



The Fiat Group in 1999



Consolidated and Statutory Financial Statements

Report on Operations

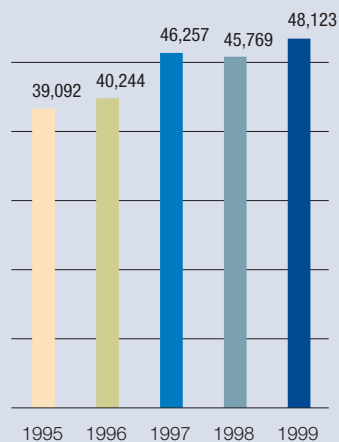
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*This Report is available on the Internet at
www.fiatgroup.com*

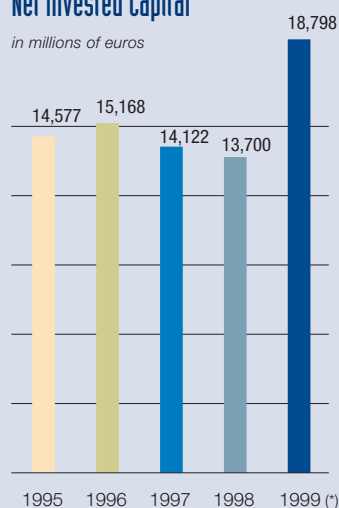
Consolidated Revenues

in millions of euros



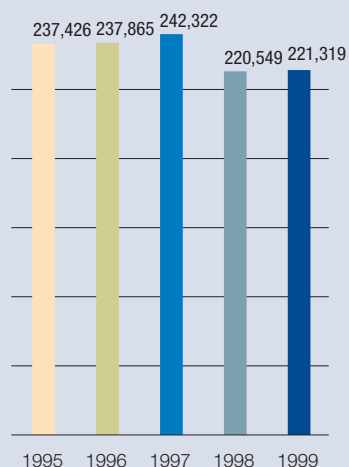
Net Invested Capital

in millions of euros



(*) Includes the controlling interest in the Case Group acquired at the end of 1999 and valued at cost.

Number of Employees



Financial Highlights of the Fiat Group

in millions of euros

	1999	1998	1997	1996	1995
Operating income	788	746	1,791	932	1,717
Income before taxes	1,024	1,442	2,160	1,965	1,758
Income before minority interest	506	916	1,550	1,420	1,329
Group net income	353	621	1,248	1,225	1,109
Net financial position (Net borrowings)	(4,031)	1,420	1,340	(1,142)	(1,341)
Stockholders' equity including minority interest	14,767	15,120	15,462	14,026	13,236
Group interest in stockholders' equity	12,874	12,998	13,203	12,042	11,178
Cash flow (income before minority interest plus depreciation and amortization)	2,860	3,226	4,184	3,867	3,501
Capital expenditures	2,712	2,418	2,398	2,746	2,918
Research and development	1,406	1,264	1,166	1,129	1,079
Operating income from Industrial Activities/Net revenues	1.9%	2.2%	4.4%	2.9%	4.8%
Operating income/Average net invested capital	4.8%	5.4%	12.2%	6.3%	12.3%
Income before minority interest/Net revenues	1.1%	2.0%	3.4%	3.5%	3.4%
Net income/Average stockholders' equity (after minority interest)	2.7%	4.7%	9.9%	10.5%	10.3%
Value creation (*)	(480)	(714)	144	(607)	26

(*) Difference between operating income for the fiscal year (including investment income) and the cost of average net invested capital at an annual rate of 10% in 1999, and of 12% in the previous years.

Statistical data by geographical region

number	Companies	Employees	Facilities	Research and development Centers
Italy	233	122,730	83	72
Europe excluding Italy	454	53,654	79	34
Mercosur	67	27,883	24	9
North America	161	9,379	38	12
Other regions	133	7,673	25	4
Total	1,048	221,319	249	131

Fiat S.p.A. adopted the euro as its reporting currency as of January 1, 1999, opting for an early use of this currency, as allowed under Legislative Decree No. 213/1998 "Provisions Governing the Introduction of the Euro in the Italian National System."

The Consolidated and Statutory Financial Statements at December 31, 1999 of Fiat S.p.A. are therefore denominated in euros. To make the respective data comparable, the amounts for the previous years have been restated in euros using the fixed exchange rate of 1 euro = 1,936.27 lire established on December 31, 1998.

Stockholders' Meeting

Lingotto Convention Center
Turin, 280 Via Nizza
June 2, 3 and 5, 2000

Agenda

1. Financial Statements at December 31, 1999, Report on Operations and Motion for Allocation of the 1999 Net Income;
2. Motion to purchase treasury shares and modalities of their disposition;
3. Resolutions concerning the Board of Directors and determination of the relevant fees;
4. Appointment of the Board of Statutory Auditors and of its Chairman; determination of the relevant fees;
5. Motion to amend Art. 4 of the Articles of Association (Extension of the duration of the Company) and Art. 7 (Adoption of the Regulations for Stockholders' Meetings); subsequent approval of the relevant text; pertinent and related resolutions.

Fiat S.p.A.

Head Office: 250 Via Nizza, Turin, Italy
Paid-in Capital: 2,753,025,000 euros
Entered under No. 65/1906 in the Turin Company Register



Honorary Chairman Giovanni Agnelli

Board of Directors

Chairman Paolo Fresco

Chief Executive Officer Paolo Cantarella

Directors Franco Bernabè

Carl Ludwig von Boehm-Bezing

John Philip Elkann

Gabriele Galateri di Genola

Franzo Grande Stevens*

Gianfranco Guty

Virgilio Marrone

Franck Riboud

John Francis Welch

* Secretary to the Board of Directors



Board of Statutory Auditors

Independent Auditors

Statutory Auditors Cesare Ferrero - Chairman
Federico Ganna
Lamberto Jona Celesia
Alternate Auditors Giorgio Ferrino
Piero Locatelli

PricewaterhouseCoopers S.p.A.



Paolo Fresco
Chairman of Fiat S.p.A.

Paolo Cantarella
Chief Executive Officer of Fiat S.p.A.

OVERVIEW

Stockholders,

A year ago, we set for ourselves the goal of reporting 1999 operating income at least equal to the figure earned a year earlier, even though we were fully aware that the competitive and market environment would become increasingly challenging for the Fiat Group. We were able to achieve and even slightly exceed this objective. The improvement recorded during the last quarter was large enough to offset the shortfall of the first nine months, and we look confidently to a higher level of profitability in the year 2000.

Operating income totaled 592 million euros in the fourth quarter of 1999 (reflecting an increase compared with the previous quarters and with an operating loss of 60 million euros in the same period a year before), reflecting the higher sales made possible by the introduction of new products and the beneficial impact of certain positive developments, including gains on the disposal of real estate assets, booked mostly during the closing months of the year.

For the fiscal year as a whole, revenues increased by about 5% to more than 48 billion euros. Operating income was also up rising to 788 million euros from 746 million euros in 1998. A significant contribution came from the cost containment initiatives implemented within the scope of a two-year program launched in 1999 to reengineer the Group's business support activities. The savings achieved exceeded the program's intermediate target of 500 million euros.

ANOTHER CHALLENGING YEAR

However, we are not satisfied with our overall performance. In particular, operating income did not rise enough to create a value at the Group level, despite the positive performance of the majority of our Sectors and a constant effort to contain invested capital. Consolidated net income amounted to 506 million euros (including 353 million euros attributable to the Group), down from 916 million euros in 1998 (including 621 million euros attributable to the Group). Two factors were mainly responsible for this decline: the indebtedness incurred primarily as a result of the important acquisitions completed

during the year, which generated net borrowings of 4 billion euros compared with net financial assets of 1.4 billion euros in 1998; and the absence of the nonrecurring gain recorded in 1998 in connection with the implementation of a new international accounting principle governing deferred taxes.

PERFORMANCE OF THE SECTORS

These overall results are the net effect of the different levels of performance achieved by the individual Sectors, with certain Group businesses posting truly remarkable results.

The loss reported by Fiat Auto in 1999 reflects the negative impact that the renewal of its product line (with the removal from production of the existing Punto models) had on its performance during the first nine months of the year. It also had to absorb a weak performance by its operations in South America, where the slump in demand that started at the end of 1997 showed no sign of abating. However, the restructuring programs implemented in 1998 enabled Fiat Auto's Brazilian activities to operate close to breakeven. In addition, the results achieved in recent months show the beneficial impact of the programs carried out to improve the Sector's profitability and competitiveness, and reflect clearly the efforts made in the area of product innovation and the aggressive implementation of cost containment measures. In Europe in particular, sales benefited from the introduction of the new Fiat Punto and Lancia Lybra in September.

The operating income earned by New Holland (now CNH), while less than in 1998 due to the unfavorable cycle in the North American market in the high horsepower tractor segment, was sufficient to place the Sector among the top performers in its industry.

The other Sectors, which together with New Holland account for more than half of the Group's total revenues, reported significant year-on-year improvements. Iveco, Magneti Marelli, FiatAvio, Teksid and Comau achieved gains of almost 50% in operating income compared with 1998. A significant contribution was also provided by Toro Assicurazioni, which reported an increase of more than 60% in income before taxes.

A GROUP IN TRANSITION

From a strategic standpoint, 1999 was marked by a rapid acceleration in the process of transformation that characterizes the Group. As we emphasized repeatedly during the course of the year, we are committed to enabling all Sectors to achieve positions of competitive excellence, which entails attaining a leadership position in the markets we serve, ensuring the satisfaction of our customers and creating steadily rising value for our shareholders.

During 1999, we sought to shorten the time needed to attain this objective by implementing numerous programs involving both a more effective management of our portfolio of businesses and the strengthening of all our internal system, which was achieved by streamlining our organization, innovating our products, expanding our range of services, and partnering with suppliers and distribution networks.

PORTFOLIO MANAGEMENT AND COMPETITIVE EXCELLENCE

By deploying financial resources in excess of 6 billion euros, we were able to carry out acquisitions and alliances of sufficient magnitude to alter radically the size, geographic footprint and customer mix of many Group Sectors.

The seminal event of the year was New Holland's purchase of Case Corporation in the United States. This merger created CNH, a world leader in the agricultural and construction equipment markets. Thanks to its diversified geographic base, the complementarity of its product skills and the significant synergies that will be generated by merging the human and technological resources of both companies, CNH has the potential of redefining the competitive landscape in the businesses where it operates, and can look forward to achieving outstanding levels of profitability.

The acquisition of Fraikin, France's leading provider of contract-hire services, helped Iveco accelerate the development of its financial services, which have become an essential tool in meeting the evolving needs of its customers. 1999 was also the first year of operation for Irisbus, the joint venture established by the Sector with Renault Véhicules Industriels which ranks as a co-leader in the European bus industry and has become one of the most profitable companies in this field. In addition, Iveco continued to implement its 1997-2001 capital spending program. In particular, it launched the new Daily, a light commercial vehicle that will help the Sector reaffirm its leadership in this market segment, and introduced the Cursor 10, the second engine in a family of powerplants that has provided renewed momentum to the sales of Iveco's heavy-load vehicles.



The purchase of Pico in the United States and the integration of Renault Automation's operations into Comau turned the Group's Production Systems Sector into the undisputed leader in the field of automotive bodywork systems. It also transformed it into the largest full liner among the world's top production systems groups, with excellent geographic diversification and a customer roster that includes all the most prestigious automobile manufacturers. With Comau Service, the Sector is helping develop the fast growing market of plant maintenance services. After just one year of operation, Comau Service ranked among the leading players in Europe and is expanding in the Mercosur and Nafta countries.

During the year, Teksid underwent an important process of competitive repositioning. Its status as a majority partner in Renault's foundry operations and the acquisition of complete control of Meridian Technologies have turned it into the largest non-captive producer of metallurgical components for automotive applications. In particular, the Sector is ranked first both in cast iron and aluminum components, as well as in the emerging field of magnesium technology.

Magneti Marelli, which established Automotive Lighting, a joint venture with Bosch, and toward the end of the year announced that it agreed to purchase Seima in Italy, has become one of the top three producers of lighting systems in the world. As part of its effort to concentrate its portfolio of businesses in areas of strategic importance, Magneti Marelli acquired Fiat Auto's Suspension Systems operations, concluded a cooperation agreement with Textron Automotive Company, a U.S. manufacturer, for the development and production of integrated dashboard modules, sold its Rotary Devices Division and announced the disposal of its Lubricants

business. At the same time, Viasat, a joint venture created with Telecom Italia to provide infomobility services, has become a leading player in the European market.

The new businesses created during this past fiscal year will face their first significant test in the year 2000. We are aware that the process of integrating businesses is always a difficult task. Our job will be to implement quickly the necessary measures, so that potential synergies in the areas of technical skills, products, technologies and markets can be exploited successfully in the immediate future. We shall pursue this goal very aggressively and with unflagging determination.

Fiat Auto continued to build on its strong points, particularly in the compact car segment. Examples of this strategy are the 1999 launch of the new Punto and the presentation of the Lancia Lybra, which targets a higher market band. The renewal of the product line will continue this year with the introduction of important new Alfa Romeo models and the presentation of a new Fiat multipurpose vehicle. Additional products scheduled for launch in 2001 include a strategically important new intermediate Fiat car, which will be based on an innovative platform developed using spaceframe technology. The Sector's goal is to introduce an average of four new models each year.

During the year, the Group evaluated all available opportunities, including alliances, that would strengthen Fiat Auto's competitive position. As part of this process, it entertained negotiations with General Motors which, as explained at the end of this report, were ultimately successful.

The strategy pursued by Fiat Auto to bolster its competitive position is based not only on product innovation and the enhancement of its brands, but also on the establishment of partnership relationships with its suppliers, the use of platform technologies, the continuous improvement of the organization and skills of its sales network, and a steady lengthening of the value chain through the introduction of financial and mobility services.

Expansion in the emerging market represents a key avenue of growth for the Automobile Sector. In 1998 and 1999, the profitability of Fiat Auto was penalized by the investments made to establish a presence in new markets — which by their very nature have a long payback period — and by the profound crisis that affected most of the emerging economies. However, the potential of these markets remains intact. Fiat Auto has already built a solid foundation in these regions, which will be a source of increased profitability over the intermediate and long term. An especially noteworthy development in this area was the establishment in 1999 of a Chinese joint venture with Yuejin Motor Corporation.

THE FUNCTION OF INFORMATION AND COMMUNICATIONS TECHNOLOGY

Our commitment to transforming the Group is also based on the pervasive use of information and communication technology (ICT), which represents a key tool in lengthening the value chain, creating new business opportunities and fostering the development of innovative work modalities. In 1999, CIAOHOLDING, a joint venture owned in equal shares by Fiat and Ifil, launched a wide-ranging Internet initiative. This new company, which intends to become an Italian leader in this rapidly growing business, operates the Ciaoweb portal and is active in such other fields as venture capital investments, specialized e-commerce projects and professional services. In the area of business-to-consumer e-commerce, Ciaoweb's mission includes helping Group companies, Ifil and their sales networks expand the range of products and services that they can offer online. At the same time, the online offer available on the portal is enriched with new contents and technologies provided through collaboration with other partners.

An even more significant development is the steadily growing use of new technologies throughout the Group's industrial organization. Important initiatives are also under way in the business-to-business segment, including virtual sourcing of consumables, management of the entire purchasing cycle for direct production materials, and the use of the Internet in the distribution of replacement parts.

We intend to continue moving aggressively with the goal of maximizing the potential benefits offered by an increased use of these tools, in view of the key role that ICT can play as the Company seeks to increase the productivity of its organization by simplifying its processes, ensuring the unimpeded flow of information and adopting innovative work modalities. During 1999, we significantly accelerated the rate at which new technologies are introduced throughout the organization, investing more than 150 million euros (net of the outlays earmarked for Y2K solutions) in Intranet infrastructures. These facilities include dedicate websites designed to help Fiat Group employees garner detailed information about their professional specialization, consult documents, access services and receive interactive online training.

MANAGERIAL CULTURE AND LEADERSHIP

The course of profound change upon which the Fiat Group has embarked in pursuit of competitive excellence requires the deployment of strong individual leadership throughout the organization, encouraging people to mobilize their energy

and intellectual resources in an effort to accelerate the implementation of our strategies and focus the entire Group on the achievement of our core values: customer satisfaction, employee enhancement and value creation.

We are firmly committed to achieving more consistency between our stated principles and the actual behavior of Group employees. Consistent behavior is the gauge that will be used throughout the organization to test the commitment of individuals to the values of the Group. It will be measured not only in terms of the ability to reach business objectives, but also on the basis of the skills demonstrated in involving and motivating employees and operating in the multicultural context in which global businesses are required to compete. We devoted substantial efforts to the development of this type of management culture and we will continue to pursue this goal in the future.

In 1999, in order to strengthen management's relationship with all stockholders and make sure that its actions are consistent with the goal of value creation, the Group introduced a stock option plan, available to about 650 of its senior executives. In February 2000, the plan was expanded to include 200 additional high-potential managers. In addition, concurrently with the entry of new members, the Board of Directors adopted a more modern corporate governance system. The measures taken to achieve this goal included the establishment of an Audit Committee and a Compensation Committee.

COMPETITIVENESS OF THE ECONOMY AND THE CONTRIBUTION OF INDUSTRY

All these initiatives and this process of profound transformation will enable our Group to respond to the challenge of an increasingly competitive environment. An equally complex environment faces the Italian economy and that of Europe as a whole, as they seek to realize their growth potential. They must fill the gap that exists between Italian and European growth rates and those experienced in the United States by significantly increasing the level of technology incorporated in products and services. This will require an intensive application of information and communication technologies, massive investments in research and a shortening of the time required to translate scientific breakthroughs into innovative products and services. Even more important is the ability to develop a true culture of flexibility, which will reduce the Government's involvement in the economy, simplify its bureaucracy and eliminate the restrictions that impede the movement of capitals and jobs from old to new businesses.

The task of accelerating the process of technological and cultural modernization is the responsibility of the entire European society. Clearly, businesses can provide an important contribution, as they constantly strive to innovate, improve employee training and offer ideas and proposals, in an effort to provide the European economic system with the stimulus needed to address effectively the challenge of global competition. It is at this level — where European and global considerations transcend national interests — that the future of European industry will be decided. And it is precisely at this level that the Fiat Group intends to contribute to the political discourse in those areas that affect the competitiveness of businesses.

IMPROVED RESULTS IN 2000

The year 2000 marks the beginning of the second century of Fiat's history. We are fully aware of the effort that will be required to continue the long tradition of growth that started in Turin in 1899.

While Fiat Auto may not repeat this year the performance of the last quarter of 1999, which was exceptional in certain respects, it is clearly headed on the road to improved results, thanks to the introduction of new products and the implementation of cost containment programs. CNH must tackle the challenge of absorbing the cost of integrating New Holland and Case, while operating in a still unfavorable U.S. market. However, it is expected to post positive results in 2000, even though it will not yet fully benefit from the synergies it expects to create. More generally, all the new companies that joined the Group will be faced with the task of completing quickly the complex process of integration. The other Group Sectors should continue to grow at a sustained rate, as they continue to reap the benefits of programs designed to cut costs and streamline their operations. In addition, we must focus our management skills on improving cash flow generation, so as to reduce the borrowings incurred for acquisitions below the current level, which, however, at 27% of stockholders' equity, is still conservative for an industrial group.

Overall, the Fiat Group should experience a significant improvement in operating profitability in the year 2000, but income before taxes, while substantially higher than the previous year, will feel the impact of increased financial expenses. Nevertheless, we are gaining upward momentum and this gives us confidence in our ability to reach our goal, which is to achieve a reliable and sustained improvement in the results posted by our Group.

THE FIAT – GENERAL MOTORS ALLIANCE

On March 13, 2000, our determination to help each Group Sector achieve a position of leadership and competitive excellence on a global plane produced an important new agreement. On this date, Fiat and General Motors announced a strategic industrial alliance involving their automotive operations in two of the world's largest markets: Europe and South America. In a nutshell, the salient points of the agreement are:

- Fiat Auto and General Motors will leverage their purchasing and powertrain capabilities to create two 50-50 joint ventures that will provide significant opportunities for synergy and achieve positions of competitive excellence with respect to production costs.
- To maximize the available synergies, both companies will work jointly to achieve a gradual convergence of common product platforms.
- The cooperation between Fiat Auto and General Motors will be extended to include the back office operations of their respective financial services companies and joint programs in the area of advanced research.
- General Motors will acquire a 20% stake in Fiat Auto in exchange for the acquisition by Fiat S.p.A. of about 5.1% of GM's capital stock, valued at US\$2.4 billion. This translates into a value of US\$12 billion for all of Fiat Auto. Following this transaction, Fiat S.p.A. will be the biggest corporate stockholder of General Motors, the leading carmaker in the world.

The synergies that programs already identified are expected to produce will amount to two billion euros by 2005, half of which will benefit Fiat Auto directly. This will significantly improve its cost leadership status and speed up the achievement of its value creation goals. The synergies will have a direct impact on the most significant components of the Sector's industrial costs: powertrain and purchasing represent about 80% of all production costs. If Fiat Auto's and General Motors' market shares in Europe and South America are combined, these costs can be spread over more than 5.5 million cars, more than twice Fiat Auto's current volume.

This agreement between Fiat Auto and General Motors creates a unique business model in the global automobile industry: Two great independent companies will continue to compete for sales and customer loyalty, while they are allied in an effort to optimize their costs and other industrial activities. This will enable Fiat Auto to focus its management skills on those areas that are crucial for its future competitiveness: brand management, distribution and customer service.



Among the different potential agreements that were available to us, we chose the option that best strengthens our position in the automobile industry. We are convinced that this decision will enable us to increase the competitiveness and financial strength of our Company, thereby creating more value than would have been created by any other choice, including an outright sale of our automotive operations. Nevertheless, in order to best protect the interests of our stockholders, we insisted on terms that in the future will enable us to retain total flexibility and absolute control of our destiny.

The great industrial traditions, technological excellence and marketing strength of both partners and the innovative terms of the agreement give historic significance to this transaction, which represents a fitting conclusion for the first century of Fiat's history. We are convinced that it will increase significantly the strength of our Group, while enhancing its growth potential and contributing to the development of the industrial and economic system in Italy and in all the countries where the Group operates.

Turin, April 7, 2000

A handwritten signature in black ink, appearing to read 'Paolo Fresco'.

Paolo Fresco

Chairman

A handwritten signature in black ink, appearing to read 'Paolo Cantarella'.

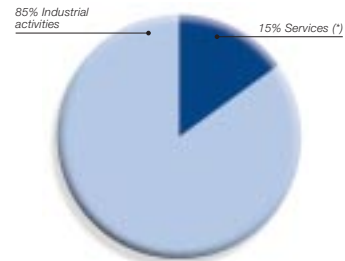
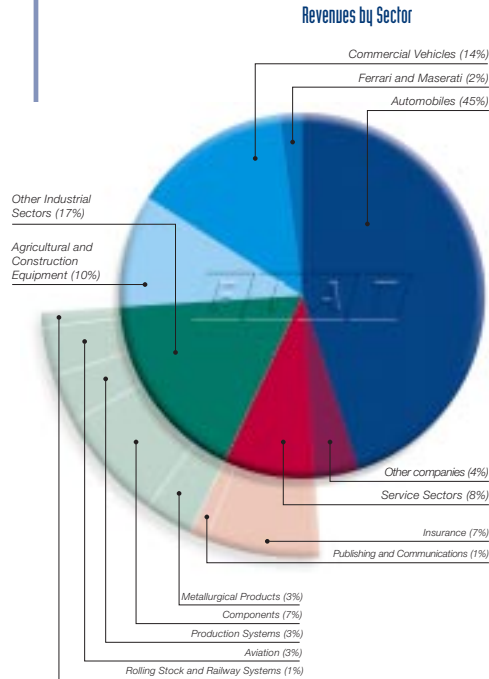
Paolo Cantarella

Chief Executive Officer

THE FIAT GROUP

Established in 1899, Fiat was one of the founders of the European automobile industry. Since its inception, the Company followed a two-prong growth strategy — penetration of foreign markets and focus on innovation — which characterized its subsequent development and translated into the manufacturing of high-tech quality products and the adoption of the most innovative industrial and organizational systems.

Fiat is a lot more than just cars. The Company leveraged its expertise in an original and perhaps unique way among international groups, expanding its mission to include every area of mobility: from cars to aircraft, from trucks to trains, from farm tractors to marine engines and, in more recent years, even space launchers. Fiat's industrial diversification continued at an increasingly rapid pace, with a growing presence in metallurgical products and components, followed later on by production systems, insurance and support services.



(*) It includes the following service activities operated by the Industrial Sectors: financial, insurance and mobility services supplied by Fiat Auto, Iveco and CNH Global; Magneti Marelli's quick-service centers and informability services; Comau's plant maintenance operations, etc.



VALUES & STRATEGIES



Main acquisitions/agreements strengthening the Group competitiveness

		Leadership	Globalization	Lengthening the value chain
Fiat Auto	Joint venture with Yuejin Motor Company (China)			●
	Set up of Fiat Auto Egypt Industrial			●
	Strategical industrial alliance with General Motors	●		●
Iveco	Acquisition of a majority interest in Fraikin (France)			●
CNH Global	Acquisition of a majority interest in Case Corporation (United States)	●		●
Teksid	Acquisition of a majority interest in Meridian Technologies (magnesium)	●		●
Magneti Marelli	Joint venture with Bosch (lighting)			●
	Acquisition Seima Group (lighting)			●
Comau	Acquisition Pico Group (United States)	●		●
	Acquisition of a majority interest in Renault Automation (France)	●		●
	Acquisition of Sclaky activities (France)	●		●
Toro Assicurazioni	Acquisition of the French operations of the Guardian Group		●	

creating increasingly complex competitive challenges. In its endeavors, it is bolstered by the values it has consistently applied over its one-hundred-year history and which will guide it into the future: value creation, customer satisfaction, and the enhancement of its human resources.

This approach is dictated by the pursuit of a specific goal: the achievement of competitive excellence, which means the attainment of a leadership position in those markets where the Group chooses to operate.

To translate these values into concrete actions, the Company is committed to fully implementing its strategies: focusing on its core businesses, globalizing its activities, lengthening the value chain and innovating its products. The Fiat Group is pursuing aggressively all these main avenues of growth. Its commitment is demonstrated by the major acquisitions and alliances it has concluded, the increasingly balanced geographic mix of its revenues, the expanding range of its services, the streamlining of its organization, and the successful launch of new products.

During its long history, Fiat has often been ahead of its time, anticipating trends and repeatedly transforming itself in an effort to seize every available growth opportunity. The Company has chosen to go down this road once again, as it continues the journey and the industrial adventure it started in Turin over a century ago.

Fiat was the main force behind the development of a mass automobile market in Italy, driving the expansion of the national economy and contributing to the enhancement of its competitive position in Europe and the rest of the world. This was particularly true in Southern Italy, where Fiat stimulated economic growth with the construction of one of its biggest manufacturing hubs.

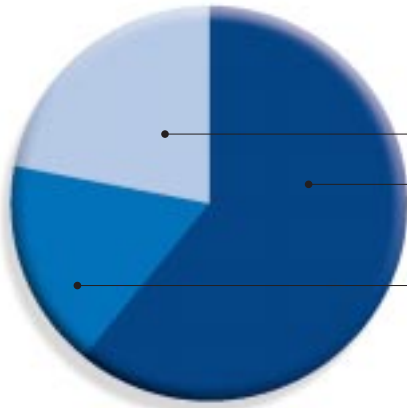
The Group also provided a significant contribution to the economic expansion of emerging countries, where the Company used the expertise it developed with its early automotive ventures to implement its overall growth strategy.

Fiat entered the second century of its life against the backdrop of a profound transformation that is reshaping industry and

- 1 – Paolo Annibaldi, Corporate Senior Vice President External Relations and Communication Fiat S.p.A.
- 2 – Giancarlo Boschetti, Chief Executive Officer Iveco N.V.
- 3 – Paolo Cantarella, Chief Executive Officer Fiat S.p.A.
- 4 – Damien Clermont, Chief Financial Officer Fiat S.p.A.
- 5 – Luca Cordero di Montezemolo, Chairman and Chief Executive Officer Ferrari S.p.A.
- 6 – Pier Luigi Fattori, Corporate Senior Vice President Human Resources Fiat S.p.A.
- 7 – Paolo Fresco, Chairman Fiat S.p.A.
- 8 – Carlo Gatto, Chief Administration Officer Fiat S.p.A.
- 9 – Francesco Paolo Mattioli, Executive Vice President Fiat S.p.A.
- 10 – Paolo Monferrino, Executive Vice President Fiat S.p.A.
- 11 – Umberto Quadri, Co-Chairman CNH Global N.V.
- 12 – Jean Pierre Rosso, Chairman and Chief Executive Officer CNH Global N.V.
- 13 – Roberto Testore, Chief Executive Officer Fiat Auto S.p.A.



Revenues by Region of Origin

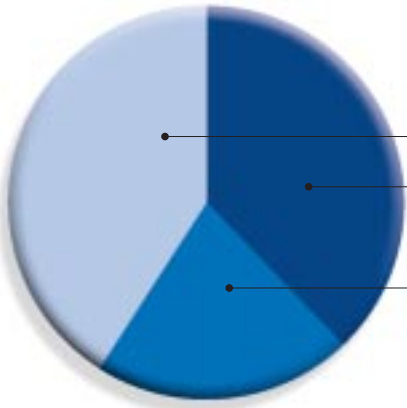


Europe excluding Italy (22%)

Italy (61%)

Other regions (17%)

Revenues by Region of Destination



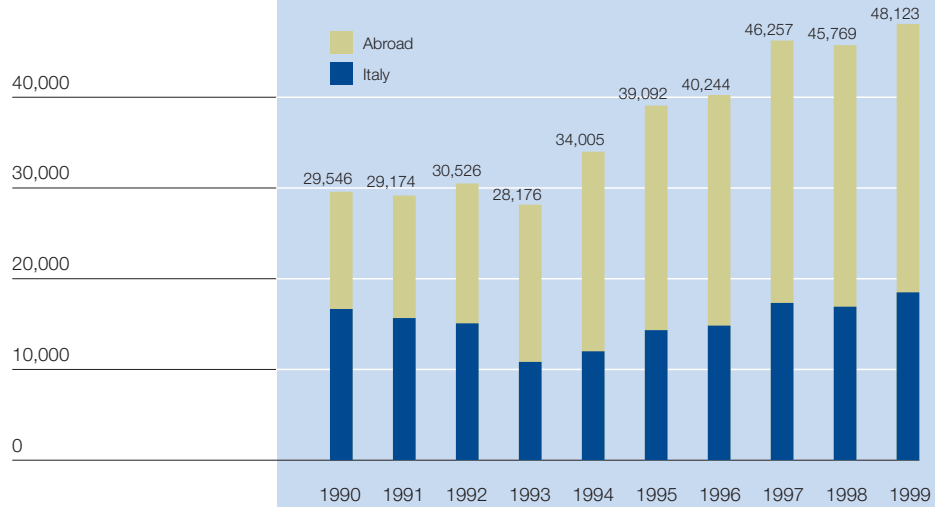
Europe excluding Italy (41%)

Italy (38%)

Other regions (21%)

Sales trend of the last ten years

in millions of euros



HIGHLIGHTS OF THE YEAR

The Toro Assicurazioni and Comau Tender Offers

In 1999, Fiat S.p.A. launched a Tender Offer for all the ordinary shares of Comau S.p.A. at a price of 6.5 euros per share. At December 31, 1999, following this offer, Fiat S.p.A. held 96.49% of Comau's capital stock. A similar offer was carried out for the preference and savings shares of Toro Assicurazioni, at a price of 9 euros per share. At December 31, 1999, upon completion of the offer process, Fiat S.p.A. owned 75.21% of Toro's capital stock.

Transition to the Euro

Starting on January 1, 1999, all Group companies located in euro-block countries, except for insurance companies and certain companies which joined the Group during the year, adopted the euro as their reporting currency and made the necessary accounting and procedural changes. In particular, the capital stock of the various companies was converted into euros and the par value of the respective shares redenominated accordingly. In its transactions with customers and suppliers, the Company is handling the transition to the euro in a gradual and flexible manner, mindful of the general principle of "no obligation, no prohibition." A significant number of the Group's suppliers have already switched to the euro.

Pico acquisition

With the acquisition of Progressive Tools and Industries Co. (Pico), the leading U.S. manufacturer of bodywork systems, the Company created the world's largest group in the area of production systems for automotive applications.

Daily City Camion

In May, Iveco introduced its new Daily City Camion. With a cargo bay wide enough for a truck and the flexibility of an automobile, this commercial vehicle is ideally suited for urban distribution and transport applications. The Daily City Camion is available in a broad range of specific configurations and is offered with a wealth of optional equipment, allowing buyers to choose from 3,000 possible solutions. Thanks to these innovative features, the Daily City Camion has been named Van of the Year 2000.

Lancia Lybra

The Lancia Lybra, available as a sedan and a station wagon, made its debut in June 1999. This understated and refined car has been designed from the inside out, with the goal of providing maximum ride comfort.

New Fiat Punto

The new Fiat Punto was introduced a month later. The two versions of this new model are two distinct automobiles, each with its own personality: a hatchback with dynamic styling and aggressive performance, and a 5-door with a more elegant design that emphasizes interior roominess.

Case Corporation acquisition

With the acquisition of Case Corporation, CNH Global NV (formerly New Holland NV) became a world leader in the production of agricultural and construction equipment.

Acquisition of Fraikin

Iveco acquired Fraikin, a leading French provider of long-term leasing services for commercial vehicles and other services of fleet management.

The Renaissance at Palazzo Grassi

Following the successful conclusion of the great Maya exhibit, which drew 700,000 visitors before being moved to Mexico City, over 200 Renaissance masterpieces were exhibited at Palazzo Grassi in Venice. The paintings, prints and drawings, contributed by about one hundred museums and public and private collections, attracted 215,000 visitors.

Year 2000

The first car registered in the year 2000 was a Ferrari, in New Zealand. To be precise, it was a Maranello 550 and its owner, Greg Lancaster, took advantage of the Australian time zone to secure a very special plate: Y2K550, where Y2K stands for the year 2000. The Group was successful in overcoming the challenge posed by the transition to the year 2000. The special task force created in 1997 carried out the programs needed to update the Group's internal systems and implemented preventive measures that addressed the risks presented by external transactions.

CiaoWeb

CiaoWeb is the CIAOHOLDING internet portal (a joint venture which is owned in equal shares by Fiat and Ifil) which has among its purposes the creation of an online channel to promote the products and services offered by the Fiat Group, Ifil and their sales organizations. At the same time, CiaoWeb collaborates with external partners who can help it increase the range and depth of its e-commerce lineup. CiaoWeb was launched on December 18, 1999. By March of this year, 115,000 subscribers were using its free Internet service, with 400,000 page hits a day. CIAOHOLDING also coordinates investments in venture capital funds that specialize in e-commerce, and provides professional Internet services (Web Hosting, Web Design, Virtual Internet Service Provider).

Ferrari wins the 1999 Constructors' Championship

The World Constructors' Championship is awarded to the team that earns the most points during the season. Even though Michael Schumacher was sidelined for six races, Ferrari prevailed with the 128 points won by its drivers as follows: Irvine 74, Schumacher 44, and Salo 10. The championship returned to Maranello after sixteen years.

1899 1999

1899 – 1999 Centennial Celebration

As part of the celebrations organized on the occasion of its centennial, Fiat sponsored a series of events and shows in Turin and other cities.

The distinctive symbol that was used in all these projects was Fiat's historical logo, which was refurbished graphically for this occasion and now graces the hood of the new Punto model.

The Company sponsored several shows, including: *"Fiat, 100 Years of Industry"* – *"The Face of Work"* – *"Images of Fiat"* – *"Passeggiata Italiana"* (A Stroll Through Italy). The city of Turin was home to a number

of shows and entertainment events, culminating with a concert conducted by Riccardo Muti at the Lingotto Auditorium. The inclusiveness of the Fiat Group was emphasized on the occasion of the *"Family Day Worldwide"* event, held on July 11, 1999, which involved the employees and their families. Everyone received T-shirts with the centennial logo and competed in an event where they could win a Punto and other valuable prizes. The success of this initiative is shown by the number of participants: over 500,000 people at 131 locations in Italy and abroad.



The Fiat-Politecnico Agreement

Thanks to a cooperation agreement with Fiat, Turin's Politecnico University can now offer a degree in Automotive Engineering. Fiat invested 23 million euros to purchase, remodel and equip the North Wing of the Lingotto and will contribute an additional 23 million euros over the next ten years to help defray operating expenses.

The Triumph of Baroque

The Company sponsored *"The Triumph of Baroque – Architecture in Europe between 1600 and 1750,"* an international exhibit, which presented over 400 works from all over the world. 215,000 visitors saw the show housed at the Stupinigi Hunting Lodge, near Turin.

FIAT *and its* Stockholders

Stockholder base at
December 31, 1999

Ordinary shares 367,399,890



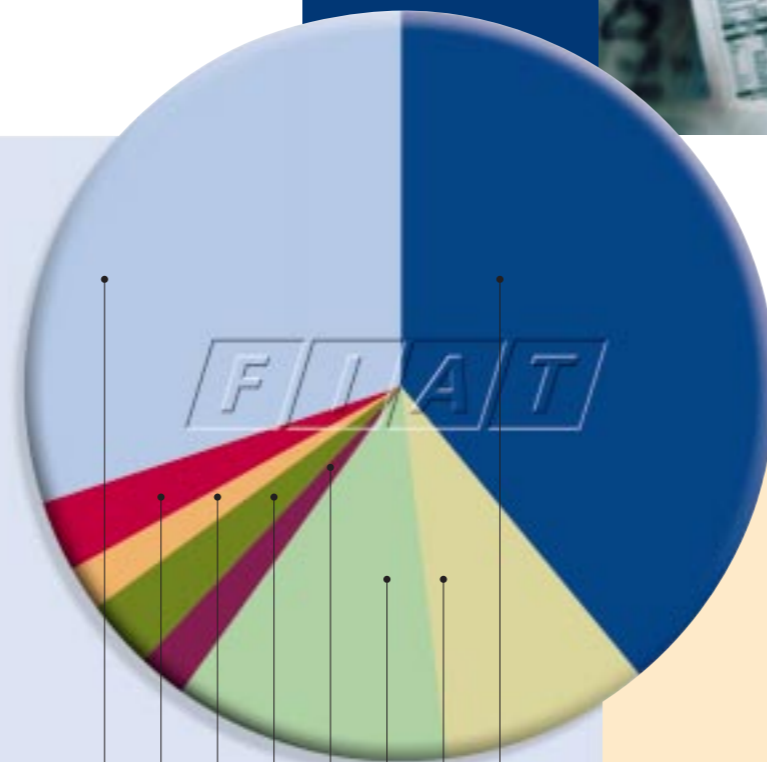
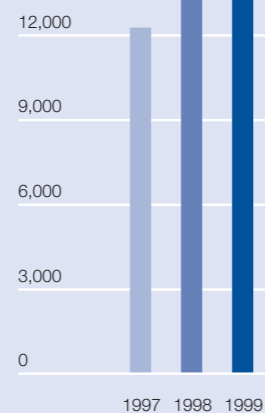
Highlights per Share

in euros	1997	1998	1999
Cash flow per share	7,690	5,928	5,234
Earnings per share	2,313	1,109	0,618
Dividend per share (*)			
ordinary and preference shares	0,620	0,620	0,620
savings shares	0,775	0,775	0,775
Stokholders' equity per share at 31.12	24,261	23,883	23,464
Price per share at 31.12			
ordinary shares	24,170	29,159	30,090
preference shares	12,752	16,268	14,606
savings shares	13,719	16,847	14,653

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

Stock Market Capitalization

at December 31
(in millions of euros)



Category	Percentage
30% FI-FIL	
3% Mediobanca	
2% Deutsche Bank Group	
3% Generali Group	
2% Compagnia di San Paolo	
12% International institutional investors	
9% Italian institutional investors	
30% Other stockholders	
Preference shares	103,292,310
International institutional investors	26%
Italian institutional investors	8%
Other stockholders	66%
Savings shares	79,912,800
International institutional investors	4%
Italian institutional investors	12%
Other stockholders	84%

NOTE: The holdings of Italian and international institutional investors have been estimated on the basis of surveys commissioned by the Company.

Changes to the Capital Stock in 1999

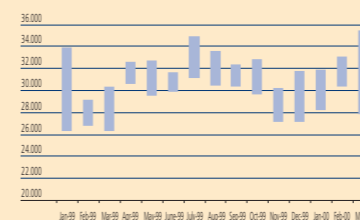
On August 23, 1999, Fiat's shares were redenominated in euros, rounding down their par value from 1,000 lire to 0.50 euros. At the same time, the Company declared a reverse stock split on the basis of one new ordinary, preference or savings share, par value five euros, for every 10 old shares.

As a result, the Fiat ADRs traded on the NYSE, which represented five shares, underwent a reverse split on the basis of one new ADR for every two ADRs outstanding. Consequently, one Fiat ADR is now equivalent to one Fiat share.

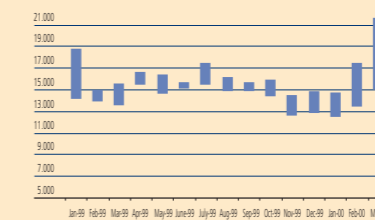
The shares of Fiat S.p.A. are traded on the Borsa Italiana S.p.A., Paris Bourse S.A., Frankfurter Wertpapier Börse and other smaller German stock exchanges. The ADRs issued through JP Morgan are traded on the New York Stock Exchange. The shares of Fiat S.p.A. are also actively traded on the London SEAQ.

Maximum and minimum monthly price in euros

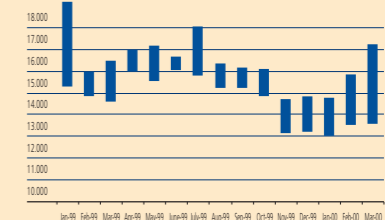
Fiat ordinary shares



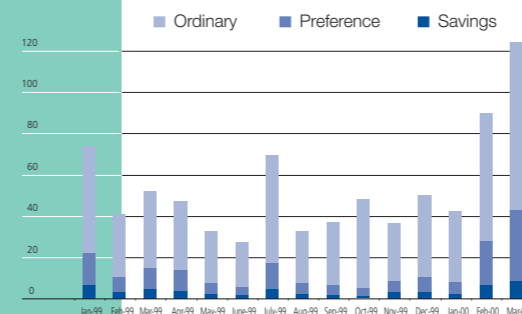
Fiat preference shares



Fiat savings shares



Average monthly trading volume (in millions of shares)



NOTE: Price and trading volume data for the period prior to August 23, 1999 have been adjusted to reflect the reverse stock split (1/10) carried out on that date.

Financial communications

The Group pursues a policy of open communications with individual and institutional investors. In the course of the year, its investor relations program includes, in addition to the presentations organized after the publishing of the Annual Report and the Report on Operations in the First Half of the Year, several seminars, which furnish a more in-depth understanding of the activities and financial performances of the principal Sectors of the Group, and numerous meetings and roadshows which permit more direct contacts with the Group's top management.

For holders of Fiat shares:

Toll-free telephone number in Italy:
800-804027

Website:

www.fiatgroup.com

E-mail addresses:

investor.relations@geva.fiatgroup.com

serviziotitoli@fiatgroup.com

For holders of ADRs:

Toll-free telephone number in the United States or Canada:

1-800-997-8970

Website:

www.adr.com

HUMAN RESOURCES AND ORGANIZATIONAL DEVELOPMENT

The net effect of several large staff additions and reductions was an increase of about 800 units in the Group's workforce, which totaled 221,319 employees at December 31, 1999, compared with 220,549 at the end of 1998.

The Group hired more than 14,000 new employees in 1999, including 5,500 in Italy and 8,500 in other countries.

Over the same period, about 22,000 people left the Company (9,000 in Italy and 13,000 in other countries). Business acquisitions and divestitures completed during the year resulted in a net increase of 13,500 employees. Counting Case, which will be consolidated in 2000, the Group's workforce would number 236,500 employees at the end of 1999.

Number of Fiat Group employees at 12/31/98	220,549
Additions	14,054
Reductions	(21,784)
Outsourcing	(5,000)
Changes in the scope of consolidation	13,500
Number of employees at 12/31/99	221,319

The guidelines that shaped the evolution of the Group's organization in 1999 are reviewed below:

"... streamlining the organizational structure ..."

In pursuit of this goal, certain operations, especially those in the service area, were concentrated at specially created insourcing units, to which the respective Group assets and personnel were transferred. Other activities were moved to external suppliers (outsourcing). These transactions affected about 12,500 people.

The following two programs were especially significant:

- The expansion of Comau Service, which now employs about 7,000 people who provide plant maintenance services to Group companies and external customers in Europe, and in North and South America.
- The establishment of Ingest-Segim, a company specializing in the provision of maintenance services for industrial buildings.

At the same time, the implementation of the Nova Project produced a significant reduction (11.8%) in the cost of support activities. In addition, the core processes of all Group Sectors and companies underwent an in-depth reengineering process designed to further streamline the Company's operations.

"... focusing on service activities ..."

Centers of professional excellence that can offer high quality services at lower costs were created in recent years. Taken together, these activities have grown into a significant organization within the Group that includes 12 specialized providers of:

- Information technology and telecommunications services;
- Administrative and financial services;
- Real estate services;
- Personnel administration and training services.

The combined value of the services provided by these units, which have a total of 9,300 employees, amounts to about 1.5 billion euros (88% intragroup and 12% to external customers). These activities are expected to achieve substantial growth by leveraging the knowhow they have accumulated and the expansion opportunities offered by customers outside the Group.

"... promoting the acceptance of the Group's values and policies ..."

In 1999, the Group intensified its efforts to develop programs and initiatives that encourage a widespread and systematic implementation of its values and policies. Particularly noteworthy programs include:

- The testing of a "People Satisfaction Survey," which polled 2,800 professionals (executives and middle managers) in 1999 and will be expanded in 2000. The findings it produced helped management develop programs specifically designed to improve people satisfaction.
- The systematic utilization of the Management Review process, a tool for the assessment of management resources that was used to evaluate 3,250 executives and more than 800 young employees with high development potential. The results obtained provided a framework that was used to design professional career paths and implement a policy of cross-Sector job mobility.
- A significant innovation in the formulation of the basic objectives that management is expected to achieve: Value Creation, Customer Satisfaction and People Satisfaction were chosen as the yardsticks used to evaluate and reward top executives.

"... enhancing competencies..."

In 1999, the Company continued to carry out Project Professional, a competency enhancement initiative that seeks to increase the Group's competitiveness by expanding its store of individual and shared competencies.

With this in mind, it completed a survey of the competencies possessed by over 25,000 Fiat executives and middle managers worldwide.

Fiat Gra.De.EEIG continued to handle the recruiting, training and management of college graduates. It hired 70 new engineers (a total of about 400 recent graduates were hired by the Group in 1999) from 12 countries where Fiat has a significant industrial presence.

This program, which is carried out by a special Company founded in London in 1998, pursues the development of management resources by providing experience in different countries, departments and companies, with the goal of training management employees with international and cross-functional skills.

LABOR COSTS AND INDUSTRIAL RELATIONS

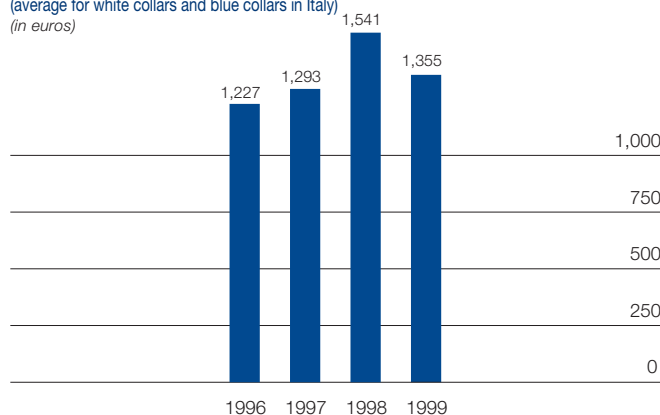
The amount of the Results Bonus awarded in accordance with the Group Agreement of March 18, 1996 was computed in July. It was paid to about 112,000 employees of the Group's main metalworking companies in Italy. The Bonus is determined taking into account the Group's overall profitability and the progress made by the Sectors toward attaining quality targets for products and processes. The average annual bonus, which in 1999 totaled 2,625,000 lire before withholdings, equivalent to 1,342.79 euros, was less than a year ago, as improvement in quality indicators could offset only in part the decline in profitability.

"... compensation trends ..."

In Italy, where the inflation rate was 1.7%, average wages and salaries increased by 2.4% in 1999, chiefly as a result of the increases scheduled under the Industry-Wide Labor Agreement.

Trend in results bonus payments

(average for white collars and blue collars in Italy)
(in euros)



Counting mandatory benefit payments and pension-plan contributions, labor costs grew by 2.2%. As a result, the trend of a steady increase in employee purchasing power continued in 1999.

In the other countries where it operates, Fiat focused on keeping compensation levels in line with cost-of-living increases and introduced variable compensation packages with systems similar to the Results Bonus.

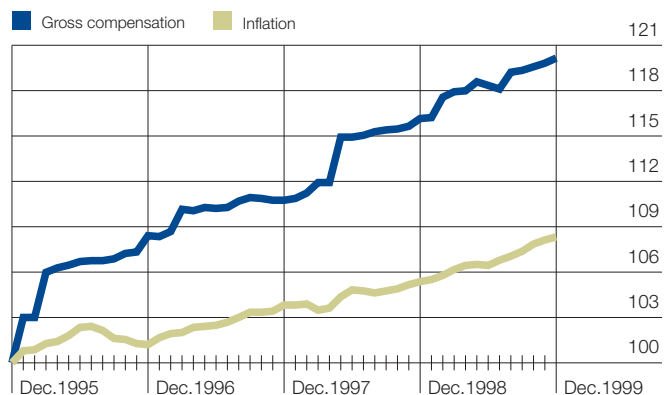
In 1999, the performance-based variable compensation system, which includes procedures and tools that since the fiscal year under review are applied uniformly to Group executives and middle managers worldwide, produced payments that were about 50% less than in 1998. This was due to the unsatisfactory operating performance of certain Sectors.

"... collective bargaining ..."

In Italy, the lengthy negotiations for the renewal of the Industry-Wide Labor Agreement for Metalworking Employees, which affects more than 120,000 employees of the Fiat Group Italian companies, produced an agreement on June 8, 1999. The new contract has a validity of four years for the work rule provisions, and two years for the compensation package. It provides for an average gross pay increase of 85,000 lire per month, equivalent to 43.90 euros, payable in two installments (43,000 lire from July 1999 and 42,000 from April 2000), plus a lump-sum payment of 120,000 lire, equivalent to 61.97 euros, covering the period from January to June 1999. The Agreement also modifies the system of seniority-based pay raises, increases the contributions that the Company is required to make to the Supplemental Pension Fund for Metalworking Employees, and addresses issues concerning part-time employment, fixed-term contracts and temporary-agency workers.

Changes in gross compensation vs inflation

(average for white collars and blue collars in Italy)



With regard to working hours, the Agreement calls for reductions that fall short of the request put forth by the unions, partly taking into account the employers' need for greater flexibility. However, it introduces heavy administrative mechanisms.

As a result of the wage increases and changes in benefits and work rules provided under the Industry-Wide Labor Agreement, the companies of the Group will incur an increase in labor costs of 3.4% (3% in the 1999-2000 period), which, however, must be added to the other pay raises granted under previous labor agreements.

As regards negotiations at the Company level, on September 30, 1999, the unions cancelled the Group-Wide Agreement of March 18, 1996. They are currently in the process of defining the requests that they will eventually submit to the Company.

Developments involving Group companies outside Italy included the successful completion of the negotiations for the renewal of the compensation portion of the Labor Agreement for Metalworking Employees of Baden-Württemberg, in Germany. This agreement, which has been used as a model for negotiations in other areas of Germany, called for a wage increase of 3.2% over a 14-month period, starting in March 1999, plus a 1% annual bonus.

In the other countries, where labor negotiations took place at the company level, salary increases were in line with the rate of inflation. The situation is peculiar in France, where the goal of the Group's wage policy is to contain labor cost increases as much as possible, in view of the higher burden that will result from the implementation of a new law, which reduced working hours, mandating a statutory 35-hour work week starting on February 1, 2000.

In Brazil, wage negotiations produced compensation levels that are consistent with local inflation trends, while the Group implemented incisive restructuring programs that brought about the reductions needed to bring output in line with the decreased demand for automobiles of the Mercosur countries.

In Poland, the salient event of the year was the discussion between unions and employers about a proposed bill that would amend the local labor code. The issues of a reduction in weekly working hours from 42 to 40 hours and the introduction of a ceiling in the number of allowable daily or weekly work hours received particular attention.

"... discussions with the unions and involvement of the employee representatives ..."

The annual meeting of the European Works Council for the Fiat Group was held in Turin on October 28 and 29, 1999.

It was attended by 28 employees representing the Group companies that operate within the European Union. The meeting provided an opportunity to discuss the Group's strategies and goals with the addresses by Company Senior Executives.

The impact that the strategies pursued by the Company will have on employment and working conditions was the subject of special meetings held with the unions in the different countries where the Group operates, in accordance with local laws and practices.

The Group made every effort to use the flexible employment options available in the various countries where it operates when responding to the need to adjust its level of output to changes in market demand. In Italy, the increased production required for the launch of new models by Iveco (new Daily) and Fiat Auto (new Fiat Punto and Lancia Lybra) was handled with overtime work and with employees hired with fixed-term contracts or through temporary agencies.

PROFESSIONAL DEVELOPMENT AND THE EDUCATIONAL SYSTEM

The significant professional development effort carried out by the Group was focused primarily on enhancing corporate competencies and values, supporting the implementation of strategic changes and innovation in work processes, and fostering general cultural integration and transformation.

"... professional development..."

Fiat Group companies throughout the world invested a total of 122 million euros in professional development. This amount is equivalent to 2.2% of the total payroll. Isvor Fiat continued to be the main provider of professional development services to Group companies. However, Isvor Fiat has successfully reached out to clients outside the Group, who now account for 13% of its revenues. In 1999, Isvor Fiat provided more than 40,000 man-days of training (22,000 to Group companies), including 24,000 man-days of assistance and counseling (13,000 to Group companies), or over 25% more than in 1998. Of the more than 60,000 people who received training from Isvor, about 35,000 were employees of the Group and 25,000 came from the sales network and external clients. Isvor Fiat delivered its services through its traditional facilities in Italy, the training centers in Brazil, Argentina and India, and through locations established in France, Germany, Spain, Great Britain and Poland.

In addition to completing the value creation training program for executives and middle managers, the Group's professional development effort focused on the following topics in 1999:

- Business process reengineering (logic and methodologies).
- Project Professional and Competencies Development.
Taking into account perceived user needs, Isvor Fiat developed a training package that includes the use of sophisticated teaching technologies (business television and multimedia programs), as well as an online learning and self-teaching system that can be used directly where employees work (Isvor Campus).
- "Commercial Schools" that were used to enhance the competencies of dealership employees in 16 countries and of Fiat Auto's entire sales force (7,000 sales people).

The Group's commitment to the educational system is demonstrated by the numerous initiatives it sponsors in cooperation with learning institutions to support technical and scientific study and research projects, by the internship programs it offers, and by the events it organizes — career days, for example — to motivate students. The outstanding events of 1999 in this field were:

"... establishment of a course for a degree in automotive engineering..."

This course, which is the result of an agreement between the Turin Politecnico University and Fiat, has been established to train engineers who can not only design vehicles and understand manufacturing processes, but also have a comprehensive vision of how an enterprise operates and interacts with its markets and customers.

The curriculum is the product of a close collaborative effort between educators and business people. It combines classroom instruction with workshops and theoretical/practical activities, including 400 hours of internship work in a corporate setting. In addition, at least 20% of the instruction time is provided by teachers who are not professional educators (automotive industry representatives).

A total of 60 students were admitted in the 1999/2000 school year. As many as 120 students may be accepted starting with the 2000/2001 school year.

"...grants and scholarships..."

The Fiat Grants and Scholarship Program, which is reserved for the children of active employees in Italy and abroad, continued in 1999. This program, which was established in 1996, is funded with the fees waived by the directors of Fiat S.p.A. The program has been particularly successful and will be continued in 2000 using the endowment provided in 1999.



Grants and scholarships

	1999
Number of grants and scholarships awarded	709
Italy	255
Other countries (*)	454
Total amount disbursed (in thousands of euros)	1,460

(*) The other countries are: Argentina, Belgium, Brazil, Canada, France, Germany, Great Britain, Poland, Spain and the United States.

"...teaching programs for schools..."

Special programs offered in schools and to young people in general within the "Fiat in the Schools" project, which the Company has sponsored in Italy and Brazil in recent years, were again extremely well received in 1999. In Italy, the project included three multimedia instructional programs that promoted highway education, correct mobility and a culture of safety; a total of 6 million elementary, junior high and high school students had followed these programs. A special kit prepared in 1999, on the occasion of Fiat's Centennial, combines tools and material that help students retrace the history of the last century. In Brazil, the "Fiat para escola" programs reached over 10 million students, in 18,000 schools, over three years.

FIAT FOR THE ENVIRONMENT

Fiat approaches the environmental challenges with an integrated system approach, which goes beyond the mere compliance with statutory requirements, stimulating technological innovation and value creation. This enables the Group to increase its competitiveness in the global markets and improve its relationship with its host communities.

The Environmental Policy adopted by the Company, which is based on sustainable development models, underscores the central role that environmental concerns play in the development of corporate strategies, setting forth principles and guidelines that are followed by all Group companies.

The Environmental Report, which is published every year concurrently with the Annual Report and should be consulted for more detailed information, describes the environmental programs implemented by the operating Sectors and their achievements. Especially noteworthy projects include:

- Consistently with the Framework Agreement executed with the Italian Ministry of the Environment, the Group continued to develop programs designed to reduce fuel consumption. For a recently introduced model (the new Punto), average fuel consumption for the various engine configurations available decreased by over 10% compared with the previous model. In addition, the range of vehicles with minimum environmental impact was expanded to include the Multipla Hybrid Power, which uses an electric motor for city driving and an internal-combustion engine for highway travel. The Company also introduced a prototype (Ecobasic), which uses highly sophisticated technologies to achieve a consumption of less than three liters per 100 kilometers.
- In Naples, in the area of mobility, the Company, working closely with the Italian Ministry of Scientific Research and the local Municipal Administration, started the testing phase of the Atena Project, which involves the deployment of an integrated traffic management system with minimal environmental impact.
- Diesel engines introduced in 1999 include extremely quiet heavy-load units with low emissions, which already comply with future European emission ceilings, and ecological power plants for intermediate and light commercial vehicles.
- Work continued on the development of new natural gas engines, which are utilized in trash collection and urban freight-hauling vehicles distributed in various cities in Italy and other European countries.
- Fenice S.p.A., a Comau subsidiary, completed the acquisition of environmental and energy operations that existed at various Group plants. It now provides electric power and steam, and processes industrial waste at 35 locations in Italy and Poland.
- CNH Global reaffirmed its commitment to technological innovation by reducing engine emissions and noise and introducing recyclable components.
- Teksid intensified its efforts in the field of internal recycling of waste and tested new technologies for the production of light granulates.
- FiatAvio continued to implement programs designed to reduce emissions of nitrogen oxide and carbon dioxide in its turbine heaters.
- Ongoing development work within the F.A.Re. system for the recycling of motor vehicles at the end of their useful life included the use of Life Cycle Assessment models to identify design alternatives that facilitate the recovery of materials.
- The number of facilities that received ISO 14001 environmental certification increased to 11, compared with 5 in 1998.



FIAT AND TECHNOLOGICAL INNOVATION

In a competitive environment characterized by rapid and continuous change, research plays a significant role within Fiat's development strategies and plans. The product innovation efforts of the various Sectors are supported by leading-edge, horizontal research conducted by the Fiat Research Center (FRC) and by Elasis, where more than 14,500 persons work at 131 engineering and innovation centers in Italy and abroad, with total expenditures of 1,406 million Euros, equivalent to 2.9% of revenues.

FIAT RESEARCH CENTER

With a staff of more than 850 employees and a network of more than 1,000 external researchers, the FRC continued to pursue result-oriented research programs in 1999, producing innovations which, once transferred to the Fiat Sectors, translate into new competitive solutions capable of creating value for the customer in terms of performance, time savings, lower cost, and quality.

The support provided by FRC to the Sectors is also measured by the number of research results transferred: 88 new products and production processes, made possible by 146 innovative methodologies. Special emphasis is placed on "value management" methodologies which, when integrated with technological methodologies, permit the optimization of new products and their costs.

Significant new solutions prototyped in 1999 include:

- **Ecodriver**, a system integrating a gasoline internal-combustion engine and an electric motor with automatic transmission for a future production vehicle. The objective is to reduce consumption by more than 30% without affecting performance.
- **Multijet**, a second-generation "common rail" system with a new electronic control unit, which embodies the expertise developed by the FRC in direct-injection diesel engines and, when applied to diesel engines, produce continued high performance while reducing consumption by more than 20% compared with the existing common rail systems. In addition, they comply with the European emission standards for the year 2005 (Euro 4) without costly exhaust post-processing systems.
- **VVA**, an innovative electronic control system that reduces consumption by up to 15% and increases the performance of gasoline engines by more than 10%.
- **Ecobasic**, a concept car embodying innovative solutions, the result of more than 50 new patents. This concept car uses a second-generation 1.2 JTD diesel engine, which already meets Euro 4 standards and burns less than 3 liters of fuel per 100 km.

- In addition, the **Save** and **Chauffeur** projects for automated driving and preventive safety have been completed.

In the first competition of the Fifth Research Framework Program of the European Union, the FRC won a remarkable 65 new projects, which are added to the 146 already in progress for the year.

Research projects conducted in Italy included continued work in the areas of the "Environment" and "Innovative Production Systems," and new programs involving "Microelectronics" and "Fuel Cells."

During the national convention for the closing of the Second Focused Transportation Project sponsored by the National Research Council, the FRC presented the revolutionary **Vanzic** prototype, which features a modular aluminum frame, plastic panels, and an electric drive system with an auxiliary combustion engine.

ELASIS

Elasis employs about 1,000 researchers and operational technicians at 7 research centers in Southern Italy.

Elasis continued its research activity aimed primarily at developing new methodologies in the field of advanced design and testing.

Its proximity to Southern Italy's manufacturing hubs facilitate the effective utilization of its research output to enhance the products developed and manufactured at these hubs.

Noteworthy examples include:

- Prototype systems of vehicles characterized by modularity and flexibility criteria aimed at future car families and suitable for the use of alternative power systems with low environmental impact.
- New methodologies based on the use of virtual models (Digital Mock Up) applied to the product definition and design process.
- Cooperative working techniques and tools for the product development process in a global company.
- New architectures for the vehicle's electrical system based on the use of CANs (Controller Area Networks) for transmitting data between electronic control units.
- Design solutions based on ample use of light alloys for a high-performance sports car.
- The design of a new 1000-cc 16V gasoline engine for the Brazilian market.
- Development of on-board systems to perform diagnostics on the functionality of the engine/emission control equipment.

ANALYSIS OF THE FINANCIAL POSITION AND OPERATING RESULTS OF THE FIAT GROUP AND FIAT S.P.A.

FINANCIAL POSITION AND OPERATING RESULTS OF THE FIAT GROUP

Introduction

During 1999, in continued pursuit of a strategy of international expansion, the Group carried out important transactions designed to strengthen its competitive position and focus the operations of its Sectors. The process of redefining and strategically positioning the Group required the deployment of massive financial resources, as capital investment reached the unprecedented total of more than 6,000 million euros.

The impact of these developments on the scope of consolidation should be kept in mind when reviewing the performance of the individual Sectors and of the Group as a whole. The most important changes are listed below:

- In view of the growing importance of its Indian operations, **Fiat Auto** consolidated Fiat India Automobiles Ltd. and its subsidiary Ind. Auto Ltd. on a line-by-line basis.
- **Iveco** consolidated on a 50% proportional basis the results of Naveco Ltd., a Chinese company that manufactures and sells commercial vehicles, and those of Irisbus, a 50-50 joint venture to which Iveco and Renault V.I. transferred their bus operations.

In December, Iveco acquired a controlling interest in Fraikin, a leading French provider of long-term leasing services for commercial vehicles. Fraikin was consolidated in the Group's financial statements for the fourth quarter.
- In November, **New Holland** completed the acquisition of Case Corporation at a total cost of about 4,600 million euros. Following the acquisition, New Holland changed its name to **CNH Global N.V. (CNH)**. Because of problems arising from the difference between its accounting principles (U.S. GAAP) and those of the Group, Case could not be consolidated in 1999. However, its results will be reflected in the Group's financial statements starting with 2000.
CNH consolidated for the full year on a line-by-line basis O&K Orenstein & Koppel AG, a German construction equipment company which it acquired at the end of 1998, and New Holland Bizon Sp. Zo.o., a Polish producer of combine harvesters which it bought in July 1998.
- **Teksid** consolidated on a line-by-line basis Meridian Technologies Inc., a producer of magnesium components which is now controlled by the Sector, and the operations transferred by Renault into a unit that operates the cast-iron and aluminum production activities of both Groups.

The Steel Division, which was sold to Neumayer GmbH, was removed from the scope of consolidation.

■ **Magneti Marelli** consolidated on a line-by-line basis the European operations it had purchased from Midas (quick repair centers). At the same time, it sold to Denso of Japan an 80% interest in its Rotary Devices Business Unit, continued to divest the nonstrategic product lines of the Cofap Group in Brazil and deconsolidated the Fuel Supply Division, which is in the process of being sold. In addition, it consolidated on a proportional basis Viasat, a 50-50 joint venture established with Telecom Italia to provide infomobility services.

In December, it announced the sale of its Lubricants Division, which will be deconsolidated as of 2000, and the purchase of Seima, a manufacturer of automotive lighting fixtures.

■ **Fiat S.p.A.** acquired the Pico (Progressive Tools & Industries Co.) Group, a leading U.S. producer of bodywork systems. Comau is also active in this field. Pico's results were consolidated by the Fiat Group as of May 1999.

The new Sector **Comau/Pico** used the line-by-line method to consolidate Renault Automation, a manufacturer of systems and equipment used in the production of automotive components in which it had acquired a 51% interest, and the Bodywork Systems activities of Sciaky S.A. in France.

■ In December, **Toro Assicurazioni** purchased the French operations of the Guardian Group Royal Exchange, which specializes in the areas of life insurance and asset management.

■ Lastly, the tender offers for Toro Assicurazioni S.p.A. (71% and 80% of the outstanding preference and saving shares respectively) and Comau S.p.A. (substantially 100% of the outstanding shares) were completed successfully at a total cost of 622 million euros.

In 1999, the Group divested several nonstrategic equity investments, including those in Banco Central Hispano Americano, Rhône Poulenc, Impregilo and Intesa.

Operating performance

Steadily rising unit sales and the significant improvement in operating margins recorded in the last quarter of the year, combined with the effect of sizable reductions in product costs and overhead, enabled the Fiat Group to report a moderate improvement in operating income compared with 1998.

The higher financial expenses incurred as a result of the acquisitions completed during the year and a higher tax burden had a dampening effect on the bottom line. Nevertheless, net income exceeded 500 million euros in 1999.

In order to provide a better understanding of the Group's performance, the statement of operations has been reclassified by destination in the table below, providing a breakdown between industrial and insurance activities.

Net revenues

The Group's net revenues, including changes in contract work in progress, totaled 48,123 million euros in 1999, 44,094 million euros of which are attributable to the Group's Industrial Activities (+3,3%), while 4,084 million euros were generated by the Insurance Activities (+29.4%). Overall, revenues were up 5.1% over 1998. On a comparable basis, excluding the impact of changes in the scope of consolidation, the revenue gain is about 1%.

The results generated by Case, which New Holland acquired last November, will be consolidated for the first time in the 2000 fiscal year. Had Case's sales been consolidated for the full year on a proforma basis, the Group's revenues would have increased to about 53,000 million euros.

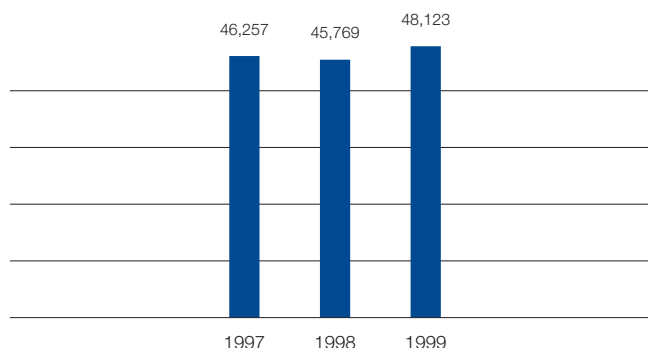
An analysis of revenues by operating Sector is provided below:

■ **Fiat Auto** reported consolidated revenues of 24,101 million euros, or 758 million euros less (-3%) than in 1998, chiefly as a result of lower sales in the Mercosur countries and the devaluation of the Brazilian real.

The Sector shipped a total of 2,328,000 vehicles, compared with 2,397,000 the previous year. Weak sales in South America account for most of this 2.9% decline. Volumes were up slightly in Italy (+0.4%), where customers purchased 955,000 Fiat Auto vehicles. Sales held steady in Western Europe and showed good growth in Poland.

Consolidated Revenues

(in millions of euros)



■ **At Iveco** revenues totaled 7,387 million euros (+11.1%). The gain of 738 million euros over 1998 reflects an expansion in unit sales, especially in Europe where the Bus operations did particularly well, and the consolidation of Naveco (China). A positive contribution was also provided by the vehicle financing and leasing operations. On a comparable consolidation basis, sales were up 4.3%.

■ Stated in U.S. dollars, the Sector's reporting currency, **CNH's** revenues decreased 2.2% to \$5,589 million, which is equivalent to 5,246 million euros. The figure in euros

(in millions of euros)	12/31/99			12/31/98		
	Industrial Activities	(*) Insurance Activities	Consolidated	Industrial Activities	(*) Insurance Activities	Consolidated
Net revenues	44,094	4,084	48,123	42,667	3,155	45,769
Cost of goods sold	36,848	4,012	40,805	35,454	3,119	38,520
Gross operating result	7,246	72	7,318	7,213	36	7,249
Gross operating result/Net revenues	16.4%	1.8%	15.2%	16.9%	1.1%	15.8%
Overhead	4,835	249	5,084	4,784	247	5,031
Overhead/Net revenues	11.0%	6.1%	10.6%	11.2%	7.8%	11.0%
Research and development	1,406	-	1,406	1,264	-	1,264
Operating income (expenses)	(155)	115	(40)	(219)	11	(208)
Operating income	850	(62)	788	946	(200)	746
ROS	1.9%	(1.5%)	1.6%	2.2%	(6.3%)	1.6%
Investment income (**)	194	171	361	168	120	286
Financial income (expenses)	(507)	49	(458)	(112)	233	121
Extraordinary income (expenses)	229	104	333	293	(4)	289
Income before taxes	766	262	1,024	1,295	149	1,442
Income taxes	460	88	518	480	46	526
Income before minority interest	306	174	506	815	103	916
Fiat interest in net income	201	152	353	561	60	621

(*) It includes the Toro Assicurazioni Group, Augusta Assicurazioni S.p.A. and Essex & General Insurance Ltd.

(**) It includes investment income, as well as writedowns and upward adjustments on investments in subsidiaries and affiliates valued by the equity method.

represents a gain of 2.3% over the previous year, reflecting the appreciation of the U.S. dollar versus the single European currency.

Stated in euros, sales were down about 5.5% on a comparable consolidation basis. The decrease is due mainly to lower unit sales, particularly in North America where CNH was penalized by an unfavorable sales mix. The contraction in sales of agricultural equipment was offset in part by strong sales of construction equipment. Had Case's sales been consolidated for the full year on a proforma basis, the Sector's revenues would have increased to about 10,000 million euros.

- The **other industrial Sectors** had combined revenues of 9,173 million euros, compared with 7,551 million euros in 1998. Changes in the scope of consolidation account for most of this 21.5% increase.

The best gains were recorded by **Teksid**, where revenues rose to 1,682 million euros (+44.4%, but -5.2% on a comparable consolidation basis); **Magneti Marelli**, which posted revenues of 4,062 million euros (+7.1%, but practically unchanged on a comparable basis); and **Comau/Pico**, which reported revenues of 1,693 million euros (+100.8%, but -5.5% on a comparable consolidation basis).

The performance of the **Service Sectors** is reviewed below:

- **Toro Assicurazioni** wrote premiums totaling 3,922 million euros, or 32.5% more than the 2,959 million euros reported in 1998. Strong sales of life insurance accounted for most of the increase.
- **Itedi** had revenues of 413 million euros. The sale of Satiz, a company providing publishing activities, is the main reason for this 5.5% decline.

Gross operating result

At 7,318 million euros, the gross operating result was about the same as in the previous fiscal year (7,249 million euros), but its relative amount to revenues declined from 15.8% in 1998 to 15.2% in 1999. For the Industrial Activities alone, the gross operating result was equivalent to 16.9% of sales in 1998 and 16.4% in 1999, mainly as a result of extremely keen price competition and the continuing crisis in the Mercosur countries.

Overhead

Overhead came to 5,084 million euros in 1999 (+1.1% over 1998), equivalent to 10.6% of revenues (11% in 1998).

The programs implemented under the Nova Project to reengineer the Group's business support activities and simplify its organization were major factors in reducing the ratio of overhead to revenues. Cost savings exceeded 500 million euros (an 11.8% reduction), well ahead of the 1999 target.

Research and development outlays

Research and development outlays, which were charged in full to income, totaled 1,406 million euros, or 11.2% more than in 1998. This increase demonstrates the Group's ongoing commitment to innovation and technological excellence.

Operating Income

Operating income before extraordinary, financial and tax components totaled 788 million euros in 1999, or 42 million euros more than in 1998. When measured separately from the Group's insurance operations, which are characterized by a structurally negative operating performance, the return on sales of the industrial activities was 1.9% (2.2% in 1998).

<i>(in millions of euros)</i>	1999 Revenues	1998 Revenues	% change
Automobiles (Fiat Auto)	24,101	24,859	(3.0%)
Commercial Vehicles (Iveco)	7,387	6,649	11.1%
Agricultural and Construction Equipment (CNH Global)	5,246	5,127	2.3%
Metallurgical Products (Teksid)	1,682	1,165	44.4%
Components (Magneti Marelli)	4,062	3,793	7.1%
Production Systems (Comau/Pico)	1,693	843	100.8%
Aviation (FiatAvio)	1,361	1,361	–
Rolling Stock and Railway Systems (Fiat Ferroviaria)	375	389	(3.6%)
Publishing and Communications (Itedi)	413	437	(5.5%)
Insurance (Toro Assicurazioni)	3,922	2,959	32.5%
Miscellaneous and eliminations	(2,119)	(1,813)	16.9%
Total for the Group	48,123	45,769	5.1%

The operating income reported for the fiscal year, results from the combination of positive and negative factors.

The positive factors include, other than healthy demand in most of the Group's markets, the introduction of new models of Fiat Auto and Iveco and a significant reduction in product costs made possible by programs implemented to make industrial processes more efficient, cut production costs and lower overhead, which was specifically targeted by the Nova Project mentioned above.

The main negative factors were: continued intense price competition in the Group's principal markets, a persistent crisis affecting the economies of the Mercosur countries (Fiat Auto); and weak demand in North America (CNH).

However, owing in part to the introduction of new models, there were signs of a turnaround in the fourth quarter, with improved prices and lower discounts.

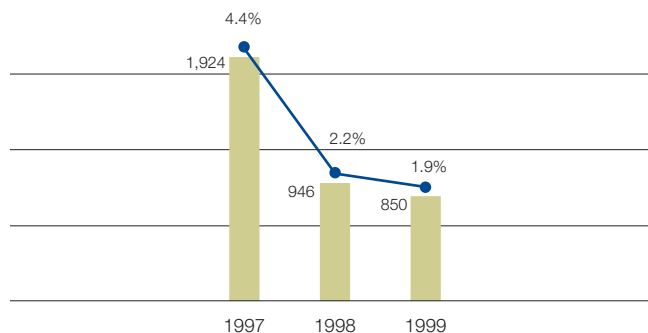
Several extraordinary income items, including the proceeds from certain asset sales, were concentrated in the last part of the year.

The operating performance of the individual Sectors is reviewed below:

■ **Fiat Auto** reported an operating loss of 121 million euros in 1999, which was slightly larger (loss of 108 million euros in 1998). However, while operating margins were under pressure during the first part of the year, the Sector posted a markedly improved performance during the last quarter of the year. The return on sales was a negative 0.5%, about the same as in the previous fiscal year.

■ **Iveco's** operating income totaled 311 million euros, for an annual gain of 50 million euros. The return on sales also increased, rising from 3.9% in 1998 to 4.2% in 1999, as

Operating Income Industrial Activities and R.O.S. % (in millions of euros)



the Sector increased its unit sales and reduced overhead and product costs.

■ **CNH** reported operating income of 371 million euros, or 81 million euros less than in the previous fiscal year. Over the same period, the return on sales fell from 8.8% to 7.1%. These figures do not reflect Case's contribution, which will be consolidated in 2000 for the first time.

The level of profitability, while still good, declined due to difficulties encountered in the North American markets, where the Sector was negatively affected by lower unit sales and an unfavorable product mix.

The **other industrial Sectors** performed particularly well, with total operating income reaching 349 million euros, or 99% more than the 175 million euros reported in 1998. The aggregate return on sales improved from 2.3% in 1998 to 3.8% in 1999.

(in millions of euros)	Operating Income			% ROS Industrial Activities	
	1999	1998	Change	1999	1998
Automobiles (Fiat Auto)	(121)	(108)	(13)	(0.5)	(0.4)
Commercial Vehicles (Iveco)	311	261	50	4.2	3.9
Agricultural and Construction Equipment (CNH)	371	452	(81)	7.1	8.8
Metallurgical Products (Teksid)	76	42	34	4.5	3.6
Components (Magneti Marelli)	108	56	52	2.7	1.5
Production Systems (Comau/Pico)	43	(1)	44	2.5	(0.1)
Aviation (FiatAvio)	109	60	49	8.0	4.4
Rolling Stock and Railway Systems (Fiat Ferroviaria)	13	18	(5)	3.5	4.6
Publishing and Communications (Itedi)	17	19	(2)	4.1	4.3
Insurance (Toro Assicurazioni)	(103)	(168)	65	-	-
Miscellaneous and eliminations	(36)	115	(151)	-	-
Total	788	746	42	1.6	1.6
Industrial Activities only	850	946	(96)	1.9	2.2

In particular:

- **Teksid** closed the fiscal year with operating income of 76 million euros (4.5% of revenues), compared with 42 million euros in 1998 (3.6% of revenues), reflecting the positive contribution of its new businesses (Meridian and former Renault operations) and the beneficial impact of successful efficiency measures.
- At **Magneti Marelli** operating income almost doubled to 108 million euros (2.7% of revenues, compared with 1.5% in 1998) thanks to efficiency programs that produced a significant reduction in overhead, and to the gains earned on the disposal of surplus real estate assets.
- **Comau/Pico** earned 43 million euros (2.5% of revenues) on an operating basis, compared with a loss of 1 million euros in 1998 (-0.1% of revenues). This improvement was made possible by the contribution of newly consolidated activities and a reduction in overhead.
- **FiatAvio** reported operating income of 109 million euros (8% of revenues), up from 60 million euros (4.4% of revenues) in 1998, owing to favorable price trends, advantageous foreign exchange rates and a good performance by its Space Business Unit.
- At 13 million euros (3.5% of revenues), **Fiat Ferroviaria's** operating income was less than in 1998 (18 million euros, 4.6% of revenues), mainly as a result of an unfavorable mix of international orders.

The performance of the other **Sectors** is reviewed below:

- **Toro Assicurazioni** reported an operating loss of 103 million euros, which represents a substantial improvement over the corresponding period in 1998 (loss of 168 million euros). As it is well known, the operating result of insurance companies is generally negative for structural reasons. Income before taxes, which is a more meaningful gauge of the Sector's profitability, totaled 178 million euros (116 million euros in 1998). The gain over 1998 reflects higher premium income, lower operating costs and the positive contribution of the investing activities.
- **Itedi** earned 17 million euros (4.1% of revenues) on an operating basis, about the same as in 1998 (19 million euros or 4.3% of revenues).

Result for the fiscal year

Income before taxes totaled 1,024 million euros in 1999, compared with 1,442 million euros in the previous fiscal year.

Two factors were mainly responsible for this decline: a less favorable balance in the financial income and expense equation (net financial income of 121 million euros in 1998, but net financial expenses of 458 million euros in 1999); and the absence of the nonrecurring gain recorded in 1998 as a result of a change in the accounting principle on deferred taxes. A detailed analysis of this item is provided in the Notes to the Consolidated Financial Statements.

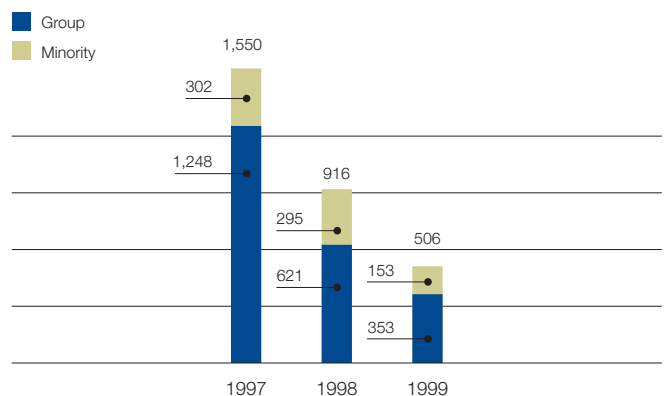
The increase in net financial expenses results from the less favorable average financial position that developed as the Group deployed substantial resources to fund the acquisitions completed during the year. It also reflects a decrease in the net financial income earned by the Group's insurance companies, which found lower investment yields available for their liquid assets.

Even though income before taxes decreased, the total tax burden at the consolidated level remained practically unchanged from 1998. This was due to the impact of Italian tax laws, which do not allow the consolidation of the tax position of the various Group companies, offsetting the tax liability of profitable companies against the losses incurred by those that reported a loss.

A breakdown of 1999 tax charges is as follows:

- Current income taxes for the fiscal year of 407 million euros (433 million euros in 1998).
- Deferred tax assets of 90 million euros attributable to the fiscal year (129 million euros in 1998).
- IRAP (Regional Tax on Production Activities) totaling 201 million euros (222 million euros in 1998).

Net Income
(in millions of euros)



Consolidated net income before minority interest totaled 506 million euros, compared with 916 million euros in 1998.

Fiat's interest in net income amounted to 353 million euros, as against 621 million euros in 1998.

Balance sheet

As required under Legislative Decree No. 127/91, a detailed analysis of the Group's balance sheet, which is presented in accordance with the statutory format for consolidated financial statements, is provided in the Notes to the Consolidated Financial Statements.

In the table appearing on the following page, the Group's consolidated balance sheet has been reclassified and presented in a condensed format, showing its main components according to their destination and broken down between Industrial and Insurance Activities.

Working capital

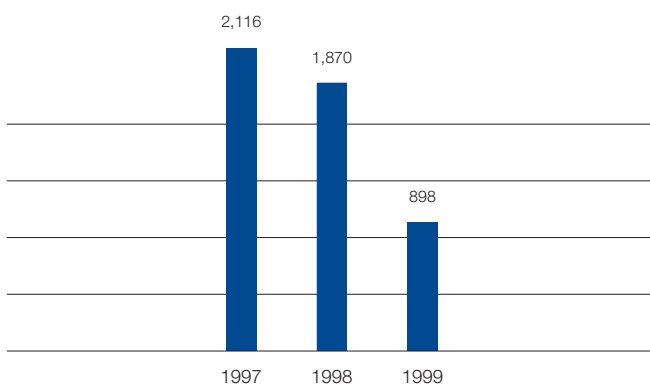
At December 31, 1999, the Group's consolidated **working capital** totaled 898 million euros, down from 1,870 million euros in 1998, for a coverage index of 5 days for the Industrial Activities (14 days in 1998).

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

■ **Inventories** (raw materials, finished products and work in progress), net of advances received, amounted to 7,987 million euros compared with 7,084 million euros in 1998. Inventories were equivalent to 60 days of sales (56 days in 1998).

Working capital

(in millions of euros)



■ **Trade receivables** totaled 6,665 million euros at the end of 1999, for an increase of 2.9% compared with 6,478 million euros at December 31, 1998. At 50 days, the credit exposure was about the same as in 1998.

■ **Trade payables** increased to 11,070 million euros, or 2,143 million euros more than the 8,927 million euros reported at the end of 1998, while the debt exposure, measured on sales revenues, increased to 83 days of sales (70 days in the previous fiscal year). This was mainly due to increased production activity and capital expenditures in the last quarter of 1999.

Net property, plant and equipment

Net property, plant and equipment amounted to 15,920 million euros, up from 15,056 million euros at the end of 1998, mainly as a result of changes in the scope of consolidation.

Net property, plant and equipment include fixed capital earmarked for the Group's medium and long-term automobile and truck leasing operations, a new line of business with considerable growth potential. Fixed capital in this category posted a significant increase as compared to 1998.

A breakdown of the changes affecting this item is provided in the Notes to the Consolidated Financial Statements.

Additions totaled 2,712 million euros (2,418 million euros in 1998), while **depreciation** came to 2,074 million euros. Retirements and other changes totaled 1,013 million euros while positive changes in the scope of consolidation amounted 1,239 million euros.

At December 31, 1999, **accumulated depreciation and writedowns** totaled 18,920 million euros (18,489 million euros in 1998). Property, plant and equipment was depreciated at about 55% in 1999, almost unchanged from 1998.

Other fixed assets

Other fixed assets, which include financial fixed assets (investments, securities and treasury stock) and intangibles (start-up and expansion costs, goodwill, and intangible assets in progress and others) amounted to 17,605 million euros at December 31, 1999, or 8,258 million euros more than at the end of 1998. Most of the increase is attributable to the acquisition of Case Corporation by New Holland, which was booked at cost, and the higher value of the securities held by the insurance companies as coverage for their technical reserves.

Net deferred tax assets

At December 31, 1999, **net deferred tax assets** amounted to 574 million euros, compared with 313 million euros in 1998.

The amount shown under this heading is the net effect of deferred tax liabilities and prepaid taxes due primarily to from the following temporary differences: accelerated depreciation, capital gains reinvested under a deferred tax treatment, inventories, taxed reserves for risks and charges and allowances for doubtful accounts in excess of the percentage deductible for tax purposes.

A more detailed analysis of this item is provided in the Notes to the Consolidated Financial Statements.

Reserves and allowances

At December 31, 1999, **reserves and allowances** totaled 16,199 million euros. They included the technical reserves of the insurance companies (10,293 million euros), the reserve for severance indemnities of the Italian employees (2,138 million euros), the reserve for pensions and similar obligations (821 million euros), the warranty and technical support reserve (959 million euros) and other reserves (1,998 million euros).

The gain of 3,313 million euros over the 12,886 million euros reported at the end of 1998 is due primarily to the higher technical reserves of the insurance companies, which rose by 3,325 million euros, reflecting a significant increase in premium income and the changes in the consolidation scope (989 million euros due to the consolidation of the Guardian Group).

A more detailed analysis of this item is provided in the Notes to the Consolidated Financial Statements.

Net Invested Capital

At December 31, 1999, **net invested capital** totaled 18,798 million euros, or 5,098 million euros more than at the end of 1998. The change in the scope of consolidation and the acquisitions completed in 1999 (Case, Pico and Fraikin in particular) account for most of the increase. Had the scope of consolidation remained the same, net invested capital would have resulted 800 million euros less than at December 31, 1998.

On a comparable basis, the asset turnover rate was 3.3, almost unchanged from 1998.

Value Creation

The return on invested capital, which is the ratio of operating income plus investment income to average net invested capital, was about 7%, falling short of the 10% needed to create stockholder value in 1999. As a result, value creation was a negative 480 million euros, as compared with a negative 714 million euros in 1998, which was calculated using a rate of return of 12%.

Net Financial Position of the Group

At December 31, 1999, the consolidated net financial position of the Group showed net borrowings of 4,031 million euros, compared with net liquidity of 1,420 million euros at the beginning of the fiscal year.

The rise in the level of indebtedness reflects the increased resources required to fund the acquisitions carried out by the Group, which entailed outlays totaling over 6,000 million euros.

(in millions of euros)	12.31.1999			12.31.1998		
	Industrial Activities	(*) Insurance Activities	Consolidated	Industrial Activities	(*) Insurance Activities	Consolidated
Net inventories	7,987	–	7,987	7,084	–	7,084
Trade receivables	6,095	570	6,665	5,999	479	6,478
Trade payables	(10,828)	(242)	(11,070)	(8,765)	(163)	(8,927)
Other receivables (payables), net	(2,600)	(84)	(2,684)	(2,706)	(58)	(2,765)
Working capital	654	244	898	1,612	258	1,870
Net property, plant and equipment	15,014	906	15,920	14,271	784	15,056
Other fixed assets	7,937	9,714	17,605	2,865	6,490	9,347
Net deferred tax assets	631	(57)	574	334	(20)	313
Reserves and allowances	(5,814)	(10,385)	(16,199)	(5,819)	(7,067)	(12,886)
Net invested capital	18,422	422	18,798	13,263	445	13,700
Net financial position	(5,649)	1,618	(4,031)	3	1,417	1,420
Stockholders' equity before minority interest	12,773	2,040	14,767	13,266	1,862	15,120
Fiat's interest in stockholders' equity	11,310	1,610	12,874	12,029	981	12,998

(*) It includes the Toro Assicurazioni Group, Augusta Assicurazioni S.p.A. and Essex & General Insurance Ltd.

A breakdown of the changes affecting net financial position in 1999 is provided below:

<i>(in millions of euros)</i>	
Net financial position at December 31, 1998	1,420
Decrease in working capital	972
Investments in fixed assets	(2,712)
Cash flow	2,860
Dividends paid by Fiat S.p.A.	(350)
Dividends paid by other companies	(67)
Acquisitions and capital contributions	(6,149)
Other changes	(5)
Total changes	(5,451)
Net financial position at December 31, 1999	(4,031)

A breakdown of **acquisitions** and **capitalizations** is provided in the Notes to the Consolidated Financial Statements.

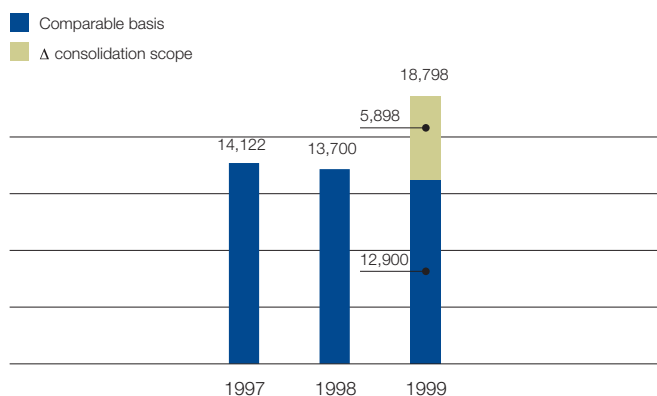
Cash flow, which is equivalent to net income before minority interest plus depreciation and amortization, declined to 2,860 million euros from 3,226 million euros in 1998, reflecting a decrease in net income. Depreciation and amortization totaled 2,354 million euros, about the same as in the previous fiscal year.

However, the cash flow generated in 1999 was sufficient to fund capital investments for the period, which amounted to 2,712 million euros (2,418 million euros in 1998).

Investments in fixed assets include 465 million euros (353 million euros in 1998) for the Group long-term automobile and truck leasing operations.

Net Invested Capital

(in millions of euros)



A breakdown of net financial position is provided below:

<i>(in millions of euros)</i>	12/31/99	12/31/98
Cash	1,906	1,673
Marketable securities	1,613	1,903
Financial receivables and investments in leases	19,103	17,128
Accrued financial income	295	212
Deferred financial income	(1,892)	(1,957)
Total financial assets	(A) 21,025	18,959
Short-term debt	(14,073)	(9,588)
Long-term debt	(10,756)	(7,801)
Accrued financial expenses	(309)	(200)
Deferred financial expenses	82	50
Total financial liabilities	(B) (25,056)	(17,539)
Group's net financial position	(A-B) (4,031)	1,420

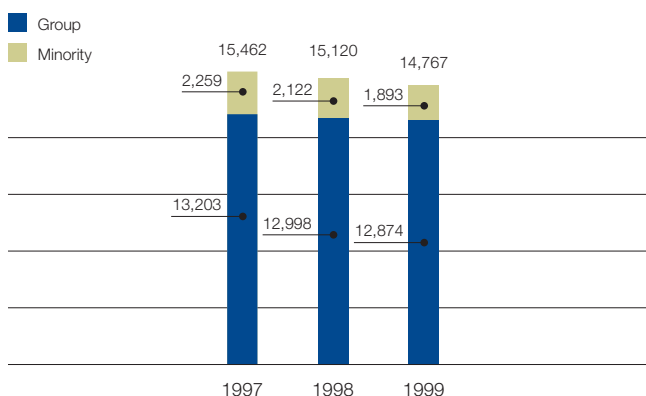
Stockholders' equity

Stockholders' equity totaled 14,767 million euros at December 31, 1999, compared with 15,120 million euros at the end of 1998. Group interest in stockholders' equity amounted to 12,874 million euros compared with 12,998 million euros in the previous fiscal year.

A breakdown of the changes in stockholders' equity is provided in the Notes to the Consolidated Financial Statements.

Stockholders' equity

(in millions of euros)



FINANCIAL POSITION AND OPERATING RESULTS OF FIAT S.P.A.

Balance sheet

The balance sheet of Fiat S.p.A. is summarized below:

<i>(in millions of euros)</i>	<i>12/31/99</i>	<i>12/31/98</i>
Fixed assets	7,050	5,999
Working capital	(1)	(104)
Total net invested capital	7,049	5,895
Stockholders' equity	6,804	6,767
Net financial position	(245)	872

Fixed assets consist mainly of investments in the Group's principal companies. The total value at December 31, 1999 was 6,967 million euros, for a net increase of 1,114 million euros since the end of 1998.

The principal new equity investments added in 1999 include the recapitalization of New Holland Holdings N.V. in the amount of US\$1.4 billion, which Fiat S.p.A. carried out together with Fiat Ge.Va. S.p.A. to fund the acquisition of Case Corporation by New Holland N.V. (now called CNH Global N.V.), and the purchase of Pico Holdings Co., the leading U.S. maker of bodywork production systems. Fiat S.p.A. invested a total of 726 million euros in these transactions.

In addition, the Company successfully completed two tender offers that enabled it to buy 71% of the preference and 80% of the savings shares of Toro Assicurazioni S.p.A. (Group-level ownership increased to 75% of the entire capital stock) and virtually all Comau S.p.A. shares outstanding, for a total outlay of 616 million euros. Fiat S.p.A. now owns 96% of Comau.

Disposals include the sale of the interests held in IN.TE.SA. S.p.A. (30%) and Banco Central Hispano Americano S.A. (0.46%), which generated proceeds of 93 million euros and a gross capital gain of 73 million euros. In addition, the carrying value of Fiat Auto S.p.A. was written down by 209 million euros, to reflect a corresponding decrease in the value of its net worth, as allowed under Articles 59 and 61 of the applicable law (TUIR) and by the provisions of Article 2426, last Section, of the Italian Civil Code.

If this charge had not been taken, the carrying value of the Company's equity investments and the value of its stockholders' equity would have amounted to 7,176 million euros and 6,935 million euros, respectively. In addition, income taxes payable would have been higher by 77 million euros and net income would have increased by 131 million euros.

During 1999, consistently with the decision to transfer to a single real estate company (Ingest S.p.A.) all Group buildings that are not used for operating purposes, Fiat S.p.A. disposed of most of its real estate assets. In addition, it sold to Toro Assicurazioni S.p.A. an office building located at 60 Via Mazzini. The total proceeds generated by these transactions amounted to 129 million euros, for a net capital gain of 42 million euros. The sales prices were determined on the basis of reports provided by an independent appraiser. Fiat S.p.A. still owns its Lingotto headquarters and other historically significant buildings.

Working capital includes receivables from and payables to Tax Authorities, employees, Group companies and others. The increase of 103 million euros compared with December 31, 1998 is due mainly to higher amounts receivable from tax authorities (for 1999 corporate income tax overpayments) and from Group companies (chiefly Toro Assicurazioni S.p.A. and Ingest S.p.A. in connection with the sale of real estate assets).

At December 31, 1999, **stockholders' equity** totaled 6,804 million euros, or 37 million euros more than at the end of 1998. The increase is the net effect of the year's net income of 396 million euros, less the appropriation of the 1998 net income (359 million euros) as approved by the Stockholders' Meeting of June 23, 1999.

At the end of 1999, the **net financial position** showed indebtedness of 245 million euros, compared with net liquidity of 872 million euros at the end of 1998. The substantial new equity investments discussed above account for most of this change.

An analysis of financial flows is provided at the end of the Notes of Fiat S.p.A. Financial Statements.

Statement of operations

The statement of operations for the fiscal year shows **net income** of 396 million euros, compared with 408 million euros in 1998.

The following table contains a breakdown of net income:

<i>(in millions of euros)</i>	<i>1999</i>	<i>1998</i>
Investment income	608	530
Writedowns	(210)	–
Net financial income	15	47
Cost of personnel and services, less revenues	(15)	25
Extraordinary income (expense)	81	(51)
Income taxes	(83)	(143)
Net income	396	408

Investment income amounted to 608 million euros. It consists of dividends, including the respective tax credits, paid by subsidiaries and affiliated companies (530 million euros in 1998).

A breakdown of the dividends earned in 1999 and 1998 is provided in the Notes of Fiat S.p.A. Financial Statements.

The main component of **writedowns** was the charge of 209 million euros against the carrying value of Fiat Auto S.p.A., which, as mentioned above, was taken to reflect a corresponding change in the net worth of this company.

Net financial income totaled 15 million euros, compared with 47 million euros in 1998. The decrease of 32 million euros from 1998 is due to the worsening of the net financial position as a result of the cash outlays for the new investments discussed above.

The **cost of personnel and services, less revenues**, totaled 15 million euros (net revenues of 25 million euros in 1998). In particular, **cost of personnel and services** came to 174 million euros, or 20 million euros less than the 194 million euros reported in 1998. The Company's headcount averaged 245 employees, (including 26 seconded to the Group's principal companies) compared with 256 in 1998 (including 25 seconded employees). **Revenues** totaled 159 million euros, down from 219 million euros in the previous fiscal year. They include royalties for the license to use the Fiat trademark, computed as a percentage of the sales of the individual Group companies, and fees for services rendered by management personnel. They also reflect the already mentioned gain realized on the sale of buildings (42 million euros).

The main components of **extraordinary income** were the gains realized on the disposal of 30% of IN.TE.SA. S.p.A. (32 million euros) and of a 0.46% interest in Banco Central Hispano Americano S.A. (41 million euros).

The **net extraordinary expense** shown for 1998 reflects the special bonus paid to Chairman Cesare Romiti, in accordance with a resolution approved by the Board of Directors on January 30, 1998.

Income taxes totaled 83 million euros, compared with 143 million euros in 1998. They include corporate income taxes of 69 million euros.

Taking into account tax credits on dividends, which are reflected in investment income (124 million euros in 1999), income tax receivables totaled 41 million euros (compared with net taxes payable of 25 million euros in 1998).

OTHER HOLDING COMPANIES

In addition to Fiat S.p.A., the Group manages its investment portfolio through the following holding companies:

I. H. F. – INTERNAZIONALE HOLDING FIAT

This company, organized under Swiss law, was again chiefly engaged in providing the foreign companies of the Fiat Group with financial support.

Its investment portfolio, consisting mainly of shares in Iveco N.V., Fiat France S.A. and Fiat Finance Corporation B.V., amounted to 2,992 million Swiss francs at the end of 1999.

Net income came to 67 million Swiss francs, equivalent to 41.9 million euros (35 million Swiss francs in 1998).

SICIND

In 1999, the company continued to be concerned primarily with the management of its investment portfolio.

The most important transactions completed during the fiscal year were:

- Transfer of its 50.85% interest in IPI S.p.A. to the Ingest S.p.A. subsidiary, where the real estate assets of the Fiat Group are concentrated.
- Absorption of Sogespar S.p.A. (100% Fiat) and Multiparuno (100% Sogespar S.p.A.) as part of a program implemented to streamline the investment portfolio of the Fiat Group.
- Sale of 14,061,735 H.d.P. S.p.A. ordinary shares, equivalent to 0.5% of the capital stock, to Gemina S.p.A. as part of the agreement concluded with Mr. Romiti upon his retirement. This transaction generated proceeds of 8.1 million euros and a gross capital gain of 1.6 million euros.

At year's end, the carrying value of Sicind's investments was 1,231 million euros. The main holdings were: 51.8% of the ordinary shares of Toro Assicurazioni S.p.A. (481 million euros), 100% of Augusta Assicurazioni S.p.A. (130 million euros), 100% of Ingest S.p.A. (302 million euros) and 12.7% of the ordinary shares of H.d.P. S.p.A. (164 million euros).

The year ended with net income of 26 million euros, compared with 106 million euros in 1998, when the company had earned an extraordinary capital gain on the sale of a 45.9% interest in Snia BPD S.p.A.

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

The Group was successful in overcoming the challenge posed by the transition to the year 2000. The special task force created in 1997 carried out the programs needed to update the Group's internal systems and implemented preventive measures that addressed the risks presented by external transactions. However, it is continuing to monitor those areas that could still be a source of potential problems.

During the early months of 2000, the Group continued to implement a policy designed to strengthen the competitive position of its Sectors. This included the implementation of programs that streamlined the Group's organization with the divestiture of non-strategic businesses.

The most important transactions completed by the Sectors during this period are reviewed below:

- On March 13, 2000, **Fiat** and General Motors announced a strategic industrial alliance and a share exchange. This transaction is explained in detail in the Overview section.
- Also in March, **Fiat Auto S.p.A.** signed an investment agreement establishing ZAO Nizhegorod Motors. Fiat Auto and OAO GAZ own 80% of the new company, and the European Bank for Reconstruction and Development holds the remaining 20%. ZAO Nizhegorod Motors will operate a factory in Nizhny Novgorod and will sell and service three Fiat models in Russia: the Palio, the Siena and the Palio Weekend. When fully operational, the Nizhny Novgorod factory will have a capacity of 75,000 cars per year. Production is expected to start in 2002.
- **Magneti Marelli** concluded two important agreements at the end of 1999: in a transaction valued at about 160 million euros, in 2000 it acquired the Seima Group, the leading European manufacturer of automotive lighting systems and a supplier to all major carmakers of the world and, at the same time, it sold its Lubricants operations to Doughty Hanson & Co., in Great Britain, for a price of 428 million euros.
- **Comau** and Fanuc, a Japanese company that sells digital control systems for machine tools and robots to customers worldwide, signed a major agreement in the area of robotics that will help them strengthen their respective core businesses.
- In February, **Itedi** presented its "Koinet" project, a communications portal for businesses. It is the first business-to-business portal developed in Italy by a major group and addresses the communications needs of small and medium businesses.
- In anticipation of the imminent start of the Airbus A400M program, **FiatAvio** helped establish Turboprop International GmbH, acquiring a 22% interest in this venture. The other partners are the Spanish aerospace company ITP (12%), Motoren und Turbinen Union München in Germany (33%) and Snecma Moteurs in France (33%). The new company will coordinate the design, development and production of the M138 engine, which will equip the new Airbus military transport.

The Parent Company **Fiat S.p.A.** carried out the following major transactions:

- On February 18, 2000, the Board of Directors of Fiat S.p.A., upon a proposal of the Compensation Committee, approved the Second Stock Option Plan, which will award options to about 900 Group managers giving them the right to buy ordinary Fiat shares at a price corresponding to their stock market price at the time of the award. The group's Stock Option Plans are described in detail in the pertinent section of this Report on Operations.
- As allowed under a Resolution approved at the Stockholders' Meeting of June 23, 1999, it purchased 971,800 ordinary Fiat S.p.A. shares at a total cost of 29,2 million euros.
- It underwrote a capital increase carried out by Fiat Ge.Va. S.p.A. at a cost of 200 million euros.
- In accordance with an agreement concluded with Cesare Romiti upon his retirement, the subsidiary Sicind S.p.A. sold a further 1.5% of the ordinary shares of H.d.P. S.p.A. (42,185,206 shares), generating proceeds of 56 million euros and a capital gain of 36 million euros before taxes. Following this sale, Sicind still owned 11.2% of the ordinary shares of H.d.P. S.p.A.
- Through a Residuary Tender Offer and the exercise of its buyout right provided for by Art. 111 of Legislative Decree No. 58/98, Fiat S.p.A. purchased the remaining 3.5% of Comau (1,228,426 shares) it did not own, at a cost of 8 million euros, thereby acquiring ownership of 100% of Comau's capital stock.

A discussion of the **foreseeable future operating performance** is provided in the Overview.

PRODUCTS OF THE GROUP

The Companies of the Fiat Group are organized into 10 operating Sectors that manufacture automotive products and provide services to customers in more than 180 countries throughout the world. Driven by an unflagging determination to achieve market leadership and excel in customer satisfaction, the Group engages in the areas of automobiles, commercial vehicles, agricultural and construction equipment, components, production systems, aviation, rolling stock and railway systems, insurance and financial services, and publishing.

Automobiles

The Group's automobile operations are carried out primarily by Fiat Auto S.p.A. and its subsidiaries, which sell cars under the Fiat Lancia and Alfa Romeo brands, and light commercial vehicles under the Fiat brand.

Through Targa Services, the Sector offers its suppliers, dealers and customers a complete range of automotive services. Financial services are provided by Fidis. The Group also controls Ferrari and Maserati, which manufacture sports and luxury cars.

Commercial Vehicles

The Sector designs, produces and sells a complete range of commercial vehicles under the brands Iveco, Seddon Atkinson, Iveco Pegaso and Iveco Ford, as well as buses (through a joint venture with Renault VI) under the Iveco brand, fire-fighting equipment under the Camiva, Iveco and Magirus brands, and diesel engines under the Aifo brand.

Through Transolver, the Sector furnishes a full spectrum of financial services, including long-term leases. The Sector lead company is Iveco N.V.

Agricultural and Construction Equipment

The Sector is headed by CNH Global N.V., a new company created in 1999 through the merger of New Holland and Case. It operates in the field of tractors and agricultural equipment with the New Holland, Case, Case IH, DMI, AFS, Flexi-Coil and Steyr brands. Its construction equipment products are sold under the New Holland, New Holland Construction, Case, Fermecc, Link-Belt, O&K, FiatAllis and Fiat-Hitachi brands. CNH Capital offers a broad range of financial services to customers worldwide.

Other Industrial Sectors

These Sectors, which include Metallurgical Products, Components, Production Systems, Aviation and Rolling Stock and Railway Systems, offer the following products and services:

- Cast-iron and aluminum engine blocks and cylinder heads, other cast-iron components, transmission components, cast-iron and aluminum gearboxes and suspension systems, and magnesium bodywork components.
- Motor vehicle components and systems in the areas of powertrain, suspensions, interior/bodywork, and electronics, as well as aftermarket, quick repair and infomobility services.
- Industrial automation systems for the automotive industry, including product and process engineering, logistics and management, program management, manufacturing, installation and production start-up, and maintenance.
- Components and systems for airplanes and helicopters, ship propulsion turbines, propulsion systems for launchers and satellites, and aircraft engine overhaul services.
- Railway and urban transit transportation systems, rolling stock of different types, railway bogies, trams and subway systems.

Services

These Sectors, which include Publishing and Communications and Insurance, are active in the following principal areas:

- Publication of the daily La Stampa and sales of advertising space for multimedia customers.
- Full range of casualty and life insurance products, bankassurance products through a joint venture with Banca di Roma, sales of Toro Targa Assicurazioni insurance products by a joint venture with Fiat Auto that operates through the Fiat dealer network.

AND SERVICES

Lengthening the Value Chain

The Group devotes significant attention to lengthening its value chain by developing services and solutions that are linked to the products it sells: financial and insurance services and mobility services for Fiat Auto, Iveco and CNH Global; aftermarket services and supply of quick repair and infomobility services for Magneti Marelli; maintenance services for Comau; engine overhaul services for FiatAvio; and mileage-based maintenance and support services for Fiat Ferroviaria.



Support Services for the Group's Industrial Activities

The services that support the Group's industrial activities, which in the past were structured at the Sector and country level, have been re-engineered with the establishment of dedicated organizational units that can supply better quality services at lower costs, primarily in the areas of information and communication technologies, real estate, administration, finance, and personnel management and training.

FINANCIAL HIGHLIGHTS BY SECTOR

Financial Highlights by Sector

	Net revenues		Operating income		Operating income from Industrial Activities/Net revenues		Income before minority interest	
	1999	1998	1999	1998	1999	1998	1999	1998
	(in millions of euros)	(in millions of euros)	(in millions of euros)	(in millions of euros)	(in %)	(in %)	(in millions of euros)	(in millions of euros)
Automobiles (Fiat Auto)	24,101	24,859	(121)	(108)	(0.5)	(0.4)	(493)	(258)
Commercial Vehicles (Iveco)	7,387	6,649	311	261	4.2	3.9	180	192
Agricultural and Construction								
Equipment (CNH Global)	5,246	5,127	371	452	7.1	8.8	216	507
Metallurgical Products (Teksid)	1,682	1,165	76	42	4.5	3.6	26	4
Components (Magnetit Marelli)	4,062	3,793	108	56	2.7	1.5	107	21
Production Systems (Comau/Pico)	1,693	843	43	(1)	2.5	(0.1)	(8)	(6)
Aviation (FiatAvio)	1,361	1,361	109	60	8.0	4.4	61	79
Rolling Stock and Railway								
Systems (Fiat Ferroviaria)	375	389	13	18	3.5	4.6	3	(1)
Publishing and Communications (Itedi)	413	437	17	19	4.1	4.3	11	–
Insurance (Toro Assicurazioni)	3,922	2,959	(103)	(168)	n.m.	n.m.	92	64
Miscellaneous and eliminations	(2,119)	(1,813)	(36)	115	n.m.	n.m.	311	314
Total for the Group	48,123	45,769	788	746	1.9	2.2	506	916

	Cash flow		Capital expenditures		Net invested capital		Number of employees	
	1999	1998	1999	1998	1999	1998	1999	1998
	(in millions of euros)	(in millions of euros)	(in millions of euros)	(in millions of euros)	(in millions of euros)	(in millions of euros)		
Automobiles (Fiat Auto)	855	1,146	1,464	1,373	5,021	5,863	82,553	93,514
Commercial Vehicles (Iveco)	433	368	359	307	2,359	1,764	36,217	31,912
Agricultural and Construction								
Equipment (CNH Global)	333	624	178	151	5,777	1,123	19,049	21,344
Metallurgical Products (Teksid)	123	74	182	73	793	504	14,522	10,981
Components (Magnetit Marelli)	310	254	209	222	1,289	1,270	25,613	29,398
Production Systems (Comau/Pico)	30	12	26	14	485	165	16,943	7,103
Aviation (FiatAvio)	145	167	42	36	163	159	5,590	5,962
Rolling Stock and Railway								
Systems (Fiat Ferroviaria)	18	15	11	12	29	94	2,109	2,294
Publishing and Communications (Itedi)	19	11	8	9	25	21	934	1,473
Insurance (Toro Assicurazioni)	120	89	97	25	311	327	2,907	2,869
Miscellaneous and eliminations	474	466	136	196	2,546	2,410	14,882	13,699
Total for the Group	2,860	3,226	2,712	2,418	18,798	13,700	221,319	220,549

Highlights

(in millions of euros)	1999	1998	1997
Net revenues	24,101	24,859	26,202
Operating income (loss)	(121)	(108)	758
As a % of revenues	(0.5)	(0.4)	2.9
Income (loss) before minority interest	(493)	(258)	402
Cash flow	855	1,146	2,068
Capital expenditures	1,464	1,373	1,341
Research and development	711	608	535
Net invested capital	5,021	5,863	5,992
Number of employees	82,553	93,514	118,109

SALES PERFORMANCE

In 1999, the automobile market grew a further 5% in Europe, posting the seventh consecutive up year, and continued to expand in North America. However, demand contracted in the Mercosur countries, with an annual decline of about 18% in Brazil and Argentina.

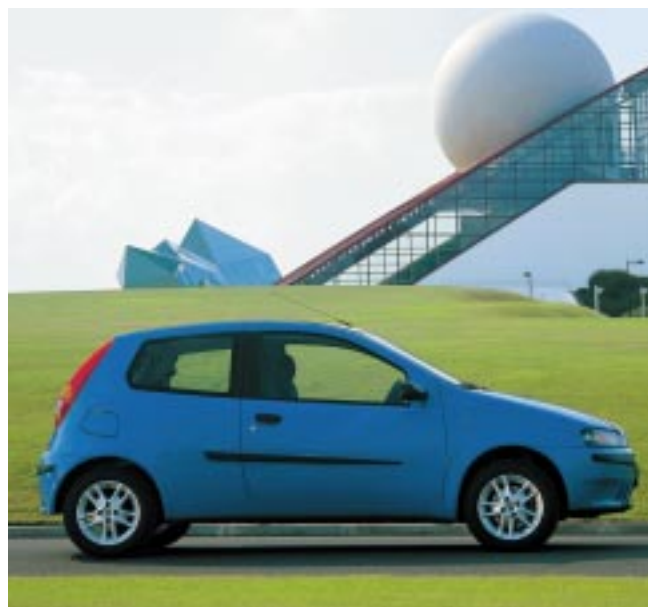
With 2,349,000 automobiles sold, the Italian market contracted slightly (-1.3%) compared with 1998. This represents a relatively healthy performance, considering that sales during the first half of 1998 had been buoyed by government incentives for the replacement of old cars. Demand held steady in Germany, but increased in France (+10.5%) and Spain (+18%). Shipments were also up in Greece (+46%), Holland (+12.7%), Belgium (+8%) and Ireland (+19.2%). The Polish market grew by a healthy 21.3%, accounting for more than 600,000 cars.

Continuing the positive trend of recent years, demand for light commercial vehicles expanded by 7.3% for Western Europe as a whole and by an even stronger 9% in Italy.

The aggressive price competition that has increasingly characterized the markets in recent years continued in 1999, particularly in Italy where market share declined by 3.4 percentage points. However, the first signs of a reversal in this trend became apparent in January of the current year.

Automobile Market

(in thousands of units)	1999	1998	99/98 Δ in %
France	2,103	1,903	10.5
Germany	3,678	3,631	1.3
Great Britain	2,203	2,255	(2.3)
Italy	2,349	2,379	(1.3)
Spain	1,403	1,189	18.0
Western Europe	14,865	14,185	4.8
Poland	615	507	21.3
Brazil	1,017	1,236	(17.7)



Excluding the contribution of affiliates, Fiat Auto sold 2,328,000 vehicles worldwide, compared with 2,397,000 units in 1998. Lower sales in South America are the main reason for this 2.9% decline.

PRODUCT INNOVATION

Fiat Auto continued to renew and improve its range of products and services with the goal of strengthening the competitiveness of its brands.

The most significant event of the year was the launch of the new Fiat Punto, a car that combines ride comfort with excellent road handling and fuel economy. It replaced a

Sales Performance – Automobiles and Light Commercial Vehicles

(in thousands of units)	1999	1998	99/98 Δ in %
France	151	152	(0.7)
Germany	185	195	(5.1)
Great Britain	96	109	(11.9)
Italy	955	951	0.4
Spain	73	67	9.0
Rest of Western Europe	216	210	2.9
Total Western Europe	1,676	1,684	(0.5)
Poland	177	160	10.6
Brazil	304	365	(16.7)
Rest of the world	171	188	(9.0)
Total units sold	2,328	2,397	(2.9)
Affiliated companies	59	89	(33.7)
Grand total	2,387	2,486	(4.0)



model of which 3.3 million units have been produced since its introduction in 1993. Important innovations concerning the Lancia brand included the launch of the Lybra, a model designed to provide outstanding ride comfort. Alfa Romeo also expanded its range by offering a 145 and a 146 powered by a JTD direct-injection turbodiesel engine, and a new version of the 156. This model, which is called 2.0 Selespeed, is the first intermediate car equipped with a sequential gearbox with steering-wheel controls.

The most important event of 1999 in the field of technological innovation was the introduction of the Ecobasic. This concept vehicle, which will be used to develop the compact car of the future, features a wealth of innovative solutions that will find concrete applications in the very near future.

Other noteworthy products include Ecodriver, an innovative propulsion system that offers fuel savings of about 30%, and Multijet, an evolution of the JTD system that combines a reduction of 30% to 40% in emissions with a 7% improvement in performance.

In addition, the Sector completed the development of the Fiat Multipla Hybrid Power, a car that embodies leading edge technology in the field of vehicles with minimum environmental impact.

GROWTH STRATEGIES

During 1999, Fiat Auto continued to pursue the globalization of its activities. In particular:

- In China, it acquired the interest held by Lion, a Malaysian group, in a joint venture with the Yuejin Motor Company. It then established Jiangsu Nanya Auto, which has been licensed to manufacture passenger vehicles.
- In Egypt, it established Fiat Auto Egypt Industrial with the Seoudy Group. This joint venture, in which the Sector holds a 51% interest, will manufacture and distribute world car models.
- In India, it launched the Siena, which joined the Uno in the local product line.
- In Turkey, where the market has become extremely competitive, the Palio posted gratifying results. Production of the Brava and Marea started a few months ago.
- In Russia, the Sector's investment programs have been delayed by the continuation of the economic crisis.

The consolidated capital expenditures of the Automobile Sector totaled 1,464 million euros (1,373 million euros in 1998). They were earmarked primarily for strategic product investments.

Research and development outlays amounted to 711 million euros in 1999, up from 608 million euros the year before.

FINANCIAL ACTIVITIES

During 1999, the Sector's financing activities continue to grow in the international markets. Financing provided to end customers totaled 7,734 million euros, for a year-on-year gain of 3.9%. This volume of business supported the sale of 1,088,600 units (+8.7% over 1998 on a comparable basis), equivalent to 37.4% of all vehicles sold by Fiat Auto (33% in 1998).

In particular, financing was provided for 331,068 units in Italy, for a share of 36.2% of sales, or 2.8 percentage points more than in 1998. The vehicles financed in the rest of Europe increased to 349,603, for a share of 40.8% of sales (3.4 percentage points more than in the previous fiscal year).

In network financing, business volumes reached 16,900 million euros.

RESULTS FOR THE YEAR

Fiat Auto's consolidated revenues amounted to 24,101 million euros, or 758 million euros less (-3%) than in 1998, chiefly as a result of lower sales in the Mercosur countries and the devaluation of the Brazilian real.

The aggressive competition that has characterized the European market showed no signs of abating. In Europe and in Italy, the introduction of new products, the increase in the number of components offered as standard equipment and the growing use of promotions and incentives, while stimulating demand, had the effect of compressing profit margins. As a result, the Sector reported an operating loss of 121 million euros, for a negative return on sales of 0.5%, about the same as 1998.

In South America, the restructuring of the Brazilian operations produced improved results despite continued weak demand. In Argentina, the Sector is reacting to a challenging environment by implementing similar restructuring programs, but their beneficial effects have not yet filtered down fully to the bottom line.

Fiat Auto responded to this difficult situation with aggressive measures at every level of its organization. As a result, it was able to reduce manufacturing costs and, thanks to the Nova Project, cut overhead by 10% in 1999, with a further decrease of 10% planned for the year 2000.

The higher return on sales earned during the last quarter of the year reflects primarily the launch of two new models — the Fiat Punto and Lancia Lybra — in September, as well as the continuing success of the Alfa Romeo brand and the beneficial effects of efficiency measures carried out throughout



the Sector. The Sector reported a net loss of 493 million euros, compared with a loss of 258 million euros in 1998. Higher net financial expenses and an increased tax burden caused by lower deferred tax assets than in the previous fiscal year account for the difference.

Cash flow totaled 855 million euros (1,146 million euros in 1998) after depreciation and amortization of 1,348 million euros (1,404 million euros in 1998).

The loss reported for the fiscal year prevented Fiat Auto from creating value in 1999.

COMMERCIAL VEHICLES — IVECO



Highlights

<i>(in millions of euros)</i>	1999	1998	1997
Net revenues	7,387	6,649	5,850
Operating income	311	261	203
As a % of revenues	4.2	3.9	3.5
Income before minority interest	180	192	174
Cash flow	433	368	374
Capital expenditures	359	307	265
Research and development	215	200	187
Net invested capital	2,359	1,764	1,440
Number of employees	36,217	31,912	32,074

SALES PERFORMANCE

In 1999, the European market for commercial vehicles showed the same sustained growth as in the previous fiscal year, prolonging the expansion that started in 1994.

In Western Europe, demand for commercial vehicles with a curb weight of 3.5 tons or more reached 629,000 units in 1999, or 10.8% more than a year earlier.

The breakdown by country shows gains in all European markets, with the exception of Great Britain (-2.8%).

Particularly healthy increases were recorded in Italy (+24.8%) and Spain (+22.2%). The German and French markets also did remarkably well, rising 13.6% and 12.4%, respectively.

An analysis by segment reveals that while the increase was across the board, it was more pronounced for heavy-load

vehicles (curb weight of 16 tons or more), where demand grew by 13.8% to 233,000 units, compared with 204,700 in 1998.

Overall, Iveco sold 149,900 vehicles, or 9.6% more than in 1998. If the contribution of the joint ventures and licensees is added, the total rises to 192,000 units, about the same as in the previous fiscal year.

In Western Europe, the Sector shipped 119,800 vehicles, for a gain of 7.7% over 1998. The best results were achieved in France (+23.3%), Spain (+16.3%) and Italy (11.6%), but sales were up in all other European countries with the exception of Great Britain (-12.2%).

Sales to customers outside Western Europe totaled 30,100 units (25,600 in 1998). Starting with 1999, this figure includes 50% (9,000 units) of the light commercial vehicles shipped by Naveco, a Chinese joint venture in which the Sector holds a 50% interest.

Irisbus, a recently established joint venture owned in equal shares with Renault, sold a total of 8,800 units in 1999.

During the year, Irisbus continued to expand its operations and acquired a controlling interest in Ikarus, a Hungarian bus manufacturer.

Commercial Vehicles Market (curb weight ≥ 3.5 tons)

<i>(in thousands of units)</i>	1999	1998	99/98 Δ in %
France	100.4	89.3	12.4
Germany	149.3	131.4	13.6
Great Britain	105.5	108.5	(2.8)
Italy	85.0	68.1	24.8
Spain	64.3	52.6	22.2
Western Europe	629.0	567.5	10.8

Sales Performance – Units Sold

<i>(in thousands of units)</i>	1999	1998	99/98 Δ in %
France	20.1	16.3	23.3
Germany	16.9	16.6	1.8
Great Britain	13.7	15.6	(12.2)
Italy	41.5	37.2	11.6
Spain	15.0	12.9	16.3
Western Europe	119.8	111.2	7.7
Rest of the world	30.1	25.6	17.6
Total units sold	149.9	136.8	9.6
Joint ventures (*)	42.1	56.5	(25.5)
Grand total	192.0	193.3	(0.7)

(*) The figure for 1998 does not include the vehicles sold by Naveco (20,600 units).

Production of Iveco diesel engines benefited from a continuation of the positive trend that started in 1998, reaching an all-time high of 405,000 units, or 11.5% more than in the previous year.

The main affiliated companies also posted attractive results. In India, Iveco sold 36,230 vehicles (+24.9%) through the Ashok Leyland subsidiary. In Turkey, Otoyo, a joint venture with the Koç Group in which Iveco holds a 27% interest, manufactured and sold 5,800 units (6,900 in 1998).

FINANCIAL ACTIVITIES

The Sector's financing activities continued to grow both internally, with the introduction of new products and the establishment of new companies (Transolver Service GmbH in Germany and Transolver Service S.A. in Spain), and through acquisitions.

In December 1999, consistently with its strategy focused on lengthening the value chain by offering customers a global service, Iveco acquired a controlling interest in the Fraikin Group, the unchallenged leader in the French market for long-term leases of commercial vehicles, with a strong presence in the areas of vehicles rental and fleet management. Established in 1944, the Fraikin Group controls a total of almost 30,000 vehicles in France, Great Britain, Benelux and Spain, and operates a proprietary network of 205 repair shops.

During 1999, the Transolver companies that operate the Sector's financing and leasing activities executed contracts covering more than 22,500 new and used vehicles (+6% over 1998). In Western Europe, they provided financing for 27% of the new vehicles sold by the Group.

The portfolio of maintenance and repairs contracts rose by 26% in 1999 to 18,300 contracts, reflecting the addition of 6,300 new contracts during the year.

PRODUCT INNOVATION

In June 1999, the Sector started distribution of the new Daily in all Western European markets. This new vehicle received the Van of the Year 2000 award. In the heavy-load range, Iveco launched the Euromover which, with its dropped cab, is ideally suited for use by municipal agencies.

The Cursor 10, a new 430-bhp 10-liter engine, was also introduced in 1999 with the goal of repeating the outstanding success of the Cursor 8, which the Sector brought to market in 1998. The Cursor 10 targets buyers of long-distance trucks, who represent a key segment of the European market

for heavy-load vehicles. This new generation of engines should help Iveco improve its penetration of the European heavy-load vehicle market.

The capital expenditures carried out during the year were earmarked primarily for the construction of a factory at Sete Lagoas, in the Brazilian state of Minas Gerais. This new plant, built by a joint venture with Fiat Auto, will manufacture vehicles of the Daily and Ducato lines. Additional resources were invested to start production of Iveco engines in the same country.

RESULTS FOR THE YEAR

The Sector's net revenues amounted to 7,387 million euros, or 11.1% more than in the previous fiscal year.

At 311 million euros (+50 million euros over 1998) operating income was equivalent to 4.2% of revenues, up from 3.9% in 1998.

This improved performance reflects the beneficial effects of higher volumes and lower product costs and overhead, which, however, were partly offset by increased competitive pressure. During 1999, the Sector's profitability was adversely affected by the phaseout of the old Daily line and the costs incurred to launch the new range of these vehicles.

Capital expenditures grew to 359 million euros in 1999, compared with 307 million euros in 1998.

Consolidated net income totaled 180 million euros in 1999, after depreciation and amortization of 253 million euros and research and development costs of 215 million euros, compared with 192 million euros earned in 1998, when depreciation and amortization amounted to 176 million euros and R&D outlays were 200 million euros. The 1998 result also included a net extraordinary gain stemming from a change in the accounting principle for deferred taxes. The Sector's interest in net income came to 163 million euros, compared with 200 million euros in 1998.

At 433 million euros, cash flow was 65 million euros higher than in 1998.

The level of profitability achieved in 1999 produced a return on invested capital in excess of the budgeted rate, enabling Iveco to create value.

AGRICULTURAL AND CONSTRUCTION EQUIPMENT — CNH GLOBAL



Highlights

<i>(in millions of euros)</i>	1999	1998	1997
Net revenues	5,246	5,127	5,284
Operating income	371	452	602
As a % of revenues	7.1	8.8	11.4
Income before minority interest	216	507	422
Cash flow	333	624	528
Capital expenditures	178	151	135
Research and development	158	136	113
Net invested capital	5,777	1,123	592
Number of employees	19,049	21,344	19,077

SALES PERFORMANCE

In 1999, the tractor market grew slightly in Western Europe. In North America, although overall tractor sales evidenced a small increase, this was entirely attributable to the growth in sales of low horsepower tractors. The North American market for more powerful tractors, such as those produced by CNH, continued to reflect ongoing market weakness.

In Latin America, the market was slightly above 1998 levels. However, drought-related problems had a negative impact on the industry as a whole.

The market for combine harvesters was particularly weak in most regions throughout 1999. North America recorded the weakest performance, primarily as a result of low commodity prices throughout the year. In Western Europe, the market

declined by approximately 15% due to a difficult year for crops. The Brazilian market grew by 15%, continuing the positive trend of the previous year.

The market for construction equipment experienced different trends in the various product lines. The worldwide market for loader/backhoes was disappointing, ending significantly below 1998 levels. North America, which accounts for approximately 60% of the worldwide industry, finished the year well below 1998 performance, influenced by rising interest rates. This trend, however, was partially offset by encouraging growth in the European market, primarily driven by an improved housing sector.

In North America, demand for skid-steer loaders remained strong (+6%), fueled by a favorable economy and suburban growth. In Western Europe, the market improved significantly, up 8% over the prior year.

The heavy construction equipment market experienced an overall decline in all products, except excavators. In North America, sales of heavy equipment dropped 16% over 1998. Strong growth in Western European and Latin American markets could not offset the sharp decline in North America.

GROWTH STRATEGIES

During 1999, CNH continued to support its growth through both strategic corporate initiatives that strengthened its position in international markets and the launch of new products in markets around the world.

■ In November 1999, following the acquisition of Case in the United States, New Holland changed its name to CNH Global N.V. (CNH). This new group is the world's largest manufacturer of agricultural equipment and one of the leading international producers of construction equipment. The acquisition of Case Corporation, which was reflected on a cost basis in 1999, will be consolidated into the Group's accounts in year 2000.

The product line breadth, geographic sales distribution, and technological capabilities of New Holland and Case are highly complementary and will provide significant opportunities for CNH to grow and increase profitability in the future. The combined resources of the merged companies also provide CNH with opportunities to significantly enhance both services to our customers and expand the Company's worldwide equipment product offerings.

■ In 1999 the accounts of O&K Orenstein & Koppel AG (German producer of construction equipment) were consolidated for the first time.

- In January 2000, CNH completed the acquisition of Flexi-Coil Ltd., a leading provider of air seeding systems and tillage equipment based in Canada.
- In September, Harbin New Holland Beidahuang Tractor Ltd. began operations in the People's Republic of China. The joint venture, in which CNH holds a 70% interest, will produce agricultural tractors in the 100-180 horsepower range for sale in the People's Republic of China and for export.

PRODUCT INNOVATION

In 1999 the Company continued the efforts to renovate its product lines and expand its distribution network:

- CNH launched five new models of New Holland's TM series tractors, with engine horsepower ranging from 92 PTO hp to 135 PTO hp.
- During the third quarter, the Sector extended the availability of many of the Company's newest products to the markets of the Asia/Pacific region.
- The latest large square balers, featuring the industry's first self-steering tandem axle and outstanding driving characteristics, were introduced in Europe.
- During the second quarter, the Company launched an extensive array of new construction equipment in North America and enhanced its offering of agricultural products.
- In the first quarter, the Company expanded its construction equipment product offering in Latin America through the launch of a full range of hydraulic excavators, manufactured by O&K.

FINANCIAL ACTIVITIES

As it relates to the Company's financial services operations, early in 1999, a fully licensed Banco New Holland Brasil S.A. commenced financing operations. In addition, New Holland Financial Services expanded its activity in its recently created entities serving Australia and Denmark.

RESULTS FOR THE YEAR

The results of CNH do not include those of Case, which will be consolidated into the Group's accounts in year 2000. Stated in US dollars, the Company's reporting currency, 1999 revenues totaled \$5,589 million down 2.2 % from 1998. Stated in euros, revenues amounted to 5,246 million, or 2.3% more than the 5,127 million reported in 1998. The appreciation of the US dollar versus the single European

currency accounts for the increase. Excluding the contribution of O&K, which was consolidated for the first time in 1999, revenues in 1999 were down approximately 5.5% on a comparable basis. The decrease is mainly due to lower units sold, particularly in North America, and to the unfavorable sales mix, with a greater preponderance of lower-segment products.

Stated in US dollars, the Company's reporting currency, operating income for 1999 was \$395 million, compared with \$504 million in 1998 (-21.6%). Stated in euros, operating income totaled 371 million, or 17.9% less than in the previous fiscal year (452 million).

The return on sales declined from 8.8% in 1998 to 7.1 % in 1999; the main cause was the reduction in sales for the reasons described above, which affected negatively the absorption of fixed costs. The improvement in the Company's cost structure, as a result of the restructuring actions initiated in 1998, was not sufficient to compensate such effect.

Depreciation and amortization totaled 117 million euros, compared with 116 million euros in 1998. Over the same period, research and development costs increased from 136 million euros to 158 million euros.

Net income amounted to 216 million euros, down from 507 million euros in 1998, when it reflected an extraordinary gain of 233 million euros generated by a change in the accounting principle for deferred taxes. The Sector's interest in net income came to 212 million euros, compared with 501 million euros in 1998.

The decrease in net income had a direct impact on cash flow, which fell to 333 million euros (624 million euros in 1998).

Again in 1999, the achieved rate of return on invested capital allowed for a positive value creation.



Highlights

<i>(in millions of euros)</i>	1999	1998	1997
Net revenues	1,682	1,165	1,190
Operating income	76	42	54
As a % of revenues	4.5	3.6	4.5
Income before minority interest	26	4	20
Cash flow	123	74	98
Capital expenditures	182	73	78
Research and development	23	16	15
Net invested capital	793	504	521
Number of employees	14,522	10,981	11,730

GROWTH STRATEGIES

During 1999, Teksid continued to pursue its growth strategy by carrying out transactions designed to strengthen its leadership position in the global market and restructure its European manufacturing operations. In particular:

- With a transaction involving a capital increase reserved for the Renault Group, it completed the purchase of Renault's foundry activities. Following this transaction, Fiat S.p.A. will continue to hold a controlling interest of 66.5% in Teksid, while the french Company will own the remaining 33.5%.
- In the United States, it established Teksid Aluminum Components (100% Teksid) and laid the groundwork for an expansion of manufacturing capacity at Meridian Technologies Inc. (51% Teksid, 49% Norsk Hydro Produksjons).

- In China, construction continued at the Hua Dong factory (cast iron crankcases), while the activities of two other joint ventures (cast iron and aluminum components) progressed on schedule.

- It started the process of integrating into its organization the former Renault facilities with the goal of increasing the product specialization of the individual manufacturing locations. Accordingly, it created two centers of excellence in Italy: Crescentino for cast iron and Carmagnola for aluminum. The output of the Carmagnola cast-iron production unit, which will be phased out in July 2001, will be picked up by other Sector locations in Italy or abroad.

RESULTS FOR THE YEAR

In 1999, the Sector booked revenues of 1,682 million euros, for a gain of more than 44% over 1998. Changes in the scope of consolidation are the main reasons for this increase.

Sales were up 28% to 729 million euros at the Cast Iron Division and 45% to 718 million euros at the Aluminum Division. The Magnesium Division reported revenues of 230 million euros.

Operating income reached 76 million euros (4.5% of revenues), up from 42 million euros (3.6% of revenues) in the previous fiscal year. This gains reflects changes in the scope of consolidation and the beneficial impact of the sustained efforts made to improve operating efficiency, offset in part by the consequences of an unfavorable product mix.

Net income amounted to 26 million euros, up from 4 million euros in 1998. The Sector's interest in net income rose to 24 million euros, compared with a loss of 4.4 million euros in the previous fiscal year.

Cash flow totaled 123 million euros (74 million euros in 1998).

The return on average net invested capital was about 8%, short of the level required to create value.

Highlights

<i>(in millions of euros)</i>	1999	1998	1997
Net revenues	4,062	3,793	3,451
Operating income	108	56	99
As a % of revenues	2.7	1.5	2.9
Income before minority interest	107	21	78
Cash flow	310	254	271
Capital expenditures	209	222	207
Research and development	185	195	167
Net invested capital	1,289	1,270	991
Number of employees	25,613	29,398	24,352

GROWTH STRATEGIES

1999 was a year of intense activity for Magneti Marelli, as it carried out important transactions in pursuit of a strategy focused on selected business segments and on lengthening the value chain. In particular:

- Together with Bosch, it established a 50-50 joint venture in the field of lighting systems whose mission is to become the leading producer of these systems in the world.
- It purchased Fiat Auto's Suspension Systems operations.
- It entered into an agreement with Textron Automation Company, a U.S. corporation, calling for the development and production of integrated dashboard modules.
- Working with Mahle, its partner in this venture, it completed the reorganization of the Cofap operations in Brazil.
- In December, it began the process of executing transactions which, in the course of 2000, will result in the disposal of the Lubricants Division and the acquisition of Seima, a manufacturer of lighting assemblies for automotive applications.

RESULTS FOR THE YEAR

Owing to the extraordinary transactions discussed above, the Sector's scope of consolidation changed drastically in 1999, reflecting the inclusion of the activities acquired in 1998 (Viasat, Midas) and of the Suspension Systems operations, as well as the deconsolidation of the divested businesses (Rotary Devices, Fueling Systems and Piston Rings).

1999 ended with revenues of 4,062 million euros, or 7.1% more than in 1998.

Operating income increased to 108 million euros (2.7% of revenues), compared with 56 million euros (1.5% of revenues) in 1998, as the successful implementation of efficiency



programs produced a substantial reduction in overhead. It also includes gains on the sale of surplus real estate assets.

Depreciation and amortization totaled 203 million euros (233 million euros in 1998). Research and development costs amounted to 185 million euros, or 10 million euros less than in 1998.

Net income was up strongly, rising from 21 million in 1998 to 107 million euros in 1999. The Sector's interest in net income totaled 105 million euros (26 million euros in 1998) and cash flow increased to 310 million euros (254 million euros in 1998).

The efforts made during the year helped Magneti Marelli make significant progress toward the goal of creating value.



Highlights

<i>(in millions of euros)</i>	1999	1998	1997
Net revenues	1,693	843	841
Operating income (loss)	43	(1)	27
As a % of revenues	2.5	(0.1)	3.3
Income (loss) before minority interest	(8)	(6)	12
Cash flow	30	12	29
Capital expenditures	26	14	16
Research and development	20	14	17
Net invested capital	485	165	179
Number of employees	16,943	7,103	4,809

GROWTH STRATEGIES

The acquisitions completed in 1999 with the goal of supporting the growth strategy pursued by the Production Systems Sector in its core business segments (bodywork and maintenance services) include the following:

- The most important transaction was the acquisition by Fiat S.p.A. of a controlling interest in the Pico (Progressive Tools & Industries Co.) Group, a leading U.S. producer of bodywork production systems with a significant market presence in Great Britain, Mexico and South Africa.
- In France, Comau purchased a majority interest (51%) in Renault Automation and acquired the bodywork systems of Sciaky S.A.

The Pico, Renault Automation and Sciaky acquisitions reinforced at the structural level the Sector's operations in

its principal markets and strengthened its relationship with all major automotive manufacturers.

Comau Service, a business unit established in 1998 to provide specialized maintenance services for automotive production and facilities, became operational in Italy in 1999.

Comau Service, which will continue to handle the insourcing of maintenance services for production facilities of the Fiat Group throughout the world, also entered into agreements with several large carmakers.

RESULTS FOR THE YEAR

Owing in part to the transactions discussed above and including Pico's contribution, the Sector achieved the following results in 1999:

- The year-end net order portfolio amounted to 1,762 million euros, compared with 576 million euros at December 31, 1998.
- Revenues rose to 1,693 million euros, double the amount booked in the previous fiscal year.
- Operating income totaled 43 million euros (2.5% of revenues). In 1998, Comau without Pico reported an operating loss of 1 million euros.

The year ended with a net loss of 8 million euros, compared with a net loss of 6 million euros in 1998. The Sector's interest in the 1999 result was a loss of 10 million euros (loss of 6.7 million euros in 1998).

Cash flow reached 30 million euros, up from 12 million euros in 1998.

On an aggregate basis, the performance of Comau and Pico resulted in the creation of value in 1999.

Highlights

<i>(in millions of euros)</i>	1999	1998	1997
Net revenues	1,361	1,361	1,263
Operating income	109	60	56
As a % of revenues	8.0	4.4	4.5
Income before minority interest	61	79	18
Cash flow	145	167	112
Capital expenditures	42	36	37
Research and development	128	99	119
Net invested capital	163	159	244
Number of employees	5,590	5,962	6,505

GROWTH STRATEGIES

The Aircraft Business Unit continued to streamline its manufacturing operations, creating excellence product centers.

Military projects included the execution of contracts for the supply of the Auxiliary Power Unit and the ancillary systems unit for the aircraft being developed under the Eurofighter program. In addition, the Sector entered into an agreement for the establishment of a consortium with Snecma Moteurs, MTU Muenchen and ITP, a Spanish company, that will develop, certify and manufacture the M138 engine for the A400 European transport aircraft (formerly known as FLA).

In the commercial aircraft segment, the Sector signed a memorandum of understanding with General Electric covering the development of a new version of the GE90 engine, which will power a new Boeing 777X aircraft.

In helicopters, FiatAvio completed the certification of the T700-T64 engine, which will be installed in the EH101 helicopter.

During 1999, the Sector established an **Engine Overhaul** Business Unit, which will help it strengthen its position in the field of maintenance services.

The **Space** Business Unit continued its successful involvement in the Ariane program, producing the boosters and separation engines for the Ariane 4 launcher, as well as the boosters and oxygen turbopump for the Ariane 5 launcher.

Ariane 5 completed successfully its first commercial flight (504) putting in orbit ESA's XMM satellite, which incorporates a propulsion subsystem manufactured by FiatAvio.

In addition, a new contract valued at 140 million euros for the production of engines for the Ariane 5 was executed in December.



RESULTS FOR THE YEAR

In 1999, the Sector had revenues of 1,361 million euros, about the same as in the previous fiscal year. Operating income increased in 1999 reaching 109 million euros (8% of revenues), compared with 60 million euros (4.4% of revenues) in 1998, despite higher operating costs.

Net income declined to 61 million euros (79 million euros in 1998) owing to a less favorable balance of financial income and expenses and lower deferred tax assets than in the previous fiscal year.

Cash flow decreased to 145 million euros in 1999, compared with 167 million euros in the previous fiscal year.

The higher level of operating income enabled the Sector to create almost twice as much value than in the previous fiscal year.

ROLLING STOCK AND RAILWAY SYSTEMS — FIAT FERROVIARIA



Highlights

<i>(in millions of euros)</i>	1999	1998	1997
Net revenues	375	389	384
Operating income	13	18	26
As a % of revenues	3.5	4.6	6.7
Income (loss) before minority interest	3	(1)	14
Cash flow	18	15	30
Capital expenditures	11	12	14
Research and development	9	9	9
Net invested capital	29	94	90
Number of employees	2,109	2,294	2,401

GROWTH STRATEGIES

During 1999, the Italian rolling stock market was characterized by diverging trends. While investments by the Italian State Railways were stagnant, sales of urban transport systems remained relatively healthy.

Outside Italy, demand was flat in the Sector's target markets.

Against this background, the Fiat Ferroviaria received orders for 14 additional low-rise trams from ATAC, in Rome. It was also asked to supply the electrical equipment for 11 trains used on the MM2 and MM3 lines of the Milan subway system. Toward the end of the year, it was awarded a contract for the supply of 15 trams to the municipality of Messina, and is currently participating in a call for tenders issued by the municipal transit agency (ATM) of Turin for the supply of 100 trams.

The Sector's order portfolio amounted to 1,288 million euros as of December 31, 1999 (1,599 million euros at the end of 1998).

RESULTS FOR THE YEAR

Revenues totaled 375 million euros in 1999, slightly less than in the previous fiscal year.

Operating income was 13 million euros (3.5 % of revenues), down from 18 million euros (4.6% of revenues) in 1998. This decline was due primarily to the impact of orders booked under extremely competitive conditions.

The Sector reported net income of 3 million euros, compared with a loss of 1 million euros in 1998, reflecting lower extraordinary expenses attributable to the implementation of the new accounting principle on deferred taxes. The Sector's interest in net income amounted to 1 million euros (loss of 2 million euros in 1998). Cash flow was 18 million euros (15 million euros a year earlier).

The return on average net invested capital was significantly higher than the target level needed to create value.

Highlights

<i>(in millions of euros)</i>	1999	1998	1997
Net revenues	413	437	406
Operating income	17	19	11
As a % of revenues	4.1	4.3	2.7
Net income (loss)	11	–	2
Cash flow	19	11	13
Capital expenditures	8	9	7
Net invested capital	25	21	33
Number of employees	934	1,473	1,505

GROWTH STRATEGIES

During 1999, sales of Italian newspapers were slightly higher than in the previous year, rising to an average circulation of six million copies a day.

The print advertising market also improved, with a 15% gain in the newspaper segment.

Against this background, **Editrice La Stampa** reported an average daily circulation of 390,000 copies, or 2.6% more than in 1998, reflecting the beneficial impact of editorial projects designed to improve product quality and of special promotional programs originally launched in 1998.

Revenues from newsstand sales amounted to 74 million euros, or 12% less than in 1998. The main reason for this decline is a reduction in average revenues per unit, caused by the promotional programs mentioned above, and lower revenues generated by the sale of promotional premium packages (inserts, videocassettes, CDs).

Advertising revenues totaled 96 million euros, for an increase of 11% over 1998.

A new subsidiary, La Stampa Interattiva, commenced operations toward the end of the year. It will pursue a more effective dissemination of the Sector's online newspaper and develop an Internet portal.

Even though it no longer sold advertising for Il Mattino, which now handles this business directly through its publisher, **Publikompass** booked advertising billings (newspapers, periodicals, television and new media) totaling 248 million euros, or 1.4% more than in 1998. On a comparable basis, the year-on-year gain amounts to 12%.

In December 1999, **Satiz S.p.A.** (now B&B Immobiliare) sold 75% of its industrial activities (on October it had been transferred to Satiz S.r.l.) to MSX International, a U.S. group. The sale generated a consolidated gain of 9 million euros.



RESULTS FOR THE YEAR

The Sector reported revenues of 413 million euros in 1999, or 5.5% less than in 1998. The main reason for this decline is the deconsolidation of the Satiz activities as of October 1, 1999.

At 17 million euros, operating income was equivalent to 4.1% of revenues (19 million euros, or 4.3% of revenues in 1998).

Net income increased to 11 million euros in 1999, compared with a result close to the breakeven point in 1998, when the Sector absorbed the charges incurred to restructure Editrice La Stampa and the extraordinary expenses arising from a change in the accounting principle for deferred taxes.

Cash flow improved to 19 million euros in 1999, compared with 11 million euros in the previous fiscal year.

The Sector was able to create value in 1999.



Highlights

<i>(in millions of euros)</i>	1999	1998	1997
Consolidated premiums	4,088	3,169	2,162
Premiums earned	3,922	2,959	2,016
Income before taxes	178	116	133
Net income before minority interests	92	64	88
Technical reserves	9,733	6,386	4,738
Investments in financial assets and real estate	10,867	7,393	5,520
Stockholders' equity	1,444	1,334	1,083
Number of employees	2,907	2,869	2,786

GROWTH STRATEGIES

The Italian insurance market posted strong growth in 1999. Total premiums written are estimated to have risen by about 20%, with especially good gains in life insurance. In this environment, the Insurance Sector continued to pursue a growth strategy that has already enabled it to triple in size over just four years.

- In life insurance, Roma Vita, a joint venture with Banca di Roma, posted particularly gratifying results and has now become one of the top life insurance companies in Italy.
- The success of Toro Targa Assicurazioni, a joint venture with Fiat Auto, enabled the Sector to strengthen its ties with the Group's dealer network, which it uses to distribute insurance products in Italy and abroad.
- The traditional distribution networks of Toro Assicurazioni and Nuova Tirrena also performed well.
- In an important development, the Sector acquired the French operations of the Guardian Royal Exchange Group,

which specializes in the sale of life insurance and the provision of asset management services. This transaction will help Le Continent expand its business in several attractive market segments with excellent growth potential.

RESULTS FOR THE YEAR

Consolidated premiums totaled 4,088 million euros, or 29% more than in 1998. This amount does not include the premiums written by the Guardian Group in France (more than 180 million euros), which, if added, would raise the 1999 total to more than 4,200 million euros. At 2,205 million euros, life insurance grew by 53% compared with 1998. Over the same period, casualty insurance premiums increased by 8.7%, reaching 1,883 million euros.

Premiums earned totaled 3,922 million euros, for a gain of 32.5% over 1998.

The insurance operations were affected by a further increase in the cost of automobile insurance claims, particularly in the area of personal injury awards. Another important negative factor was the impact of the natural disasters that devastated France at the end of 1999.

The Sector posted improved results in 1999, owing to a sharp reduction in operating costs and strong gains in investment income.

In particular, the ratio of distribution costs and overhead to premiums earned fell by more than one percentage point. Investment income, which reflects both ordinary and extraordinary transactions, totaled about 620 million euros (526 million euros in 1998), as gains generated on trading securities more than offset the negative impact of the lower interest rates earned on bonds.

Income before taxes amounted to 178 million euros (116 million euros in 1998). It reflects a decrease in net financial income caused by a drop in the market rates available for investments of liquid funds, offset in part by lower extraordinary expenses. In 1998, the Sector absorbed extraordinary non recurring charges from the implementation of Legislative Decree No. 173/97.

At December 31, 1999, investments in financial assets and real estate totaled more than 10,800 million euros, or 3,400 million euros more than at the end of the previous fiscal year, exceeding technical reserves by more than 1,100 million euros.

Net income came to 92 million euros (64 million euros in 1998). The Sector's interest in net income amounted to 94 million euros, up from 59 million euros in 1998.

In 1999, the Sector was again successful in its effort to create value.

FERRARI AND MASERATI



In 1999, Ferrari launched the 360 Modena, a product with a dramatic impact on its unit sales and revenues. Since the launch date, over 1,400 of these cars have been delivered to end customers, driving total registrations of new Ferrari cars to 3,775 units and producing outstanding results in terms of brand image.

In 1999, Ferrari acquired the 50% of Maserati it did not own, reaffirming its commitment to use the Maserati models to fill a market niche that is complementary to its exclusive line of cars.

The highlights of **Ferrari's** financial results are reviewed below:

- Units shipped to end customers increased for the sixth consecutive year, reaching 3,775 cars, or 3.8% more than in 1998. Shipments were up 22.6% in North America, where they passed the 1,000-unit milestone, and held steady at 1998 levels in Europe (about 2,200 units) and the Far East (420 units). In the Middle East, with 67 units, sales were ahead 24% compared with 1998.
- Revenues from Ferrari brand cars totaled 647 million euros, or 11.3% more than in 1998.
- Ferrari's consolidated operating result came to 47 million euros, about the same as in 1998.

In 1999, **Maserati** reported a marked improvement in all measures of performance. In particular:

- It sold 1,538 cars, triple the number shipped in 1998, underscoring the success of the efforts made by the Group during the last two years to reenergize the Maserati brand. With 1,186 units shipped, the 3200 GT accounts for the

lion's share of the cars sold to end customers. Sales were up in Italy, Switzerland and France, with the biggest gain posted in Germany, where motorists bought 321 new Maseratis.

- Revenues increased to 111 million euros, compared with 38 million euros in 1998.
- The operating result also improved, with the company reporting a smaller operating loss (24 million euros) than in 1998, despite the research and development costs incurred to develop new models.

At the consolidated **Ferrari/Maserati** level, more than 5,300 cars were delivered to end customers, generating consolidated revenues of 758 million euros, or 22.8% more than the 617 million euros booked in 1998.

Over the same period, consolidated operating income more than doubled to 24 million euros, after depreciation and amortization of 60 million euros.

The Sector's interest in net income came to 5.8 million euros. The decline from the 8 million euros earned in 1998 reflects a higher tax rate and a greater percentage of Maserati's loss included in the consolidated result.

The return on average net invested capital reached 12.5%, exceeding the target set by the Group for value creation purposes.

1999 was a positive and important year for the Sector's racing activities, as **Ferrari** regained the world championship after 16 years. **It won the Constructors' Championship**, which best epitomizes the quality and prowess of its racing team.



Fiat Engineering continued to provide support to the Fiat Group and its suppliers in the development of industrial programs in Italy and abroad.

The most important projects of 1999 carried out for Fiat Group customers were concentrated in Brazil and involved the construction of new industrial facilities and the expansion of existing plants for Iveco and Fiat Auto.

Projects handled for customers outside the Group included:

- Start of the work needed to redevelop the former Novoli industrial site in Florence. Once the infrastructures are completed, the compound will house a university campus, a hotel and residential and commercial buildings with a total of 200,000 square meters of available space.
- Construction of a factory for the production of automotive components in the State of Belo Horizonte, in Brazil.
- Start of the work needed to redevelop former industrial properties in Milan. These two sites, which were occupied by Iveco OM and Maserati factories, will be transformed into fully equipped residential complexes.

Fiat Engineering work on the design of the Florence-Bologna and Turin-Milan lines for the High-Speed Railway Project continued in 1999. The Sector participates in this project both directly and through the CAV.E.T and CAVTO-MI consortia.

Counting the contracts signed by foreign companies, new orders booked in 1999 totaled 275 million euros, including

163 million euros from Fiat Group companies and 112 million euros from external customers.

At December 31, 1999, the order portfolio totaled 487 million euros: 91 million euros were attributable to Fiat Group companies and 396 million euros to external customers.

Total revenues amounted to 277 million euros in 1999 (264 million euros in 1998), including 60 million euros from international customers (22% of total revenues).

Consolidated operating income increased to 14 million euros (5% of revenues), up from 5.4 million euros (2% of revenues) in 1998.

Higher margins on new orders and effective programs implemented to reduce overhead account for this improvement.

Net income totaled 3 million euros (516 million euros in 1998).

The Sector created more than twice as much value than in 1998.

CORPORATE GOVERNANCE

In order to provide a reference point for an effective corporate governance system, the Fiat Group adopted the Code of Conduct for Listed Companies, the recent publication of which represents the final element of the framework of statutory provisions and internal regulations introduced by the Consolidated Law on Financial Intermediation.

Fiat has already amended its Articles of Association to comply with the provisions of this law, introducing rules that are more meaningful in terms of the information that executive Directors are required to provide to the Board of Directors and the Board of Statutory Auditors, and inserted a new provision specifically designed to ensure the election of a Statutory Auditor by minority stockholders.

The Company's overall corporate governance system is largely consistent with the recommendations and provisions of the Code of Conduct, providing specific behavioral guidelines, the most important of which are listed below:

- As a general rule, the Board of Directors meets eight times a year. On those occasions, it reviews the performance of the operating Sectors, the Company's quarterly reports, strategic plans and organizational proposals, and all material transactions proposed by executive Directors.
 - In order to establish a more efficient management system, the Board of Directors has traditionally favored a type of organization based on the delegation of equal powers to those corporate officers who, in accordance with Article 18 of the Articles of Association, have been authorized to act severally as the Company's legal representatives. Consequently, on June 23, 1999, the Board of Directors gave the Chairman, Paolo Fresco, and the Chief Executive Officer, Paolo Cantarella, broad operating powers, authorizing them to perform all acts that are consistent with the Company's purpose. However, the Chairman has indicated that he intends to primarily focus the exercise of his functions, in close collaboration with the Chief Executive Officer, on the Group's strategy, its international relationships and negotiations, the development and enhancement of its human resources and the optimization of its financial resources.
 - Notwithstanding the ample powers granted to them, the Chairman and the Chief Executive Officer must regularly submit for approval to the Board of Directors all transactions that have a material impact on the Company's profitability, balance sheet and financial position, and must provide Directors and Statutory Auditors with adequate information on any transaction performed by virtue of the powers granted to them which may be atypical, unusual or involve related parties.
 - The current Board of Directors, which will remain in office until a Stockholders' Meeting is convened to approve the financial statements at December 31, 2001, comprises 11 members, including the Chairman and the Chief Executive Officer who have executive powers. Three other directors (Gabriele Galateri, Chief Executive Officer of IFI, Virgilio Marrone, Joint Chief Operating Officer of IFI, and John Philip Elkann) are parties to transactions involving the Company's controlling stockholder.
 - The Board of Directors established two internal committees: the Audit Committee, which comprises four non-executive Directors (Gabriele Galateri, who chairs the Committee, John Philip Elkann, Gianfranco Guty and Carl L. von Boehm-Bezing); and the Compensation Committee, which comprises four Directors, two of whom have executive authority (Paolo Fresco, who chairs the Committee, Paolo Cantarella, Franzo Grande Stevens and John F. Welch).
 - The Compensation Committee develops proposals, which it submits for approval to the Board of Directors, in the areas of:
 - Appointments to corporate posts at the Group's subsidiaries and the respective development and back-up plans;
 - General and individual compensation plans for "first level" employees and stock option plans;
 - Compensation for executive Directors which may include stock options or appreciation rights.
- The Committee will adopt resolutions in the absence of the Chief Executive Officer whenever the CEO's compensation is discussed and in the absence of the Chairman and the Chief Executive Officer whenever the Chairman's compensation is discussed.

- The Board of Directors, with the favorable opinion of the Board of Statutory Auditors, determines the compensation of executive Directors. The entire compensation payable to the Chairman is variable, while only a portion of the compensation payable to the Chief Executive Officer is variable. The amount of the abovementioned compensation and the respective computation criteria are explained in schedule entitled "Fees paid to Directors and Statutory Auditors," which appears at the end of the Notes to the Statutory Financial Statements.

- The Board of Directors recently approved a procedure for the handling of confidential information, which defines functions, responsibilities and the procedures that must be followed in communicating to the external and to the general public information that may be considered "price sensitive."

■ With regard to the Internal Control System, the Company already has a Code of Ethics, which it published several years ago. In May 1999, it also adopted an Internal Control Policy, which formally sets forth the Group's internal rules and regulations and provides a concrete frame of reference in this area. Pursuant to a specific provision of the abovementioned Policy, the Board of Directors appointed the Supervisors of the Internal Control System, who are responsible for monitoring the system's functionality and effectiveness, and report to the Audit Committee at least every six months. This Committee, which was established by the Board of Directors to perform a consulting and developmental function, is charged with:

– verifying that the Company's administrative/accounting system, organizational structure and Internal Control System are adequate, placing special emphasis on the Code of Ethics and on compliance with internal regulations;

– reviewing the reports and assessments regularly submitted by the Supervisors, evaluating their performance and encouraging them to implement programs designed to improve the Internal Control System; and

– reporting to the Board of Directors at least every six months, concurrently with the approval of the Annual Report and the Semiannual Report, on the work done and the adequacy of the Internal Control System.

This Committee can be convened upon request by the Chairman of the Board of Statutory Auditors or the Supervisors.

■ The Company uses a special internal organization to handle relations with institutional and individual investors. In particular, it organizes regular meetings with Italian and foreign representatives of the financial community.

The Board of Directors will make every effort to regularly update the Company's corporate governance model, keeping it in tune with the changing needs of the market.

STOCK OPTION PLANS

Consistently with what has become common international practice, the Board of Directors agreed that stock options provide the best means of strengthening management's loyalty, since they give executives a stake in the Company's operating success and in its ability to create growing value for the stockholders. Consequently, as allowed under the respective resolution adopted by the Extraordinary Stockholders' Meeting on June 22, 1998, the Board approved two Stock Option Plans, which will be offered to about 900 managers of the Group's Italian and foreign subsidiaries who are qualified as "Direttore" or have been included in the Management Development Program for high-potential managers. Both Plans share these common features:

- Options are awarded to individual managers on the basis of objective parameters that take into account the level of responsibility assigned to each person and the assessment of his or her performance.
- If employment is terminated or an employee's relationship with the Group is otherwise severed, options that are not exercisable shall become null and void. However, vested options may be exercised within 30 days from the date of termination, with certain exceptions.
- The predetermined option exercise price, which may vary as a result of transactions affecting the Company's capital stock, shall be paid in cash upon purchase of the underlying shares.

The Plan approved in March 1999 awarded 1,248,000 options, giving the right to purchase ordinary Fiat shares at a price of 28.45 euros per share. This figure corresponds to the average price for the last 20 trading days prior to the date of the award. 50% of these options may be exercised on or after April 1, 2001, with the remaining 50% exercisable on or after April 1, 2002. All options expire on March 31, 2007.

The Plan approved in February 2000 awarded 5,158,000 options, giving the right to purchase ordinary Fiat shares at a price of 30.63 euros per share. This figure corresponds to the average price for the last 20 trading days prior to the date of the award. These options may be exercised between February 18, 2001 and February 18, 2008. However, during the first four years, the options may only be exercised in cumulative annual tranches not exceeding 25% of the total number awarded.

Pursuant to these plans, a total of 5,506,000 shares, equivalent to 1% of the Company's total capital stock and 1.5% of its ordinary shares, will be issued through a special dedicated capital increase, which the Board has already approved. In addition, 900,000 treasury shares will be sold



to option holders in accordance with the provisions of the respective Regulations.

The table below summarizes the data for the options outstanding at December 31, 1999:

Options awarded in 1999 that were outstanding, but not yet exercisable, at December 31, 1999	1,248,000
Average exercise price (euros per share)	28.45
Market price on the award date (euros per share)	28.45
Market price at December 31, 1999	30.09
Exercise period:	
624,000 options exercisable between April 1, 2001 and March 31, 2007	
624,000 options exercisable between April 1, 2002 and March 31, 2007	

TRANSACTIONS AMONG GROUP COMPANIES AND WITH RELATED PARTIES

The Fiat Group's is divided into Sectors, each of which is headed by a different company. The Group also includes companies which, because of their specialized nature, are able to provide administrative, training and other support services to the operating units in a fashion that enables them to pursue continuous improvements in quality and economies of scale.

Transactions between Group companies, whether they result from vertical manufacturing integration or from the provision of services, are carried out at competitive terms, considering the quality of the goods or services involved.

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

- Sale of amounts due from the Treasury to the subsidiary Toro Assicurazioni S.p.A., which will be used for offsetting purposes, as allowed under Article 3, Section 94, Letter b, of Law No. 549 of 12/28/95.
- Issuance of guarantees for bank loans provided to Fiat Automoveis S.A. and Iveco Fiat Brasil Ltda.

Ongoing transactions include:

- Licensing of the right to use the Fiat trademark, for a consideration based on a percentage of sales, to Fiat Auto S.p.A. (0.5%), Iveco S.p.A. (0.2%), Magneti Marelli S.p.A. (1.5% of sales by the Lubricants Division), FiatAvio S.p.A. (0.5%) and Fiat Ferroviaria S.p.A. (0.5%).
- Fees for services of Fiat management personnel at Fiat Auto S.p.A., Ferrari S.p.A., Iveco S.p.A., Teksid S.p.A., Magneti Marelli S.p.A., Comau S.p.A., FiatAvio S.p.A., Toro Assicurazioni S.p.A. and other Group companies.
- Grant of suretyships and guarantees in connection with the issuance of debentures by FiatSava S.p.A., commercial paper, money market claims and billets de trésorerie by New Holland Credit Company LLC, Fiat Finance Canada Ltd., Fiat Finance and Trade Ltd. and Fiat France S.A., to secure bank loans obtained by Fiat Auto S.p.A., FiatAvio S.p.A., Iveco S.p.A., Teksid S.p.A. and other Group companies, and lease payment obligations for buildings rented by Fiat Se.p.In. S.p.A., Fiat Auto S.p.A., Isvor Fiat S.p.A. and Editrice La Stampa S.p.A.
- Rental of buildings to Fiat Se.p.In. S.p.A.
- Deposit of liquid funds with Fiat Ge.Va. S.p.A.
- Loan to Elasis S.c.p.A.
- Purchase of support and consulting services provided by Fiat Sagi S.r.l. in taxation, law and administration, Fiat Ge.Va. S.p.A. in financial matters, and Fiat International S.p.A. in international relations. These companies were established specifically for these purposes.
- Purchase of services related to euro and Y2K issues from Fiat Revi S.c.p.A.
- Purchase of information technology services provided by I.T.S. S.r.l.
- Purchase of external relations services provided by Fiat I.&C.S. S.r.l.
- Purchase of telecommunications services provided by Telexis S.r.l.
- Purchase of support and consulting services outside Italy provided by Fiat USA Inc., Fiat U.K. Ltd. and Fiat Iberica S.A.
- Rental of office space, real property maintenance services and other general services provided by Fiat Se.p.In. S.p.A.; real estate services and real estate brokerage services provided, respectively, by IPI S.p.A. and by IPI Intermediazione S.p.A.

(number of shares)

First name and last name	Description of investment	Interest held at 12/31/98	Bought in 1999	Sold in 1999	Balance at 12/31/99
Paolo Cantarella	Fiat ordinary	3,124			(2) 312
	Fiat savings	6,622			(2) 662
John Philip Elkann	Fiat ordinary	3,000			(2) 300
	Magneti Marelli ordinary	2,500			(2) 1,250
Gabriele Galateri di Genola	Fiat ordinary (1)	27,500			(2) 2,750
	Fiat preference (1)	4,400			(2) 440
Gianfranco Guty	Fiat ordinary	5,200			(2) 520
Cesare Ferrero	Fiat ordinary	11			(2) 1
	Toro Assicurazioni ordinary (1)	7,500			7,500
	Toro Assicurazioni preference (1)	2,500		2,500	–

(1) Held indirectly through his spouse.

(2) The number of options held has changed as a result of reverse stock splits in 1999 (one for ten for the Fiat shares and one for two for the Marelli shares).

- Purchase of personnel training services provided by Isvor Fiat S.p.A.
- Purchase of insurance services provided by Augusta Assicurazioni S.p.A.
- Purchase of automobiles from Fiat Auto S.p.A.

Details about the transactions involving the most significant amounts are provided in the analysis of the individual items of the Notes to the Statutory Financial Statements.

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 the other sections of this Report.

Based on the information received from the various Group companies, the main intra-Group transactions of an extraordinary nature and those with related parties are as follows:

- Sale by Fiat Auto S.p.A. to Magneti Marelli S.p.A. of an interest in Sistemi Sospensioni S.p.A. at a price of 79 million euros; and sale to Comau Services S.r.l. by Fiat Auto S.p.A., Iveco S.p.A. and Sevel S.p.A. of their activities specialized in the maintenance of machinery and equipment at their Italian factories for a total consideration of 2 million euros.
- Purchase by Ingest S.p.A. of buildings belonging to Fiat Auto S.p.A. and other Group companies at a cost of 215 million euros.

It should be noted that, with respect to potential conflict of interest considerations, these transactions are carried out at standard market terms and, whenever necessary, they are based on appraisals provided by independent experts.

Pursuant to Article 79 of the Consob Regulations set forth in Resolution No. 11971 of May 14, 1999, the table on the previous page contains information on the interests held in Fiat S.p.A. and its subsidiaries by its Directors and Statutory Auditors.

MOTION FOR ALLOCATION OF THE 1999 NET INCOME AND DIVIDEND DISTRIBUTION

Euros

The Board of Directors submits to the Stockholders' Meeting for approval the financial statements for the 1999 fiscal year and proposes that the net income for the fiscal year of 396,098,804 euros be allocated as follows:

■ to the Stockholders a dividend of:	
■ euros 0.620 on ordinary shares (equivalent to about 227 million euros)	
■ euros 0.620 on preference shares (equivalent to about 64 million euros)	
■ euros 0.775 on savings shares (equivalent to about 62 million euros) provided they are outstanding (treasury shares excluded) on the dividend payment date of June 22, 2000, for a total maximum payout of	353,761,584
■ to allocate to retained earnings the remainder, which shall not be less than so that after this entry retained earning will amount to about 247 million euros	42,337,220
Matching total	396,098,804

The dividend payable to each ordinary and preference share carries a regular and therefore unrestricted tax credit of 0.566 euros, and a limited tax credit of 0.054 euros. The dividend payable to each savings share carries a regular and therefore unrestricted tax credit of 0.708 euros, and a limited tax credit of 0.067 euros.

Turin, April 7, 2000

The Board of Directors

By:



Paolo Fresco

Chairman

AUTOMOTIVE COMPANIES

Automobiles

Fiat Auto S.p.A. Italy	Fiat Auto (Suisse) S.A. Switzerland
FMA - Fabbrica Motori Automobilistici S.p.A. Italy	Fiat Auto (U.K.) Ltd Great Britain
SATA - Società Automobilistica Tecnologie Avanzate S.p.A. Italy	Fiat Automobil AG Germany
Fiat Auto Argentina S.A. Argentina	Fiat Automobil GmbH Austria
Fiat Auto Belgio S.A. Belgium	Fiat Automobiler Danmark A/S Denmark
Fiat Auto España, S.A. Spain	Fiat Automóveis S.A. - Fiasa Brazil
Fiat Auto (France) S.A. France	Fiat CR Spol S.R.O. Czech Republic
Fiat Auto Hellas S.A. Greece	Fiat India Automobiles Limited India
Fiat Auto (Ireland) Ltd. Ireland	Fiat Magyarorszag KFT. Hungary
Fiat Auto Japan K.K. Japan	Sevel S.p.A. (*) Italy
Fiat Auto Maroc S.A. Morocco	Sevel Nord S.A. (*) France
Fiat Auto Nederland B.V. Netherlands	Tofas A.S. (*) Turkey
Fiat Auto Poland S.A. Poland	
Fiat Auto Portuguesa, S.A. Portugal	Ferrari S.p.A. Italy
Fiat Auto South Africa Pty. Ltd Republic of South Africa	Maserati S.p.A. Italy

Commercial Vehicles

Iveco N.V. Netherlands
Astra Veicoli Industriali S.p.A. Italy
Iveco Aifo S.p.A. Italy
Iveco S.p.A. Italy
Sicca S.p.A. Italy
Camiva S.A. France
International Trucks Australia Ltd. Australia
Iveco Argentina S.A. Argentina
Iveco Austria GmbH Austria
Iveco Belgium S.A. N.V. Belgium
Iveco Danmark A/S Denmark
Iveco Ford Truck Ltd Great Britain
Iveco France S.A. France
Iveco Magirus AG Germany
Iveco Mercosul Ltda Brazil
Iveco Pegaso, S.A. Spain
Iveco Portugal Ltda. Portugal
Naveco Ltd (*) China

**Agricultural and
Construction Equipment**

CNH Global N.V. Netherlands
Fiat Hitachi Excavators S.p.A. Italy
New Holland Italia S.p.A. Italy
Case Brasil & Cia. Brazil
Case Canada Corporation Canada
Case Corporation United States
Case Corporation Pty Ltd Australia
Case France S.A. France
Case Germany GmbH Germany
Case Harvesting Systems GmbH Germany
Case United Kingdom Limited Great Britain
FiatAllis Latino Americana Ltda Brazil
New Holland Australia Pty Ltd. Australia
New Holland Belgium N.V. Belgium
New Holland Canada Ltd Canada
New Holland Deutschland GmbH Germany
New Holland France S.A. France

Fiat Sava S.p.A. Italy	Fiat Bank Polska S.A. Poland
Fidis S.p.A. Italy	Fiat Credit France S.A. France
Sava-Leasing S.p.A. Italy	Fiat Credito Compania Financiera S.A. Argentina
Savarent S.p.A. Italy	Fiat Credito Portugal S.A. Portugal
Targa Services S.r.l. a S.U. Italy	Fiat Distribuidora Portugal Ltda Portugal
Banco Fiat S.A. Brazil	Fiat Finance Netherlands B.V. Netherlands
Fiat Auto Contracts Ltd Great Britain	Fiat Financiera, S.A. Spain
Fiat Auto Financial Services Ltd Great Britain	Sofice - Société de Financement des Concessionnaires S.A. France
Fiat Bank GmbH Germany	

Transolver Finance S.p.A. Italy
Transolver Service S.p.A. Italy
Fraikin Société Anonyme France
Transolver Finance S.A. France
Transolver Financial Services Ltd Great Britain
Transolver Operational Services Ltd Great Britain
Transolver Services S.A. France

Case Canada Investments Ltd. Canada
Case Credit Australia Pty Ltd Australia
Case Credit Corporation United States
Case Credit Ltd. Canada
Case Receivables II Inc. United States
Case Wholesale Receivables Inc. United States
CNH Capital Corporation United States

OTHER INDUSTRIAL COMPANIES

New Holland Latino
Americana Ltda
Brazil

New Holland North America Inc.
United States

New Holland U.K. Limited
Great Britain

O&K Orenstein & Koppel AG
Germany

Al-Ghazi Tractors Limited (*)
Pakistan

Flexi-Coil Ltd (*)
Canada

New Holland de Mexico S.A.
de C.V. (*)
Mexico

Türk Traktör Ve Ziraat
Makinaleri A.S. (*)
Turkey

Metallurgical Products

Teksid S.p.A.
Italy

Teksid For S.p.A.
Italy

Fonderies Aluminium Cleon S.A.
France

Fonderies du Poitou S.A.
France

Meridian Technologies Inc.
Canada

Société Bretonne de Fonderie
et Mecanique S.A.
France

Teksid Aluminio
de Mexico S.A. de C.V.
Mexico

Teksid Aluminum Foundry, Inc.
United States

Teksid do Brasil Ltda.
Brazil

Teksid, Inc.
United States

Teksid Poland S.A.
Poland

Teksid Hierro de Mexico S.A. (*)
Mexico

Components

Magneti Marelli S.p.A.
Italy

Magneti Marelli
Climatizzazione S.p.A.
Italy

Sistemi Sospensioni S.p.A.
Italy

Magneti Marelli Argentina S.A.
Argentina

Magneti Marelli Cofap S.A.
Brazil

Magneti Marelli Components B.V.
Netherlands

Magneti Marelli
Deutschland GmbH
Germany

Magneti Marelli do Brasil
Industria e Comercio Ltda.
Brazil

Magneti Marelli France S.A.
France

Magneti Marelli Iberica S.A.
Spain

Magneti Marelli Mexico S.A.
Mexico

Magneti Marelli Poland S.A.
Poland

Magneti Marelli U.K. Ltd
Great Britain

Magneti Marelli U.S.A. Inc.
United States

Automotive Lighting Holding
GmbH (*)
Austria

Production Systems

Comau S.p.A.
Italy

Geico S.p.A.
Italy

Italtech S.p.A.
Italy

U.T.S. S.p.A.
Italy

Aims Holdings (Pty) Ltd.
Republic of South Africa

Autodie International, Inc.
United States

Comau Argentina S.A.
Argentina

Comau Deutschland GmbH
Germany

Comau do Brasil Ind. e Com. Ltda
Brazil

Comau Estil UK Unlimited
Great Britain

Comau France S.A.
France

Comau India Pvt. Ltd.
India

Comau Poland Sp. zo.o.
Poland

Comau Sciaky S.A.
France

Mecaner S.A.
Spain

Pico Holdings Corporation
United States

Pico Mexico, Inc.
United States

Progressive Tools & Industries Co.
United States

Renault Automation Comau S.A.
France

New Holland Credit Company
LLC
United States

New Holland Receivables Co.
United States

New Holland Trade N.V.
Netherlands

Midas Europe S.A. M.
Princ. of Monaco

Viasat S.p.A. (*)
Italy

Comau Service S.r.l.
Italy

Comau Service do Brasil Ltda.
Brazil

SERVICE COMPANIES

Rolling Stock and Railway Systems

Fiat Ferroviaria S.p.A.
Italy

Elettromeccanica Parizzi S.p.A.
Italy

Fiat Rail Ltd
Great Britain

Fiat-Sig Schienenfahrzeuge AG
Switzerland

Aviation

FiatAvio S.p.A.
Italy

Sepa S.p.A.
Italy

FiatAvio Inc.
United States

Regulus S.A.
French Guyana

Serene S.p.A. (*)
Italy

Sogetel S.p.A. (*)
Italy

Vegaspazio S.p.A. (*)
Italy

Eurojet Turbo GmbH (*)
Germany

Europropulsion S.A. (*)
France

Turbo-Union Ltd (*)
Great Britain

Engine Overhaul activities carried out
by FiatAvio S.p.A.

Insurance

Toro Assicurazioni S.p.A.
Italy

D.A.S. - Difesa Automobilistica
Sinistri S.p.A.
Italy

Giano Assicurazioni S.p.A.
Italy

Iniziativa Sviluppo Immobiliare -
Isim S.p.A.
Italy

Nuova Tirrena S.p.A.
Italy

Roma Vita S.p.A.
Italy

Toro Targa Assicurazioni S.p.A.
Italy

Companhia de Seguros
Maritimos e Terrestres Phenix
Brazil

Continent Assistance S.A.
France

Guardian France S.A.
France

Guardian Risques S.A.
France

Guardian Vie S.A.
France

Le Continent I.A.R.D. S.A.
France

Le Continent Vie S.A.
France

L'Union Générale du Nord S.A.
France

Augusta Assicurazioni S.p.A.
Italy

Prime Augusta Vita S.p.A.
Italy (*)

Publishing and Communications

Itedi - Italiana Edizioni S.p.A.
Italy

B. & B. Immobiliare S.p.A.
Italy

Editrice La Stampa S.p.A.
Italy

Publikompass S.p.A.
Italy

Other Service Companies

Centro Ricerche Fiat
Società Consortile per Azioni
Italy

Elasis - Sistema Ricerca
FIAT nel Mezzogiorno -
Società Consortile per Azioni
Italy

Fenice S.p.A.
Italy

Fiat Ges.co. S.c.p.A.
Italy

Fiat GE.VA. S.p.A.
Italy

Fiat G.S.A. S.r.l.
Italy

Isvor Fiat S.p.A.
Italy

ITS S.r.l.
Italy

Telexis S.r.l.
Italy

Miscellaneous and Holding Companies

Fiat Engineering S.p.A.
Italy

IPI S.p.A.
Italy

Sicind S.p.A.
Italy

Fiat Argentina S.A.
Argentina

Fiat Deutschland GmbH
Germany

Fiat do Brasil S.A.
Brazil

Fiat France S.A.
France

Fiat Iberica, S.A.
Spain

Fiat United Kingdom Ltd
Great Britain

Fiat U.S.A., Inc.
United States

I.H.F. - Internazionale Holding
Fiat S.A.
Switzerland

New Holland Holdings N.V.
Netherlands

**The Fiat Group in 1999
Report on Operations**

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