various Company Departments and with representatives of the External Auditors, from whom we obtained comprehensive information indicating that the Company was complying with the principles of fair and sound management.

The Board of Directors established an Internal Control Committee and a Nominating and Compensation Committee.

In addition, a system of internal control, which is constantly being upgraded, has been created at the Group level and is operational at Fiat S.p.A. and its subsidiaries. We express a favorable opinion on the Company's system of internal control, and on its ability to check the proper implementation of the internal operating and administrative procedures adopted to ensure that the Company is managed correctly and efficiently, while at the same time identifying, preventing and minimizing financial and operating risks and the danger of fraud. A member of the Board of Statutory Auditors was present at all Internal Control Committee meetings.

Based on our determinations and on the information garnered in previous fiscal years, we further believe that the Company's

administrative and accounting system is adequate for the purpose of presenting fairly the results of operations.

The guidelines provided by Fiat S.p.A. to its subsidiaries pursuant to Article 114, Section 2, of Legislative Decree No. 58/98 also appear to be adequate.

The Board of Directors provided us with the Report on Operations for the first half of 2004 within the statutory deadline and published it in accordance with the formalities required by the Consob. It also complied with statutory requirements as regards quarterly reports. With regard to the Consob Communications of February 20, 1997, March 2, 1998 and April 6, 2001, insofar as they apply to our task, we can confirm the following:

- The information provided by the Board of Directors in its Report on Operations, which includes an update on the implementation of the systems and procedures needed for the adoption of international accounting principles (Consob Communication DM E/5015175 of March 10, 2005), is exhaustive and complete.
- As required by the Consolidated Law on Financial Intermediation (Legislative Decree No. 58/98), the Board of Statutory Auditors has been informed on a constant basis on matters falling under its jurisdiction.
- The checks and audits of the Company conducted by us on a periodic basis reveal no atypical or unusual transactions.
- With regard to intra-Group transactions, the Board of Directors mentions in its Report on Operations that numerous transactions involving the delivery of goods and the provision of services took place between the Company, other Group companies and/or related parties. The Report on Operations further states that these transactions were executed on terms that were competitive with those available in the marketplace for goods or services of similar quality.
- The External Auditors' report neither contains objections nor does it draw attention to any particular event or set forth relevant qualifications or suggestions.
- As already mentioned above, the relevant components of the Company's organization are adequate for their purpose and its administrative and accounting system is reliable in providing a fair presentation of the results of operations.
- The system of internal control is adequate and effective.
- In 2004, the Board of Directors met 11 times. We were present at all of these meetings. The Board of Statutory Auditors met 17 times. The External Auditors attended five of these meetings.
- The Board of Statutory Auditors received three complaints under Article 2408 of the Italian Civil Code, which are reviewed below. At this point, is not aware of any memoranda that would require it to take action.
- During the course of the year we issued the various opinions that the Board of Statutory Auditors is required to provide pursuant to law.

- The Company complies with the recommendations of the Corporate Governance Code issued by the Committee for the Corporate Governance of Italian listed companies and publishes an Annual Report on Corporate Governance that details its activities in this area.
- We have received confirmation from Deloitte & Touche S.p.A. that Fiat S.p.A. retained its services to perform, in addition to auditing the statutory financial statements, consolidated financial statements, limited auditing of the consolidated first half report, agreed procedures for auditing of the quarterly reports, and auditing of the Form 20-F consolidated financial statements, the tasks listed below for which the respective fees are indicated:
 - Requested studies and analyses of the accounting procedures and disclosures to be made in the Group's 2003 consolidated financial statements in regard to material, non-recurring transactions carried out by Fiat S.p.A. or its subsidiaries in 2003, for a fee of 225,000 euros;
 - Requested studies and analyses of the accounting treatment that should be applied in the Form 20-F filed for 2003, in regard to any material, non-recurring transactions carried out by Fiat S.p.A. or its subsidiaries in 2003, for a fee of 296,000 euros;
 - Requested studies and analyses in regard to the introduction of new United States accounting principles applicable to the Fiat S.p.A. Form 20-F at December 31, 2003, for a fee of 192,000 euros;
 - Additional auditing work concerning the consolidated balance sheet at January 1, 2004 prepared by the Group in accordance with international accounting principles and to take into account changes in the relevant regulatory framework following the enactment of EU Regulation No. 1606 of July 19, 2002, for a fee of 204,000 euros;
 - Additional audit activities concerning the execution of certain financial transactions ("comfort letter"), for a fee of 380,000 euros;
 - Additional auditing activities concerning the implementation of a new data processing platform for the consolidation process, for a fee of 54,000 euros;
 - Auditing of the final statement of costs approved by the joint committee founded by Fiat S.p.A. and the Turin Polytechnic University for the establishment of three-year and five-year university degree courses in automotive engineering, for a fee of 5,500 euros;

Complaints Pursuant to Article 2408 of the Italian Civil Code

On December 22, 2004, February 25, 2005 and May 10, 2005, respectively, Marco Bava, a Fiat stockholder, filed three complaints pursuant to Article 2408 of the Italian Civil Code. These complaints, which, in each case, were filed shortly before meetings of the Company's Board of Directors, were addressed to the Chairman of the Board of Statutory Auditors of Fiat S.p.A., with copy to the Boards of Directors of Fiat S.p.A. and Fiat Auto

S.p.A., and the External Auditors Deloitte & Touche S.p.A. In a nutshell (the actual complaints consist of 15 typewritten pages), the complainant criticizes the manner in which Fiat S.p.A. is being managed, alleging that it is jeopardizing the Company's ability to function as a going concern and that it will lead to its liquidation, and asks the Board of Statutory Auditors to determine whether such practices are consistent with sound management principles. Specifically, in the complaint dated February 25, 2005, the complainant asks the Board of Statutory Auditors to verify that:

- a) derivative losses are not being understated;
- b) property, plant and equipment, trade accounts receivables and inventories are not being overstated;

and suggested that the Stockholders Meeting consider filing a liability action against a former Director "for the damages caused by his management strategy between 1998 and the date of his resignation."

After studying in detail the allegations put forth by the complainant and reviewing the complaints both individually and as a whole, we concluded that the portions of the complaints that contain general criticisms of the Company's management practices do not identify improper acts, such as those specifically referred to in Article 2408 of the Italian Civil Code. Earlier in this report, we already discussed the soundness of the Company's management decisions, insofar as they apply to those areas that fall under our jurisdiction pursuant to Article 149, Section 1, of Legislative Decree No. 58 of February 24, 1998.

With regard to paragraphs a) and b) above, the complainant does not point to improper acts, asking instead the Board of Statutory Auditors to determine if any such acts have occurred by auditing certain captions of the financial statements of all of the Group's companies and the consolidated financial statements. However, pursuant to Article 41, Section 3, of Legislative Decree No. 127 of April 9, 1991, this task is the responsibility of the External Auditors. To complete our review, we communicated the complainant's request to Deloitte & Touche S.p.A. and the External Auditors informed us that:

- a) "the accounting principles adopted by Fiat S.p.A. and the Group to value derivative financial instruments, property, plant and equipment, trade receivables, accounts receivable from customers and unconsolidated subsidiaries and inventories at December 31, 2004 are explained in detail in the notes to the statutory and consolidated financial statements at the same date, which were published at the end of March 2005 pursuant to law and in accordance with Consob recommendations;"
- b) "On April 5, 2005 we issued the requisite External Auditors' reports on the statutory financial statements of Fiat S.p.A. and the consolidated financial statements of the Fiat Group at December 31, 2004, as required by Article 156 of Legislative Decree No. 58 of February 24, 1998. The opinion provided in our report contained no qualifications or exceptions."

Lastly, based on the statutes currently in force, the Board of Statutory Auditors has no jurisdiction over decisions to file liability actions.

Based on the audits we performed in those areas that fall under our jurisdiction pursuant to Article 149 of Legislative Decree No. 58 of February 24, 1998 and the information received from the External Auditors, we have verified that the statutory financial statements, which show a net loss of 949,100,522 euros, compared with a net loss of 2,358,789,924 euros in the previous fiscal year, as explained in the Report on Operations, have been prepared and presented in accordance with the applicable provisions of law.

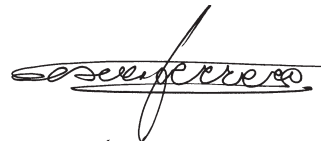
Therefore, we recommend that you approve them as they have been submitted to you, together with the motion to bring forward the loss for the year proposed by the Board of Directors.

The Board of Directors has made a motion, for which it provided adequate explanations, asking the Extraordinary Stockholders Meeting to amend Articles 8 and 12 of the Articles of Association. We concur with these proposed amendments, which are being put forth in response to (Article 8) and to comply with (Article 12) current statutory provisions.

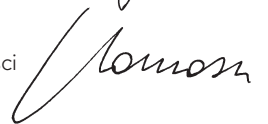
Turin, May 26, 2005

The Statutory Auditors

Cesare Ferrero



Giuseppe Camosci



Giorgio Ferrino



**OTHER ITEMS ON THE AGENDA AND RELATED
REPORTS AND MOTIONS**

RESOLUTIONS WITH RESPECT TO NUMBER, APPOINTMENT OF MEMBERS TO THE BOARD OF DIRECTORS AND RELEVANT FEES

Stockholders,

The membership of independent members on the boards of directors of listed companies is rightly considered to be an essential element for protection of the interests of stockholders, particularly minority stockholders, and third parties. Indeed, in order to achieve this goal, the company must be effectively supervised by individuals without any conflict of interest.

The Company also has a priority interest in assuring that its Board of Directors represent a sufficiently diverse range of knowledge, experience, and opinions of a general and specialized nature acquired at both the national and international levels, particularly in the industrial and financial sectors.

The composition of the Board of Directors must also maintain a proper balance between executive and non-executive directors so that no individual or group of individuals can exert a dominating influence on decision making.

Executive directors are those that have been granted power of representation and operating authority by the Board of Directors, as well as those that hold management functions in the Company or its subsidiaries.

Independent directors are those who do not have potential conflicts of interest because they do not have and during the last several years have not had, either directly, indirectly or on behalf of third parties, economic or other relationships with the Company or other parties related to it in any way (details appended hereto).

The currently growing focus by investors and market supervisory authorities on the structure of corporate governance manifests a clear preference for systems that guarantee a higher degree of protection in the event that conflicts of interest arise, particularly in the areas where a lower level of protection might be afforded by the stockholders meeting. The most effective measure that the Board of Directors can take to thwart this eventuality is to establish dedicated advisory bodies for preventive analysis and

formulation of proposals in risky situations. The activity of independent directors is essential in these situations.

With this aim in mind, we believe that your Company must adjust to the more evolved and stringent rules of corporate governance, and thus, before adopting the new recommendations that will be introduced in the Corporate Governance Code, which is currently being updated, we propose that you implement one of the fundamental rules issued by the NYSE for companies listed on that exchange – even if its adoption is not mandatory for companies headquartered outside the U.S. – and that is that the majority of directors be independent.

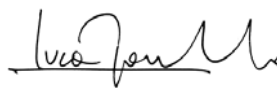
The more selective requirements for independence that we believe better satisfy the changes underway in corporate governance are those detailed below. The Board of Directors will assess candidates' independence on the basis of these requirements, and thus we ask that you consider them when submitting your nominations.

In particular, since 15 is the maximum number of directors envisaged by the Articles of Association, we propose that you set the number of directors at least at 14 and submit the nominations necessary for a majority of them to be independent, remembering that the terms of 3 of the 11 current directors (Andrea Agnelli, Tiberto Brandolini d'Adda, and Pasquale Pistorio) expire at this Stockholders Meeting, as they were co-opted by the Board of Directors pursuant to Article 2386 of the Italian Civil Code.

In this regard, we also remind you that the annual compensation envisaged by the Stockholders Meeting for current members is 50,000 euros, in addition to 3,000 euros in compensation for each board of directors or committee meeting that the director attends. Furthermore, the Stockholders Meeting has granted the directors authorization pursuant to Article 2390 of the Italian Civil Code. We thus propose that you extend the aforementioned conditions to the new nominees.

Turin, May 10, 2005

The Chairman of the Board of Directors



Luca Cordero di Montezemolo

CRITERIA FOR THE QUALIFICATION OF A DIRECTOR AS "INDEPENDENT"

The Board of Directors of Fiat S.p.A. shall take action as appropriate to ensure that the majority of directors be independent. The term independent shall mean that they:

- a) do not have and in the last three years have not had economic, investment, or other relationships either directly, indirectly, or on behalf of third parties with the following:
 - the Company, its subsidiaries and associated companies, or the companies subject to joint control with it;
 - the entity that, either singly or together with others, controls the Company, participates in shareholders agreements for control thereof, or exercises significant influence over it;
 - the executive directors and senior managers with strategic responsibilities at the aforementioned entities;
- b) are not and during the last three years have not been executive directors or senior managers with strategic responsibilities at the entities envisaged at point a);
- c) have not been directors of the Company for more than nine years, even if not consecutive;
- d) are not executive directors at other companies in which one or more executive directors of the Company are non-executive directors;
- e) during the last three years have not been partners or directors of a primary competitor of the Company;
- f) during the last three years have not been partners or directors of a rating agency that currently is or during the last three years has been in charge of assigning a rating to the Company, a subsidiary of the Company or a company that, even if jointly with others, controls the Company;
- g) are not and during the last three years have not been partners, directors or members of the auditing team of an external auditor - or entities belonging to its network - commissioned in the last three years to audit the Company, its subsidiaries, the companies subject to joint control with it, or

the companies that, even if jointly with others, control or have a significant influence over it;

- h) are not close relatives of or live with individuals who are in the situations envisaged hereinabove.

At the time of their appointment, and subsequently in any circumstance that could potentially disqualify a director from being considered independent, and in any case once a year, independent directors shall disclose by means of an appropriate written communication addressed to the Board of Directors any relationship that currently exists or that is in the process of being set up and which is material pursuant to the above letters a, b, c, d, e, f, g and h.

The independence of directors is assessed by the Board of Directors on the occasion of its periodic meetings, on the basis of the information provided by the single directors on their condition and changes therein. If, during the course of this assessment, the Board of Directors should find that any of the relationships envisaged at point a) exists it may approve the candidate only if this relationship is insignificant in terms of its nature or amount. The result of the assessments by the Board of Directors is disclosed to the market if changes occurred with respect to prior communications.

In order to assess independence, the Board of Directors also considers "indirect" economic or investment relationships, and thus those between, on the one hand, the director, his relatives, the professional partnerships to which the director belongs, the companies that are directly and indirectly controlled by the director or his relatives, and the companies in which these individuals are indirectly directors or employees must be taken into consideration, and on the other hand, the Company, its subsidiaries, associated companies, and those subject to joint control with it, the stockholders that directly or indirectly control or exercise significant influence over it, the entities listed at point g) hereinabove, the executive directors and the senior managers with strategic responsibilities at all the mentioned entities.

The Annual Report on Corporate Governance contains information on the number and identity of independent directors.

COVERAGE OF CIVIL LIABILITY FOR STATUTORY AUDITORS IN CONNECTION WITH THEIR FULFILLMENT OF THE ADDITIONAL FUNCTIONS ENTRUSTED TO THEM

Stockholders,

Pursuant to the Sarbanes Oxley Act and subsequent United States regulations, your Company, as an issuer of financial instruments listed on the New York Stock Exchange, must name the corporate body that performs the duties of the audit committee envisaged in those regulations and confirm that its members satisfy the envisaged requirements of independence and professional expertise.

Your Company, in consequence of recognition by the Securities and Exchange Commission that the board of statutory auditors envisaged under Italian law is analogous to the audit committee envisaged under American law, has designated the Board of Statutory Auditors as the corporate body authorized to perform the duties of the audit committee as envisaged in American law and to the extent allowed by Italian law. The Company has also confirmed that all of the Statutory Auditors satisfy the envisaged requirements for qualification as a financial expert.

Thus, the Board of Statutory Auditors has been assigned duties and prerogatives in compliance with U.S. law that go beyond those envisaged in Italian law. These duties and prerogatives principally involve relations with the external auditors and the handling of complaints regarding accounting issues, internal audits, or external audits, as well as the right to retain external consultants at the Company's expense for the provision of services directly connected with the new functions of the Board of Statutory Auditors.

Given the complexity of these new functions and the fact that they are not envisaged in the Italian legal system, we consider it opportune to submit the stockholders meeting a motion to provide forms of coverage and surety for the risks and costs that might result from civil actions filed for inadvertent failure to comply with the requirements deriving from the functions connected with the role of the audit committee pursuant to U.S. law. However, those acts that are criminal and fraudulent will be excluded from the coverage.

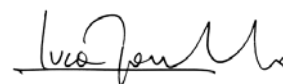
Similarly to what has already been provided to directors, this coverage could be offered in various complementary forms, by effecting multiple insurance policies with a maximum total coverage of 50 million euros, which can be combined with Company risk-sharing and self-insurance strategies that are used to minimize insurance premium costs.

Insurance policies should be supplemented with complementary self-insurance by the Company that is designed to hold the Statutory Auditors harmless and to offer supplemental coverage, in addition to the protection provided by the insurance policies, up to a maximum limit (including the insurance policies) that, based on the size of the Fiat Group, should be set at 100 million euros.

If you approve this motion, the Company's legal representatives will provide for the execution of the relevant contracts.

Turin, May 10, 2005

The Chairman of the Board of Directors



Luca Cordero di Montezemolo

MOTION TO UPDATE THE REGULATIONS FOR STOCKHOLDERS MEETINGS

Stockholders,

We propose to amend certain clauses in the Regulations for Stockholders Meetings in order to implement the various changes resulting from the reform of Italian corporate law that came into effect last year and for which you have already approved amendment of the Articles of Association.

The proposed amendments are highlighted in the appended text of the Regulations, and in particular:

- the changes proposed in paragraphs 2, 3, and 4 result from the clauses found in Articles 2370 and 2371 of the Italian Civil Code and the new rules governing qualification for attendance at stockholders meetings that Consob recently imposed in Article 34 bis of the Market Regulation;

- in paragraph 6, it must be noted that not only the savings shares but also the other classes of stock have or may have a common representative;
- in paragraph 7, we propose adoption of the longer deadline envisaged in Article 2374 of the Italian Civil Code for postponement of the stockholders meeting;
- the purpose of the changes proposed in paragraph 9 is to better clarify concepts that have already been expressed in regard to voting procedures;
- finally, it is proposed that references to the minutes be eliminated from paragraph 11, as they are now fully regulated by law.

Turin, May 10, 2005

The Chairman of the Board of Directors



Luca Cordero di Montezemolo

REGULATIONS FOR STOCKHOLDERS MEETINGS

1. Sphere of application, nature and amendments of rules

- 1.1. The present Regulations govern the conduct of Ordinary and Extraordinary Stockholders Meetings and also, as far as they are compatible, any special Stockholders Meetings.
- 1.2. Amendments to these Regulations shall be approved by the Ordinary Stockholders Meeting. Preference shares shall also be entitled to vote on the relevant resolutions.

2. Entitlement to participate in and attend the Stockholders Meetings

- 2.1. Meetings shall be open to holders of voting rights or their representatives who have obtained prior documentary evidence of their entitlement by the respective intermediaries, in accordance with applicable laws and the Articles of Association.
- 2.2. No official authorization shall be required of representatives of the company's external auditors attending the Meeting.

- 2.3. The Chairman shall be entitled to allow financial analysts or economic and financial journalists to attend the meetings, subject to their identification and unless otherwise resolved by the Meeting.

3. Verification of identity and legitimate entitlement

- 3.1. Procedures to verify the identity and legitimate entitlement of those wishing to participate in the Meeting or attend shall be carried out by company employees carrying an appropriate identification card, under the responsibility of the Chairman. Such procedures shall start at least one hour prior to the time fixed in the summons for the meeting.
- 3.2. Persons entitled to attend shall present a document released by a qualified intermediary, or a copy of a communication released by the intermediary and by the same forwarded to the Company, in conformity with applicable law and the Articles of Association. The persons entitled shall have to collect the attendance form from the company.

- 3.3. Anyone attending the Meeting as the representative of one or more holders of voting rights must deliver the documents that prove his/her entitlement to attend and that of those he/she represents, and sign a declaration attesting to the absence of any reasons for not acting as a representative. The delegation of rights must be signed by the holder of the voting right or his/her legal representative, attorney or proxy.
- 3.4. The holder of voting rights who attends the Meeting in person may not assign any part of the said voting rights at the same Meeting. However, it is possible to assign the totality of his or her voting rights to others in respect of particular items on the Agenda. In this case, the authorization shall specify the items for which it is assigned.
- 3.5. The principal or intermediary who requests delegations of voting rights, and representatives of any association that has obtained the delegations of voting rights of its members, shall provide the Company with documentation attesting to the legitimacy of the said delegate's or representative's attendance before the time indicated on the summons to the Meeting and in good time to check the entitlement on the basis of the number of such delegations obtained.
- 3.6. The possession of audio and video recording equipment shall be announced before entering the Meeting and their use shall require prior authorization by the Chairman. Mobile telephones shall be switched off.
- 3.7. It is absolutely forbidden to introduce any dangerous or inappropriate article or weapon into the Meeting hall.

4. Constitution of the Meeting, the Chairman and opening of the Meeting

- 4.1. At the time set in the summons to the Meeting, the person indicated in the Articles of Association shall take the chair, or in his absence the procedures required for the constitution of the Meeting and the appointment of a Chairman shall be presided over by the Chief Executive Officer, or in his absence by the most senior Director who shall be responsible for collecting the names of the candidates and putting them to the vote. The candidate who receives the votes of the relative majority of the capital represented at the Meeting shall be appointed Chairman.
- 4.2. Special meetings shall be chaired by the common representative, if appointed, failing which the Chairman shall be elected by the Meeting.
- 4.3. The Chairman shall be assisted by a secretary appointed by the Meeting on the Chairman's recommendation or, if necessary or appropriate, on the recommendation of a Notary. Both the Secretary and the Notary may ask for the

collaboration of persons known to them, even if the latter are not stockholders.

- 4.4. The Chairman shall be entitled to seek the assistance of the Directors, the Statutory Auditors, employees of the company and/or its subsidiaries, as well as by specially invited outside experts.
- 4.5. Any logistic and instrumental services required shall be supplied by appointees of the company who shall be required to wear appropriate identification cards.
- 4.6. Discussion at the Meeting may be filmed and/or recorded on audio/video both for transmission/projection in the hall where the Meeting is held or adjacent rooms, and to provide additional information for drafting minutes and the preparation of replies.

The information presented at the Meeting by corporate bodies may be divulged through the Company's Internet site.
- 4.7. The Chairman shall state the number of those present and the shares represented, and ascertain that the Meeting is duly constituted.
- 4.8. Should the necessary quorum not be reached for the constitution of the Meeting or the discussion of some items on the Agenda, the Chairman, or in his absence the person presiding over the Meeting, shall inform those present and may defer the start of the Meeting for not more than one hour, prior to postponing the discussion of the aforesaid items to a later Meeting.
- 4.9. Should the Chairman put procedural irregularities or other matters governed by these Regulations to the vote, said vote shall be carried by the majority of the capital represented at the Meeting.
- 4.10. Anyone intending to leave the Meeting before its conclusion or before any particular vote, shall inform the person responsible for recording the number of voting shares present of his intention.
- 4.11. Having ascertained that the Meeting is duly constituted, the Chairman shall declare the meeting open and proceed to the discussion of the Agenda.

5. Agenda

- 5.1. The Chairman or, if he so requests, his assistant shall read out the items on the Agenda and the proposals to be subjected to approval by the Meeting. Unless the Meeting objects, the Chairman shall be entitled to handle several items on the Agenda together or in a different order from that announced in the summons to the Meeting.
- 5.2. Unless the Chairman considers it necessary or unless a specific request is presented and approved by the Meeting, documents previously deposited for perusal by interested parties, as indicated in the summons to the Meeting, shall not be read out at the Meeting itself.

6. Discussion and powers of the Chairman

- 6.1. The Chairman shall open the discussion and direct it by inviting those who have requested permission to speak to take the floor in the order in which their requests were booked and ensuring that they are entitled to intervene.
- 6.2. The Chairman may specify that such requests should be made in writing, indicating the item on the Agenda that the individual concerned wishes to address.
- 6.3. Anyone entitled to participate in the Meeting, including the common representatives of the different classes of shares, if appointed, and the representative of bondholders, shall be entitled to take the floor on any item on the Agenda and to comment or advance proposals thereon.
- 6.4. All speeches to the Meeting must be clear and concise. They must be strictly pertinent to the items on the Agenda and must be delivered in a time deemed to be appropriate by the Chairman.
- 6.5. If the speaker fails to comply with these rules, the Chairman shall invite him to draw his speech to a close, failing which he shall be refused the floor.
- 6.6. The Chairman shall regulate the Meeting to ensure its correct function and to guarantee the rights of all those present. The Chairman shall be entitled to withdraw or deny the right to speak or take any other action considered appropriate in the circumstances if speeches are not authorized or repetitive, or if they disturb or impede the other persons present, or contain anything offensive or immoral or detrimental to public order, or are contrary to the purposes for which the Company was created.

7. Interruption and adjournment of the Meeting

- 7.1. The Meeting shall normally conduct all its business in a single session. However, should the Chairman think it appropriate, any session may be interrupted for a maximum period of two hours.
- 7.2. The Chairman may adjourn the Meeting, only on one occasion, by not more than five days, provided that the Meeting votes in favor with the majority specified by Article 2374 of the Italian Civil Code, fixing the day and the time of the new meeting for the continuation of business.

8. Replies and closure of discussion

- 8.1. The Chairman or, if he so requests, his assistant shall answer any questions raised in a speech either immediately or after all the speeches have been made. Should several speeches cover the same material, a single answer should suffice.
- 8.2. The Chairman shall be entitled not to reply to questions unrelated to the Agenda and to questions concerning:
 - information on Company relations with third parties which cannot be disclosed or is not relevant;

– very detailed information which is of no interest to the Meeting or which makes no useful contribution to voting intentions.

- 8.3. At the end of all the speeches and replies, the Chairman shall declare the discussion closed.

9. Voting and counting the votes

- 9.1. Depending on the circumstances, the Chairman shall be entitled to call for a vote on each Agenda item once the discussion of that item is completed or invite the Meeting to vote on some items of the Agenda, or on the Agenda in its entirety.
- 9.2. Anyone entitled to vote may explain the reasons for his or her vote in the time strictly necessary.
- 9.3. Votes shall be cast openly, by show of hands or other manner decided by the Chairman at the time of voting, including the use of suitable technical instruments that facilitate the counting process.
- 9.4. Should the outcome of a vote by show of hands not be unanimous, depending on the circumstances the Chairman shall be entitled to invite the abstainers and those not in favor of the motion, if in the minority, or vice versa those in favor if fewer than those opposed, to declare their voting intentions or to make them known using the method or instrument indicated.
- 9.5. In the case of lists or relative majority voting, only votes in favor of a particular list or candidate shall be counted and non-voters shall be deemed to have abstained. Each vote holder shall be entitled to one vote representing the totality of his voting shares, for one list, or one candidate for each available seat.
- 9.6. The representatives of trust companies and those delegated to vote for others shall be entitled to split their votes in compliance with the instructions received from the stockholders they are representing.

10. Declaration of the results and closure of the Meeting

- 10.1. At the end of the voting procedures the Chairman shall ascertain the results and declare any motion carried that has received the majority vote required by Law, the Articles of Association or these Regulations.
- 10.2. Once all the items on the Agenda have been dealt with, the Chairman shall declare the Meeting closed.

11. Annexes to the Minutes of the Meeting

- 11.1. The Chairman shall be entitled to supply the Notary or Secretary with any documents read or described during the Meeting for attachment to the Minutes as additional information, provided that such documents are deemed to be relevant to the matters discussed.

MOTION TO AMEND ARTICLE 8 AND ARTICLE 12 OF THE ARTICLES OF ASSOCIATION

Stockholders,

As part of the broader reform of corporate law, the Market Regulation (Consob Resolution no. 11768 of December 23, 1998, most recently amended by Resolution no. 14955 of March 23, 2005) has been recently amended following changes made by lawmakers to the rules envisaged in Article 2370 of the Italian Civil Code that govern the qualification of voting rights holders to participate in stockholders meetings.

Last year, when the Articles of Association were amended to comply with this reform, we proposed that you not introduce any advance deadline for qualification to participate in stockholders meetings, even if this were allowed by the new wording of Article 2370 of the Italian Civil Code, because *"Fiat intends to use the opportunity created by changes in the law to address issues raised by investors and, since it believes that it is within the purview of market regulators to provide action guidelines in this area"*¹.

Now, after a thorough debate by market supervisory and operating authorities and the associations of issuers, intermediaries, and investors on the thrust and consequences of amending these rules, it emerged that the suggestion to adopt a qualification rule that *"would beneficially eliminate both the risk of issuers' organizational problems and the risk that intermediaries who wish to vote be blocked"*² cannot be introduced with a regulatory rule.

Moreover, in consequence of the amendments introduced in the cited Market Regulation, there have been changes in the terms and conditions that stockholders must satisfy in order to obtain certification of their right to participate in stockholders meetings and that intermediaries must satisfy in order to prove this right.

Consequently, in order to ascertain the qualifications of stockholders meetings participants in advance and eliminate the risk of irregularities, the first paragraph of Article 8 of the Articles of Association must be amended to introduce the deadline for deposit of shares at least two non-holidays prior to the meeting, as allowed by Article 2370 of the Italian Civil Code.

The two committees that the Board of Directors must establish are explicitly named in Article 12 of the Articles of Association. Because the envisaged review of the system of corporate governance allows the establishment of additional committees and changes in the role and names of the current ones, we propose that a more generic text be adopted, eliminating the explicit reference mentioned hereinabove.

Furthermore, in compliance with the provisions of Article 2389 of the Italian Civil Code we propose that a clause be added to the last paragraph of Article 12 of the Articles of Association, granting the stockholders meeting the right to determine aggregate compensation for the directors, including compensation for corporate offices.

The proposed amendments to Articles 8 and 12 of the Articles of Association are illustrated as follows:

Art. 8 – Attendance and Representation at Stockholders Meetings

Stockholders who are entitled to vote may attend the Meeting or be represented at it pursuant to law if they have obtained certification from an authorized intermediary, and if this has been communicated to the Company ahead of time in accordance with the applicable statute. This certificate must attest to their right to attend the Meeting and to deposit of their dematerialized shares at least two non-holidays before the Meeting.

(omissis)

Art. 12 – Corporate offices, Committees and Directors' Fees

(omissis)

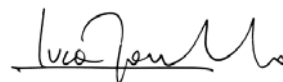
The Board of Directors may set up an Executive Committee and/or other Committees with specific functions and tasks, fixing its/their composition and operating procedures. More specifically, the Board of Directors shall establish a Committee to supervise the Internal Control System and Committees for the nomination and compensation of Directors and senior managers with strategic responsibilities.

(omissis)

The fees payable to the Directors and members of the Executive Committee shall be determined by the Stockholders Meeting and will be effective until the Meeting resolves otherwise. The compensation of the Directors vested with particular offices shall be determined by the Board of Directors, after having received the opinion of the Statutory Auditors. Nevertheless, the Stockholders Meeting may determine an aggregate amount for compensation of all the Directors, including those vested with particular offices.

Turin, May 10, 2005

The Chairman of the Board of Directors



Luca Cordero di Montezemolo

¹ Report on Corporate Governance (March 2004)

² Consob - Comments made after consultation on amendments to the Market Regulation, where it is observed that it is currently difficult to reconcile the principle of "record date" with applicable statutory principles governing legitimate exercise of company rights.

Graphic design
and editorial coordination:
Micrograf – Turin, Italy

Printed by:
Arti Grafiche Giacone – Turin, Italy

Printed in Italy

June 2005
01UK

Printed on Fedrigoni Symbol Freelifre recycled
and environmentally friendly paper



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