



Consolidated  
and Statutory  
Financial Statements

THE FIAT GROUP IN

2001

**REPORT  
ON OPERATIONS**



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*The 2001 Annual Report of the Fiat Group is available on the Internet at the following addresses: [www.fiatgroup.com](http://www.fiatgroup.com) [www.bilanciofiat.com](http://www.bilanciofiat.com)*

*The online version of the Annual Report contains additional and more detailed information, including data sheets, which may be downloaded in pdf or excel format.*

## Financial Highlights of the Fiat Group

(in millions of euros)	2001	2000	1999	1998	1997
Operating income	<b>318</b>	855	788	746	1,791
Income (loss) before taxes	<b>(497)</b>	1,050	1,024	1,442	2,160
EBIT	<b>528</b>	2,073	1,482	1,321	2,103
EBITDA	<b>3,408</b>	5,125	3,836	3,631	4,737
Income (loss) before minority interest	<b>(791)</b>	578	506	916	1,550
Group net income (loss)	<b>(445)</b>	664	353	621	1,248
Net financial position (Net debt)	<b>(6,035)</b>	(6,467)	(4,031)	1,420	1,340
Stockholders' equity including minority interest	<b>13,607</b>	15,209	14,767	15,120	15,462
Group interest in stockholders' equity	<b>12,170</b>	13,320	12,874	12,998	13,203
Cash flow (income before minority interest plus depreciation and amortization)	<b>2,089</b>	3,630	2,860	3,226	4,184
Capital expenditures	<b>3,438</b>	3,236	2,712	2,418	2,398
Research and development	<b>1,817</b>	1,725	1,406	1,264	1,166
Operating income from industrial activities/Net revenues (R.O.S.)	<b>0.4%</b>	1.7%	1.9%	2.2%	4.4%
Operating income/Average net invested capital (R.O.I.)	<b>1.5%</b>	4.2%	4.8%	5.4%	12.2%
Income (loss) before minority interest/Net revenues	<b>(1.4%)</b>	1.0%	1.1%	2.0%	3.4%
Net income (loss)/Average stockholders' equity (after minority interest) (R.O.E.)	<b>(3.5%)</b>	5.1%	2.7%	4.7%	9.9%

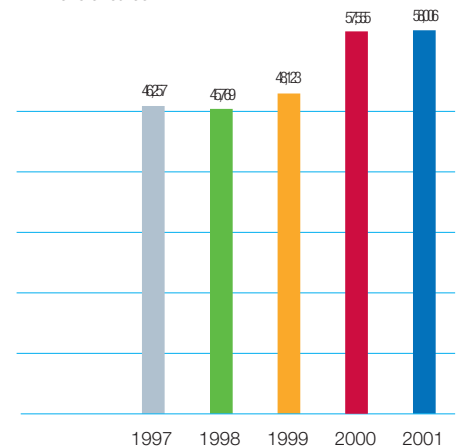
## Statistical data by geographical region

number	Companies	Employees	Facilities	R&D centers
Italy	275	95,199	68	71
Europe excluding Italy	443	53,620	74	37
North America	137	14,465	32	11
Mercosur	71	25,280	18	8
Other regions	133	10,200	35	4
<b>Total</b>	<b>1,059</b>	<b>198,764</b>	<b>227</b>	<b>131</b>

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" and therefore the Consolidated Financial Statements and Statutory Financial Statements of Fiat S.p.A. are denominated in euros.

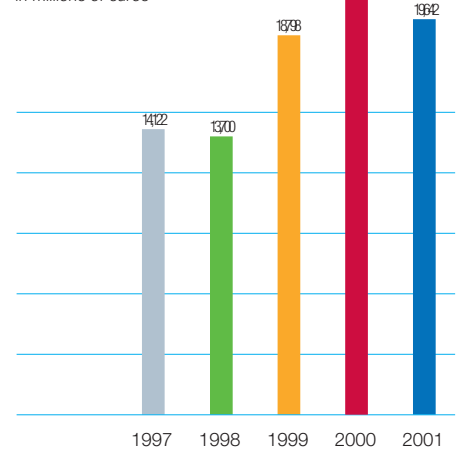
## CONSOLIDATED REVENUES

in millions of euros

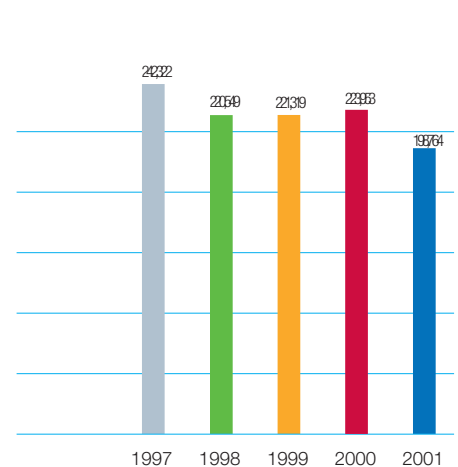


## NET INVESTED CAPITAL

in millions of euros



## NUMBER OF EMPLOYEES



## Stockholders' Meeting

Lingotto Convention Center  
280 Via Nizza, Turin

May 11, 13 and 14, 2002

## Agenda

1. Financial Statements at December 31, 2001, Report on Operations and Motion for Allocation of the 2001 Net Income;
2. Motion to purchase treasury shares and modalities of their disposition;
3. Appointment of the Board of Directors after determining the number of its Members and of their fees;
4. Motion to amend Article 6 (Savings shares and common representative) and Article 15 (Meetings of the Board of Directors) of the Articles of Association; pertinent and related resolutions.

## Fiat S.p.A.

Head Office: 250 Via Nizza, Turin, Italy  
Paid-in Capital: 3,082,128,000 euros  
Entered in the Turin Company Register  
Fiscal Code: 00469580013



## BOARD OF STATUTORY AUDITORS

*Statutory Auditors*

Cesare Ferrero – *Chairman*  
Giorgio Ferrino  
Lamberto Jona Celesia

*Alternate Auditors*

Giorgio Giorgi  
Natale Ignazio Girolamo  
Piero Locatelli

## BOARD OF DIRECTORS

*Honorary Chairman*

Giovanni Agnelli

*Chairman*

Paolo Fresco (3)

*Chief Executive Officer*

Paolo Cantarella (3)

*Directors*

Angelo Benessia (2)  
Franco Bernabè  
Carl Ludwig von Boehm-Bezing (2)  
Flavio Cotti  
John Philip Elkann (2)  
Gabriele Galateri di Genola (2)  
Franzo Grande Stevens (1) (3)  
Gianfranco Guty  
Virgilio Marrone  
Felix George Rohatyn  
John Francis Welch, Jr. (3)

(1) Secretary to the Board of Directors

(2) Member of the Audit Committee

(3) Member of the Compensation Committee

Mr. Renato Ruggiero resigned effective June 6, 2001.

## INDEPENDENT AUDITORS

Arthur Andersen SpA

# Report on **OPERATIONS**

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**Paolo Fresco**  
Chairman of Fiat S.p.A.

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

Dear Stockholders:

2001 was a difficult year for the Fiat Group. Overall, its operating and financial performance was unsatisfactory, with results falling short of expectations both for operating income, which was sharply lower than in 2000, and cash flow generation.

## A DIFFICULT YEAR

The Group's performance, which during the first half of 2001 had been consistent with profitability and debt reduction objectives for the year, was severely affected by a rapid deterioration of the international economic environment during the second half. This deterioration became even more pronounced following the terrorist attacks on the United States. The Group responded to the erosion in consumer and business confidence and the resulting drop in unit sales in virtually all segments of the automotive industry with aggressive marketing programs designed to stimulate demand and counter similar initiatives launched by its competitors.

After September 11, the situation was exacerbated by a virtual halt in negotiations on the divestiture of non-core assets, which are being sold off as a means of reducing Group debt.

It is important to note, however, that the failure to achieve profitability targets in 2001 was due for the most part to the negative performance of Fiat Auto and the components businesses of Teksid and Magneti Marelli. The other industrial Sectors were able to overcome challenging market conditions and hold profitability at satisfactory levels — this was the case for Iveco and Comau — or even improve on them, as did CNH, FiatAvio and Ferrari.

These developments have not caused us to falter in our commitment, and we remain fully confident that, economic conditions notwithstanding, we will be able to build a solid

and lasting foundation for the creation of shareholder value through customer satisfaction and competitive excellence.

The growing synergies that are being realized as a result of the refocusing efforts of recent years are a product of this vision. The industrial alliance with General Motors has produced far greater benefits than originally anticipated, with savings of 251 million euros in 2001 and a cumulative total of 272 million euros. The future will bring new synergies and even greater benefits, as Fiat Auto and General Motors continue to pursue new projects, such as their two joint centers for the design and development of common components and systems: one in Sweden, which became operational in 2001, and the other in Turin, which opened its doors at the beginning of 2002.

The integration of New Holland and Case has produced major efficiency gains for CNH, with savings of \$278 million in 2001 (approximately 300 million euros) and a cumulative total of \$433 million (approximately 480 million euros) since the merger. The ultimate target of \$600 million (approximately 670 million euros) in savings will probably be reached ahead of schedule.

If we are to provide an increasingly effective response to the needs of our customers, we must create a leaner, more nimble organization that allows our employees to maximize their efforts. To achieve this goal, all Group Sectors have significantly stepped up the implementation of the Program Next to reengineer their core processes. This program, which affects product development, production, logistics, maintenance, procurement and order management, is expected to produce total savings of 1.5 billion euros by 2004.

We continued to seek growth opportunities in new markets in 2001, maintaining sufficient tactical flexibility to respond promptly to changes in local economic conditions.



Consistent with this approach, we drastically cut Fiat Auto's and Iveco's presence in Argentina while vigorously pursuing new manufacturing and distribution ventures in China, adding busses to the Iveco portfolio of businesses, and broadening CNH's product line with the inclusion of light tractors. The start of production and distribution of the Palio in China early in 2002, which represents a milestone event for Fiat Auto, was the first step in a long-term development project.

At the strategic level, the Group continued to expand and grow, entering new businesses that are not inherently cyclical and that allow it to maximize the value of existing assets and skills. In 2001, Business Solutions, a new Sector that specializes in providing enterprise services, operated for its first full year and successfully built up its roster of non-captive customers. Business Solutions continued to expand its portfolio of products at a brisk pace, using partnering arrangements as appropriate. Global Value, a 50-50 joint venture with IBM Italia that has 3,000 employees, provides high-end information technology services.

With its 38.6% interest, Fiat is a key stockholder of Italcementi, the company that acquired control of Montedison and Edison through tender offers. A corporate restructuring was launched this past October to create a "new" Edison — a company focused exclusively on its core energy business — and the divestiture of non-core operations is already under way. In March 2002, the Edipower Consortium, in which Edison holds a 40% interest, was named the winning bidder for Eurogen, the largest of the three generating companies that Enel is selling off as a result of the ongoing deregulation of the Italian electric power market.

All Group Sectors continued to devote substantial resources to product innovation. Research and development expenditures (1.8 billion euros, compared with 1.7 billion euros in 2000) were equivalent to more than 3% of revenues. In this area, the launch of the Stilo is an important achievement that rewards Fiat Auto's efforts to renovate its product line. The introduction of this new model exemplifies the strategy of repositioning the Fiat brand at a higher level by offering cars with substantially more installed systems and more sophisticated technology. The Stilo has been well received in the European markets, where it is being sold at the price levels originally anticipated. The marketing strategy adopted will become even more effective with the introduction of a cutting-edge version of the Stilo and the reconfiguration of equipment to meet specific customer needs. The Automobile Sector is focusing more and more on enhancing the image of its premium brands. This effort is being rewarded by the growing success of the Alfa 147. In addition, the upcoming launch of the Thesis and the introduction of a new Phedra minivan will provide fresh

momentum for the Lancia brand. CNH also introduced a number of important products in 2001, adding several tractors and other farm machines to its model lineup. Meanwhile, Iveco is taking a dramatic step forward with the development of the Stralis. This heavy-range vehicle, which was launched early in 2002, has been extremely well received by potential customers. Finally, FiatAvio made progress on a number of different fronts, including cooperation with Rolls Royce in the Trent 900 program to develop the engines that will power the new Airbus A380.

## FINANCIAL OVERVIEW

In 2001, the Groups' **consolidated revenues** totaled 58 billion euros, slightly more than in 2000, as gains by FiatAvio and Toro Assicurazioni and the contribution of Business Solutions offset declines by Fiat Auto and the components Sectors.

**Operating income** was 318 million euros, compared with 855 million euros in 2000.

The Group reported a **consolidated net loss** of 791 million euros (consolidated net income of 578 million euros in 2000). This negative performance is the combined result of a contraction in operating margins, restructuring charges (including the programs launched in December that accounted for about 850 million euros) and a writedown of the value at which the Group's insurance companies carry their securities portfolios. The Group's interest in the result for the year was a net loss of 445 million euros, compared with net income of 664 million euros in 2000.

The Group's **net financial position** improved, with net debt declining to about 6 billion euros, compared with 6.5 billion euros at December 31, 2000.

## PROGRAMS TO ENERGIZE THE GROUP

Throughout the year, and especially from the third quarter on, the Group adopted aggressive countermeasures to address the issues raised by weak demand in all of the major automotive Sectors. More specifically, it accelerated the implementation of the Program Next, cut back production, trimmed factory and sales network inventories at CNH and, even more so, at Fiat Auto, and reduced overhead.

This past December, the Board of Directors responded to the extreme volatility of the Group's markets and the uncertainty regarding the timing of a recovery in the world's principal economies by adopting highly incisive industrial and financial measures.

On the industrial front:

- It adopted a Group-wide plan that, during the period from 2002 to 2004, will streamline production facilities and





Three- and five-door versions of the Fiat Stilo.

restructure or shut down 18 factories, 15 of which will be restructured or closed by 2003. In particular, Fiat Auto has almost completed the transfer of production activities from the Rivalta factory to the Mirafiori facility and FiatAvio has begun the preliminary work needed to shift production to Rivalta from the Via Nizza plant in Turin. As already mentioned, the entire restructuring effort required the recognition of charges totaling about 850 million euros in 2001.

- It launched the reorganization of Fiat Auto, which became operational in mid-February 2002 with the appointment of the management teams that will run the four Business Units comprising the Sector. These units are: Fiat/Lancia/Light Commercial Vehicles, Alfa Romeo, International Development and Services.

On the financial front:

- It approved a capital increase of more than one billion euros that was launched in mid-January 2002 and was completed successfully the following month.
- It authorized the issuance of \$2.2 billion of bonds convertible into GM stock. This transaction helped the Group diversify its sources of financing and lower borrowing costs. The proceeds from the bond issue were collected in January 2002.
- It revised the Group's divestiture program (valued at two billion euros in 2002), expanding its scope to include a

greater number of industrial and non-industrial operations and thus reducing the execution risks presented by the previous program.

Certain measures implemented or launched in 2001 — production cutbacks, inventory reduction programs, restructuring efforts — had a negative impact on the results for the year. However, they represent the price that must be paid to strengthen the Group and protect its future.

## PERFORMANCE OF THE SECTORS

### Automobiles

Despite a general slowdown of the economy, Western European demand for automobiles held relatively steady compared with the previous year, with the markets showing a significant upturn in the closing quarter. This positive trend was fueled by the aggressive sales practices pursued by carmakers, who subsidized demand with promotions and discounts.

The crisis of the Polish market continued, with demand falling to about half the level of 1999. In South America, the Brazilian market failed to sustain during the second half of the year the brisk rate of expansion it had enjoyed before, but its annual growth rate was still better than in 2000. In Argentina, a deep economic and financial crisis brought the local market virtually to the brink of collapse.

Against this background, Fiat Auto reported a 10.8% decline in unit sales. One-third of this decrease is attributable to inventory reduction programs and the resulting drop in billings to the sales network, another third can be traced to the poor performance of the Polish and Argentine markets, and the balance reflects a contraction of the Sector's share of the Western European market (from 10% to 9.6%) and in Italy (down from 35.4% to 34.7%). Despite healthy demand for the Fiat Doblò, a good start for the Fiat Stilo and the outstanding success of the Alfa 147, a major factor affecting the Sector's share in Italy during the year was the phaseout of the Bravo and Brava models, which were replaced by the Stilo only in the fourth quarter.

The drop in unit sales experienced by Fiat Auto translated only to a limited extent into lower revenues, which totaled 24.4 billion euros (-3.6%). This discrepancy reflects the growing contribution of the service operations, which now account for about 10% of the Sector's total revenues, and an improvement in the revenues earned per unit sold.

The operating loss reported by Fiat Auto in 2001 (-549 million euros, compared with operating income of 44 million euros in 2000) can be attributed primarily to developments that occurred during the second half of the year, chief among them lower unit sales, upgraded standard equipment for the Sector's models (without commensurate price increases) and higher costs

incurred for research and development, advertising and promotional programs. Positive factors included a decrease in product costs and, more significantly, the industrial synergies generated by the alliance with General Motors. The costs incurred in connection with the vehicle inventory reduction program were offset completely by gains earned on the sale of the spare parts inventory to a new company owned jointly by DHL Worldwide Express, Fiat Auto and other financial partners.

Another key factor in helping the Sector regain forward momentum will be its new organization. Fiat Auto, once it overcomes the problems that will undoubtedly arise during the first months of implementation, will begin to reap this year the benefits of stronger brands, a more streamlined decision-making process and an organization focused on maximizing customer satisfaction. The Sector's four new Business Units, which will be flanked by a Unit specializing in aftersale services, will be expected to operate like full-fledged autonomous entities, with full responsibility for their operating and financial performance. Each Unit will have dedicated product development, production, marketing, sales, quality and human resources organizations.

The foundation of the Sector's competitiveness will always be its ability to innovate, which it is demonstrating with the development of several new products for 2002. The successful market launch of the new Fiat Ducato will be



*New Holland CX 880 combine harvester.*

followed by the introduction of the Lancia Thesis, the new Alfa 156 and 156 GTA, and new Lancia and Fiat minivans, followed by the Stilo station wagon this fall.

Also in this area, Fiat Auto and GM Europe agreed to add to the facility they already created in Sweden to support the development of premium cars another joint project center that will develop common components and systems for small vehicles that the two companies will produce in the future. The work carried out at this center will have no impact on the specificity of the brands of either company. It will, however, enable both companies to realize significant efficiencies. This ambitious project to develop common components will be pursued at a dedicated design facility currently being established in Turin. The new center will have approximately 100 employees drawn from the staff of both companies.

### Agricultural and Construction Equipment

In 2001, conditions in the markets where CNH Global operates varied widely by geographic region and segment. Demand for agricultural equipment was up in North America and Latin America, but declined in Europe (-7%). Sales of construction equipment were down sharply everywhere.

At 10.8 billion euros, CNH'S revenues were unchanged from 2000 despite a significant drop in shipments of construction equipment and the impact on the full year's results of the divestitures dictated by the antitrust authorities in 2000. This positive performance can be attributed to a favorable dollar/euro conversion rate and healthy demand for farm equipment in North America, where CNH regained the market positions it had lost as a result of required divestitures and of the intense competition it faced while the integration of Case and New Holland was getting under way.

CNH is benefiting to a growing extent from the process of integration and reorganization it carried out during the past two years. Proof of this is the marked improvement of its manufacturing margins at a time when the markets are at the low point of their cycle. Operating income for 2001 rose to 209 million euros, up from 45 million euros in the previous year. The synergies generated by the merger between Case and New Holland (\$278 million, or approximately 300 million euros) more than offset the negative impact of lower sales in the most profitable segment of the construction equipment market.

The outlook for 2002 calls for slower growth in demand for agricultural equipment and further weakness in the construction equipment market, especially during the first half

of the year. However, the Sector is ready to tackle this challenging environment with a much leaner and flexible organization. As it happened in 2001 with the successful launch of the Case STX heavy-duty farm tractor and of the New Holland CX combine harvester (which won Combine of the Year honors in Europe), CNH will benefit significantly from the introduction of numerous new products under the Case and New Holland brands. These new products will be based on common platforms and will offer especially high unit margins. In another area, CNH Capital completed its transformation into a financial services company focused exclusively on providing support to the sales network and to buyers of CNH products.

At a closing held early in 2002, CNH and Kobelco, the world's fourth largest producer of hydraulic excavators, signed the final agreements needed to make their global alliance fully operational. This alliance will give CNH products full access to the Asian market and will strengthen the Sector's position in the North American and European construction equipment markets.

### Commercial Vehicles

In 2001, the European market for commercial vehicles held relatively steady. However, demand showed growing signs of weakness during the final months of the year, especially in the medium and heavy-range segments.

Sector-wide sales were down 2.7%, due mainly to the aggressive sales policies pursued by competitors in Italy and weak demand in Germany. Iveco's overall market share was down slightly, falling from 17.8% to 17% chiefly as a result of a decline in the light vehicle segment. It was stable for heavy-range vehicles and increased for medium vehicles. Iveco retained the leadership of this market segment thanks to the success of its Eurocargo Tector truck. Despite the economic and financial crisis affecting Argentina, the results in Latin America were particularly gratifying, with buoyant sales in Brazil pushing Iveco's share of the local market above the 25% mark.

In 2001, Iveco had revenues of 8.6 billion euros (+0.5%), as growth by its financing and services operations offset a reduction in unit sales.

Lower unit sales and strong price pressure in the medium and heavy-range segments had an impact on Iveco's operating income, which fell to 271 million euros (489 million euros in 2000, when it included a non-recurring operating gain on the disposal of unused industrial sites).

The investments made in previous years to update its product line enabled Iveco to face the prospect of weak demand for commercial vehicles in 2002 and 2003 from a strong competitive



*Iveco – Tector engine.*

position. The model renewal process was completed this past January with the introduction of the Stralis. The consensus among industry analysts is that this innovative heavy-range vehicle will help Iveco significantly expand its market share in a segment where the leading producers are able to charge premium prices for their products.

Iveco's competitive position will also be enhanced by the purchase this past January of a portion of the interest held by Renault (50%) in the Irisbus joint venture.

#### **Other Group Sectors**

Among the other Sectors, Teksid and Comau were adversely affected by weak demand from automotive customers (especially in the United States). Comau was able to offset this soft demand in part with healthy growth in its maintenance services business. The performance of Magneti Marelli was affected by a drop in unit sales and the impact of a sharp price increase in the cost of electronic components caused by an unfavorable euro/dollar exchange rate, which could not be passed on fully to customers.

FiatAvio began to feel the impact of weak demand for air travel and a reduction in the number of commercial space launches. Nevertheless, revenues (+9.7%) and operating income (reaching 186 million euros) improved further, for a return on sales of 11.4%.

The Toro Assicurazioni Group further consolidated its position on the Italian insurance market, posting an increase of 25% in premiums earned (+14% without the contribution of Lloyd Italico and Augusta Assicurazioni, which in the past was included with Miscellaneous Companies). The life insurance operations performed particularly well, with Roma Vita, a joint venture with Banca di Roma, experiencing growth of 32%. The Sector earned 68 million euros on an operating basis. Income before taxes totaled 220 million euros, up sharply from the 163 million euros reported in 2000. This improvement was achieved even though the carrying value of the Sector's equity portfolio had to be written down as a result of unfavorable conditions in the financial markets.

Business Solutions reported an operating income of 73 million euros, for a return on sales of 4%. The Sector's revenues, more than 40% of which were derived from non-captive customers, reflect the contribution of Fiat Engineering, which is being consolidated as of the third quarter of 2001, and the elimination of Fenice, which was sold in connection with the Italenergia transaction.

Ferrari was an outstanding performer among the other companies of the Group. In addition to scoring resounding successes on the racetrack, it posted sharply higher results, with operating income rising from 46 million euros to 62 million euros.

#### **FINANCIAL POSITION OF THE GROUP**

At December 31, 2001, Group net debt had declined to about 6 billion euros, down from 6.5 billion euros at end of 2000.

This improvement, which was made possible by a sharp reduction in working capital requirements, is significantly less than had been anticipated at the beginning of 2001 due to a virtual halt in divestiture negotiations caused by a significant deterioration in the international economic environment during the second half of the year.

The Group's overall indebtedness, which totaled 33.4 billion euros, compared with 33 billion euros at the end of 2000, provides coverage for the following items:

- about 4.1 billion euros in cash and cash equivalents (3.6 billion euros in 2000), including liquid assets held by the insurance companies, and
- financial receivables and leased assets related primarily to the financing of automotive sales (23.3 billion euros in loans at December 31, 2001, compared with 22.9 billion euros at the end of 2000). The increase shown by this item in recent years reflects not only the acquisition of Case Corporation, with its sales financing operations, but also expansion into this field by Fiat Auto and Iveco. This is consistent with the Group's strategy of growing its service businesses.



## OUTLOOK

The world economy appears to be on the way to regaining its balance in 2002. However, the recovery will only be gradual and will occur primarily during the second half of the year in the United States and Europe. The improvement in business conditions is not expected to be sufficient to yield an upturn in durable goods orders and investments.

This general climate will provide a backdrop for the different trends that will shape the various automotive markets. In Europe, demand for automobiles appears to have peaked after eight years of growth and record sales in the last three years. The commercial vehicles market, which expanded for seven consecutive years, also reached an all-time high. Sales of agricultural equipment remain generally weak, and demand for construction equipment is at the trough of its long-term cycle.

The combined impact of weak economic conditions and the cyclical nature of the principal markets of the Group entails a high degree of volatility and uncertainty as to the magnitude of the anticipated contraction of demand.

There is no doubt that 2002 will be another difficult year, particularly during the first half due to the impact of the slowdown that occurred late in 2001. Nevertheless, the Group remains firmly committed to generating higher operating income and, more importantly, achieving substantial debt reduction compared with 2001.

To reach the first objective, we must act more purposefully and incisively in implementing our strategies: We must achieve competitive leadership by leveraging the benefits produced by the industrial alliance with General Motors and complete the integration process that CNH is pursuing. We must redesign the Group's core processes, focusing the organization on increasing customer satisfaction and maximizing the professional skills of our employees. We must expand our presence in the more promising emerging markets. We must develop product-based and enterprise services. And we must continuously introduce innovation into our product lines.

In order to operate with greater agility and flexibility in a challenging environment, the Group is implementing decisive measures throughout its industrial organization, from the restructuring and streamlining of its manufacturing facilities to the reorganization of the entire Automobile Sector and the structural reduction of its inventories.

In the financial arena, we must focus all of our efforts on the absolute priorities of increasing the Group's ability to generate liquidity and cutting net debt in half by the end of 2002.

We are determined to achieve these goals and to help the Group regain the ability to fund its own growth, in view of the particularly conservative stance adopted by lenders and strategic buyers.

Against this background, we intend to augment the resources provided by the recent capital increase with proceeds generated by a new divestiture program, which will be of crucial importance in reducing the Group's debt.

An even greater contribution must be provided by the Group's regular operations and by an increased involvement of all employees in the effort to improve results and increase cash flow. With this in mind, we have upgraded our internal information systems, making available to all managers a series of operational and cash flow indicators that will allow them to measure, in a timely fashion, their contribution to improving the Group's cash flow.

In addition, in order to increase employee awareness of the importance of improving the Group's financial position and cash flow and to encourage their involvement in this area, we have launched a training program that, from its inception until September 2002, will be offered to more than 15,000 executives and professional employees, starting with those working at the Group's three main Sectors— Fiat Auto, CNH and Iveco. The program includes a series of workshops designed to promote the development of ideas and special projects.

This program is representative of a process that the Group has been pursuing for some time to transform and update its corporate culture. This strategy is based on the belief that it is only our employees, their professionalism and their sense of responsibility that can provide the irresistible drive to achieve excellence, which we all know the Group and every one of its businesses must attain quickly and with a measure of permanence.

Turin, March 27, 2002



Paolo Fresco

**Chairman**



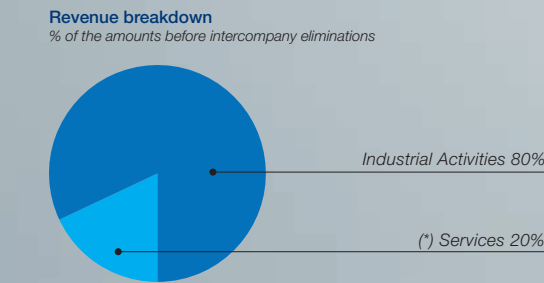
Paolo Cantarella

**Chief Executive Officer**

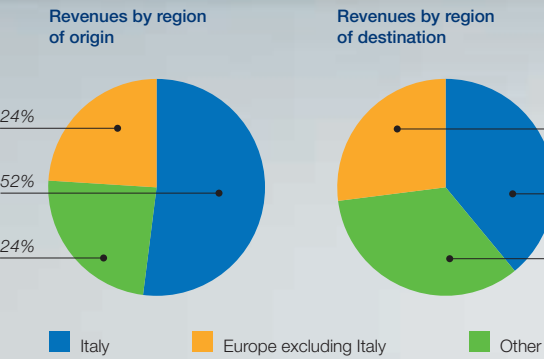
# The FIAT Group

Established in Turin in 1899, Fiat was one of the founders of the 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 the automotive field in an original way, expanding its mission to include the various areas of people and freight mobility: from cars to trucks, from marine engines to aircraft engines and, in more recent years, even space launchers. By drawing on valuable internally developed skills, the Group created, alongside its industrial operations, an increasingly important and varied array of service businesses, which in recent years have provided a growing contribution to its total revenues. These activities include financial and mobility services linked to automotive products, insurance, corporate services and, starting in 2001, electric power and natural gas distribution.



(\*) It includes the contribution of the service Sectors (Toro Assicurazioni, Itedi and Business Solutions) and the revenues generated by the service operations of certain Industrial Sectors, most notably the sales financing and maintenance services of FiatAvio and Comau.



Currently, the companies of the Fiat Group are organized into ten operating Sectors that manufacture automotive products and provide services to customers in more than 190 countries throughout the world.

### Automobiles

The Group's automobile operations are carried out primarily by **Fiat Auto Holdings B.V. and its subsidiaries**, which sell cars under the Fiat, Lancia and Alfa Romeo brands, and light commercial vehicles under the Fiat brand. Through Targasys, 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 luxury sports cars.

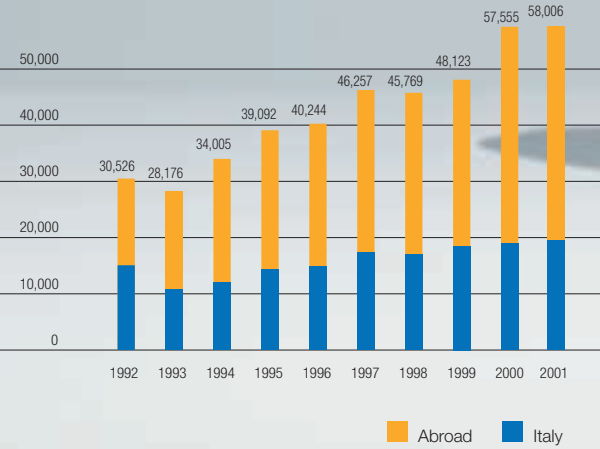
### Agricultural and Construction Equipment

The **Agricultural and Construction Equipment** Sector is headed by CNH Global N.V., a 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 IH, Flexi-Coil and Steyr brands. Its construction equipment products are sold under the Case, New Holland Construction, Fiat-Hitachi, O&K, FiatAllis and Kobelco brands. Under the CNH Capital, Case Credit and New Holland Credit brands, the Sector provides financial services to end customers and CNH dealers.

### Commercial Vehicles

The Sector designs, produces and sells a complete range of **commercial vehicles** under the Iveco, Iveco Pegaso, Iveco Ford and Seddon Atkinson brands, as well as busses under the Iveco and Irisbus brands, 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 with Fraikin. The Sector Parent Company is Iveco N.V.

**Sales trend of the last ten years**  
in millions of euros



### The Management

In the first row, from the left:  
**Damien Clermont**, Chief Financial Officer Fiat S.p.A.  
**Carlo Gatto**, President and Chief Executive Officer Business Solutions S.p.A.  
**Giancarlo Boschetti**, President and Chief Executive Officer Fiat Auto S.p.A.  
**Michel De Lambert**, President and Chief Executive Officer Iveco N.V.  
**Paolo Monferino**, President and Chief Executive Officer CNH Global N.V.  
**Paolo Cantarella**, Chief Executive Officer Fiat S.p.A.

In the second row, from the left:  
**Pier Luigi Fattori**, Corporate Senior Vice President Human Resources Fiat S.p.A.  
**Luca Cordero di Montezemolo**, Chairman and Chief Executive Officer Ferrari S.p.A.  
**Paolo Fresco**, Chairman Fiat S.p.A.  
**Maurizio Beretta**, Corporate Senior Vice President External Relations and Communication Fiat S.p.A.  
**Umberto Quadrino**, Executive Vice President Fiat S.p.A.

### Other Industrial Sectors

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

- Cast-iron and aluminum engine blocks and cylinder heads, other cast-iron components for engines, 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, lighting and electronics, as well as aftermarket.
- 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.

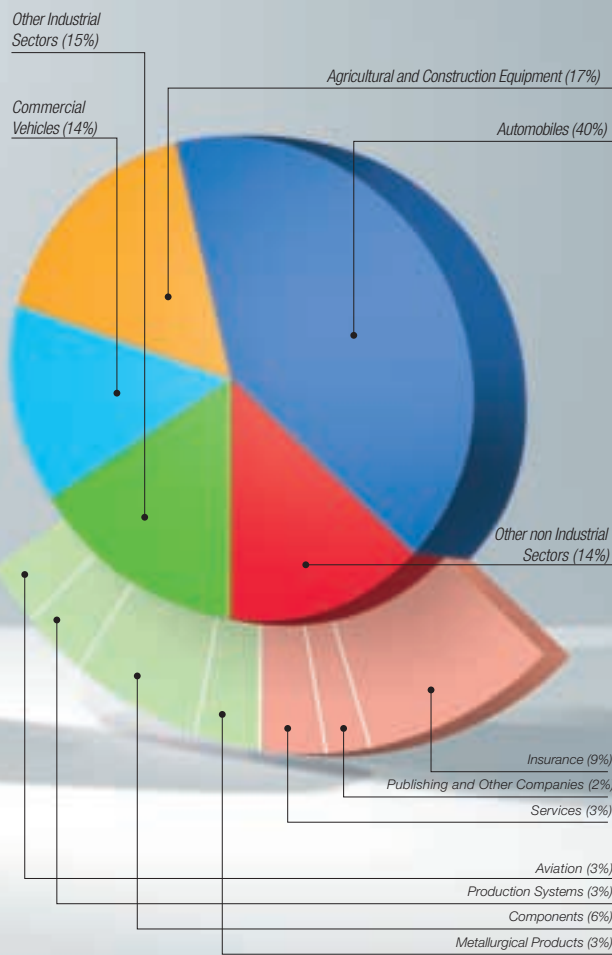
### Other non Industrial Sectors

**Publishing and Communications, Insurance** and **Services** 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, and sales of Toro Targa Assicurazioni insurance products by a joint venture with Fiat Auto that operates through the Fiat dealer network.
- Services concerning personnel management, temporary employment, engineering and facility management, administration and financial corporate consulting services, information and communication technology, purchasing and e-procurement.

### Revenues by Sector of Activity

(% of the amounts before intercompany eliminations)





## Highlights OF THE YEAR



The Fiat Stilo made its worldwide debut in September in Barcelona, Spain. Its two versions — three- and five-door — present significant differences in styling, performance and size. Both share a wealth of leading-edge electronic and online systems.



The CX New Holland combine harvester, which CNH Global introduced in 2001, received accolades throughout Europe. It has won awards at the most important international industry shows and has been extremely well received by customers. CNH Global made further progress in implementing its strategy of expansion in the top segment of the construction equipment market by forging an alliance with Kobe Steel and Kobelco Construction Machinery Co.

## Lloyd Italico

In April, Toro Assicurazioni completed the purchase of Lloyd Italico Assicurazioni and Lloyd Italico Vita, thereby expanding its national network to about 175 branches and opening up new growth opportunities for its life insurance operations.

Fiat, Edf, Tassara, Intesa BCI, Sanpaolo and Banca Roma created Italennergia. This company, of which Fiat is the largest stockholder, launched two successful tender offers for Montedison and Edison. The purpose of these transactions was to play a leading role in the energy market, which is currently being deregulated and is

expected to show sustained growth during the years to come. The merger of the electric power and natural gas operations of Edison, Sondel and Fiat Energia into a single company and the divestiture of Montedison's non-energy assets, coupled with the pursuit of additional growth through acquisitions and capital expenditures, will further strengthen Italennergia's position (through its new Edison subsidiary) as the leading private-sector energy producer in Italy.



At times, staying on top can be harder than getting there. That's why Ferrari's Chairman, Luca Cordero di Montezemolo, used his proven leadership skills to motivate the Ferrari racing team to surpass

the triumphs achieved in 2000. Jean Todt, Schumacher, Barrichello and the entire Ferrari racing organization responded to his encouragement by repeating the twin successes of the previous year. By August 2001, a full four races before the end of the season, they had already won both the World Constructors' Championship and the World Drivers' Championship.

Fiat and IBM created Global Value, a 50-50 joint venture that will operate in the market for information technology services. Global Value will allow the two partners to exploit the considerable expertise they have acquired during their 50-year collaboration in developing information technology systems for manufacturing applications. Global Value provides IT services to Fiat Group companies and Italian customers outside the Group, presently representing 30% of its revenues. It will pursue the goal of helping the Group's operations throughout the world to quickly increase their effectiveness and efficiency and, over the medium term, of broadening its activities in the non-captive Italian market, with a target set at 50% of its revenues.

# Global Value<sup>7</sup>

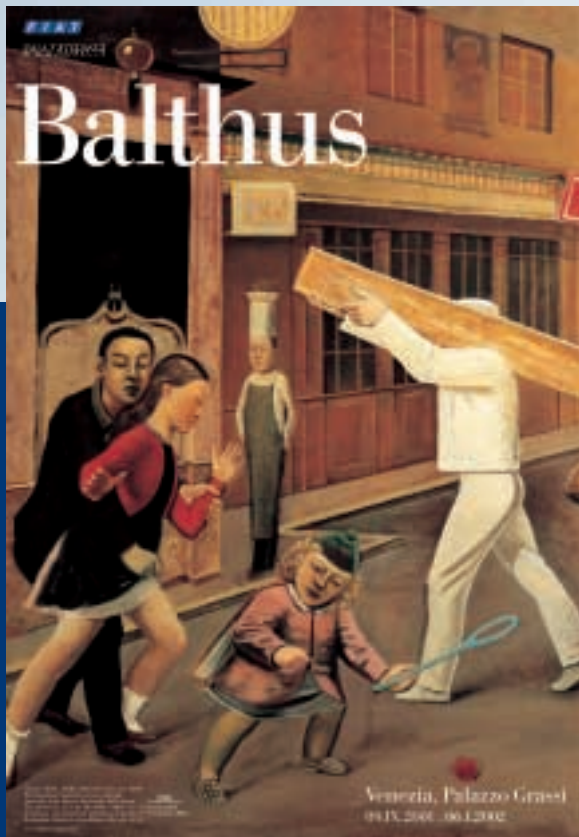
An IBM and FIAT Company

CONNECT, the most sophisticated tool integrating information and online technologies that exists today, is already available in many Fiat Auto cars and will gradually be installed in all new models produced by the Group. CONNECT provides access to a vast array of functions and services. The latter are packaged and distributed by Targasys in cooperation with prestigious international partners.



The agreement transferring full ownership of Irisbus to Iveco was signed in October. Irisbus was created in 1999 by Iveco and Renault of France as a 50-50 joint venture to which the two partners contributed their urban and long-distance bus manufacturing operations. The transfer, which will occur in two stages, will be completed on December 31, 2002. With 9,500 vehicles sold in 2001, Irisbus confirmed its position as the leader in Italy, France and Spain and the second largest producer in all other major European markets.





*Fiat's commitment to supporting science and the arts continued undiminished in 2001. Since 1986, Palazzo Grassi, a Group company, has organized 21 shows, which were attended by over six million visitors.*

*After mounting the successful show on the civilization and*

*culture of the Etruscans, which attracted about 370,000 visitors before closing in July 2001, Palazzo Grassi organized the largest show ever of the works of Balthus, one of the leading artists of the Twentieth Century.*

*One hundred fifty thousand visitors came to admire 200 works from 90 museums and private collections in Europe, the United States and Mexico. The works were displayed in 4,000 square meters of gallery space.*

10) Another important cultural and scientific project supported by the Group is the automotive engineering degree program created in 1999 by an agreement between Fiat and the Turin Politecnico University. With an enrollment of 300 students in the 2001/2002 school year, it has become an important and innovative force in the Italian academic community.

This program, which is unique in Europe, has a dropout rate that is virtually nil. Its goal is to train a new breed of engineers whose technical education is closely integrated with the teaching of sophisticated skills in the fields of management, organization, environmental studies, ergonomics and marketing.

Architect Renzo Piano has designed a new home for this degree program and the renovation work got under way at the Lingotto complex in 2001. The new facility will include an auditorium, classrooms, study halls and conference rooms.



# Fiat and ITS STOCKHOLDERS

## Financial Communications

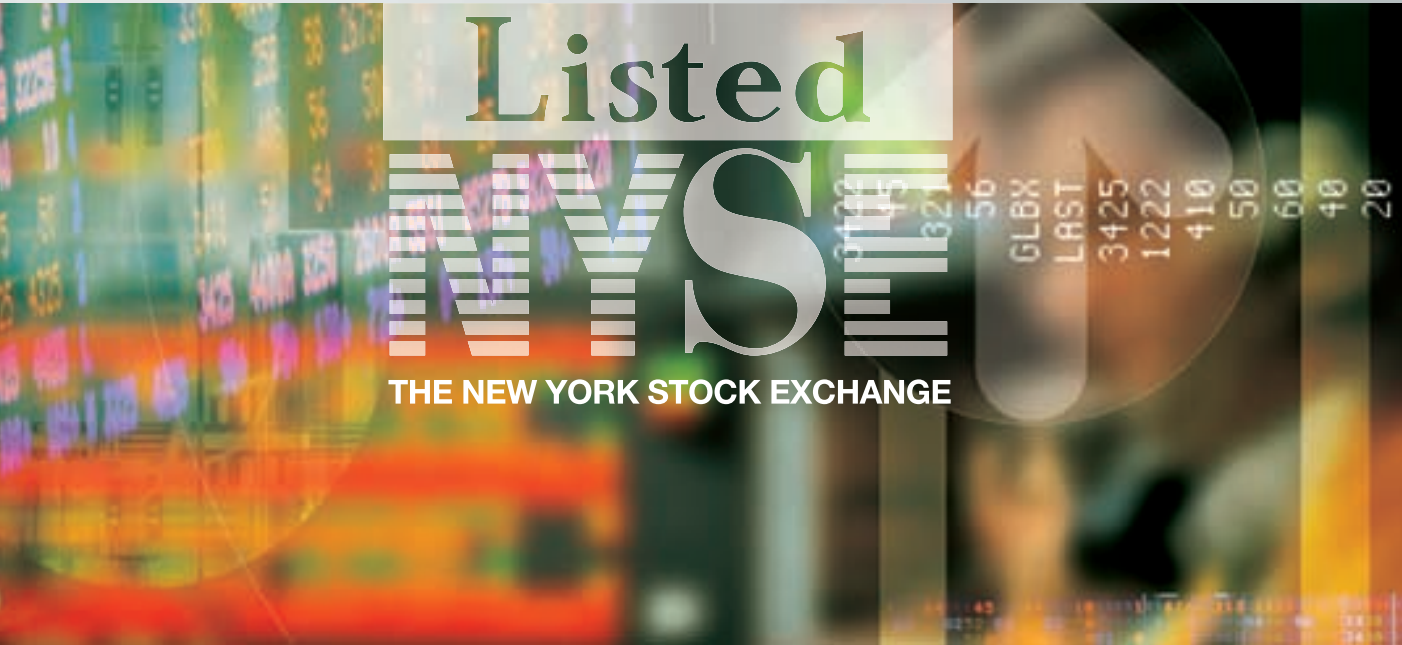
The Group pursues a policy of open communication with individual and institutional investors. In the course of the year, its investor relations program offers presentations, live or through conference call, after the regular publication of Group results or other events requiring direct communications with the market. In addition, the program includes several seminars, which furnish a more in-depth understanding of the operating performance and strategies of the principal Group Sectors, and numerous meetings and roadshows, which permit more direct contact between the financial community and the Group's top management.

### Highlights per share

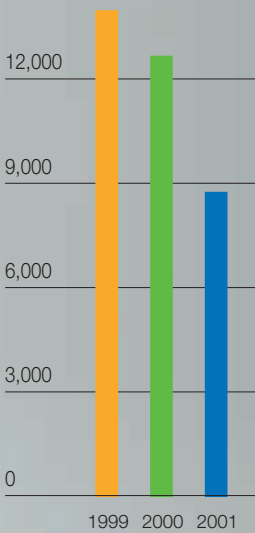
(in euros)	1999	2000	2001
Cash flow per share	5.234	6.622	<b>3.856</b>
Earnings per share	0.618	1.186	<b>(0.841)</b>
Dividend per share (*)			
ordinary and preference shares	0.620	0.620	<b>0.310</b>
savings shares	0.775	0.775	<b>0.465</b>

Stockholders' equity per share at 12.31	23.464	24.321	<b>22.462</b>
Official price per share	12.30.99	12.29.00	<b>12.28.01</b>
ordinary shares	30.090	26.340	<b>17.921</b>
preference shares	14.606	17.606	<b>12.267</b>
savings shares	14.653	15.149	<b>11.459</b>

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



### Stock market capitalization at year end (in millions of euros)



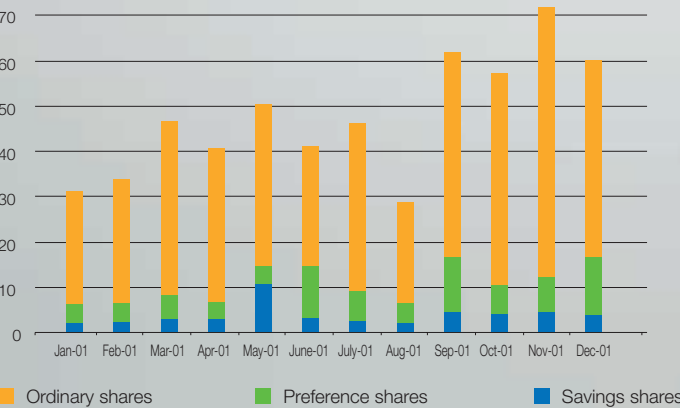
### For holders of Fiat shares:

Toll-free telephone number in Italy: **800-804027**  
Website: **www.fiatgroup.com**  
E-mail addresses: **investor.relations@geva.fiatgroup.com**  
**servizio.titoli@fiatgroup.com**

### For holders of ADRs:

Toll-free telephone number in the United States or Canada: **1-800-997-8970**  
Website: **www.adr.com**

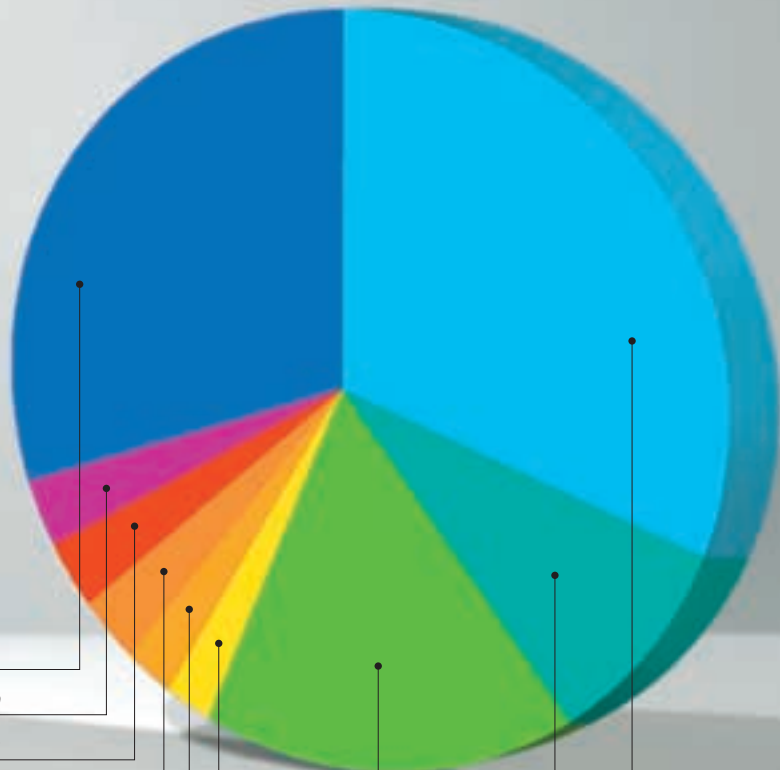
### Average monthly trading volume (in millions of shares)



### Stockholder base at December 31, 2001

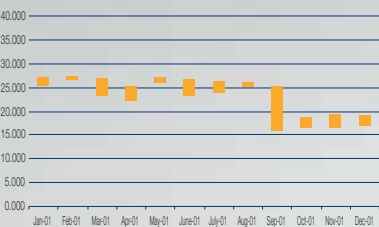
<b>Ordinary shares</b>	<b>367,399,890</b>
IFI-IFIL	30.6%
Generali Group	3.2%
San Paolo Group	3.2%
Mediobanca	3.2%
Deutsche Bank Group	2.5%
International institutional investors	16.8%
Italian institutional investors	8.9%
Other stockholders	31.6%
<b>Preference shares</b>	<b>103,292,310</b>
IFI-IFIL	29.2%
International institutional investors	10.1%
Italian institutional investors	11.5%
Other stockholders	49.2%
<b>Savings shares</b>	<b>79,912,800</b>
International institutional investors	6.6%
Italian institutional investors	10.7%
Other stockholders	82.7%

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

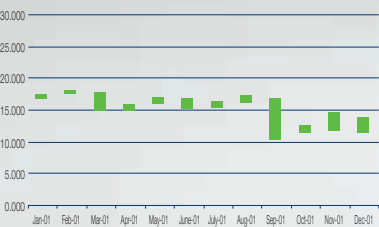


### Maximum and minimum monthly price (in euros)

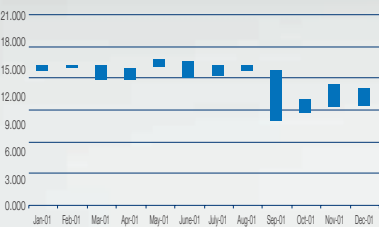
#### Fiat ordinary shares



#### Fiat preference shares



#### Fiat savings shares



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 SEAG.

# Fiat and ITS PEOPLE

## HUMAN RESOURCES AND ORGANIZATIONAL DEVELOPMENT

At December 31, 2001, the Group had 198,764 employees, compared with 223,953 at the end of 2000.

The Group hired 20,400 new employees in 2001 — 6,700 in Italy and 13,700 in other countries. A total of 28,189 employees (9,600 in Italy and 18,600 in other countries) left the Company. Business acquisitions, divestitures and, more importantly, transfers to the several 50-50 joint ventures (Fiat-GM Powertrain, GM-Fiat Worldwide Purchasing and Global Value) resulted in a net decrease of about 15,500 employees.

<b>Number of employees at 12/31/00</b>	<b>223,953</b>
Additions	20,400
Reductions	(28,189)
Outsourcing	(1,900)
Changes in the scope of consolidation	(15,500)
<b>Number of employees at 12/31/01</b>	<b>198,764</b>

### *“... evolution of the organizational structure...”*

The global expansion of the Group's operations has produced a shift in the geographical distribution of its staff. The number of employees working outside Italy has increased steadily and now amounts to 52% of the total workforce. The growth of the services companies, which by their very nature are less cyclical than manufacturing businesses, is consistent with the Group's strategic objectives, particularly as they apply to Business Solutions.

Major developments that occurred in this area include the creation of Global Value, a 50-50 joint venture of Business Solutions and IBM Italia that provides high value-added information technology services to corporate customers. Business Solutions transferred its ITS and GSA subsidiaries to the new joint venture.

The transfer of Fiat Auto's engine and gearbox businesses to Fiat-GM Powertrain (a 50-50 joint venture) and of the purchasing operations to GM-Fiat Worldwide Purchasing, as stipulated in the industrial alliance reached with General Motors, involved about 13,000 employees.

In December 2001, the Board of Directors approved important measures that will expand and speed up the Group's restructuring programs. These new measures, which are being implemented in 2002, apply also to Fiat Auto and its organization. The approved reorganization guidelines call for the establishment of four Business Units, each with full operating responsibility and are designed to help the Automobile Sector undergo a paradigm shift as it seeks to solve its profitability problems.

### *“... business process reengineering: the Program Next ...”*

The process reengineering effort that got under way in 2000 has been subsumed into the Program Next that promotes the redesign of internal processes of all Group Sectors. The objectives of this Program include an improvement in process performance to make operations more efficient, enhance the quality of products and services and increase customer satisfaction, while at the same time reducing process costs. As of December 31, 2001, the total cost of the processes being reviewed by the Sectors amounted to over 17 billion euros. The reengineering work already under way affects 125 processes with an aggregate cost of more than 8 billion euros. The more than 800 people who are working on this project have been provided with specially designed training and methodology assistance. When fully implemented, the Program Next is expected to reach very ambitious objectives: a reduction of 1.5 billion euros in process costs by 2004 and a significant improvement of process effectiveness.

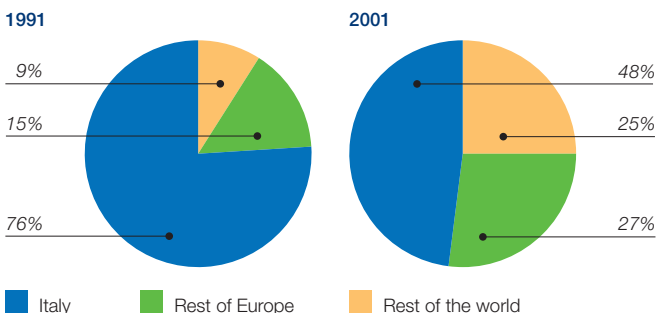
## ENHANCING THE VALUE OF HUMAN RESOURCES

The people who work at the Fiat Group are a Company asset, and enhancing their value is an obligation of fundamental importance. The numerous programs and initiatives that the Group launched in this area in recent years continued in 2001 and, whenever necessary, were strengthened and made more consistent with the needs of its businesses.

### *“... enhancing competencies ...”*

The implementation of **Project Professional**, a program specifically designed to increase personal and collective competencies that enhance the Group's competitiveness, continued. Work carried out in 2001 included assessing the competencies of more than 20,000 professionals — one-third outside Italy — using as a frame of reference a competencies map that had been improved and updated to take into account changes in the Group's businesses and in specific professional

### Employees by geographical region





*Team Ferrari: a paradigm of winning organization.*

fields. The assessment process is a source of information for the development of carefully targeted training programs and other activities that can help expand existing competencies and of guidelines for the establishment of compensation policies and development and career tracks.

In keeping with its specific mission, **Fiat Gra.De**, continued to devote special attention to the recruitment of college graduates (mostly engineers). The Group offers these employees a career track that includes experience in different Sectors and countries, with the goal of developing management resources that possess highly developed international and cross-functional skills. Out of a total of about 1,200 recent graduates hired in 2001, 120 were enrolled in the Fiat Gra.De program.

#### *“... leadership in the management of human resources ...”*

In order to help employees achieve the Group's objectives, managers are being asked to employ behaviors that by encouraging the sharing of knowledge, increasing employee motivation and empowerment and enhancing their professional skills are emblematic of the notion of leadership, as it is defined within the Fiat Group. Work done in this area in 2001 included the intensified use of a program designed to assess the **leadership** skills of the Group's current and future managers. The tools used — assessment center and audits conducted together with subordinates, colleagues and the direct supervisor of the person being assessed — contributed to increasing

awareness of the leadership principles and encouraged the adoption of improvement programs.

The use of a management review process to measure performance and growth potential resulted in a significant overhaul of the Group's management resources and in the identification of a large number of people with high potential, who were enrolled in professional development programs.

#### *“... people satisfaction ...”*

This survey is designed to assess the level of job satisfaction, which is a key factor in ensuring that employees share the Group's objectives. In 2001, the survey polled 40,000 professional and white-collar employees worldwide. The findings were positive and showed an improvement over the previous survey. They also confirmed that Fiat's Values and Policies are increasingly shaping the Group's everyday operations and provided a basis for improvements, which management is committed to put into place in 2002.

### **LABOR COSTS AND INDUSTRIAL RELATIONS**

#### *“... the Result Bonus for 2001 ...”*

As required under the Group Agreement of March 18, 1996, the amount of the Results Bonus payable in 2001 was computed in June. The Bonus, which applies to Italian metalworking



employees of the Fiat Group, is determined on the basis of indicators that measure the Group's operating performance and the progress made by the Sectors in improving quality. Even though the Group Agreement had formally expired at the end of 1999, the Company and the unions agreed that the Bonus would be paid under the existing terms to shield employees from the wage losses that would have resulted from the lack of a contract. At 1,383 euros (before withholding) per person, the average annual bonus was slightly higher than in 2000, thanks to an improvement in the quality indicators.

#### *"... labor cost trends ..."*

In Italy, average labor costs increased by 2.5% in 2001, roughly in line with the inflation rate for the same period. In the other countries where it operates, Fiat was able to keep compensation levels consistent with cost-of-living increases and introduced variable bonus systems similar to the Results Bonus. In 2001, the performance-based variable compensation system used for Group professionals resulted in payments that were slightly less than in the previous year.

#### *"... collective bargaining ..."*

In **Italy**, employers and the unions representing metalworking employees agreed to renew the compensation package portion of a two-year Industry-wide Labor Agreement that expired on December 31, 2000. On July 3, 2001, after four months of negotiations, the employers association (Federnmeccanica) and most of the unions (FIM-CISL, UILM-UIL, FISMIC and UGL) signed the new agreement. One union (FIOM-CGIL) chose not to join in the agreement.

When fully implemented, the new contract will produce a monthly wage increase (before withholding) which in the case of fifth-level employees consists of a two-step increase of 67.14 euros, 36.15

euros payable as of July 1, 2001 and 30.99 euros as of March 1, 2002. In addition, in order to make up for the gap between the old and new contract, the employers agreed to a lump-sum payment of 232.41 euros, also distributed in two installments: 154.94 euros in July 2001 and 77.47 euros in July 2002. This contract, which applies to about 90,000 employees of the Group's Italian metalworking companies, is expected to increase labor costs by about 4% over the two years.

At the Company level, the Group Agreement, which expired at the end of 1999, has not yet been renewed, even though negotiations started in September 2000. This agreement, which supplements the national industry-wide agreement, applies to the major metalworking companies of the Group. Despite the efforts of the Ministry of Labor, negotiations were interrupted on March 31, 2001, when the unions, finding the offers put forth by the Company to be unsatisfactory, requested a suspension.

Collective bargaining negotiations **outside Italy** resulted in the renewal of the agreement with the Brazilian metalworking unions. It was reached through local agreements which call for inflation adjustments computed as percentages of the wages paid for the different employee levels.

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

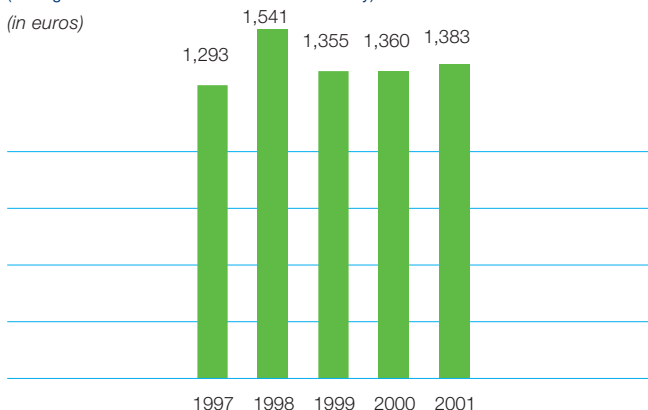
At the European level, on June 8, 2001, the Company signed an agreement with the European Metalworkers Federation, acting in the name and on behalf of local member unions, and with the Italian unions, renewing, until December 31, 2005, the agreement that established the Fiat Group European Works Council. This agreement increases the members of the Council and reallocates the Council seats assigned to each country. It also provides an additional seat for middle managers and sets forth more effective rules for the operation of the Restricted Committee. On November 5 and 6, 2001, the Fiat Group European Works Council held its annual meeting in Turin under the new rules.

#### *"... restructuring programs ..."*

At the Sector level in **Italy**, the Group developed restructuring programs that primarily concern the Automobile Sector (agreement providing pre-retirement or long-term layoff benefits to 719 employees), the Production Systems Sector (580 employees) and the Metallurgical Products Sector (285 employees).

On June 22, 2001, the unions were informed of a plan to reposition some of the manufacturing activities currently located at facilities in the Turin metropolitan area. Under the

**Trend in results bonus payments**  
(average for white collars and blue collars in Italy)  
(in euros)





plan, a FiatAvio plant will be transferred from the Lingotto compound to Rivalta. At the same time, Fiat Auto will move its facilities in Rivalta to Mirafiori. These changes are also being made in response to the City of Turin's desire to use the via Nizza facilities to expand the Lingotto convention space and accommodate activities and infrastructures associated with the 2006 Winter Olympics.

In addition, the Group took action to address the issue of reduced production. The measures adopted focused primarily on reducing the number of short-term employment contracts (temporary employment, fixed-term contracts, etc.) and included temporary production stoppages. In 2001, production interruptions at Fiat Auto resulted in the use of the Government's Layoffs Benefits Fund for a number of work hours equivalent to more than 2,000 employees.

Among the Fiat Group companies operating **outside Italy**, CNH continued to streamline its manufacturing organization in France (completion of the social plan to downsize Cr py and sale of the St. Dizier facility), the United Kingdom (sale of the Doncaster and the Carr Hill plant) and Germany (social plan to downsize the Neustadt factory).

Also in France, the lengthy negotiations associated with the downsizing of Magneti Marelli's plant in Amiens were completed toward the end of the year.

In Poland, where automotive demand remained weak, the staff was reduced by about 1,000 employees using a procedure agreed upon with the local unions.

## PROFESSIONAL DEVELOPMENT AND CULTURE

The Group views the professional development of its employees as a vital tool in implementing corporate strategies designed to facilitate the acquisition of competencies, support the integration of new businesses, promote innovation, and foster changes in corporate culture and work processes.

### *"... professional development ..."*

In 2001, the Group invested a total of 144 million euros, or 2.5% of total payroll, in professional development programs designed to support the operations of its companies throughout the world.

In particular, a major investment was made in competency-enhancing programs, which were offered to 85% of the Group's professionals, for a total of 6.6 training days per person.

Isvor Fiat, which also operates through Isvor Dealernet, Isvor Knowledge System and companies in India and North America, continued to be the main provider of professional development services. Overall, Isvor conducted more than 20,000 conventional

training programs, for a total of 570,330 participant days. In addition, it offered distance and open learning development courses to more than 25,000 users and provided professional support and consulting services totaling 2,000 man days.

**Isvor Fiat S.p.A.** continued to function as a corporate university, offering training and development programs and providing consulting and support services in connection with major Group projects.

**Isvor Dealernet S.r.l.** strengthened its role as a center of excellence for sales networks and marketing organizations.

**Isvor Knowledge System S.p.A.** consolidated its position as a provider of training and consulting services to private industry and public agencies.

Large investments and important programs were devoted to introducing **e-learning** tools based on specially designed platforms, developing Web-based training products and further expanding the learning-point network to several Group Sectors.

**Project Apprentice**, a training program for technical and shop employees launched in 2000 to help unemployed young people and secondary-school graduates, continued in 2001 with the addition of new professional skills.

Isvor also expanded its international presence, entering into agreements and alliances with other, highly respected institutions. The level of excellence achieved is demonstrated by the awards received. Most notably, Isvor Fiat was the first training and development organization in Italy to be granted certification under the standards of ISO 9001 Edition 2000.

### *"... grants and scholarships ..."*

The Fiat Grants and Scholarships Program, which is reserved for the children of Group employees both in Italy and abroad, is continuing with considerable success. This program was established in 1996 and was funded with the fees waived by Directors of Fiat S.p.A.

In 2001, grants and scholarships were awarded directly by Group Sectors and companies. This new approach is designed to give local managers greater involvement in programs concerning their employees, without deviating from the guidelines used in the past to select the most worthy young people.

Grants and scholarships	
	2001
Number of grants and scholarships awarded	841
Italy	290
Other countries (*)	551
Total funds disbursed (in thousands of euros)	2,090

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

# Fiat for THE ENVIRONMENT

Fiat developed its environmental commitment over a number of years as it applied its Environmental Policies to continuously improve its technologies, manufacturing processes and products, as well as to address broader issues affecting the public at large in such areas as personal mobility, freight transport and student awareness of environmental and highway safety issues.

In 2001, the continued pursuit of ecoefficiency produced further savings in the use of energy, natural resources and materials.

The issue of sustainable mobility received special attention. The goal is to develop technologies and systems that are increasingly compatible with the need to protect the quality of people's lives and the environment.

In this area, the Group intensified its interaction with public agencies, with the goal of reducing pollution in urban areas.

The achievements of the Fiat Group and the most important programs it carried out in 2001 are described in detail in its tenth Environmental Report.

The most noteworthy technological improvements to manufacturing processes and products include:

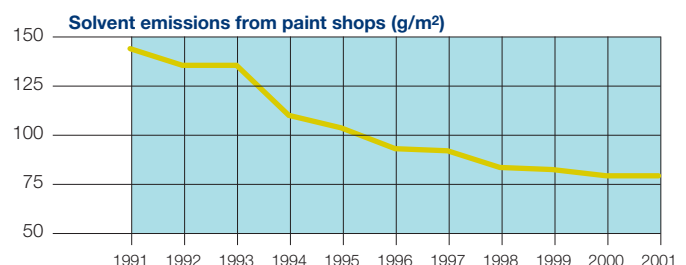
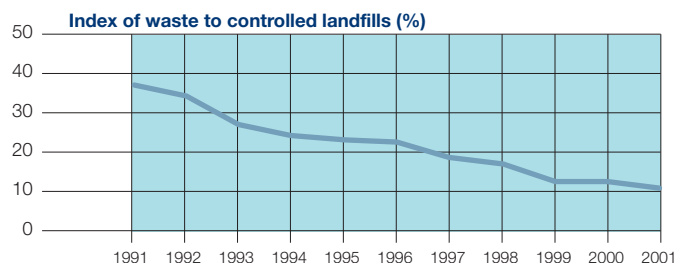
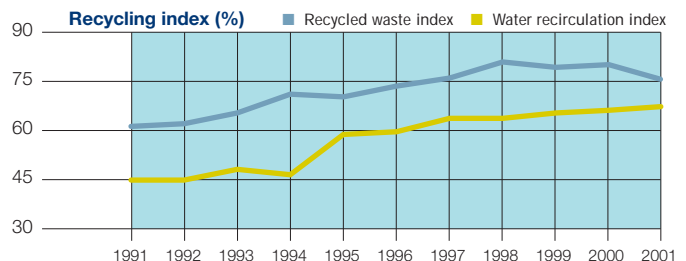
- Reduction by 12% (compared with 1995) in the average emissions of carbon dioxide (CO<sub>2</sub>) produced by Fiat Auto's model lines in 2001.
- Upgrading of a portion of the gasoline-fueled cars sold by Fiat Auto (Fiat Stilo) to make them comply with Euro 4 emissions standards four years ahead of the deadline in the applicable European Directive.
- Development of a hybrid methane-powered Multipla with reduced fuel consumption and emissions.
- Beginning of deliveries under a contract with the City of Turin to supply 150 methane-powered busses.
- Presentation of the hydrogen-powered Elettra H<sub>2</sub> Fuel Cell prototype.
- Continued testing of an Irisbus hydrogen-powered bus in cooperation with ATM, Turin Transit Authority.
- Development by Iveco of:
  - The EuroPolis, a hybrid urban bus that uses an on-board stationary diesel generator to produce electric power.
  - The Cavis, an innovative urban transport system that, contrary to conventional trams, can operate linked to or independently from the city's electric grid.
- Further developmental work on diesel engines with a lower environmental impact for Iveco's lines of heavy, medium and light commercial vehicles.

The unrelenting quest for solutions and products that are increasingly compatible with the environment has led to the development of new environmentally friendly design (Green Design) and life cycle assessment (LCA) techniques. Additional progress in the area of environmental management led to an increase in ISO 14001 certified facilities, which now number 41. These include Ferrari in Maranello, which received certification for both its manufacturing and cart racing operations.

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

	1991	2001
Water recirculation index	44.6%	67.5%
Recycled waste	61.0%	75.4%
Waste to controlled landfills	37.0%	10.7%
Solvent emissions from paint shops	144.0 g/m <sup>2</sup>	77.7 g/m <sup>2</sup>

**Overview of the main environmental achievements of the Fiat Group's Italian industrial facilities from 1991 to 2001**





Hybrid methane-powered Fiat Multipla.

Important developments involving projects carried out in cooperation with public institutions include:

- The signing of a Program Agreement with the Italian Ministry of the Environment and the petroleum industry association concerning the launch of a plan to increase the use of methane gas as a fuel for motor vehicles in major Italian urban areas.
- Support for the Car Sharing Project in the City of Turin through the purchase of a 33% interest in the respective engineering and management company. Car Sharing is an alternative form of public transportation that allows members to share a common fleet of vehicles.
- In Naples, the opening of the second park-and-drive facility built under the ATENA Project, which is being carried out to

test the effectiveness of online systems to monitor and regulate the traffic flows of public and private vehicles and the benefits of vehicles with alternative drive systems.

Fiat continued to devote significant resources to projects that can help meet the needs of the disabled. With this in mind, it continued to expand the Autonomy Project throughout Europe, which was launched in Italy in 1995 and now involves Fiat Auto, Iveco, CNH, Magneti Marelli, the Fiat Research Center and Toro Assicurazioni.

With its Fiat and Young People programs, the Group increased its efforts to improve student awareness of environmental and highway safety issues. It provided courses for over 213,000 classes and more than nine million students in Italy, and over 13 million students in Brazil.

# Fiat and **TECHNOLOGICAL INNOVATION**

The ability to innovate enables Fiat to increase the competitive advantage of its Sectors because it helps them create value, by cutting the time and cost required to develop and manufacture their products, and enhancing their performance. Innovation is the logical result of research. Consequently, the work carried out by the Fiat Research Center (FRC) and Elasis occupies an important place in the Group's strategies and development plans.

Consistent with its mission "to increase the Sectors' competitiveness with innovation at competitive prices," the FRC uses leading-edge technologies and methods to conduct research capable of having a major impact on the Sectors' products and processes. The Center's activity focuses on projects that can support and stimulate the Sectors' own research and internal development.

Elasis has become a reference point for researchers throughout Southern Italy. The main thrust of its research and development programs is on new automotive products, and its goal is to speed the transfer of its innovations to the Group's Sectors and help them develop effective responses to changing environmental and social issues.

Overall, more than 13,800 people at 131 centers in Italy and abroad worked on the Group's research and development projects in 2001. Total expenditures came to 1,817 million euros, equivalent to 3.5% of manufacturing revenues.

## **Fiat Research Center**

With its wealth of sophisticated equipment, its staff of about 950 employees and an external network of over 200 universities and Italian and international research institutions, the FRC is the largest private-sector research organization in Italy. In 2001, the FRC transferred 120 new products and processes and 140 new methodologies to Group Sectors. In addition, it enlarged its consulting activities, transferring technology to Group suppliers and other small and medium-size businesses. As a result, its presence in the consulting field grew considerably compared to the previous year.

In its continuing pursuit of a strategy of internationalization, the FRC has participated in a significant number of programs sponsored by the European Union in recent years. In 2001, the FRC was awarded 49 new projects that, when added to those already in progress, make it the leading developer of research initiatives under the Fifth Research Framework Program both in terms of the quality and the number of projects approved, which now total 166.

In Italy, the FRC submitted new financing applications for 29 projects in 2001. These projects have a total cost of more than 85 million euros over the next three years. It also filed 91 new patent applications in Italy.

The major achievements of 2001 are reviewed below:

### ■ **"Minimum Hybrid" Methane-Powered Multipla**

This car uses two of the most promising technologies to reduce fuel consumption and harmful emissions.

A methane-powered, multiple-point, fuel-injected engine runs in conjunction with an electric power generator and a robotized gearbox.

The system, built with the support of the Ministry of the Environment, delivers exceptional fuel savings and reduces emissions to levels that are ten years ahead of the current standards.

### ■ **Fuel Cell Vehicles**

The hybrid fuel-cell bus, built with the sponsorship of the Ministry of the Environment, was developed jointly by Irisbus, the Turin Transit Authority (or ATM, its Italian acronym), and the City of Turin. The FRC built the onboard energy control and management system as well as the onboard information system. A prototype of the fuel cell-powered Seicento Elettra, the first Italian car to run on hydrogen, received the 2001 "environmentally friendly innovation" award from Lega Ambiente, an Italian environmental group.

### ■ **Intellibus**

This is a modern online information system that manages fleets of vehicles. It collects and manages data remotely by



*Fiat Research Center in Orbassano.*



means of control stations, and then uses special algorithms to make diagnoses based on the data. This analysis helps reduce maintenance costs, improve the quality of service and control operating costs.

#### ■ Thesis Split Frame

This demonstration prototype, based on the Lancia Thesis, was built using construction techniques aimed at reducing process costs. The frame consists of two separate structures elastically connected to each other: a lower, adjustable, modular structure and an upper “body” of the “space frame” type.

The proposed solution offers a great deal of freedom from the point of view of style and design, while reducing internal noise and vibrations and maintaining high levels of safety.

#### ■ Motor with Electronically Controlled Valves

This motor, which was built in collaboration with Magneti Marelli as part of an EC project, received an award for best innovation in vehicles from the EUCAR (European Council for Automotive R&D). The primary benefit of this innovation is a reduction, by as much as 15%, in fuel consumption and carbon dioxide emissions.



### Elasis

With 992 employees, Elasis has become an important technical and scientific organization that supports the innovation efforts of the Fiat Group's manufacturing units.

In response to the growing use of information and communication technologies in developing mobility solutions (shorter travel times and increased safety) for the next generation of vehicles, Elasis has established a new research hub staffed with specialists in the fields of communication, onboard data collection and management, and infomobility systems. The mission of this new organization is to provide effective methodological and operational support to the process of incorporating these systems in new vehicles.

Elasis is determined to strengthen its links with the scientific and academic community to encourage research in areas that are of concrete interest for industry. With this in mind and drawing on the positive experience it had when working with the Federico II University of Naples through the PRODE Consortium, it joined the Roma Tor Vergata University to create the SCIRE Consortium, which will conduct research on computational flowdynamics applied to engines, vehicles aerodynamics, engine compartment cooling and passenger compartment climate control.

The most significant achievements of 2001 are reviewed below:

- A vehicle-mounted demonstration prototype of a 1370-cc motor that, thanks to important innovations, achieves a substantial reduction in fuel consumption. This project will make it possible to complete the FIRE line with an engine that has such special features as reduced fuel consumption and emissions, reduced operating costs and ease of maintenance.
- In collaboration with Fiat-GM Powertrain, development of a new, compact 6-speed transmission with a high range of usable torque (160-280 Nm) that can be installed in cars belonging to at least three different segments (B, C and D).
- A demonstration prototype of an innovative cooling system that uses an electronically controlled water pump to reduce fuel consumption, while at the same time reducing warm-up time and improving interior climate control.

In 2001, Elasis, working with the City of Naples, completed the ATENA Project, which involved the testing of a fleet of vehicle prototypes with low environmental impact (electric, methane-powered, bifuel and hybrid cars) and the construction of an online system to manage and control urban traffic in Naples. Elasis also did more work on behalf of government agencies by participating in research and development projects designed to improve highway safety, such as the one in partnership with the Province of Milan.

# Fiat and ITS CUSTOMERS

The Fiat Group has always included customer satisfaction and customer care among its core values.

In recent years, several Sectors have launched training programs specifically designed for their sales and customer care networks. The goal was to bring about a radical change in the corporate culture and make customer satisfaction the focus of attention of the entire organization. Over the years, the Sectors have developed a wide range of mobility services designed to meet every possible customer need when problems arise with a vehicle.

For a number of years, customer satisfaction has been included among the criteria used to assess management and determine their incentives at the Group level. A series of special indicators and surveys enable Fiat to monitor customer satisfaction on an ongoing basis and assess the extent to which the Group's products and services meet customer needs. The Sector's growing commitment in this area is demonstrated by the continuous improvement shown by these indicators (Customer Satisfaction Indexes), which are also used as parameters for a management incentive system (MBO).

Some of the most significant projects carried out by Fiat Auto, CNH Global and Iveco to improve customer satisfaction are reviewed below.

## *"...Fiat Auto's Targa Connect Service..."*

In April 2001, Fiat Auto introduced its Targa Connect Service in all of its European markets. This multimedia, interactive infomobility service uses an innovative approach and, thanks to an agreement with TIM, an Italian mobile communications company, is accessible through any GSM mobile handset, opening a new frontier in user technology.

Targa Connect offers customers throughout Europe a cutting-edge infomobility platform that embodies the most sophisticated levels of service, customer care and technology.

With Targa Connect, automobiles become a communications channel, an open, dynamic and interactive system that can receive and send data and information. By simply pressing a button on the dashboard, motorists can reach the Arese Contact Center, where operators speaking 14 languages are available 24 hours a day, 365 days a year. With Targa Connect, customers can always count on reaching someone who is ready to provide them with assistance and meet all of their needs. Traffic information, driving directions, roadside assistance, information services, medical assistance and vehicle commerce are just a few of the services available through Targa Connect.

This remarkable achievement in the automotive and satellite communications fields was honored in September 2001 at the

Frankfurt Motor Show with the prestigious Automotive Award in the e-communications category.

## *"...Customer Satisfaction & Loyalty at CNH Global..."*

In spite of significant internal and external challenges in 2001, CNH's level of customer satisfaction continued to rise, with a 1.1% improvement worldwide. And, more importantly, customer loyalty to CNH products, brands, and dealerships improved by 3.2% during the same period.

CNH recognizes that the Dealership is the primary point of contact between CNH and the Customer, and that dealers play a significant role in satisfying customers and keeping them loyal.

Its aggressive global Dealer Standards Program ensures that CNH's dealer network is the strongest in the industry. A Dealership's own customers, through the Customer Satisfaction & Loyalty survey process, determine 15 to 20% of the total points that a Dealership can earn under the program.

To assist the Dealerships in providing world-class customer support, CNH has introduced aftersales programs that benefit both the Dealer and the Customer:

- A new product delivery process has been developed to ensure that every new machine is delivered to the Customer in top condition with no defects, and that every Customer is fully informed on the operation and care of the machine prior to use.
- Dealer technicians will have access to a comprehensive, web-based, technical information database, as well as a knowledge-based analytical tool called ASIST that will aid them in quickly identifying solutions to machine problems and reducing customer repair cycle times.
- A robust Current Product Management (CPM) process links the central service support, engineering and manufacturing organizations together to ensure that even the most complex customer concerns are resolved quickly and to the customer's complete satisfaction.

CNH has also established Customer Response Centers in North America and Europe to provide a single point of contact for customers wishing to contact CNH directly. These multi-media contact centers receive inquiries from customers via telephone calls, the Internet, letters, and surveys, and ensure that the customers receive an appropriate response as quickly and efficiently as possible.

The Customer Satisfaction & Loyalty measurement and improvement process surveyed over 270,000 customers worldwide during 2001 to ensure that the "Voice of the Customer" continues to be heard and acted upon at CNH.





### *“...Iveco’s Client Center...”*

For Iveco, a key means of achieving customer satisfaction is providing good service over the entire life of its vehicles, which can deliver peak productivity only if operating costs and downtime are kept to a minimum.

In response to the growing complexity of today’s commercial vehicles, with electronics controlling engines, braking systems and many other vital components, Iveco has steadily upgraded its customer support services, ensuring that its products operate reliably, without breakdowns and cost effectively.

It also developed powerful diagnostic systems for repair shops, including mobile units for roadside diagnostics.

As part of its commitment to provide top-quality service, Iveco has completely reengineered the procurement and distribution of its replacement parts, consolidating five warehouses in Western Europe into a single virtual warehouse capable of delivering outstanding service.

In 2001, the Customer Service operations were expanded through the creation of a Multipurpose Center in Turin, which serves as a unified command post for all of Iveco’s 24/7

assistance services. The purpose of the new Center is to provide comprehensive support to customers by offering a service that can help them maximize vehicle productivity and reduce the cost of downtime.

A couple of years ago, Iveco took over the management of its Client Center. It then developed a sophisticated computer system that helps operators field calls in seven languages, identify the nearest 24/7 Iveco repair shop and even record the level of customer satisfaction.

The Client Center uses the most sophisticated hardware and software available today to provide its representatives with online access, in real time, to databases of its customers, vehicles, dealer network and authorized Iveco repair shops. The Center has 80 employees, who speak all major European languages and are available to assist customers in distress 24 hours a day, every day of the year.

The goal of this system is to provide customers with comprehensive service and help them deal with emergency situations, by arranging to have disabled vehicles restarted, offering replacement trucks, locating a hotel for the driver and providing financial assistance.

# 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 2001, the structure of the Fiat Group underwent major changes that had a significant impact on the scope of consolidation with respect to the previous year:

- Starting in fiscal 2001, the results of Business Solutions, the Sector that offers services to companies, are separately shown in the breakdown of Group Operating Sectors. The results of the companies that are now grouped together under Business Solutions were previously reported under "Miscellaneous Companies."
- Effective January 1, 2001, Magneti Marelli deconsolidated the Climate Control Division following its sale to the Denso Group.
- The remaining 49% of Alstom Ferroviaria S.p.A. was sold at the end of March 2001. Effective August 1, 2000, the Rolling Stock and Railway Systems Sector had been deconsolidated following sale of the majority stake (51%) in Fiat Ferroviaria to the Alstom Group of France.
- In April 2001, Toro Assicurazioni acquired the entire capital stock of Lloyd Italico Assicurazioni S.p.A. and Lloyd Italico Vita S.p.A., and fully consolidated these two companies. During the year, the Sector also consolidated Augusta Assicurazioni S.p.A., which was previously reported under "Miscellaneous Companies."
- As a result of the strategic agreement reached in June between Business Solutions and IBM, Global Value was created. This joint venture, 50% owned by Business Solutions and 50% by IBM Italia, operates in the sector of high-value Information Technology services for companies. Business Solutions contributed the operations of ITS and GSA to Global Value, which were thus deconsolidated as from the end of June.
- On June 30, 2001, the activities contributed to Fiat-GM Powertrain B.V., the 50-50 joint venture with General Motors operating in the powertrain and transmissions sector, were deconsolidated following completion of their transfer.
- In the second half of the year, the Fiat Group and other industrial and financial partners formed Italenergia, a company that acquired control of Montedison and Edison through tender offers. This investment, representing a 38.6% stake in Italenergia, was valued according to the equity method at the end of the year.
- As part of the transaction leading to the formation of Italenergia, Fiat sold Fenice S.p.A. to Electricité de France, with Fenice S.p.A. consequently being deconsolidated.

To enhance the value of the various businesses and thus improve the possibility of alliances and/or sales, the activities of Magneti Marelli have been reorganized. Effective July 1, 2001, it was broken up into five companies: Magneti Marelli Sistemi Elettronici S.p.A., Magneti Marelli Powertrain S.p.A., Magneti Marelli Aftermarket S.p.A., Magneti Marelli Services S.p.A., and Magneti Marelli Holding S.p.A. At the same time, Magneti Marelli Services S.p.A., which controls the activities of Midas, was transferred from the Components Sector to "Miscellaneous Companies."

### Operating Performance

The worldwide economic slowdown, which worsened in the second half of the year, negatively affected the Group's operating performance, as it confronted declines in some of its most important markets and the aggressive commercial policies adopted by carmakers to compensate for lower demand.

Following is a summary of the main components that influenced the Group's operating performance in 2001. For a more detailed analysis, see the operating reports for the individual Sectors of activity.

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

Fiat Group **net revenues**, including changes in contract work in progress, totaled 58,006 million euros in 2001, slightly higher (+0.8%) than the previous year.

Revenues from Industrial Activities alone totaled 52,610 million euros, down 0.9% from 2000 due to the general economic slowdown in the automotive sector, while Insurance Activities revenues totaled 5,491 million euros, up by 20.9%, partly as the result of acquisitions.

Following is an analysis of revenues by operating Sector:

- **Fiat Auto** reported revenues of 24,440 million euros for 2001 (25,361 million euros in 2000, -3.6%), against sales of 2,096,000 units (-10.8% compared with 2000). The decrease in revenues was less than the contraction in sales volumes, thanks to a higher average level of revenues per unit, the increasing contribution of financial and service activities, and the proceeds from sale of spare parts inventories to the joint venture with DHL Worldwide Express and other financial partners.

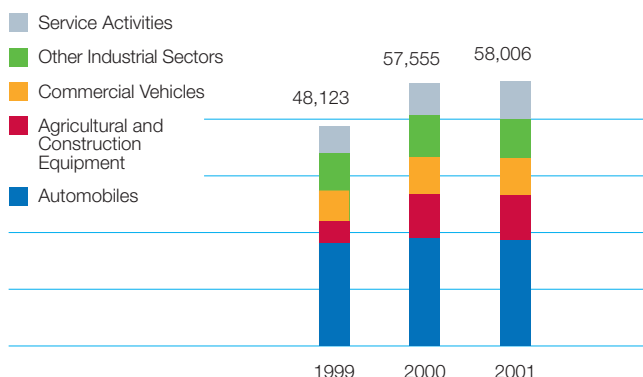
In Western Europe, Fiat Auto sold 1,456,000 automobiles and light commercial vehicles, down 13.7% from 2000. This decrease was partially attributable to the cutbacks in dealer network car inventory and the natural contraction in volumes due to phase-out of Bravo and Brava models in anticipation of the gradual introduction of the Stilo during the last quarter of the year.

The ongoing crisis on local markets caused sharp sales decreases in Poland (-42.9%) and Argentina (-61%). On the other hand, Fiat Auto sales improved significantly in Brazil (+14.9%).

■ **CNH Global** revenues in 2001 totaled 10,777 million euros, in line with previous year results. Expressed in dollars, the functional currency of this sector, CNH revenues were down by approximately 3%, stemming largely from lower sales revenues due to divestment of production units in compliance with requests made by antitrust authorities in North America and Europe following acquisition of the Case Group. Furthermore, the Sector faced a particularly unfavorable market in the construction equipment segment due to a steep decline in demand in Western Europe and North America.

At the segment level, Sector revenues from agricultural equipment improved (+3%), mainly in North America and Brazil, while remaining weak in Europe. On the other hand, construction equipment revenues significantly decreased (-15%) due to the previously mentioned contraction in demand.

#### Consolidated Revenues (in millions of euros)



■ **Iveco** revenues in 2001 totaled 8,650 million euros, up 0.5% from 8,611 million euros in 2000. This result was achieved through expansion of financing and rental activities, which more than compensated for the effects of lower vehicle sales volumes.

Iveco sold a total of 160,400 vehicles, down 2.7% from 2000. On its principal European markets, sales decreased by 11.4% in Germany, due to a significant contraction in demand, and by 14.2% in Italy, due to strong competitive pressures. These decreases were partially compensated by strong growth in Great Britain (+17.6%).

■ Revenues in the **other Industrial Sectors** (Teksid, Magneti Marelli, Comau, and FiatAvio) totaled 9,679 million euros in

(in millions of euros)	2001			2000		
	Industrial Activities	(*) Insurance Activities	Consolidated	Industrial Activities	(*) Insurance Activities	Consolidated
<b>Net revenues</b>	<b>52,610</b>	<b>5,491</b>	<b>58,006</b>	<b>53,083</b>	<b>4,542</b>	<b>57,555</b>
Cost of sales	44,792	5,157	49,854	44,636	4,395	48,961
<b>Gross operating result</b>	<b>7,818</b>	<b>334</b>	<b>8,152</b>	<b>8,447</b>	<b>147</b>	<b>8,594</b>
<b>Gross operating result/Net revenues</b>	<b>14.9%</b>	<b>6.1%</b>	<b>14.1%</b>	<b>15.9%</b>	<b>3.2%</b>	<b>14.9%</b>
Overhead	5,809	340	6,149	5,818	290	6,108
Overhead/Net revenues	11.0%	6.2%	10.6%	11.0%	6.4%	10.6%
Research and development	1,817	-	1,817	1,725	-	1,725
Operating income (expenses)	30	102	132	15	79	94
<b>Operating income (loss)</b>	<b>222</b>	<b>96</b>	<b>318</b>	<b>919</b>	<b>(64)</b>	<b>855</b>
<b>R.O.S.</b>	<b>0.4%</b>	<b>1.7%</b>	<b>0.5%</b>	<b>1.7%</b>	<b>(1.4%)</b>	<b>1.5%</b>
Investment income (**)	48	(195)	(149)	146	160	304
Financial income (expenses)	(1,394)	369	(1,025)	(1,172)	149	(1,023)
Extraordinary income (expenses)	366	(7)	359	923	(9)	914
<b>Income (loss) before taxes</b>	<b>(758)</b>	<b>263</b>	<b>(497)</b>	<b>816</b>	<b>236</b>	<b>1,050</b>
Income taxes	223	71	294	388	84	472
<b>Net income (loss) before minority interest</b>	<b>(981)</b>	<b>192</b>	<b>(791)</b>	<b>428</b>	<b>152</b>	<b>578</b>
<b>Fiat's interest in net income (loss)</b>	<b>(625)</b>	<b>178</b>	<b>(445)</b>	<b>530</b>	<b>132</b>	<b>664</b>

(\*) This includes the Toro Assicurazioni Group and Neptunia Assicurazioni Maritime S.A.

(\*\*) This includes investment income as well as writedowns and upward adjustments in subsidiaries and associated companies valued by the equity method.

2001, compared with 10,255 million euros in 2000, for a decrease of 5.6% due to lower volumes in the automotive Sectors.

**Teksid** (Metallurgical Products) reported sales of 1,752 million euros in 2001 (-6.5% compared with 2000), reflecting lower sales volumes on the NAFTA market and the effects of streamlining of the business portfolio, which led to reduced activity in the Cast Iron segment, in contrast with greater commitment to the Aluminum and Magnesium segments.

**Magneti Marelli** (Components) reported revenues of 4,073 million euros, down by 8.5% from 2000. On a comparable consolidation and exchange rate basis, the decrease would have been 5.2% due to lower volumes caused by weak demand, particularly towards the end of the year.

The Production Systems Sector, which is headed by **Comau**, posted revenues of 2,218 million euros for the year. The decrease of 9.1% from the previous year was influenced by the slowdown in the United States automotive market, with a significant contraction in activity at Comau Pico. This contrasted with a steady level of activity in Europe and expansion in Comau Service maintenance activities.

**FiatAvio** revenues totaled 1,636 million euros (+9.7% on 2000), maintaining high levels of activity in the commercial aviation segment, which has not yet suffered significant consequences of the crisis triggered by the events of September 11, 2001. Furthermore, sales of derivative aircraft engines adapted to generate power in the United States increased, as well as revenues from government procurement contracts, with the first deliveries being made on engines for the new Eurofighter 2000.

■ Among the **Sectors operating in the Services area:**

**Toro Assicurazioni** continued to grow, as it has for the last several years. A total of 5,461 million euros in premiums

were written in 2001, representing an increase of 25.2% with respect to 2000. This improvement was partly due to the consolidation of Lloyd Italico, a recently acquired group that is primarily active in the casualty insurance business, and the consolidation of Augusta Assicurazioni. On a comparable basis, the increase in premiums written would have been 14% thanks to strong volumes both in Italy, with major growth in the life insurance business, and in France, where growth showed an opposing trend with respect to the market.

**Itedi** revenues totaled 347 million euros, down slightly (-2% on 2000) on account of weakness in the advertising market.

**Business Solutions**, the Services Sector that started operations at the beginning of the year, posted revenues of 1,805 million euros in 2001. The transfer of the activities of Fiat Engineering to the Sector compensated for the loss of revenues from Fenice in the second half, after its sale in connection with the Italennergia transaction.

The volume of activity generated by non-captive clients represented over 40% of Sector revenues.

### Gross Operating Result

The **gross operating result** was 8,152 million euros for the year, compared with 8,594 million euros in 2000. As a percentage of revenues, it declined from 14.9% in 2000 to 14.1% in 2001.

For Industrial Activities alone, this ratio declined from 15.9% in 2000 to 14.9% in 2001, mainly due to intensified competitive pressure on sales prices in Europe, which did not allow certain Group Sectors to offset the inflationary trends of industrial costs and the higher costs associated with increased product content. The industrial synergies of CNH and Fiat Auto made a positive contribution.

(in millions of euros)	2001 Revenues	2000 Revenues	% change
<b>Automobiles</b> (Fiat Auto Holdings)	<b>24,440</b>	25,361	(3.6%)
<b>Agricultural and Construction Equipment</b> (CNH Global)	<b>10,777</b>	10,770	0.1%
<b>Commercial Vehicles</b> (Iveco)	<b>8,650</b>	8,611	0.5%
<b>Metallurgical Products</b> (Teksid)	<b>1,752</b>	1,873	(6.5%)
<b>Components</b> (Magneti Marelli)	<b>4,073</b>	4,451	(8.5%)
<b>Production Systems</b> (Comau)	<b>2,218</b>	2,440	(9.1%)
<b>Aviation</b> (FiatAvio)	<b>1,636</b>	1,491	9.7%
<b>Publishing and Communications</b> (Itedi)	<b>347</b>	354	(2.0%)
<b>Insurance</b> (Toro Assicurazioni)	<b>5,461</b>	4,363	25.2%
<b>Services</b> (Business Solutions)	<b>1,805</b>	n.a.	n.a.
<b>Miscellanea and eliminations</b> (*)	<b>(3,153)</b>	(2,159)	46.0%
<b>Total for the Group</b>	<b>58,006</b>	<b>57,555</b>	<b>0.8%</b>

(\*) The item "Miscellanea and eliminations" includes for 2000 the operating results for the Rolling Stock and Railway Systems Sector that was deconsolidated as of August 1, 2000.

The gross operating result of Insurance Activities reached 6.1% of premiums written during the year, compared with 3.2% in the previous year, thanks to improvement in the claims/premium ratio.

#### Overhead and Research and Development Outlays

**Overhead** came to 6,149 million euros in 2001 (0.7% more than in 2000), but substantially in line with the previous year as a percentage of revenues (10.6%).

Improved efficiency in the Sectors offset the negative effects of inflationary pressures and increased outlays for advertising. As a result of stiffer competition in Europe, especially Fiat Auto had additional advertising expenses amounting to 64 million euros.

If these costs were excluded, overhead outlays at the Group level would total approximately 4,870 million euros, in line with previous year results in spite of inflation increases.

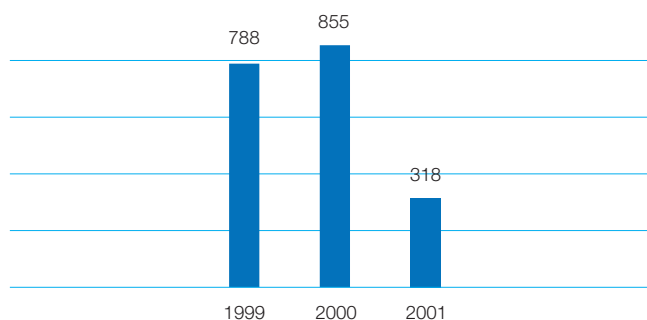
**Research and development outlays**, which were charged to income, totaled 1,817 million euros, or 92 million euros more than in 2000. This increase was mainly due to higher spending by Fiat Auto to update the product range and thereby enhance the value of its brands.

Significantly higher spending on technological innovation was also reported in other Group Sectors, such as Ferrari and Aviation.

#### Operating Income

**Operating income**, before extraordinary, financial, and tax components, totaled 318 million euros, down sharply from the

#### Operating Income (in millions of euros)



855 million euros posted in the previous year. The return on sales (R.O.S.) was 0.5%, compared with the 1.5% recorded for 2000.

The weakening economy heavily penalized the profitability of the automotive Sectors, which sustained a decline in volumes and contraction of margins and, mainly at Fiat Auto, higher research and development and advertising outlays to support product innovation and brand promotion. The major commitment to realizing cost efficiencies only partially attenuated these negative trends.

The operating performance of the individual Sectors is reviewed below:

■ **Fiat Auto** closed the fiscal year with an operating loss of 549 million euros (-2.2% of sales), against operating income of 44 million euros in fiscal 2000 (0.2% of sales). A series of unfavorable factors negatively affected Sector profitability: the decline in volumes; a worsened product mix/content

(in millions of euros)	Operating Income			R.O.S. %	
	2001	2000	Change	2001	2000
<b>Automobiles</b> (Fiat Auto Holdings)	(549)	44	(593)	(2.2)	0.2
<b>Agricultural and Construction Equipment</b> (CNH Global)	209	45	164	1.9	0.4
<b>Commercial Vehicles</b> (Iveco)	271	489	(218)	3.1	5.7
<b>Metallurgical Products</b> (Teksid)	15	101	(86)	0.9	5.4
<b>Components</b> (Magneti Marelli)	(74)	55	(129)	(1.8)	1.2
<b>Production Systems</b> (Comau)	60	87	(27)	2.7	3.6
<b>Aviation</b> (FiatAvio)	186	143	43	11.4	9.6
<b>Publishing and Communications</b> (Itedi)	(2)	10	(12)	(0.6)	2.8
<b>Insurance</b> (Toro Assicurazioni)	68	(56)	124	1.2	(1.3)
<b>Services</b> (Business Solutions)	73	n.a.	n.a.	4.0	n.a.
<b>Miscellanea and eliminations</b> (*)	61	(63)	124	n.m.	n.m.
<b>Total</b>	<b>318</b>	<b>855</b>	<b>(537)</b>	<b>0.5</b>	<b>1.5</b>
of which: <b>Industrial Activities</b>	<b>222</b>	<b>919</b>	<b>(697)</b>	<b>0.4</b>	<b>1.7</b>

(\*) The item "Miscellanea and eliminations" includes for 2000 the operating results for the Rolling Stock and Railway Systems Sector that was deconsolidated as of August 1, 2000.



ratio due to continuous increases in product content, partly in consequence of the introduction of Euro3 regulations, that was only partially recovered through pricing; higher research and development costs (+94 million euros), and higher spending on advertising (+64 million euros), also in connection with the launch of the Stilo.

The operating income of the Sector was further penalized by the costs incurred in connection with the structural cutbacks in dealer network car inventory.

The Sector reacted to this unfavorable situation by implementing cost recovery measures, with resort to growing synergies generated by the industrial alliance with General Motors, which amounted to 251 million euros and exceeded expectations, and other product cost savings. Further benefits in the amount of 300 million euros were generated by the sale of spare parts inventories to the joint venture set up by Fiat Auto, DHL Worldwide Express, and other financial partners in order to streamline the spare parts management process.

- **CNH Global** posted operating income of 209 million euros (1.9% of sales) in 2001, against income of 45 million euros in 2000 (0.4% of sales).

Improvements in the agricultural segment achieved through the launch of new products and cost-cutting measures allowed the Sector to absorb a lower level of profitability deriving from lower sales of construction equipment and higher marginal fixed costs. The latter were the result of production cutbacks intended to reduce dealer network inventory.

In 2001, the development of synergies generated by the integration of Case and New Holland continued, resulting in savings of \$278 million (about 300 million euros).

- **Iveco** reported operating income of 271 million euros (3.1% of sales) in 2001, against 489 million euros in 2000 (5.7% of sales). This decline stemmed from lower sales volumes and lower income from disposals of real estate. In fact, fiscal 2000 benefited from non-recurring income of 88 million euros upon sale of industrial areas in Spain no longer used by the Sector. The effect of price pressures was contained by a commercial policy that favored profitability.

Operating income in the **other Industrial Sectors** totaled 187 million euros (compared with 386 million euros in 2000), with an aggregate return on sales of 1.9%, down from the 3.8% of the previous year. It was influenced by the economic downturn affecting carmakers, particularly in North America, which worsened in the last months of the year.

In particular:

- **Teksid** reported operating income of 15 million euros (0.9% of sales), against 101 million euros (5.4% of sales) in 2000. This decrease stemmed from lower sales volumes, mainly in North America, the unfavorable trend in the price/cost ratio, and start-up costs of new activities, which were only partially recovered through cost-cutting measures.
- **Magneti Marelli** reported an operating loss of 74 million euros in 2001 (-1.8% of sales), against 55 million euros in operating income in 2000. The Sector was penalized by lower sales volumes and higher electronic component costs due to inflation and exchange rates. The 41 million euro decrease in operating income with respect to the previous year reflects the change in the scope of consolidation and lower non-recurring income, particularly from the disposal of real estate.
- **Comau** reported operating income of 60 million euros (2.7% of sales) in 2001, against 87 million euros (3.6% of sales) in 2000. The Sector sustained a severe contraction in the income generated by its North American activities due to lower volumes and prices, which was partially recovered through industrial cost-cutting and increased income from service activities and non-recurring real estate gains.
- **FiatAvio** achieved a significant return on sales in 2001, with operating income of 186 million euros (11.4% of sales), up from fiscal 2000 (143 million euros, 9.6% of sales), thanks to higher sales volumes, positive foreign exchange effects, and industrial cost-cutting measures.

The performance of the other Sectors operating in the Services area is reviewed below:

- **Toro Assicurazioni** closed fiscal 2001 with operating income of 68 million euros, against an operating loss of 56 million euros reported in the previous year. The increase in operating income was due to the gradual improvement in the claims/premium ratio, which was in turn the result of portfolio selection and restructuring, reductions in overhead costs and increased income from sale of real estate properties.
- **Itedi** closed fiscal 2001 with an operating loss of 2 million euros (-0.6% of sales), down from the 10 million euros in operating income reported in 2000, due to lower advertising volumes and sharply higher prices for paper.
- **Business Solutions** reported operating income of 73 million euros (4% of sales) for the year.



## Result for the Fiscal Year

The **loss before taxes** for the whole year totaled 497 million euros, against income of 1,050 million euros in the previous year. This result reflected the decrease in operating income, worse performance by equity investments, including writedowns in the value of the securities portfolio held by Group insurance companies to reflect lower stock market valuations, and a significantly lower contribution by extraordinary items.

More specifically, the Group posted **net investment expenses** of 149 million euros, against net income of 304 million euros in 2000. The higher level of costs is mainly due to:

- writedowns in the value of the securities portfolio held by Group insurance companies to reflect lower stock market valuations (-355 million euros) which were partly compensated by higher income from securities included in financial income;
- worse performance by associated companies exposed to the unfavorable effect of the devaluation of the Turkish lira (-64 million euros);
- the Group's interest in the net loss of Italenergia (-34 million euros), generated by the financial expenses and amortization of goodwill resulting from acquisition of the Montedison Group.

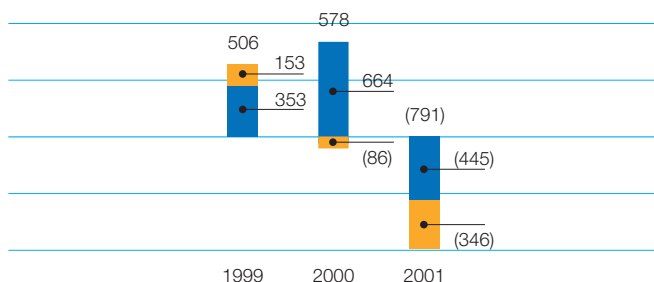
**Net financial expenses** (1,025 million euros) remained stable with respect to the previous year, as lower interest rates in the US dollar area and higher financial income at the insurance companies were offset by higher corporate spread on the financial markets and higher debt service costs in Argentina.

The **balance of extraordinary income and expenses** for the year was a positive 359 million euros, significantly lower than the 914 million euros in extraordinary income for 2000.

### Net Income (Loss)

(in millions of euros)

- Minority
- Group



**Extraordinary income** in 2001 totaled 1,645 million euros, due in large measure to the capital gains realized during the year (totaling 1,515 million euros) upon sale of the Magneti Marelli Climate Control Division to Denso Corporation (329 million euros), the residual 49% of Alstom Ferroviaria (107 million euros), and the activities of Fenice to Electricité de France (481 million euros).

Capital gains were also realized through the contribution of ITS and GSA activities to the Global Value joint venture with IBM (165 million euros), electric power generation plants in connection with the formation of Italenergia (255 million euros), and activities by Fiat Auto to Leasys, the new joint venture with Sei S.p.A. (Enel Group) in fleet leasing (71 million euros).

Against these extraordinary capital gains, the Group sustained **extraordinary expenses** of 1,286 million euros, largely connected (more than 850 million euros) with the industrial streamlining and restructuring program that it undertook in the second half of the year. This program provides for: in the Automobile Sector, further cutbacks in its industrial presence in Argentina and streamlining in Europe; at CNH, extension of the restructuring program already underway; and at Iveco the closure of several plants outside Italy, including its activities in Argentina.

This item also includes other expenses and provisions for future risks and charges and extraordinary incentives not connected with the aforementioned program.

In fiscal 2000, extraordinary income stemmed primarily from the capital gain realized through the transaction that led to the creation of the strategic industrial alliance with General Motors, the capital gains realized upon disposal of Telexis, the Lubricants and Rearview Mirror Division of Magneti Marelli, and 51% of Fiat Ferroviaria, net of extraordinary expenses for industrial restructuring and reorganization in various Group Sectors.

**Income taxes** declined from 472 million euros in 2000 to 294 million euros in 2001, due to lower taxable income. Income taxes for the 2001 fiscal year included 138 million euros in current and deferred taxes (269 million euros in 2000) and 156 million euros for IRAP, the regional tax on production activity in Italy (203 million euros in 2000).

The **consolidated net loss before minority interest** was 791 million euros (against net income of 578 million euros in 2000).

The **Group's interest in net loss** was 445 million euros, compared with net income of 664 million euros in the previous year.

As a result of the Group's interest in net loss, there was a net loss per share of 0.841 euros, compared with net income per share of 1.186 euros in 2000.

## 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 below, however, the Group's consolidated balance sheet has been reclassified and presented in a condensed format, showing its main components according to their destination and breaking them down between Industrial and Insurance Activities.

## Working Capital

During 2001, the Group's consolidated **working capital** steadily decreased to negative 1,392 million euros at the end of the year, far below the positive balance of 1,630 million euros recorded at December 31, 2000.

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 for contract work in progress, amounted to 10,750 million euros, compared with 10,036 million euros in 2000. This increase is due mainly to work progress on the High-Speed Railway project (+629 million euros), which was set off by an increase in advances received, included under "other payables." On a comparable basis, and thus without considering the aforesaid effect and changes in the scope of consolidation (-79 million euros), the turnover index was in line with that of the previous year (63 days).

- **Trade receivables** totaled 6,466 million euros at the end of 2001, down from the 6,744 million euros reported at the end of 2000, as a result of current operations, including greater recourse to discounting of receivables (+247 million euros). Change in the scope of consolidation generated an increase of 305 million euros. On a comparable consolidation basis, credit exposure improved to 38 days from the 2000 level of 42 days.

- **Trade payables** increased from 11,805 million euros at the end of 2000 to 13,520 million euros at December 31, 2001. The increase stemmed from the different scope of consolidation (for 110 million euros) and from increased trade flows with the new joint ventures (for 668 million euros). Net of these factors, debt exposure rose from 74 days in 2000 to 79 days due to a different mix in supplier payment terms.

- The balance of **other receivables/payables** amounted to -5,088 million euros at December 31, 2001, compared with -3,345 million euros at the end of 2000. The increase was mainly due to the different scope of consolidation (+505 million euros) and the previously mentioned advances received for the High-Speed Railway project (+629 million euros).

## Net Property, Plant, and Equipment

**Net property, plant, and equipment** at December 31, 2001 totaled 13,887 million euros, 2,790 million euros less than at the end of 2000 due to changes in the scope of consolidation (-1,877 million euros), principally on account of the contribution of Powertrain activities and sale of Fenice, and divestments carried out as part of the company restructuring program, among other reasons.

(in millions of euros)	12/31/2001			12/31/2000		
	Industrial Activities	(*) Insurance Activities	Consolidated	Industrial Activities	(*) Insurance Activities	Consolidated
Net inventories	10,750	–	10,750	10,036	–	10,036
Trade receivables	5,763	703	6,466	6,165	579	6,744
Trade payables	(13,273)	(247)	(13,520)	(11,603)	(202)	(11,805)
Other receivables (payables), net	(5,033)	(55)	(5,088)	(3,315)	(30)	(3,345)
<b>Working capital</b>	<b>(1,793)</b>	<b>401</b>	<b>(1,392)</b>	<b>1,283</b>	<b>347</b>	<b>1,630</b>
Net property, plant, and equipment	13,139	748	13,887	15,895	782	16,677
Other fixed assets	13,006	15,319	28,523	11,177	12,122	23,253
Net deferred tax assets	1,642	(47)	1,595	1,092	(85)	1,007
Reserves and allowances	(7,096)	(15,875)	(22,971)	(8,178)	(12,713)	(20,891)
<b>Net invested capital</b>	<b>18,898</b>	<b>546</b>	<b>19,642</b>	<b>21,269</b>	<b>453</b>	<b>21,676</b>
<b>Net financial position (**)</b>	<b>(7,858)</b>	<b>1,823</b>	<b>(6,035)</b>	<b>(8,228)</b>	<b>1,761</b>	<b>(6,467)</b>
<b>Stockholders' equity</b>	<b>11,040</b>	<b>2,369</b>	<b>13,607</b>	<b>13,041</b>	<b>2,214</b>	<b>15,209</b>
<b>Fiat's interest in stockholders' equity</b>	<b>9,726</b>	<b>2,246</b>	<b>12,170</b>	<b>11,261</b>	<b>2,105</b>	<b>13,320</b>

(\*) This includes the Toro Assicurazioni Group and Neptunia Assicurazioni Marittime S.A.

(\*\*) The values shown between parentheses indicate "indebtedness."

A breakdown of the changes affecting net property, plant, and equipment is provided in the Notes to the Consolidated Financial Statements.

**Investments** in fixed assets totaled 3,438 million euros in 2001 (3,236 million euros in 2000), including 1,124 million euros (953 million euros in 2000) for investments in the development of long-term leasing services for automobiles, commercial vehicles, and agricultural and construction equipment.

At December 31, 2001 **accumulated depreciation and writedowns** totaled 18,665 million euros (19,481 million euros in 2000). Property, plant, and equipment were depreciated at 57%, up from 54% in the previous year.

#### Other Fixed Assets

**Other fixed assets**, which include financial fixed assets (investments, securities, and treasury shares) and intangibles (start-up and expansion costs, goodwill, intangible fixed assets in progress, and others), amounted to 28,523 million euros at December 31, 2001, or 5,270 million euros more than at the end of 2000. The main components of this change were:

- the increase in investments (approximately +3,000 million euros) stemming from consolidation of the Fiat-GM Powertrain B.V. joint venture (+1,009 million euros) and Italtenergia S.p.A. (+1,034 million euros) by the equity method, and the increase in insurance company securities held as coverage for the technical reserves following a significant increase in business volumes and acquisitions;
- the increase, for the reasons mentioned above, in other securities held by insurance companies which is the main reason for the increase of about 2,300 million euros.

#### Net Deferred Tax Assets

At December 31, 2001, **net deferred tax assets** totaled 1,595 million euros, up from 1,007 million euros in 2000, due to provisions for tax losses whose recovery is reasonably certain.

The amount of net deferred tax assets includes prepaid and deferred taxes set aside for the following temporary differences: accelerated depreciation, capital gains reinvested under a deferred tax treatment, inventories, taxed reserves for risks and charges, allowances for doubtful accounts in excess of the percentage deductible for tax purposes, and the portion of tax losses that is presumed to be recoverable.

A more detailed analysis of net deferred tax assets is provided in the Notes to the Consolidated Financial Statements.

#### Reserves and Allowances

At December 31, 2001, **reserves and allowances** totaled 22,971 million euros. They included the technical reserves of the insurance companies (15,802 million euros), the reserve for severance indemnities for employees in Italy (1,735 million euros), the reserve for pensions and similar obligations (1,465 million euros), the warranty and technical support reserve (877 million euros), and other reserves (3,092 million euros). The increase of 2,080 million euros from the end of 2000 is due to the 3,186 million euro increase in the technical reserves of the insurance companies as a result of higher levels of activity, and acquisitions carried out during the year. On the other hand, the reserve for severance indemnities contracted, due in part to the departure of employees connected with changes in the scope of consolidation, as did the reserves for risks and charges and restructuring reserves in connection with uses during the year.

#### Net Invested Capital

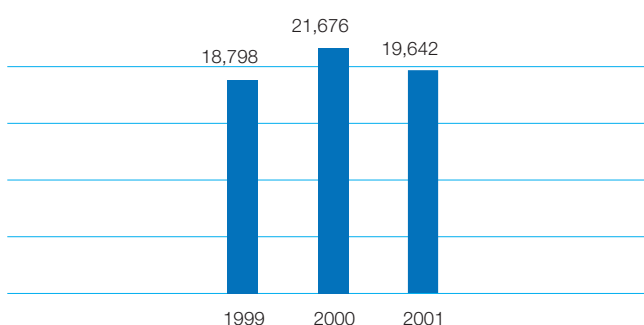
The Group's **net invested capital** at December 31, 2001 was 19,642 million euros, 2,034 million euros less than at the end of 2000 due to the sharp contraction in working capital, the reduction in property, plant, and equipment, and the increase in reserves, partially offset by increases in equity investments, securities held by the insurance companies, and deferred tax assets.

Changes in the scope of consolidation led to a reduction of 374 million euros, due mainly to deconsolidation of the activities contributed to the Fiat-GM Powertrain joint venture and the sale of Fenice, partially offset by the acquisition of the equity holding in Italtenergia.

On a comparable basis, asset turnover rose from 2.7 at the end of 2000 to 2.8 at the end of 2001.

#### Net Invested Capital

(in millions of euros)



### Net Financial Position of the Group

At December 31, 2001, the consolidated **net financial position** of the Group showed net indebtedness of 6,035 million euros, 432 million euros less than at the beginning of the fiscal year (net debt of 6,467 million euros).

A breakdown of the changes affecting the net financial position in 2001 is provided below:

(in millions of euros)	
<b>Net financial position at December 31, 2000</b>	<b>(6,467)</b>
Decrease in working capital	3,022
Investments in fixed and intangible assets	(3,911)
Cash flow	2,089
Dividends	(380)
Acquisitions and capital contributions	(1,524)
Disposals (net of capital gains)	903
Other changes	233
<b>Total change</b>	<b>432</b>
<b>Net financial position at December 31, 2001</b>	<b>(6,035)</b>

**Cash flow**, which is equal to net income before minority interest plus depreciation and amortization, totaled 2,089 million euros, down from the 3,630 million euros reported in 2000, mainly due to the net loss. Depreciation and amortization totaled 2,880 million euros, down slightly from the 3,052 million euros posted in 2000.

In particular, depreciation and amortization is represented by fixed asset costs of 1,911 million euros (2,180 million euros in 2000), 376 million euros for leased assets (353 million euros in 2000), and 593 million euros for intangible fixed assets (519 million euros in 2000).

Disposals does not include realized capital gains, as they are posted under cash flow.

A breakdown of the net financial position, which shows a significant increase in long-term debt, is provided below:

(in millions of euros)	12/31/2001	12/31/2000
Cash	<b>2,133</b>	1,997
Marketable securities	<b>2,000</b>	1,643
Financial receivables and leased assets	<b>24,686</b>	24,059
Accrued financial income	<b>560</b>	620
Deferred financial income	<b>(2,057)</b>	(1,778)
<b>Total financial assets</b>	<b>(A) 27,322</b>	26,541
Short-term debt	<b>(14,408)</b>	(17,217)
Long-term debt	<b>(18,289)</b>	(15,272)
Accrued financial expenses	<b>(797)</b>	(649)
Deferred financial expenses	<b>137</b>	130
<b>Total financial liabilities</b>	<b>(B) (33,357)</b>	(33,008)
<b>Group's net financial position</b>	<b>(A-B) (6,035)</b>	(6,467)

### Stockholders' Equity

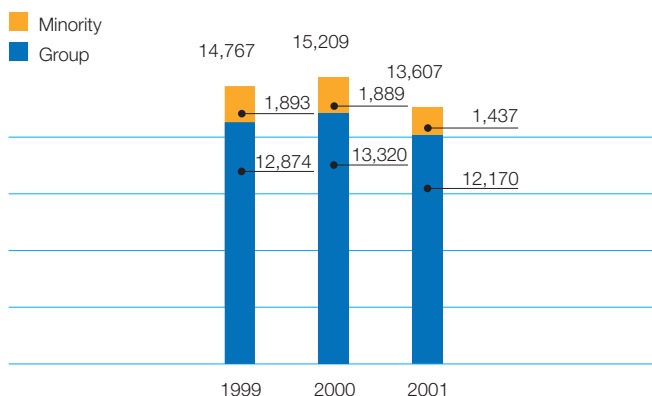
**Stockholders' equity** totaled 13,607 million euros at December 31, 2001, compared with 15,209 million euros at the end of 2000. This decrease reflects the net loss, payment of dividends for fiscal 2000, and the reduction stemming from changes in exchange rates, in consequence of devaluation of the Argentine peso and, to a lesser extent, the Brazilian real. Group interest in stockholders' equity amounted to 12,170 million euros, compared with 13,320 million euros in the previous fiscal year.

The debt to equity ratio of 0.44 was in line with that of the previous year (0.43).

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>12/31/2001</i>	<i>12/31/2000</i>
Fixed assets	<b>7,757</b>	7,653
Working capital	<b>(150)</b>	49
<b>Total net invested capital</b>	<b>7,607</b>	<b>7,702</b>
<b>Stockholders' equity</b>	<b>7,169</b>	<b>7,143</b>
<b>Net borrowings</b>	<b>438</b>	<b>559</b>

**Fixed assets** consist mainly of investments in the Group's principal companies. The total value at December 31, 2001 was 7,706 million euros, for a net increase of 107 million euros since the end of 2000.

The principal changes included the acquisition of Fiat USA Inc. from Internazionale Holding Fiat S.A. (37 million euros), 3% of Ferrari S.p.A. from the investment fund Fidia S.p.A. (15 million euros) following exercise of the call envisaged in the sales agreement of 1997, of the residual capital stock of Toro Assicurazioni S.p.A. still in circulation at the end of the tender offer (14 million euros), and 2.69% of Cartiere Burgo S.p.A. from Montedison S.p.A. (6 million euros).

Following withdrawal of the Lazard Group from the Mediobanca agreement, 2.3% of Consortium S.r.l. was acquired from Mediobanca S.p.A. (20 million euros) and 1.78% of Fin. Priv. S.r.l. from Eurazeo S.A. (2 million euros). The Company also subscribed to the capital increases of Tredicimarzo S.r.l. and Fin Priv. S.r.l. for a total of 16 million euros.

Finally, the equity stake held in Toro Assicurazioni S.p.A. was sold to Sicind S.p.A., concentrating the entire capital stock of Toro Assicurazioni S.p.A. in that company.

**Working capital** includes payables to Tax Authorities, suppliers, and employees of 188 million euros net of receivables, and 2,100,000 ordinary treasury shares valued at 38 million euros. The decrease of 199 million euros compared with December 21, 2000 is due mainly to lower receivables from Tax Authorities and Group companies, partially compensated by the acquisition of 1,098,000 ordinary treasury shares to service the stock option plans.

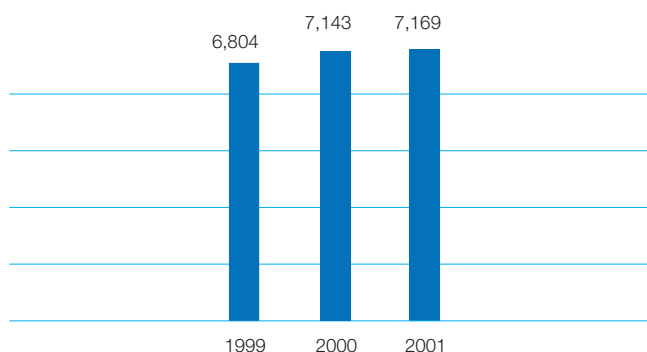
**Stockholders' equity** totaled 7,169 million euros at December 31, 2001, with an increase of 26 million euros over the end of 2000. The increase reflects the combined effect of

the year's net income (379 million euros), less distribution of the dividend (353 million euros), as resolved by the Stockholders' Meeting of May 14, 2001.

At the end of 2001, **net indebtedness** totaled 438 million euros, compared with 559 million euros of the previous year. The improvement stems mainly from the net balance of receivables collected from Group companies and Tax Authorities for VAT and the previously described investments in equity holdings.

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

**Stockholders' Equity**  
*(in millions of euros)*





## Statement of Operations

Net income for the year totaled 379 million euros, compared with 692 million euros in the previous year.

The following table contains a breakdown of net income:

<i>(in millions of euros)</i>	<i>2001</i>	<i>2000</i>
Investment income	<b>709</b>	749
Net financial expenses	<b>(37)</b>	(53)
Cost of personnel and services, less revenues	<b>(95)</b>	(70)
Net extraordinary income (expenses)	<b>(1)</b>	350
Income taxes	<b>(197)</b>	(284)
<b>Net income</b>	<b>379</b>	<b>692</b>

**Investment income** amounted to 709 million euros. It consists of dividends, including the respective tax credits, paid by subsidiaries and associated companies (713 million euros) net of adjustments for losses (4 million euros). A breakdown of the dividends earned in 2001 and 2000 is provided in the Notes to the Financial Statements of Fiat S.p.A.

**Net financial expenses** amounted to 37 million euros, compared with 53 million euros in 2000. The improvement with respect to 2000 is mainly due to lower financial indebtedness, as previously discussed.

The **cost of personnel and services, less revenues**, totaled 95 million euros (70 million euros in 2000). The **cost of personnel and services** came to 191 million euros,

compared with 176 million euros in 2000. The increase of 15 million euros is mainly due to provisions set aside to cover retirement fees. The Company's staff averaged 216 employees (including 17 seconded to the Group's principal companies), compared with 240 in 2000 (including 25 seconded employees). **Revenues** totaled 96 million euros, compared with 106 million euros in 2000. They included royalties from 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.

The main component of **net extraordinary income** in 2000 was the gain realized on the sale of all Magneti Marelli S.p.A. shares to the subsidiary Fiat Netherlands Holding N.V.

**Income taxes** totaled 197 million euros, compared with 284 million euros in 2000.

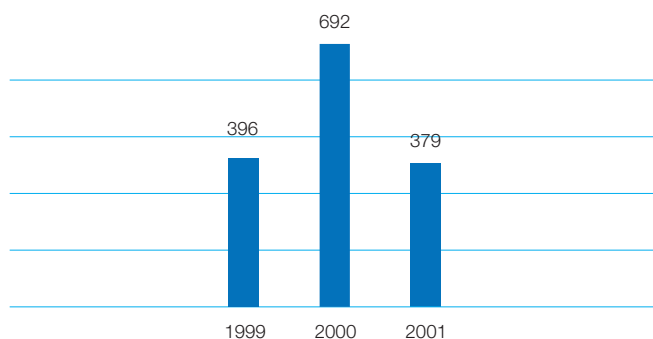
Taking into account tax credits on dividends, which are reflected in "Investment income" (245 million euros in 2001), net tax receivables total 48 million euros (compared with net taxes payable of 21 million euros in 2000).

\* \* \*

Lastly, the subsidiary **Sicind S.p.A.** sold to Gemina S.p.A. a further 1% of the ordinary shares of HDP S.p.A. and the remaining 4.7% interest it held in the ordinary capital of Impregilo, thereby fulfilling all of the obligations undertaken toward Cesare Romiti upon the end of his term of office. Sicind S.p.A. still owns 10.2% of the ordinary shares of HDP.

## Net Income

*(in millions of euros)*



# Significant Events occurring since the End of the Fiscal Year and Business Outlook

The most important transactions undertaken by the Fiat Group in the early months of 2002 are reviewed below:

- Fiat S.p.A. successfully completed a capital increase. About 99.5% of the shares being offered were subscribed, adding over one billion euros to stockholders' equity. This transaction involved the issuance of 65,820,600 ordinary Fiat shares at a price of 15.5 euros each (10.5 euros of which representing an issue premium), ranking for dividends as of January 1, 2001, carried out on the basis of three new ordinary Fiat shares for every 25 ordinary, preference and/or savings Fiat shares held.  
Each of the new shares comes with a warrant, which can be used in January 2007 to purchase additional ordinary Fiat shares at 30 euros per share on the basis of four warrants for each share. The issuer retains the right to opt for a cash settlement.
- A five-year bond issue amounting to US\$2.2 billion was entirely placed with institutional investors. The bonds, which were issued by the subsidiary Fiat Finance Luxembourg S.A. and guaranteed by Fiat S.p.A., are convertible into about 32 million General Motors shares.
- In January 2002, CNH and Kobelco, the world's fourth largest producer of hydraulic excavators, signed the final agreements needed to fully implement their alliance. This alliance will give CNH full access to the Asian markets and strengthen its position in the construction equipment markets of North America and Asia.
- In January 2002, following agreements concluded with the Renault Group that provided for the transfer to the Iveco Sector of full ownership of Irisbus Holding, Iveco purchased an additional 15% interest in it, increasing its stake in the company to 65%.
- Consistent with its strategy of divesting its components businesses, Fiat entered into an agreement with Interbanca and RGZ to establish Concordia Finance S.A., a company owned 45% by RGZ, 25% by Interbanca and 30% by Fiat. The new company will continue to distribute automotive spare parts under the Magneti Marelli brand, having bought

the product portfolio currently belonging to Magneti Marelli After Market S.p.A.

This transaction, which was valued at approximately 80 million euros, will generate proceeds of about 70 million euros for Fiat, after deducting its investment in Concordia Finance.

- Fiat is the general contractor for the Italian High-Speed Railway Project. On March 4, 2002, work began on the first 87 kilometers of the Milan-Turin line. The project schedule calls for completion of the Turin-Novara portion of the line in time for the 2006 Winter Olympics. This project includes the construction of the railway line, valued at 2,747 million euros, and the upgrading of the existing infrastructure, at a cost of 1,400 million euros.
- Fiat launched the following new products during the first quarter of 2002:
  - On January 30, 2002, Iveco introduced the Stralis, a new heavy-range commercial vehicle. The most innovative part of the Stralis is its Active Space cab, which offers a better working environment, increased safety, improved on-board living conditions and a modular design. The new truck is available with an expanded range of engines, which now includes the 540 CV Cursor13 powerplant. The introduction of this new vehicle is the culmination of a program implemented by Iveco since 1998 to revamp its line of heavy road vehicles.
  - Fiat Auto launched the new Alfa 156 and Alfa Sportwagon. Both are available with several engines, including one with a direct-injection gasoline system that delivers better performance and fuel economy. In addition, the Alfa 156 line was rounded out with the addition of two high-performance models: the Alfa 156 GTA and the Sportwagon GTA.
  - The new Fiat Ducato, which has been redesigned with a totally new front and a cab that combines exceptional roominess and ride comfort, was introduced early in February 2002.

Information on the business outlook for the balance of the year is provided in the Overview.

## Financial Highlights by Sector (\*)

	Net revenues		Operating income (loss)		Operating income (loss)/ Net revenues		Income (loss) before minority interest	
	2001 (in millions of euros)	2000 (in millions of euros)	2001 (in millions of euros)	2000 (in millions of euros)	2001 (in %)	2000 (in %)	2001 (in millions of euros)	2000 (in millions of euros)
<b>Automobiles</b> (Fiat Auto Holdings)	<b>24,440</b>	25,361	<b>(549)</b>	44	<b>(2.2)</b>	0.2	<b>(1,442)</b>	(599)
<b>Agricultural and Construction Equipment</b> (CNH Global)	<b>10,777</b>	10,770	<b>209</b>	45	<b>1.9</b>	0.4	<b>(291)</b>	(754)
<b>Commercial Vehicles</b> (Iveco)	<b>8,650</b>	8,611	<b>271</b>	489	<b>3.1</b>	5.7	<b>(123)</b>	147
<b>Metallurgical Products</b> (Teksid)	<b>1,752</b>	1,873	<b>15</b>	101	<b>0.9</b>	5.4	<b>(125)</b>	8
<b>Components</b> (Magneti Marelli)	<b>4,073</b>	4,451	<b>(74)</b>	55	<b>(1.8)</b>	1.2	<b>82</b>	139
<b>Production Systems</b> (Comau)	<b>2,218</b>	2,440	<b>60</b>	87	<b>2.7</b>	3.6	<b>(36)</b>	6
<b>Aviation</b> (FiatAvio)	<b>1,636</b>	1,491	<b>186</b>	143	<b>11.4</b>	9.6	<b>425</b>	83
<b>Publishing and Communications</b> (Itedi)	<b>347</b>	354	<b>(2)</b>	10	<b>(0.6)</b>	2.8	<b>(6)</b>	2
<b>Insurance</b> (Toro Assicurazioni)	<b>5,461</b>	4,363	<b>68</b>	(56)	<b>1.2</b>	(1.3)	<b>152</b>	85
<b>Services</b> (Business Solutions)	<b>1,805</b>	n.a.	<b>73</b>	n.a.	<b>4.0</b>	n.a.	<b>497</b>	n.a.
<b>Miscellanea and eliminations</b>	<b>(3,153)</b>	(2,159)	<b>61</b>	(63)	<b>n.m.</b>	n.m.	<b>76</b> (**)	1,461
<b>Total for the Group</b>	<b>58,006</b>	57,555	<b>318</b>	855	<b>0.5</b>	1.5	<b>(791)</b>	578

	Cash flow		Capital expenditures		Net invested capital		Number of employees	
	2001 (in millions of euros)	2000 (in millions of euros)	2001 (in millions of euros)	2000 (in millions of euros)	2001 (in millions of euros)	2000 (in millions of euros)	2001	2000
<b>Automobiles</b> (Fiat Auto Holdings)	<b>(292)</b>	732	<b>1,331</b>	1,412	<b>2,340</b>	4,220	<b>55,174</b>	74,292
<b>Agricultural and Construction Equipment</b> (CNH Global)	<b>262</b>	(192)	<b>615</b>	447	<b>6,597</b>	6,932	<b>28,127</b>	31,033
<b>Commercial Vehicles</b> (Iveco)	<b>287</b>	569	<b>718</b>	656	<b>1,979</b>	2,207	<b>35,340</b>	35,852
<b>Metallurgical Products</b> (Teksid)	<b>(16)</b>	113	<b>151</b>	182	<b>788</b>	861	<b>13,827</b>	14,286
<b>Components</b> (Magneti Marelli)	<b>289</b>	353	<b>240</b>	231	<b>1,073</b>	1,131	<b>24,228</b>	25,975
<b>Production Systems</b> (Comau)	<b>27</b>	63	<b>38</b>	36	<b>378</b>	486	<b>17,243</b>	17,636
<b>Aviation</b> (FiatAvio)	<b>514</b>	173	<b>41</b>	36	<b>587</b>	71	<b>5,243</b>	5,362
<b>Publishing and Communications</b> (Itedi)	<b>1</b>	8	<b>6</b>	17	<b>49</b>	46	<b>934</b>	954
<b>Insurance</b> (Toro Assicurazioni)	<b>199</b>	115	<b>29</b>	24	<b>533</b>	372	<b>3,213</b>	2,875
<b>Services</b> (Business Solutions)	<b>567</b>	n.a.	<b>32</b>	n.a.	<b>648</b>	n.a.	<b>7,171</b>	n.a.
<b>Miscellanea and eliminations</b>	<b>251</b>	1,696	<b>237</b>	195	<b>4,670</b>	5,350	<b>8,264</b>	15,688
<b>Total for the Group</b>	<b>2,089</b>	3,630	<b>3,438</b>	3,236	<b>19,642</b>	21,676	<b>198,764</b>	223,953

(\*) In 2000 the amounts shown under Miscellanea and eliminations include the operating data of the Rolling Stock and Railway Systems Sector, which was deconsolidated as of August 1, 2000.

(\*\*) In 2000 it included the gain and the extraordinary expenses stemming from the agreement with General Motors, amounting to 1,779 million euros and 460 million euros, respectively.

Highlights by

# SECTOR OF ACTIVITY





## Automobiles



Giancarlo Boschetti,  
Fiat Auto's Chief Executive Officer.

# FiatAuto

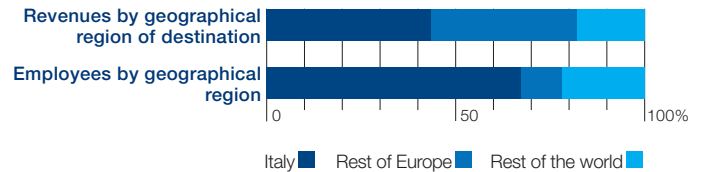
Fiat built its first car in 1899. The Lingotto, the Company's first mass-production automobile factory, was inaugurated in Turin in 1923. It now houses the Group's headquarters. Other plants were later opened in Italy and the rest of the world. Fiat Auto's home market extends beyond Italy to include the Mercosur countries and Poland.

# Fiat Auto Holdings

## Highlights

(in millions of euros)	2001	2000	1999
Net revenues	<b>24,440</b>	25,361	24,101
Operating income (loss)	<b>(549)</b>	44	(121)
as a % of revenues	<b>(2.2)</b>	0.2	(0.5)
Net income (loss) before minority interest	<b>(1,442)</b>	(599) (*)	(493)
Cash flow	<b>(292)</b>	732	855
Capital expenditures	<b>1,331</b>	1,412	1,464
Research and development	<b>870</b>	776	711
Net invested capital	<b>2,340</b>	4,220	5,021
Number of employees	<b>55,174</b>	74,292	82,553

(\*) Does not include extraordinary items stemming from the agreement with General Motors.



## SALES PERFORMANCE

In 2001, the performance of the global automobile market was characterized by relatively steady demand in North America (-0.3%), modest growth in Western Europe (+0.7%) and, in South America, a recovery in Brazil (+12.4%) and a slump in Argentina (-44%).

In Western Europe, demand increased to 14.8 million units, reflecting the widespread use of promotional programs by carmakers and an acceleration of the rate of replacement of cars without catalytic converters still in circulation. In Italy, new vehicle registrations totaled 2,425,000 units, slightly more than in 2000.

Demand was up in France, where the market expanded by 5.7%, and in Great Britain, where unit sales passed the 2.4-million mark for the first time, posting growth of 10.6%. Shipments were also up in Spain (+ 3.8%). In Germany,

where the market had contracted sharply in 2000, demand was down by a further 0.8%.

In the other markets, demand declined sharply in Poland (-31.5%) and in Turkey (-70.3%) due to the economic crises that developed in these two countries.

In Western Europe, sales of light commercial vehicles totaled slightly more than 1.8 million units, or 1.7% less than in 2000. This decline marked the end of an upward trend that had lasted for a number of years. In Italy, the market contracted by 5.8%.

The Sector's share of the Western European market was 9.6%, or 0.4 points less than in 2000. The Sector's penetration of the Italian market decreased from 35.4% in 2000 to 34.7% in 2001, due mainly to the phase-out of the Bravo and Brava models. However, the situation began to improve toward the end of the year with the introduction of the Stilo.

In Brazil, the Sector's market share rose by one percentage point to 28.6%, making it the market leader in that country.

In this market environment, Fiat Auto sold a total of 2,096,000 vehicles, or 10.8% less than in 2000. The contribution of associated companies, which were drastically affected by the slumping Turkish economy, brought the Sector's sales to 2,126,000 units, for a decrease of 12.8% from the previous year. Sharp sales declines caused by local economic crises also occurred in Poland and Argentina.

At the Western European level, sales were 13.7% lower than in 2000, due mainly to the implementation of aggressive

## Automobile Market

(in thousands of units)	2001	2000	% change
France	<b>2,250</b>	2,130	5.7
Germany	<b>3,282</b>	3,309	(0.8)
Great Britain	<b>2,465</b>	2,228	10.6
Italy	<b>2,425</b>	2,423	0.1
Spain	<b>1,427</b>	1,376	3.8
Western Europe	<b>14,765</b>	14,668	0.7
Poland	<b>319</b>	466	(31.5)
Brazil	<b>1,295</b>	1,151	12.4



Five-door Fiat Stilo.

measures to reduce dealer inventories. This program, which started during the first half of the year as part of the reengineering of the Sector's logistical and marketing organization, caused a reduction in the volumes Fiat Auto billed its dealers. The sales decline was also due to the expected reduction in unit sales during the phase-out of the Bravo/Brava models prior to the introduction of the Fiat Stilo. The negative impact of this development was especially pronounced in Italy and France, where sales fell by 14.9% and 27.5%, respectively. Among the other major European countries, shipments were up only in Great Britain (+16.4%),

thanks to a favorable market environment. The drop of 18.8% experienced in the rest of Europe is due primarily to setbacks in Holland, Portugal and Ireland.

Fiat Auto did especially well in Brazil, where the Palio enjoyed continued success in 2001. Sales were up 14.9%.

## PRODUCT INNOVATION

In 2001, Fiat Auto continued to upgrade its model lineup, with the goal of increasing the competitiveness and value of its brands. The Sector's research effort focused on making its products more environmentally compatible, improving safety and increasing quality.

## Sales Performance – Automobiles and Light Commercial Vehicles

(in thousands of units)	2001	2000	% change
France	103	142	(27.5)
Germany	147	158	(7.0)
Great Britain	128	110	16.4
Italy	825	969	(14.9)
Spain	63	74	(14.9)
Rest of Europe	190	234	(18.8)
Western Europe	1,456	1,687	(13.7)
Poland	76	133	(42.9)
Brazil	416	362	14.9
Rest of the world	148	168	(11.9)
<b>Total units sold</b>	<b>2,096</b>	<b>2,350</b>	<b>(10.8)</b>
Associated companies	30	89	(66.3)
<b>Grand total</b>	<b>2,126</b>	<b>2,439</b>	<b>(12.8)</b>

## Production by Fiat Auto and Its Subsidiaries – Automobiles and Light Commercial Vehicles

(in thousands of units)	2001	2000	1999
Fiat	1,023.0	1,153.1	1,165.2
Lancia	134.9	170.4	160.1
Alfa Romeo	213.6	206.8	208.3
<b>Total Western Europe</b>	<b>1,371.5</b>	<b>1,530.3</b>	<b>1,533.6</b>
Brazil	436.0	433.5	391.6
Poland	197.0	291.3	343.8
Argentina	31.3	33.9	42.8
<b>Total</b>	<b>2,035.8</b>	<b>2,289.0</b>	<b>2,311.8</b>
Other regions	39.7	35.9	41.2
<b>Grand total</b>	<b>2,075.5</b>	<b>2,324.9</b>	<b>2,353.0</b>



Alfa Romeo GTA.

The salient event of the year for **Fiat**-branded cars was the introduction of the Stilo, a car noted for its use of leading-edge technology, its innovative conception and its high standard of quality. Production of this new model at the Cassino factory was preceded by the introduction of a new manufacturing organization that emphasizes lean processes, high quality standards and attention to ergonomics. During the first five months after its introduction (from October 2001 to February 2002), the Fiat Stilo generated about 135,000 orders from the sales network, reflecting the interest and favorable comments expressed by potential customers. Other models introduced in 2001 include a passenger transport version of the Fiat Doblò; new configurations for the Punto Go, Abarth and Verve; the Seicento Brush; the Barchetta Naxos; and the Multipla Special Series.

**Lancia** introduced the Thesis at the Geneva Motor Show. This car, which is scheduled for market launch in 2002, is a luxury sedan that features sophisticated technology and a top-flight level of ride comfort.

**Alfa Romeo** expanded its Alfa 147 line by adding a five-door model, a two-liter version with manual transmission and one equipped with a 1.9-liter JTD engine.

The product renewal effort also includes several models that will be introduced in 2002: new versions of the Fiat Ulysse and Lancia Phedra, both entries in the multipurpose vehicle segment; the Alfa 156 GTA and Sportwagon GTA, which

underscore the sporting tradition of the Alfa Romeo brand; and the Fiat Stilo Station Wagon, which will round out the Fiat brand's core model line.

## GROWTH STRATEGIES

During 2001, Fiat Auto continued to expand the global reach of its industrial and commercial operations.

- In India, the extraordinarily successful introduction of the Palio this past September enabled Fiat India to increase sales by 14%.
- In China, the Sector completed the capital investments needed to produce the Palio, which is scheduled for commercial launch in the spring of 2002.
- In Thailand, working within the scope of the industrial alliance with General Motors, Fiat Auto concluded the agreements required to begin manufacturing the Alfa 156, which will be introduced in the local market early in 2002.
- In Turkey, Tofas, an associated company and Fiat licensee, was able to absorb the impact of the crisis affecting the local economy thanks to the manufacturing of the Doblò. This vehicle, which garnered a record share of the Turkish commercial vehicle market (about 16%), is also exported to other countries in Europe.
- In South Africa, the Sector posted satisfactory results despite the devaluation of the rand, owing in part to the success of the newly introduced Seicento and Alfa 147.
- In Egypt, Fiat Auto completed its first full year of operation in 2001, achieving a market share of more than 11% and the rank of second largest producer.

The capital expenditures of the Automobile Sector totaled 1,331 million euros (1,412 million euros in 2000). They were targeted primarily at strategic investments in product development.

Research and development outlays, which are charged in full to income, amounted to 870 million euros in 2001 (776 million euros in 2000). This increase demonstrates the extent of Fiat Auto's commitment to continue the effort started in 2000 to strengthen its competitive position.

A major boost to the Sector's competitiveness will undoubtedly come from the industrial alliance with General Motors. During 2001, Fiat Auto transferred its purchasing operations to GM-Fiat Worldwide Purchasing, which immediately began operating at full capacity with excellent results, and its mechanical engineering Divisions to Fiat-GM Powertrain, which was completely deconsolidated as of June 30, 2001.



*Five-door Alfa Romeo 147.*

Several projects for the joint design of components and subsystems for future car models also got under way in 2001. More specifically, the Large and Premium projects (the latter on a co-location basis with SAAB in Sweden) have already reached an advanced stage of development. They are carried out by joint teams working, respectively, on the development of Fiat branded cars for the D Segment and models for the D and E segments that will carry the exclusive Alfa, Lancia and Saab brands.

The net savings that had been budgeted for 2001 were almost entirely realized and were even exceeded in some areas.

The synergies realized have a cumulative value of 272 million euros, 251 million euros of which were generated in 2001.

Also on the design front, Fiat Auto and GM Europe agreed to establish a joint design center that will develop common components and systems for small cars that the two companies will produce in the future. This joint development effort applies exclusively to components and technologies and will have no impact on the specificity of the brands that will be associated with future generations of cars. It will, however, enable both companies to realize significant savings. The Fiat Auto and Opel engineering centers will use the products developed by the joint effort as starting points in the design of the distinctive and unique cars that will represent each brand in this important vehicle class.

This ambitious project to develop new components will be pursued at a facility currently being established in Turin.

The new center will have 100 employees, including designers and other staff provided by the two partners.

At the end of the year, Fiat Auto began to implement a number of major restructuring programs to further reduce its industrial presence in Argentina. However, the Sector will maintain a minimum manufacturing capacity in that country in order to be ready to take advantage of a recovery when the market begins to reverse its downward slide.

Fiat Auto also completed the transfer of production from the Rivalta factory to the Mirafiori plant and began streamlining several facilities, with the goal of reducing production capacity.

In the early months of 2002, the Automobile Sector adopted a new structure based on four Business Units: Fiat/Lancia/Light Commercial Vehicles, Alfa Romeo, International Development and Services. A Unit specializing in aftersale services will flank the Sector's four Business Units.

The Units will be expected to function like full-fledged autonomous entities, with full responsibility for their operating and financial performance. Each Unit will have dedicated product development, production, marketing, sales, quality and human resources organizations.

This new structure will accelerate and streamline the decision-making process and focus the entire corporate system on maximizing customer satisfaction.



## FINANCIAL ACTIVITIES AND SERVICES

In 2001, Fiat Auto continued to pursue opportunities in the area of mobility services, strengthening its position as the leading Italian player in this business. This achievement was made possible by offering more streamlined services and broadening the product spectrum, using, when appropriate, cooperation agreements with partners who could contribute specific expertise.

The Arese Contact Center handled more than six million calls in 14 languages both from consumers and Fiat Auto dealers, using a Customer Relation Management system.

Targa Connect, a multimedia, interactive infomobility system, was introduced in all European markets in April 2001. This service, which was extremely well received, was further expanded in September to coincide with the launch of the Fiat Stilo. In order to round out its spectrum of infomobility products, Fiat Auto established Targa Trafficmaster S.p.A., a 50-50 joint venture with an English partner, Trafficmaster plc. The new company will use leading-edge monitoring technologies to collect, process and distribute traffic information in real time.

Among the Sector's financial activities, financing provided to end customers amounted to 8,920 million euros, or 4% less than in 2000. This decrease reflects weakness in Fiat Auto's target markets and a financing policy focused on quality and profitability rather than on increasing volume. Financing supported the sale of 1,154,000 vehicles (7% less than in 2000), equivalent to 39% of the new vehicles sold by Fiat Auto (40.3% in 2000). In Italy, the Sector financed the sales of over 340,000 new vehicles. Its share of the units shipped by Fiat Auto was virtually unchanged at 37%.

At 24,500 million euros, financing offered to the sales network and suppliers held at the strong level achieved in 2000.

Fiat Auto's renting operations were strengthened with the establishment of a new joint venture called Leasys S.p.A. Savarent and Sei (Enel Group) have transferred their renting businesses to the new company. Savarent contributed its rental contracts with large fleet operators. The rental fleet of the Sector's European subsidiaries and associated companies numbered 107,900 units, for a gain of 59% over 2000.

## RESULTS FOR THE YEAR

The Sector had consolidated net revenues of 24,440 million euros, or 921 million euros (-3.6%) less than in 2000.

The decline in revenues was smaller than the drop in unit sales due to the growing importance of the financial and service operations, whose contribution to Fiat Auto's overall



*Connect system integrates information and online technologies.*

revenues increased by almost a percentage point, and to an improvement in the revenue earned per unit sold. Another positive contribution came from the revenues generated by the sale of spare parts inventories to a joint venture that the Sector established with DHL Worldwide Express and other financial partners in its effort to reengineer its logistical system.

Fiat Auto reported an operating loss of 549 million euros, compared with an operating income of 44 million euros in 2000. The return on sales was negative by 2.2% (positive return of 0.2% in 2000). This sharp decline is the result of lower unit sales in Europe and Poland, the costs incurred to enhance the standard equipment of the Sector's vehicles without adequate price increases, and the charges associated with a reduction in the inventories held by dealers. The operating result was also adversely affected by a rise in research and development outlays (+94 million euros) and an increase in advertising expenses (+64 million euros) attributable in part to the launch of the Stilo.

These negative developments were offset only in part by improvements in efficiency that reduced product costs and overhead; the increased synergies generated by the alliance with General Motors (+251 million euros); and the gain earned on the sale of the spare parts inventories mentioned above (+300 million euros).



Lancia Thesis.

The net loss for the year totaled 1,442 million euros, compared with a net loss of 599 million euros in 2000. The Sector's interest in the net loss amounted to 1,418 million euros (loss of 589 million euros in 2000). This negative performance reflects in part an increase in extraordinary charges, which included 485 million euros for provisions

booked to cover restructuring programs and asset writedowns related to the downsizing of manufacturing operations in Europe and Argentina.

Cash flow was negative by 292 million euros (positive cash flow of 732 million euros in 2000) after depreciation and amortization of 1,150 million euros (1,331 million euros in 2000).

*Innovative product content and styling, sophisticated manufacturing solutions, and the positive impact of the industrial alliance with General Motors are the strong points that the Sector is leveraging to enhance its competitive position. Fiat Auto is also pursuing, with unflagging determination, the development of a comprehensive portfolio of services, ranging from the financing of vehicle purchases to the creation of customized products and cutting-edge infomobility services.*

*A belief in globalization is what drives Fiat Auto's growth strategy. The Sector remains committed to strengthening its presence in those emerging markets that will provide the most rapid rise in demand over both the medium and long term, while carefully managing a wide range of projects in order to minimize risk exposure.*

#### Fiat Auto worldwide

	Italy	Rest of Europe	Rest of the world	Total
Production facilities	8	1	3	<b>12</b>
R&D centers	10	–	1	<b>11</b>
Dealers	590	1,643	1,001	<b>3,234</b>

## Agricultural and Construction Equipment



Paolo Monferino,  
CNH Global's Chief Executive Officer.

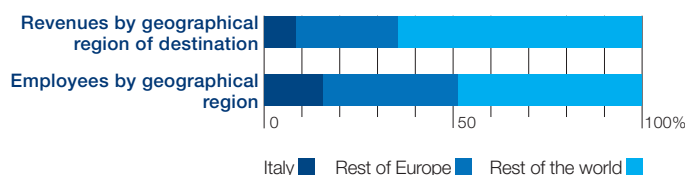


*Fiat has been producing farm tractors and construction equipment since the early decades of the past century. The focus on international markets, which has characterized this Group Sector from the start, gathered renewed momentum with the acquisitions of Allis Chalmers in 1973, Ford New Holland in 1991 and Case in 1999. CNH Global became the new name of the Agricultural and Construction Equipment Sector following its acquisition of Case Corporation in 1999.*

# CNH Global

## Highlights

(in millions of euros)	2001	2000	1999 Proforma	1999
Net revenues	<b>10,777</b>	10,770	9,952	5,246
Operating income	<b>209</b>	45	95	371
As a % of revenues	<b>1.9</b>	0.4	1.0	7.1
Net income (loss) before minority interest	<b>(291)</b>	(754)	(170)	216
Cash flow	<b>262</b>	(192)	364	333
Capital expenditures	<b>615</b>	447	318	178
Research and development	<b>341</b>	366	335	158
Net invested capital	<b>6,597</b>	6,932	6,184	5,777
Number of employees	<b>28,127</b>	31,033	34,963	19,049



## INTRODUCTION

Results of CNH Global include those of Case and Flexi-Coil, which were consolidated as of January 1, 2000 and January 4, 2000, respectively. These changes in the scope of consolidation greatly affected the comparability of the periods examined. For this reason, the most significant financial data for 1999 were presented on proforma basis.

## SALES PERFORMANCE

The demand for agricultural equipment declined on a global basis during 2001, particularly in Western Europe. Demand for agricultural equipment improved from 2000 in North America, where the gains were better than expected, and in Latin America, while in the other markets of the world the industry trend was negative.

Sales trends for CNH products were generally positive across the more than 160 markets the company serves. In North America, the combined sales of the company's New Holland and Case IH brands outpaced the industry in nearly every segment of the market, increasing the CNH share of the market for tractors and combine harvesters, even though many of the divested products have not yet been replaced. On an overall basis, market share in Europe declined slightly, due partly to divestitures and partly to lower industry sales in key markets such as Italy.

During 2001, the market for construction equipment declined from 2000 levels, reflecting the general level of economic activity in most countries. The North American market showed the greatest decline, followed by Europe and Latin America. In this very difficult environment, CNH maintained its overall position in the market, with the slight decline in share being due mainly to the required divestitures.

## GROWTH STRATEGIES

CNH has completed substantially all of the divestitures required by regulatory agencies in North America and Europe. In total, CNH has divested six facilities, all in accordance with conditions set by regulatory agencies for approval of the November 1999 merger of Case Corporation and New Holland NV. Completion of these divestitures, which brought uncertainty to the marketplace, and the implementation of the company's integration and industrial streamlining plan have allowed CNH Global to begin to take full advantage of the synergies between Case and New Holland.

The main areas targeted by the company's integration plan are: purchasing and logistics; selling, general and administrative; and industrial restructuring.

The industrial restructuring blueprint for the combined Case and New Holland organization, calls for a significant reduction



*New Holland CX 860 combine harvester.*

of its overall manufacturing organization. This will also entail a major reallocation of production among the remaining plants. Furthermore, the number of Case and New Holland product platforms will be reduced from more than 100 to about 60.

In purchasing and logistics, significant efficiencies are expected to come from economies of scale, a strong rationalization of the company's supply base, a reduction in the overall number of parts and coordination of global logistics activities. Relevant savings are expected to come from selling, general and administrative expenses by combining and managing globally functional departments.

One of the greatest opportunities offered by the merger is the development and manufacture of agricultural and construction equipment on global platforms. While designing and building products with features that clearly differentiate them from other brand models, CNH Global will realize significant synergies by applying approaches that proved highly successful in the automotive industry: designing and engineering these products on platforms that will share some level of common parts and components.

The first of these products are now being sold as part of distinct brand product lines through separate distribution networks, allowing CNH to tailor them to conform to brand expectations that fit the needs of its customers and to improve its services and expand the range of products

and services offered globally. However, there will be at the same time profit opportunities for CNH by cross-selling of some product lines.

## PRODUCT INNOVATION

During the year, CNH introduced over 100 new models, upgrading and significantly improving versions of many existing products, as well as introducing several completely new major products.

In the Agricultural Equipment segment:

- New Holland successfully introduced the new TJ tractor series at the very top of the range, replacing its divested 4WD tractor line. The launch of the New Holland TJ tractor represents the company's first application of the global platform strategy, being the counterpart to the Case IH STX tractor line introduced to rave reviews at the end of the prior year. In Europe, New Holland launched its all-new flagship conventional combine harvester, the CX, winning technical awards across Europe and overwhelming acceptance in the marketplace. In addition, New Holland launched important new medium horsepower and compact tractor models in Europe and North America.
- Case IH successfully launched a full line of best-in-class hay and forage equipment, replacing divested products





Case 521 D wheeled loader.

with superior options for their customers. The dominant position of the Case IH Axial Flow combine harvester in North America was enhanced by the introduction of new models. New models of seeders and planters extended the company's position in tillage equipment, and a new Case IH 6-row cotton picker puts the brand in a leading position in this important niche market. Capitalizing on the strengths of the united companies, the Case IH brand introduced a new line of compact tractors to immediate success in the market.

## FINANCIAL ACTIVITIES

In 2001, revenues from financial activities accounted for about 7% of the sector's net revenues.

CNH Capital completed its transformation into a financial services company dedicated solely to the support of CNH dealers and customers across all its brands. In the final phase of the transition, begun in the first quarter of 2001, CNH Capital exited the commercial lending business, ended retail financing activities outside its own dealer networks and reorganized its European businesses to better support the company's customers and dealers.

In 2001, the performance of the Sector's finance companies were penalized by a decline in the volume of financing

provided to construction equipment customers and by losses in its non-core lending operations.

Financial activities as a whole required the recognition of allowances for doubtful accounts totaling 220 million euros (152 million euros in 2000), including 155 million euros for the non-core activities.

## RESULTS FOR THE YEAR

CNH revenues in 2001 totaled 10,777 million euros, about the same as in 2000.

Sales of agricultural equipment grew significantly during the year, more than offsetting revenue lost through government-mandated divestitures, while sales of construction equipment, which carry higher average margin, declined with the industry.

CNH ended the year with operating income of 209 million euros (1.9% of sales), against income of 45 million euros in 2000 (0.4% of sales).

The combined effect of lower volumes, a worsening mix, an unfavorable exchange rate for the U.S. dollar, reduced coverage for overhead (caused by production cutbacks to reduce inventories) was more than offset by margin improvements achieved through CNH's merger-related profit improvement initiatives.

The Sector's increasingly successful integration and industrial streamlining plan undertaken after the merger resulted in

merger related profit improvements of about 300 million euros during 2001, which brought the cumulative synergies to about 480 million euros at the end of 2001, against a plan objective of about 670 million euros in four years (about 600 million dollars).

Depreciation and amortization totaled 553 million euros, compared to 562 million euros in 2000. The depreciation and amortization amount for 2001 includes 178 million euros for amortization of the goodwill from the Case acquisition. Capital expenditures amounted to 615 million euros (447 million euros in 2000).

Research and development expenses amounted to 341 million euros, against 366 million euros in 2000.

The result for the year was a net loss of 291 million euros, up from a net loss of 754 million euros a year before. The Sector's interest in the net result was a loss of 296 million euros (764 million euros was the Sector's interest in net loss in 2000).

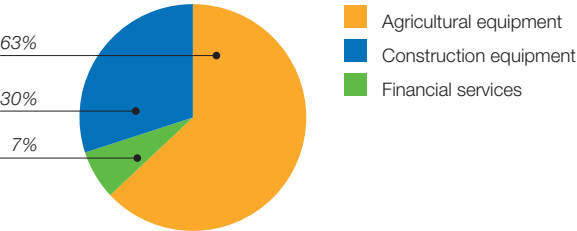
The results include extraordinary restructuring charges of 79 million euros, which are part of CNH's merger integration plan. These restructuring charges were accounted for under the Fiat Group accounting principles and reflect the costs of industrial restructuring actions that are expected to be completed within the next one to two years. The amounts recognized under the Fiat Group accounting principles differ from those accounted for under U.S. GAAP, which were adopted by CNH Global to present its consolidated financial results in the United States.



Fiat-Hitachi D 180 dozer.

Cash flow was a positive 262 million euros, as compared to a negative cash flow of 192 million euros in 2000. This improvement is due primarily to the smaller net loss incurred in 2001 (291 million euros, compared with 754 million euros in 2000) since the amount charged off for depreciation and amortization was roughly the same in both years.

Revenues by business unit



CNH Global is the world's leading manufacturer of agricultural equipment and ranks among the top producers of construction equipment and providers of related financial services in the world.

CNH worldwide

	Italy	Rest of Europe	Rest of the world	Total
Production facilities	5	12	25	42
R&D centers	4	6	9	19
Dealers	282	4,388	7,030	11,700

The Sector is currently implementing a plan to integrate and streamline the industrial operations of New Holland and Case. Under this plan, a few facilities in North America and Europe will be closed and manufacture of the respective products transferred to other plants, some product lines will be reallocated to different production units.

## Commercial Vehicles



Michel De Lambert,  
Iveco's Chief Executive Officer.

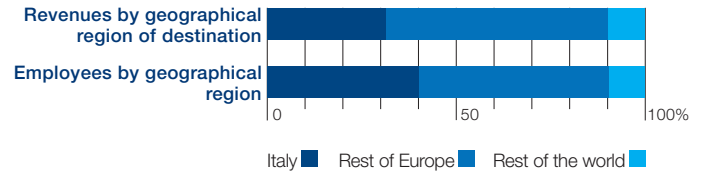
# IVECO

Iveco was created in 1975 through the merger of Italian, French and German truck manufacturers, some of whom had been founded before the beginning of the past century. It later acquired companies in Switzerland, England and Spain, becoming the first truly European group in its industry. During the 1990s, it broadened its international presence by establishing joint ventures and subsidiaries around the globe.

# Iveco

### Highlights

(in millions of euros)	2001	2000	1999
Net revenues	<b>8,650</b>	8,611	7,387
Operating income	<b>271</b>	489	311
as a % of revenues	<b>3.1</b>	5.7	4.2
Net income (loss) before minority interest	<b>(123)</b>	147	180
Cash flow	<b>287</b>	569	433
Capital expenditures (*)	<b>718</b>	656	359
Research and development	<b>215</b>	227	215
Net invested capital	<b>1,979</b>	2,207	2,359
Number of employees	<b>35,340</b>	35,852	36,217
(*) Vehicles under long-term leases	<b>348</b>	306	61



### SALES PERFORMANCE

In Western Europe, demand for commercial vehicles totaled 682,700 units in 2001, about the same as in 2000, marking the end of a growth trend that had lasted for seven years. More specifically, shipment of light commercial vehicles (GVW between 3.5 and 6 tons) did continue to increase, but new registrations of medium vehicles (GVW 6.1 and 15.9 tons) and heavy vehicles (GVW  $\geq$  16 tons) were down.

An analysis of the major European countries shows that demand was up in France (+5.2%) and Great Britain (+4.5%), almost unchanged in Italy and Spain, and down sharply (-6.6%) in the important German market.

In Western Europe, new registrations of light commercial vehicles grew by 4% to 359,000 units, with good gains in France (+10.9%) and Great Britain (+7.4%). The other European markets showed virtually no change from 2000.

#### Commercial Vehicles Market (GVW $\geq$ 3.5 tons)

(in thousands of units)	2001	2000	% change
France	<b>123.1</b>	117.0	5.2
Germany	<b>140.4</b>	150.4	(6.6)
Great Britain	<b>118.6</b>	113.5	4.5
Italy	<b>94.6</b>	94.8	(0.2)
Spain	<b>72.8</b>	72.4	0.6
<b>Western Europe</b>	<b>682.7</b>	681.7	0.1

Demand for medium vehicles decreased by 5.6% compared with 2000, with new registrations totaling 87,400 units. The biggest contraction occurred in Germany (-14.5%). Meanwhile, shipments were up in Spain (+7.9%) and France (+5.8%).

With 236,300 new units registered in 2001, the market for heavy vehicles contracted by 3.1%. Demand slumped in Germany (-11.2%), while different trends in the other European markets canceled each other out.

During 2001, Iveco sold a total of 160,400 vehicles worldwide, or 2.7% less than in 2000.

When the approximately 34,300 vehicles sold by licensees (42,700 in 2000) are added, total sales amount to 194,700 units.

In Western Europe, Iveco shipped 128,400 vehicles, for a modest 1.9% decrease from 2000.

The main reason for this falloff was weakness in the German market, where the Sector experienced an 11.4% decline in unit sales, and a 14.2% drop in shipments to Italian customers, which was due to aggressive marketing campaigns by Iveco's competitors.

These decreases were offset by buoyant sales in Great Britain (+17.6%), which were made possible by an upturn in demand for light commercial vehicles.

Iveco's share of the Western European market for vehicles with a GVW equal to or greater than 3.5 tons decreased from 17.8% in 2000 to 17% in 2001. This decline was caused primarily by a setback in the light vehicle segment, where the



Iveco Stralis.

Sector's share fell to 19%, or 1.7 percentage points less than 2000. However, there were encouraging signs of a turnaround during the second half of the year.

Iveco's share of the medium vehicle segment improved to 25%, or one percentage point more than in 2000.

The introduction of the Eurocargo Tector helped the Sector increase its penetration of the British, Spanish and German markets.

Iveco's overall share of the heavy vehicle segment was 11% in 2001, little changed from 2000. However, the trend improved during the last six months of the year due in part to the successful launch of a new 480-hp model, despite the

impact of order delays caused by the anticipated introduction of the Stralis, a new truck launched at the beginning of 2002.

In Eastern Europe, Iveco sold over 9,700 units in 2001, or 14% more than in 2000. The best gains were recorded in Romania.

Customers outside Europe bought 22,300 vehicles, or 12% less than in 2000.

Unit sales were up sharply in Latin America, where shipments of the different Iveco models totaled more than 7,800 vehicles, up 26% from 2000. In Brazil, surging sales of light vehicles enabled the Iveco Daily to garner a market share of 25.5%, or 3.8 percentage points more than in 2000. Shipments were also up in Venezuela, but slumped in Argentina due to the economic crisis that has engulfed the country.

In China, Naveco, a 50-50 joint venture with the Yuejin Group, produced and sold about 13,100 vehicles.

The main reasons for the decline of 25% from the number of units sold in 2000 are an increase in local competition and order postponements caused by the upcoming introduction of a new light vehicle.

The Irisbus joint venture sold about 9,500 busses. The modest year-on-year decrease (3% less than in 2000) was due mainly to delays in the awarding of contracts following calls for tenders by public transportation entities, particularly in Italy and Spain.

#### Sales Performance – Commercial Vehicles sold by Country

(in thousands of units)	2001	2000	% change
France	<b>22.9</b>	23.1	(0.9)
Germany	<b>16.3</b>	18.4	(11.4)
Great Britain	<b>15.4</b>	13.1	17.6
Italy	<b>39.3</b>	45.8	(14.2)
Spain	<b>15.2</b>	15.8	(3.8)
Western Europe	<b>128.4</b>	130.9	(1.9)
Rest of the world	<b>32.0</b>	33.9	(5.6)
<b>Total units sold (*)</b>	<b>160.4</b>	<b>164.8</b>	<b>(2.7)</b>
Associated companies	<b>34.3</b>	42.7	(19.7)
<b>Grand total</b>	<b>194.7</b>	<b>207.5</b>	<b>(6.2)</b>

(\*) Including 50% of Irisbus and Naveco sales.





The Commercial Vehicles Sector produced 413,300 diesel engines in 2001, or about 9% fewer than in 2000. This decrease is the result of a drop in the production of light and medium engines caused by declining sales of Iveco trucks and, more importantly, lower orders from non-captive customers. In 2001, the Sector brought production of a new Tector engine for its Eurocargo trucks to full capacity and expanded its line of Cursor heavy engines. Sales to non-captive customers accounted for 61% of the total output, about the same as in 2000.

In India and Turkey, sales by licensee associated companies declined due to weak demand for commercial vehicles in these markets. More specifically:

- In India, the Iveco associated company Ashok Leyland manufactured and sold 30,700 vehicles, or about 3,800 units less than in 2000.
- In Turkey, Otoyol sold about 3,600 vehicles, roughly half the number shipped in 2000.

#### Commercial Vehicles Market (GVW ≥ 3.5 tons)

(in thousands of units)	2001	2000	% change
Heavy	<b>236.3</b>	243.8	(3.1)
Medium	<b>87.4</b>	92.6	(5.6)
Light	<b>359.0</b>	345.3	4.0
<b>Western Europe</b>	<b>682.7</b>	681.7	0.1

## FINANCIAL ACTIVITIES AND SERVICES

The finance companies of the Transolver Finance Group, which provide financing and leasing services to support the sales of Iveco products, enjoyed strong growth in 2001.

In 2001, Transolver Finance signed about 34,400 contracts to finance sales of new commercial vehicles, or 24.8% more than in 2000. The biggest increases occurred in Italy, Germany and in the United Kingdom. Transolver Finance also signed 5,400 contracts for used vehicles, for an increase of 56% over the previous year. Overall, it provided financing for a growing share (29.8%) of the vehicles sold by Iveco. The financing contracts outstanding at the end of 2001 increased to about 99,100, for a total net value of about 2,1 billion euros. During the year, Iveco opened finance companies in the United Kingdom, Switzerland and Brazil. These new units are already producing gratifying results.

The Sector's leasing operations, which are carried out by Fraikin and Transolver Service, increased their pool of leased vehicles to about 37,000 units at December 31, 2001, for a gain of 9.7% compared with the end of 2000.

Some of the best improvements occurred in France (+4%) and Great Britain (+23%). A particularly strong gain of more than 50% was recorded in Spain thanks to the rapid expansion of the long-term leasing business.

During the year, Iveco continued to successfully integrate the operations of the Fraikin Group. Fraikin, which retained its position as the unchallenged leader of the French market, brings to the Sector invaluable expertise in the long-term leasing of commercial vehicles and the management of large fleets.

In 2001, Iveco continued to expand its portfolio of maintenance and repair services, signing up 11,900 new contracts. It had a total of 33,800 contracts in force at December 31, 2001.

#### Sales Performance – Commercial Vehicles sold by Product Segment

(in thousands of units)	2001	2000	% change
Heavy	<b>31.6</b>	33.0	(4.2)
Medium	<b>24.0</b>	24.9	(3.6)
Light	<b>96.2</b>	97.5	(1.3)
Busses (*)	<b>4.9</b>	5.6	(12.5)
Divisions (**)	<b>3.7</b>	3.8	(2.6)
<b>Total units sold</b>	<b>160.4</b>	164.8	(2.7)

(\*) 50% interest in Irisbus + Iveco's Bus Division.

(\*\*) Astra, Defense and Firefighting Vehicles.

## PRODUCT INNOVATION AND INVESTMENTS

The Sector focused its product innovation and development programs primarily on the repowering of its line of intermediate vehicles (Eurocargo Tector) and designing a new range of V-shaped engines for electric power generation and rail transport applications.

In addition, it proceeded with the planned implementation of an investment program to expand its engine line. It developed new families of light and medium diesel engines, built a facility that manufactures crankshafts for light and medium engines, and developed a new cab that will be installed on the Stralis, a new heavy vehicle.

Irisbus continued to invest in product innovation, placing particular emphasis on the development of the Civiis, a new mass transit vehicle with an electric or hybrid propulsion system.

At the end of 2001, the Sector agreed to purchase from Renault the 50% interest in the Irisbus Group it did not own. This transaction will be completed in 2002, giving Iveco complete control of this bus manufacturer.

For the year as a whole, capital expenditures rose to about 718 million euros (656 million euros in 2000). This amount includes 348 million euros invested in the Sector's fleet of lease vehicles.

During the year, Iveco and CBC, a Chinese group, signed an agreement establishing a 50-50 joint venture that will manufacture and distribute urban and long-distance busses. CBC is one of the largest producers of mass transit vehicles in China and leads the domestic urban transportation market.

## RESULTS FOR THE YEAR

In 2001, Iveco's net revenues increased to 8,650 million euros, up slightly from the figure reported in 2000, as growth by its financial and service businesses offset a decrease in vehicle sales.

Operating income amounted to 271 million euros (489 million euros in 2000). The return on sales was 3.1%, down from 5.7% in 2000. This decline is due mainly to the combined impact of lower unit sales and a reduced contribution from asset sales, which in 2000 included a gain of 88 million euros on the disposal of industrial sites no longer used by the Sector.

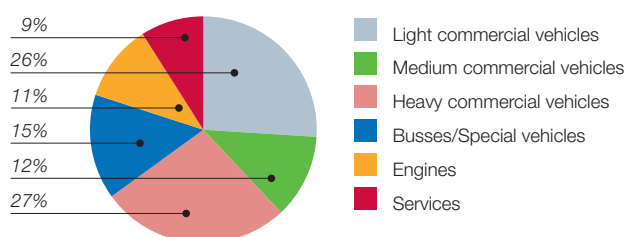
In 2001, Iveco laid out a plan that will permit an in-depth restructuring of its industrial operations in Argentina and produce major operating efficiencies. This plan required the Sector to set aside sufficient reserves to defray the related extraordinary charges, which had a significant negative impact on the bottom line. For the year as a whole, Iveco reported a consolidated net loss of 123 million euros (consolidated net income of 147 million euros in 2000).

Depreciation and amortization totaled 410 million euros in 2001 (423 million euros in 2000), while research and development outlays came to 215 million euros (227 million euros in 2000).

The Sector's interest in the net loss came to 125 million euros, compared with an interest in net income of 146 million euros in 2000.

In 2001, cash flow totaled 287 million euros, down from 569 million euros in 2000.

Revenues by business unit



*Bolstered by the positive performance of its innovative vehicles and engines and the successful completion of its capital investment programs, Iveco stands ready to take advantage of all available growth opportunities. The full integration of Irisbus into Iveco will enable the Sector to play a leading role in the global bus market as well.*

Iveco worldwide

	Italy	Rest of Europe	Rest of the world	Total
Production facilities	11	24	10	45
R&D centers	16	15	2	33
Dealers	73	307	198	578

*Iveco is continuing to expand its international operations, strengthening its position in the emerging markets of South America and East Asia and broadening its sales organization in Eastern Europe.*

# Metallurgical Products

# Teksid



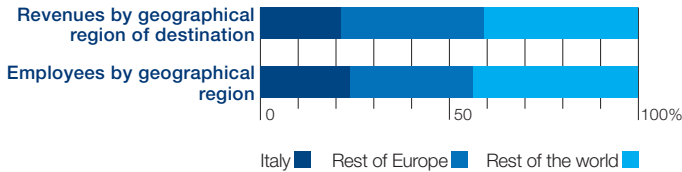
Paolo Filomeni,  
Teksid's Chief Executive Officer.



When it was established in 1978, Teksid could draw on more than sixty years of expertise accumulated by Fiat's metallurgical operations.

## Highlights

(in millions of euros)	2001	2000	1999
Net revenues	1,752	1,873	1,682
Operating income	15	101	76
as a % of revenues	0.9	5.4	4.5
Net income (loss) before minority interest	(125)	8	26
Cash flow	(16)	113	123
Capital expenditures	151	182	182
Research and development	27	29	23
Net invested capital	788	861	793
Number of employees	13,827	14,286	14,522



## OPERATING PERFORMANCE

The slowdown in the growth of the world economy had deep repercussions on the markets where the Sector operates. The NAFTA countries were particularly affected, with automotive production falling off sharply as early as the first quarter of 2001. The further deterioration that occurred after September 11 negated any feeble expectations of an upturn.

Against this background, Teksid reported a decrease in sales volumes that has contributed to the profound shift in business mix that the Sector is experiencing. More specifically, the Aluminum and Magnesium operations are growing rapidly, while the Cast-Iron Business Unit has cut capacity in Europe and expanded selectively in the NAFTA markets and in China. A detailed review follows.

- The **Aluminum** Business Unit was busy with the development and market launch of eight new products. These projects required major investments, including the startup of a new U.S. factory in Alabama that uses lost-foam technology to produce cylinder heads and blocks for the new GM L850 engine. A second plant, still under construction, will manufacture die-cast cylinder blocks for Nissan. Work continued on a second aluminum facility in Mexico that will produce cylinder heads for Ford, Chrysler and Nissan. These new factories will enable the Aluminum Business Unit to almost double its output over the next five to six years. In 2001, its contribution to the Sector's total revenues had already increased from 45% to 49%.
- **Meridian** (Magnesium) continued to develop new products for both the American and European markets. An important

new contract covered the development of the radiator mounting bracket for Ford's line of SUVs. In 2001, the Magnesium Business Unit completed the expansion of its plant in Strathroy, Ontario. Its contribution to the Sector's total revenues was 17% (16% in 2000).

- The **Cast-Iron** Business Unit opened its new Hua Dong foundry. Located in Zhenjiang, China, this facility produces cast-iron cylinder blocks for automobiles and light commercial vehicles. The Business Unit's contribution to Sector revenues fell from 39% in 2000 to 34% in 2001.

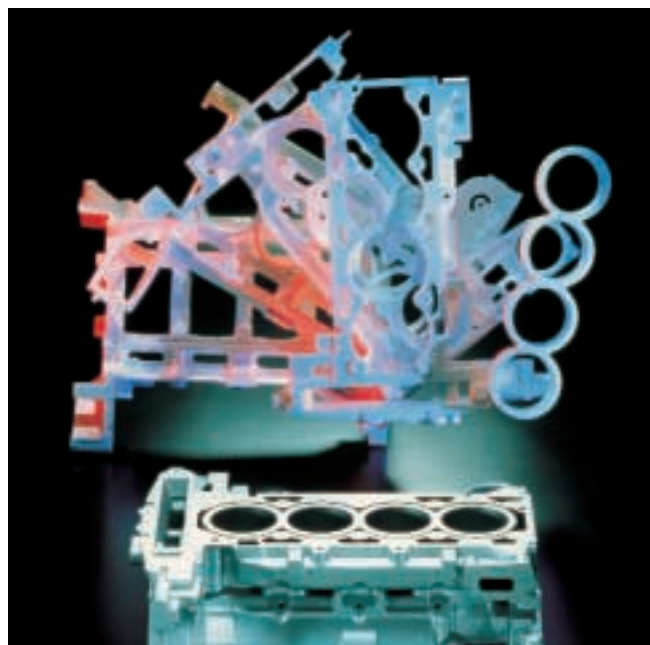
In order to quickly bring its costs in line with current sales volumes, Teksid is implementing incisive contingency plans to reduce production and has launched a reengineering program that aims primarily at streamlining its Cast-Iron operations and business support services.

## RESULTS FOR THE YEAR

In 2001, the Sector had revenues of 1,752 million euros, or 6.5% less than in the previous year. At 866 million euros, the revenues of the Aluminum Business Unit were 2.2% higher than in 2000, as gains in Europe more than offset a decline in shipments to NAFTA customers. The Cast-Iron Business Unit reported lower revenues of 599 million euros (-18.5%) due to weak market demand, the sale of the Rovigo factory and, to a lesser extent, the closing of the Carmagnola plant. Revenues generated by the Magnesium Business Unit were down 1.2% to 287 million euros. Customers outside the Fiat Group accounted for 80% of total revenues, compared with 76% in 2000.



Aluminum plant in Sylacauga, Alabama (USA).



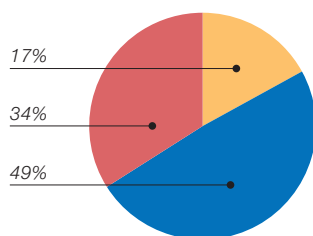
Polycast cylinder block for the GM L 850 engine.

Operating income was 15 million euros (0.9% of revenues), down from 101 million euros in 2000 (5.4% of revenues). This decrease is the combined result of lower unit sales, an unfavorable price/cost ratio and startup costs incurred by new operations, offset only in part by improvements in efficiency. Depreciation and amortization totaled 109 million euros (105 million euros in 2000), and research and development outlays amounted to 27 million euros (29 million euros in 2000).

The net loss for the year came to 125 million euros, as opposed to net income of 8 million euros in 2000. The Sector's interest in the net loss was 126 million euros (interest in net income of 0.1 million euros in 2000). This negative performance also reflects the impact of 72 million euros in extraordinary restructuring costs (47 million euros more than in 2000).

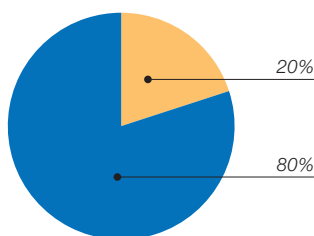
Cash flow was negative by 16 million euros (positive cash flow of 113 million euros in 2000).

Revenues by business unit



■ Magnesium  
■ Aluminum  
■ Cast iron

Revenues by customer



■ Fiat Group  
■ Other carmakers

Concurrent with its international expansion, Teksid has drastically changed its product mix. Over the last four years, the contribution of heavier metal products (steel and cast iron) has decreased from 58% to 34%, while production of aluminum and magnesium components has increased, as the Sector focused on higher technology products.

Teksid worldwide

	Italy	Rest of Europe	Rest of the world	Total
Production facilities	5	8	12	<b>25</b>
R&D centers	5	2	3	<b>10</b>

Teksid's presence in the international markets has grown at a rapid pace during the last 10 years, in response to the need to serve customers from facilities close to their locations throughout the world. The most significant increases in production capacity occurred in Europe, the NAFTA and Mercosur countries, and China.



## Components



Domenico Bordone,  
Magneti Marelli's Chief Executive Officer.

**MAGNETI  
MARELLI**

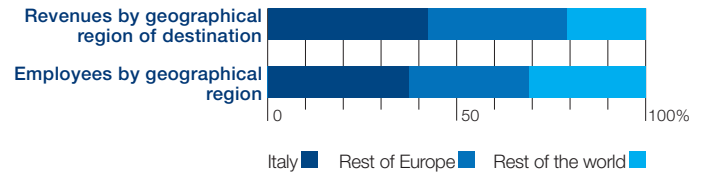
*Magneti Marelli was founded in 1919 by Fiat and Ercole Marelli. In 1967, Fiat took over this company, transforming it into a global center for the production of automotive components.*

*Magneti Marelli is focusing its operations on its core product lines while divesting non-strategic assets.*

# Magneti Marelli

## Highlights

(in millions of euros)	2001	2000	1999
Net revenues	<b>4,073</b>	4,451	4,062
Operating income (loss)	<b>(74)</b>	55	108
as a % of revenues	<b>(1.8)</b>	1.2	2.7
Net income before minority interest	<b>82</b>	139	107
Cash flow	<b>289</b>	353	310
Capital expenditures	<b>240</b>	231	209
Research and development	<b>227</b>	213	185
Net invested capital	<b>1,073</b>	1,131	1,289
Number of employees	<b>24,228</b>	25,975	25,613



## OPERATING PERFORMANCE

In 2001, consistent with a strategy that calls for an increased focus on its core businesses, the Sector launched a restructuring plan that will help it enhance the value of its different operations and maximize the benefits of any strategic alliances and/or divestitures.

In pursuit of these goals, Magneti Marelli took the following actions in 2001:

- It acquired control of the Automotive Lighting joint venture, in which it now holds a 74.9% interest.
- In March 2001, it finalized the sale of its Climate Control Division to Denso, a Japanese Group. This divestiture had been announced in November 2000.
- It completed its corporate restructuring plan, concentrating its businesses into homogeneous units that will be in a better position to enter into agreements in the future.

## RESULTS FOR THE YEAR

Weak demand, particularly during the second half of 2001, caused the consolidated net revenues of Magneti Marelli to decline to 4,073 million euros, or 5.2% less than in 2000 on a comparable consolidation and foreign exchange basis.

The operating loss came to 74 million euros (operating income of 14 million euros in 2000 on a comparable consolidation basis and net of non-recurring items). Lower unit sales, turmoil in the electronics market and a deterioration of the euro/dollar exchange rate contributed to this negative result. The return on sales fell from a positive 1.2% in 2000 to a negative 1.8% in 2001.

Depreciation and amortization totaled 207 million euros (214 million euros in 2000), while research and development outlays increased to 227 million euros (213 million euros in 2000).

Net income, which reflects a net capital gain of 355 million euros from the sale of the Climate Control Division, amounted to 82 million euros (139 million euros in 2000).

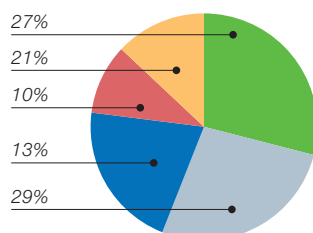
The Sector's interest in net income came to 84 million euros (135 million euros in 2000).

Cash flow declined from 353 million euros in 2000 to 289 million euros in 2001.



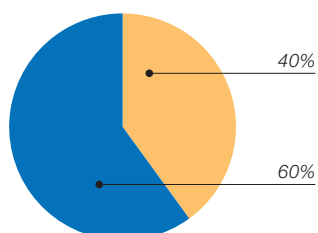
Connect Nav + system for the Fiat Stilo.

#### Revenues by business unit



■ Powertrain systems  
■ Suspension systems  
■ Lighting  
■ Eletronic systems  
■ Aftermarket

#### Revenues by customer



■ Fiat Group  
■ Other carmakers

#### Magneti Marelli worldwide

	Italy	Rest of Europe	Rest of the world	Total
Production facilities	19	18	16	53
R&D centers	5	9	7	21

*Magneti Marelli's strategy is based on three key guidelines: innovating, focusing on businesses that supply complete systems with a high technology content, and lengthening the value chain by developing innovative services.*

*International expansion, another important facet of Magneti Marelli's strategy, has enabled the Sector to meet the global needs of its customers.*



Piero Maritano,  
Comau's Chief Executive Officer.



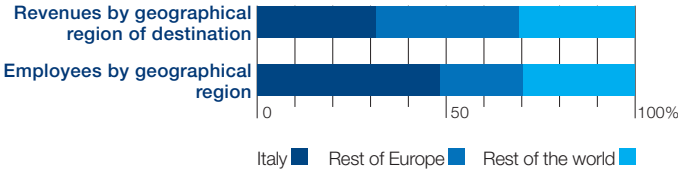
*Fiat started regular and organized production of machine tools in 1935. Over the years, by acquiring and absorbing other companies, Comau broadened its product range, becoming one of the few "total" suppliers of automation systems for the automotive industry.*

Production Systems

Comau

Highlights

(in millions of euros)	2001	2000	1999
Net revenues	2,218	2,440	1,693
Operating income	60	87	43
as a % of revenues	2.7	3.6	2.5
Net income (loss) before minority interest	(36)	6	(8)
Cash flow	27	63	30
Capital expenditures	38	36	26
Research and development	22	20	20
Net invested capital	378	486	485
Number of employees	17,243	17,636	16,943



OPERATING PERFORMANCE

In 2001, the markets where the Sector operates were characterized by sharp cutbacks in the capital spending programs of U.S. carmakers. In Europe, where price competition was extremely high, demand held relatively steady, with investments used to streamline production capacity. In South America, the crisis in Argentina exacerbated a downward trend in capital spending.

Demand for production systems has been evolving toward integrated systems and services that require a gradual commitment of resources, can serve multiple purposes (modularity and operating flexibility) and have a long life cycle (reliability and convertibility).

At the same time, carmakers are continuing to shift their service activities and non-core manufacturing operations to outside suppliers while pursuing financial solutions that permit the reduction of invested capital.

In response to these critical developments and despite an unfavorable business environment, Comau continued to develop and fine tune its technological resources, with gratifying results. New orders for contract work totaled 1,756 million euros in 2001, or about 5% more than in the previous year. This improvement is due primarily to orders from Powertrain Systems in Europe and the United States and to the growing contribution of the Engineering Business Unit following the acquisition of Germann-Intech GmbH & Co. KG. and Comau Romania S.r.l.

An analysis by region shows that 61% of the orders were booked in Europe and 35% in the NAFTA countries, with most of the remaining 4% coming from Brazil and China. Fiat Group customers accounted for 21% of total orders and outside carmakers for the other 79%.

The most noteworthy large orders include assembly and machining lines for a new engine being developed by the Fiat-GM Powertrain joint venture in Poland and for NAFTA-area plants of U.S. manufacturers, as well as bodywork welding lines for local customers in Germany.

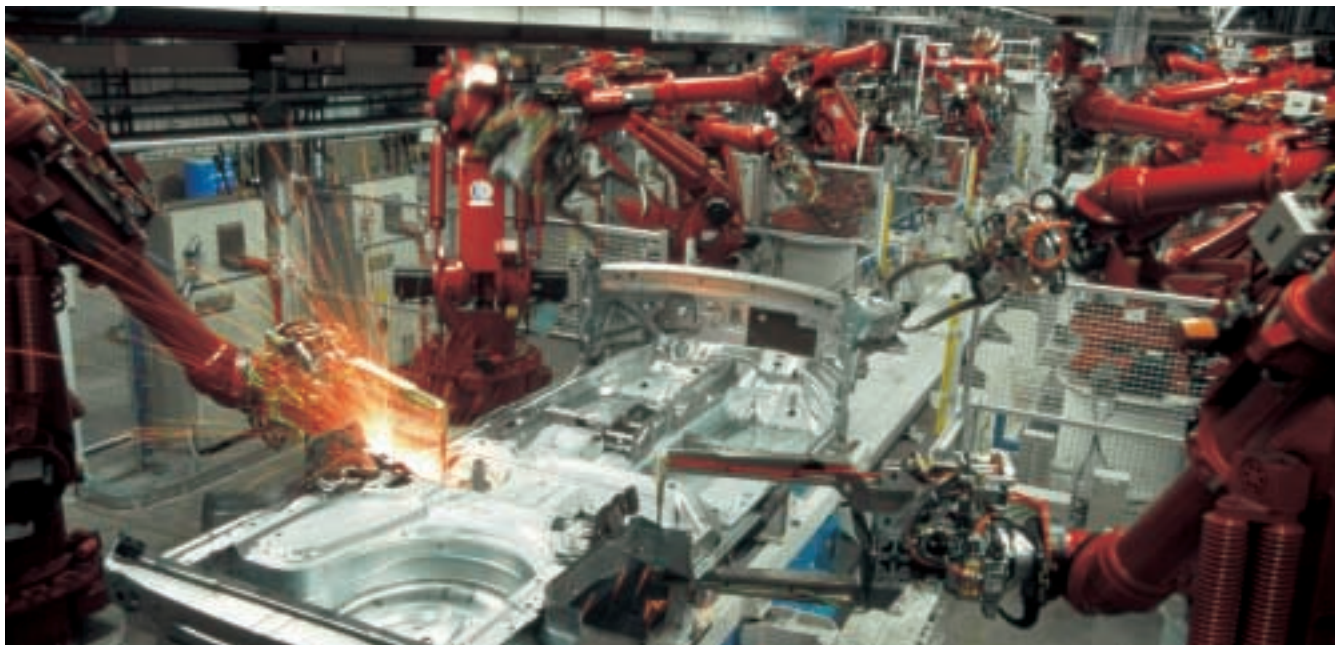
At December 31, 2001, the order portfolio stood at 1,473 million euros, up 4% from the end of 2000.

The maintenance service operations headed by Comau Service (merged into Comau S.p.A. during the year) enjoyed sharply higher revenues in 2001 (+30%) thanks to new orders from Fiat Group companies in Italy and the rest of Europe and new contracts from U.S. carmakers in the NAFTA markets.

RESULTS FOR THE YEAR

Revenues totaled 2,218 million euros in 2001, or 9% less than in the previous year, as growth in the maintenance service business was not enough to offset a decrease in sales to NAFTA customers.

Operating income was down in absolute terms (60 million euros in 2001, compared with 87 million euros in 2000) and as a percentage of revenues (2.7% in 2001, as against 3.6% in 2000). This decline was due to a drop in revenues, which



Robotized car-frame welding line.

could be made up only in part by higher maintenance service revenues, efficiency improvements and non-recurring gains (35 million euros, compared with 10 million euros in 2000) earned primarily on the disposal of non-strategic real estate assets in the United States.

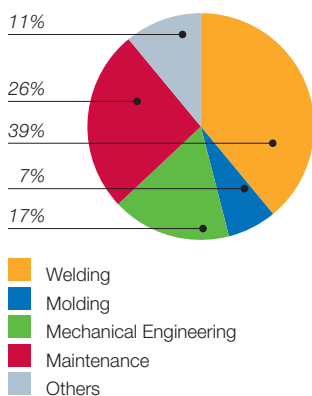
Research and development expenditures totaled 22 million euros in 2001 (20 million euros in 2000). Amortization and depreciation also increased, rising to 63 million euros (57 million euros in the previous year).

For the year as a whole, the Sector reported a net loss of 36 million euros (net income of 6 million euros in 2000), due to the drop in operating income and the impact of costs incurred to restructure some of its subsidiaries.

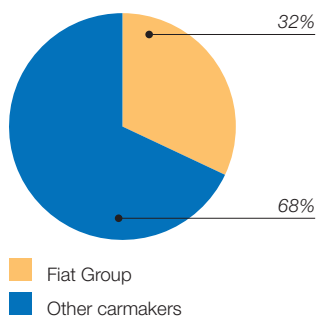
Comau's interest in the result for the year was a net loss of 37 million euros, compared with net income of 7 million euros in 2000.

Cash flow also decreased, falling from 63 million euros in 2000 to 27 million euros in 2001.

Revenues by business unit



Revenues by customer



Comau worldwide

	Italy	Rest of Europe	Rest of the world	Total
Production facilities	6	11	17	34
R&D centers	9	4	1	14

*Comau's objective is to supply simple, cost-effective and flexible automation systems, working closely with its customers from the design phase through every step of the manufacturing process: from engineering to production, assembly and maintenance services.*

*Comau's global presence enables it to guarantee full-service support for its customers anywhere in the world.*





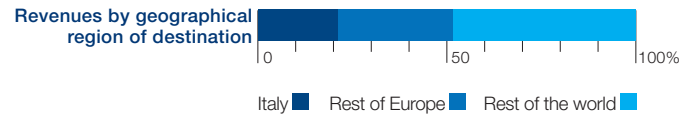
Saverio Strati,  
FiatAvio's Chief Executive Officer.



*FiatAvio is continuing to set new standards of excellence in the design, testing and production of propulsion systems for various aeronautical and space applications.*

### Highlights

(in millions of euros)	2001	2000	1999
Net revenues	<b>1,636</b>	1,491	1,361
Operating income	<b>186</b>	143	109
as a % of revenues	<b>11.4</b>	9.6	8.0
Net income before minority interest	<b>425</b>	83	61
Cash flow	<b>514</b>	173	145
Capital expenditures	<b>41</b>	36	42
Research and development	<b>132</b>	104	128
Net invested capital	<b>587</b>	71	163
Number of employees	<b>5,243</b>	5,362	5,590



### OPERATING PERFORMANCE

During 2001, the markets where the Sector operates were characterized by growing demand for defense products, as European governments responded to the need to replace their military fleets. Toward the end of the year, following the events of September 11, the number of space launches decreased, and worldwide demand for new engines and overhaul services from commercial aviation customers weakened.

Positive developments in the **commercial aircraft market** included the conclusion of an agreement to participate, in partnership with Rolls Royce, in the Trent 900 Program for the Airbus A380 aircraft, and the signing of a memorandum of understanding with Pratt & Whitney for the development and production of modules for the PW600 engine. The Sector also finalized a contract with Agusta to supply a second lot of T700 engines, which power the Italian Navy's EH101 helicopter. Sales of power generation units that use aircraft engines to produce electricity increased, reflecting strong demand for energy in the United States.

Work performed under **government programs** included the delivery to the Italian Air Force of the first production run of EJ200 engines for the Eurofighter 2000 aircraft. In the area of trainer aircraft, the Sector, working in cooperation with Honeywell, shipped the first two development kits for the F124 GA 200 turbofan engine that will power the Aermacchi M346 aircraft. In the marine defense field, Fincantieri awarded

FiatAvio a contract for the propulsion system that is being developed for Italy's new aircraft carrier. This vessel will be powered by four LM2500 turbines. The Sector is also negotiating a project for Orizzonte Class frigates.

The **Commercial Engine Overhaul Division** increased its orders to overhaul JT8 engines, adding a five-year contract with Midwest Express Airlines and other contracts in Indonesia (Mandala Airlines), Libya and South America. Assignments to work on PW100 engines doubled thanks to the signing of new contracts. In China, the Sector booked its first orders to overhaul CFM56 engines.

The **Space** Business Unit experienced a decrease in activity as a result of problems with the upper stage of the Ariane 5 launcher. These problems have since been resolved, and launches resumed successfully in February 2002. In a positive development for the Italian space industry, the Vega Program memorandum was signed in 2001, with France agreeing to provide its contribution. Plans for the evolution of the Ariane 5 launcher were also approved, and ELV S.p.A., the lead company of the entire Vega Program, became operational in April 2001. The preliminary design review was successfully completed in collaboration with ESA, the Program's customer. In the area of liquid-fuel propulsion systems for satellites, FiatAvio — already the supplier of the propulsion system — was also assigned launch service responsibility for the SICRAL satellite.



EJ200 engines for the Eurofighter aircraft.

## RESULTS FOR THE YEAR

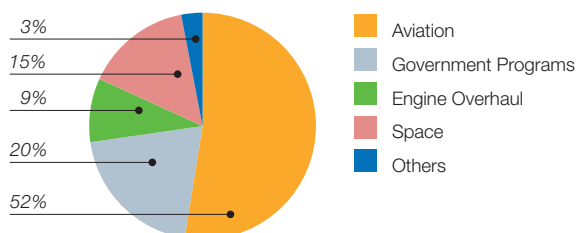
In 2001, the Sector had revenues of 1,636 million euros, or 9.7% more than in the previous year, thanks to increased orders from commercial and government customers. Operating income grew to 186 million euros (11.4% of revenues), compared with 143 million euros (9.6% of revenues) in 2000, due in part to a favorable dollar/euro exchange rate and the positive impact of programs implemented to improve efficiency and reduce operating costs. Depreciation and amortization totaled 89 million euros

(90 million euros in 2000). Research and development expenditures increased to 132 million euros, up from 104 million euros in 2000.

Net income rose to 425 million euros, compared with 83 million euros in 2000. This increase reflects an improvement in operating income and a gain of 328 million euros from the transfer of Fiat Energia to Italenergia in July 2001 in exchange for a 20.96% interest in Italenergia.

The growth in earnings produced an increase in cash flow, which grew to 514 million euros (173 million euros in 2000).

### Revenues by business unit



*The Cartesio Plus Program is providing fresh momentum to FiatAvio's effort to find increasingly sophisticated technological solutions at every phase of the product cycle. The objectives of this program are incremental improvements in the performance of the Sector's operations (through the Sigma 6 method) and the reengineering of its main corporate processes.*

### FiatAvio worldwide

	Italy	Rest of Europe	Rest of the world	Total
Production facilities	9	–	2	<b>11</b>
R&D centers	8	1	–	<b>9</b>

## Publishing and Communications



Alberto Nicoletto,  
Itedi's Chief Executive Officer.



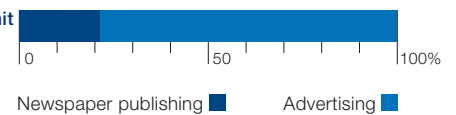
*Fiat has been active in the publishing business since 1926, when it established Editrice La Stampa, the eponymous publisher of Turin's newspaper.*

## Itedi

### Highlights

(in millions of euros)	2001	2000	1999
Net revenues	<b>347</b>	354	413
Operating income (loss)	<b>(2)</b>	10	17
as a % of revenues	<b>(0.6)</b>	2.8	4.1
Net income (loss) before minority interest	<b>(6)</b>	2	11
Cash flow	<b>1</b>	8	19
Capital expenditures	<b>6</b>	17	8
Net invested capital	<b>49</b>	46	25
Number of employees	<b>934</b>	954	934

### Revenues by business unit



*Itedi is focused on growing its publishing operations by accelerating the national expansion of La Stampa and increasing the advertising billings it generates on behalf of non-captive customers.*

### OPERATING PERFORMANCE

In 2001, sales of Italian newspapers totaled about six million copies a day, roughly the same as in the previous year. The print advertising market, which had expanded during the preceding five years, reversed this trend and contracted by about 3%. However, conditions varied in the different market segments.

**Editrice La Stampa S.p.A.** reported an average daily circulation of more than 406,000 copies, up from 390,000 copies in 2000. Most of the gains came from the national edition (all of Italy, except for the Piedmont, Liguria and Valle d'Aosta Regions). The main developments of 2001 included new business tie-ins linking La Stampa with local newspapers in major Italian cities (Bologna, Florence and Mantua) and an increase in La Stampa's newsstand price from 0.77 euros to 0.88 euros. This increase went into effect at the beginning of December to offset, at least in part, higher paper prices, which have risen by about 22% compared with 2000, and the cost of adding pages to the newspaper. In addition, the Sector continued to carry out a series of projects designed to improve product quality, broaden the newspaper readership base (contests for students) and increase reader loyalty (bonus coupon programs). At the same time, it reduced the

number of promotions of publishing-related products packaged with the newspaper.

The magazine Specchio, which has been distributed free of charge with La Stampa since September 2000, enjoyed a significant increase in circulation, with a positive impact on advertising revenues and newspaper sales on its publication days.

Toward the end of the year, Editrice La Stampa launched a reorganization program the main benefits of which will be felt primarily in 2002.

Revenues from sales of newspapers and promotional items totaled 68 million euros in 2001, about the same as in 2000. Advertising revenues amounted to 107 million euros (about 1.3% less than in 2000), accounting for 60% of Editrice La Stampa's total revenues. This improvement was made possible by the increased contribution of Specchio, which offset a decline in newspaper advertising.

In 2001, **Publikompass S.p.A.** booked advertising billings totaling 278 million euros, or 1.5% less than in 2000, but not all media segments performed equally. Advertising was up 125% for television (bookings for the Stream digital channels more than tripled), but decreased for newspapers (-4.3%), periodicals (-12.8%) and the Internet (-44%).



Sound-proofed booth for a Wifag OF7 / 370 rotary press.

## RESULTS FOR THE YEAR

Itedi posted net revenues of 347 million euros in 2001. The decline from the 354 million euros reported the previous year was due primarily to a sharp contraction of the advertising market.

The Sector lost 2 million euros on an operating basis (-0.6% of revenues), compared with operating income of 10 million euros in 2000 (+2.8% of revenues). The main reasons for this reversal are a sharp increase in paper prices and the costs incurred to upgrade the Sector's rotary presses, and those belonging to contract printers, to handle an increase in the

newspaper's number of pages and the introduction of color. These charges were offset in part by cuts in marketing costs, gains on the sale of real estate assets and reductions in overhead. Depreciation and amortization totaled 7 million euros (6 million euros in 2000).

The year ended with a net loss of 6 million euros, compared with net income of 2 million euros in 2000.

The Sector's interest in the net loss amounted to 5 million euros.

Cash flow fell to one million euros, or about 7 million euros less than in 2000.





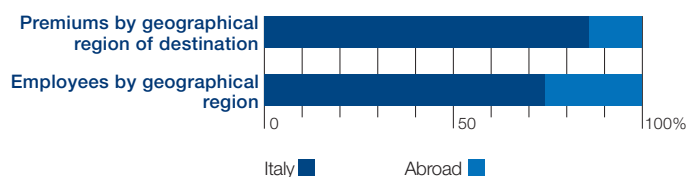
Francesco Torri,  
Toro Assicurazioni's Chief Executive Officer.



*Established in 1833, Toro Assicurazioni gradually expanded its operations to include all segments of the insurance business.*

## Highlights

(in millions of euros)	2001	2000	1999
Consolidated premiums	<b>5,751</b>	4,498	4,088
Premiums earned	<b>5,461</b>	4,363	3,922
Income before taxes	<b>220</b>	163	178
Net income before minority interest	<b>152</b>	85	92
Insurance reserves	<b>15,677</b>	12,010	9,733
Investments in financial assets and real estate	<b>16,971</b>	13,232	10,867
Stockholders' equity	<b>1,826</b>	1,593	1,444
Number of employees	<b>3,213</b>	2,875	2,907



## OPERATING PERFORMANCE

In 2001, the Italian insurance market expanded at a slower rate than in previous years. Difficult conditions in the financial markets and the start of the tax reform of the pension system limited the growth of the life insurance segment. However, the expiration of the rate freeze gave fresh momentum to the automobile insurance market.

Also in France, the Sector's second largest market, growth was hampered by an unfavorable economic environment and turmoil in the financial markets.

As a result, total premiums written in France declined by 4% in 2001.

Against this background, the Sector confirmed its position as Italy's third largest insurance group, bolstered in part by the positive contribution of the new companies it acquired during the year. More specifically:

- **Lloyd Italico Danni** and **Lloyd Italico Vita** were purchased in April 2001. These companies generated premiums totaling about 280 million euros and income before taxes of more than 15 million euros in their first year in the Sector.
- **Augusta Danni**, a company that already belonged to the Fiat family and that was transferred to the Toro Group in July 2001 contributed premiums in excess of 215 million euros.
- The Augusta Vita joint venture (Augusta Danni 40% and Generali Assicurazioni 60%), was dissolved in 2001. In May,

Augusta Danni acquired 100% control of **Augusta Vita**.

In 2001, the company wrote premiums totaling about 65 million euros.

The performance of the other Sector companies is reviewed below:

- **Toro Assicurazioni**, the company that leads the insurance operations of the Fiat Group, continued to implement a development plan designed to help the entire Sector achieve continued growth and greater profitability. Consistent with this strategy, it reduced the automobile insurance portion of its casualty insurance portfolio, thereby obtaining a marked improvement in the ratio of claims to premiums.
- **Nuova Tirrena** was able to reach its ambitious growth target in the life insurance segment and posted another significant improvement in operating performance.
- **Roma Vita**, a joint venture with Banca di Roma, climbed to second place among Italian bankassurance providers, also thanks to the outstanding performance of its distribution system, which now includes Banco di Sicilia's branch network. Roma Vita grew at a remarkable rate (+32% compared with 2000), generating premiums of more than 2,300 million euros.
- **Toro Targa Assicurazioni**, a joint venture with TargaSys (Fiat Auto) that sells insurance products through the Fiat Auto dealer network, continued to expand its operations.

The companies controlled by Toro Targa Assicurazioni include Phenix, a Brazilian company that posted a 48% increase in premiums compared with 2000, and Fiat Ubezpieczenia. In its first full year of operation, this Polish insurer was able to penetrate 23% of Fiat Auto Poland's distribution network.

- **Das** continued to operate successfully in the highly lucrative judicial insurance business.
- In France, the **Continent Group** operations in the casualty segment and **Guardian Vie** operations grew at a rate of 6%, in contrast to the rest of the industry.

Important developments that occurred in 2001 include the revamping of the automobile insurance product line with the introduction of new Autosystem policies, the launch of two new index-linked products and a new line of capitalization policies with guaranteed principal (Toro Plusvalore) that can be configured in ways that make them suitable for sale through all of the Sector's distribution networks.

## RESULTS FOR THE YEAR

Consolidated premiums totaled 5,751 million euros in 2001, or 27.8% more than in 2000. If the new Lloyd and Augusta companies are excluded, the increase amounts to 15.3%. Casualty insurance contributed 2,616 million euros (+28.4%) and life insurance 3,135 million euros (+26.9%). Net premiums earned amounted to 5,461 million euros, for a gain of 25.2% over 2000.

The performance of the insurance operations benefited from a marked improvement in the claims-to-premiums ratio. This improvement was made possible by programs implemented in recent years to weed out and rebalance the underwriting portfolio and by a decline in the rate of claims in the Italian market that started at the beginning of 2001.

The efficiency measures that are being implemented, which include the establishment of a call center for the entire Sector and the development of Sector-wide information systems and product platforms, produced a further reduction in the ratio of overhead to premiums, which decreased to 5.3% in 2001.

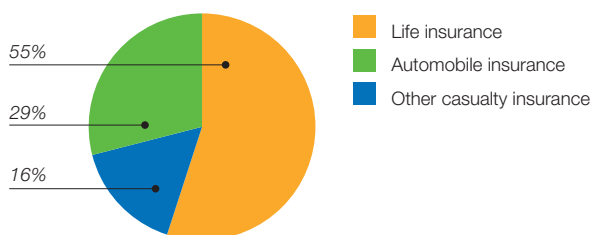
The positive results achieved by the insurance operations were offset in part by the negative impact of unsettled conditions in the financial markets, which produced a loss of about 143 million euros when the Sector marked to market its portfolio of equity securities.

Income before taxes came to 220 million euros in 2001 (163 million euros in 2000). Earnings after taxes rose to 152 million euros, or a 79% increase over the previous year.

At December 31, 2001, investments in financial assets and real estate totaled 17,000 million euros, or about 3,800 million euros more than in the previous year. Fixed income securities accounted for 68% of the investment portfolio and equity securities for another 27%.

Investments exceeded insurance reserves by 1,300 million euros at the end of 2001 (1,200 million euros in 2000).

Premiums by business unit



*Toro has played a key role in the recent evolution of the competitive scenario. It has forged partnerships and carried out acquisitions that provided more strength and a better dimensional balance to its operations. Toro will continue to pursue internal expansion by focusing the efforts of its operations on strategic opportunities in bankassurance and new technologies, and external expansion by pursuing a targeted and selective growth on foreign markets.*

Distribution Network

	Italy	Rest of Europe	Rest of the world	Total
Agents	1,150	330		<b>1,480</b>
Dealers	815	98	344	<b>1,257</b>
Bank counters	1,771			<b>1,771</b>



Carlo Gatto,  
Business Solutions' Chief Executive Officer.



*The Fiat Group has a long tradition of providing specialized services to its core operations. The professionalism and expertise developed in the fields of administrative services, human resource management, information technology and facility management are now being offered to customers outside the Group through a product line that will enable these customers to leap ahead of their competitors and focus on their core businesses.*

## Highlights

(in millions of euros)	2001
Net revenues	1,805
Operating income	73
as a % of revenues	4
Net income before minority interest	497
Cash flow	567
Capital expenditures	32
Net invested capital	648
Number of employees	7,171

## OPERATING PERFORMANCE

Business Solutions completed its first year of operation in 2001. This Sector was created at the end of 2000 to combine, under one umbrella all of the operations of the Fiat Group that provide services to corporate customers.

The range of services offered by Business Solutions is broad and comprehensive, designed to meet, in an effective and integrated manner, the outsourcing needs of companies of varying size that choose to entrust their service operations to outsiders so that they may focus their efforts on their core businesses.

Business Solutions operates in five main areas of business, all of which are interrelated, permitting the delivery of specialized services to privately held companies and to government agencies.

■ **Human Resources.** This Unit provides services in payroll management and human resources in general (H.R. Services S.p.A.), training (Isvor Knowledge System S.p.A.), and temporary employment (Worknet S.p.A., acquired in January 2001).

This Unit generated aggregate revenues in excess of 88 million euros in 2001, with non-captive customers accounting for more than 55%.

Early in 2002, the Sector acquired Cronos S.p.A. This company will help Worknet expand and strengthen its portfolio of temporary employment services, making it one of the top Italian players in this industry.

■ **Property, Engineering & Facility Management.** Because of the types of services that it offers, this Unit is especially

important. It can meet any need in real estate management, defined in the broadest possible sense, and can serve as a general contractor in major civil engineering and infrastructure projects.

Its activities range from developing, managing and selling large real estate portfolios (IPI S.p.A.) to providing integrated services for regular and extraordinary maintenance of offices and industrial sites (Ingest Facility S.p.A.). Ingest Facility and Jonhson Controls, a U.S. group with a global leadership position in facility management, formed a joint venture that will aggressively target large customers in the international market. Fiat Engineering S.p.A. is the Unit's general contractor, with a strong presence in civil engineering projects (redevelopment of the Novoli industrial district in Florence), construction of large infrastructures (e.g., the Italian high-speed railway project) and construction of energy facilities (combined-cycle power plants).

The Unit's aggregate revenues totaled more than 711 million euros in 2001. This amount includes the contribution of Fenice S.p.A. for the first six months of the year. Fenice, an environmental and energy company, was later sold to EDF as part of a transaction that enabled Business Solutions to acquire a 17.65% interest in Italernergia.

Customers outside the Fiat Group generated 38% of this Unit's revenues.

■ **Administration Services.** Business Solutions uses Fiat Gesco S.p.A. to offer administration services on an outsourced basis and provides financial consulting support that covers all of the accounting needs of its corporate customers, including those relating to back office

operations, customs services (through Sadi S.p.A.), motor vehicle registration services (through Easy Drive S.p.A.) and risk management (through SGR S.p.A.).

In 2001, Fiat Gesco S.p.A. partnered with KPMG to establish KeyG Consulting S.p.A., a company that specializes in administrative consulting and process reengineering.

The aggregate revenues generated by this Unit totaled 294 million euros.

#### ■ I.C.T. – Information and Communication Technology.

In 2001, this Unit, which encompasses the most innovative services offered by Business Solutions, established a 50-50 joint venture with IBM. Each partner contributed to the new company its technology infrastructure management and applications software activities (ITS and GSA from Business Solutions; Intesa, SAP Consulting Italia, Proxima and ACG from IBM).

The joint venture has spawned a group of new companies that, operating under the common name of Global Value, offer a complete range of services to small, medium-size and large businesses.

The Sector is also present in the ICT field through eSPIN S.p.A. This company, whose stockholders include Oracle and Cap Gemini-Ernst & Young, specializes in supplying web-based applications and e-business products. In 2001, eSPIN purchased 100% of Ciaoservice S.p.A., thereby broadening its product spectrum even more.

Also in 2001, Business Solutions added a new element to its product portfolio by acquiring control of Teleclient S.p.A., a call/contact center specialist.

In addition, it holds an interest of about 30% in Atlantet S.p.A., a provider of communications and general

connectivity services, which is also owned by Telefonica, a Spanish group, and Acea.

The Unit's aggregate revenues totaled 566 million euros.

■ **Procurement and Diversified Services.** The Unit's procurement and related activities are handled by Fast Buyer S.p.A., a specialist in sourcing, e-procurement and marketplace services, which it delivers using both traditional methods and online technologies. The providers of diversified services include Investimenti e Gestioni S.p.A., a real estate company whose mission is to maximize the value of the Fiat Group's real estate portfolio, and Sestrieres S.p.A., which operates the lift facilities at the Via Lattea ski area, future site of the 2006 Winter Olympics. This Unit generated revenues of 146 million euros in 2001.

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## RESULTS FOR THE YEAR

Because 2001 was the Sector's first year of operation, comparisons with last year are not available.

The Sector had revenues of 1,805 million euros in 2001, with non-captive customers accounting over 40% of the total, roughly in line with expectations.

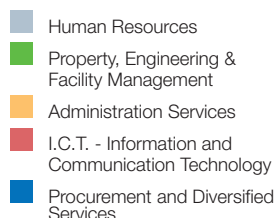
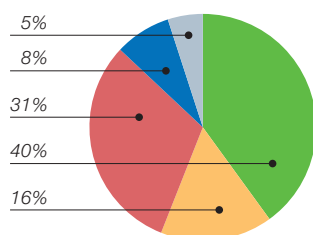
Operating income reached 73 million euros (4% of revenues), significantly exceeding expectations.

The sale of Fenice and the transfer of ITS and GSA to the joint venture with IBM, combined with other smaller financial transactions, generated a net extraordinary gain of about 567 million euros.

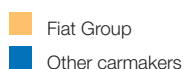
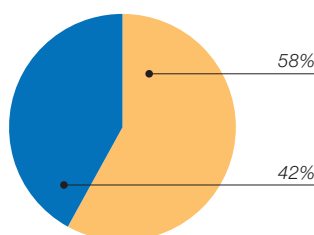
Net income totaled 497 million euros, after taxes of 104 million euros. The Sector's interest in net income was 491 million euros.

Cash flow amounted to 567 million euros.

Revenues by business unit



Revenues by customer



*The mission of Business Solutions is to offer customers both inside and outside the Fiat Group a complete, integrated line of corporate services, thanks to its unique proprietary expertise or the expertise of its partners, and to deliver these services from offices in all of the major world markets.*



# Ferrari and Maserati



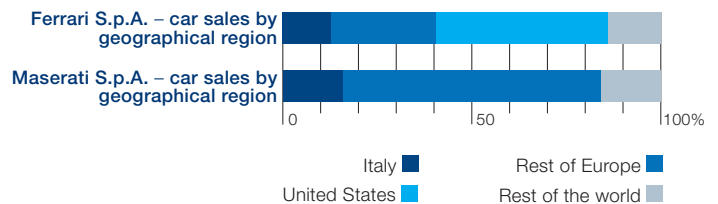
Luca Cordero di Montezemolo,  
Ferrari's Chairman and Chief Executive Officer.



## Highlights

(in millions of euros)	2001	2000	1999
Net revenues	<b>1,058</b>	893	758
Operating income	<b>62</b>	45	24
as a % of revenues	<b>5.9</b>	5.0	3.1
Net income before minority interest	<b>47</b>	7	6
Cash flow	<b>123</b>	71	53
Capital expenditures	<b>125</b>	52	63
Research and development	<b>81</b>	63	55
Net invested capital	<b>122</b>	113	185
Number of employees	<b>2,566</b>	2,341	2,282

The Ferrari Racing Team was founded in Modena in 1929. In 1969, Enzo Ferrari sold a 50% interest in his company to the Fiat Group, which increased its ownership to 90% in 1988. In 1997, Ferrari purchased a 50% interest in Maserati, buying outright control in 1999.



## OPERATING PERFORMANCE

The manufacturing and marketing operations of the Ferrari/Maserati Group had a record year in 2001. The same was also true for its racing team.

Sales to end customers totaled 6,158 cars (6,040 in 2000), of which 4,289 were made by Ferrari (4,070 in 2000) and 1,869 were manufactured by Maserati (1,970 in 2000). For Ferrari, 2001 unit sales were up for the eighth consecutive year.

A breakdown of cars shipped under the **Ferrari** brand shows a gain of 10% in the United States, which at 1,206 units was again the company's largest market. European customers purchased 2,440 cars, or 6% more than in 2000. At 651 units (+6%), Germany was Ferrari's largest European market and second in the world, followed by Great Britain at 501 units (+9%). Italian customers purchased 490 units (+18%).

Several of the Sector's cars — the 550 Barchetta Pininfarina, the 360 Modena, the 360 Spider and the 456M — were honored with numerous international awards in 2001. Ferrari set a special record in 2001 with its limited edition 550 Barchetta Pininfarina: For the first time in the company's history, a new model was approved, manufactured and delivered to its 448 buyers in a single year, with orders for the entire run booked before production began.

In 2001, **Maserati** sold 1,779 units of its 3200 GT, Spyder and Quattroporte Evoluzione models. This is a satisfactory result considering that it was achieved during the runout

phase of the 3200 GT and while the Quattroporte Evoluzione was being phased out (production ended in April 2001). Maserati's biggest markets are Germany (426 units, unchanged from 2000), Great Britain (355 units, +18%) and Italy (272 units, -9%). Sales were also up strongly in Japan.



Ferrari 360 Modena.



*Maserati Spyder – 390 hp, 4200 cc.*

In 2001, Maserati launched ambitious marketing programs, particularly in the North American market, to which it is returning after a 12-year hiatus (the first cars were scheduled for delivery at the beginning of 2002).

## RESULTS FOR THE YEAR

At the **consolidated Ferrari/Maserati level**, revenues were about 1,058 million euros, or 18% more than the 893 million euros reported in 2000. Operating income totaled 62 million euros (+35% compared with 2000), reflecting strong sales and favorable foreign exchange rates.

Depreciation and amortization increased to 76 million euros, up from 64 million euros in 2000. Research and development outlays were also up, rising from 63 million euros in 2000 to 81 million euros in 2001.

Net income totaled 47 million euros, up sharply from the 7 million euros reported the previous year.

2001 was a year of great achievements for the Sector's **racing activities**. With victories in both the Constructors' Championship (the third in a row) and the Drivers' World Championship (the second in as many years), Ferrari confirmed its status as a top racing organization and showed that it continues to improve every year. The unstinting commitment of a dynamic and close-knit team enabled Ferrari once more to score important victories in contests where it competes with some of the world's best constructors. Ferrari won nine of the 17 races in the championship series, earning a total of 179 points (170 in 2000). This success rewards the great professional commitment of the team's members and the effort made by the company to deploy the most sophisticated technologies.

*Ferrari's mission is to consolidate its leadership of the exclusive elite-car market segment, leveraging the positive image generated by its successes on the racetrack.*

## Production facilities and R&D centers (Italy)

	Ferrari	Maserati	Total
Production facilities	2	1	<b>3</b>
R&D centers	1	1	<b>2</b>

# Corporate Governance

In accordance with the disclosure requirements set forth in the Regulations of Borsa Italiana, the most important aspects of the system of Corporate Governance adopted by the Fiat Group are reviewed below.

In order to provide a reference point for its corporate governance, the Fiat Group adopted the Code of Conduct for Listed Companies, which supplemented the framework of statutory provisions and internal regulations introduced by the Consolidated Law on Financial Intermediation. As a result, the Company's overall system of corporate governance is largely consistent with the recommendations and provisions of the Code of Conduct.

In accordance with the provisions of the Consolidated Law on Financial Intermediation, Fiat's Articles of Association contain precise rules regarding the information that executive Directors are required to provide to the Board of Directors and the Board of Statutory Auditors, including a provision specifically designed to ensure the election of a Statutory Auditor by minority stockholders.

## STOCKHOLDERS OF THE COMPANY

Fiat's stockholder base includes about 300,000 holders of ordinary and preference shares and a large number of owners of savings shares. Italian and foreign institutional investors own a significant percentage of Fiat's capital stock. As of today, shareholders who hold significant interests in Fiat are: the IFI Group, which holds an overall interest equal to 30.4% of the ordinary shares and 30.1% of the preference shares, i.e. 30.3% of the total capital stock; Mediobanca (3% of the ordinary shares and 2.4% of the capital stock); the Assicurazioni Generali Group (3% and 2.6%), the SanPaolo IMI Group (2.9% and 2.4%), the Libyan Arab Foreign Inv. Co (2.3% and 2%) and the Deutsche Bank Group (2.1% and 1.8%). A Consultation Pact, which has been disclosed pursuant to law, has been signed among IFI/IFIL, Assicurazioni Generali, the Deutsche Bank Group and Nuova Holding SanPaolo IMI.

## COMPOSITION AND FUNCTIONS OF THE BOARD OF DIRECTORS

The number of members of the Board of Directors ranges from nine to 15. The term of office of the current Board expires upon the approval of the financial statements for the year ended December 31, 2001 by the Stockholders' Meeting. The Stockholders' Meeting of May 14, 2001 set the number of the Company's Directors at 14, but one seat became vacant when Mr. Renato Ruggiero resigned to join the

Italian Government as Minister of Foreign Affairs.

As a general rule, the Board of Directors meets eight times a year. On those occasions, it reviews and decides on matters concerning the performance of the operating Sectors; the Company's quarterly reports, strategic plans, budgets and organizational proposals; all material transactions proposed by executive Directors; and proposed appointments of senior managers and related compensation packages submitted by the Compensation Committee.

In order to establish a more efficient management system, the Board of Directors has 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 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 provide Directors and Statutory Auditors with adequate information on any transaction planned or performed in accordance with the powers granted to them, which may be atypical, unusual or involve related parties.

The current Board of Directors currently in office comprises 13 members (14 until June 6, 2001), including the Chairman and the Chief Executive Officer who have executive powers. A sufficient number of the remaining Directors are completely independent of the Company. In 2001, these Directors were: A. Benessia, F. Bernabè, F. Cotti, R. Ruggiero (in office until June 6, 2001), F. G. Rohatyn and J. F. Welch. These Directors do not have financial relationships with the Company, or with companies controlling it or its subsidiaries, that are large enough to affect their independent judgment.

## APPOINTMENT OF DIRECTORS

Fiat's Articles of Association do not set forth special procedures for appointing Directors or submitting candidates. However, the names of candidates submitted by the majority

stockholder have been filed, together with their respective curricula vitae, in accordance with the Code of Conduct. Three new Directors were appointed at the Stockholders' Meeting of May 14, 2001. The appointments of F. G. Rohatyn, who had been coopted earlier, and V. Marrone were proposed by the entire Board. The appointment of A. Benessia was proposed by the Chairman acting at the behest of the Board. This information was largely available in documents filed in advance of the Stockholders' Meeting and made available to the stockholders.

The Board of Directors currently in office has not deemed it necessary to create a special committee for the appointment of Directors.

### **COMPENSATION OF DIRECTORS AND SENIOR MANAGERS – COMPENSATION COMMITTEE**

The Board of Directors established a Compensation Committee consisting of four Directors, including two with executive authority (Chairman Paolo Fresco, Paolo Cantarella, Franzo Grande Stevens and John F. Welch).

The Compensation Committee has the task of developing proposals to be submitted for approval to the Board of Directors regarding:

- appointments to corporate posts at Group's subsidiaries, and the respective development and back-up plans;
- general and individual compensation packages for first level Group managers and stock option plans;
- compensation to Directors with executive authority, including stock option plans.

The Chief Executive Officer does not attend meetings where his compensation is discussed and the Chairman and Chief Executive Officer do not attend meetings where the compensation of the Chairman is discussed.

In 2001, the Compensation Committee met four times to discuss the submission to the Board of Directors of motions concerning the definition of compensation and stock option plans for the Group's senior managers and new appointments at the Group's Parent Company and for the corporate posts at the Sector lead companies.

The Board of Directors, with the favorable opinion of Statutory Auditors, determines the compensation of those Directors who are asked to perform special tasks. The entire compensation payable to the Chairman is variable, while only a portion of the compensation payable to the Chief Executive Officer is variable. In both cases, as explained in a special schedule included in the Notes to the Financial Statements, the variable compensation is based on the average market price of Fiat

ordinary shares. These two Directors are also covered by the stock option plan, which is reviewed in detail in the Notes to the Financial Statements.

The compensation of first level managers includes a variable component based on the results of the Sector where each manager is employed and on his/her personal performance.

### **INTERNAL CONTROL SYSTEM AND AUDIT COMMITTEE**

In May 1999, the Company, which had already published a Code of Ethics several years earlier, adopted an Internal Control System based on a model derived from the COSO Report. The Board of Directors then decided to disseminate an Internal Control Policy and establish an Audit Committee that provides the Board with consulting and decision-making support and performs functions that are consistent with the guidelines of the Code of Conduct.

This Committee comprises four non-executive Directors and is chaired by G. Galateri (the other members are A. Benessia, L. von Boehm-Bezing and J. P. Elkann). It meets at least twice a year, or whenever a meeting is requested by the Chairman of the Board of Statutory Auditors or by one of the Supervisors of the Internal Control System. The Meetings of the Audit Committee are attended by the Chairman of the Board of Statutory Auditors, and the Chairman of the Board of Directors, the Chief Executive Officer and representatives of the independent auditors are invited to participate.

The Board of Directors appoints the Supervisors of the Internal Control System. While performing this task, they are not under the jurisdiction of operations managers, but report directly to the Audit Committee and to the Board of Statutory Auditors. At present, the Supervisors of the Internal Control System are the General Counsel and the Chief Administration Officer. They rely on input from the Internal Audit function, which is performed for the entire Group by Fiat Revi, a highly skilled and capable consortium company.

The most important initiatives pursued in 2001 by the Committee and the Supervisors included analyzing the procedures used to assess the status of litigation and ascertain the adequacy of the respective reserves, monitoring the effectiveness of the Group's accounting organization and systems, and formulating suggestions for their improvement.

In response to a specific resolution of the Board of Directors concerning the issues raised by Articles 5 and 6 of Legislative Decree No. 231 of June 8, 2001 (Regulations Governing the Administrative Liability of Legal Entities), with respect to which the appropriate industry associations have not yet produced final organizational models, all Group companies



were invited to carry out a survey to determine and improve areas of potential risk in their organization and the manner in which they are represented.

#### **HANDLING OF CONFIDENTIAL INFORMATION**

The Board of Directors promoted the adoption of an internal procedure for handling confidential information. This procedure was published as a part of a special organizational announcement from the Chief Executive Officer. It lists the different types of confidential information, defines the functions and responsibilities of those who are charged with handling such information and explains the rules that govern the disclosure of price-sensitive news and the steps that should be followed when handling and publishing such information. The purpose of this procedure is to prevent potential leaks of confidential information. It imposes the penalties that the Code of Ethics provides for employees who violate confidentiality rules and makes clear that the same level of compliance with its provisions and the same prudent behavior is expected of the Directors and Statutory Auditors.

#### **RELATIONSHIPS WITH THE STOCKHOLDERS**

One of the Company's principal concerns is to establish and maintain an ongoing dialog with its stockholders and institutional investors. To that end, Fiat created specific entities that are responsible for managing these relationships. The Group organizes frequent meetings and conference calls with institutional investors and analysts and uses its website ([www.fiatgroup.com](http://www.fiatgroup.com)) to disseminate publicly and in real time the material discussed on those occasions. The website is also used to disseminate operating and financial information on a regular basis and to present news of special transactions.

In addition, a toll-free number (800-804027) and two e-mail addresses ([serviziotitoli@fiatgroup.com](mailto:serviziotitoli@fiatgroup.com) and [investor.relations@geva.fiatgroup.com](mailto:investor.relations@geva.fiatgroup.com)) are available to anyone seeking additional information regarding transactions that affect the stockholders.

Regulations were adopted in 2000 to ensure that Stockholders' Meetings run in an orderly and efficient fashion. These Regulations define the rights and obligations of all parties attending a Stockholders' Meeting and provide clear and unambiguous rules, without limiting or in any way hampering the right of individual stockholders to voice their opinions and demand explanations about items on the Agenda.

The Board of Directors currently in office has not submitted motions to the Stockholders' Meeting that would decrease the minimum number of shares that must be held in order to file motions and exercise the rights accorded to minority stockholders.

#### **BOARD OF STATUTORY AUDITORS**

The Board of Statutory Auditors comprises three Statutory Auditors and three Alternates, all of whom, as required by the Company's Articles of Association, must be entered in the Auditors' Register. In accordance with the Company's Articles of Association and as allowed under the Consolidated Law on Financial Intermediation, properly organized minority groups can appoint one Statutory Auditor. According to the Company's Articles of Association, the minimum level of ownership needed to submit a slate of candidates is 3%. The purpose of this threshold is to ensure that the candidates being proposed are supported by a group of minority stockholders that is sufficiently representative and authoritative to speak in juxtaposition to the majority.

# Stock Option Plans

In keeping with what has become an established international practice, the Board of Directors agreed that stock options provide the best means of strengthening management's loyalty, because 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 a resolution adopted by the Extraordinary Stockholders' Meeting on June 22, 1998, the Board approved four Stock Option Plans that 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 granted to individual managers on the basis of objective parameters that take into account the level of responsibility assigned to each person and his or her performance.
- If employment is terminated or an employee's relationship with the Group is otherwise severed, options that are not exercisable become null and void. However, vested options may be exercised within 30 days from the date of termination, with certain exceptions.
- The option exercise price, which is determined based on the average stock market price for the month preceding the option grant, can vary as a result of transactions affecting the Company's capital stock. It must be paid in cash upon the purchase of the underlying shares.

A total of 1,248,000 options, giving the holder the right to purchase ordinary Fiat shares at a price of 28.45 euros per share, were granted in March 1999. Half 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.

A total of 5,158,000 options, giving the holder the right to purchase ordinary Fiat shares at a price of 30.63 euros per share, were granted in February 2000. 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.

In 2001, the Board of Directors approved two Stock Option Plans proposed by the Compensation Committee. Under the new plans, ordinary Fiat shares may be purchased at a price equal to the average stock market price for the month preceding the date of the option grant.

The first of these two Plans allows senior managers to buy 785,000 ordinary Fiat shares at a price of 27.07 euros per share. The second Plan awards options to purchase 5,417,500 ordinary Fiat shares at a price of 18 euros per share. The grantees may exercise these options between 2002 and 2009. However, during the first four years, the options may only be exercised in cumulative annual tranches not exceeding 25% of the total number granted.

Pursuant to these Plans, a total of 5,506,000 shares will be issued through a special dedicated capital increase, which the Board has already approved. In addition, 7,102,500 treasury shares will be sold to option holders in accordance with the provisions of the applicable Regulations.

On several occasion, the Board of Directors further granted the Chairman and the Chief Executive Officer options to purchase ordinary Fiat shares. Detailed information on these transactions is provided in the notes to the financial statements.

The table below summarizes the data for the options outstanding at December 31, 2001:

	2000			2001		
	Number of shares	Average exercise price (*)	Market price	Number of shares	Average exercise price (*)	Market price
Options outstanding on 1/1	1,248,000	28.45	30.09	<b>6,406,000</b>	<b>30.20</b>	<b>26.34</b>
Options awarded during the year	5,158,000	30.63	30.63	<b>6,202,500</b>	<b>19.15</b>	<b>19.15</b>
Options outstanding on 12/31	6,406,000	30.20	26.34	<b>12,608,500</b>	<b>24.77</b>	<b>17.92</b>
Options exercisable on 12/31	–	–	–	<b>1,913,500</b>	<b>29.92</b>	<b>17.92</b>

(\*) Average exercise price of options. As of January 14, 2002, following the capital increase carried out for option exercise purposes, the exercise prices have been adjusted by a factor determined by Borsa Italiana, which amounts to 0.98543607.

# Transactions among Group Companies and with Related Parties

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

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

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

- Licensing of the right to use the Fiat trademark, for a consideration based on a percentage of sales, to Fiat Auto S.p.A. (0.5%), Iveco S.p.A. (0.2%) and FiatAvio S.p.A. (0.5%);
- Services provided by Fiat management personnel to Fiat Auto S.p.A., Iveco S.p.A., Teksid S.p.A., Magneti Marelli Holding S.p.A., Toro Assicurazioni S.p.A., Business Solutions S.p.A. and other Group companies.
- Grant of suretyships and guarantees in connection with the issuance of debentures (FiatSava S.p.A.), commercial paper, money market claims and billets de trésorerie (New Holland Credit Company LLC, Fiat Finance Canada Ltd., Fiat Finance and Trade Ltd., Fiat France S.A. and Fiat Polska Sp. zo.o.), bonds and lines of credit (Fiat Finance and Trade Ltd and New Holland Credit Company LLC); and to secure bank loans (Fiat Auto S.p.A., Iveco S.p.A., Teksid S.p.A., Fiat Automoveis S.A., Iveco Fiat Brasil Ltda, Fabbrica Motori Automobilistici S.r.l., Banco CNH Capital Brazil S.A., Sevelnord S.A. and other Group companies), payment obligations under building rental contracts (Ingest Facility S.p.A., Fiat Auto S.p.A., Isvor Fiat S.p.A., Editrice La Stampa S.p.A., Property and Car Retailing – Pro.Ca.R. Deutschland GmbH, International Metropolitan Automotive Promotion - France - S.A., Fiat Motor Sales Ltd. and other Group companies), and payment obligations under financial leases (Teksid Aluminum Components Inc., Fraikin Location S.A., Fraikin Locatime S.A. and Locamion S.A.).
- Rental of buildings to Ingest Facility S.p.A. and Fiat I&CS S.r.l.
- 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 Gesco S.p.A. (taxation, law and administration), Fiat Ge.Va. S.p.A. (financial services) and Fiat International S.p.A. (international relations).

- Purchase of inspection and internal auditing services from Fiat Revi S.c.r.l.
- Purchase of information technology services provided by ITS S.r.l., Fiat G.S.A. S.r.l., Global Value S.p.A. and eSPIN S.p.A.
- Purchase of external relations services provided by Fiat I&CS S.r.l.
- Purchase of support and consulting services outside Italy provided by Fiat U.S.A. Inc., Fiat United Kingdom Ltd. and Fiat Iberica S.A.
- Purchase of office space, personal and real property maintenance services provided by Ingest Facility S.p.A., and real estate services and other general services provided, respectively, by IPI S.p.A. and Fiat Servizi per l'Industria S.c.p.a.
- 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.

A transaction with related parties that needs mentioning, even though the amount involved is not significant, is a consulting contract with Jack Welch LLC for an annual amount of one million U.S. dollars.

Details about the transactions with the greatest financial impact are provided in the analysis of the individual items in 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 other sections of this Report.

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

- In order to enhance the value of the Group's energy operations, certain subsidiaries sold some of their industrial sites (brownfields) to Fiat Energia S.p.A., which was transferred to Italenergia S.p.A. as part of the transaction through which the Group acquired a 38.6% interest in Italenergia S.p.A. and, through this company, in the Montedison-Edison Group.
- In December 2001, Sicind S.p.A. bought from Ciao Holding N.V. the entire capital stock of Ciao Web S.p.A. at a price of 28,808,300 euros.

■ Fiat Auto Holding B.V. transferred its equity stakes in FA Powertrain Italia Srl and FA Powertrain Polska Sp zoo to Fiat-GM Powertrain BV.

Pursuant to Article 79 of the Consob Regulations set forth

in Resolution No. 11971 of May 14, 1999, the table below contains information on the interest the Directors and Statutory Auditors of Fiat S.p.A. hold in the Company or any of its subsidiaries.

#### Interest Held by Directors and Statutory Auditors (Article 79 of Consob Regulations, Resolution No. 11971 of 5/14/99)

(number of shares)

First and last name	Description of investment	Interest held at 12/31/00	Bought in 2001	Sold in 2001	Interest held at 12/31/01
Paolo Cantarella	Fiat ordinary	312			312
	Fiat savings	662			662
John Philip Elkann	Fiat ordinary	300			300
Gabriele Galateri di Genola	Fiat ordinary (1)	2,750			2,750
	Fiat preference (1)	440			440
Gianfranco Guty	Fiat ordinary	1,000			1,000
Cesare Ferrero	Fiat ordinary	1			1
F. G. Rohatyn	Fiat ordinary	–	1,000		1,000

(1) Held indirectly through his spouse.



# Motion for Allocation of the 2001 Net Income and Dividend Distribution

In euros

The Board of Directors submits to the Stockholders' Meeting for approval the financial statements for the 2001 fiscal year and proposes that the net income for the fiscal year of 378,673,294 euros be allocate as follows:

■ to the Stockholders a dividend of:	
■ euros 0.31 on ordinary shares (equivalent to about 134 million euros)	
■ euros 0.31 on preference shares (equivalent to about 32 million euros)	
■ euros 0.465 on savings shares (equivalent to about 37 million euros)	
provided they are outstanding (treasury shares excluded) on the dividend payment date of June 27, 2002 for a total maximum payout of	203,478,420
■ to retained earnings the remainder, which shall not be less than	175,194,874
so that after this entry retained earnings will amount to about 762 million euros	
<b>Matching total</b>	<b>378,673,294</b>

The dividend payable to each ordinary and preference share carries a regular and therefore unrestricted tax credit of 0.207 euros, and a limited tax credit of 0.103 euros. The dividend payable to each savings share carries a regular and therefore unrestricted tax credit of 0.311 euros, and a limited tax credit of 0.154 euros.

Turin, March 27, 2002

The Board of Directors

By:



Paolo Fresco

Chairman

Principal  
**FIAT GROUP** Companies



# Automotive companies

## AUTOMOBILES

Fiat Auto Holdings B.V. Netherlands	Fiat Auto (U.K.) Ltd Great Britain
Fiat Auto S.p.A. Italy	Fiat Automobil AG Germany
Leasys S.p.A. Italy	Fiat Automobil GmbH Austria
SATA - Società Automobilistica Tecnologie Avanzate S.p.A. Italy	Fiat Automobiler Danmark A/S Denmark
Fiat Auto Argentina S.A. Argentina	Fiat Automóveis S.A. - Fiasa Brazil
Fiat Auto (Belgio) S.A. Belgium	Fiat CR Spol S.R.O. Czech Republic
Fiat Auto España, S.A. Spain	Fiat India Automobiles Limited India
Fiat Auto (France) S.A. France	Fiat Magyarország Kereskedelmi KFT. Hungary
Fiat Auto Hellas S.A. Greece	Società Europea Veicoli Leggeri-Sevel S.p.A. (*) Italy
Fiat Auto (Ireland) Ltd. Ireland	Fiat-GM Powertrain B.V. (*) Netherlands
Fiat Auto Japan K.K. Japan	GM-Fiat Worldwide Purchasing B.V. (*) Netherlands
Fiat Auto Maroc S.A. Morocco	Sevel Nord S.A. (*) France
Fiat Auto Nederland B.V. Netherlands	Tofas-Türk Otomobil Fabrikası A.S. (*) Turkey
Fiat Auto Poland S.A. Poland	
Fiat Auto Portuguesa, S.A. Portugal	
Fiat Auto South Africa Proprietary Ltd Republic of South Africa	Ferrari S.p.A. Italy
Fiat Auto (Suisse) S.A. Switzerland	Maserati S.p.A. Italy

## AGRICULTURAL AND CONSTRUCTION EQUIPMENT

CNH Global N.V. Netherlands	O&K Orenstein & Koppel AG Germany
Case New Holland Italia S.p.A. Italy	Al-Ghazi Tractors Ltd (*) Pakistan
Fiat Hitachi Excavators S.p.A. Italy	Consolidated Diesel Company (*) United States
Case Canada Corporation Canada	LBX Company LLC (*) United States
Case Corporation United States	New Holland de Mexico S.A. de C.V. (*) Mexico
Case Corporation Pty Ltd Australia	New Holland Trakmak Traktor A.S. (*) Turkey
Case Germany GmbH Germany	Türk Traktör Ve Ziraat Makineleri A.S. (*) Turkey
Case Harvesting Systems GmbH Germany	
CNH Deutschland GmbH Germany	
CNH France S.A. France	
CNH Maquinaria Spain S.A. Spain	
FiatAllis Latino Americana Ltda Brazil	
New Holland Belgium N.V. Belgium	
New Holland Canada Ltd Canada	
Flexi-Coil Ltd Canada	
New Holland North America Inc. United States	
New Holland U.K. Limited Great Britain	

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 Società per Azioni Italy	Fiat Credito Compania Financiera S.A. Argentina
Savarent S.p.A. Italy	Fiat Credito Portugal S.A. Portugal
Targasys S.r.l. a S.U. Italy	Fiat Distribuidora Portugal S.A. Portugal
Banco Fiat S/A Brazil	Fiat Finance Netherlands B.V. Netherlands
Fiat Auto Contracts Ltd Great Britain	Sofice - Société de Financement des Concessionnaires S.A. France
Fiat Auto Financial Services Limited Great Britain	
Fiat Bank GmbH Germany	TarCredit E.F.C. S.A. Spain

Case Canada Investments Ltd. Canada	CNH Trade N.V. Netherlands
Case Credit Australia Pty Ltd Australia	New Holland Credit Company LLC United States
Case Credit Corporation United States	New Holland Receivables Corporation United States
Case Credit Ltd. Canada	
Case Wholesale Receivables Inc. United States	
CNH Capital Corporation United States	
CNH Receivables Inc. United States	

## Other industrial companies

### COMMERCIAL VEHICLES

Iveco N.V.  
Netherlands

Astra Veicoli Industriali S.p.A.  
Italy

Iveco Aifo S.p.A.  
Italy

Iveco S.p.A.  
Italy

Iveco Argentina S.A.  
Argentina

Iveco Austria GmbH  
Austria

Iveco Danmark A/S  
Denmark

Iveco Ford Truck Ltd  
Great Britain

Iveco France S.A.  
France

Iveco Latin America Ltda  
Brazil

Iveco Magirus AG  
Germany

Iveco Pegaso, S.L.  
Spain

Iveco Portugal Ltda.  
Portugal

Iveco Trucks Australia Limited  
Australia

S.A. Iveco Belgium N.V.  
Belgium

Irisbus Holding S.L. (\*)  
Spain

Naveco Ltd (\*)  
China

Transolver Finance S.p.A.  
Italy

Transolver Service S.p.A.  
Italy

Fraikin Société Anonyme  
France

Iveco Finance Ltd  
Great Britain

Transolver Finance S.A.  
France

Transolver Operational  
Services Limited  
Great Britain

Transolver Services S.A.  
France

### METALLURGICAL PRODUCTS

Teksid S.p.A.  
Italy

Fonderies Aluminium Cleon S.A.  
France

Fonderies du Poitou S.A.  
France

Funfrap-Fundicao  
Portuguesa S.A.  
Portugal

Meridian Technologies Inc.  
Canada

Metallurgique du Temple S.A.  
France

Société Bretonne de Fonderie  
et de Mecanique S.A.  
France

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

Teksid Aluminum  
Components Inc.  
United States

Teksid Aluminum Foundry  
United States

Teksid de Argentina S.A.  
Argentina

Teksid do Brasil Ltda.  
Brazil

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

Teksid Inc.  
United States

Teksid Poland S.A.  
Poland

### COMPONENTS

Magneti Marelli After Market S.p.A.  
Italy

Magneti Marelli Holding S.p.A.  
Italy

Magneti Marelli Powertrain S.p.A.  
Italy

Magneti Marelli  
Sistemi di Scarico S.p.A.  
Italy

Magneti Marelli  
Sistemi Elettronici S.p.A.  
Italy

Seima Italiana S.p.A.  
Italy

Sistemi Sospensioni S.p.A.  
Italy

Magneti Marelli Cofap Companhia  
Fabricadora de Pecas  
Brazil

Magneti Marelli  
Conjuntos de Escape S.A.  
Argentina

Magneti Marelli  
Controle Motor Ltda.  
Brazil

Magneti Marelli do Brasil  
Industria e Comercio Ltda.  
Brazil

Magneti Marelli Eletronica Ltda  
Brazil

Magneti Marelli  
Escapamentos Ltda.  
Brazil

Magneti Marelli Repuestos S.A.  
Argentina

### PRODUCTION SYSTEMS

Comau B.V.  
Netherlands

Comau S.p.A.  
Italy

Geico S.p.A.  
Italy

Italtech S.p.A.  
Italy

Autodie International, Inc.  
United States

Comau Argentina S.A.  
Argentina

Comau Deutschland GmbH  
Germany

Comau do Brasil Ltda.  
Brazil

Comau Estil Unl.  
Great Britain

Comau India Private Limited  
India

Comau Pico Holdings Corporation  
United States

Comau Poland Sp. z o.o.  
Poland

Comau Sciaky S.A.  
France

Comau South Africa (Pty) Ltd.  
Republic of South Africa

Germann-Intec GmbH & Co. KG  
Germany

Mecaner S.A.  
Spain

Progressive Mexico  
S.de R.L. de C.V.  
Mexico

Progressive Tools  
& Industries Company  
United States

Renault Automation Comau S.A.  
France

Comau Service Sud S.p.A.  
Italy

Comau Service U.K. Ltd.  
Great Britain



## Service companies

### AVIATION

FiatAvio S.p.A.  
Italy

ELV S.p.A.  
Italy

SE.CO.SV.IM. S.r.l.  
Italy

Società Elettronica per  
l'Automazione S.p.A.  
Italy

Fiat Avio Inc.  
United States

Fiat Avio Polska Sp. z o.o.  
Poland

Regulus S.A.  
French Guiana

Eurojet Turbo GmbH (\*)  
Germany

Europropulsion S.A. (\*)  
France

Turbo-Union Limited (\*)  
Great Britain

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

### INSURANCE

Toro Assicurazioni S.p.A.  
Italy

Augusta Assicurazioni S.p.A.  
Italy

Augusta Vita 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

Lloyd Italico Assicurazioni S.p.A.  
Italy

Lloyd Italico Vita S.p.A.  
Italy

Nuova Tirrena S.p.A.  
Italy

Roma Vita S.p.A.  
Italy

Toro Targa Assicurazioni S.p.A.  
Italy

Altegia S.A.  
France

Companhia de Seguros  
Maritimos e Terrestres Phenix  
Brazil

Continent Assistance S.A.  
France

Fiat Ubezpieczenia  
Majatkowe S.A.  
Poland

Fiat Ubezpieczenia Zycie S.A.  
Poland

Guardian Vie S.A.  
France

Le Continent IARD S.A.  
France

Le Continent Vie S.A.  
France

L'Union Générale du Nord S.A.  
France

### PUBLISHING AND COMMUNICATIONS

Itedi - Italiana Edizioni S.p.A.  
Italy

Editrice La Stampa S.p.A.  
Italy

Publikompass S.p.A.  
Italy

### OTHER SERVICE COMPANIES

Business Solutions S.p.A.  
Italy

Easy Drive S.r.l. a S.U.  
Italy

eSPIN S.p.A.  
Italy

Fast-Buyer S.p.A.  
Italy

Fiat Engineering S.p.A.  
Italy

Fiat Gesco S.p.A.  
Italy

Global Value S.p.A.  
Italy

H.R. Services S.p.A.  
Italy

Ingest Facility S.p.A.  
Italy

Investimenti e Gestioni S.p.A.  
Italy

IPI S.p.A.  
Italy

Isvor Knowledge System S.p.A.  
Italy

Servizi e Attività Doganali  
per l'Industria S.p.A.  
Italy

Sestrieres S.p.A.  
Italy

SGR Società per la Gestione  
dei Rischi S.p.A.  
Italy

Teleclient S.p.A.  
Italy

Worknet-Società di Fornitura  
di Lavoro Temporaneo S.p.A.  
Italy

### MISCELLANEOUS AND HOLDING COMPANIES

Fiat Ge.Va. 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 Netherlands Holding N.V.  
Netherlands

Fiat United Kingdom Limited  
Great Britain

Fiat U.S.A. Inc.  
United States

IHF - Internazionale  
Holding Fiat S.A.  
Switzerland

C.R.F.  
Società Consortile per Azioni  
Italy

Elasis - Sistema di Ricerca  
Fiat nel Mezzogiorno -  
Società Consortile per Azioni  
Italy

Isvor Fiat S.p.A. - Società di  
Sviluppo e Addestramento  
Industriale  
Italy

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

(\*) Associated Company.