Annual Report
Consolidated and Statutory Financial Statements

at December 31, 2006

101st fiscal year

Annual Report Consolidated and Statutory Financial Statements

at December 31, 2006

FIAT GROUP

Stockholders Meeting

Stockholders are invited to attend the Ordinary and Extraordinary Stockholders Meeting to be held at the Fiat Historical Center, Via Chiabrera 20, Turin, at 11 a.m. on April 3 2007 on the first call, on April 4 on the second call for the extraordinary session and on April 5 on the second call for the ordinary session and on the third call for the extraordinary session to resolve on the following:

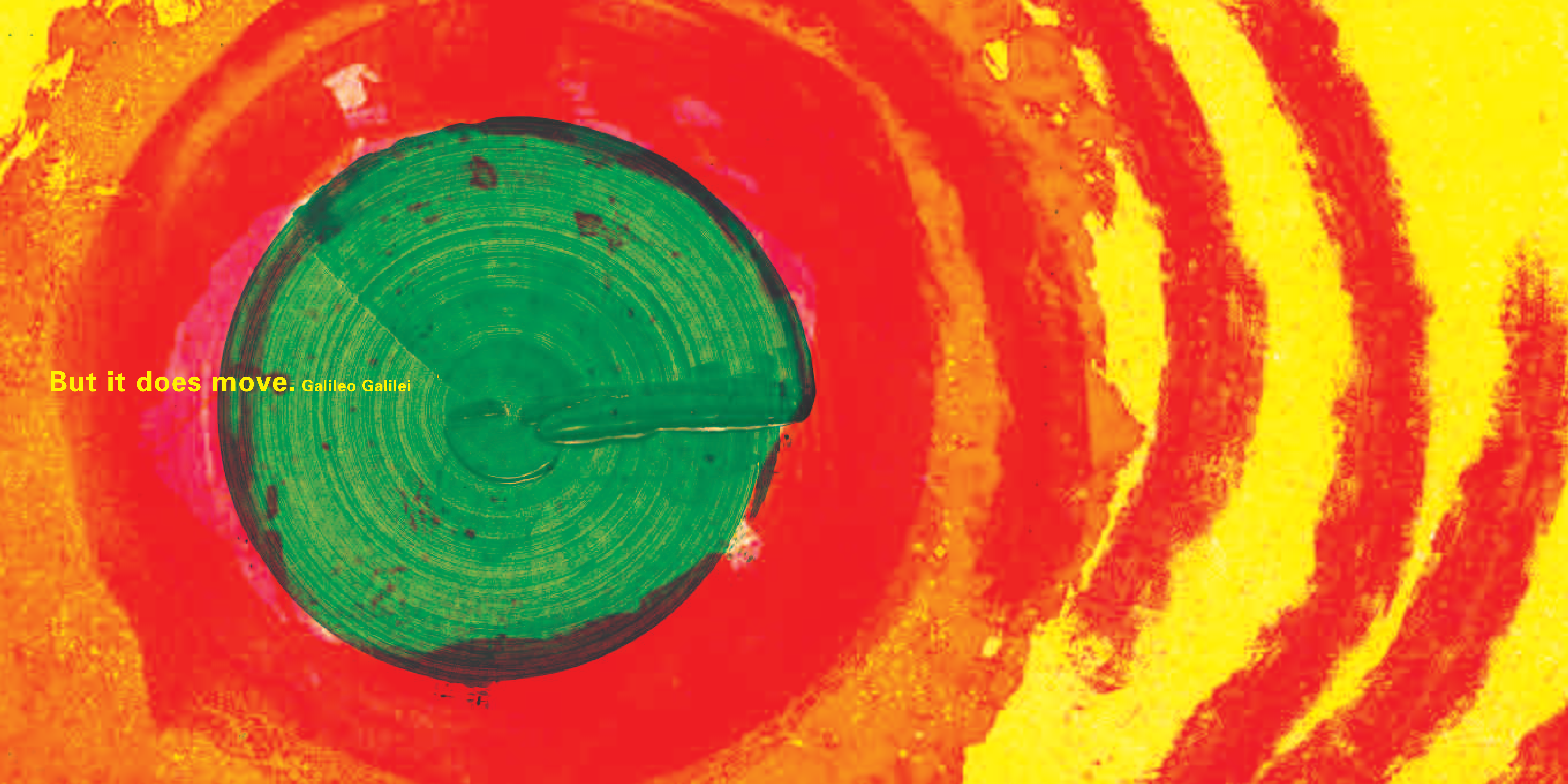
Agenda

1. Statutory Financial Statements at December 31, 2006 and Report on Operations; motion for the allocation of the net income for the year.

2. Motion for the purchase of own shares and modalities of their disposition; related resolutions.

3. Incentive plan pursuant to Article 114 bis of Legislative Decree 58/98; related resolutions.

4. Motion to amend Articles 9 (Convening of Stockholders Meetings and Adoption of Valid Resolutions), 11 (Board of Directors), 12 (Corporate Offices, Committees and Directors' Compensation), 13 (Meetings and Duties of the Board of Directors) and 17 (Appointment and Qualifications of Statutory Auditors) of the By-laws; related resolutions.



But it does move. Galileo Galilei

Contents

Fiat S.p.A.
Registered Office in Turin, Via Nizza 250
Paid-in capital: 6,377,262,975 euros
Entered in the Turin Company Register
Fiscal Code: 00469580013

This Report has been translated into English from the original version in Italian. In case of doubt the Italian version shall prevail.

Board of Directors and Control Bodies

Board of Directors

Chairman
Luca Cordero di Montezemolo (3)

Vice Chairman
John Elkann (1) (3)

Chief Executive Officer
Sergio Marchionne (3)

Directors
Andrea Agnelli
Roland Berger (3)
Tiberto Brandolini d'Adda
Luca Garavoglia (1)
Gian Maria Gros-Pietro (1)
Hermann-Josef Lamberti (2)
Virgilio Marrone
Vittorio Mincato (2)
Pasquale Pistorio (3)
Carlo Sant'Albano
Ratan Tata
Mario Zibetti (2)

Secretary to the Board
Franzo Grande Stevens

Board of Statutory Auditors

Statutory Auditors
Carlo Pasteris – Chairman
Giuseppe Camosci
Cesare Ferrero

Alternate Auditors
Giorgio Giorgi
Piero Locatelli
Roberto Lonzar

External Auditors

Deloitte & Touche S.p.A.

(1) Member of the Nominating and Compensation Committee
(2) Member of the Internal Control Committee
(3) Member of the Strategic Committee

Letter from the Chairman and the Chief Executive Officer

2006 has been an important year for the Fiat Group. It marked the end of the turnaround phase and the beginning of a new, exciting phase of growth. The plan implemented over the past three years has made a clean break with the past. Fiat's management structure has been reshaped and strengthened, with the creation of lean, efficient and agile organizations in all of our businesses. Special attention has been given to strengthening our brands' market positioning and proximity to the client. All of this was combined with significant efforts directed at rationalizing processes and achieving higher levels of efficiency in all Group business areas.

We have laid the basis for building the Group's future in industrial, financial and commercial terms.

The first significant breakthrough was made in 2005, with the Group posting a net profit for the first time since 2001. The improvements continued throughout 2006, with the Auto Sector reporting its first full-year trading profit since 2000. The other Sectors, especially Iveco and CNH, also generated a good level of top line growth and significant margin expansion.
The Group's results in 2006 will allow us to distribute a dividend to our stockholders for the first time in five years. Restructuring efforts were accompanied by major new and upgrading product program in every area of activity. In the Auto Sector alone, this has meant rolling out 22 new models and restylings in just two years, which has enabled us to gain significant market share both in Italy and in major European countries.
Our future also sees Fiat as a much more international group, and significant steps in this direction were taken as evidenced by the number of international agreements reached during the year.

The Automobiles Sector focused on reinforcing its presence in two high-growth markets, Russia and India, by entering into commercial and industrial agreements with Severstal Auto and Tata Motors. Iveco significantly accelerated its growth strategy in China by reaching agreements with SAIC, Chongqing Heavy Vehicle Group, and Nanjing Motor Company.
At the financial level, the Group steadily reduced its net industrial debt, which fell below 1.8 billion euros at the end of 2006 due to a strong industrial cash flow generation. The Group's cash position remains high, at almost 8 billion euros at December 31, 2006.
All of these factors have contributed to restoring confidence in Fiat.
This is confirmed by the improvement in its debt ratings, its ability to attract a large number of institutional international investors when it issues debt securities, and its steadily rising stock market price.

The results we present on these pages are the fruit of an intense and rigorous commitment. But more than anything else, they reflect the new mentality prevailing at Fiat today, at all levels and in every area of activity.
Delivering on our promises is a key value for us. We demonstrated this by achieving and, in many cases, exceeding all the targets proposed to the markets three years ago.
Promoting on the basis of merit, making individuals accountable, and giving them a wide margin of operating freedom are some of the key drivers that are beginning to bring about a significant, structural cultural change in the company.
Embracing and cherishing competition and looking at the future as an opportunity to be seized and exploited has become our philosophy.
These changes were made possible as a result of a redefinition of the concept of leadership and its significance in the management of our businesses, which has enabled Fiat to reinforce its market positions, greatly accelerate product development timeframes and make a leap in quality.
The men and women who now work in our Group – and who have done a hard job these years to restore the pride and credibility of Fiat – are the best guarantee for the future of our company.

We want to express our most sincere thanks to all of them for the results achieved.

The plan marked out for the next four years is even more ambitious and challenging. It is a plan geared towards growth. Improved operating performance across all businesses, accompanied by significant investments, and growing profitability in every business area will consolidate Fiat's position as a major international industrial group.
Here again, the targets set for each of the years up to 2010 are clear and rigorous.
In 2007, these targets envisage that the Group turn a trading profit of between 2.5 and 2.7 billion euros and realize net income of between 1.6 and 1.8 billion euros.
The trading margin target for the Automobiles Business Area, which faces the challenge of a fairly stable market in Europe and a slowly expanding one in Brazil, has been set at 2.6-3.4%. This is almost double the figure for 2006. That result will be supported by the start of sales of new models, especially Fiat Bravo, Fiat Linea, and Fiat 500, and actions to streamline governance costs.

For the other principal activities, the aim is to realize significant trading margins: 9+% for CNH and 7+% for Iveco.

We are committed to building a great Company.
This is why we will keep the pressure up and continue to demand maximum effort from all the men and women at Fiat.
We will continue to cut costs in non-essential areas.
We will flank our continuously developing technologies with an improved commercial organization and more efficient services.
We will continue investing in product and process innovation, devoting special attention to quality standards.
We will be ready to seize any positive opportunities that should arise to stimulate our growth even more, through targeted cooperation with significant partners.
The Fiat of today has the will, capacity, and solid foundation for setting out on a significant path of development, while holding on firmly to those values of honesty, integrity, and accountability that have sustained us thus far.
This is our commitment and, at the same time, our new promise.

Turin, February 20, 2007

Luca Cordero di Montezemolo
Chairman

Sergio Marchionne
Chief Executive Officer

Report on Operations

The wheel that keeps turning won't rust. Ancient Greek proverb

The Fiat Group

The Fiat Group performs automotive manufacturing and financial service activities in more than 190 countries. Below is a description of how the Group is currently structured, as a result of its refocusing on the automotive business. Reporting of Group activities was redefined by Business Areas as follows:

Automobiles

Fiat Auto produces and sells automobiles (Fiat, Alfa Romeo and Lancia brands) and light commercial vehicles (Fiat Light Commercial Vehicles brand). The Sector's main financing activities in Europe were grouped into Fiat Auto Financial Services, a 50-50 joint venture established at the end of 2006 with Crédit Agricole.
The Sector is represented by Fiat Auto S.p.A. and its subsidiaries.
On February 1, 2007, Fiat Auto S.p.A. changed name to "Fiat Group Automobiles S.p.A.", and four new companies were formed at the same time, 100% owned by Fiat Group Automobiles S.p.A.: "Fiat Automobiles S.p.A.", "Alfa Romeo Automobiles S.p.A.", "Lancia Automobiles S.p.A." and "Fiat Light Commercial Vehicles S.p.A.". The operations and the personnel will remain at Fiat Group Automobiles S.p.A.

The Fiat Group also controls **Maserati** and **Ferrari**. They produce luxury sports cars that excel for their exclusive characteristics, technology and performance.

Agricultural and Construction Equipment

CNH – Case New Holland operates in the field of tractors and agricultural equipment through the Case IH and New Holland brands and in the construction equipment business through the Case and New Holland brands. Its financial services provide support to its end customers and dealers.

Trucks and Commercial Vehicles

Iveco designs, produces and sells a complete line of commercial vehicles under the Iveco brand, buses under the Irisbus brand, and fire-fighting and special purpose vehicles under the Iveco, Astra and Magirus brands. In addition, Iveco provides a wide range of financing services to its customer and dealers mainly through Iveco Finance Holdings Ltd, a company 51% owned by the Barclays Group and 49% by Iveco.

Components and Production Systems

Fiat Powertrain Technologies (FPT) is the Sector which groups all passenger car engine and transmission activities. Fiat regained control over these activities in May 2005 following termination of the Master Agreement with General Motors. Starting in 2006, the Sector also includes the powertrain operations of Iveco and of the Centro Ricerche Fiat (Fiat Research Centre). Within the framework of its technological development projects, FPT coordinates Elasis' powertrain activities.
Magneti Marelli produces components for lighting systems, exhaust systems, suspensions and shock absorbers, engine control units, and electronic systems.
Teksid supplies engine blocks, cylinder heads and other cast-iron components for engines; cast-iron components for transmissions, gearboxes and suspensions; and magnesium bodywork components.
Comau produces industrial automation systems for the automotive industry in the areas of product and process engineering, logistics and management, manufacturing, installation, production start-up and maintenance.

Other Businesses

This area includes the Services Sector (Business Solutions) and the Publishing and Communications Sector, engaged in the following businesses:

- Services in the areas of personnel administration and administrative and corporate finance consulting, mainly provided to Group companies. As of January 1, 2007, Business Solutions' activities were transferred to Fiat Services S.p.A., a company that will provide services exclusively to the Fiat Group (starting from 2007 Fiat Services will be included among Holding companies & Other companies). The Business Solutions Sector will therefore no longer be represented.

- The *La Stampa* daily newspaper and Publikompass, a company that sells advertising space for multimedia customers.

Other Businesses also include Holding companies and Other companies.

Highlights – Group

(in millions of euros)	2006	2005
Net revenues	51,832	46,544
Trading profit	1,951	1,000
Operating result	2,061	2,215
Income before taxes	1,641	2,264
Net result for the year	1,151	1,420
Attributable to:		
- Equity holders of the parent	1,065	1,331
- Minority interests	86	89
Basic earnings per ordinary and preference share (in euros) (1)	0.789	1.250
Basic earnings per savings share (in euros) (1)	1.564	1.250
Normalised basic earnings per ordinary and preference share (in euros) (2)	0.828	1.250
Normalised basic earnings per savings share (in euros) (2)	0.983	1.250
Diluted earnings per ordinary and preference share (in euros) (1)	0.788	1.250
Diluted earnings per savings share (in euros) (1)	1.563	1.250
Investments in tangible and intangible assets	3,789	3,052
- of which: Capitalised R&D costs	813	656
R&D expenses (3)	1,598	1,558
Total Assets	58,303	62,454
Net debt	11,836	18,523
- of which: Net industrial debt	1,773	3,219
Stockholders' equity before minority interest	10,036	9,413
Group interest in stockholders' equity	9,362	8,681
Employees at year-end (number)	172,012	173,695

(1) For additional information on the calculation of basic and diluted earnings per share see Note 12 of the Notes to the Consolidated Financial Statements.
(2) Normalised earnings per share have been calculated excluding the effects arising from the assignment of prior period dividends to savings shares.
(3) This amount includes capitalised R&D costs and costs charged directly to operations during the fiscal year.

Selected data by region

	Number of Companies		Number of Employees		Number of Facilities		Number of R&D Centres		Revenues (in millions of euros)	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Italy	146	155	75,751	77,070	52	56	50	52	14,851	13,078
Europe excluding Italy	285	280	42,904	43,376	56	58	32	32	20,298	18,518
North America	76	80	11,714	12,572	25	28	15	17	6,315	6,048
Mercosur	31	40	30,877	29,132	20	20	10	10	5,416	4,364
Other regions	99	99	10,766	11,545	27	27	9	9	4,952	4,536
Total	637	654	172,012	173,695	180	189	116	120	51,832	46,544

■ Fiat Group recorded **revenues** of 51.8 billion euros in 2006, up 11.4% from 2005. The improvement was largely attributable to Fiat Auto, whose revenues rose by 21.3%, and Iveco, up 7.7%. CNH reported a 3.1% increase in revenues (+2.4% excluding the foreign exchange translation impact). Revenues also rose at the Components & Production Systems Business Area: +11.0% (on a comparable basis) at Fiat Powertrain Technologies and +10.5% at Magneti Marelli. Comau revenues were down 18.6% reflecting a severe slowdown in industry-wide demand for its services.

■ In 2006 **trading profit** amounted to 1,951 million euros (3.8% of revenues), nearly doubling the 1,000 million euros level recorded in 2005 (2.1% of revenues). Significant improvements were achieved in the Automobiles Business Area, particularly at Fiat Auto, which reported a full year trading profit of 291 million euros, against a trading loss of 281 million euros in 2005, and by Iveco, whose trading profit rose from 332 million euros to 546 million euros. CNH posted a 5.6% increase in trading profit, from 698 million euros to 737 million euros (excluding the difference in the one-time impact from a reduction in health-care costs, the year-over-year improvement would have been 97 million euros or 15.8%). The Components & Production Systems Business Area reported slightly lower trading profit (348 million euros versus 358 million euros in 2005) reflecting a sharp drop at Comau, currently in a restructuring process, only partly offset by improvements at Magneti Marelli, Fiat Powertrain Technologies and Teksid. Excluding Comau, trading profit of the Components & Production Systems Business Area increased by 98 million euros, delivering a trading margin of 3.7%.

■ **Operating result** for the year totalled 2,061 million euros, compared with 2,215 million euros in 2005. The 154-million-euro decrease reflects higher trading profit of 951 million euros and lower net unusual income of 1,105 million euros (2006: 110 million euros, 2005: 1,215 million euros).

■ **Income before taxes** totalled 1,641 million euros in 2006, compared with 2,264 million euros in 2005. Net of changes in unusual items (including the 858 million euro unusual financial income on the conversion of the Mandatory Convertible Facility), income before taxes improved by 1,340 million euros in 2006.

■ **Net result for the year** was 1,151 million euros, compared with 1,420 million euros in 2005. Excluding the impact of net unusual items, the Group would have posted a net loss of 376 million euros in 2005 and a net income of 1,041 million euros in 2006. Therefore, on a like-for-like basis, net income improved by 1,417 million euros.

■ **Net industrial debt** decreased during the year by approximately 1.4 billion euros to 1.8 billion euros, reflecting positive business performance and notwithstanding the re-acquisition of 29% of Ferrari for 919 million euros. The ratio of net industrial debt to equity at the end of 2006 was 0.18 (0.34 at the end of 2005).

■ The Group's **cash position** at December 31, 2006 was approximately 8.0 billion euros, (7.0 billion euros at the end of 2005) largely impacted by the over 3 billion euros deriving from the closing of the joint venture between Fiat Auto and Crédit Agricole at the end of December 2006, partly offset by the utilisation of cash to reduce gross debt during the year.

Highlights by Sector

	Net revenues		Trading profit		Operating result		Total operating assets	
(in millions of euros)	2006	2005	2006	2005	2006	2005	2006	2005
Fiat Auto	**23,702**	19,533	**291**	(281)	**727**	(818)	**12,948**	16,231
Maserati	**519**	533	**(33)**	(85)	**(33)**	(85)	**300**	235
Ferrari	**1,447**	1,289	**183**	157	**183**	157	**918**	936
Agricultural and Construction Equipment (CNH)	**10,527**	10,212	**737**	698	**592**	611	**17,756**	17,860
Trucks and Commercial Vehicles (Iveco) (1)	**9,136**	8,483	**546**	332	**565**	212	**6,131**	6,033
Fiat Powertrain Technologies (1)	**6,145**	4,520	**168**	109	**102**	81	**4,103**	4,220
Components (Magneti Marelli)	**4,455**	4,033	**190**	162	**175**	127	**2,294**	2,363
Metallurgical Products (Teksid)	**979**	1,036	**56**	45	**26**	27	**616**	671
Production Systems (Comau)	**1,280**	1,573	**(66)**	42	**(272)**	(8)	**933**	1,091
Services (Business Solutions)	**668**	752	**37**	35	**28**	7	**228**	341
Publishing and Communications (Itedi)	**401**	397	**11**	16	**12**	13	**243**	186
Holding companies, Other companies and Eliminations	**(7,427)**	(5,817)	**(169)**	(230)	**(44)**	1,891	**(582)**	534
Total for the Group	**51,832**	46,544	**1,951**	1,000	**2,061**	2,215	**45,888**	50,701

	Total operating liabilities		Investments (*)		R&D expenses (**)		Number of employees	
(in millions of euros)	2006	2005	2006	2005	2006	2005	2006	2005
Fiat Auto	**12,446**	15,638	**2,163**	1,582	**675**	665	**44,691**	46,099
Maserati	**367**	270	**82**	20	**46**	57	**649**	606
Ferrari	**634**	625	**142**	142	**83**	86	**2,870**	2,809
Agricultural and Construction Equipment (CNH)	**14,653**	14,483	**394**	255	**289**	234	**25,335**	25,420
Trucks and Commercial Vehicles (Iveco) (1)	**5,784**	5,591	**342**	321	**174**	211	**24,533**	24,323
Fiat Powertrain Technologies (1)	**2,444**	2,258	**254**	296	**74**	68	**18,924**	18,161
Components (Magneti Marelli)	**1,625**	1,620	**293**	313	**217**	197	**25,195**	24,213
Metallurgical Products (Teksid)	**365**	419	**32**	45	**5**	5	**8,342**	8,952
Production Systems (Comau)	**712**	828	**56**	38	**20**	20	**12,293**	12,725
Services (Business Solutions)	**360**	437	**10**	19	**–**	–	**5,057**	5,436
Publishing and Communications (Itedi)	**188**	161	**45**	20	**–**	–	**836**	846
Holding companies, Other companies and Eliminations	**(1,227)**	338	**(24)**	1	**15**	15	**3,287**	4,105
Total for the Group	**38,351**	42,668	**3,789**	3,052	**1,598**	1,558	**172,012**	173,695

(1) Since January 1, 2006 Fiat Powertrain Technologies (FPT) perimeter comprises the passenger vehicles engine and transmission activities – over which Fiat regained control and started to consolidate in May 2005 following termination of the Master Agreement with General Motors – as well as the industrial powertrain activities that were included in the Iveco perimeter until December 31, 2005. The relevant 2005 figures have been reclassified accordingly.
(*) Investments in tangible and intangible assets (net of vehicles sold with buy-back commitments).
(**) Including capitalised R&D costs and costs charged directly to operations during the fiscal year.

Stockholders

Financial communication

Fiat maintains a constant dialogue with its Stockholders and Institutional Investors, pursuing a policy of open communication with them through its Investor Relations function. Over the course of the year, the Investor Relations function organises presentations, live or through conference calls, after the regular publication of Group results or other events requiring direct communications with the market. Moreover, the programme includes several seminars that provide a more in-depth understanding of the operating performance and strategies of the principal Group Sectors, as well as meetings and roadshows that permit a direct relationship between the financial community and the Group's top management. The most important meeting of 2006 was the Fiat Investor and Analyst Meeting held on November 8 and 9 in Turin at the Lingotto. At the meeting, Fiat's Chief Executive Officer and the top management of all Sectors illustrated the Group's 2007-2010 plan to an audience of analysts and investors.

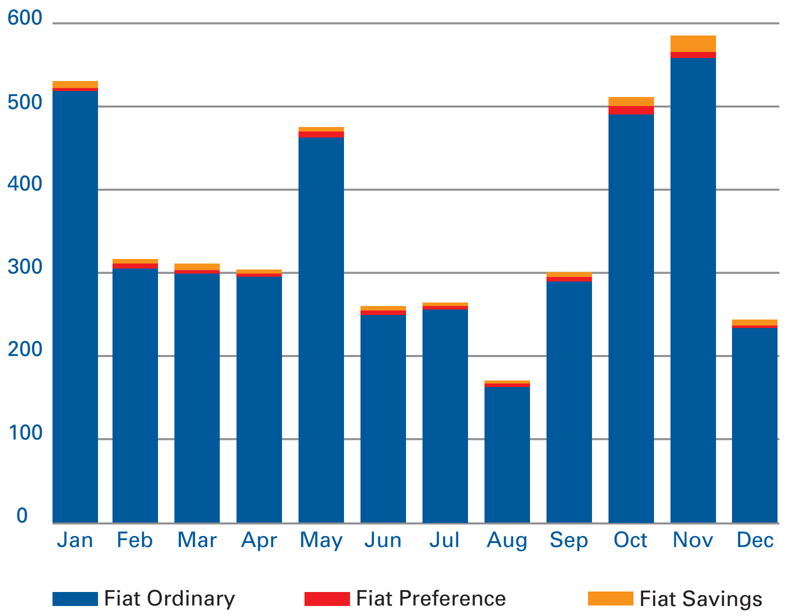
More information is available at the Group's institutional website www.fiatgroup.com. The Investor Relations section provides historical financial data, institutional presentations, periodic publications, and real time updates on Fiat stock.

Fiat stockholders may also contact:

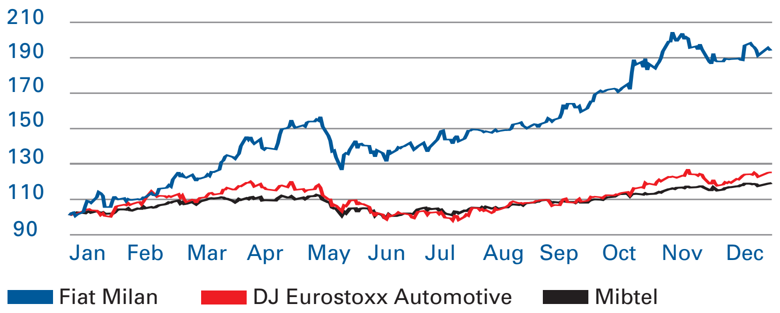
For holders of Fiat shares:
Toll-free telephone number in Italy:
800-804027
E-mails:
serviziotitoli@fiatgroup.com
investor.relations@fiatgroup.com

For holders of ADRs:
Toll-free telephone number
in the USA and Canada:
800 749 18 73
Outside the USA and Canada:
+1 201 680 66 26
Website: www.adr.db.com

Average monthly trading volume (in millions of shares)



Performance of Fiat stock with respect to MIBTEL and Eurostoxx Auto indexes since January 1, 2006 (1/1/06=100)



Stock markets worldwide posted strong gains in 2006. At the international market level, growth was posted in the Asian stock markets, with the Hong Kong stock exchange rising by 121%, and Wall Street recorded an increase of 16%. At the European level, the Madrid (+32%), Frankfurt (+22%), Paris (+18%) and London (+13%) stock exchanges recorded excellent performances. 2006 was a record year for the Milan stock exchange which posted an increase for the fourth consecutive year: MIB index +19%, S&P/Mib +16%.
In 2006, the European automotive market confirmed the positive growth trend recorded in 2005: the automotive sector index (Dow Jones Eurostoxx Auto) posted an increase of 26%. Against this background, Fiat stock almost doubled in value posting an increase of 97%. The market has therefore once again rewarded the successful achievement of the Group financial targets for 2006.

Major Stockholders

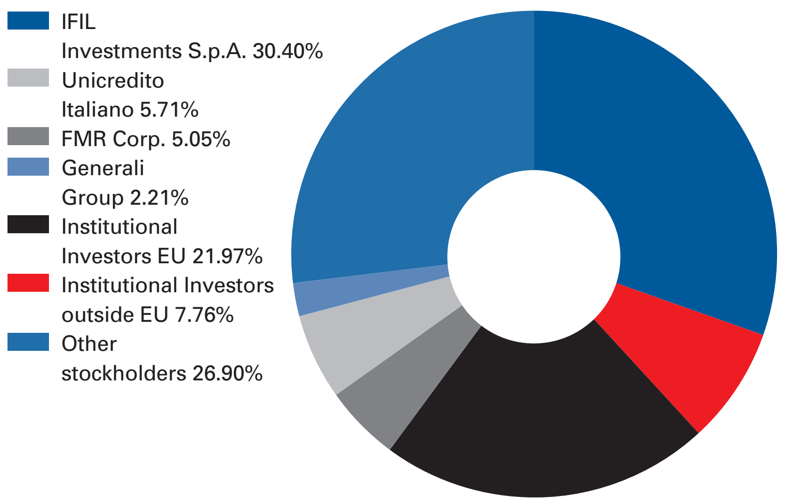
A total of 1,092,247,485 ordinary shares are outstanding. As of today, the following individual and institutional investors have holdings exceeding 2% of total outstanding ordinary stock.

Ordinary shares: 1,092,247,485

IFIL Investments S.p.A. (*)	30.40%
Unicredito Italiano	5.71%
FMR Corp.	5.05%
Generali Group	2.21%
Institutional Investors European Union	21.97%
Institutional Investors outside European Union	7.76%
Other stockholders	26.90%

(*) Including 0.34% of treasury stock held by Fiat S.p.A.

Major stockholders whose holding exceeds 2% (as of February 15, 2007)



Highlights per share

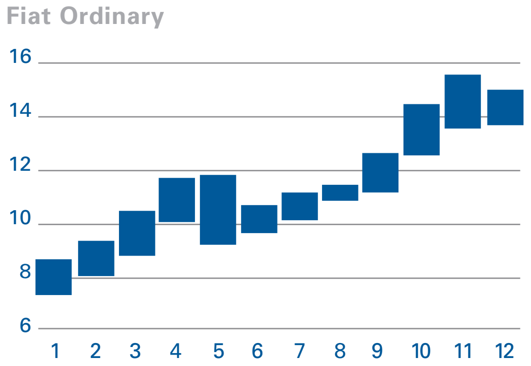
(in euros)	**2006**	2005
Basic earnings per share (ordinary and preference)	**0.789**	1.250
Basic earnings per savings share	**1.564**	1.250
Diluted earnings per share (ordinary and preference)	**0.788**	1.250
Diluted earnings per savings share	**1.563**	1.250

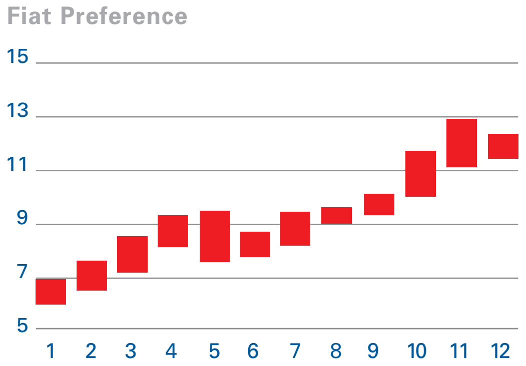
Official price per share:

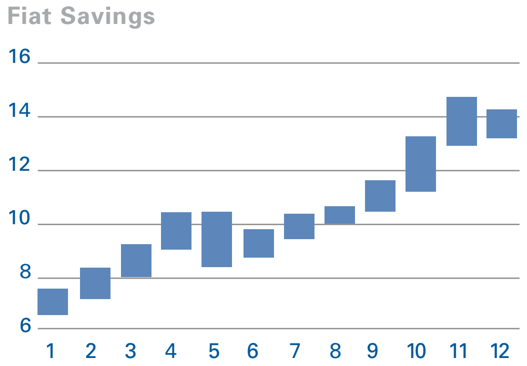
(in euros)	**12.29.06**	12.30.05	12.30.04	12.30.03	12.30.02	12.28.01
Ordinary shares	**14.468**	7.333	5.897	6.142	7.704	17.921
Preference shares	**12.119**	5.935	3.976	3.704	4.348	12.267
Savings shares	**13.880**	6.558	4.243	3.957	4.183	11.459

Minimum and maximum monthly price in 2006

(in euros)







Sustainability Report
Economic, environmental and social responsibility

Now in its third year, the Group's Sustainability Report attests to the importance that Fiat assigns to full, open disclosure, not just of the information that demonstrates financial accountability, but in terms of social and environmental responsibility as well.
The 2006 Sustainability Report is the result of the Group's firm commitment to achieving the kind of reporting that best reflects its organisation and the needs of its stakeholders: a commitment that grows stronger with every passing year.

Thus, the prize for the year's best reporting initiative that FERPI, the Italian Public Relations Federation, conferred on the Group's Annual Report in 2005 did more than reward the efforts of all the people at Fiat who share this commitment: it spurred them to do better, and demonstrate that the praise that was well-earned then is still richly deserved. This is one of the reasons that the 2006 Sustainability Report, though continuing the work done in previous years, introduces several major changes. They are changes designed to meet several key needs: the need to increase inclusiveness by reaching out to all of the Company's stakeholders and speaking a language they can all respond to; the need to let analysts and opinion leaders know how well the Company measures up in such important areas as corporate social responsibility and ethical finance; the need to follow Global Reporting Initiative guidelines even more closely.

To enable stakeholders to gauge the Group's contribution to sustainable growth, the Report illustrates the work done during the year from the standpoint of its economic, environmental and social impact. After presenting the 2006's accomplishments, the measures introduced to promote greater stakeholder engagement, and an overview of the Company's organisation and corporate governance structure, the Report uses the three-dimensional Triple Bottom Line approach to measure its work against performance indicators that go beyond classic financial reporting criteria. As such, it is divided into three sections, where information is grouped according to the stakeholders concerned in order to ensure greater clarity.

As the section on **economic responsibility** illustrates, Fiat continued to focus on value creation and boosting the Group's financial ratings and competitiveness, putting the customer square at the centre of its growth strategies and partnering with other major international groups.

In the section on **environmental responsibility**, the Group provides a comprehensive view of its attention to ensuring sustainable manufacturing practices at its production plants and to developing products with the lowest impact on the environment by reducing energy consumption, cutting emissions and increasing efficiency. In addition, the section illustrates research work carried out and its applications on environmentally-friendly mobility and traffic safety.

The section on **social responsibility** scrutinises the Group's relationship with its worldwide workforce and the public. This section provides details and statistics about employees and hiring policies, as well as discussing the initiatives promoted in favour of young people, health and safety, equal opportunities, education and training and employee benefits. The section concludes with a description of the Group's community outreach efforts, including programs for helping people with physical disabilities retain their mobility.

The Report is posted in the Sustainability section of the Group's website at www.fiatgroup.com, where stakeholders are invited to provide their feedback regarding the Company's corporate social responsibility by filling in the questionnaire or sending e-mails at csr@fiatgroup.com.

Research and Innovation

To promote sustainable mobility on multiple fronts, the Fiat Group has organised its research and innovation work through two companies, the Centro Ricerche Fiat (Fiat Research Centre) and Elasis, whose strategies are coordinated by the Technical Committee of the Group Executive Council.
In 2006, the Group's research and development expenses[1] amounted to approximately 1.6 billion euros or around 3.2% of net industrial activities. Overall, R&D activities involve some 13,200 people at 116 centres.

Centro Ricerche Fiat (Fiat Research Centre)

The Centro Ricerche Fiat provides the Group with effective, innovative solutions at competitive prices, ensuring smooth technology transfer by further increasing the professional qualification of personnel through training. This enables the Centre to play an active role in supporting technological growth for the Fiat Group, its partners and the communities where they work in such fields as motor vehicles and componentry, energy, safe and environmentally-friendly mobility, telematics, innovative materials and relevant technologies, mechatronics and optics.
In particular, the Centre's work in innovative powerplants, alternative propulsion systems and transmissions is conducted through Powertrain Research and Technology headed by Fiat Powertrain Technologies, the Fiat Group Sector set up in May 2005 which groups together all of the Group's activities in this area.
In addition to its headquarters in Orbassano on the outskirts of Turin, the Centro Ricerche Fiat has four branches in Bari, Catania, Trento and Foggia, as well as a controlling interest in the C.R.P. Plastics and Optics Research Centre in Udine, whose work focuses on advanced research in the field of optics and plastics for automotive lighting systems. With a staff of 870 employees, the Centro Ricerche Fiat made significant progress during the year, as witnessed by the 61 new patent applications it filed in 2006, bringing the total number of patents held by the Centre to over 2,100. A further 900 patents are currently pending. In addition, the Centro Ricerche Fiat was awarded 128 projects in the EU's Sixth Framework Program, confirming its leadership in European research. The Centro Ricerche Fiat cooperates with over 150 universities and research centres, and more than 750 industrial partners around the world. This network further strengthens the Centre's global innovation strategies, ensures that it can implement specific operations at the local level, and helps it create skills and monitor its competitiveness and growth.

Further information is available on the Centre's website at www.crf.it.
The work of the Centro Ricerche Fiat focuses on several key areas of technology.

Powertrain Research and Technology

The major objective in this field is to develop and apply innovative technologies for improving powerplant performance, cutting engine and vehicle emissions, and boosting fuel economy. The Centro Ricerche Fiat's most significant accomplishments for 2006 in this area are reviewed below:

■ **Multijet II**. As part of Fiat Powertrain Technologies R&D efforts, predevelopment work on the new Multijet II diesel injection system was completed in 2006. This system is able to manage the multiple injection process developed for the earlier Multijet without the latter's limitations on the distance between successive injectors, thus bringing significant performance benefits. The high-pressure pump was also redesigned, reducing significantly costs.

■ **Two-cylinder spark ignition engine**. Alongside Multiair electronic valve control technology, downsizing is another stepping stone in Fiat Powertrain Technologies' strategic path towards achieving minimal CO_2 emissions. Thus, work is now concentrating on developing small supercharged engines that can replace naturally aspirated powerplants with larger displacements. In 2006, the first version of a supercharged two-cylinder Multiair engine was developed, and prototypes were put through their paces in an array of bench and on-vehicle tests that assessed their potential in terms of performance, fuel economy and noise emissions.

■ **Panda Hydrogen**. For all of the intense effort that has gone into development and testing, hydrogen powered vehicles plying our streets and highways are still a long way in the future. But with an eye to that future, the Fiat Group is concentrating on small, fuel cell city cars: the Seicento Elettra H2 Fuel Cell unveiled in 2001, the Seicento Hydrogen

(1) Includes capitalised research and development expenses and those charged directly against income for the year.

in 2003, and now the Panda Hydrogen fuel cell, developed jointly with Fiat Auto. The new car's performance is comparable to that of the conventional fuel-burning standard production Panda: with a 60 kW propulsion system, the fuel cell car reaches a top speed of 140 kph, accelerates from 0 to 50 kph in five seconds, and can climb 23% grades. Cruising range is 220 kilometres, and refuelling takes less than five minutes.

Advanced Technology for Mobility and Safety

In this area, the main objective is to make available to the Fiat Group technological and systems-related skills in electronics, telematics, ICT and preventive safety needed to make vehicles safer and more versatile. Major achievements in 2006 included:

■ **Convergence**. Marketed under the tradename Blue&Me, Convergence, the voice activated in-car infotainment system springing from an agreement between Fiat Auto and Microsoft, is another step forward in the Fiat Group's approach to telematics. In 2006, the Centro Ricerche Fiat took over from Microsoft as System Integrator for all new developments based on this platform for Fiat Auto, and will perform the same role together with Magneti Marelli for the Group's other Sectors. The first device integrating on-board navigation launched with the Bravo is an example of the Centro Ricerche Fiat's work in this area. The device can be upgraded after purchasing the car without having to go back to the dealer.

■ **Multi-Function Optical Sensor (MFOS)**. Developed in cooperation with Magneti Marelli, the MFOS features a single viewing matrix that integrates several automotive functions involved in scene recognition (identifying oncoming vehicles, tunnels and bridges, approaching curves and lanes) and in monitoring the vehicle's environment (lighting, fog, rain and window misting). Its main advantages include a high level of integration between the functions, management via a single electronic processing unit, a low number of sensors and components, and simplified on-vehicle wiring, which result in a general reduction of costs.

■ **Productivity on the road**. Conducted together with Iveco, the Productivity On The Road initiative focuses on adapting the on-board platform derived from Fiat Auto's Convergence to light, medium and heavy truck architectures. As part of this work, versions of Microsoft's Windows Mobile For Automotive operating system were developed and validated for the Daily and Stralis vehicles. For the system's Services and Control Centre, the Centro Ricerche Fiat developed a common architecture for the entire Fiat Group which provides application-specific features for each area. The first commercial package put on the market will include services for fleet management, mission management, messaging and driver management.

Vehicles and advanced manufacturing and materials

The goals in this area are to develop innovative body and interior architectures for vehicle systems that can increase performance and add to the features that ensure product recognition while meeting all cost constraints and the need for effective, technologically advanced solutions.
Major accomplishments in 2006 were as follows:

■ **Panda Multieco**. A joint development by the Centro Ricerche Fiat, Powertrain Research and Technology in cooperation with Fiat Auto, the Panda Multieco concept was unveiled at the Geneva Motor Show. The concept integrates proven automotive technologies with the most forward-looking applications of environmentally friendly processes and materials for both the interior and the body. This combination cuts carbon dioxide emissions by 42% in the urban cycle and by 32% in the New European Driving Cycle (NEDC), where it produces only 90 g/km.

■ **SDC Suspension Control System**. The SDC Synaptic Damping Control developed together with Magneti Marelli is a low-cost approach to controlled suspension damping. Using electronically controlled shock absorbers, the mechatronic device improves vehicle handling and ride comfort while making it easier to control. It also provides enhanced safety, as it is integrated with the car's ABS and VDC Vehicle Dynamic Control systems.

■ **Safety Truck**. Several Iveco Stralis vehicles were equipped with sensor systems to assist the driver in interpreting the road scenario, detecting obstacles and avoiding lane departures.
In particular, integrated Preventive Safety, Active Lane Assistant, Front Collision Warning, Blind Spot Monitoring, External Cameras (Classes V and VI), Start Inhibit (Pedestrian Detection), and Night Vision (Far/Near Infrared) systems generate warning signals using an active EPS electrically powered steering actuator and electric seat belt pretensioners.

Passive safety was improved by introducing a fixed-hub steering wheel which makes it possible to employ an airbag that provides more effective protection in a head-on collision, together with a GSC collapsible steering system. A number of lateral rollover protection systems were also analysed using a numerical simulation environment.

Elasis

Set up in 1988 by the Fiat Group as a company dedicated to research work in the framework of development programmes for Southern Italy, Elasis has grown into a highly specialised research centre whose work addresses technological innovation, complete vehicle development, mobility and its environmental impact, and traffic safety.
The Centre has two sites in Pomigliano and Lecce, both located in Southern Italy, with 765 employees and is provided with sophisticated computer-aided design and calculation tools and advanced physical and virtual testing equipment which are based on an ability to develop and manage information systems that puts Elasis in the front ranks of the world's R&D centres. At Elasis, work on engines and transmissions is carried out as part of Fiat Powertrain Technologies' development projects.
In 2006, Elasis continued to pursue its strategic objectives of forging new links in the research/innovation system's value chain and of promoting local development. In pursuing this objective, Elasis worked within consortia including universities and private institutions in basic research and training, continuing to sharpen its focus on the issues related to mobility and its environmental impact.

In addition, Elasis cooperated with the Naples Employers' Association and chambers of commerce in Southern Italy to help the area's small and medium enterprises make the most of their skills.
Further information is available on the Centre's website at www.elasis.it.

During the year, significant achievements were made in the following areas:

■ **Innovative methods for products and processes.** In the area of virtual simulation, Elasis developed DMU digital mock-up methods that provide a faithful, realistic representation of the vehicle, as well as digital factory methods that simulate the entire manufacturing process. In the course of 2006, the Centre also performed virtual analyses of new product maintainability, and produced simulations of vehicle interiors and exteriors.
The Elasis Biomechanics and Occupant Protection Centre developed methods for investigating biomechanical parameters in the crash tests called for by international regulations and rating systems. The Centre also worked on applying these methods to all Fiat Auto models now under development and provided assistance to the other Fiat Group sectors.

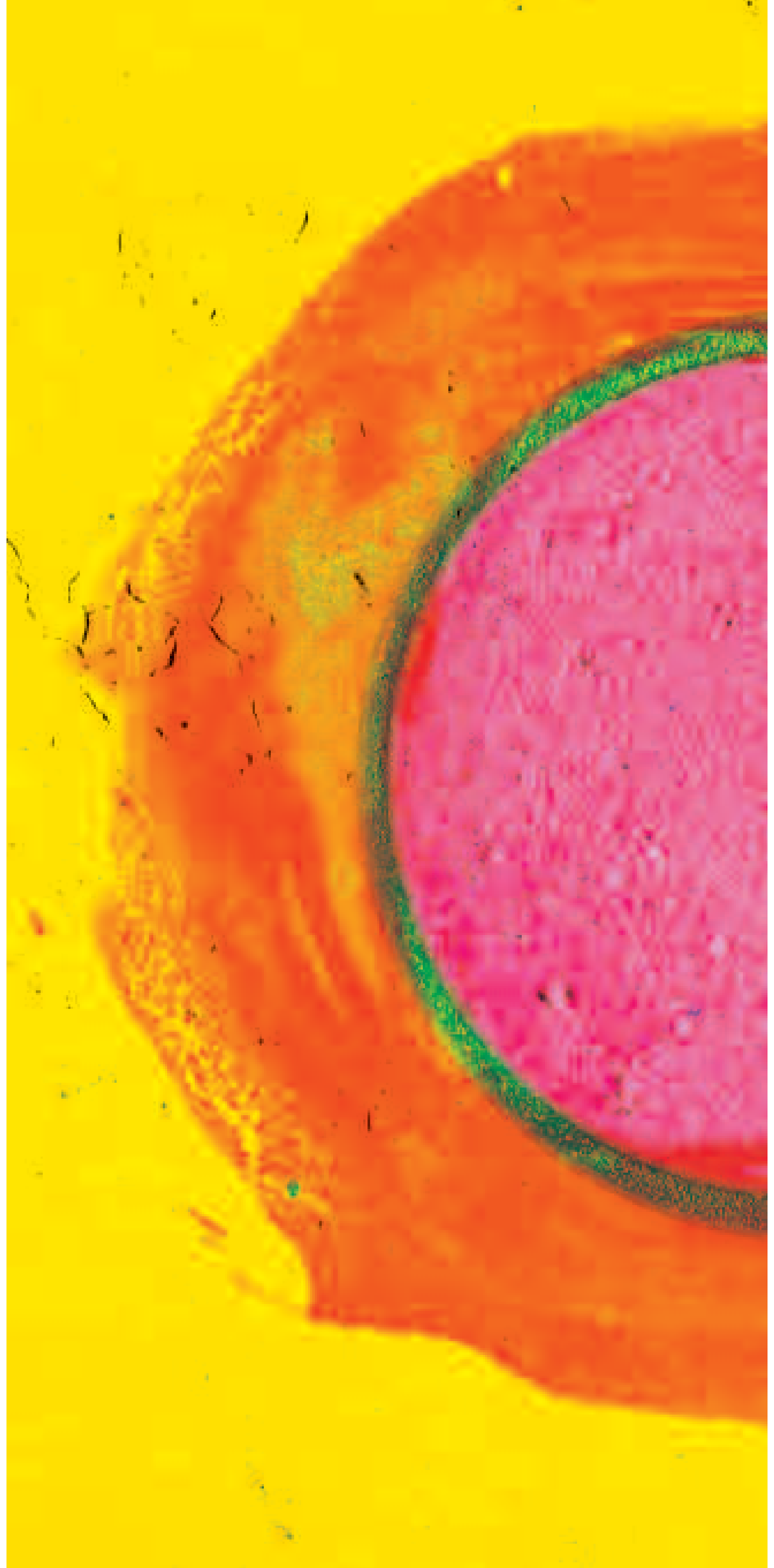
■ **Vehicle research.** In order to constantly improve product quality, Elasis developed a method capable of providing objective measurements of the vehicle's main performance quality parameters. The method uses a data logger that monitors the vehicle and can determine whether it meets performance targets in only four hours, thus making it possible to detect any slow drift and compile a database of all measurements. During 2006, the Fiat Group also finished reinsourcing the quality control programs used to analyse dealer returns. In addition, Elasis provided Fiat Auto with support in developing a number of new products, including the Minicargo, the Alfa Romeo 8C Competizione and the Fiat Croma. For Ferrari, Elasis developed new architectures which can be used in the brand's new 12-cylinder offerings.

■ **Control software development.** Elasis assisted CNH in designing and developing the control unit for the Cobra tractor's continuously variable transmission, and worked alongside Ferrari in designing and testing traction control software and in designing a prototype vehicle ride height control system. In addition, Elasis helped set up a dedicated Hardware-In-the-Loop lab for testing electronic control units of engines, and cooperated in testing electronic control units of Formula 1 racers.

■ **New HIL Hardware-in-The-Loop simulation models.** Elasis adapted the hardware and software used in the HIL Virtual Car simulator to two models now being developed by Fiat Auto: the new Fiat 500 and the Minicargo. For Magneti Marelli Electronic Systems, Elasis developed an HIL simulator to validate body computer software.

■ **Fire engines.** In 2006, Elasis continued its development and product engineering work on Fire series engines. This work focused on reducing consumption and toxic emissions to meet Euro 5 limits, on increasing performance, on improving quality and reliability, and on cutting costs. During the year, the Fire 1.4-litre 16-valve Starjet engine was put into production. Installed on the Fiat Grande Punto, the new engine combines excellent fuel economy with sparkling performance. Product engineering work was also completed on the new 1.4-litre 16-valve turbocharged unit that entered production in February 2007, and on the new naturally aspirated Fire 1.4-litre 16-valve Multiair engine.

■ **Mobility and traffic safety**. In this area, Elasis concentrated its attention on efforts to increase its know-how, and on participating in European Union and national projects. The former included TRACE (Traffic Accident Causation in Europe) a project which aims to identify the most common causes of traffic accidents and assess the effectiveness of existing safety systems. In Italy, Elasis embarked on partnerships with the provincial administrations of Milan, Mantua and Macerata and with the Municipality of Sorrento. These initiatives hope to make streets and roads safer by auditing and analysing traffic accidents.



Human Resources

At December 31, 2006, the Group had 172,012 employees, compared with 173,695 at December 31, 2005. During the year around 18,600 new employees were hired, while a total of around 19,300 employees left the Group. Changes in the scope of consolidation of the Group entailed a net staff decrease of approximately 1,000 employees, mainly as a result of the sale by Teksid of the French company SBFM, the sale of B.U.C. – Banca Unione di Credito and of Fiat Auto's financial services following the creation of the joint venture FAFS with Crédit Agricole.
As regards recruitment, over 900 recent university graduates were added to Group staff, mainly in engineering departments. The Group's high skill staff ("professional") totalled approximately 25,000, 44% of whom work outside Italy.

Evolution in the organisational and managerial structure

In 2006, Fiat continued to strengthen its management organisation. It continued to attract managers from outside the Group to cover vacant positions. A total of 137 managers were hired from outside the Group, five of whom were selected to fill top positions at the Group's Sectors. In the meantime, focus on internal development of human resources continued. This included mobility between the different business sectors. Expanded use of leadership assessments at the managerial as well as non-managerial level made a significant contribution to spread the model introduced in 2004.

Accelerated growth of the most talented internal resources was supported by directly involving the company's top leaders at talent management meetings. These gatherings serve to identify individuals and define their development plans.

At the organisational level, 2006 brought confirmation of the guidelines on which the new Fiat corporate culture is based. They reflect two strategic approaches to the business: on the one hand, the unity of the Group, and on the other hand the specific characteristics of the operating sectors in their respective businesses.

Training

The Group invested approximately 95 million euros in training programmes designed to support the operations of the Group and the professional development of its employees.
Isvor Fiat provided training, consulting, and professional support programs for a total of 18,505 classroom/training days. An additional 24,685 users received a total of 118,699 hours of Web-based distance learning support.

Grants and Scholarships

The Fiat Grants and Scholarships program, which was created to help the children of active employees in Italy and in other countries in which the Group has a significant presence, is continuing with considerable success. This initiative was extended to China in 2006.
In 2006, Fiat awarded 636 grants, 185 to students in Italy and 451 to students in other countries, at a total cost of 1,072,900 euros.

Industrial relations

In 2006 a **constant dialogue** was maintained with trade unions and representatives of employees at the company level in order to find consensus solutions to handle the consequences on workers of measures taken to respond to market needs, improve competitiveness, flexibility, and organisational efficiency. **Collective bargaining** at the various levels was also intense, allowing the trade unions to reach major **agreements** defining pay conditions and rules in the various countries where the Group operates.

Social dialogue

At the **European** level, issues concerning the condition of the Fiat Group, especially those that have a transnational impact, were subject of information and consultation with the members of the **Fiat Group European Works Council (EWC)**, as required under EU Directive 45/94/EC. The Fiat Group EWC, which represents the employees of Group companies located in the European Union, was established in 1997 and is comprised by 30 representatives of the various countries in proportion to the current employment distribution of the Fiat Group in Europe.

The meeting with the EWC Selected Committee was held in May. The Group CEO, Sergio Marchionne, spoke at the annual plenary meeting held on November 13 and 14, 2006, when he presented the results achieved, objectives and strategies of the Group for future years.

In **Italy**, constructive dialogue continued with the trade unions at the national and local level. Representatives of employees were provided with constant updates on the evolution of the Fiat Group relaunch and development plan, initiatives taken to achieve set objectives, programs to renew the product range, and production allocations.
The meeting held at the Mirafiori Motor Village on June 28, 2006 was of key importance. Sergio Marchionne presented an update on Group performance, the results achieved and objectives to be realised. He pointed out that the improved situation had made it possible to maintain production activity at plants in Italy and created the conditions for renewing the Group Supplemental Collective Agreement. This agreement was formally signed by the Company and the trade unions at that meeting.
Additional updates on the Group's growth prospects were communicated to the trade unions upon presentation of the 2007-2010 Plan targets at the "Fiat Investor & Analyst Meeting" held on November 8 and 9, 2006. The production and employment implications of the Plan were then discussed at the meeting with trade unions on December 15, 2006, when the various Sectors illustrated their individual financial targets and product renewal and investment plans, which represent the premise for assuring full use of Group resources in Italy. These forecasts made it possible to reach the labour agreement on December 18, 2006 that shares, on the one hand, the need to overcome remaining overstaffing situations, through "mobilità lunga" (long-term mobility benefit to bridge the period prior to retirement) for 2,000 Group employees. On the other hand, it expresses the commitment made by the trade unions to support implementation of actions to organise work, work shifts, and work schedules as necessary to increase use of the production capacity and thus employment.

Management of production requirements

The improved market situation and higher sales in most Sectors entailed the need to increase production volumes, which were generally tackled through use of overtime work and temporary workers. In order to increase the rate of plant use, work shifts distributed over six days of the week were implemented at the Melfi (SATA S.p.A.), Pratola Serra (FMA S.r.l.), and Termoli (Fiat Powertrain Technologies S.p.A.) plants.
In contrast, less and less recourse was made to the Cassa Integrazione Guadagni (Temporary Layoff Benefits Fund) over the course of the year.
Recourse to the "Cassa Integrazione Straordinaria" (Longer-term Temporary Layoff Benefits Fund) for the reorganisation of the FPT Mirafiori plant concluded in autumn 2006, following the return to work by employees within the envisaged deadlines.
At December 31, 2006, a total of 234 employees from the administrative, technical, and sales department of Fiat Auto, at Mirafiori, and 324 at Arese were still receiving benefits under "Cassa Integrazione Straordinaria in deroga" (a waiver for the Longer-term Temporary Layoff Benefits Fund).

Outside Italy, the plants in Brazil and Poland in particular were affected by the need to increase plant output rates. This involved extensive use of overtime work, which in certain cases exceeded 10% of the normal schedule, an increase in the number of work shifts, and the hiring of temporary workers.
Agreements for work shift flexibility according to fluctuations in production requirements were applied in Germany (Iveco), Belgium (CNH), and Poland (CNH).

Restructuring and production streamlining measures were more limited. Streamlining of excavator production was particularly significant in this context, resulting in the halt of these activities at the CNH plant in Berlin. The employment impact of this measure was defined in "reconciliation of interests" agreements and the September 2006 social plan, which ended a labour dispute that had lasted approximately six months.

Collective bargaining

With regard to **collective bargaining** involving compensation issues, the agreements reached with the trade unions call for wage increases that are generally in line with or slightly higher than the rate of inflation. The purpose of these agreements was to help employees preserve their purchasing power and link any further wage increases to the achievement of the targets to improve the Company's performance.

In **Italy**, metalworking companies ended in January negotiations for a two-year renewal of the compensation provisions of the National Collective Labour Agreement for Metalworkers (white and blue collar). This contract, which covers about 74,000 of the Fiat Group's employees, expired at the end of 2004. Negotiations between Federmeccanica (a national organisation that represents Italian metalworking industry) and the national trade unions Fim-Cisl, Fiom-Cgil,Uilm-Uil and subsequently Fismic were particularly long and challenging. Only an agreement to extend the validity of the new contract by six months (i.e., until June 30, 2007) succeeded in breaking a stalemate in negotiations at the beginning of 2006. When fully operational, the agreement signed on January 19, 2006 will provide an overall increase in compensation of about 6%, as follows: an average monthly wage increase of 100 euros (implemented in three stages: 60 euros beginning in January 2006, 25 euros in October 2006 and 15 euros in March 2007) plus a lump-sum payment of 320 euros for 2005.

On June 28, 2006, after just over a month of negotiations and without strikes, the agreement for renewal of the Fiat Group Supplemental Agreement was signed with the Fim-Cisl, Fiom-Cgil, Uilm-Uil, Fismic, and Ugl trade unions.
This agreement applies to most of the Group's metalworking sector companies operating in Italy and defines additional pay conditions and rules with respect to those envisaged by the National Collective Bargaining Agreement for Metalworkers.
The new agreement recognised the contribution made by workers to improving the situation of the Group, envisaging an increase in the annual performance bonus – an annual bonus tied to Group performance – according to the achievement of profitability targets. The June agreement also established the terms and conditions for applying the professional Apprenticeship Agreement at the Fiat Group.

Outside Italy, the principal collective bargaining activities conducted at the Group level in 2006 include: the annual negotiations held in **France,** which resulted in pay increases of between 2% and 3% according to the different companies, and the agreements made in most Group companies in **Poland**.
In **Germany,** collective bargaining was conducted at the level of each *Land* for renewal of the metalworking sector agreement, which is applied by most of the Group companies operating in that country. The new agreement envisaged average wage increases of about 3%.
In **Brazil**, increases similar to those envisaged at other large groups were applied, in addition to annual bonuses of varying amounts according to company results.

Labour disputes were down sharply from 2005 and involved specific situations, such as the dispute in Berlin, or episodes of small-scale labour unrest at certain production plants on specific, limited problems.

Financial Review of the Group

Introduction

Principal Transactions that affected the Scope of Consolidation in 2006

■ The procedure for the sale of the subsidiary Atlanet S.p.A. to the British Telecom group was for the most part finalised in the first quarter of 2006 on receiving the approval of the Italian Guarantor Authority for Competition and the Market. The transaction was completed when the businesses in Poland and Brazil were sold during the second half of 2006.

■ On August 30, 2006, Teksid S.p.A. sold 100% of the interest it held in Société Bretonne de Fonderie et Mecanique.

■ On August 31, 2006, Fiat sold its holding in Banca Unione di Credito (B.U.C.) to BSI (a company of the Generali Group).

■ On December 28, 2006 Fiat Auto and Crédit Agricole completed the transaction for the creation of a 50/50 joint venture, Fiat Auto Financial Services (FAFS), which will handle Fiat Auto's main financing activities in Europe (retail auto financing, dealership financing, and long-term car rental and fleet management). In particular: Fiat Auto, upon exercise of its call option, purchased from Synesis Finanziaria 51% of Fidis Retail Italia (a company controlling the Fiat Auto European retail financing activities) which then changed its corporate name into Fiat Auto Financial Services. FAFS acquired certain Fiat Auto subsidiaries active in the European Fiat Auto dealer financing and renting business. Fiat Auto sold to Sofinco, the wholly owned consumer credit subsidiary of Crédit Agricole, 50% of the share capital of FAFS.

These changes in the scope of operations do not have a significant overall impact on the comparability of the data for the two reference periods. Nevertheless, analyses of both the Group as a whole and the individual areas highlight the respective effects.

During 2006, Fiat raised its stake in Ferrari from 56% to 85%; description of related transactions is presented in the Notes to the Financial Statements. In addition, it should be noted that on December 6, 2006, the Fiat Group and Norsk Hydro reached an agreement for the sale of their interests in Meridian Technologies Inc., 51% and 49% respectively, to a consortium of investors headed by the Swiss holding company Estatia AG. Closing of the transaction is subject to approval by competent authorities.

Starting January 1, 2006 reporting of certain Business Areas of the Group was redefined as follows.

The Fiat Powertrain Technologies Sector is no longer included in the Automobiles Business Area since it no longer comprises only the passenger vehicles engine and transmissions activities – over which Fiat regained control in May 2005 following the termination of the Master Agreement with General Motors – but also the industrial powertrain activities that were included in the Iveco Sector until December 31, 2005.
In accordance with IAS 14 – *Segment Reporting,* the figures for 2005 have consequently been reclassified by assigning the former Iveco powertrain activities to Fiat Powertrain Technologies (FPT); the Iveco Sector, on the other hand, no longer includes these activities. From the beginning of 2006, FPT also encompasses the C.R.F. powertrain activities. Starting from January 1, 2006 the Fiat Powertrain Technologies Sector is included in the Components and Production Systems Business Area and, therefore, from the same date, the Automobiles Business Area comprises Fiat Auto (the Fiat, Alfa Romeo, Lancia and Fiat Light Commercial Vehicles brands), Maserati and Ferrari.

Financial Review of the Group

Operating Performance of the Group

(in millions of euros)	2006	2005
Net revenues	**51,832**	46,544
Cost of sales	**43,888**	39,624
Selling, general and administrative costs	**4,697**	4,513
Research and development costs	**1,401**	1,364
Other income (expenses)	**105**	(43)
Trading profit	**1,951**	1,000
Gains (losses) on the disposal of investments	**607**	905
Restructuring costs	**450**	502
Other unusual income (expenses)	**(47)**	812
Operating result	**2,061**	2,215
Financial income (expenses)	**(576)**	(843)
Unusual financial income	**–**	858
Result from investments:	**156**	34
- Net result of investees accounted for using the equity method	**125**	115
- Other income and expenses from investments	**31**	(81)
Result before taxes	**1,641**	2,264
Income taxes	**490**	844
Result from continuing operations	**1,151**	1,420
Result from discontinued operations	**–**	–
Net result for the year	**1,151**	1,420
Attributable to:		
Equity holders of the parent	**1,065**	1,331
Minority interests	**86**	89

In the review that follows, net revenues and trading profit are discussed by single Business Area/Sector; the other data refer to the Group as a whole.

Net revenues

In 2006 the Fiat Group recorded **net revenues** of 51,832 million euros, up 11.4% from 2005. The increase is largely attributable to the positive contribution of Fiat Auto and Iveco. Revenues also increased at CNH and the Components and Production Systems Business Area.

Revenues by Business Area

(in millions of euros)	2006	2005	% change
Automobiles (Fiat Auto, Maserati, Ferrari)	**25,577**	21,275	20.2
Agricultural and Construction Equipment (CNH-Case New Holland)	**10,527**	10,212	3.1
Trucks and Commercial Vehicles (Iveco)	**9,136**	8,483	7.7
Components and Production Systems (FPT, Magneti Marelli, Teksid, Comau)	**12,366**	10,727	n.s.
Other Businesses (Services, Publishing and Communications, Holding companies and Other companies)	**1,581**	1,618	-2.3
Eliminations	**(7,355)**	(5,771)	n.s.
Total for the Group	**51,832**	46,544	11.4

A detailed review of net revenues by Business Area/Sector is provided below.

Automobiles

In 2006 the **Automobiles Business Area** recorded net revenues of 25,577 million euros; the 20.2% increase from 2005 was mainly driven by the significant growth recorded at Fiat Auto. Revenues also improved at Ferrari (+12.3%), while Maserati recorded a slight decline (-2.6%).

(in millions of euros)	2006	2005	% change
Fiat Auto	**23,702**	19,533	21.3
Maserati	**519**	533	-2.6
Ferrari	**1,447**	1,289	12.3
Eliminations	**(91)**	(80)	n.s.
Total	**25,577**	21,275	20.2

■ In 2006 **Fiat Auto** recorded net revenues of 23,702 million euros, up 21.3% from 2005, due to the significant increase in volumes and positive exchange rate impacts.

Trading performance throughout the year was positively impacted by the growing success of new models, and in particular: the Fiat Grande Punto and the Panda, with its new Cross and 100 HP versions, the Alfa Romeo 159 (sedan and Sportwagon) and the Brera, the Lancia Ypsilon and the New Ypsilon, as well as the light commercial vehicles New Ducato and the New Doblò.

In 2006 Fiat Auto delivered a total of 1,980,300 units, up 16.7% from 2005. A total of 1,289,600 units were delivered in Western Europe, for an increase of 17.2%.

The increase in deliveries reached significant levels in almost all of the key European countries, with growth rates far outpacing the market, as in Italy (+17.5% with respect to 2005 deliveries) and Germany (+21.3%), or realised in declining markets, such as Great Britain where deliveries increased by 42.8% and France (+10.9%). The only exception was Spain where deliveries were impacted by weak demand and decreased slightly (-1.0%). Fiat Auto had a 30.7% share of the Italian car market, an increase of 2.7 percentage points from 2005, and 7.6% in Western Europe (+1.1 percentage points).

In Brazil, Fiat Auto exploited the positive performance of the local market and increased its sales by 15% from 2005, achieving a 25.3% share of the car market (+0.9 percentage points). In Poland, where demand increased slightly, Fiat Auto volume decreased by 2.3%.

■ **Maserati** had revenues of 519 million euros, down 2.6% from the previous year, which had benefited from the sales of the special MC12 street version, no longer sold in 2006. Conversely, total volume grew due to an increase in sales of the Coupé and Spyder models.

■ **Ferrari** recorded revenues of 1,447 million euros. The 12.3% increase from 2005 is largely attributable to the success of the F430 and 599 GTB Fiorano models. Revenues were also boosted by sales in the Middle East and Far East markets.

Agricultural and Construction Equipment

CNH – Case New Holland had revenues of 10,527 million euros, up 3.1% from 2005 (+2.4% on a comparable currency basis). Better pricing and higher volume of construction equipment were partially offset by a decrease in deliveries of agricultural equipment.

In 2006 the global market for agricultural equipment expanded by 9%, with contrasting trends across the various regions; volumes decreased slightly in Latin and North America, while they were up slightly in Western Europe and significantly in the Rest of the World markets. Against this backdrop, CNH tractor shipments were down in North America and Rest of World markets, stable in Western Europe, and up in Latin America. Combine harvester volumes were down in all markets except Rest of the World markets.

The global construction equipment market expanded by 11% from 2005, with growth in all markets except North America where the market was stable. Against this background, CNH unit shipments increased (+3.4%) in all markets except North America.

Trucks and Commercial Vehicles

As previously mentioned, for both fiscal years the figures of the Trucks and Commercial Vehicles Sector (Iveco) are shown excluding the powertrain activities, which were transferred to the Fiat Powertrain Technologies Sector as of January 1, 2006.

Iveco revenues totalled 9,136 million euros in 2006, a 7.7% increase from 2005, as a result of higher sales volumes and better pricing.

In 2006 Iveco delivered a total of 181,500 vehicles, 17,600 of which with buy-back commitments, up 5.2% from the previous year. In Western Europe, within the context of an overall positive market (+2.3%), deliveries totalled 135,100 units, up 3.2% from 2005. The Sector recorded significant increases in Germany (+21%) and Spain (+7.1%), against decreased in Italy (-5.1%) and Great Britain (-9.9%) where demand declined. Deliveries were particularly high in Eastern Europe (+25%), Africa and the Middle East, while volumes were substantially stable in Latin America.

Iveco sales also benefited from the market's interest in the New Daily, launched in late May.

In 2006 Iveco's share of the Western European market remained substantially unchanged at 10.7%. In particular, the light-range Daily confirmed its position as the top seller in the 3.5 ton segment while, in the medium segment, the Eurocargo remained co-leader with over 25% of the market.

Components and Production Systems

The **Components and Production Systems Business Area** had revenues of 12,366 million euros in 2006, an increase of 8% on a comparable basis. Revenues increased at Fiat Powertrain Technologies (+11% on a comparable scope of operations) and at Magneti Marelli (+10.5%), against a decline recorded at Comau (-18.6%) due to a sharp slowdown in demand for its services. The decrease recorded at Teksid (-5.5%) is attributable to the different scope of consolidation (+3.5% on a comparable basis).

(in millions of euros)	2006	2005	% change
Fiat Powertrain Technologies	**6,145**	4,520	n.s.
Components (Magneti Marelli)	**4,455**	4,033	10.5
Metallurgical Products (Teksid)	**979**	1,036	-5.5
Production Systems (Comau)	**1,280**	1,573	-18.6
Eliminations	**(493)**	(435)	n.s.
Total	**12,366**	10,727	n.s.

■ **Fiat Powertrain Technologies** (FPT) revenues increased from 4,520 million euros in 2005 (referring to the powertrain operations previously consolidated in the Iveco Sector and, starting from May 2005, to the powertrain operations that were transferred to FPT following the termination of the Master Agreement with General Motors) to 6,145 million euros in 2006 (an increase of 11% on a comparable basis). Part of FPT's output was sold to other Group Sectors, while sales to third parties and joint ventures represented 26% of revenues in 2006.

In 2006 revenues of the Passenger & Commercial Vehicles product line totalled 3,447 million euros compared with 1,966 million euros recorded in the May-December 2005 period. The product line sold 2,328,000 engines, approximately 22% of which were diesel engines sold to General Motors and Suzuki, and 1,695,000 transmissions, mainly to Fiat Auto.

The Industrial & Marine product line had revenues of 2,678 million euros in 2006 (+4.9% from 2005). 444,000 engines were sold (up 1.9%) mainly to Iveco (44%), CNH (19%) and for 24% to Sevel, the joint venture between Fiat Auto and the PSA Group. The product line also sold 113,000 transmissions (-1.4%) and 262,000 axles (+9.3%).

■ **Magneti Marelli** recorded revenues of 4,455 million euros in 2006, an increase of 10.5% from 2005. Excluding the impact of the sale of the Suspension Systems manufacturing and assembly activities to Fiat Auto in the first half of 2006, the increase in revenues was 14.2%. This positive performance is attributable to higher sales of Fiat, Alfa Romeo and Lancia models and an increase of new applications on car models of the Group and third parties (online applications, hi-tech products of the Lighting business area and Selespeed gearboxes).

■ **Teksid** had revenues of 979 million euros, down 5.5% from 2005 due to the sale of a French company (SBFM) operating in the Cast Iron business. On a comparable basis, revenues increased by 3.5% reflecting higher volumes at the Cast Iron Business Unit (+1.5% on a comparable basis) and positive exchange rate effects, which offset lower volumes at the Magnesium Business Unit (-6.2%) attributable to a slowdown in its reference markets, in particular that of SUVs in North America.

■ **Comau** had revenues of 1,280 million euros. The 18.6% reduction from 2005 is mainly attributable to the European Body-welding operations which were negatively impacted by difficult trading conditions. Revenues also decreased, but to a lesser extent, at the European powertrain business lines and at Comau Pico in North America. Conversely, Service activities reported a revenue increase, especially in the Mercosur area.

Other Businesses

Other Businesses recorded an overall decrease of 2.3% from 2005 due to a reduction in the scope of consolidation of Business Solutions.

(in millions of euros)	2006	2005	% change
Services (Business Solutions)	**668**	752	-11.2
Publishing and Communications (Itedi)	**401**	397	1.0
Holding companies and Other companies	**512**	469	9.2
Total	**1,581**	1,618	-2.3

■ **Business Solutions** recorded revenues of 668 million euros in 2006, down 11.2% from 2005. The decrease was due to a change in the scope of consolidation, in particular the sale of Atlanet (telecommunication services). On a comparable basis, revenues would have increased by approximately 11% due to a higher level of services provided to Group companies. Services provided to Fiat Group companies represented approximately 68% of the Sector's revenues.

■ In 2006 **Itedi** had revenues of 401 million euros, up 1% from 2005. The slight increase is mainly attributable to higher advertising revenues at Publikompass.

Trading profit by Business Area

(in millions of euros)	2006	2005	Change
Automobiles (Fiat Auto, Maserati, Ferrari)	**441**	(209)	650
Agricultural and Construction Equipment (CNH-Case New Holland)	**737**	698	39
Trucks and Commercial Vehicles (Iveco)	**546**	332	214
Components and Production Systems (FPT, Magneti Marelli, Teksid, Comau)	**348**	358	-10
Other Businesses (Services, Publishing and Communications, Holding companies and Other companies) **and Eliminations**	**(121)**	(179)	58
Total for the Group	**1,951**	1,000	951

Trading profit

Trading profit totalled 1,951 million euros in 2006, nearly double the 1,000 million euros recorded in 2005, reaching 3.8% of revenues (2.1% in 2005). The most significant improvements were recorded at the Automobiles Business Area (+650 million euros, of which +572 million euros from Fiat Auto) and at Iveco (+214 million euros). Only the Components and Production Systems Business Area recorded a decrease, attributable to Comau's negative performance.

The breakdown of trading profit by Business Area/Sector is illustrated below.

Automobiles

The trading profit of the **Automobiles Business Area** improved by 650 million euros, from a loss of 209 million euros in 2005 to a profit of 441 million euros in 2006. This reflected Fiat Auto's performance, higher profits at Ferrari, and lower losses at Maserati.

(in millions of euros)	2006	2005	Change
Fiat Auto	**291**	(281)	572
Maserati	**(33)**	(85)	52
Ferrari	**183**	157	26
Total	**441**	(209)	650

■ **Fiat Auto** had a trading profit of 291 million euros in 2006, a strong improvement (+572 million euros) from the trading loss of 281 million euros of 2005. This change is mainly attributable to higher sales volumes and the positive impact of a more favourable product mix due to the new models. The higher production volumes also permitted greater absorption of fixed production costs. Cost-cutting measures continued in 2006 due to purchasing efficiencies and containment of governance costs. Conversely, higher volumes were supported by greater commitment to marketing and sales network development.

■ In 2006 **Maserati** had a trading loss of 33 million euros, a significant improvement (+52 million euros) from the trading loss of 85 million euros recorded in 2005, attributable to major efficiency gains.

■ **Ferrari** had a trading profit of 183 million euros in 2006, up 26 million euros from the trading profit of 157 million euros of 2005. The improvement is mainly attributable to an increase in sales volumes and efficiency gains, which were partially offset by higher research and development expenses.

Agricultural and Construction Equipment

In 2006, **CNH - Case New Holland** had a trading profit of 737 million euros, an increase of 39 million euros from the 698 million euros of 2005. Trading margin reached 7% (6.8% in 2005). Net of one time healthcare renegotiation benefits in North America (25 million euros in 2006 and 83 million euros in 2005), CNH trading profit would have increased by 97 million euros due to higher construction equipment volumes, better pricing and production costs efficiency gains, partially offset by a reduction in volumes of agricultural equipment.

Trucks and Commercial Vehicles

Iveco had a trading profit of 546 million euros, 6% of revenues, a significant improvement (+214 million euros) from the 332 million euros of 2005, when trading margin was 3.9%. The increase is mainly attributable to higher sales volumes, better pricing and efficiency gains on materials, production and governance costs resulting from the streamlining program undertaken in 2005.

Components and Production Systems

The aggregate trading profit of the **Components and Production Systems Business Area,** 348 million euros, was 10 million euros lower than in 2005 as the decrease recorded at Comau was not completely offset by improvements at the other Sectors. Trading margin stood at 2.8%, versus 3.3% in 2005. Excluding Comau, trading profit would have increased by 98 million euros with a trading margin of 3.7%.

(in millions of euros)	2006	2005	Change
Fiat Powertrain Technologies	**168**	109	59
Components (Magneti Marelli)	**190**	162	28
Metallurgical Products (Teksid)	**56**	45	11
Production Systems (Comau)	**(66)**	42	-108
Total	**348**	358	-10

■ **Fiat Powertrain Technologies** had a trading profit of 168 million euros in 2006, against a trading profit of 109 million euros in 2005. The increase is mainly attributable to purchasing and manufacturing efficiencies which more than offset higher raw material prices, mainly aluminium and mineral oils. A different scope of activities also positively contributed to the improvement.

■ **Magneti Marelli** posted a trading profit of 190 million euros, 28 million euros higher than in 2005 (162 million euros). The improvement stemmed from higher sales volumes, streamlining of the cost base and efficiency gains which more than offset price pressures.

■ **Teksid** closed 2006 with a trading profit of 56 million euros. The improvement from the trading profit of 45 million euros of 2005 is due to efficiency gains.

■ **Comau**'s trading loss was 66 million euros in 2006 with respect to the trading profit of 42 million euros of 2005. A particularly sharp decline in volumes and margins was reported by the Body-welding operations in Europe, but decreases were also reported by all other Business Areas, except for the Service activities in the Mercosur area and the Plastic Moulds operations in Europe.

Other Businesses

The trading loss reported by the **Other Businesses** totalled 121 million euros, an improvement of 58 million euros from 2005.

(in millions of euros)	2006	2005	Change
Services (Business Solutions)	**37**	35	2
Publishing and Communications (Itedi)	**11**	16	-5
Holding companies, Other companies and Eliminations	**(169)**	(230)	61
Total	**(121)**	(179)	58

■ **Business Solutions** had a trading profit of 37 million euros, against a trading profit of 35 million euros in 2005. On a comparable consolidation basis there would have been a 4 million euro increase due to cost efficiency gains.

■ In 2006, **Itedi** had a trading profit of 11 million euros, versus a trading profit of 16 million euros in 2005. The decrease is attributable to higher costs for the launch of the new newspaper in November 2006, and higher paper costs.

■ **Holding companies, Other companies and Eliminations** closed 2006 with a trading loss of 169 million euros. The improvement of 61 million euros from 2005 was mainly due to the effect of the reorganisation and rationalisation of non-core activities and central structures.

Operating result

In 2006, **operating result** was positive by 2,061 million euros compared with an operating income of 2,215 million euros in 2005. The 154 million euro decrease reflects lower net unusual income of 1,105 million euros (110 million euros in 2006 and 1,215 million euros in 2005) versus an improvement in trading profit of 951 million euros. In 2006, gains on disposal of investments totalled 607 million euros and were in part offset by restructuring charges of 450 million euros and other unusual expenses of 47 million euros. In 2005, unusual items included the gain from the termination of the Master Agreement with General Motors of 1,134 million euros, and the Italenergia Bis gain (878 million euros), net of restructuring charges of 502 million euros and the balance of other unusual income (expenses) which was negative by 322 million euros.

Net gains on the disposal of investments, equal to 607 million euros**,** included the gain of 463 million euros resulting from the sale, within the framework of the agreement with Crédit Agricole, of 50% of Fiat Auto Financial Services, the joint venture that handles Fiat Auto's main financing activities in Europe, as well as the gains on the sale of B.U.C. – Banca Unione di Credito (80 million euros), Immobiliare Novoli S.p.A. (39 million euros), Machen Iveco Holding SA that controlled 51% of Ashok Leyland Ltd (23 million euros), Atlanet S.p.A. (22 million euros) the residual interest in IPI S.p.A. (9 million euros), and the expected loss of 29 million euros in connection with the sale of the stake held in Meridian Technologies Inc., that comprises Teksid's Magnesium activities. Completion of the transaction is still subject to closing of the financing to the purchaser by financial institutions. The 905 million euros recorded in 2005 included the gain (878 million euros) from the sale of the investment in Italenergia Bis to Electricité de France and the gain realised upon the sale of Palazzo Grassi S.p.A. (23 million euros).

Restructuring costs totalled 450 million euros and were mainly attributable to Comau (179 million euros) in connection with the redefinition and restructuring of the perimeter of the Sector's operations, CNH (145 million euros), Fiat Powertrain Technologies (60 million euros), Magneti Marelli (16 million euros), Business Solutions (12 million euros).

In the previous year, these costs, totalling 502 million euros, stemmed mainly from restructuring of the Sector's central organisation and several operations outside Italy of most Group Sectors. The most significant amounts were attributable to Fiat Auto (162 million euros) also as a result of restructuring of the Fiat-GM Powertrain activities (the joint venture unwound at the beginning of May 2005), Iveco (99 million euros), CNH (87 million euros), Comau (46 million euros), and Magneti Marelli (33 million euros).

Other unusual income (expenses) was negative by 47 million euros, of which 26 million euros attributable to the impairment of the goodwill of certain European companies of Comau, resulting from the reshaping and restructuring of the perimeter of the Sector's operations undertaken during the second half of the year and 17 million euros due to the reorganisation and rationalisation of relationships with Group suppliers.

In 2005 this item was positive by 812 million euros and included the following: gain from the termination of the Master Agreement with General Motors for 1,134 million euros (net of accessory costs); a gain of 117 million euros realised upon final disposal of the real estate properties that had been securitised in 1998; expenses of 187 million euros related to the reorganisation and rationalisation of both Group suppliers (started in 2004) and Fiat Auto dealers; Fiat Auto expenses of 141 million euros associated with platform rationalisation and production relocation; 71 million euros in expenses for the indemnity recognised to Global Value for the unwinding of the joint venture with IBM; indemnities paid to counterparties to settle contractual guarantees granted on the sale of businesses in previous years totalling 30 million euros and other minor items.

The following table illustrates the components of operating result broken down by Sector:

	Trading profit		Gains/Losses on the disposal of investments		Restructuring costs		Other unusual income (expenses)		Operating result	
(in millions of euros)	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Fiat Auto	**291**	(281)	**461**	–	**9**	162	**(16)**	(375)	**727**	(818)
Maserati	**(33)**	(85)	**–**	–	**–**	–	**–**	–	**(33)**	(85)
Ferrari	**183**	157	**–**	–	**–**	–	**–**	–	**183**	157
Agricultural and Construction Equipment (CNH-Case New Holland)	**737**	698	**–**	–	**145**	87	**–**	–	**592**	611
Trucks and Commercial Vehicles (Iveco)	**546**	332	**25**	(10)	**6**	99	**–**	(11)	**565**	212
Fiat Powertrain Technologies	**168**	109	**–**	–	**60**	20	**(6)**	(8)	**102**	81
Components (Magneti Marelli)	**190**	162	**–**	–	**16**	33	**1**	(2)	**175**	127
Metallurgical Products (Teksid)	**56**	45	**(29)**	5	**4**	14	**3**	(9)	**26**	27
Production Systems (Comau)	**(66)**	42	**(1)**	(1)	**179**	46	**(26)**	(3)	**(272)**	(8)
Services (Business Solutions)	**37**	35	**3**	9	**12**	22	**–**	(15)	**28**	7
Publishing and Communications (Itedi)	**11**	16	**1**	–	**–**	2	**–**	(1)	**12**	13
Holdings companies, Other companies and Eliminations	**(169)**	(230)	**147**	902	**19**	17	**(3)**	1,236	**(44)**	1,891
Total for the Group	**1,951**	1,000	**607**	905	**450**	502	**(47)**	812	**2,061**	2,215

The 2005 operating result of Holding companies and Other companies included the gain of 878 million euros resulting from the disposal of the investment in Italenergia Bis and, under other unusual income, an amount of 1,134 million euros (net of ancillary costs) related to the General Motors settlement.

Net result

Net financial expenses totalled 576 million euros in 2006, an improvement of 267 million euros from the 843 million euros of 2005. The positive change is mainly attributable to the lower level of net industrial debt of the Group, in particular the elimination of the charges on the Mandatory Convertible Facility and on the financing connected with the Italenergia Bis transaction, which were reimbursed in September 2005, as well as higher financial income of 56 million euros arising from the equity swap agreements on Fiat shares which had been entered into to cover stock option plans. The financial component of costs for pension plans and other employee benefits totalled 166 million euros in 2006 (146 million euros in 2005).

Fiscal 2005 had benefited from **unusual financial income** of 858 million euros resulting from the capital increase of September 20, 2005 with the simultaneous conversion of the Mandatory Convertible Facility. The income represents the difference between the subscription price of the shares and their stock market price at the date of subscription.

Investment income was 156 million euros in 2006, up from 34 million euros in 2005. The component deriving from valuation of the companies according to the equity method rose by 10 million euros, while the other components improved from a negative 81 million euros in 2005, which were impacted by 74 million euros in risks and charges recognised for investments in China, to a positive balance of 31 million euros in 2006, also as a result of the higher amount of dividends received.

Result before taxes totalled 1,641 million euros in 2006, against income of 2,264 million euros in 2005. Net of changes in unusual items for both years, income before taxes improved by 1,340 million euros due to the increase in trading profit (+951 million euros), lower net financial expenses for 267 million euros and higher investment income for 122 million euros.

Income taxes totalled 490 million euros in 2006 and include 149 million euros for IRAP and 56 million euros in income taxes for previous years. The tax charge (IRAP excluded) for 2006 was therefore equal to 285 million euros. In 2005 income taxes totalled 844 million euros and included 277 million euros for the reversal of deferred tax assets posted at December 31, 2004 by Fiat S.p.A. in connection with the income resulting from the termination of the Master Agreement with General Motors, 116 million euros for IRAP, 332 million euros for current and deferred tax charges primarily attributable to companies outside of Italy and 119 million euros in income taxes for previous years.

Excluding IRAP, the Group's effective tax rate was 32% in 2005 and 21% in 2006. The reduction was caused primarily by greater use of prior-year tax losses and temporary differences for which no deferred tax assets had been recognised in prior years.

Net result for the year was 1,151 million euros in 2006, versus 1,420 million euros in 2005. Excluding the impact of net unusual items, the Group would have posted a net loss of 376 million euros in 2005 and a net income of 1,041 million euros in 2006. Therefore, on a comparable basis, net income improved by 1,417 million euros.

The **portion of net result attributable to the equity holders of the parent** was positive by 1,065 million euros in 2006, against 1,331 million euros in 2005.

Consolidated Statement of Cash Flows

The consolidated statement of cash flows is presented as a component of the Consolidated Financial Statements. A condensed version thereof as well as comments are provided below.

(in millions of euros)	2006	2005
A) Cash and cash equivalents at beginning of period	**6,417**	5,767
B) Cash flows from (used in) operating activities during the period (a)	**4,618**	3,716
C) Cash flows from (used in) investment activities (b)	**(1,390)**	(535)
D) Cash flows from (used in) financing activities (c)	**(1,731)**	(2,868)
Translation exchange differences	**(173)**	337
E) Total change in cash and cash equivalents	**1,324**	650
F) Cash and cash equivalents at end of period	**7,741**	6,417
of which: cash and cash equivalents included as Assets held for sale	**5**	–
G) Cash and cash equivalents at end of period as reported in the consolidated financial statements	**7,736**	6,417

(a) In 2005 cash flow is shown net of, amongst other things, the unusual financial income of 858 million euros arising from the conversion of the Mandatory Convertible Facility and the gain of 878 million euros realised on the sale of the investment in Italenergia Bis.
(b) In 2005, cash flows from investment activities benefited, among other things, from the repayment of the loans granted by central treasury to the financial services companies sold by Iveco as part of the transaction with Barclays (proceeds of approximately 2 billion euros) and from the effects of the unwinding of the joint ventures with General Motors (positive by approximately 500 million euros).
(c) In 2005, cash flows used in financing activities excluded the repayment of the Mandatory Convertible Facility (3 billion euros) and the debt of approximately 1.8 billion euros connected with the Italenergia Bis transaction, as neither of these gave rise to cash flows.

In 2006 cash flows from **operating activities** totalled 4,618 million euros.
Income cash flow, that is net income plus amortisation and depreciation, dividends, changes in provisions and items relating to sales with buy-back commitments, net of "Gains/losses and other non-cash items", amounted to 3,806 million euros, to which must be added the cash generated by the decrease in working capital which, when calculated on a comparable consolidation and exchange rate basis, amounted to 812 million euros.

Cash flows used in **investment activities** totalled 1,390 million euros. Net of the reduction in securities held as current assets (223 million euros), investment activities used a total of 1,613 million euros.

Investments in tangible assets (net of vehicles sold under buy-back commitments) and intangible assets totalled 3,789 million euros (3,052 million euros in 2005), 926 million euros of which referred to vehicles for long-term renting operations (409 million euros in 2005), while 813 million euros referred to capitalised development costs (656 million euros in 2005).

Investments totalled 1,617 million euros and mainly referred:

- for 893 million euros, to the repurchase of 28.6% of Ferrari and
- for 479 million euros, to the repurchase, upon exercise of the call option held by Fiat Auto, of 51% of Fidis Retail Italia, whose corporate name subsequently changed in Fiat Auto Financial Services (FAFS), within the framework of the creation of the joint venture with Crédit Agricole. Concurrently, Fidis Retail Italia was recapitalised by Fiat Auto for an amount totalling 180 million euros.

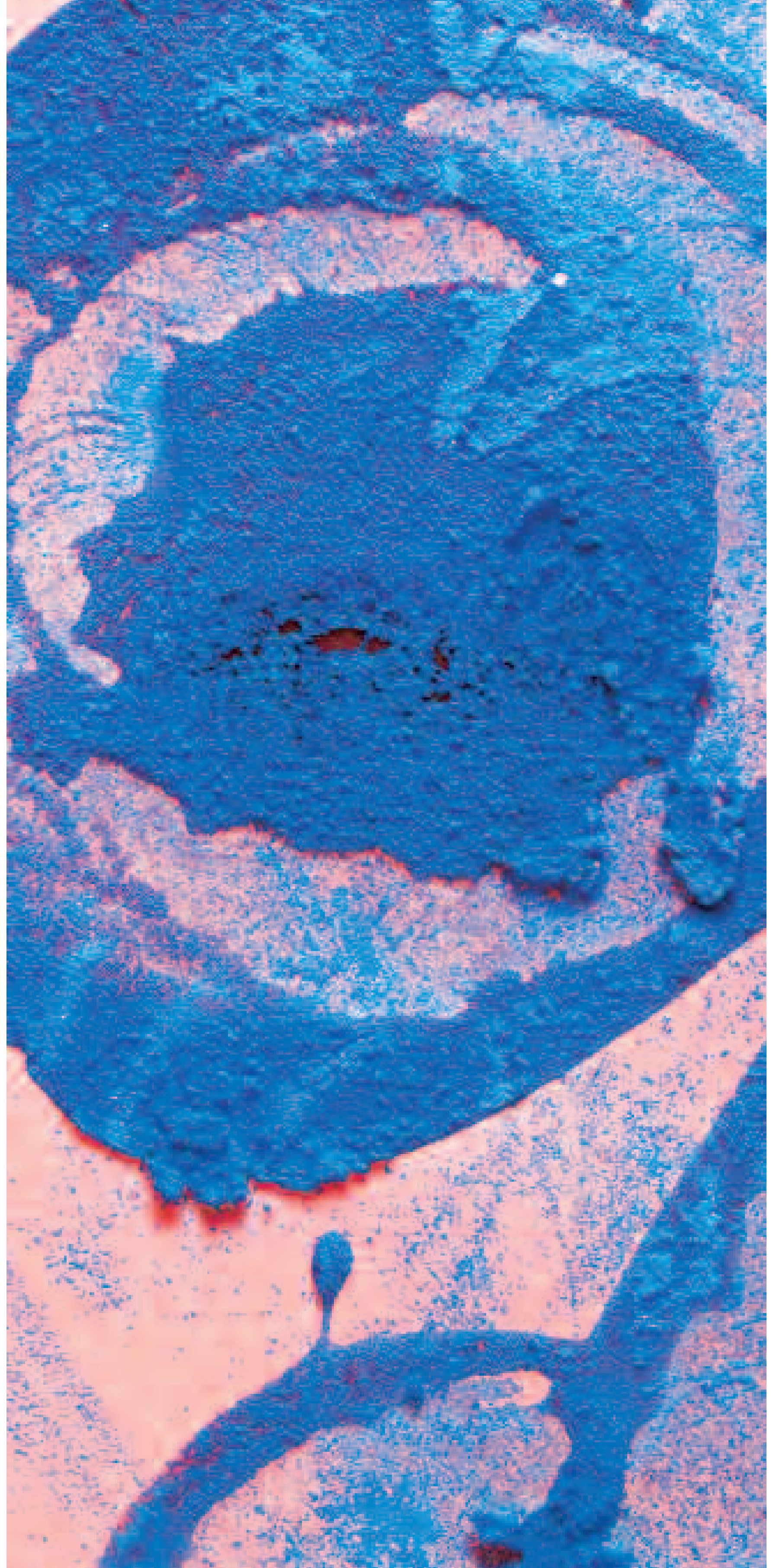
In addition to investments during the period, receivables from financing activities increased, absorbing 876 million euros in liquidity. This increase is mainly attributable to the growth in financing extended by the financial services companies of CNH, net of the collection of financial receivables from others, associated companies and sold companies.

Reimbursement of the financing disbursed by the centralised cash management entity to the financial services companies sold by Fiat Auto upon creation of the joint venture Fiat Auto

Financial Services with Crédit Agricole resulted in receipts of approximately 3 billion euros, including Other changes, which totalled 3,078 million euros.

Proceeds from the sale of non-current assets totalled 1,591 million euros and referred for approximately 940 million euros to the proceeds (net of liquidity held by the financial services companies that were transferred to the joint venture) realised upon the sales of the investments transferred to the joint venture with Crédit Agricole, to which proceeds deriving from the sale of vehicles as part of long-term renting activities (290 million euros) must be added; the remainder referred to the sale of B.U.C. – Banca Unione di Credito (net of the liquidity it held), Atlanet S.p.A. and Sestrieres S.p.A., and of the interests held in Machen Iveco Holding SA (which held a shareholding of about 51% in Ashok Leyland Ltd), Immobiliare Novoli S.p.A., IPI S.p.A., and other minor sales.

Cash flows used in **financing activities** totalled 1,731 million euros. Cash collection from bonds issuances made during the first six months of the year (2 billion euros in notes issued by Fiat Finance and Trade S.A. and USD 500 million in notes issued by Case New Holland Inc.) was more than offset by the repayment of bonds (for approximately 2.4 billion euros), the reduction of approximately 1.8 billion euros in bank loans and other financial payables.



Balance Sheet of the Group at December 31, 2006

At December 31, 2006, **total assets** amounted to 58,303 million euros, a 4,151 million euro decrease with respect to 62,454 million euros at December 31, 2005.

At December 31, 2006, Total Assets included assets reclassified under "Assets held for sale" for 332 million euros mainly related to the Metallurgical Products Sector (sale of Meridian Technologies), the Services Sector (sale of Ingest Facility) and Fiat Auto, for activities destined to be conveyed to the joint venture with Tata Motors in India.

In 2006, **non-current assets** decreased by 1,288 million euros. Net of the negative impact of changes in the translation rates for dollar denominated items (approximately 570 million euros), the decrease is mainly due to:

- the decrease in Leased assets, due to the deconsolidation of the financial services companies controlled by Fiat Auto and sold within the framework of the establishment of FAFS;

- the decrease in Property, plant, and equipment. This was caused principally by the negative balance of investments, depreciation, disposals (mainly vehicles sold by Iveco with buy-back commitments), to which must be added the deconsolidation of the activities of B.U.C. – Banca Unione di Credito (sold at the end of August 2006) and the reclassification under Assets held for sale of assets held by the Companies/Sectors mentioned above.

These changes were partially offset by the increase in intangible assets due to goodwill (776 million euros) recognised upon the acquisition by Fiat S.p.A. of part of the recently issued shares of Ferrari S.p.A. in the second quarter of 2006, representing 0.44% of the capital stock of the company, as well as exercise in the third quarter of 2006 of the call option on 28.6% of Ferrari shares. Following these two transactions, Fiat's stake in Ferrari S.p.A. rose from 56% to 85%.

At December 31, 2006, **receivables from financing activities** totalled 11,743 million euros, reflecting a decrease of 4.2 billion euros from December 31, 2005. Net of the negative foreign exchange impact of approximately 0.9 billion euros, the sale of Fiat Auto's financial services companies that are part of the above-mentioned transaction with Crédit Agricole (3.4 billion euros) and the sale of B.U.C. (0.9 billion euros), receivables from financing activities showed an increase of 0.9 billion euros.

The increase in financing extended to the dealer network and to the end customers of CNH which occurred in particular in the first six months of 2006, was only partially offset by the collection of financial receivables from associated companies, sold companies (Atlanet S.p.A.), and financial receivables from others.

Working capital, net of the items connected with the sale of vehicles with buy-back commitments, is negative by 838 million euros, 589 million euros less than at December 31, 2005, when working capital was negative by 249 million euros.

(in millions of euros)	At 12.31.2006	At 12.31.2005	Change
Inventories (1)	**7,553**	7,133	420
Trade receivables	**4,944**	4,969	-25
Trade payables	**(12,603)**	(11,777)	-826
Other receivables/ (payables), accruals and deferrals (2)	**(732)**	(574)	-158
Working capital	**(838)**	(249)	-589

(1) Inventories are shown net of the value of vehicles sold with buy-back commitments by Fiat Auto.
(2) Other payables included in the balance of Other receivables/ (payables), accruals and deferrals exclude amounts due to customers corresponding to the buy-back price due upon expiration of the related contracts and the amount of the fees paid in advance by customers for vehicles sold with buy-back commitments, which is equal to the difference at the date of signing the contract between the sales price and the buy-back price and which is allocated over the term of the entire agreement.

If working capital is restated to include the items reclassified under Assets and Liabilities held for sale, the decrease would total 678 million euros.

The increase in **net inventories** recorded in 2006 (+420 million euros, or 457 million euros if inventories recognised among Assets held for sale were included) is mainly attributable to higher levels of activity at Fiat Auto.

Trade receivables decreased by 25 million euros. If trade receivables recognised among Assets held for sale are included, the balance would increase by 56 million euros.

At December 31, 2006, trade receivables, other receivables, and receivables from financing activities falling due after that date and sold without recourse, and therefore eliminated from the balance sheet in compliance with IAS 39 derecognition requirements, totalled 5,697 million euros (2,463 million euros at December 31, 2005). This amount includes receivables, mainly from the sales network, sold to jointly-controlled financial services companies (FAFS) for 3,400 million euros and associated financial services companies (Iveco Financial Services, controlled by Barclays) for 661 million euros (710 million euros at December 31, 2005). The increase recorded during 2006 is due to the deconsolidation of the financial services companies of Fiat Auto conveyed in the above mentioned joint venture with Crédit Agricole.

The increase in inventories and trade receivables (+513 million euros if items recognised among Assets held for sales were included) was more than offset by the increase in **trade payables**, which grew by 826 million euros in 2006 (approximately 1 million euros if trade payables recognised among liabilities held for sale were included) mainly due to higher levels of activity at Fiat Auto and Iveco as well as the rise in the liability balance of the item Other receivables/(Payables), accruals and deferrals (158 million euros, or 192 million euros if items recognised among Assets/Liabilities held for sale were included) which is mainly attributable to the collection of receivables from tax authorities.

At December 31, 2006 consolidated **net debt** (including net debt reclassified to Assets/Liabilities held for sale) amounted to 11,836 million euros, 6,687 million euros less than the 18,523 million euros at December 31, 2005.

(in millions of euros)	At 12.31.2006	At 12.31.2005
Debt	**(20,188)**	(25,761)
- Asset-backed financing (a)	**(8,344)**	(10,729)
- Other debt (a)	**(11,844)**	(15,032)
Debt included among liabilities held for sale	**(33)**	–
Other financial liabilities (b)	**(105)**	(189)
Other financial assets (b)	**382**	454
Current financial receivables from jointly controlled financial services entities (c)	**143**	–
Current securities	**224**	556
Cash and cash equivalents	**7,736**	6,417
Cash and cash equivalents included among assets held for sale	**5**	–
Net debt	**(11,836)**	(18,523)
- Industrial Activities	**(1,773)**	(3,219)
- Financial Services	**(10,063)**	(15,304)

(a) The amounts of "Other debt" and "Asset-backed financing" at December 31, 2005 differ from those published in the Consolidated Financial Statements at December 31, 2005 due to the reclassification described in the Notes to the Consolidated Financial Statements.
(b) This item includes the asset and liability fair values of derivative financial instruments.
(c) This item includes current financial receivables from the new joint venture Fiat Auto Financial Services.

The net financial position of the Fiat Group is presented in Note 28 to the Consolidated Financial Statements according to Consob's requirements. Reconciliation of net financial position and net debt is also provided in said Note.

Asset-backed financing decreased by 2,385 million euros in 2006 mainly as a result of the deconsolidation of the Fiat Auto financial services companies transferred to the joint venture with Crédit Agricole (approximately 2 billion euros) and foreign currency translation differences (750 million euros) connected to the appreciation of euro against the USD. Excluding these changes, asset-backed financing would have increased by approximately 0.4 billion euros.

In 2006, **other debt** was lower by 3,188 million euros. Net of debt reclassified among liabilities held for sale for 33 million euros, the decrease is mainly attributable to the deconsolidation of B.U.C. – Banca Unione di Credito, whose sale was finalised at the end of August, leading to a reduction of approximately 1.1 billion euros, in addition to the repayment of bonds at maturity for approximately 2.4 billion euros, the net reduction in bank loans and other debt for approximately 1.8 billion euros, and foreign exchange translation differences totalling approximately 300 million euros. Conversely, it should be noted that during the first six months of 2006, the Group completed a number of bond issuances that enabled it to refinance approximately 2.4 billion euros in debt, and in particular:

- 6.625% Senior Notes with a face value of 1 billion euros maturing on February 15, 2013, issued by Fiat Finance & Trade Ltd. and guaranteed by Fiat S.p.A., and placed on February 10 at a price of 100%;

- the 500 million dollar Case New Holland Inc. bond issue (equal to 380 million euros) with a 7.125% yield and maturing on March 1, 2014. Guaranty is provided by CNH Global N.V. and the placement was completed on March 3;

- a 1 billion euro bond issue with a 5.625% yield and due on November 15, 2011. The offering closed on May 12 at a price of 99.565. The notes, issued by Fiat Finance and Trade Ltd. as part of the 15 billion euro Global Medium Term Notes program, are guaranteed by Fiat S.p.A.

The **cash position** (cash, cash equivalents and current securities, including those reclassified to Assets held for sale for 5 million euros), which totalled 7,965 million euros at December 31, 2006, increased by 992 million euros compared to 6,973 million euros at the beginning of the year. In addition to the resources generated by operations (net of investments), the increase reflects the benefit of approximately 3 billion euros deriving from conclusion of the agreement between Fiat Auto and Crédit Agricole, which were partially offset by flows used to reduce gross debt over the course of the year.

At December 31, 2006, "Cash and cash equivalents" included 627 million euros (706 million euros at December 31, 2005) specifically allocated to service the debt for securitisation structures, mainly recognised among "Asset-backed financing."

Industrial Activities and Financial Services Activities: Performance in 2006

The following analyses of the consolidated income statement, balance sheet and statement of cash flows present separately the consolidated data of the Group's Industrial Activities and Financial Services activities. The latter include the retail financing, leasing, and rental companies of Fiat Auto, CNH and Iveco and the banking activities performed by B.U.C. – Banca Unione di Credito until August 2006 when it was sold. Starting from the end of 2006 financial services activities are performed by Ferrari as well.

Principles of analysis

The separation between Industrial Activities and Financial Services activities is made by preparing specific sub-consolidated financial statements on the basis of the normal business performed by each Group company.

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

To avoid a misleading presentation of net income, the effect of this accounting is classified in the income statement item "Result from intersegment investments."

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

The sub-consolidated financial statements of Industrial Activities also include companies that operate centralised cash management activities, i.e. those which raise financial resources on the market and finance Group companies without providing financial services support to third parties.

Operating Performance by Activity Segment

	2006			2005		
(in milioni di euro)	Consolidated	Industrial Activities	Financial Services	Consolidated	Industrial Activities	Financial Services
Net revenues	51,832	50,297	2,607	46,544	45,350	2,023
Cost of sales	43,888	42,934	2,026	39,624	39,006	1,447
Selling, general and administrative costs	4,697	4,416	281	4,513	4,261	252
Research and developments costs	1,401	1,401	–	1,364	1,364	–
Other income (expenses)	105	109	(4)	(43)	(37)	(6)
Trading Profit	1,951	1,655	296	1,000	682	318
Gains (losses) on the disposal of investments	607	575	32	905	906	(1)
Restructuring costs	450	448	2	502	501	1
Other unusual income (expenses)	(47)	(45)	(2)	812	812	–
Operating result	2,061	1,737	324	2,215	1,899	316
Financial income (expenses)	(576)	(576)	–	(843)	(843)	–
Unusual financial income	–	–	–	858	858	–
Result from investments: (*)	156	95	61	34	1	33
- Net result of investees accounted for using the equity method	125	64	61	115	82	33
- Other income (expenses) from investments	31	31	–	(81)	(81)	–
Result before taxes	1,641	1,256	385	2,264	1,915	349
Income taxes	490	392	98	844	744	100
Net result	1,151	864	287	1,420	1,171	249
Result from intersegment investments	–	287	–	–	248	–
Net result for the year	1,151	1,151	287	1,420	1,419	249

(*) This item includes investment income as well as writedowns and upward adjustments in non-intersegment investments accounted for by using the equity method.

Industrial Activities

In 2006, **net revenues** for Industrial Activities totalled 50,297 million euros, up 10.9% from the previous year, as a result of the growth posted by Fiat Auto and Iveco, as well as by the Components and Production Systems Business Area and CNH.

Industrial Activities reported a **trading profit** of 1,655 million euros in 2006, against a trading profit of 682 million euros in 2005. The improvement is mainly attributable to Fiat Auto, and the growth posted by Iveco and CNH.

The **operating result** of Industrial Activities was 1,737 million euros compared to operating income of 1,899 million euros in 2005. The 162-million-euro decrease reflects lower net unusual income of 1,135 million euros against the improvement in trading profit (+973 million euros). Unusual income for 2006 totalled 82 million euros and included, among other things, the gain of 429 million euros arising from the sale of 50% of FAFS (the residual 34 million euros were recorded within the perimeter of Financial Services activities), net of restructuring costs of 448 million euros and other unusual charges of 45 million euros. In 2005, net unusual income totalled 1,217 million euros and included in particular the unusual income of 1,134 million euros from the General Motors settlement, and the gain of 878 million euros on the sale of the investment in Italenergia Bis.

Financial Services

Revenues

(in millions of euros)	2006	2005	% change
Fiat Auto	**991**	619	60.1
Agricultural and Construction Equipment (CNH-Case New Holland)	**1,061**	879	20.7
Trucks and Commercial Vehicles (Iveco)	**508**	457	11.2
Holding companies and Other companies (1)	**47**	68	-30.9
Total	**2,607**	2,023	28.9

(1) These amounts refer to the banking activities performed by B.U.C. – Banca Unione di Credito until August 2006 when it was sold.

In 2006 Financial Services reported **net revenues** of 2,607 million euros, up 28.9% from the 2,023 million euros of 2005 due to the increases reported at Fiat Auto, Iveco and CNH, which were only partially offset by the impact of the sale of B.U.C - Banca Unione di Credito, whose activities were deconsolidated at the end of August 2006. In particular:

■ the Financial Services of Fiat Auto had revenues of 991 million euros, versus 619 million euros in 2005. The increase principally reflects the change in the scope of operations following the consolidation of Leasys, full control of which was acquired at the end of 2005. On a comparable basis, revenues would have increased by 3.4% due to an increase in financing activity to the dealer network which more than offset lower financing activities to suppliers;

■ CNH's Financial Services reported revenues of 1,061 million euros, up 20.7% from 2005. This improvement reflects the increase of the financed portfolio and a higher level of the reference interest rates;

■ the Financial Services of Iveco had revenues of 508 million euros. In 2005 revenues amounted to 457 million euros and included activities whose sale started on June 1, 2005 as part of the Barclays transaction. The 11.2% increase is attributable to higher activity levels in Eastern Europe.

Trading profit

(in millions of euros)	2006	2005	Change
Fiat Auto	**56**	60	-4
Ferrari	**(1)**	–	-1
Agricultural and Construction Equipment (CNH-Case New Holland)	**249**	235	14
Trucks and Commercial Vehicles (Iveco)	**(18)**	10	-28
Holding companies and Other companies (1)	**10**	13	-3
Total	**296**	318	-22

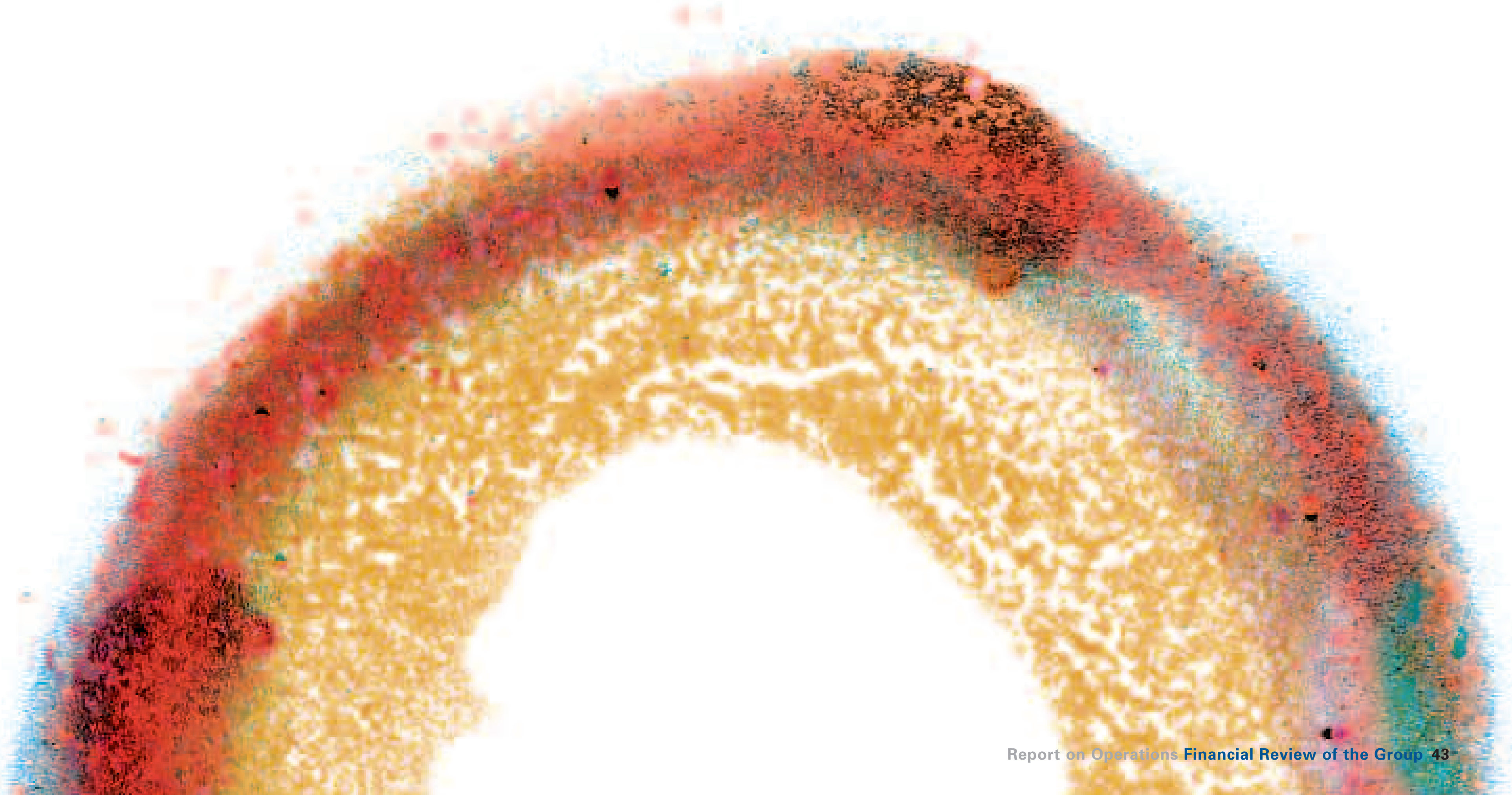
(1) These amounts refer to the banking activities performed by B.U.C. – Banca Unione di Credito until August 2006 when it was sold.

The **trading profit** of Financial Services in 2006 was 296 million euros compared with 318 million euros in 2005:

■ the decrease recorded at the Financial Services of Fiat Auto (trading profit was 56 million euros in 2006 versus 60 million euros in 2005) is mainly attributable to the contraction in financing to suppliers and the results of the services companies; in fact, in the renting business, the positive impact of the consolidation of Leasys virtually offset lower results by renting companies outside of Italy;

■ the trading profit of CNH's Financial Services grew from 235 million euros in 2005 to 249 million euros in 2006. The improvement reflects growth in the managed portfolio, partially offset by higher financial expenses and greater provisions for doubtful accounts (especially relating to the Brazilian portfolio, due to the credit renegotiation program sponsored by the local government);

■ Iveco's Financial Services closed the year with a trading loss of 18 million euros, compared with a trading profit of 10 million euros in 2005. The 2005 trading profit included the profit (9 million euros) reported in the first 5 months of the year by the activities subsequently sold within the framework of the establishment of the joint venture with Barclays. On a comparable basis, the decrease (19 million euros) is mainly attributable to higher provisions connected with renting activities in Western Europe.



Balance Sheet by Activity Segment

(in millions of euros)	Consolidated (At 12.31.2006)	Industrial Activities (At 12.31.2006)	Financial Services (At 12.31.2006)	Consolidated (At 12.31.2005)	Industrial Activities (At 12.31.2005)	Financial Services (At 12.31.2005)
Intangible assets	6,421	6,325	96	5,943	5,762	181
- Goodwill	2,850	2,756	94	2,418	2,259	159
- Other intangible assets	3,571	3,569	2	3,525	3,503	22
Property, plant and equipment	10,540	10,528	12	11,006	10,961	45
Investment property	19	19	–	26	26	–
Investments and other financial assets	2,280	3,886	867	2,333	4,184	796
Leased assets	247	7	240	1,254	4	1,250
Defined benefit plan assets	11	11	–	–	–	–
Deferred tax assets	1,860	1,710	150	2,104	1,930	174
Total Non-current Assets	**21,378**	**22,486**	**1,365**	22,666	22,867	2,446
Inventories	8,447	8,390	57	7,881	7,809	76
Trade receivables	4,944	5,068	178	4,969	4,856	341
Receivables from financing activities	11,743	2,891	11,977	15,973	4,881	15,856
Other receivables	2,839	2,806	58	3,084	2,922	243
Accrued income and prepaid expenses	247	226	21	272	253	21
Current financial assets	637	531	106	1,041	663	378
- Current investments	31	31	–	31	31	–
- Current securities	224	134	90	556	204	352
- Other financial assets	382	366	16	454	428	26
Cash and cash equivalents	7,736	6,706	1,030	6,417	5,517	900
Total Current Assets	**36,593**	**26,618**	**13,427**	39,637	26,901	17,815
Assets held for sale	332	332	–	151	151	–
TOTAL ASSETS	**58,303**	**49,436**	**14,792**	62,454	49,919	20,261
Total assets adjusted for asset-backed financing transactions	**49,959**	**48,504**	**7,313**	51,725	48,388	10,797
Stockholders' equity	10,036	10,036	2,395	9,413	9,409	2,479
Provisions	8,611	8,471	140	8,698	8,499	199
- Employee benefits (a)	3,761	3,750	11	3,950	3,925	25
- Other provisions (a)	4,850	4,721	129	4,748	4,574	174
Debt	20,188	11,555	11,836	25,761	13,782	16,915
- Asset-backed financing (b)	8,344	932	7,479	10,729	1,531	9,464
- Other debt (b)	11,844	10,623	4,357	15,032	12,251	7,451
Other financial liabilities	105	98	7	189	180	9
Trade payables	12,603	12,637	260	11,777	11,700	297
Other payables	5,019	4,963	89	4,821	4,698	205
Deferred tax liabilities	263	262	1	405	375	29
Accrued expenses and deferred income	1,169	1,105	64	1,280	1,166	128
Liabilities held for sale	309	309	–	110	110	–
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	**58,303**	**49,436**	**14,792**	62,454	49,919	20,261
Total liabilities adjusted for asset-backed financing transactions	**49,959**	**48,504**	**7,313**	51,725	48,388	10,797

(a) The amounts at December 31, 2005 differ from those published in the Consolidated Financial Statements at December 31, 2005 due to the reclassification described in the Notes to the Consolidated Financial Statements.
(b) The amounts of "Other debt" and "Asset-backed financing" of the Group and the Financial Services Companies at December 31, 2005 differ from those published in the Consolidated Financial Statements at December 31, 2005 due to the reclassification described in the Notes to the Consolidated Financial Statements.

Net Debt by Activity Segment

(in millions of euros)	Consolidated (At 12.31.2006)	Industrial Activities (At 12.31.2006)	Financial Services (At 12.31.2006)	Consolidated (At 12.31.2005)	Industrial Activities (At 12.31.2005)	Financial Services (At 12.31.2005)
Debt	(20,188)	(11,555)	(11,836)	(25,761)	(13,782)	(16,915)
- Asset-backed financing (a)	(8,344)	(932)	(7,479)	(10,729)	(1,531)	(9,464)
- Other debt (a)	(11,844)	(10,623)	(4,357)	(15,032)	(12,251)	(7,451)
Debt included among liabilities held for sale	(33)	(33)	–	–	–	–
Current financial receivables from jointly controlled financial entities (b)	143	143	–	–	–	–
Intersegment financial receivables	–	2,559	644	–	4,594	342
Financial payables net of intersegment balances and current financial receivables from jointly controlled financial entities	**(20,078)**	**(8,886)**	**(11,192)**	(25,761)	(9,188)	(16,573)
Other financial assets (c)	382	366	16	454	428	26
Other financial liabilities (c)	(105)	(98)	(7)	(189)	(180)	(9)
Current securities	224	134	90	556	204	352
Cash and cash equivalents	7,736	6,706	1,030	6,417	5,517	900
Cash and cash equivalents included among assets held for sale	5	5	–	–	–	–
Net debt	**(11,836)**	**(1,773)**	**(10,063)**	(18,523)	(3,219)	(15,304)

(a) The amounts of "Other debt" and "Asset-backed financing" of the Group and the financial services companies at December 31, 2005 differ from those published in the Consolidated Financial Statements at December 31, 2005 due to the reclassification described in the Notes to the Consolidated Financial Statements.
(b) This item includes current financial receivables due to Fiat Group companies by the FAFS Group.
(c) This item includes the asset and liability fair values of derivative financial instruments.

"Financial payables" under Industrial Activities partly include funds raised by the central cash management and transferred to financial services companies in support of their activity (represented under the item "Intersegment financial receivables").

"Intersegment financial receivables" under Financial Services represent loans or advances to industrial companies, mainly relating to the sale of receivables by industrial to financial companies in transactions that do not comply with the requirements set out in IAS 39 for the recognition of those sales, as well as any temporary cash deposited with the central cash management.

"Cash and cash equivalents" include 627 million euros at December 31, 2006 (706 million euros at December 31, 2005), mainly relating to financial services companies, allocated to service the debt for securitisation structures and classified as "Asset-backed financing".

At December 31, 2006, **net debt** of the financial services companies showed a decrease of 5,241 million euros compared to net debt at December 31, 2005. The decrease is mainly attributable to the positive effects of the sale of the financial services companies of Fiat Auto within the framework of the transaction with Crédit Agricole (approximately 4.8 billion euros) and of B.U.C. – Banca Unione di Credito (approximately 0.8 billion euros), the operating performance (734 million euros), and to the translation effects of changes in foreign exchange rates (approximately 0.8 billion euros), in part offset by capital expenditures carried out during the period (mainly for vehicles that had been leased out under operating leases), and growth in the investment portfolio.

Statement of Changes in Net Industrial Debt

(in millions of euros)	2006	2005
Net industrial debt at beginning of period	(3,219)	(9,447)
- Net income	1,151	1,419
- Amortisation and depreciation (net of vehicles sold under buy-back commitments)	2,639	2,392
- Change in provisions for risks and charges and other changes	(474)	(544)
Cash flows from (used in) operating activities during the period, net of change in working capital	3,316	3,267
- Change in working capital	679	92
Cash flows from (used in) operating activities during the period	3,995	3,359
- Investments in tangible and intangible assets (net of vehicles sold under buy-back commitments)	(2,854)	(2,636)
Cash flows from (used in) operating activities during the period, net of capital expenditures	1,141	723
- Net change in receivables from financing activities	149	409
- Change in scope of consolidation and other changes	106	2,285
Net cash flows from (used in) industrial activities excluding capital contributions and dividends paid	1,396	3,417
- Capital increases, dividends, and purchase/disposal of treasury stock	(1)	2,971
- Translation exchange differences	51	(160)
Change in net industrial debt	1,446	6,228
Net industrial debt at end of period	(1,773)	(3,219)

During 2006 **net industrial debt** decreased by 1,446 million euros, mainly due to the positive operating performance. Cash flow generated by operating activities during the period was positive by 3,995 million euros (679 million euros of which attributable to the decrease in working capital), and more than offset industrial capital expenditures of 2,854 million euros.

Furthermore, the collection of financial receivables from associated companies and sold companies (Atlanet S.p.A.) and of financial receivables from others generated 149 million euros in positive cash flow.

During the fiscal year, the outlay connected with the repurchase of 29% of Ferrari (total of 919 million euros) was more than compensated by the proceeds (included in the item Change in scope of consolidation and other changes), mainly deriving from the transaction with Crédit Agricole (approximately 360 million euros) the sale of B.U.C. – Banca Unione di Credito (254 million euros), of Machen Iveco Holding SA (which held a 51% shareholding in Ashok Leyland Ltd) for 88 million euros, of Atlanet S.p.A., Sestrieres S.p.A., Immobiliare Novoli S.p.A., IPI S.p.A. (total of 120 million euros) and other minor companies.

Statement of Cash Flows by Activity Segment

	2006			2005		
(in millions of euros)	Consolidated	Industrial Activities	Financial Services	Consolidated	Industrial Activities	Financial Services
A) Cash and cash equivalents at beginning of period	6,417	5,517	900	5,767	4.893	873
B) Cash flows from (used in) operating activities during the period:						
Net result for the year	1,151	1,151	287	1,420	1,419	249
Amortisation and depreciation (net of vehicles sold under buy-back commitments)	2,969	2,639	330	2,590	2,392	198
(Gains)/losses and other non-cash items (a)	(568)	(921)	66	(1,561)	(1,923)	114
Dividends received	69	180	1	47	132	3
Change in provisions	229	251	(22)	797	816	(18)
Change in deferred income taxes	(26)	12	(38)	394	438	(43)
Change in items due to buy-back commitments (b)	(18)	4	(26)	(85)	(7)	(74)
Change in working capital	812	679	136	114	92	13
Total	4,618	3,995	734	3,716	3,359	442
C) Cash flows from (used in) investment activities:						
Investments in:						
- Tangible and intangible assets (net of vehicles sold under buy-back commitments)	(3,789)	(2,854)	(935)	(3,052)	(2,636)	(416)
- Investments	(1,617)	(1,633)	(7)	(67)	(152)	(33)
Proceeds from the sale of non-current assets	1,591	1,574	19	500	385	115
Net change in receivables from financing activities	(876)	149	(1,025)	(251)	409	(660)
Change in current securities	223	65	158	(159)	(19)	(140)
Other changes (c)	3,078	2,257	822	2.494	2,252	244
Total	(1,390)	(442)	(968)	(535)	239	(890)
D) Cash flows from (used in) financing activities:						
Net change in financial payables and other financial assets/liabilities (d)	(1,730)	(2,256)	526	(2,839)	(3,159)	321
Increase in capital stock (d)	16	16	21	–	–	119
Disposal of treasury stock	6	6	–	–	–	–
Dividends paid	(23)	(23)	(112)	(29)	(29)	(88)
Total	(1,731)	(2,257)	435	(2,868)	(3,188)	(352)
Translation exchange differences	(173)	(102)	(71)	337	214	123
E) Total change in cash and cash equivalents	1,324	1,194	130	650	624	27
F) Cash and cash equivalents at end of period	7,741	6,711	1,030	6,417	5,517	900
of which: cash and cash equivalents included among						
Assets held for sale	5	5	–	–	–	–
G) Cash and cash equivalents at end of period as reported in the financial statements	7,736	6,706	1,030	6,417	5,517	900

(a) In 2005 this item included, among others, the unusual financial income of 858 million euros arising from the conversion of the Mandatory Convertible Facility and the gain of 878 million euros realised on the sale of the investment in Italenergia Bis.

(b) The cash flows for the two periods generated by the sale of vehicles under buy-back commitments, net of the amount already included in the result, are included in operating activities for the period in a single item which includes the change in working capital, capital expenditures, depreciation, gains and losses and proceeds from sales at the end of the contract term, relating to assets included in "Property, plant and equipment".

(c) The item Other changes includes, for approximately 3 billion euros, reimbursement of loans extended by the Group's centralised cash management to the financial services companies of Fiat Auto transferred to the FAFS joint venture. In 2005, the item included, for approximately 2 billion euros, the repayment of the loans granted by the Group's centralised cash management to the financial services companies sold by Iveco and, approximately 500 million euros, the effects of the unwinding of the joint ventures with General Motors.

(d) During 2005, the item Increase in capital stock was stated net of the repayment of the Mandatory Convertible Facility (3 billion euros) and of debt of approximately 1.8 billion euros connected with the Italenergia Bis transaction, as neither of these gave rise to cash flows.

Industrial Activities

In 2006, Industrial Activities generated cash and cash equivalents totalling 1,194 million euros, and in particular:

■ operating activities generated 3,995 million euros: income cash flow (net income plus amortisation and depreciation), net of Gains/losses and other non-cash items and including changes in provisions, deferred taxes and items relating to the management of sales with buy-back commitments, was positive by 3,136 million euros, to which dividends for 180 million euros and the positive effect (679 million euros) of the reduction in working capital should be added;

■ investment activities absorbed a total of 442 million euros. The liquidity generated:

– by the sale of non-current assets for 1,574 million euros (principally the sale of 50% of FAFS to Crédit Agricole, the sale of B.U.C. – Banca Unione di Credito, Atlanet S.p.A., Sestrieres S.p.A., and the interests held in Immobiliare Novoli S.p.A., Machen Iveco Holding SA, and IPI S.p.A.);

– by reimbursement of financing disbursed by the centralised cash management entity to the financial services companies of Fiat Auto sold as part of the transaction with Crédit Agricole for over 3 billion euros, including the Other changes (net of greater net financial receivables from Group Financial Services companies), in addition to collection of financial receivables for 149 million euros (principally from associated companies and sold companies), and the reduction in securities held as current assets (65 million euros),

only partially offset requirements for investments during the period, including those in investments, which include buy-back of 29% of Ferrari and the disbursal for repurchase of 51% of Fidis Retail Italia as part of the transaction with Crédit Agricole;

■ financing activities absorbed 2,257 million euros in liquidity. The funding requirements generated by the redemption of bonds and the repayment of bank loans, in addition to lower asset-backed financing, were only partly offset by the bonds issued.

Financial Services

The cash and cash equivalents of Financial Services at December 31, 2006 totalled 1,030 million euros, 130 million euros higher than at December 31, 2005.

The cash generated mainly derived from:

■ operations during the year, which generated 734 million euros in cash, principally in consequence of income cash flow (net income plus amortisation and depreciation);

■ investment activities, which absorbed 968 million euros in liquidity. In 2006, the liquidity generated by a reduction in current securities and the financing received from industrial companies in support of activity almost entirely offset growth in the investment portfolio. The liquidity absorbed during the period is therefore mainly attributable to investments for the period (mainly in vehicles that had been leased out under operating leases), which amounted to 935 million euros;

■ financing activities, which generated 435 million euros in cash, mainly due to higher asset-backed financing connected with portfolio growth.

Corporate Governance

Introduction

The Fiat Group adopted and abides by the new Corporate Governance Code of Italian Listed Companies, issued in March 2006, supplemented and amended as necessary to ensure that the corporate governance system it adopted is in line with the rules imposed for listing on the NYSE, including the relevant sections of the Sarbanes-Oxley Act, and the characteristics of the Group.

In accordance with the regulatory requirements of Borsa Italiana, the **"Annual Report on Corporate Governance"** is prepared and made available on the occasion of the annual stockholders meeting that approves the financial statements. It is also available in the section "Investor Relations" on the website www.fiatgroup.com, which also contains documents regarding the Fiat Group corporate governance system.
In compliance with the guidelines issued by Assonime and Emittenti Titoli S.p.A., this Report is composed of four sections: the first containing a general description of the structure of corporate governance, the second analysing in detail the implementation of the provisions of the Corporate Governance Code, the third highlighting certain of the more significant aspects of the applicable United States law, and the fourth containing summary tables and the corporate governance documents of the Fiat Group. Highlights relevant to this Report on Operations are illustrated below.

Direction and Coordination Activities

Fiat S.p.A. is not subject to direction and coordination activities by companies or entities. The Italian companies that Fiat S.p.A. directly and indirectly controls, with the exception of particular cases, have identified Fiat S.p.A. itself as the entity that performs direction and coordination activities, pursuant to Article 2497 bis of the Italian Civil Code. This activity consists in indicating the general strategic and operating guidelines of the Group and takes concrete form in the definition and updating of the corporate governance and internal control model, issuance of a Code of Conduct adopted by the Group, and elaboration of the general policies for the management of human and financial resources, purchasing of factors of production, and communication. Furthermore, coordination of the Group envisages centralised management, through dedicated companies, of cash management, corporate and administrative, internal audit, and training services.
This allows the subsidiaries, which retain full management and operating autonomy, to realise economies of scale by availing themselves of professional and specialised services with improving levels of quality and to concentrate their resources on the management of their core business.

Board of Directors

As envisaged in the By-laws, the number of members of the Board of Directors ranges from nine to fifteen. The Stockholders Meeting held on May 3, 2006 set the number of members of the Board of Directors at fifteen and they shall remain in office until the date of the Stockholders Meeting that will be called to approve the 2008 financial statements.

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

The Board defined the "**Guidelines for Significant Transactions and Transactions with Related Parties**", by which it reserved the right to examine and approve in advance any transaction of significance in the balance sheet, economic and financial figures, including the most significant transactions with related parties, and subject all transactions with related parties to special criteria of substantial and procedural fairness. Therefore, decisions regarding significant transactions are excluded from the mandate granted to executive directors. The term "significant transactions" refers to those transactions that in and of themselves require the company to inform the market thereof, in accordance with rules established by market supervisory authorities.
When the Company needs to execute significant transactions, the executive directors shall provide the Board of Directors reasonably in advance with a summary analysis of the

strategic consistency, economic feasibility, and expected return for the Company.
Decisions regarding the most significant transactions with related parties are also excluded from the mandate granted to executive directors, with all transactions being subject to special rules of substantial and procedural fairness and disclosure to the Board.

At December 31 2006, the Board is comprised by three executive directors and twelve non-executive directors – that is, who do not hold delegated authority or perform executive functions in the Company or the Group –, eight of whom are independent.

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

An adequate number of **independent directors** is essential to protect the interests of stockholders, particularly minority stockholders, and third parties. In order to achieve this objective, the Board of Directors resolved to submit a motion to the Stockholders Meeting to confirm the principle of a board with a majority of independent directors as well as the selective criteria for determining independence, already adopted in 2005. The Board of Directors held that enhancing protections against potential conflicts of interest is a priority for the Company, particularly in those areas less prone to control by the Stockholders Meeting. During 2006, following the resolutions passed by the Stockholders Meeting on June 23, 2005 and on May 3, 2006, the Board of Directors was made up of a majority of independent directors.

The **qualifications of independent directors** are assessed annually and based on the absence or insignificance during the previous three years of investment, economic, or other relationships maintained directly, indirectly, or on behalf of third parties with the Company, its executive directors and managers with strategic responsibilities, its controlling companies or subsidiaries, or with parties otherwise related to the Company.

At its meeting held on May 3, 2006, the Board of Directors confirmed that the directors Roland Berger, Luca Garavoglia, Gian Maria Gros-Pietro, Hermann-Josef Lamberti, Vittorio Mincato, Pasquale Pistorio, Ratan Tata and Mario Zibetti satisfied these requirements of independence.

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

- Andrea Agnelli: Director of IFI S.p.A.

- Roland Berger: Member of the Supervisory Board of Alcan Inc., Schuler AG, LP Holding GmbH, Loyalty Partners Holdings and Helios Kliniken GmbH

- Tiberto Brandolini D'Adda: Vice Chairman of IFIL Investments S.p.A., Vice Chairman and Chief Executive Officer of Exor Group, Chairman and General Manager of Sequana Capital, General Partner of Giovanni Agnelli e C. S.a.p.A., Director of IFI S.p.A., Espírito Santo Financial Group, SGS S.A. and Vittoria Assicurazioni S.p.A.

- Luca Cordero di Montezemolo: Director of Poltrona Frau S.p.A., Tod's S.p.A., Indesit Company S.p.A., Pinault Printemps Redoute and Le Monde, Member of the International Advisory Board of Citigroup Inc.

- John Elkann: Vice Chairman and General Partner of Giovanni Agnelli e C. S.a.p.A., Vice Chairman of IFIL Investments S.p.A., Director of IFI S.p.A., Exor Group, RCS MediaGroup and Banca Leonardo

- Luca Garavoglia: Chairman of Davide Campari Milano S.p.A.

- Gian Maria Gros-Pietro: Chairman of Autostrade S.p.A., Autostrade per l'Italia S.p.A. and Perseo S.p.A., Director of Edison S.p.A. and Seat Pagine Gialle S.p.A.

- Hermann-Josef Lamberti: Member of the Management Board of Deutsche Bank AG, Chairman of the Supervisory Board of Deutsche Bank Privat- und Geschäftskunden AG, Member of the Supervisory Board of Deutsche Börse AG and of Carl Zeiss AG

- Sergio Marchionne: Chairman of SGS S.A., Member of the Supervisory Board of Hochtief AG

- Virgilio Marrone: Chief Executive Officer and General Manager of IFI S.p.A., Director of Exor Group and member of the Management Board of Intesa Sanpaolo

- Vittorio Mincato: Chairman of Poste Italiane S.p.A., Director of Parmalat S.p.A.

- Pasquale Pistorio: Honorary Chairman of S.T. Microelectronics, Director of Chartered Semiconductor Manufacturing, Telecom Italia S.p.A. and Energy Conversion Device Inc.

- Carlo Barel di Sant'Albano: Chief Executive Officer and General Manager of IFIL Investments S.p.A., Director of Juventus FC S.p.A. and Sequana Capital

- Ratan Tata: Chairman of Tata Sons Ltd, Tata Industries Ltd, Tata Steel Ltd, Tata Motors Ltd, Tata Chemicals Ltd, The Indian Hotels Company Ltd, The Tata Power Company Ltd, Tata Tea Ltd, Tata Autocomp Systems Ltd, Tata Consultancy Services Ltd, Tata Teleservices Ltd, Tata Teleservices (Maharashtra) Ltd, Tata Technologies (Pte) Ltd (Singapore), Tata International AG, Tata Limited (UK), Tata Incorporated (USA), Tata America International Corporation Ltd and Tata Motors European Technical Centre, Plc.

- Mario Zibetti: Director of Ersel Sim S.p.A.

Committees established by the Board of Directors

The Board of Directors established the Internal Control Committee and the Nominating and Compensation Committee. The Board also entrusted the Nominating and Compensation Committee with the task of selecting and proposing nominees for the post of Director and it also established the Strategic Committee, on which it relies for the preparation of Company and Group strategies.

Internal Control System

Amending what was defined in 1999, partly in order to receive the changes made to the Corporate Governance Code, the Board adopted the "Guidelines for the Internal Control System," which came into effect on January 1, 2003.
Essential parts of the Internal Control System are the **Code of Conduct** that replaced the Code of Ethics in 2002, and the Compliance Program adopted by the Board of Directors pursuant to the "Norms governing the Administrative Liability of Legal Entities" envisaged in Legislative Decree no. 231/2001, as amended.
The Code of Conduct expresses the professional principles of corporate conduct that Fiat has adopted and with which directors, statutory auditors, employees, consultants, and partners are requested to conform.

In a resolution dated July 24, 2006, the Fiat Board of Directors approved the third edition of the **Compliance Program** pursuant to Legislative Decree 231/01 and the new "Guidelines" for adoption of the Program by Fiat Group Companies. The changes made to the previous edition consisted of the introduction of recent changes in the law and case law, receiving the new model fact situations of offences regarding protection of investors and market abuse, and identifying the associated sensitive processes. At the same time, a collegial Compliance Program Supervisory Body was appointed, consistently with current statutes and case law, as well as the orientation of the most important economic enterprises in Italy. The Compliance Program Supervisory Body reports on its own activities to the Board of Directors through the Internal Control Committee and the Board of Statutory Auditors. The Compliance Program Supervisory Body – comprised of the Group Compliance Officer, the Senior Counsel, and an external professional – approved its own Internal Regulation and a specific Supervisory Program.

In application of the Compliance Program, the Code of Conduct, and provisions of the Sarbanes-Oxley Act on whistleblowings, the **Procedure for Whistleblowings Management** was adopted in order to regulate the management of reports and claims filed by individuals inside and outside the Company regarding suspected or presumed violations of the code of conduct, financial and/or accounting fraud against the company, oppressive behaviour towards employees or third parties, and complaints regarding bookkeeping, internal audits, and independent audits.

The **Procedure for the Engagement of Auditing Firms** regulates the engagement of Group external auditors by Fiat S.p.A. and its subsidiaries, as well as the commissioning of the companies and professional firms that maintain an ongoing relationship with those external auditors (so-called network) in order to ensure the mandatory independence of the auditing firm.

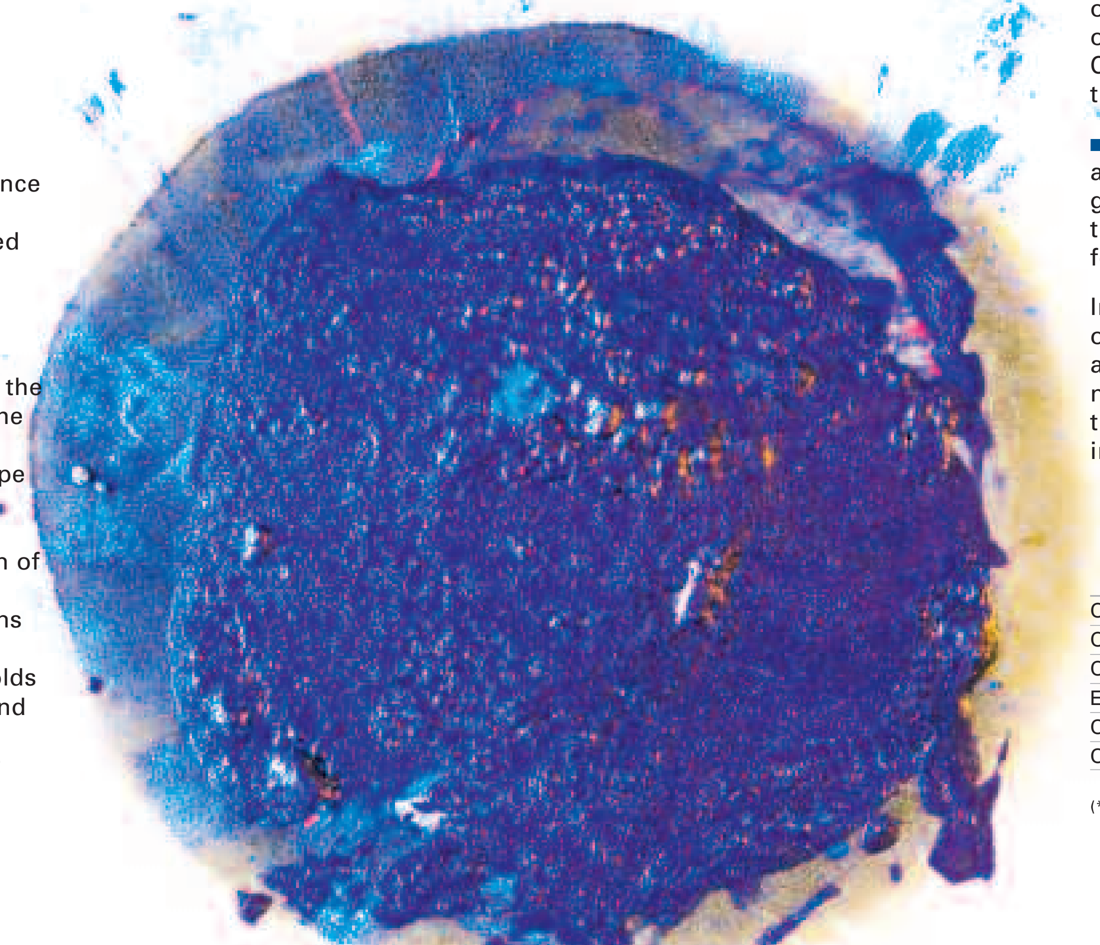
Documents and financial information regarding the Company, including those posted on the Group website, are disclosed in compliance with the "**Disclosure Controls & Procedures**" adopted in conformity with the Securities Exchange Act of 1934 and the Sarbanes Oxley Act of 2002.

Board of Statutory Auditors

The Board of Statutory Auditors is comprised of three Statutory Auditors and three Alternates, all of whom, as required by Article 17 of the By-laws, must be entered in the Auditors' Register and have at least three years' experience as chartered accountants. Furthermore, they may not hold the position of statutory auditor in more than five other listed companies, with the exception of the controlling companies and subsidiaries of Fiat S.p.A.

Pursuant to the resolutions approved by the Stockholders Meeting held May 3, 2006, the following individuals belong to the Board of Statutory Auditors, which also performs the role of the audit committee as envisaged by US-law, but within the limits imposed by Italian law: Carlo Pasteris, Chairman, and Giuseppe Camosci and Cesare Ferrero, Statutory Auditors. Their term expires on the date of the stockholders meeting that approves the 2008 financial statements. Carlo Pasteris holds the position of Chairman of the Board of Statutory Auditors of Toro Assicurazioni S.p.A. Cesare Ferrero, in addition to the positions held as Chairman of the Board of Statutory Auditors of IFIL Investments S.p.A. and Giovanni Agnelli & C. S.a.p.A., also holds the position of statutory auditor at Toro Assicurazioni S.p.A. and of director at Autostrada Torino Milano S.p.A. and Davide Campari Milano S.p.A. Giuseppe Camosci does not hold other positions in listed companies.

In accordance with Article 17 of the Company's By-laws and as envisaged under the Consolidated Law on Financial Intermediation, properly organised **minority groups** may appoint one Statutory Auditor. The minimum equity interest needed to submit a slate of candidates is equal to 1% of the ordinary capital. Furthermore, in accordance with the By-laws, the slates of candidates must be deposited at the registered office of the company at least ten days before the scheduled date of the Stockholders Meeting on its first call and be accompanied by statements certifying satisfaction of the requirements prescribed by law and the By-laws and that they are not ineligible or incompatible, on penalty of rejection of those slates. Slates representing minority stockholders were presented for the first time ever at the May 3, 2006 Stockholders Meeting. This led to the appointment of Professor Pasteris, who became the Chairman of the Board of Statutory Auditors in accordance with the law.



Stock Option Plans

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

- Options are granted to individual managers on the basis of objective parameters that take into account the level of responsibility assigned to each person and his or her performance;
- If employment is terminated or an employee's relationship with the Group is otherwise severed, options that are not exercisable become null and void. However, vested options may be exercised within 30 days from the date of termination, with certain exceptions;
- The options exercise price, which is determined on the basis of 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;
- Consistently with tax regulations on the issue, the options are normally exercisable starting three years after they are granted and for the following six years. Nevertheless, the totality of the options granted becomes exercisable only four years after the grant date.

In consideration of the options that have been exercised and of those that have expired upon termination of employment, a total of 5,433,900 option rights corresponding to the same number of shares represent treasury stock to be assigned to the holders of options pursuant to the conditions envisaged in the specific Regulations.

In 2004 the Board of Directors granted Mr. Sergio Marchionne, as a portion of his variable compensation as Chief Executive Officer, options for the purchase of 10,670,000 Fiat ordinary shares at the price of 6.583 euros per share, exercisable from June 1, 2008 to January 1, 2011. In each of the first three years since the grant, he accrues the right to purchase, from June 1, 2008, a maximum of 2,370,000 per year and on June 1, 2008 he accrues the right to purchase, effective that date, the residual portion amounting 3,560,000 shares. The right to exercise the options related to this last portion of shares is subject to certain predetermined profitability targets that should be reached during the reference period.

Ferrari S.p.A. had granted its Chairman, Luca Cordero di Montezemolo, options for the purchase of 184,000 Ferrari shares, 80,000 of which exercisable upon placement of Ferrari shares on the stock market, at a price of 175 euros per share and exercisable until December 31, 2010. At the beginning of 2006, Mr. Montezemolo exercised the 104,000 options whose exercise was not subject to the abovementioned condition through the subscription of an equal number of newly-issued Ferrari S.p.A. shares. Fiat S.p.A. purchased from Luca Cordero di Montezemolo a total of 93,600 Ferrari shares at a unit price of 285 euros per share (for a total investment of 26.6 million euros), equal to the price agreed upon by Mediobanca S.p.A. and Mubadala Development Company PJSC on the occasion of the sale of 5% of the capital stock of Ferrari S.p.A. in August 2005.

Options granted as part of Stock Option Plans on Fiat shares and outstanding at December 31, 2006 are shown below. Options granted to Board Members are instead shown in a specific table in the Notes to the Financial Statements.

			2006			2005
	Number of shares	Average exercise price (*)	Market price	Number of shares	Average exercise price (*)	Market price
Options outstanding on 1/1	7,749,500	17.51	7.37	10,502,543	16.38	5.9
Options granted during the year	–	–	–	–	–	–
Options exercised during the year	558,250	10.4	13.74	–	–	–
Expired options	1,757,350	–	–	2,753,043	–	–
Options outstanding on 12/31	5,433,900	16.93	14.42	7,749,500	17.51	7.37
Options exercisable on 12/31	5,433,900	16.93	14.42	6,987,875	18.28	7.37

(*) Following the capital increases in January 2002 and July 2003 the exercise prices were adjusted by applying the factors calculated by Borsa Italiana, in the amount of 0.98543607 and 0.93167321. The capital increase of September 2005, factor equal to 1, did not give rise to adjustments.

The Board of Directors, at its meeting of November 3 2006, approved an incentive plan that will be submitted, pursuant to Article 114 bis of the Consolidated Law on Financial Intermediation, to the Stockholders' Meeting that will be called to approve the 2006 Financial Statements. The plan will have a duration of eight years and envisages the granting of options for the purchase of 20 million Fiat ordinary shares at a strike price of 13.37 euros, equal to the arithmetical average of the official prices posted on the Borsa Italiana S.p.A.'s market in the thirty days preceding the Board resolution. Grantees of the plan are the Chief Executive Officer of Fiat S.p.A. Sergio Marchionne, for 10 million options corresponding to an equal number of outstanding ordinary shares, and for an additional 10 million options, corresponding to an equal number of newly-issued shares, more than 300 executives who have a significant impact on business results. The options granted to employees and 50% of the options granted to Sergio Marchionne have a four-year vesting period, in equal annual quotas, predicated on the achievement of predetermined financial targets in the reference period and are exercisable starting from the approval of the 2010 Financial Statements. The residual 50% of the options granted to the Chief Executive Officer of Fiat S.p.A., which also has a four-year vesting period in equal annual quotas, is exercisable starting November 2010.

The Board therefore exercised the powers granted to it pursuant to Article 2443 of the Italian Civil Code for the capital increase to service the incentive plan. The capital increase is reserved to employees of the Company and/or its subsidiaries, within a limit of 1% of the capital stock, i.e. for a maximum of 50,000,000 (fifty million) euros through the issue of a maximum of 10,000,000 (ten million) ordinary shares with a par value of 5 (five) euros each, corresponding to 0.78% of the capital stock and 0.92% of the ordinary capital, at the abovementioned price of 13.37 euros. Execution of this capital increase is subject to the approval by the Stockholders Meeting of the incentive plan and is dependant on the conditions of the plan being satisfied.

Interests held by Members of the Board of Directors and Control Bodies, General Managers and Executives with strategic responsibilities (Art. 79 of Consob Regulation, Resolution No. 11971 of May 14, 1999)

(number of shares)

First name and last name	Description of investment	Number of shares held at 12.31.2005	Number of shares bought in 2006	Number of shares sold in 2006	Change in the number of shares for incoming/ (outgoing) Executives	Number of shares held at 12.31.2006
Luca Cordero di Montezemolo	Fiat ordinary	19,172	108,000	–		127,172
Sergio Marchionne	Fiat ordinary	220,000	20,000	–		240,000
Gian Maria Gros-Pietro	Fiat ordinary	–	3,300	–		3,300
Cesare Ferrero	Fiat ordinary	1	–	–		1
Executives with strategic responsibilities	Fiat ordinary	81,884	45,950	46,707	-11,615	69,512
	Fiat preference	1,144	–	–	-1,144	–
	Fiat savings	2,188	–	728	-842	618
	CNH ordinary	2,000	2,212	–	–	4,212

Transactions among Group Companies and with Related Parties

Transactions among Group companies, whether they are made to support vertical manufacturing integration or to provide services, are carried out at market conditions that are normal in the respective markets, taking into account the characteristics of the goods sold and the services provided.

The main transactions that took place during 2006 between the Parent Company, Fiat S.p.A., and its subsidiaries and associated companies are provided in Note 30 of the Notes to the Financial Statements of Fiat S.p.A.

Relationships with related parties, whose definition was extended in accordance with IAS 24, include not only normal business relationships with listed groups or other major groups in which the directors of the Company or its parent companies hold a significant position, but also purchases of Group products at normal market prices or, in the case of individuals, the prices that are usually charged to employees.

Information on transactions with related parties, as required by Consob communication of July 28, 2006, are presented respectively in Note 35 of the Notes to the Consolidated Financial Statements and Note 30 of the Notes to the Financial Statements of Fiat S.p.A.

Based on the information received from the various Group companies, there were no atypical or unusual transactions – as such transactions are defined by Consob – during the year.

Extraordinary transactions among Group companies that occurred during the year included:

- the "Series A" preference shares of CNH Global N.V. held by Fiat Netherlands Holding N.V. were automatically converted into ordinary shares when the underlying conditions were met. In this connection, reference should be made to the section on the Scope of consolidation in the Notes to the Consolidated Financial Statements;

- the corporate structure of the subholding companies was rationalised. This has led to placing Fiat Partecipazioni S.p.A. at the head of certain industrial Sectors and, as a result, to simplifying the chain of foreign subholding companies. Fiat Auto Holding B.V. was unwound in 2006 as part of this process after transferring to Fiat Partecipazioni S.p.A. its entire holdings in the capital of Fiat Auto S.p.A. (now Fiat Group Automobiles S.p.A.) and Fiat Powertrain Italia S.r.l. (now Fiat Powertrain Technologies S.p.A.). Fiat Netherlands Holding N.V. similarly transferred its 100% holding in Iveco S.p.A. on a pro-rata basis to its stockholders Fiat S.p.A. and Fiat Partecipazioni S.p.A. Finally, Fiat S.p.A. contributed its investments in Magneti Marelli Holding S.p.A. (99.99%) and Teksid S.p.A. (84.79%) to Fiat Partecipazioni S.p.A. in February 2007.

Significant Events Occurring since the End of the Fiscal Year and Business Outlook

Significant Events Occurring since the End of the Fiscal Year

The most significant transactions completed by the Fiat Group during early 2007 are set out below:

■ On January 26, Fitch Ratings announced that it upgraded Fiat's rating to "BB" from "BB-", reaffirming the short-term rating to "B" and maintaining the outlook "positive". Standard & Poor's Ratings Services revised its outlook on Fiat rating to "positive" from "stable", affirming the 'BB' long-term and 'B' short-term corporate credit ratings. On February 12, Moody's Investors Service upgraded to Ba2 from Ba3 Fiat rating maintaining the positive outlook. The short term rating remains unchanged.

■ On February 1, 2007 Fiat Auto changed name to "Fiat Group Automobiles S.p.A.".
Four new companies were formed at the same time, 100% owned by Fiat Group Automobiles S.p.A.: "Fiat Automobiles S.p.A.", "Alfa Romeo Automobiles S.p.A.", "Lancia Automobiles S.p.A.", and "Fiat Light Commercial Vehicles S.p.A.".
These changes are consistent with the new corporate culture at the Fiat Group. In particular, they reflect two strategic decisions as to how to approach the business. On the one hand, the Group will exist as a unified whole, and on the other hand, each company will be characterised by the specific nature of the respective operating sectors and individual brands.
Over the next few months, all Group activities will highlight this aspect by pairing the "Fiat Group" mark with the sector or brand trademark.
Inclusion of the word "Group" in the name reflects its prominent role as a constituent part of the Fiat Group, considering the contribution that Fiat Auto makes to Group results and the realisation of major synergies with other Group sectors.
The new name also identifies a key area of activity that has recently undergone profound transformation, featuring a newly streamlined structure that is more solid and compact than before.
At the same time, it also indicates the synergies linking the automotive business, which has already generated major benefits in terms of operating efficiency, resource management, and cost cuts.
Finally, the name "Fiat Group Automobiles S.p.A." highlights the international vocation of this large industrial organisation. The creation of four companies reflects the attention devoted by the Group to positioning the brands on the market.
The Fiat, Alfa Romeo, Lancia, and Fiat Light Commercial Vehicles brands each have a specific identity with defined, recognised characteristics, and apply distinct commercial and market policies.
Formation of these four new companies must be interpreted in view of the growing distinctiveness of the brands, enhanced value, and reinforcement of their competitive capacities.

■ On February 14 2007, Fiat and Tata Motors signed an agreement which calls for a Tata license to build a pick-up vehicle bearing the Fiat nameplate at Fiat Group Automobiles' plant in Córdoba, Argentina. The first vehicles will roll off the Córdoba assembly lines during 2008. Annual production is slated at around 20,000 units. Total planned investment in the project is around US$80million. With the production of the pick-up model, the Fiat complex in Córdoba will retake the integral activity of all its productive units, to a great extent reinitiated with the manufacture of Fiat engines and gearboxes and the recent agreement to produce gearboxes for PSA Peugeot Citröen. The pick-up, based on the new generation Tata pick-up truck, will be sold in South and Central America and selected European markets through Fiat Automobiles' distribution and importer network. This will permit the Fiat brand to aggressively enter the medium pick-up sector, thanks to Tata Motors' specific know-how.

■ On February 14 2007, Iveco and Tata Motors announced the signing of a Memorandum of Understanding (MoU) to analyse the feasibility of cooperation, across markets, in the area of Commercial Vehicles. The MoU encompasses a number of potential developments in engineering, manufacturing, sourcing and distribution of products, aggregates and components. Shortly after the MoU signature, Iveco and Tata Motors will set up a joint Steering Committee to determine the feasibility of cooperation, both in the short and over the long term. When found feasible, the two companies will enter into definitive agreements in the course of the coming months.

■ A meeting was held on February 19, 2007 at the Italian Prime Minister's Office, with the participation of the Prime Minister, the Ministers of Labour and Transport, and the Vice Minister for Economic Development, as well as national labour federation and industry representatives. The Chief Executive Officer Sergio Marchionne illustrated the Group's development plans for 2007-2010, with special attention being devoted to the situation in Italy. The meeting concluded with the signing of a transcript in which the Italian Government affirmed its willingness to support the Company's development plans.
In particular, this would involve close assessment of initiatives taken in support of investments and research, and recognise the existence of conditions for granting the Fiat Group a quota for "mobilità lunga" (long-term mobility benefit to bridge the period prior to retirement). This amount was defined in the December 18, 2006 labour agreement, which envisages that a maximum of 2,000 Group employees will be laid off.
The meeting transcript also envisages setting up a roundtable with the participation of local institutions to examine the measures necessary to overcome logistical and economic restraints at the Termini Imerese plant in Sicily, so that production of a model can be allocated to it starting from 2009.

Furthermore, the obligations imposed by the "Personal Data Protection Code" (Legislative Decree No. 196/2003) were satisfied in compliance with the provisions of the "Technical Regulation of Minimum Security Measures" (Appendix B of the Code). Consequently, the Fiat S.p.A. Security Planning Document was updated by the addition of the Plan for additional measures reinforcing security levels in order to combat the evolution of emerging risk factors.

Business Outlook

The Western European automobile market is expected to remain stable in 2007, while demand in Brazil should show moderate growth.

In this context, the Group's Automobile Sector plans to leverage the introduction of its new models (mainly Fiat Bravo, Fiat Linea and Fiat 500) to continue to boost volume and improve mix in the European markets. Meanwhile, the Sector's Brazilian operations are expected to deliver a trading performance in line with 2006. The Company will continue to implement its strategy of aggressive cost-cutting in all non-essential areas and, while streamlining governance costs, it will continue to invest in marketing and advertising, in order to support its growth ambitions.

The agricultural tractor industry is expected to continue running at high levels, while the combine industry should recover from the recent declines on the back of pricing recovery in corn and soybeans. The worldwide construction-equipment industry should remain strong for both heavy and light equipment, although the North American markets are expected to soften for a year before resuming upward growth in 2008. In this context, CNH expects to improve sales volumes thanks to new products, improved pricing and market share gains. Higher volumes, manufacturing efficiencies and other cost reductions will be partially offset by continuing higher R&D investments.

In Western Europe, the market for light, medium and heavy commercial vehicles is expected to remain substantially stable. In this environment, Iveco aims at increasing both profitability and market share by a substantial commercial repositioning, with price improvements coming from the introduction of new Euro 4 and Euro 5 compliant vehicles. For heavy trucks, Iveco will be leveraging the performances of the New Stralis, especially in terms of fuel efficiency and the improvement in the resale value of our vehicles.

In order to achieve set targets, the Fiat Group will continue to push inter-Sector purchasing synergies, increasing and accelerating development of best-cost-country spending, strengthening strategic partnerships with suppliers through long-term contracts, and focusing on the implementation of the world-class manufacturing initiative.

As a result, the Group confirms its targets for 2007: trading profit between 2.5 billion euros and 2.7 billion euros (4.5% to 5.1% trading margin) and net income between 1.6 billion euros and 1.8 billion euros.

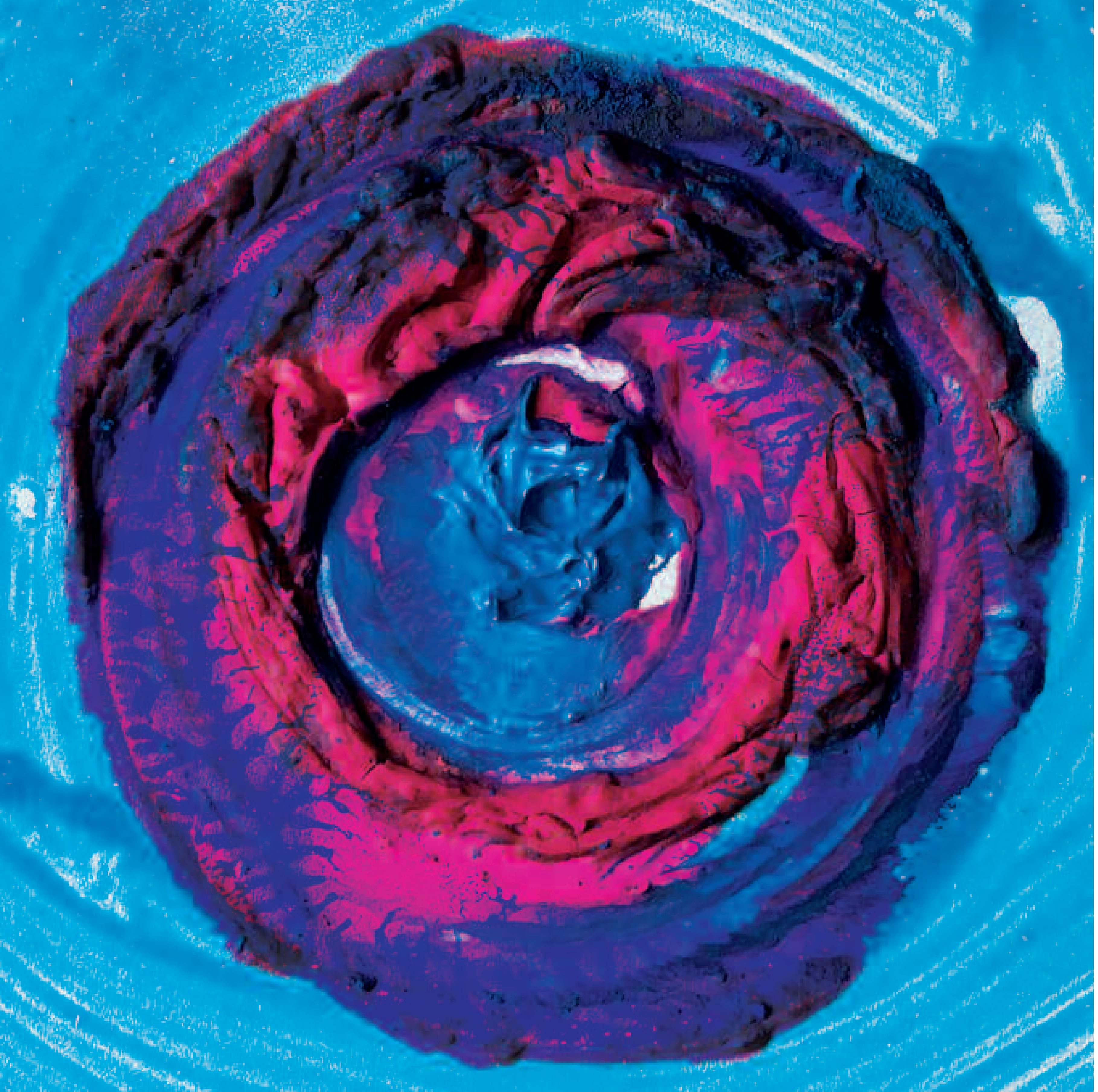
By sector, full-year 2007 trading margin targets (trading profit as a percentage of revenues) will range as follows:

- Autos, 2.6% to 3.4%;
- CNH, 8.9% to 9.7%;
- Iveco, 7.1% to 7.9%.

While working on the achievement of these objectives, the Fiat Group will continue to implement its strategy of targeted alliances, in order to reduce capital commitments, and reduce the related risks.

Report on Operations
Operating Performance by Sector of Activity

There can be no motion without some particular direction. Jean-Jacques Rousseau



Operating Performance by Sector of Activity

Automobiles

Agricultural and Construction Equipment

Trucks and Commercial Vehicles

Components and Production Systems

Other Businesses

Services

BUSINESS SOLUTIONS

Publishing and Communications

Fiat Auto – Fiat, Alfa Romeo, Lancia and Fiat Light Commercial Vehicles

Operating Performance

In 2006, the Western European **automobile market** expanded slightly (+0.7%) from 2005.

Demand rose 3.7% in Italy and 3.8% in Germany, while it contracted in the other principal countries: France by -3.3%, Great Britain by -3.9%, and Spain by -2%.

Outside Western Europe, demand expanded slightly in Poland (+1.5%). In contrast, the Brazilian market expanded significantly, at a rate of 13.1%.

The **commercial vehicle market** performed well in Western Europe (+5.6%) as compared with the previous year. Demand rose by about 8% in Italy, over 10% in Germany, 4.8% in France, and 5.9% in Spain, while remaining stable in Great Britain.

In 2006, the Sector performed very well in terms of market share. In Italy, its share of the automobile market rose to 30.7%, or 2.7 percentage points higher than in 2005. In Western Europe, its share reached 7.6%, up 1.1 percentage points from 2005.
Fiat Auto's share of the commercial vehicle market in Italy was 47.1%, with an improvement of 4.7 percentage points. In Western Europe, its share rose by 0.7 percentage points to 11%. In Brazil, the Sector's share of the automobile and commercial vehicle markets in 2006 reached 25.3% (for an increase of 0.9 percentage points) and 26.1% (-2.7 percentage points), respectively.
In 2006, Fiat Auto delivered a total of 1,980,300 units, for an increase of 16.7% from 2005. In Western Europe, 1,289,600 units were delivered, for an increase of 17.2%.

Automobile Market

(in thousands of units)	2006	2005	% change
- France	**2,000.5**	2,067.8	-3.3
- Germany	**3,468.0**	3,342.1	3.8
- Great Britain	**2,344.9**	2,439.7	-3.9
- Italy	**2,321.1**	2,237.4	3.7
- Spain	**1,499.0**	1,528.9	-2.0
Western Europe	**14,624.2**	14,529.8	0.7
Poland	**239.0**	235.5	1.5
Brazil	**1,599.9**	1,414.8	13.1

Highlights

(in millions of euros)	2006	2005
Net revenues	**23,702**	19,533
Trading profit	**291**	(281)
Operating result (*)	**727**	(818)
Investments in tangible and intangible assets	**2,163**	1,582
- of which capitalised R&D costs	**434**	310
Total R&D expenses (**)	**675**	665
Automobiles and light commercial vehicles delivered (number)	**1,980,300**	1,697,300
Employees at year-end (number)	**44,691**	46,099

(*) Including restructuring costs and unusual income (expenses).
(**) Including R&D capitalised and charged to operations.

The positive sales performance during the year stemmed from the growing success of new models that had been introduced previously, first and foremost the Grande Punto and Panda, as well as the other models that were introduced during the year to enrich the product line of the three brands.

Deliveries increased sharply in almost all of the principal European countries, with growth rates far outpacing the market, as in Italy (+17.5% from 2005 deliveries) and Germany (+21.3%), or realised in contracting markets, such as Great Britain, where deliveries rose by 42.8%, and France (+10.9%). Spain represented an exception, where a marginal slip in deliveries (-1.0%) reflected weak demand.

Sales Performance
Automobiles and Light Commercial Vehicles

(in thousands of units)	2006	2005	% change
- France	**88.0**	79.3	10.9
- Germany	**110.1**	90.8	21.3
- Great Britain	**76.1**	53.3	42.8
- Italy	**808.2**	687.7	17.5
- Spain	**69.6**	70.3	-1.0
- Rest of Western Europe	**137.6**	118.5	16.0
Western Europe	**1,289.6**	1,099.9	17.2
Poland	**33.0**	33.8	-2.3
Brazil	**464.8**	404.3	15.0
Rest of the World	**192.9**	159.3	21.2
Total sales	**1,980.3**	1,697.3	16.7
Associated companies	**89.9**	107.3	-16.2
Grand total	**2,070.2**	1,804.6	14.7

In Poland, volumes contracted by 2.3% from 2005.

Outside the European Union, in 2006 Fiat Auto intensified its activities on those markets where its position is consolidated, such as Brazil, Argentina, and Turkey. At the same time, it pursued growth opportunities on other emerging markets together with strong local partners.

In Brazil, the Sector delivered 464,800 cars and light commercial vehicles. It increased its sales by 15% from 2005 and confirmed its leadership position on the market. This excellent result is mainly attributable to the success of flex versions (which run on both alcohol and gasoline) of the Palio and Mille models, as well as the Fiat Idea, voted Carro Do Año (Car of the Year) in Brazil.

Economic recovery continued in Argentina. The automobile market expanded by 16.2% from 2005, and Fiat Auto reported a market share of 10.8%, down slightly from 2005 (-1.6 percentage points). Deliveries of automobiles and light commercial vehicles decreased by 0.7%, to a total of 43,800 units.

In Turkey, the automotive industry slowed down in 2006, together with the rest of the economy. The automobile and light commercial vehicle market totalled approximately 621,000 units, down 13.6% from 2005. Tofas (a local joint venture in which Fiat Auto has a 37.9% interest) reported a 9.1% decrease in deliveries. However, its aggregate market share was 11.8%, up 0.6 percentage points from the previous year. This improvement was driven by the New Doblò, New Palio, and Albea.

In regard to light commercial vehicles only, a total of 323,500 units were delivered in 2006, for an increase of 13.4% from 2005. This was largely attributable to the New Ducato, which enjoyed great success following its introduction at the end of May 2006, and the New Doblò. In Western Europe, deliveries totalled 211,900 units (+16.5%). With the exception of Germany, where deliveries fell by 1.9%, the other European countries reported an increase in the number of units delivered: France +40.1%, Italy +24.4%, Great Britain +10.7%, Spain +2.9%.

During 2006, the Sector continued its strategy of targeted alliances to reinforce its position on international markets, enter new segments and technologies, enhance its know-how, and access new markets.

The primary objective of these agreements was to reinforce the Sector's presence on two high-growth markets, Russia and India.

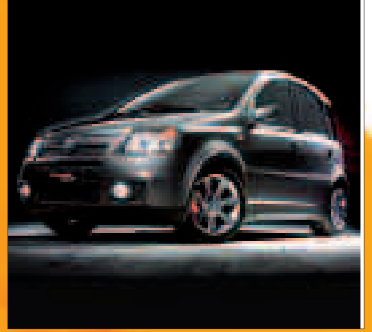
The collaboration between Fiat Auto and the Russian car maker Severstal Auto has evolved in a series of steps. At the beginning of 2006, agreements were reached for the assembly in Russia, starting in 2007, of Albea, Palio, and Doblò models based on CKD produced by Tofas, as well as for the import and distribution in Russia of Fiat cars and light commercial vehicles. In March 2006, a letter of intent was signed to further develop of the strategic partnership between Fiat and Severstal in all industrial areas of the Fiat Group. An agreement was signed in July for production and distribution of the Ducato in Russia by Severstal. Production is planned to start in the last quarter of 2007.

Cooperation with India was also intense. After reaching an agreement in January 2006 for the sale of Fiat cars in India through joint use of the sales network, Fiat and Tata Motors signed a memorandum of understanding in July for industrial collaboration; within this context, in December they signed an agreement for the creation of a joint venture in India for the production of cars, engines and transmissions. Fiat Auto will introduce the Grande Punto and Fiat Linea. On the basis of a joint analysis undertaken in July 2006, Fiat and Tata Motors continued studies for industrial and commercial cooperation in Latin America: these studies resulted in an agreement, signed in February 2007, which calls for a Tata license to build a pick-up vehicle in the Fiat Group Automobiles plant in Cordoba, Argentina.

These important partnership agreements are complemented by the license to produce diesel engines granted to Suzuki in March 2006, the May 2006 agreement with PSA Peugeot Citroën for production at the Fiat plant in Cordoba of a transmission for the French customer, and the signing in October of a memorandum of understanding with the Chinese company Chery Automobiles for the supply of gasoline engines to Fiat Auto.





Innovation and Products

After the introduction of numerous new models in 2005, signalling implementation of the strategy to modernise and improve Fiat Auto's products, 2006 was marked by the introduction of new models that rounded out the lines of models offered by Fiat, Lancia, and Alfa Romeo.

At **Fiat**, the number of Panda models (this is the top-selling segment A model in Europe) continued growing. The Panda Hydrogen was presented in February, as the prototype of an alternative fuel vehicle. In October, the model year and the typically sporty 100 HP version were presented.

In March 2006, the diesel version of the Sedici was presented and in December this version propelled the SUV to the top of the rankings for the best-selling 4x4 in Italy.

A preview presentation of the Fiat Linea was held in October. This model made its first official appearance at the Istanbul Motor Show in November. Produced by Tofas, it will go on sale in the first half of 2007. This car will enable the Fiat brand to establish a presence in the high-range C segment for sedans in Turkey and in the other countries where it will be sold.

After the preview at the end of October, the Bravo was launched in Rome on January 31, 2007. This is the new model with which the Fiat brand intends to regain top positions in the medium-size segment, which is the most important in Europe. This car combines technology and beauty. Highly stylised, it was designed with great attention to safety and equipped with top-rated engines in terms of environmental friendliness and performance. Together with this new model, also the new trademark was presented. This trademark will appear on all new Fiat models, starting from the Bravo.

Two special events that occurred in 2006 also merit mention. The first was the presentation of the new Mirafiori Motor Village at the end of May. This company-owned dealership was created in the Mirafiori premises, signalling the adoption of a new philosophy that will soon be exported outside Italy. The second event was the joint presentation with Ikea of the new interior designs of Fiat dealerships: a young, innovative, and functional style that combines simplicity of use for the customer and a consistent image at various dealerships.

Alfa Romeo started selling the Alfa 159 Sportwagon in February 2006, joining the sedan introduced at the end of 2005. The Alfa Spider was voted "Cabrio of the Year 2006" at its Geneva Motor Show preview. This was followed by its presentation to the press in June. Sales of the Q2 versions of the 147 and the GT started in January 2007. This version has a two-wheel drive that offers greater stability and road hold, comparable to a four-wheel drive. Finally, the diesel version of the Alfa Spider is scheduled for launch in March 2007.

At the end of November, **Lancia** celebrated the brand's 100th anniversary. To mark the occasion, all Lancia models were also sold in a particularly rich and exclusive centenary version. The New Ypsilon was rolled out at the end of September, after being previewed at the beginning of September (on the occasion of the Venice International Film Festival). The new Delta was also previewed at that festival, in anticipation of its debut in 2008.

There were major new product roll-outs at **Fiat Light Commercial Vehicles** as well. The New Ducato was introduced in May. It is destined to continue the success of a very popular model both inside and outside Italy. The New Scudo, which is produced at the Sevel Nord plant in Valenciennes, France, was introduced in November and started being sold in January 2007.

Product development activities were focused principally on the completion of several minor changes for the Panda, Grande Punto, and Ypsilon, completion of development of the New Ducato, development of the Bravo, Croma FL, Fiat 500, Linea, and Minicargo, and the start of development on the new Alfa 147 and Delta HPE.
Research and development was also carried out on components for future application, including engines and transmissions.

Financial Services

In 2006, the financial services companies of the Sector saw the establishment of the partnership between Fiat Auto and the Crédit Agricole group at the end of December. This agreement involved the creation of a 50-50 joint venture, named Fiat Auto Financial Services, for the management of financing activities in Europe offered to Fiat Auto dealerships, end customers who opt for instalment payment plans, as well as leasing and medium and long-term rental services. This alliance with a major European bank group will enable the financial companies of the Sector to guarantee the level of fund necessary for the development of services at primary conditions. It will also make it possible to revive integrated management of the three lines of activity (dealership financing, retail auto financing and car rental), which is fundamental to winning the loyalty of Fiat Auto customers.

In more detail, the transaction is broken down as follows: Fiat Auto, upon exercise of its call option, purchased from Synesis Finanziaria 51% of Fidis Retail Italia (a company controlling the Fiat Auto European retail financing activities) which then changed its corporate name into Fiat Auto Financial Services. FAFS acquired certain Fiat Auto subsidiaries active in the European long-term renting and Fiat Auto dealer financing. Fiat Auto sold to Sofinco, the wholly owned consumer credit subsidiary of Crédit Agricole, 50% of the share capital of FAFS.

In the **dealership financing** segment, the Sector's financial companies handled loans totalling approximately 12,400 million euros (9,810 million euros in 2005). When combined with other financing instruments available to provide financing support to the dealer network, these operations generated average financing of approximately 3,580 million euros (3,150 million euros in 2005). The increase in volumes reflects the increase in sales reported on most of the markets.

In the **supplier financing** segment, a total of approximately 1,980 million euros in loans were handled (3,670 million euros in 2005), generating an average financing of 260 million euros in 2006 (560 million euros in 2005). This decrease was related to the company decision to reduce its commitment to that activity.

In the **renting** business, Leasys, which operates in the company fleet segment, realised an operating turnaround in 2006, reaping the fruits of a major corporate reorganisation and restructuring. The company wrote over 33,000 new contracts, up significantly from 2005 due to the renewal of two major contracts with institutional customers.

Savarent consolidated its role as captive company operating through the network of Fiat Auto dealerships. Its products are offered primarily to small and medium-sized businesses and individuals. In 2006 the company also wrote over 18,000 new contracts, up 20% from 2005.

If the segment's foreign companies are also counted, a total of 60,100 contracts were written, up 52% from 2005. The Sector's proprietary car fleet totalled over 134,000 units at December 31, 2006, down 7% from 2005 as a result of the policy implemented to focus on a higher profitability of the business.

Effective February 1, 2007, Fiat Auto changed its name to "Fiat Group Automobiles S.p.A."
Concurrently, four new companies were formed, 100% owned by Fiat Group Automobiles S.p.A.: "Fiat Automobiles S.p.A.," "Alfa Romeo Automobiles S.p.A.," "Lancia Automobiles S.p.A.," and "Fiat Light Commercial Vehicles S.p.A.". Their productive activities and personnel will remain part of Fiat Group Automobiles S.p.A.
These changes are consistent with the new corporate culture of the Fiat Group. In particular, they reflect two strategic choices of how it approaches the business: on the one hand, the unity of the Group, and on the other hand, the specific characteristics of the operating sectors and individual brands.

Maserati

Operating Performance

In 2006, Maserati reported a distinct improvement in company results.

In the commercial area, the Quattroporte confirmed its position as the top-selling model made by the Company, with over 3,800 units sold. The new Executive GT and Sport GT versions contributed to this result. It also continued to achieve successes inside and outside Italy, having been honoured on 28 separate occasions since its introduction.

In 2006, in order to improve commercial focus on its principal markets, Maserati affiliates became operational in France, Germany, the United Kingdom, and Switzerland.

In the sports field, Maserati Corse won the FIA GT title in the driver and team categories, and won the Spa 24-hour race for the second year in a row.

In 2006, the market segments covered by the Coupé and Spyder models on Maserati's eight principal markets enjoyed an overall increase in demand of 14.5% and 5.3%, respectively.

In the luxury sedan segment, the market expanded by 28.2%, thanks in part to the introduction of new models.

Maserati delivered 5,734 cars to the dealer network, for a 3% increase from the 5,568 units delivered in 2005. Overall growth stemmed primarily from the significant increases realised with the Spyder and Coupé models, amounting to 27% and 12%, respectively. However, revenues were down slightly (-2.6%), since the previous year had benefited from sales of the special MC12 street version, which was no longer sold in 2006.

In 2006, the United States confirmed its position as the most important market for Maserati. With 2,310 units sold, the Sector maintained the healthy level of volumes reached in 2005. Excellent results were achieved in other countries, particularly in France, with an increase of 20%, in the United Kingdom and Japan, both up 15%. On new markets like China and Russia, Sector deliveries grew respectively by 52% and 18%.

At December 31, 2006, Maserati had orders for 819 units (+3.8% from 2005), including 717 Quattroporte.

Highlights

(in millions of euros)	2006	2005
Net revenues	519	533
Trading profit	(33)	(85)
Operating result (*)	(33)	(85)
Investments in tangible and intangible assets	82	20
- of which capitalised R&D costs	32	9
Total R&D expenses (**)	46	57
Cars delivered (number)	5,734	5,568
Employees at year-end (number)	649	606

(*) Including restructuring costs and unusual income (expenses).
(**) Including R&D capitalised and charged to operations.

Innovation and Products

In 2006, major resources were dedicated to development of new models, which will flank the existing line following their introduction in 2007. The first of these is the new Quattroporte Automatica. Production of this model got underway in November, in view of its introduction at the Detroit Motor Show in January 2007.

The MC Victory version was created for the Gransport line, which was introduced at the Geneva Motor Show in March 2006 and produced in a limited series.

A limited edition of 12 cars derived from a racing model was also developed and put on sale.

In order to support Maserati dealers throughout the United States, an agreement between Maserati and CNH Capital America LLC for the supply of a number of finance solutions designed exclusively for Maserati customers has become operational in November 2006.

Ferrari

Operating Performance

Ferrari closed 2006 by confirming the extraordinary appeal of its products, not only on traditional markets but also on more recently developed ones. While maintaining its intrinsic cachet of exclusivity, in 2006 Ferrari increased end customer deliveries by 4.8% to keep pace with growing demand. Its principal objective was to reduce delivery wait time and meet the demands of those new markets that reported particularly interesting growth trends. This result was achieved with the F430, in both the berlinetta and spider versions, and the new 12 cylinder 599 GTB Fiorano.

In 2006, sales of homologated cars to the dealer network totalled 5,650 units, up 5% from 2005. A total of 188 non-homologated cars were sold in 2006, compared with 18 units in 2005. The United States remained the principal market, with 1,709 units delivered (+8%). A total of 3,045 units (+4.7%) were sold in Europe, including 669 in Italy (+1%).

A total of 5,671 homologated cars were delivered to end customers, compared with 5,409 homologated cars in 2005, for an increase of 4.8%. The United States, Italy, the United Kingdom, and France made major contributions to the positive balance for fiscal 2006. New or developing markets also made a substantial contribution (Middle East +84%, Eastern Europe +30%, and Asia/Pacific +15%), spurring a major increase in volumes without compromising the exclusivity of the brand. A total of 121 cars, +95% from 2005, were sold in China thanks to a completely new commercial network.

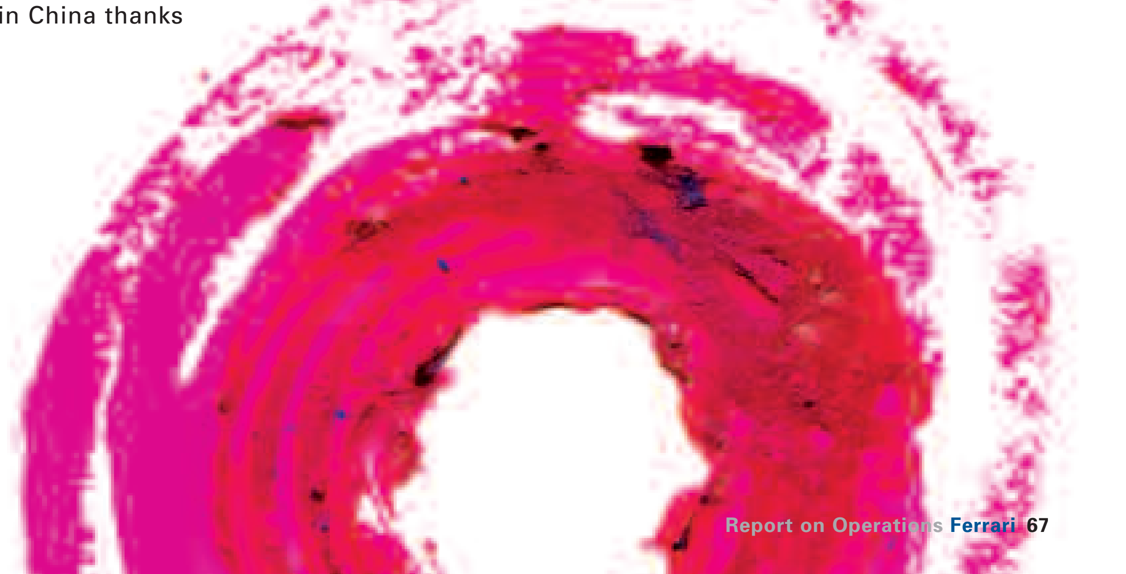
Highlights

(in millions of euros)	2006	2005
Net revenues	1,447	1,289
Trading profit	183	157
Operating result (*)	183	157
Investments in tangible and intangible assets	142	142
- of which capitalised R&D costs	46	46
Total R&D expenses (**)	83	86
Homologated cars delivered to the network (number)	5,650	5,381
Employees at year-end (number)	2,870	2,809

(*) Including restructuring costs and unusual income (expenses).
(**) Including R&D capitalised and charged to operations.

Innovation and Products

The excellent results for 2006 were achieved thanks to the performance of the F430, in both the berlinetta and spider versions. These models are characterised by innovations derived directly from Formula 1, such as the electronic differential and controls placed directly on the steering wheel. The 599 GTB Fiorano also made a major contribution to results. This model combines top performance and comfort without compromise, and offers the most innovative and technologically evolved content applied by Ferrari to a 2-seater forward-centrally positioned engine car. It represents a new milestone in terms of sportiness, driving excitement, and design.



Agricultural and Construction Equipment
CNH-Case New Holland

Operating Performance

In 2006, the worldwide market for **agricultural equipment** reported contrasting trends for the main products and across the various regions. Demand for tractors increased 9% overall as a result of extremely positive performances (+25%) in Rest of the World markets, more modest growth in Western Europe (+3%), Latin America (+1%), and a 3% contraction on the North American market. The combine market continued its negative trend and contracted 7% overall from 2005.

CNH overall deliveries of tractors decreased from 2005, also a result of actions to reduce dealer inventories. In particular, the most significant decline was reported in North America, where volumes were also influenced by market softness. Conversely, deliveries improved sharply in Latin America and were stable in Western Europe. CNH overall market share decreased slightly while, at the single area level, an improvement was reported in Latin America. CNH deliveries of combines to the network declined overall: against the backdrop of an unfavourable market environment, decreases were reported in the Americas and in Western Europe; only Rest of the World countries bucked the trend reporting higher volumes with respect to 2005. CNH overall market share was up thanks to an increased penetration of the North and Latin American markets.

In 2006, the global market for **construction equipment** grew 11% overall from 2005. Demand for loader backhoes increased by 7% thanks to significant increases in Latin America (+37%) and Rest of the World countries (+33%), in part offset by a decline in North America (-13%) and Western Europe (-2%). Worldwide market demand for skid steer loaders was down 6% due to a decline in North America (-13%), against positive performances in other areas: Latin America (+30%), Rest of the World countries (+19%) and Western Europe (+3%). Demand for heavy equipment was up 14%, with increases of 24% in Latin America, 3% in North America, 13% in Western Europe and 23% in Rest of the World countries.

In 2006, CNH benefited from rising demand, increasing deliveries of construction equipment at a rate consistent with or higher than that of the market in the various regions, with the exception of North America, where decreases were reported for all the main product lines. The Sector's global market share was unchanged from 2005, with increases in Latin America for all the main product lines.

Highlights

(in millions of euros)	2006	2005
Net revenues	**10,527**	10,212
Trading profit	**737**	698
Operating result (*)	**592**	611
Investments in tangible and intangible assets	**394**	255
- of which capitalised R&D costs	**79**	40
Total R&D expenses (**)	**289**	234
Employees at year-end (number)	**25,335**	25,420

(*) Including restructuring costs and unusual income (expenses).
(**) Including R&D capitalised and charged to operations.

Innovation and Products

In 2006 CNH made significant progress to renew and upgrade its product line by introducing new models, within the framework of the reorganisation of its operations into four distinct global brand structures, which started at the end of 2005 and became fully operational in 2006.

In the agricultural equipment segment, Case IH launched a number of new four wheel drive products equipped with Tier 3 engines: six new models up to 530 engine HP and four new models of the Magnum series up to 305 engine HP for which The Chicago Athenaeum Museum of Architecture and Design, awarded the company's industrial design firm and two of its engineers the 2006 Good Design Award for the new styling.

The Case IH Axial-Flow 2388 combine and its edible bean kit were the runaway gold medal winners of the Outstanding Category in Brazil's 2006 Gerdau Melhores da Terra contest.

Bolstered by launches of the CR and CSX combines in Europe, New Holland again confirmed its leading position in the combine market.

In the construction equipment segment, Case Construction Equipment launched new Tier 3 wheel loaders and dozers featuring more spacious cabs and improved operating systems boosting productivity and fuel efficiency. The Case Construction Equipment's E Series wheel loaders and 420CT / 440CT compact track loaders were named in Construction Equipment Magazine's "Top Products for 2006".

Aggregates Manager, a North American publication, recognised Case Construction with its "Top Rollout" award for the new E Series wheel loaders and the CX700 excavator.

New Holland Construction launched pilot controls on skid steer loaders and compact track loaders in North America to enhance ease of operation and manoeuvrability. New Holland Construction's new Tier 3 wheel loaders, launched in North America and Europe, offer new cabs with greater top visibility during loading operations. *Construction Equipment Magazine* also included New Holland's E215-ME excavator and its entire backhoe product line in its "Top 100 Products for 2006".

Meanwhile, Case New Holland won strong acclaim from industry observers with its spring announcement to the National Biodiesel Board that it fully approves use of up to B20 blends (20% biodiesel/ 80% petroleum-based diesel) on all agricultural equipment currently produced with CNH engines.

Services

By refocusing efforts on their dealers and customers, CNH has set the stage for continued future improvements. In particular:

- Case IH laid the groundwork to better serve and improve its dealer network, by launching the "Master Mechanic" program to create technically competent field service team. The program's goal is to train and certify 11,000 dealer technical service technicians;
- New Holland took steps to raise service and support levels during the harvesting season, introducing 24/7 parts and service coverage during the season, thereby reducing unit down time;
- In December, New Holland Construction Equipment launched the Dealer Mechanics Council for Service & Quality Optimization. The group's purpose is to establish direct two-way communication with manufacturing to validate and promote quality and reliability.

IVECO

Trucks and Commercial Vehicles
Iveco

Operating Performance

Since January 1, 2006, Iveco powertrain activities have been included in the Fiat Powertrain Technologies Sector. As envisaged in IAS 14 – *Segment Reporting,* the figures for 2005 have consequently been reclassified by excluding the powertrain activities from Iveco and allocating them to FPT.

In 2006, demand for commercial vehicles in Western Europe (GVW ≥ 2.8 tons) totalled 1,132,300 units, up 2.3% from 2005. On the principal markets, demand rose in France (+3.6%) and Germany (+3.2%), while contracting slightly in Italy (-1.9%), Great Britain (-1.1%), and Spain (-0.2%).

The light-vehicle segment (GVW of between 2.8 and 6 tons) grew by 1.8% from 2005. Among the main countries, a market increase was reported in France (+6.4%), while in Great Britain the market remained stable with virtually the same volumes as 2005, and it contracted in Italy (-2.8%), Germany (-0.6%), and Spain (-1.2%).

Demand for medium-vehicles (GVW of between 6.1 and 15.9 tons) was also up (+1.9%) from 2005. This improvement was influenced principally by the German market (+7.4%) and Spanish market (+2.3%). Demand fell on the British (-8.2%), Italian (-3.4%), and French (-2.3%) markets.

Demand for heavy-vehicles (GVW ≥16 tons) rose by 3.7% from the previous year. The greatest increase was reported in Germany (+11.9%); modest growth was reported in Spain (+1.9%) and Italy (+1.5%), while demand fell in France (-3.9%) and Great Britain (-2.7%).

Trucks and Commercial Vehicles Market (GVW ≥ 2.8 tons)

(in thousands of units)	2006	2005	% change
France	**200.7**	193.8	3.6
Germany	**246.0**	238.3	3.2
Great Britain	**194.4**	196.6	-1.1
Italy	**120.2**	122.6	-1.9
Spain	**118.3**	118.4	-0.2
Other Western European Countries	**252.7**	237.6	6.4
Western Europe	**1,132.3**	1,107.3	2.3

Highlights

(in millions of euros)	2006	2005
Net revenues	**9,136**	8,483
Trading profit	**546**	332
Operating result (*)	**565**	212
Investments in tangible and intangible assets (**)	**342**	321
- of which capitalised R&D costs	**88**	115
Total R&D expenses (***)	**174**	211
Employees at year-end (number) (****)	**24,533**	24,323

(*) Including restructuring costs and unusual income (expenses).
(**) Net of vehicles sold with buy-back commitments.
(***) Including R&D capitalised and charged to operations.
(****) Excluding employees of the powertrain activities conveyed in FPT (8,256 at December 31, 2006 and 8,050 at December 31, 2005).

In 2006, the demand for commercial vehicles in Eastern Europe (GVW ≥ 2.8 tons) rose to 114,000 units (+23.7% from 2005). The most significant increase was reported for the heavy-vehicle segment (+36.3% from 2005).

The Western European bus market remained at substantially the same level as in 2005 (34,600 units), due to offsetting between the increases in France (+7.5%) and Germany (+6.9%) and the decreases in Spain (-7.4%), Italy (-3.9%), and Great Britain (-2.6%).

The market share of Iveco in Western Europe (GVW ≥ 2.8 tons) was 10.7% (-0.2 percentage points from 2005). Its share of the light-vehicle segment was 9.1% (-0.2 percentage points). The Daily confirmed its position as the absolute leader in the 3.5 ton segment, with 17% of the market. In the medium-vehicle segment (Eurocargo), Iveco's share, while contracting by 0.9 percentage points, was still 25.4%, confirming the Sector's position as co-leader on the European market. In the heavy-vehicle segment, Iveco's market share was 10.9% (11.1% in 2005).

Trucks and Commercial Vehicles Market (GVW ≥ 2.8 tons)

(in thousands of units)	2006	2005	% change
Heavy	**260.2**	250.8	3.7
Medium	**80.6**	79.1	1.9
Light	**791.5**	777.4	1.8
Western Europe	**1,132.3**	1,107.3	2.3

In Eastern Europe, Iveco's market share (GVW ≥ 2.8 tons) rose to 11.8% in 2006 (+0.1 percentage points). Its market share rose in the medium-vehicle segment, while remaining stable in the light-vehicle segment and contracting slightly in the heavy-vehicle segment.

The market share of Irisbus in Western Europe, 20.6% in 2006, rose 0.3 percentage points from 2005. In particular, its market share rose in France (+2.7 percentage points) and Germany (+1.3 percentage points), while remaining largely stable in Italy and falling in Spain (-1.2 percentage points) and Great Britain (-0.9 percentage points).

In 2006, Iveco delivered a total of 181,500 vehicles, including 17,600 with a buy-back commitment, achieving growth of 5.2% from the previous year. In Western Europe, 135,100 vehicles were delivered, for an increase of 3.2% from 2005. At the individual country level, Germany and Spain reported significant increases (for the light and heavy vehicle segments in Germany and for heavy vehicles in Spain), while Italy and Great Britain, partly due to their soft markets, reported decreases in all segments (the decline in sales was concentrated in the light and heavy vehicle segments).

Sales Performance
Trucks and Commercial Vehicles sold by Country

(in thousands of units)	2006	2005 (*)	% change
- France	**25.9**	25.6	1.1
- Germany	**20.3**	16.8	21.0
- Great Britain	**15.0**	16.6	-9.9
- Italy	**36.0**	37.9	-5.1
- Spain	**20.6**	19.3	7.1
- Other Western European Countries	**17.3**	14.8	17.5
Western Europe	**135.1**	131.0	3.2
Eastern Europe	**19.7**	15.8	25.0
Rest of the World	**26.7**	25.7	3.5
Total units sold	**181.5**	172.5	5.2
Naveco	**20.0**	18.0	11.1
Other associated companies (**)	**5.2**	64.8	n.s.
Grand total	**206.7**	255.3	n.s.

(*) Figures for 2005 present a break-down by country different from the one published in the 2005 Annual Report as a result of an allocation of deliveries modified according to the criterion adopted for 2006.
(**) Units sold by the Indian company Ashok Leyland are no longer included as it was sold in August 2006. The 2005 figure included 59,600 units sold by said company.

Outside Western Europe, sales volumes were up sharply in Eastern Europe, rising in Africa and the Middle East, and virtually stable in Latin America.

Iveco delivered a total of 9,300 buses, marking a 9.4% improvement over 2005.

In China, Naveco, the 50-50 joint venture with the NAC Group (Nanjing Automotive Corporation), sold approximately 20,000 light vehicles (+11% from 2005). In Turkey, the licensee Otoyol sold 5,200 units (in line with 2005 results).
In August 2006, Iveco sold its entire shareholding in Machen-Iveco Holding S.A., which controlled 51% of the Indian company Ashok Leyland Ltd.

Iveco gave significant impetus to its growth strategy in 2006, especially in China.

In September, Iveco signed an agreement with SAIC Motor Corporation Ltd and Chongqing Heavy Vehicle Group Co. Ltd to establish a joint venture in the field of heavy commercial vehicles. On the basis of this agreement, Iveco and SAIC set up a 50-50 joint venture named SAIC Iveco Commercial Vehicle Investment Company Ltd, for the acquisition of a 67% share of the capital of Chongqing Hongyan Automotive Co. Ltd, controlled by the Chongqing Heavy Vehicle Group.

In September, Iveco signed a joint venture agreement with NAC, according to which Naveco will acquire all of the commercial vehicle activities of the Yuejin Motor Company, a subsidiary of NAC. This acquisition falls within the scope of Iveco's strategy to offer a complete range of commercial vehicles in China.

Sales Performance
Trucks and Commercial Vehicles sold by Product Segment

(in thousands of units)	2006	2005	% change
Heavy	**45.2**	42.8	5.6
Medium	**21.8**	21.3	2.3
Light	**100.6**	95.7	5.1
Buses	**9.3**	8.5	9.4
Special purpose vehicles (*)	**4.6**	4.2	9.5
Total units sold	**181.5**	172.5	5.2

(*) Astra, Defence and Fire-fighting vehicles.

In the second quarter of 2006, a letter of intent was signed by Iveco and the Spanish company Santana. It defines the general principles for cooperation on product development and a long-term commercial policy. This involves study of solutions in the field of light-range 4-wheel drive vehicles.

Innovation and Products

2006 was characterised by resurgent activity in the sector of innovative active and passive safety systems. In particular, the "Safety Truck" project (for a concept vehicle focusing on safety) launched a series of integrated technical solutions that, by streamlining the use of sensors and technologies with different origins, enabled a leap in technology quality in this field.

In the field of advanced materials, research projects were undertaken to provide a competitive response to applications in the vehicles sector (cabin, frame, power generation and transmission).

Studies were carried out on the structure of the vehicle, for application of materials that can offer significant benefits (in terms of weight, cost, and passive safety), such as high and ultra-high resistant steel, light alloys for moving parts, and structural components. In regard to the interior and exterior of the cabin, studies and assessments were performed on the use of structural and decorative plastics, multifunctional glass, and acoustically insulated materials.

In the kinematics chain field, studies continued on the use of new lubricants and systems for monitoring their wear and tear.

Innovation also involved prototypes of low-emission light commercial vehicles with diesel and methane internal combustion engines.

Iveco continued restyling of its product range in 2006.

The New Daily Euro 4 was introduced in May 2006, in the van, cabin, and minibus versions, all with Euro 4 compliant engines. Presented with the slogan "Professional DNA", the New Daily is confirming its position as the most solid and reliable vehicle in the segment. It can be equipped with a stability control system, a cutting-edge electrical and electronic system. The vehicle has been a great success. At December 31, 2006, about 50,000 orders had been received throughout Europe.

At the 61st Hanover 2006 Motor Show, Iveco showcased the Stralis, Trakker, Eurocargo, and New Daily vehicles, and presented the Astra ADT30 dumper for extremely heavy quarry activities, the Superdragon x8 airport fire-fighting vehicle, the Iveco Magirus fire appliance ladder, the Citelis urban transport bus, and the New Domino people carrier. It also presented a prototype heavy vehicle comprised by a semi-tractor trailer rig on a Stralis AS base.

At the AUTOTEC Motor Show held in Brno, Czech Republic, Irisbus presented the new Crossway bus, which is available in three lengths and with two different powertrains (Tector and Cursor Euro 4). The new rigid structure of the Crossway enables it to comply fully with the ECE R66 passenger safety regulation.

Services

Iveco Customer Service reported an increase in activities connected with the increase in circulating vehicles and in the number of trips annually by vehicle as well as the success of the customer loyalty program.

The Iveco Customer Centre confirmed its performance in the area of 24-hour assistance, assuring high standards of service for response times to customers. It also consolidated its supply of direct marketing services and upgraded management of customer relations, using the Web as a supplementary channel for contact.

In 2006, the logistical structures for distribution of bus spare parts were integrated with commercial vehicle spare parts, unifying operations and infrastructure in Italy, Spain, and Germany (after France in 2005). The basis was also laid for improving the distribution service in Central and Eastern Europe, by identifying further opportunities for synergy and development with the Iveco Cekia logistic centre.

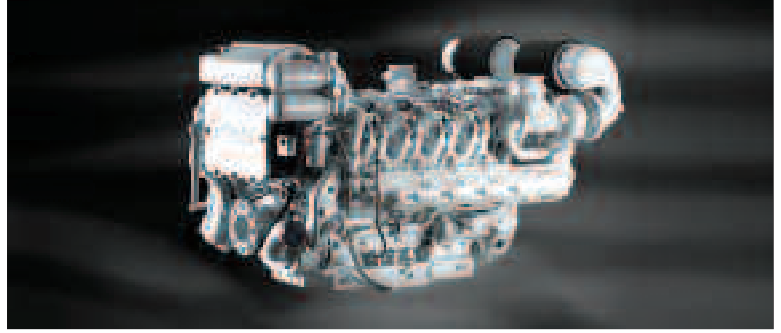
In order to handle increasingly complex repair requirements, due to the increasing use of electronic components on vehicles, Iveco Technical Assistance worked on three key factors in 2006: a) powerful but easy to use diagnostic instruments, b) adequate dealer network skills, c) roadside assistance coverage on international routes for heavy vehicles and increased coverage for light vehicles.

After the 2005 agreement with Barclays Mercantile Business Finance Ltd, the financial services activities for Iveco products in France, Germany, Italy, Switzerland, and the United Kingdom were managed by the associated company Iveco Finance Holdings Limited, in which Iveco holds a 49% interest.

Including the activity of this associated company, the number of vehicles financed rose from 34,700 in 2005 to 35,800 in 2006, with a penetration of 23.4%, largely unchanged from the previous year.

FPT
POWERTRAIN TECHNOLOGIES

Fiat Powertrain Technologies



Operating Performance

Since January 1, 2006, the Fiat Powertrain Technologies Sector (FPT) no longer comprises only the passenger vehicle engine and transmission activities, over which Fiat regained control in May 2005 following termination of the Master Agreement with General Motors, but also the powertrain activities that were included in the Iveco Sector until December 31, 2005.

As envisaged in IAS 14 – *Segment Reporting*, the figures for 2005 have consequently been reclassified, by assigning the former Iveco powertrain activities to Fiat Powertrain Technologies.

Since 2006, Fiat Powertrain Technologies also comprises the powertrain research activities of C.R.F. In addition, within the framework of its technological development projects, FPT coordinates Elasis powertrain activities.

Fiat Powertrain Technologies activities in the passenger vehicle engine and transmission segment are organized into the Passenger & Commercial Vehicles (P&CV) product line. The former Iveco powertrain and axle activities were assigned to the Industrial & Marine (I&M) product line.

Part of the Sector's output was sold to other Fiat Group Sectors, while sales to third parties and joint ventures represented approximately 26% of revenues in 2006. In 2006, the Sector benefited from the rising sales volumes of its principal customers, particularly Fiat Auto, reporting growth of 11% on a comparable basis from the previous year.

The Passenger & Commercial Vehicles product line sold 2,328,000 engines in 2006, approximately 22% of which were diesel engines sold to General Motors and Suzuki, and 1,695,000 transmissions, mainly sold to Fiat Auto.

The Industrial & Marine product line sold 444,000 engines (+1.9% from 2005), mainly to Iveco (44%), CNH (19%), and for 24% to Sevel, the joint venture between Fiat Auto and the PSA Group. Furthermore, 113,000 transmissions (-1.4%) and 262,000 axles (+9.3%) were sold.

Several important agreements reached by the Fiat Group with international partners involved Fiat Powertrain Technologies.

Highlights

(in millions of euros)	2006	2005
Net revenues	**6,145**	4,520
Trading profit	**168**	109
Operating result (*)	**102**	81
Investments in tangible and intangible assets	**254**	296
- of which capitalised R&D costs	**50**	60
Total R&D expenses (**)	**74**	68
Employees at year-end (number) (***)	**18,924**	18,161

(*) Including restructuring costs and unusual income (expenses).
(**) Including R&D capitalised and charged to operations.
(***) Including Iveco employees of the powertrain activities conveyed in FPT: 8,256 at December 31, 2006 and 8,050 at December 31, 2005.

In December 2006, FPT, Iveco and SAIC Motor Corporation signed an agreement to establish a long-term partnership in China in the field of medium and heavy diesel engines. Industrial plans include the manufacturing of three different medium and heavy engine ranges: F5, NEF (4 and 6 cylinder versions), and Cursor 9.

An agreement was initialled towards the end of the year with the Indian Tata Motors Group. It envisages production in India of the small diesel engine (SDE), Fire family gasoline engines, and transmissions.

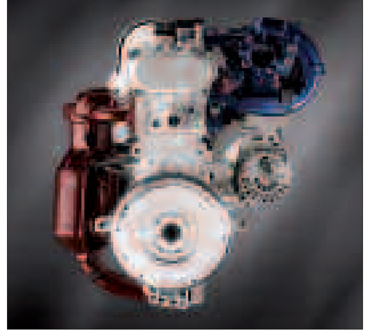
In December 2006, FPT and the Russian company Severstal Auto announced the signing of a Memorandum of Understanding for the establishment of a joint venture in Russia to produce the F1A diesel engine to be installed on the Fiat Ducato and homologated for Severstal Auto's new SUV.

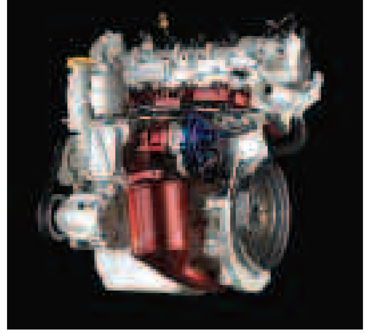
Innovation and Products

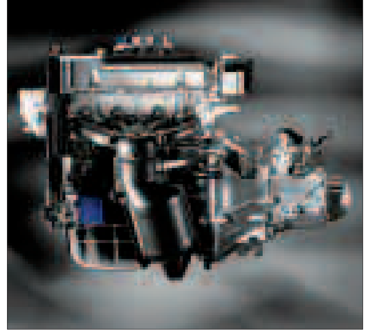
Passenger & Commercial Vehicles

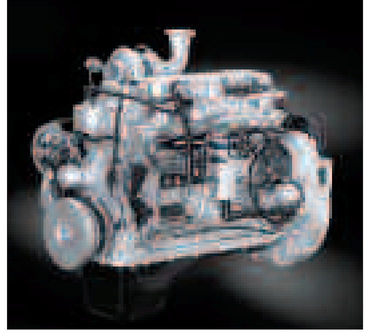
During the year, work continued on developing innovative powertrains for Fiat Auto, to be used on Fiat, Lancia, and Alfa Romeo branded cars.

In the gasoline engine segment, efforts continued to focus on development and initial industrialisation of turbo versions in the Fire family, in the 120hp and 150hp versions for the Fiat Bravo and Fiat Grande Punto models.









In the methane engine segment, activity continued with introduction of the Fire 1.2 CNG (Compressed Natural Gas) engine to be used on the Panda.

In the diesel engine area, the number of versions offered with the diesel particulate filter (DPF) was increased and development on the new 1.6 Diesel continued, with production to start soon.

In the transmission segment, Q2 content was developed for the C530 6M gearbox, to be used on the Alfa Romeo 147 and GT models. This will offer driving and safety performance on two-wheel drive cars that is similar to cars equipped with four-wheel drive.

During the year, production of the transmission made at the Termoli plant and sold to Sevel got underway. This transmission is used not only on the Ducato but also on the commercial vehicles of the Peugeot and Citroën brands.

For the future, work will continue on developing the technological leadership of the common rail engine (latest generation Multijet), relaunching the Fire family and gasoline engines in general, improving quality, and reducing fuel consumption. Development of the new 2.0 Diesel engine, extension of supercharging to other families of gasoline engines, including in tandem with fuel injection, and development of innovative content for transmission systems point in this direction.

Huge resources were allocated in 2006 for the development of cutting-edge powertrains in terms of exhaust emissions. These involve projects aimed at compliance with the Euro 5 and Euro 6 standards. The target date for start of production on Euro 5 powertrains is the second half of 2008, in advance of the deadlines envisaged in applicable EU regulations.

In view of cutting CO_2 emissions, and thus fuel consumption, the CAFE (Corporate Average Fuel Economy) plan agreed on with Fiat Auto continued. This will make it possible to respect the fuel consumption limit self-imposed by European car makers.

Industrial & Marine

The product line's objective is to design and manufacture engines for vehicle applications (on-highway) and industrial and agricultural applications (off-highway).

In 2006, the product line initiated production of all versions of Euro 4 diesel engines for automotive applications and gas versions for urban mass transit.

In the light-range engine segment, FPT- I&M started production on the F1A 2.3 litre 136hp and F1C 3 litre up to 176hp engines that equip the Daily and the Ducato. Versions equipped with the diesel particulate filter were also developed. These reduce emissions of the solid particles typical of diesel engines almost to zero.

The 4 and 6 cylinder Tector engines in the medium-range segment, and the Cursor 6 cylinder 8, 10, and 13 litre range in the heavy engine segment, were made also Euro 5 compliant, in advance of the effective date of the standard, scheduled for 2009.

For off-highway applications, the NEF 4 and 6 cylinder common rail engines that comply with TIER 3 pollution standards were introduced. A new engine is being developed for CNH, that will be used on agricultural and industrial equipment with a power of up to 100hp. For this engine, evolutions in its design are planned so as to bring it in compliance with TIER 4 stage 1 limits, which will come into effect in 2012. Beginning from the second half of 2006, the CURSOR range for agricultural and industrial applications has been expanded to embrace a version that has adopted the common rail injection system for the first time in this range.

Looking to the future, FPT - I&M plans to reinforce its technological leadership in the field of engines for the whole range of truck, agricultural, industrial, and marine applications and complete development of the technologies that will be necessary to meet future legal limits on pollution, while also reducing fuel consumption.

Components – **Magneti Marelli**

Operating Performance

Against the backdrop of a market that expanded 4.3%, Magneti Marelli increased its revenues by 14.2% on a comparable consolidation basis.

The major orders booked for new car models will enable the Sector to further diversify its customer portfolio.

In the first half of 2006, the Sector sold to Fiat Auto S.p.A. and Sata S.p.A the manufacturing and assembly activities of the Suspension Systems earmarked for Fiat models. These activities are carried out at the Cassino, Pomigliano d'Arco, Melfi and Mirafiori plants.

Highlights of the performance of each business unit are outlined below.

Lighting Group

In 2006, revenues totalled 1,402 million euros, up 11.2% from 2005.

In 2006, approximately 80 new production programs were launched which, together with the positive sales performance of current products, enabled Magneti Marelli to achieve significant market shares worldwide for both headlamps (14%) and taillamps (13%).

In terms of innovation, LED headlamps and taillamps are now being developed, together with a new concept in optical lenses for future generations of low-beam headlamps and the world's first design for a headlamp unit using LED technology for all required functions. Reliable manufacturing processes, competitive prices and high quality standards have enabled the business unit to maintain excellent relationships with car makers and attract new orders.

Positive developments in this area included the orders received from Renault Nissan, and the start of commercial dealings with Suzuki: an important launching pad for entry onto the Japanese market.

Highlights

(in millions of euros)	2006	2005
Net revenues	**4,455**	4,033
Trading profit	**190**	162
Operating result (*)	**175**	127
Investments in tangible and intangible assets	**293**	313
- of which capitalised R&D costs	**77**	67
Total R&D expenses (**)	**217**	197
Employees at year-end (number)	**25,195**	24,213

(*) Including restructuring costs and unusual income (expenses).
(**) Including R&D capitalised and charged to operations.

Powertrain (Engine Control)

Revenues for 2006 totalled 882 million euros, an increase of 11.9% from the previous year. As regards the product mix, demand for spark ignition engine systems slowed in favour of their diesel counterparts.

The revenue increase involves all customers of the business line, in particular Fiat Auto and Fiat Powertrain Technologies (for a total of +22%) and customers in the China area. Good sales performance was also achieved by the Tetrafuel system (which enables environmentally-friendly vehicles to run on four fuel types) which combines the ability to meter four types of fuel in a single control unit, supplied to Fiasa in Brazil. A number of major product launches also took place, including that for mechatronic Selespeed systems for PSA and GM-Opel in Europe and for Chery in China.

Orders received during the year included the Selespeed applications and gasoline systems for Chery, the gasoline system for the new Fire engine of Fiat Powertrain Technologies, and Flexfuel systems for Fiasa, Ford and PSA in Brazil.

Cofap Automotive Suspension

In 2006, the business unit had revenues of 1,103 million euros (1,052 million euros in 2005), an increase of 20% from the previous year's figure on a comparable consolidation basis. The increase in volumes is connected to the success of Fiat's new models and the introduction of new products for GM-Opel and PSA.

Work on product development focused on newly launched models such as the Bravo, New Ducato, new Fiat 500 and other models for PSA. In terms of innovation, the business unit worked on projects associated with an evolved version of the Torcs suspension and the program for the electronic SDC Synaptic Damping Control system.

Major orders for shock absorbers were booked in 2006 from Tofas in Turkey, Renault in Romania, Fiat, Volkswagen, General Motors and PSA in Brazil, and General Motors in the United States. In Europe, the unit was awarded an order for the complete suspension system on the new Fiat 500.

Electronic Systems

Total revenues for 2006 amounted to 534 million euros, up 4.1% from 2005.

Fiat and PSA continued to be the Electronic Systems business unit's largest customers, with a significant increase being recorded for Fiat (+28%). As for third parties, there was a sharp increase in sales to the Volkswagen-Audi group (+50% from 2005).

In 2006, new products were introduced around the world, including instrument panels for Fiat, Volkswagen and Audi, antenna modules for Volkswagen and Renault, and a navigation system for PSA.

Orders were received for the new generation of navigation systems for PSA and SAIC, the Fiat radio/navigation system, and instrument panels for Audi and Renault.

Exhaust Systems

In 2006, revenues totalled 533 million euros, a significant increase of 31.9% from the previous year.
This sharp rise in revenues was fuelled by sales to Fiat and Mercedes, where the latter was supplied with exhaust systems featuring a DPF diesel particulate filter. Sales also increased in the Mercosur, thanks to strong demand from local customers.
Major production startups included systems for the Fiat Bravo and New Ducato, and the cold-end exhaust system for Volkswagen.

New orders booked include the DPF system for the 1.3 small diesel engine of Fiat Powertrain Technologies.

Motorsport

Magneti Marelli participates in the major motorsport championships as a technical partner. In 2006, it supplied electronic control systems, fuel system and electromechanical components, and telemetry and data acquisition systems to the leading Formula 1 teams. In addition to Formula 1, Magneti Marelli is also active in other championships. It participates in the World Rally Championship, supplying electronic control systems to various teams, and in the Moto GP championship, where it provided fuel injection and electronic systems to Yamaha, Ducati and Kawasaki. Magneti Marelli also helped bring Maserati to victory in the FIA GT1 championship.

Metallurgical Products – **Teksid**

Operating Performance

In 2006, an unsettled energy market continued to put strong pressure on the metallurgical industry. Against this challenging background, the Sector's diversification in terms of customers, products and geographical destination, as well as ongoing improvements in process efficiency and logistics, made it possible to improve overall performance.

In 2006, a French company (SBFM) active in the Cast Iron business was sold. Excluding the impact of this sale, Teksid revenues would have increased (+3.5%) with respect to the previous year.

Revenues of the **Cast Iron** Business Unit decreased by 5.6% and volumes by 6.5%. The change is connected to the mentioned sale of SBFM. On a comparable basis, revenues would have increased by 7.2% due to both higher volumes (+1.5%) and the favourable effect of exchange rates, the Brazilian real in particular. Brazil was the highest growing area also in terms of revenues.

It is worth noting that in the Cast Iron business, Teksid is also active in China through Hua Dong Teksid Automotive Foundry Co. Ltd, a jointly controlled company accounted for using the equity method. This company recorded a 20.2% increase in volumes from 2005.

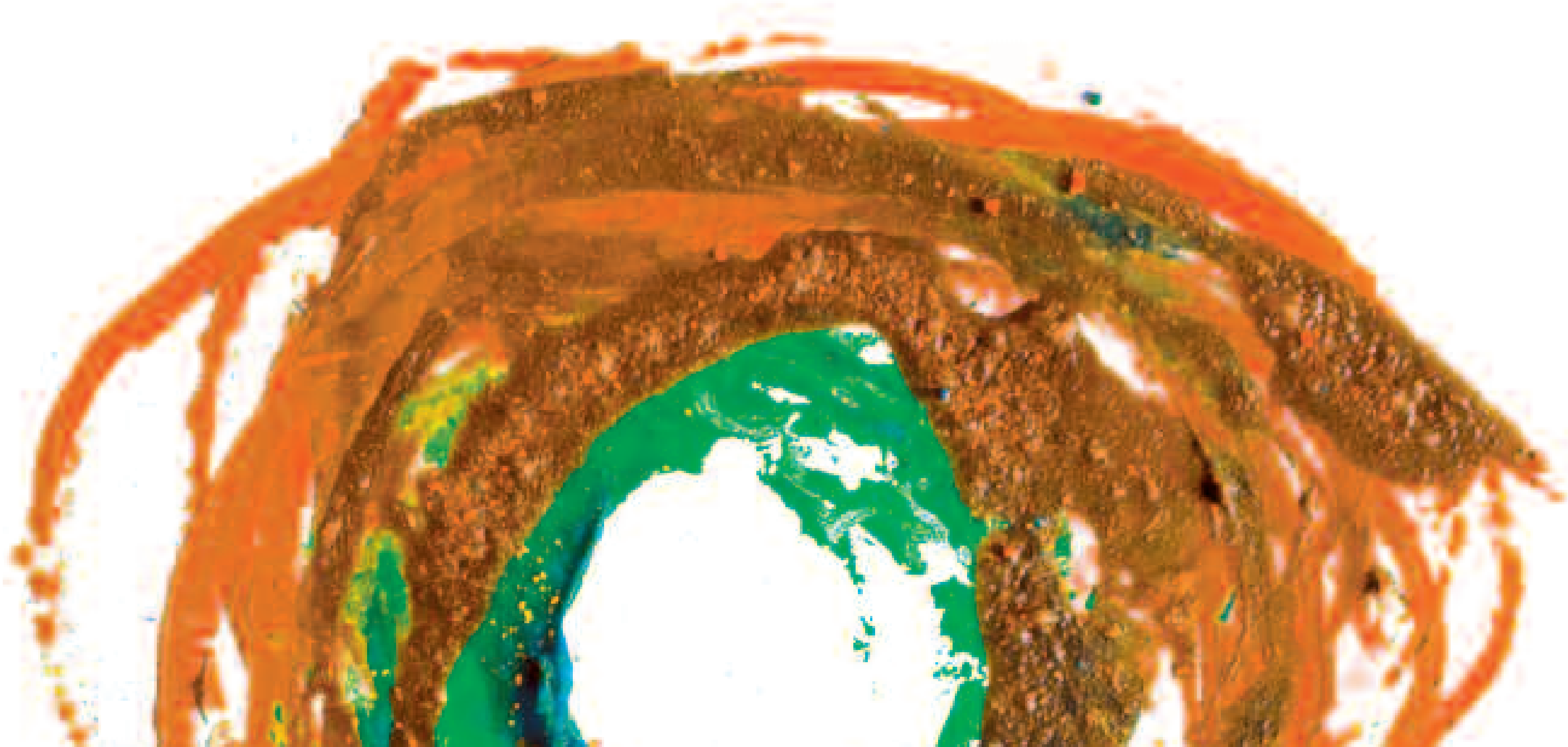
The **Magnesium** Business Unit (where Teksid operates through Meridian Technologies Inc., in which Teksid holds a 51% interest and Norway's Norsk Hydro group the remaining 49%) recorded a reduction in both revenues (-5.2%) and volumes (-6.2%) due to a slowdown in the reference market, in particular the North American market, which nevertheless continued to account for approximately 80% of revenues in 2006.

Highlights

(in millions of euros)	2006	2005
Net revenues	**979**	1,036
Trading profit	**56**	45
Operating result (*)	**26**	27
Investments in tangible and intangible assets	**32**	45
Total R&D expenses (**)	**5**	5
Employees at year-end (number)	**8,342**	8,952

(*) Including restructuring costs and unusual income (expenses).
(**) Including R&D capitalised and charged to operations.

As part of Teksid's strategy to focus on its core business, in December 2006 the Fiat Group and Norsk Hydro reached an agreement for the sale of their interests in Meridian Technologies Inc. to a consortium of investors headed by the Swiss holding company Estatia AG. Completion of the transaction is subject to approval by competent authorities (received in 2007) and closing of the financing to the purchaser by financial institutions.



Production Systems – **Comau**

Operating Performance

In 2006, the Sector's reference market continued to be impacted by uncertainty, shrinking volumes and intense pressure on prices.

Car manufacturers in the Western World generally scaled back their investment programs, but they did not stop introducing new models on the market. They continued to focus on converting existing facilities and rationalising production capacity, while greenfield investments were suspended or postponed.

By contrast, a number of countries in Asia and Eastern Europe have shown an increase in investments, often through joint ventures between Western car manufacturers and local partners.

The unfavourable market conditions negatively impacted Comau revenues, which decreased by approximately 18.6% from 2005 mainly due to a slowdown in activity levels at the European Body-welding operations.

Highlights

(in millions of euros)	2006	2005
Net revenues	**1,280**	1,573
Trading profit	**(66)**	42
Operating result (*)	**(272)**	(8)
Investments in tangible and intangible assets (**)	**56**	38
- of which capitalised R&D costs	**7**	9
Total R&D expenses (***)	**20**	20
Employees at year-end (number)	**12,293**	12,725

(*) Including restructuring costs and unusual income (expenses).
(**) The 2006 figure includes 34 million euros for investments by Comau North America related to sales/leaseback transactions carried out in previous years.
(***) Including R&D capitalised and charged to operations.

To meet the challenge of slow markets, flagging order intake and diminishing revenues, Comau embarked on a restructuring program in the third quarter of 2006, reshaping the scope of its activities and presence in the countries where it operates. The programme will start to show benefits in 2007, while its full effect on profitability will be achieved from 2008 onwards.

With markets shrinking, order intake totalled 1,194 million euros in 2006, down approximately 16% from 2005.

In 2006, new orders for contract work came to 929 million euros, down 23% from 2005. Overall, 54% of the orders for contract work were acquired in Europe, 27% in the Nafta area, while the remaining 19% came from the Mercosur and new markets (5% in China). 32% of all orders came from Fiat Group companies and 68% from other manufacturers. At December 31, 2006 the order backlog totalled 593 million euros, down approximately 15% from 2005.

For Service operations, 2006 saw a significant increase in orders (+11%), reaching a value of 265 million euros (25% of which coming from Fiat Group companies).

Services – **Business Solutions**

Operating Performance

In 2006, the Sector continued its process of transformation launched in the previous years. On the one hand, it continued to sell businesses that are no longer considered priority activities and on the other hand it focused on reassigning services provided to the Fiat customer. At the same time, these activities were conveyed in the subsidiary Fiat Services S.p.A. (formerly Fiat Gesco S.p.A.).

At the **Human Resources** unit, initiatives to boost efficiency continued and a reorganisation process was undertaken to refocus the unit on specialised, institutional and social assistance services to be provided in support of the Group's employees and personnel departments.

The **Administration** unit continued to improve its transactional processes in terms of quality and efficiency, as did the **I.C.T. - Information and Communication Technology** unit, which also finalised the sale of Atlanet.

For the **Facility Management** unit, in December 2006 an agreement was signed with the Pirelli & C. Real Estate group for the sale of the activities performed by Ingest Facility (Italy, Poland and France).

Highlights

(in millions of euros)	2006	2005
Net revenues	**668**	752
Trading profit	**37**	35
Operating result (*)	**28**	7
Investments in tangible and intangible assets	**10**	19
Employees at year-end (number)	**5,057**	5,436

(*) Including restructuring costs and unusual income (expenses).

Finally, in June 2006 the investment in Sestrieres S.p.A., a ski lift and cable car operator, was sold.

Effective January 1, 2007, Services operations, including payroll activities, were transferred to Fiat Services S.p.A., which is organised in three service units: Transactional Processes (Finance and Payroll), ICT Services and Customs Services.

From 2007 onwards, Fiat Services S.p.A. and its subsidiaries outside of Italy will be reported under Holding companies and Other companies, and the Business Solutions Sector will thus no longer be represented.

Publishing and Communications **Itedi**

Operating Performance

In 2006, average daily sales of newspapers in Italy rose by around 2% over the previous year.

The Italian advertising market as a whole grew by 2.4% over 2005, slightly less than 2005's 2.8% despite such major media events as the national elections, Olympic Games and World Cup soccer championships. Performance by the various media was far from uniform. The Internet boom overshadowed the moderate growth in periodicals and newspapers (outperformed once again by the free press) and radio. Television in general showed zero growth (though satellite TV made major advances), while billboards and cinema advertising dropped significantly.

Editrice La Stampa S.p.A. reported an average daily circulation of 310,000 copies in 2006, a 1% drop from the 312,000 copies in 2005. This erosion was largely due to the fact that the joint marketing arrangement with Editoriale Corriere di Romagna was discontinued in September 2006, as well as to lower newsstand sales.
The value of production was 170 million euros, against 169 million euros in 2005. This result is largely attributable to higher advertising revenues and higher revenues from additional items leveraging the paper's brand name, which offset the downturn in revenues from newspaper sales.

Publikompass S.p.A. booked advertising billings of 332 million euros in 2006, compared with 328 million euros in 2005. This slight (+1%) increase was largely due to higher revenues from newspaper advertising, which offset the drop in income from periodicals and audiovisual media, an area where sales of advertising space with Warner Village did not entirely make up for the loss of Rete A.

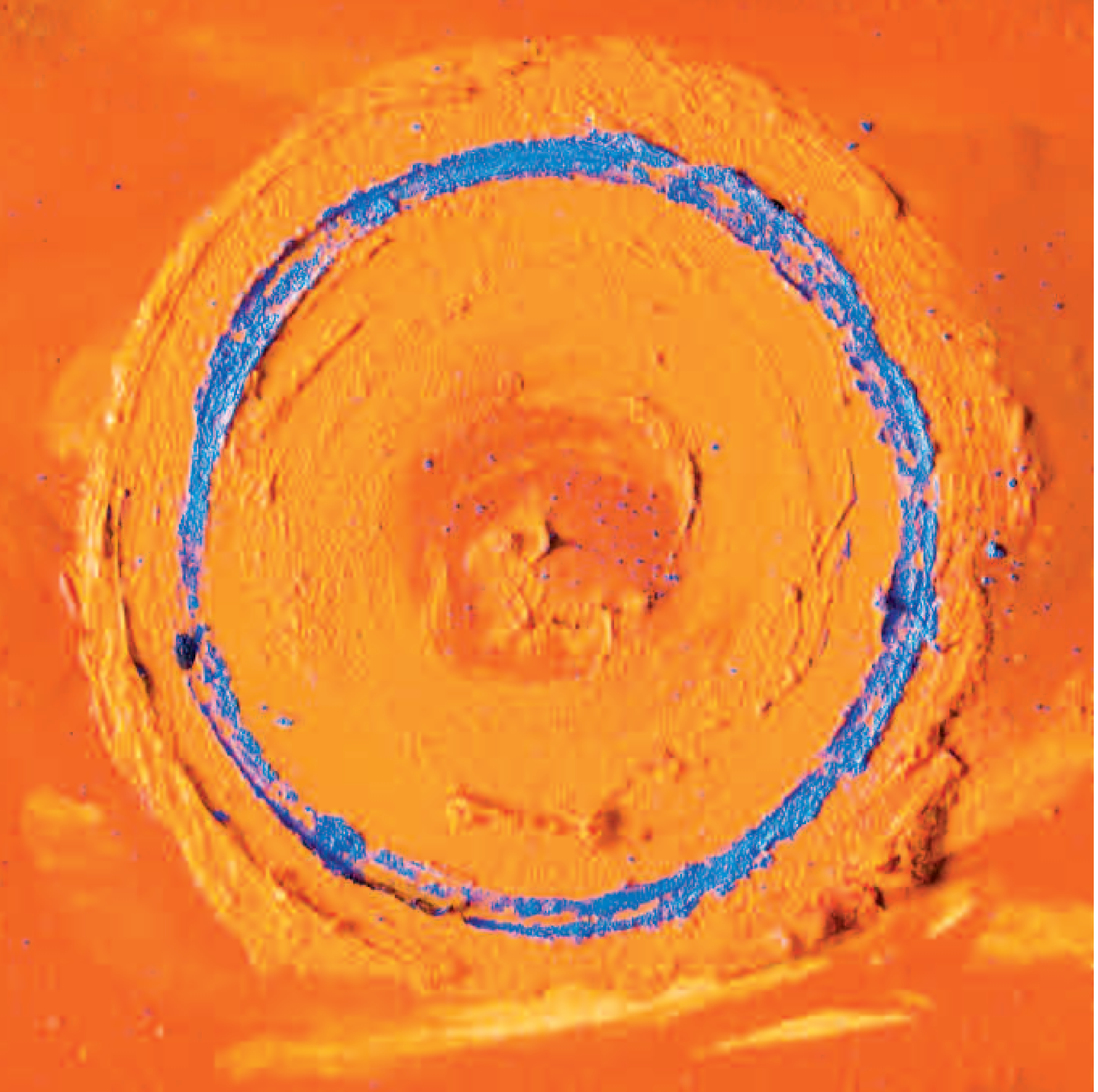
Highlights

(in millions of euros)	2006	2005
Net revenues	**401**	397
Trading profit	**11**	16
Operating result (*)	**12**	13
Investments in tangible and intangible assets	**45**	20
Employees at year-end (number)	**836**	846

(*) Including restructuring costs and unusual income (expenses).

In May 2006, distribution activities for the daily La Stampa were assigned to a company set up for this purpose (To-dis S.r.l.) and active in the distribution of publishing products, in which M-dis S.p.A. holds a 55% interest and Editrice La Stampa a 45% interest.

On November 19, 2006, a new all-colour tabloid format featuring an original graphic layout was introduced for the daily La Stampa. On the same date, the new version of the newspaper's website went on-line, with graphics matching those of the paper and more sections and wider coverage than ever before.



Motion for Approval of the Financial Statements and Allocation of the 2006 Net Income

Stockholders,

We submit for your approval the Financial Statements for the fiscal year ended December 31, 2006, the first prepared in accordance with International Financial Reporting Standards (IFRS), and we propose that the net income for the year of 2,343,374,972 be allocated as follows:

- 553,411,863 euros to fully cover the losses carried forward;
- 89,498,155 euros to the Legal Reserve;
- to Stockholders a dividend of:
  - 0.155 euros per ordinary share (equivalent to approximately 169.3 million euros);
  - 0.31 euros per preference share (equivalent to approximately 32 million euros);
  - 0.93 euros per savings share (equivalent to approximately 74.3 million euros), which include the dividend of 0.31 euros pertaining to 2006, and the two dividends of 0.31 euros each pertaining to 2005 and 2004, when no dividend was paid;
- to Retained earnings the residual amount (equal to approximately 1,424.9 million euros).

The ex-dividend date is May 24, 2007, with detachment of the coupon on May 21, 2007. It will be paid to the shares outstanding at the coupon detachment date, excluding treasury shares.

Turin, February 20, 2007

On behalf of the Board of Directors

Luca Cordero di Montezemolo
Chairman

Fiat Group Consolidated Financial Statements at December 31, 2006

In archery we have something like the way of the superior man. When the archer misses the centre of the target, he turns round and seeks for the cause of his failure in himself. Confucio

Consolidated Income Statement (*)

(in millions of euros)	Note	2006	2005
Net revenues	(1)	**51,832**	46,544
Cost of sales	(2)	**43,888**	39,624
Selling, general and administrative costs	(3)	**4,697**	4,513
Research and development costs	(4)	**1,401**	1,364
Other income (expenses)	(5)	**105**	(43)
Trading profit		**1,951**	1,000
Gains (losses) on the disposal of investments	(6)	**607**	905
Restructuring costs	(7)	**450**	502
Other unusual income (expenses)	(8)	**(47)**	812
Operating result		**2,061**	2,215
Financial income (expenses)	(9)	**(576)**	(843)
Unusual financial income	(9)	**–**	858
Result from investments:	(10)	**156**	34
- Net result of investees accounted for using the equity method		**125**	115
- Other income (expenses) from investments		**31**	(81)
Result before taxes		**1,641**	2,264
Income taxes	(11)	**490**	844
Result from continuing operations		**1,151**	1,420
Result from discontinued operations		**–**	–
Net result		**1,151**	1,420
Attributable to:			
Equity holders of the parent		**1,065**	1,331
Minority interests		**86**	89

(in euros)			
Basic earnings per ordinary and preference share	(12)	**0.789**	1.250
Basic earnings per savings share	(12)	**1.564**	1.250
Diluted earnings per ordinary and preference share	(12)	**0.788**	1.250
Diluted earnings per savings share	(12)	**1.563**	1.250

(*) Pursuant to Consob Resolution No. 15519 of July 27, 2006, the effects of related party transactions on the Consolidated Income Statement are presented in the specific Income Statement schedule provided in the following pages and are further described in Note 35.

Consolidated Balance Sheet (*)

(in millions of euros)	Note	At December 31, 2006	At December 31, 2005
ASSETS			
Intangible assets	(13)	**6,421**	5,943
Property, plant and equipment	(14)	**10,540**	11,006
Investment property	(15)	**19**	26
Investments and other financial assets:	(16)	**2,280**	2,333
- Investments accounted for using the equity method		**1,719**	1,762
- Other investments and financial assets		**561**	571
Leased assets	(17)	**247**	1,254
Defined benefit plan assets	(26)	**11**	–
Deferred tax assets	(11)	**1,860**	2,104
Total Non-current assets		**21,378**	22,666
Inventories	(18)	**8,447**	7,881
Trade receivables	(19)	**4,944**	4,969
Receivables from financing activities	(19)	**11,743**	15,973
Other receivables:	(19)	**2,839**	3,084
- Current tax receivables		**808**	778
- Others		**2,031**	2,306
Accrued income and prepaid expenses	(20)	**247**	272
Current financial assets:		**637**	1,041
- Current investments		**31**	31
- Current securities	(21)	**224**	556
- Other financial assets	(22)	**382**	454
Cash and cash equivalents	(23)	**7,736**	6,417
Total Current assets		**36,593**	39,637
Assets held for sale	(24)	**332**	151
TOTAL ASSETS		**58,303**	62,454
- Total assets adjusted for asset-backed financing transactions		**49,959**	51,725

(*) Pursuant to Consob Resolution No. 15519 of July 27, 2006, the effects of related party transactions on the Consolidated Balance Sheet are presented in the specific Balance Sheet schedule provided in the following pages and are further described in Note 35.

Consolidated Balance Sheet (continued)

(in millions of euros)	Note	At December 31, 2006	At December 31, 2005
LIABILITIES			
Stockholders' equity:	(25)	**10,036**	9,413
- Stockholders' equity of the Group		**9,362**	8,681
- Minority interest		**674**	732
Provisions:		**8,611**	8,698
- Employee benefits	(26)	**3,761**	3,950
- Other provisions	(27)	**4,850**	4,748
Debt:	(28)	**20,188**	25,761
- Asset-backed financing		**8,344**	10,729
- Other debt		**11,844**	15,032
Other financial liabilities	(22)	**105**	189
Trade payables	(29)	**12,603**	11,777
Other payables:	(30)	**5,019**	4,821
- Current tax payables		**311**	388
- Others		**4,708**	4,433
Deferred tax liabilities	(11)	**263**	405
Accrued expenses and deferred income	(31)	**1,169**	1,280
Liabilities held for sale	(24)	**309**	110
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**58,303**	62,454
- Total stockholders' equity and liabilities adjusted for asset-backed financing transactions		**49,959**	51,725

Consolidated Statement of Cash Flows

(in millions of euros)		2006	2005
A) Cash and cash equivalents at beginning of period		**6,417**	5,767
B) Cash flows from (used in) operating activities during the period:			
Net result		**1,151**	1,420
Amortisation and depreciation (net of vehicles sold under buy-back commitments)		**2,969**	2,590
(Gains) losses on disposal of:			
- Tangible and intangible assets (net of vehicles sold under buy-back commitments)		**32**	(109)
- Investments		**(607)**	(905)
Other non-cash items	(a)	**7**	(547)
Dividends received		**69**	47
Change in provisions		**229**	797
Change in deferred income taxes		**(26)**	394
Change in items due to buy-back commitments	(b)	**(18)**	(85)
Change in working capital		**812**	114
Total		**4,618**	3,716
C) Cash flows from (used in) investment activities:			
Investments in:			
- Tangible and intangible assets (net of vehicles sold under buy-back commitments)		**(3,789)**	(3,052)
- Investments in consolidated subsidiaries		**(931)**	(39)
- Other investments		**(686)**	(28)
Proceeds from the sale of:			
- Tangible and intangible assets (net of vehicles sold under buy-back commitments)		**387**	427
- Investments in consolidated subsidiaries		**47**	46
- Other investments		**1,157**	27
Net change in receivables from financing activities		**(876)**	(251)
Change in current securities		**223**	(159)
Other changes	(c)	**3,078**	2,494
Total		**(1,390)**	(535)
D) Cash flows from (used in) financing activities:			
New issuance of bonds		**2,414**	–
Repayment of bonds		**(2,361)**	(1,868)
Issuance of other medium-term borrowings		**1,078**	916
Repayment of other medium-term borrowings		**(2,144)**	(1,175)
Net change in other financial payables and other financial assets/liabilities	(d)	**(717)**	(712)
Proceeds from the increase in capital stock	(d)	**16**	–
Proceeds from the sale of treasury stock		**6**	–
Dividends paid		**(23)**	(29)
Total		**(1,731)**	(2,868)
Translation exchange differences		**(173)**	337
E) Total change in cash and cash equivalents		**1,324**	650
F) Cash and cash equivalents at end of period		**7,741**	6,417
of which: Cash and cash equivalents included as Assets held for sale		**5**	–
G) Cash and cash equivalents at end of period as reported in Consolidated financial statements		**7,736**	6,417

(a) In 2005 this included, amongst other items, the unusual financial income of 858 million euros arising from the extinguishment of the Mandatory Convertible Facility.
(b) The cash flows for the two periods generated by the sale of vehicles with a buy-back commitment, net of the amount already included in the net result, are included in operating activities for the period, in a single item which includes the change in working capital, capital expenditures, depreciation, gains and losses and proceeds from sales at the end of the contract term, relating to assets included in Property, plant and equipment.
(c) The item Other changes includes for an amount of approximately 3 billion euros the reimbursement of loans extended by the Group's centralised cash management to the financial services companies of Fiat Auto transferred to the FAFS joint venture. In 2005, this item included approximately 2 billion euros for the reimbursement of loans extended by the Group's centralised cash management to the financial services companies sold by Iveco, and 500 million euros as part of the effects of the unwinding of the joint venture with General Motors.
(d) In 2005, this item was net of the repayment of the Mandatory Convertible Facility of 3 billion euros and of the debt of approximately 1.8 billion euros connected with the Italenergia Bis operation, as neither of these gave rise to cash flows.

Statement of Changes in Stockholders' Equity

(in millions of euros)	Capital stock	Treasury stock	Capital reserves	Earning reserves	Income (expenses) recognised directly in equity	Minority interest	Total
Balances at January 1, 2005	4,918	(26)	–	(615)	27	624	4,928
Capital increase from extinguishment of Mandatory Convertible Facility	1,459	–	682	–	–	–	**2,141**
Dividends	–	–	–	–	–	(29)	**(29)**
Changes in reserve for share based payments	–	–	–	12	–	–	**12**
Net changes in Income (expenses) recognised directly in equity	–	–	–	–	884	38	**922**
Other changes	–	(2)	–	11	–	10	**19**
Net result	–	–	–	1,331	–	89	**1,420**
Balances at December 31, 2005	6,377	(28)	682	739	911	732	9,413
Capital increase	–	–	–	–	–	16	**16**
Dividends	–	–	–	–	–	(23)	**(23)**
Changes in reserve for share based payments	–	–	–	11	–	–	**11**
Net changes in Income (expenses) recognised directly in equity	–	–	–	–	(385)	(30)	**(415)**
Other changes	–	4	–	(14)	–	(107)	**(117)**
Net result	–	–	–	1,065	–	86	**1,151**
Balances at December 31, 2006	**6,377**	**(24)**	**682**	**1,801**	**526**	**674**	**10,036**

Consolidated Statement of Recognised Income and Expense

(in millions of euros)	2006	2005
Gains (losses) recognised directly in the cash flow hedge reserve	**109**	(16)
Gains (losses) recognised directly in reserve for fair value measurement of available-for-sale financial assets	**46**	61
Exchange gains (losses) on the translation of foreign operations	**(551)**	921
Gains (losses) recognised directly in equity	**(396)**	966
Transfers from cash flow hedge reserve	**(6)**	(44)
Transfers from reserve for fair value measurement of available-for-sale financial assets	**(12)**	–
Transfers from reserve for the translation of foreign operations	**(1)**	–
Net result	**1,151**	1,420
Recognised income (expense)	**736**	2,342
Attributable to:		
Equity holders of the parent	**680**	2,215
Minority interests	**56**	127

Consolidated Income Statement

pursuant to Consob Resolution No. 15519 of July 27, 2006

(in millions of euros)	Note	2006	of which Related parties (Note 35)	2005	of which Related parties (Note 35)
Net revenues	(1)	**51,832**	**2,189**	46,544	1,870
Cost of sales	(2)	**43,888**	**3,051**	39,624	2,201
Selling, general and administrative costs	(3)	**4,697**	**3**	4,513	4
Research and development costs	(4)	**1,401**	**–**	1,364	–
Other income (expenses)	(5)	**105**	**–**	(43)	–
Trading profit		**1,951**		1,000	
Gains (losses) on the disposal of investments	(6)	**607**	**–**	905	–
Restructuring costs	(7)	**450**	**–**	502	–
Other unusual income (expenses)	(8)	**(47)**	**–**	812	–
Operating result		**2,061**		2,215	
Financial income (expenses)	(9)	**(576)**	**–**	(843)	–
Unusual financial income	(9)	**–**	**–**	858	–
Result from investments:	(10)	**156**	**–**	34	–
- Net result of investees accounted for using the equity method		**125**	–	115	–
- Other income (expenses) from investments		**31**	–	(81)	–
Result before taxes		**1,641**		2,264	
Income taxes	(11)	**490**	**–**	844	–
Result from continuing operations		**1,151**		1,420	
Result from discontinued operations		**–**	**–**	–	–
Net result		**1,151**		1,420	
Attributable to:					
Equity holder of the parent		**1,065**		1,331	
Minority interests		**86**		89	

Consolidated Balance Sheet

pursuant to Consob Resolution No. 15519 of July 27, 2006

(in millions of euros)	Note	At December 31, 2006	of which Related parties (Note 35)	At December 31, 2005	of which Related parties (Note 35)
ASSETS					
Intangible assets	(13)	**6,421**	**–**	5,943	–
Property, plant and equipment	(14)	**10,540**	**–**	11,006	–
Investment property	(15)	**19**	**–**	26	–
Investments and other financial assets:	(16)	**2,280**	**58**	2,333	79
- Investments accounted for using the equity method		**1,719**	**–**	1,762	–
- Other investments and financial assets		**561**	**58**	571	79
Leased assets	(17)	**247**	**–**	1,254	–
Defined benefit plan assets	(26)	**11**	**–**	–	–
Deferred tax assets	(11)	**1,860**	**–**	2,104	–
Total Non-current assets		**21,378**		22,666	
Inventories	(18)	**8,447**	**24**	7,881	38
Trade receivables	(19)	**4,944**	**377**	4,969	203
Receivables from financing activities	(19)	**11,743**	**191**	15,973	73
Other receivables	(19)	**2,839**	**145**	3,084	34
Accrued income and prepaid expenses	(20)	**247**	**–**	272	–
Current financial assets:		**637**	**–**	1,041	–
- Current investments		**31**	**–**	31	–
- Current securities	(21)	**224**	**–**	556	–
- Other financial assets	(22)	**382**	**–**	454	–
Cash and cash equivalents	(23)	**7,736**	**–**	6,417	2
Total Current assets		**36,593**		39,637	
Assets held for sale	(24)	**332**	**–**	151	–
TOTAL ASSETS		**58,303**		62,454	
LIABILITIES					
Stockholders' equity:	(25)	**10,036**	**–**	9,413	–
- Stockholders' equity of the Group		**9,362**	**–**	8,681	–
- Minority interest		**674**	**–**	732	–
Provisions:		**8,611**	**–**	8,698	–
- Employee benefits	(26)	**3,761**	**–**	3,950	–
- Other provisions	(27)	**4,850**	**–**	4,748	–
Debt:	(28)	**20,188**	**734**	25,761	365
- Asset-backed financing		**8,344**	**396**	10,729	212
- Other debt		**11,844**	**338**	15,032	153
Other financial liabilities	(22)	**105**	**–**	189	–
Trade payables	(29)	**12,603**	**1,005**	11,777	621
Other payables	(30)	**5,019**	**45**	4,821	41
Deferred tax liabilities	(11)	**263**	**–**	405	–
Accrued expenses and deferred income	(31)	**1,169**	**–**	1,280	–
Liabilities held for sale	(24)	**309**	**–**	110	–
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**58,303**		62,454	

Notes to the Consolidated Financial Statements

Principal activities

Fiat S.p.A. is a corporation organised under the laws of the Republic of Italy. Fiat S.p.A. and its subsidiaries (the "Group") operate in more than 190 countries. The Group is engaged principally in the manufacture and sale of automobiles, agricultural and construction equipment and commercial vehicles. It also manufactures other products and systems, principally automotive-related components, metallurgical products and production systems. In addition, it is involved in certain other sectors, including publishing and communications and service operations, which represent a small portion of its activities. The head office of the Group is located in Turin, Italy.

The consolidated financial statements are presented in euros, the Group's functional currency.

Significant accounting policies

Basis of preparation

The 2006 consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (the "IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union. The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

The Fiat Group adopted IFRS on January 1, 2005 when European Union Regulation No. 1606 of July 19, 2002 came into effect. The information required by IFRS 1 – *First-time Adoption of International Financial Reporting Standards* on the effects of transition to IFRS was included in the Appendix to the Consolidated Financial Statements at December 31, 2005, to which reference should be made.

The financial statements are prepared under the historical cost convention, modified as required for the valuation of certain financial instruments.

Format of the financial statements

The Fiat Group presents an income statement using a classification based on the function of expenses within the Group (otherwise known as the "cost of sales" method), rather than based on their nature, as this is believed to provide information that is more relevant. The format selected is that used for managing the business and for management reporting purposes and is consistent with international practice in the automotive sector.

In an income statement in which the classification of expenses is based on their function, the result from trading operations is reported specifically as part of the Operating result and separate from the income and expense resulting from the non-recurring operations of the business, such as gains and losses on the sale of investments, restructuring costs and any other unusual income or expense that are not considered part of normal trading operations. By doing this, it is believed that the Group's actual performance from normal trading operations may be measured in a better way, while disclosing specific details of unusual income and expenses.

The definition of unusual income and expenses adopted by the Group differs from that provided in the Consob Communication of July 28, 2006, under which unusual and abnormal transactions are those which, because of their significance or importance, the nature of the parties involved, the object of the transaction, the methods of determining the transfer price or the timing of the event (close to the year end), may give rise to doubts regarding the accuracy/completeness of the information in the financial statements, conflicts of interest, the safeguarding of an entity's assets or the protection of minority interests.

For the balance sheet, a mixed format has been selected to present current and non-current assets and liabilities, as permitted by IAS 1. In more detail, both companies carrying out industrial activities and those carrying out financial activities are consolidated in the Group's financial statements, including an entity performing banking activities (disposed of in 2006 as described below). The investment portfolios of financial services companies are included in current assets, as the investments will be realised in their normal operating cycle. Financial services companies, though, obtain funds only partially from the market: the remaining are obtained from Fiat S.p.A. through the Group's treasury companies (included in industrial companies), which lend funds both to industrial Group companies and to financial services companies as the need arises. This financial service structure within the Group means that any attempt to separate current and non-current debt in the consolidated balance sheet cannot be meaningful. Suitable disclosure on the due dates of liabilities is moreover provided in the notes.

The Statement of Cash Flows is presented using the indirect method.

In connection with the requirements of the Consob Resolution No. 15519 of July 27, 2006 as to the format of the financial statements, specific supplementary Income Statement and Balance Sheet formats have been added for related party transactions so as not to compromise an overall reading of the statements.

Basis of consolidation

Subsidiaries

Subsidiaries are enterprises controlled by the Group, as defined in IAS 27 – *Consolidated and Separate Financial Statements*. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The equity and net result attributable to minority stockholders' interests are shown separately in the consolidated balance sheet and income statement, respectively. When losses in a consolidated subsidiary pertaining to the minority exceed the minority interest in the subsidiary's equity, the excess is charged against the Group's interest, unless the minority stockholders have a binding obligation to reimburse the losses and are able to make an additional investment to cover the losses, in which case the excess is recorded as an asset in the consolidated financial statements. If no such obligation exists, should profits be realised in the future, the minority interests' share of those profits is attributed to the Group, up to the amount necessary to recover the losses previously absorbed by the Group.

Subsidiaries that are either dormant or generate a negligible volume of business, are not consolidated. Their impact on the Group's assets, liabilities, financial position and earnings is immaterial.

Jointly controlled entities

Jointly controlled entities are enterprises over whose activities the Group has joint control, as defined in IAS 31 – *Interests in Joint Ventures*. The consolidated financial statements include the Group's share of the earnings of jointly controlled entities using the equity method, from the date that joint control commences until the date that joint control ceases.

Associates

Associates are enterprises over which the Group has significant influence, but no control or joint control, over the financial and operating policies, as defined in IAS 28 – *Investments in Associates*. The consolidated financial statements include the Group's share of the earnings of associates using the equity method, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses of an associate, if any, exceeds the carrying amount of the associate in the Group's balance sheet, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Investments in other companies

Investments in other companies that are available-for-sale financial assets are measured at fair value, when this can be reliably determined. Gains or losses arising from changes in fair value are recognised directly in equity until the assets are sold or are impaired, when the cumulative gains and losses previously recognised in equity are recognised in the income statement of the period.

Investments in other companies for which fair value is not available are stated at cost less any impairment losses.

Dividends received from these investments are included in Other income (expenses) from investments.

Transactions eliminated on consolidation

All significant intragroup balances and transactions and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognised in the income statement.

Consolidation of foreign entities

All assets and liabilities of foreign consolidated companies with a functional currency other than the Euro are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Translation differences resulting from the application of this method are classified as equity until the disposal of the investment. Average rates of exchange are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are recorded in the relevant functional currency of the foreign entity and are translated using the period end exchange rate.

In the context of IFRS First-time Adoption, the cumulative translation difference arising from the consolidation of foreign operations was set at nil, as permitted by IFRS 1; gains or losses on subsequent disposal of any foreign operation only include accumulated translation differences arising after January 1, 2004.

Intangible assets

Goodwill

In the case of acquisitions of businesses, the acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value at the date of acquisition. Any excess of the cost of the business combination over the Group's interest in the fair value of those assets and liabilities is classified as goodwill and recorded in the financial statement as an intangible asset. If this difference is negative (negative goodwill), it is recognised in the income statement at the time of acquisition.

In the absence of a specific Standard or Interpretation on the matter, when the Group acquires a minority interest in controlled companies the excess of the acquisition cost over the carrying value of the assets and liabilities acquired is recognised as goodwill (the "Parent entity extension method").

Goodwill is not amortised, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

On disposal of part or whole of a business which was previously acquired and which gave rise to the recognition of goodwill, the remaining amount of the related goodwill is included in the determination of the gain or loss on disposal.

In the context of IFRS First-time Adoption, the Group elected not to apply IFRS 3 – *Business Combinations* retrospectively to the business combinations that occurred before January 1, 2004; as a consequence, goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous Italian GAAP amounts, subject to impairment testing at that date.

Development costs

Development costs for vehicle project production (cars, trucks, buses, agricultural and construction equipment, related components, engines, and production systems) are recognised as an asset if and only if all of the following conditions are met: the development costs can be measured reliably and the technical feasibility of the product, volumes and pricing support the view that the development expenditure will generate future economic benefits. Capitalised development costs comprise only expenditures that can be attributed directly to the development process.

Capitalised development costs are amortised on a systematic basis from the start of production of the related product over the product's estimated life, as follows:

	N° of years
Cars	**4 - 5**
Trucks and buses	**8**
Agricultural and construction equipment	**5**
Engines	**8 - 10**
Components and Production Systems	**3 - 5**

All other development costs are expensed as incurred.

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives consist principally of acquired trademarks which have no legal, regulatory, contractual, competitive, economic, or other factors that limits their useful lives. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually or more frequently whenever there is an indication that the asset may be impaired.

Other intangible assets
Other purchased and internally-generated intangible assets are recognised as assets in accordance with IAS 38 – *Intangible Assets*, where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably.

Such assets are measured at purchase or manufacturing cost and amortised on a straight-line basis over their estimated useful lives, if these assets have finite useful lives.

Other intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if their fair value can be measured reliably.

Property, plant and equipment

Cost
Property, plant and equipment are stated at acquisition or production cost and are not revalued.

Subsequent expenditures and the cost of replacing parts of an asset are capitalised only if they increase the future economic benefits embodied in that asset. All other expenditures are expensed as incurred. When such replacement costs are capitalised, the carrying amount of the parts that are replaced is recognised in the income statement.

Property, plant and equipment also include vehicles sold with a buy-back commitment, which are recognised according to the method described in the paragraph Revenue recognition if the buy-back agreement originates from the Trucks and Commercial Vehicles Sutor.

Assets held under finance leases, which provide the Group with substantially all the risks and rewards of ownership, are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statement as a debt. The assets are depreciated by the method and at the rates indicated below.

Leases where the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Operating lease expenditures are expensed on a straight-line basis over the lease terms.

Depreciation
Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

	Depreciation rates
Buildings	**2% - 10%**
Plant and machinery	**8% - 30%**
Industrial and commercial equipment	**15% - 25%**
Other assets	**10% - 33%**

Land is not depreciated.

Leased assets
Leased assets include vehicles leased to retail customers by the Group's leasing companies under operating lease agreements. They are stated at cost and depreciated at annual rates of between 15% and 25%.

Investment property
Real estate and buildings held in order to obtain rental income are carried at cost less accumulated depreciation (charged at annual rates of between 2.5% to 5%) and impairment losses.

Impairment of assets
The Group reviews, at least annually, the recoverability of the carrying amount of intangible assets (including capitalised development costs) and tangible assets, in order to determine whether there is any indication that those assets have suffered an impairment loss. If indications of impairment are present, the carrying amount of the asset is reduced to its recoverable amount. An intangible asset with an indefinite useful life is tested for impairment annually or more frequently, whenever there is an indication that the asset may be impaired.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset is the higher of fair value less disposal costs and its value in use. In assessing its value in use, the pre-tax estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised when the recoverable amount is lower than the carrying amount. Where an impairment loss on assets other than goodwill subsequently no longer exists or has decreased the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognised. A reversal of an impairment loss is recognised in the income statement immediately.

Financial instruments

Presentation
Financial instruments held by the Group are presented in the financial statements as described in the following paragraphs.

Investments and other non-current financial assets comprise investments in non-consolidated companies and other non-current financial assets (held-to-maturity securities, non-current loans and receivables and other non-current available-for-sale financial assets).

Current financial assets include trade receivables, receivables from financing activities (retail financing, dealer financing, lease financing and other current loans to third parties), current securities, and other current financial assets (which include derivative financial instruments stated at fair value as assets), as well as cash and cash equivalents.

In particular, Cash and cash equivalents include cash at banks, units in liquidity funds and other money market securities that are readily convertible into cash and are subject to an insignificant risk of changes in value. Current securities include short-term or marketable securities which represent temporary investments of available funds and do not satisfy the requirements for being classified as cash equivalents; current securities include both available-for-sale and held for trading securities.

Financial liabilities refer to debt, which includes asset-backed financing, and other financial liabilities (which include derivative financial instruments stated at fair value as liabilities), trade payables and other payables.

Measurement

Investments in unconsolidated companies classified as non-current financial assets are accounted for as described in the section Basis of consolidation.

Non-current financial assets other than investments, as well as current financial assets and financial liabilities, are accounted for in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*.

Current financial assets and held-to-maturity securities are recognised on the basis of the settlement date and, on initial recognition, are measured at acquisition cost, including transaction costs.

Subsequent to initial recognition, available-for-sale and held for trading financial assets are measured at fair value. When market prices are not available, the fair value of available-for-sale financial assets is measured using appropriate valuation techniques e.g. discounted cash flow analysis based on market information available at the balance sheet date.

Gains and losses on available-for-sale financial assets are recognised directly in equity until the financial asset is disposed or is determined to be impaired, at which time the cumulative gains or losses, including that previously recognised in equity, are included in the income statement for the period. Gains and losses arising from changes in fair value of held for trading financial instruments are included in the income statement for the period.

Loans and receivables which are not held by the Group for trading (originated loans and receivables), held-to-maturity securities and all financial assets for which published price quotations in an active market are not available and whose fair value cannot be determined reliably, are measured, to the extent that they have a fixed term, at amortised cost, using the effective interest method. When the financial assets do not have a fixed term, they are measured at acquisition cost. Receivables with maturities of over one year which bear no interest or an interest rate significantly lower than market rates are discounted using market rates.

Assessments are made regularly as to whether there is any objective evidence that a financial asset or group of assets may be impaired. If any such evidence exists, an impairment loss is included in the income statement for the period.

Except for derivative instruments, financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities hedged by derivative instruments are measured in accordance with hedge accounting principles applicable to fair value hedges: gains and losses arising from remeasurement at fair value, due to changes in relevant hedged risk, are recognised in the income statement and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument.

Derivative financial instruments

Derivative financial instruments are only used for hedging purposes, in order to reduce currency, interest rate and market price risks. In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which the hedge is designated.

All derivative financial instruments are measured in accordance with IAS 39 at fair value.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- **Fair value hedge** – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognised asset or liability that is attributable to a particular risk and could affect the income statement, the gain or loss from remeasuring the hedging instrument at fair value is recognised in the income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in the income statement.

- **Cash flow hedge** – Where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognised asset or liability or a highly probable forecasted transaction and could affect income statement, the effective portion of any gain or loss on the derivative financial instrument is recognised directly in equity. The cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the economic effect arising from the hedged item affects income. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognised in the income statement immediately. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realised to the point of termination remains in stockholders' equity and is recognised in the income statement at the same time as the related transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss held in stockholders' equity is recognised in the income statement immediately.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognised immediately in the income statement.

Sales of receivables

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

A securitisation transaction entails the sale of a portfolio of receivables to a securitisation vehicle. This special purpose entity finances the purchase of the receivables by issuing asset-backed securities (i.e. securities whose repayment and interest flow depend upon the cash flow generated by the portfolio). Asset-backed securities are divided into classes according to their degree of seniority and rating: the most senior classes are placed with investors on the market; the junior class, whose repayment is subordinated to the senior classes, is normally subscribed for by the seller. The residual interest in the receivables retained by the seller is therefore limited to the junior securities it has subscribed for. In accordance with SIC-12 – *Consolidation – Special Purpose Entities* (SPE), all securitisation vehicles are included in the scope of consolidation, because the subscription of the junior asset-backed securities by the seller entails its control in substance over the SPE.

Furthermore, factoring transactions may be with or without recourse to the seller; certain factoring agreements without recourse include deferred purchase price clauses (i.e. the payment of a minority portion of the purchase price is conditional upon the full collection of the receivables), require a first loss guarantee of the seller up to a limited amount or imply a continuing significant exposure to the receivables cash flow. These kinds of transactions do not meet IAS 39 requirements for assets derecognition, since the risks and rewards have not been substantially transferred.

Consequently, all receivables sold through both securitisation and factoring transactions which do not meet IAS 39 derecognition requirements are recognised as such in the Group financial statements even though they have been legally sold; a corresponding financial liability is recorded in the consolidated balance sheet as "Asset-backed financing". Gains and losses relating to the sale of such assets are not recognised until the assets are removed from the Group balance sheet.

Inventory

Inventories of raw materials, semi finished products and finished goods are stated at the lower of cost and net realisable value, cost being determined on a first in-first-out (FIFO) basis. The measurement of inventories includes the direct costs of materials, labour and indirect costs (variable and fixed). Provision is made for obsolete and slow-moving raw materials, finished goods, spare parts and other supplies based on their expected future use and realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs for sale and distribution.

The measurement of work in progress is based on the stage of completion. These items are presented net of progress billings received from customers. Any losses on such contracts are fully recorded in the income statement when they become known.

Assets held for sale

Assets held for sale include non-current assets (or assets included in disposal groups) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less disposal costs.

Employee benefits

Pension plans

Employees of the Group participate in several defined benefit and/or defined contribution pension plans in accordance with local conditions and practices in the countries in which the Group operates. Defined benefit pension plans are based on the employees' years of service and the remuneration earned by the employee during a pre-determined period.

The Group's obligation to fund defined benefit pension plans and the annual cost recognised in the income statement is determined on an actuarial basis using the projected unit credit method. The portion of net cumulative actuarial gains and losses which exceeds the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets at the end of the previous year is amortised over the average remaining service lives of the employees (the "corridor approach"). In the context of IFRS First-time Adoption, the Group elected to recognise all cumulative actuarial gains and losses that existed at January 1, 2004, even though it has decided to use the corridor approach for subsequent actuarial gains and losses. Past service costs are recognised on a straight-line basis over the average period remaining until the benefits become vested. The expense related to the reversal of discounting pension obligations for defined benefit plans are reported separately as part of the Group's financial expense. All other costs relating to allocations to pension provisions are allocated to costs by function in the income statement.

The post-employment benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses, arising from the application of the corridor method and unrecognised past service cost, reduced by the fair value of plan assets. Any net asset resulting from this calculation is recognised at the lower of its amount and the total of any cumulative unrecognised net actuarial losses and past service cost, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Payments to defined contribution plans are recognised as an expense in the income statement as incurred.

Post-employment plans other than pensions

The Group provides certain post-employment defined benefit schemes, mainly healthcare plans. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension plans.

The reserve for employee severance indemnities of Italian companies ("TFR") is considered a defined benefit plan and is accounted for accordingly.

Equity compensation plans

The Group provides additional benefits to certain members of senior management and employees through equity compensation plans (stock option plans). In accordance with IFRS 2 – *Share-based Payment*, these plans represent a component of recipient remuneration. The compensation expense, corresponding to the fair value of the options at the grant date, is recognised in the income statement on a straight-line basis over the period from the grant date to the vesting date, with the offsetting credit recognised directly in equity. Any subsequent changes to fair value do not have any effect on the initial measurement. In accordance with the transitional provisions of IFRS 2, the Group applied the Standard to all stock options granted after November 7, 2002 and not yet vested at January 1, 2005, the effective date of the Standard. Detailed information is provided in respect of all stock options granted on or prior to November 7, 2002.

Provisions

The Group records provisions when it has an obligation, legal or constructive, to a third party, when it is probable that an outflow of Group resources will be required to satisfy the obligation and when a reliable estimate of the amount can be made.

Changes in estimates are reflected in the income statement in the period in which the change occurs.

Treasury shares

Treasury shares are presented as a deduction from equity. The original cost of treasury shares and the proceeds of any subsequent sale are presented as movements in equity.

Revenue recognition

Revenue is recognised if it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably. Revenues are stated net of discounts, allowances, settlement discounts and rebates, as well as costs for sales incentive programs, determined on the basis of historical costs, country by country, and charged against profit for the period in which the corresponding sales are recognised. The Group's incentive programs include the granting of retail financing at significant discount to market interest rates. The corresponding cost is recognised at the time of the initial sale.

Revenues from the sale of products are recognised when the risks and rewards of ownership of the goods are transferred to the customer, the sales price is agreed or determinable and receipt of payment can be assumed: this corresponds generally to the date when the vehicles are made available to non-group dealers, or the delivery date in the case of direct sales. New vehicle sales with a buy-back commitment are not recognised at the time of delivery but are accounted for as operating leases when it is probable that the vehicle will be bought back. More specifically, vehicles sold with a buy-back commitment are accounted for as assets in Inventory if the sale originates from the Fiat Auto business (agreements with normally a short-term buy-back commitment); and are accounted for in Property, plant and equipment, if the sale originates from the Commercial Vehicles business (agreements with normally a long-term buy-back commitment). The difference between the carrying value (corresponding to the manufacturing cost) and the estimated resale value (net of refurbishing costs) at the end of the buy-back period, is depreciated on a straight-line basis over the same period. The initial sale price received is recognised as an advance payment (liability). The difference between the initial sale price and the buy-back price is recognised as rental revenue on a straight-line basis over the term of the operating lease.

Revenues from services and from construction contracts are recognised by reference to the stage of completion (the percentage of completion method).

Revenues also include lease rentals and interest income from financial services companies.

Cost of sales

Cost of sales comprises the cost of manufacturing products and the acquisition cost of purchased merchandise which has been sold. It includes all directly attributable material and production costs and all production overheads. These include the depreciation of property, plant and equipment and the amortisation of intangible assets relating to production and write-downs of inventories. Cost of sales also includes freight and insurance costs relating to deliveries to dealer agency fee in the case of direct sales.

Cost of sales also includes provisions made to cover the estimated cost of product warranties at the time of sale to dealer networks or to the end customer. Revenues from the sale of extended warranties and maintenance contracts are recognised over the period during which the service is provided.

Expenses which are directly attributable to the financial services businesses, including the interest expense related to the financing of financial services businesses as a whole and charges for risk provisions and write-downs, are reported in cost of sales.

Research and development costs

This item includes research costs, development costs not eligible for capitalisation and the amortisation of development costs recognised as assets in accordance with IAS 38 (see Notes 4 and 13).

Government grants

Government grants are recognised in the financial statements when there is reasonable assurance that the Group company concerned will comply with the conditions for receiving such grants and that the grants themselves will be received. Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate.

Taxes

Income taxes include all taxes based upon the taxable profits of the Group. Taxes on income are recognised in the income statement except to the extent that they relate to items directly charged or credited to equity, in which case the related income tax effect is recognised in equity. Provisions for income taxes that could arise on the distribution of a subsidiary's undistributed profits are only made where there is a current intention to distribute such profits. Other taxes not based on income, such as property taxes and capital taxes, are included in operating expenses. Deferred taxes are provided using the full liability method. They are calculated on all temporary differences between the tax base of an asset or liability and the carrying values in the consolidated financial statements, except for those arising from non tax-deductible goodwill and for those related to investments in subsidiaries where their reversal will not take place in the foreseeable future. Deferred tax assets relating to the carry-forward of unused tax losses and tax credits, as well as those arising from temporary differences, are recognised to the extent that it is probable that future profits will be available against which they can be utilised. Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and where there is a legally enforceable right of offset. Deferred tax assets and liabilities are measured at the substantively enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to taxable income in the periods in which temporary differences will be reversed.

Dividends

Dividends payable are reported as a movement in equity in the period in which they are approved by stockholders.

Earnings per share

Basic earnings per share are calculated by dividing the Group's net profit attributable to the various classes of shares by the weighted average number of shares outstanding during the year. For diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming conversion of all dilutive potential shares. Group net result is also adjusted to reflect the net after-tax impact of conversion.

Use of estimates

The preparation of financial statements and related disclosures that conform to IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically and the effects of any changes are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and the key assumptions concerning the future, that management has made in the process of applying the Group accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for doubtful accounts

The allowance for doubtful accounts reflects management estimate of losses inherent in wholesale and retail credit portfolio. The Group reserves for the expected credit losses based on past experience with similar receivables, current and historical past due amounts, dealer termination rates, write-offs and collections, the careful monitoring of portfolio credit quality and current and projected economic and market conditions.

Recoverability of non-current assets (including goodwill)

Non-current assets include property, plant and equipment, investment property, intangible assets (including goodwill), investments and other financial assets. Management reviews the carrying value of non-current assets held and used and that of assets to be disposed of when events and circumstances warrant such a review. Management performs this review using estimates of future cash flows from the use or disposal of the asset and suitable discount rate in order to calculate present value. If the carrying amount of a non-current asset is considered impaired, the Group records an impairment charge for the amount by which the carrying amount of the asset exceeds its estimated recoverable amount from use or disposal determined by reference to its most recent corporate plans.

Residual values of assets leased out under operating lease arrangements or sold with a buy-back commitment

The Group reports assets rented or leased to customers under operating leases as tangible assets. Furthermore, new vehicle "sales" with a buy-back commitment are not recognised as sales at the time of delivery but are accounted for as operating leases if it is probable that the vehicle will be bought back. The Group recognises income from such operating leases over the term of the lease. Depreciation expense for assets subject to operating leases is recognised on a straight-line basis over the term of the lease in amounts necessary to reduce the cost of the assets to its estimated residual value at the end of the lease term. The estimated residual value of the leased assets is calculated at the lease inception date on the basis of published industry information and historical experience.

Realisation of the residual values is dependent on the Group's future ability to market the assets under the then-prevailing market conditions. The Group continually evaluates whether events and circumstances have occurred which impact the estimated residual values of the assets on operating leases.

Sales allowance

At the later time of sale or the time an incentive is announced to dealers, the Fiat Group records the estimated impact of sales allowances in the form of dealer and customer incentives as a reduction of revenue. There may be numerous types of incentives available at any particular time. The determination of sales allowances requires management estimates based on different factors.

Product warranties

The Group makes provisions for estimated expenses related to product warranties at the time products are sold. Management establishes these estimates based on historical information on the nature, frequency and average cost of warranty claims. The Group seeks to improve vehicle quality and minimise warranty claims, but it has also extended contractual warranty periods for certain classes of vehicles.

Pension and other post-retirement benefits

Group companies sponsor pension and other post-retirement benefits in various countries. In the US, the United Kingdom, Germany and Italy, the Group has major defined benefit plans. Management uses several statistical and judgmental factors that attempt to anticipate future events in calculating the expense, the liability and the assets related to these plans. These factors include assumptions about the discount rate, expected return on plan assets, rate of future compensation increases and health care cost trend rates. In addition, the Group's actuarial consultants also use subjective factors such as withdrawal and mortality rates in making relevant estimates.

Realisation of deferred tax assets arising from tax loss carryforwards

As of December 31, 2006, the Group had gross deferred tax assets arising from tax loss carryforwards of 5,701 million euros and valuation allowances against these assets of 4,551 million euros. The corresponding totals at December 31, 2005 were 5,011 million euros and 4,046 million euros, respectively. Management has recorded these valuation allowances to reduce deferred tax assets to the amount that it believes it is probable will be recovered.

Contingent liabilities

The Group is the subject of legal proceedings and tax issues covering a range of matters, which are pending in various jurisdictions. Due to the uncertainty inherent in such matters, it is difficult to predict the final outcome of such matters. The cases and claims against the Group often raise difficult and complex factual and legal issues, which are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business management consults with legal counsel and certain other experts on matter related to litigation and taxes. The Group accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

Accounting principles adopted from January 1, 2006

In December 2004 IFRIC released the interpretation IFRIC 4 – *Determining whether an arrangement contains a Lease* in order to give guidance on determining whether arrangements that do not take the legal form of a lease should be accounted for in accordance with IAS 17 – *Leases*. In particular, the interpretation specifies that an arrangement contains a lease if it depends on the use of a specific asset and conveys a right to control the use of that asset. The Group adopted this interpretation as of January 1, 2006; no significant effects arose from the adoption of this interpretation.

In April 2005, the IASB issued an amendment to IAS 39 – *Financial Instruments: Recognition and Measurement* to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge in consolidated financial statements – provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk will affect consolidated financial statements. The amendment also specifies that if the hedge of a forecast intragroup transaction qualifies for hedge accounting, any gain or loss that is recognised directly in equity in accordance with the hedge accounting rules in IAS 39 must be reclassified into profit or loss in the same period or periods during which the foreign currency risk of the hedged transaction affects consolidated income statement.

In June 2005, the IASB issued an amendment to IAS 39 – *Financial Instruments: Recognition and Measurement* to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through profit and loss (the fair value option). The revisions limit the use of the option to those financial instruments that meet certain conditions. Those conditions are that:

- the fair value option designation eliminates or significantly reduces an accounting mismatch;
- a group of financial assets, financial liabilities, or both are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy; and
- an instrument contains an embedded derivative that meets particular conditions.

The Group adopted these amendments to IAS 39 as of January 1, 2006. This adoption had no material impact on the Stockholders' equity and net result for the period.

In August 2005, the IASB issued amended requirements for financial guarantee contracts, in the form of limited amendments to IAS 39 and IFRS 4. The amendments require that issuers of financial guarantee contracts include the resulting liabilities in their balance sheet, measured as follows:

- initially at fair value;
- subsequently at the higher of (i) the best estimate of the expenditure required to settle the present obligation at the balance sheet date in accordance with IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18 - *Revenue*.

In limited cases the Fiat Group provides guarantees to third parties, mostly on behalf of associates and joint ventures in which the Group participates, receiving in exchange a commission for this service. No significant effects arose on applying the amendment.

In August 2005, the IASB issued IFRS 7 – *Financial Instruments: Disclosures* and a complementary amendment to IAS 1 – *Presentation of Financial Statements – Capital Disclosures*. IFRS 7 requires disclosures about the significance of financial instruments for an entity's financial position and performance. These disclosures incorporate many of the requirements previously in IAS 32 – *Financial Instruments: Disclosure and Presentation*. IFRS 7 also requires information about the extent to which the entity is exposed to risks arising from financial instruments, and a description of management's objectives, policies and processes for managing those risks. The amendment to IAS 1 introduces requirements for disclosures about an entity's capital.

IFRS 7 and the amendment to IAS 1 are effective for annual periods beginning on or after January 1, 2007. The Fiat Group early adopted IFRS 7 for the annual period beginning January 1, 2005.

On November 2, 2006, the IFRIC issued an interpretation, the IFRIC 11 – IFRS 2 – *Group and Treasury Share Transactions*. This interpretation establishes that share based payment arrangements in which an entity receives services as consideration for its own equity instruments must be accounted for as equity-settled. IFRIC Interpretation 11 is effective as of January 1, 2008. The Group early adopted this interpretation as of January 1, 2006 and no significant effects arose from this.

New accounting principles

On March 3, 2006, the IFRIC issued interpretation IFRIC 9 – *Reassessment of Embedded Derivatives*, which requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. This interpretation will become effective for the Group on January 1, 2007 No significant impact is expected to arise on its adoption.

On November 30, 2006, the IASB issued the IFRS 8 – *Operating Segments* that will become effective for the Group on *January 1, 2009* and which will replace IAS 14 – *Segment Reporting* from that date. The new standard requires the information provided in segment reporting to be based upon the components of the entity that management uses to make decisions about operational matters. The standard requires these operating segments to be identified on the basis of internal reports that are regularly reviewed by an entity's management in order to allocate resources to the segment and assess its performance. The Group is currently assessing any impact that the adoption of this new standard may have on the financial statements.

The following standards and interpretations have also been issued in 2006 but are not applicable to the Fiat Group:

- IFRIC 8 – *Scope of IFRS 2* (effective from January 1, 2007);
- IFRIC 12 – *Service Concession Arrangements* (effective from January 1, 2008).

Risk management

Credit risk

The Group's credit concentration risk differs in relation to the activities carried out by the individual sectors and various sales markets in which the Group operates; in all cases, however, the risk is mitigated by the large number of counterparties and customers. Considered from a global point of view, however, there is a concentration of credit risk in trade receivables and receivables from financing activities, in particular dealer financing and finance leases in the European

Union market for the Fiat Auto and Commercial Vehicles Sectors, and in North America for the Agricultural and Construction Equipment Sector.

Financial assets are recognised in the balance sheet net of write-downs for the risk that counterparties will be unable to fulfil their contractual obligations, determined on the basis of the available information as to the creditworthiness of the customer and historical data.

Liquidity risk

The Group is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.

The cash flows, funding requirements and liquidity of Group companies are monitored on a centralised basis, under the control of the Group Treasury. The aim of this centralised system is to optimise the efficiency and effectiveness of the management of the Group's capital resources

In order to minimise the cost of financing and to ensure that funding is obtainable, Group Treasury has the committed credit facilities described in Note 28.

Interest rate risk and currency risk

As a multinational group that has operations throughout the world, the Group is exposed to market risks from fluctuations in foreign currency exchange and interest rates.

The exposure to foreign currency risk arises both in connection with the geographical distribution of the Group's industrial activities compared to the markets in which it sell products, and in relation to the use of external borrowing denominated in foreign currencies.

The Group utilises external borrowing and the sale of financial receivables as asset-backed securities through securitisations to fund its industrial and financial activities. Changes in interest rates could have the effect of either increasing or decreasing the Group's net result.

The Group regularly assesses its exposure to interest rate and foreign currency risk through the use of derivative financial instruments in accordance with its established risk management policies.

The Group's policy permits derivatives to be used only for managing the exposure to fluctuation in exchange and interest rates connected to monetary flows and assets and liabilities, and not for speculative purposes.

The Group utilises derivative financial instruments designated as fair value hedges, mainly to hedge:

- the exchange rate risk on financial instruments denominated in foreign currency;
- the interest rate risk on fixed rate loans and borrowings.

The instruments used for these hedges are mainly currency swaps, forward contracts, interest rate swaps and combined interest rate and currency financial instruments.

The Group uses derivative financial instruments as cash flow hedges for the purpose of pre-determining:

- the exchange rate at which forecasted transactions denominated in foreign currencies will be accounted for;
- the interest paid on borrowings, both to match the fixed interest received on loans (customer financing activity), and to achieve a pre-defined mix of floating versus fixed rate funding structured loans.

The exchange rate exposure on forecasted commercial flows is hedged by currency swaps, forward contracts and currency options. Interest rate exposures are usually hedged by interest rate swaps and, in limited cases, by forward rate agreements.

Counterparties to these agreements are major international financial institutions with high credit ratings.

Information on the fair value of derivative financial instruments held at the balance sheet date is provided in Note 22.

Additional qualitative information on the financial risks to which the Group is exposed is provided in Note 34.

Scope of consolidation

The consolidated financial statements of the Group as of December 31, 2006 include Fiat S.p.A. and 419 consolidated subsidiaries in which Fiat S.p.A., directly or indirectly, has a majority of the voting rights, over which it exercises control, or from which it is able to derive benefit by virtue of its power to govern corporate financial and operating policies.

The total number of consolidated subsidiaries at December 31, 2006 decreased by 38 compared with that at December 31, 2005.

Excluded from consolidation are 81 subsidiaries that are either dormant or generate a negligible volume of business: their proportion of the Group's assets, liabilities, financial position and earnings is immaterial. In particular, 44 such subsidiaries are accounted for using the cost method; and represent 0.1 percent of Group revenues, 0.0 percent of stockholders' equity and 0.1 percent of total assets.

Interests in jointly controlled entities (64 companies, including 37 entities of Fiat Auto Financial Services group) are accounted for using the equity method, except for one investment accounted for using proportionate consolidation, although the amounts involved in this case are not significant. The combined balances of the Group's share in the principal balance sheet items of joint ventures accounted for using the equity method are as follows:

(in millions of euros)	At December 31, 2006	At December 31, 2005
Non-current assets	**1,992**	1,064
Current assets	**8,777**	1,413
Total assets	**10,769**	2,477
Debt	**7,781**	710
Other liabilities	**1,687**	1,062

There is a significant increase in these balances at December 31, 2006 due to the inclusion at that date of the balances of the Fiat Auto Financial Services group (the "FAFS" group), a joint venture created at the end of 2006 with Sofinco (belonging to the Crédit Agricole group), as described further in the notes.

This operation led to the derecognition of the assets and liabilities held by entities previously controlled by the Fiat Group and transferred to the joint venture as of December 28, 2006. In particular, Non-current assets have increased mainly as a consequence of the inclusion of the leased assets of renting companies belonging to FAFS, while Current assets have increased as a consequence of the inclusion of the receivables from the financing activities of the financial services companies; the item Debt has increased significantly due to the inclusion of the debt of those financial services companies.

The following summary income statement excludes the results of the operations of the FAFS group, as the joint venture was established at the end of 2006. Prior to the joint venture, on this date, the entities were consolidated on a line-by-line basis for companies still belonging to the Fiat Group, and where accounted for using the equity method for associated companies belonging to the Fidis Retail Italia group. After the joint venture was formed, all entities are accounted for using the equity method.

The combined balances of the Group's share in the principal income statement items of jointly controlled entities accounted for using the equity method are as follows:

(in millions of euros)	2006	2005
Net revenues	**4,000**	3,464
Trading profit	**110**	59
Operating result	**93**	59
Result before taxes	**87**	56
Net result	**50**	34

Twenty-nine associates are accounted for using the equity method, while 31 associates, that in aggregate are of minor importance, and are stated at cost. The main aggregate amounts related to the Fiat Group interests in associates are as follows:

(in millions of euros)	At December 31, 2006	At December 31, 2005
Total assets	**2,680**	7,482
Liabilities	**2,167**	6,432

(in millions of euros)	2006	2005
Net revenues	**1,145**	1,280
Net result	**78**	71

The following acquisitions were made in 2006 and mainly relate to the purchase of minority interests in companies in which the Group already held control:

■ On March 23, 2006, Fiat's privileged "Series A" shares in CNH Global N.V. were converted into 100 million new ordinary shares of CNH Global N.V.; as a result, the Group increased its holding from 84% to 90%. This operation did not lead to significant effect in the Group's consolidated financial statements.

■ During the second quarter of 2006 Ferrari S.p.A. increased its capital stock by the issue of 104,000 new shares, for use in connection with its stock option plans. Fiat S.p.A. subsequently acquired 93,600 of these newly-issued shares, increasing its interest in the company to 56.4%.

■ On September 29, 2006, Fiat exercised its call option on 28.6% of the shares of Ferrari S.p.A., taking its holding from 56.4% to 85%. Fiat has a call option on a further 5% of Ferrari shares, currently held by the Arab fund Mubadala Development Company after the Fund had acquired 5,200 Ferrari newly-issued shares from Fiat. The call option may be exercised between January 1, 2008 and July 31, 2008.

■ On October 17, 2006, Ferrari acquired a 90% share in Ferrari Financial Services AG.

The following divestitures of subsidiaries were made in 2006:

■ The procedure for the sale of the subsidiary Atlanet S.p.A. to the British Telecom group was for the most part finalised in the first quarter of 2006 on receiving the approval of the Guarantor Authority for Competition and the Market; the transaction was finally concluded with the sale of the Polish and Brazilian businesses in the second half of 2006.

■ Fiat sold its investment in Sestrieres S.p.A. to Via Lattea S.p.A. on June 29, 2006.

■ On August 30, 2006, Teksid S.p.A sold its holding in Société Bretonne de Fonderie et Mecanique.

■ On August 31, 2006, Fiat sold its holding in Banca Unione di Credito (B.U.C.) to BSI (a company of the Generali Group).

■ On November 10, 2006, the subsidiary Comau Pico sold its Autodie business to Mbtech Stuttgart.

■ Finally, on December 28, 2006, Fiat Auto and Crédit Agricole completed the transaction for the creation of a 50/50 joint venture, Fiat Auto Financial Services ("FAFS"), which will handle Fiat Auto's main financing activities in Europe (retail auto financing, dealership financing, and long-term car rental and fleet management). In particular:

– Synesis Finanziaria (a company held equally by Unicredito, Banca Intesa, Capitalia, and San Paolo-IMI) held 51% interest in Fidis Retail Italia ("FRI"), which was sold to Fiat Auto, upon exercise of its call option, for 479 million euros. FRI, a company controlling the Fiat Auto European retail financing activities, subsequently changed its corporate name to Fiat Auto Financial Services S.p.A. ("FAFS");

– FAFS acquired other Fiat Auto subsidiaries currently active in the European Fiat Auto dealer financing and renting business;

– Fiat Auto sold to Sofinco, the wholly owned consumer credit subsidiary of Crédit Agricole, 50% of the capital stock of FAFS for a total cash consideration of 940 million euros subject to usual price adjustment clauses;

– Crédit Agricole/Sofinco refinanced FAFS for the entire debt with the Fiat Group and part of their debt to third parties.

For the Fiat Group these transactions resulted in a capital gain of 463 million euros, an increase in cash of more than 3 billion euros (including the repayment of intercompany loans) and a reduction in net industrial debt by approximately 360 million euros.

The effect on the Group's assets and liabilities of the mentioned acquisitions and divestitures of businesses are described in Note 36.

In addition, the Group entered certain agreements during the year that led to the need to reclassify the businesses concerned as Assets and Liabilities held for sale. In particular:

■ The Fiat Group and Norsk Hydro reached an agreement on December 6, 2006, for the sale of their interests in Meridian Technologies Inc., 51% and 49% respectively, to a consortium of investors headed by the Swiss holding company Estatia AG. The total value of the transaction, subject to usual price adjustment conditions, is worth approximately 200 million Canadian dollars. The transaction is subject to the authorisations from authorities (received in 2007) and to the closing of the financing to the purchaser from financial institutions.

■ On December 14, 2006, Fiat Auto and Tata Motors reached an agreement for the establishment of an industrial joint venture located at the Fiat plant at Ranjangaon, in India.

■ Fiat has reached on December 15, 2006, an agreement with Pirelli Re Facility management for the sale of the subsidiary Ingest Facility S.p.A. The sale will be carried out on the basis of a total value of approximately 50 million euros subject to usual price adjustments clauses and will be finalised after antitrust authorisation have been received.

Other information

Certain reclassifications have been made to the balance sheet reported in the published consolidated financial statements at December 31, 2005 in arriving at that presented in these financial statements as comparative figures. These reclassifications have no effect on the net result or stockholder's equity. In particular:

■ Certain debt amounting to 519 million euros and previously classified in the balance sheet at December 31, 2005 as Other debt has been reclassified to Asset-backed financing in the comparative balance sheet presented in these financial statements, as it substantially relates to the securitisation of receivables. This reclassification does not, however, alter the total amount presented as Debt at that date.

■ Following a detailed analysis of the composition of its balance sheet provisions, the Group has reclassified certain pension funds previously included as Other provisions. This resulted in a reclassification of a net liability balance of 31 million euros at December 31, 2005, of which 133 million euros relates to the present value of the obligation and 102 million euros to the fair value of the plan assets (the corresponding figures at January 1, 2005 were 120 million euros and 86 million euros respectively).

Composition and principal changes

Income Statement

1. Net revenues
Net revenues can be analysed as follows:

(in millions of euros)	2006	2005
Revenues from:		
- Sales of goods	**46,105**	41,013
- Rendering of services	**2,827**	2,346
- Contract revenues	**917**	1,285
- Rents on operating leases	**519**	397
- Rents on assets sold with a buy-back commitment	**311**	323
- Interest income from customers and other financial income of financial services companies	**1,077**	1,088
- Other	**76**	92
Total Net revenues	**51,832**	46,544

2. Cost of sales
Cost of sales comprises the following:

(in millions of euros)	2006	2005
Cost of sales attributable to the industrial business	**42,991**	38,898
Interest cost and other financial charges from financial services companies	**897**	726
Total Cost of sales	**43,888**	39,624

3. Selling, general and administrative costs
Selling costs amount to 2,627 million euros in 2006 (2,533 million euros in 2005) and comprise mainly marketing, advertising and sales personnel costs.

General and administrative costs amount to 2,070 million euros in 2006 (1,980 million euros in 2005) and comprise mainly expenses for administration which are not attributable to sales, production and research and development functions.

4. Research and development costs
In 2006, Research and development costs of 1,401 million euros (1,364 million euros in 2005) comprise all research and development costs not recognised as assets amounting to 785 million euros (902 million euros in 2005) and the amortisation of capitalised development costs of 616 million euros (462 million euros in 2005). During the period the Group incurred new expenditure for capitalised development costs of 813 million euros (656 million euros in 2005).

5. Other income (expenses)
This item consists of income arising from trading operations which is not attributable to the sale of goods and services (such as royalties and other income from licences and know-how), net of miscellaneous operating costs which cannot be allocated to specific functional areas, such as post-employment benefits for retired former employees (health care service costs), indirect taxes and duties, and accruals for various provisions.

The detail of Other income (expenses) is as follows:

(in millions of euros)	2006	2005
Other income		
Gains on disposal of Property, plant and equipment	**95**	166
Amortisation of deferred government investment grants	**68**	64
Government revenue grants	**38**	58
Royalties and other income from licences and know-how	**20**	55
Rental income	**42**	40
Recovery of expenses and compensation for damages	**64**	145
Release of excess provisions	**130**	177
Prior period income	**272**	294
Other income	**256**	362
Total Other income	**985**	1,361
Other expenses		
Indirect taxes	**112**	106
Losses on disposal of Property, plant and equipment	**32**	35
Impairment of assets	**7**	29
Post-employment benefits for retired former employees	**5**	63
Charges for other provisions	**282**	533
Prior period expenses	**184**	186
Other expenses	**258**	452
Total Other expenses	**880**	1,404
Other income (expenses)	**105**	(43)

In 2005, the item Release of excess provisions included an amount arising in the Agricultural and Construction Equipment Sector from a structural reduction in period welfare costs in North America, resulting in the release to income of 83 million euros previously provided. The Sector released to income a further 25 million euros in 2006 for the same reason.

6. Gains (losses) on the disposal of investments
This item, amounting to 607 million euros 2006, includes the gains realised upon the creation of the FAFS joint-venture (463 million euros) as well as the gains on the sale of Banca Unione Credito - B.U.C. (80 million euros), Immobiliare Novoli S.p.A. (39 million euros), Machen Iveco Holding Sa, which held about 51% shareholding in Ashok Leyland Ltd (23 million euros), Atlanet S.p.A. (22 million euros) and the residual interest in IPI S.p.A. (9 million euros). The item also includes an amount of 29 million euros for the expected loss (mainly allocated to the goodwill impairment loss, as described in Note 13) on the disposal of Meridian Technologies Inc.; this sale is today still subject to the closing of the financing to the purchaser from financial institutions.

The majority of the balance of 905 million euros in 2005 consisted of the net gain of 878 million euros arising from the sale to EDF of the investment held by Fiat in Italenergia Bis S.p.A. In particular, as a consequence of the notification received from EDF of its intention to withdraw its arbitration claim, Fiat sold its holding of 24.6% of the capital stock of Italenergia Bis S.p.A. to EDF on September 9, 2005 at a price of 1,147 million euros. On the same date, the Citigroup loan granted in September 2002 for the same amount was reimbursed, and the banks that had acquired 14% of Italenergia Bis from Fiat in 2002, signing simultaneous agreements for a series of put and call options, sold their stake to EDF, with the result that any possibility for Fiat to be required to repurchase the 14% holding was eliminated (a possibility that led to the derecognition in the IFRS financial statements of the sale of the 14% carried out in 2002 and the recognition of a liability of approximately 600 million euros to the banks who acquired that holding). As a result of these transactions, Group net debt decreased by approximately 1.8 billion euros.

The 2005 balance also included a gain of 23 million euros on the disposal of Palazzo Grassi S.p.A.

7. Restructuring costs

The restructuring costs of 450 million euros in 2006 were incurred mainly by Comau (179 million euros), CNH (145 million euros), Fiat Powertrain Technologies (60 million euros), Magneti Marelli (16 million euros), and Business Solutions (12 million euros). In this respect it is recalled that an intense reshaping and restructuring process was started in Comau during the third quarter of 2006 in response to the Sector's negative performance and declining order backlog.

Restructuring costs in 2005 amounted to 502 million and were incurred by Fiat Auto for 162 million euros, mostly in relation to the restructuring of the Sector's central organisations and certain foreign operations, as well as the activities of Fiat-GM Powertrain; by Iveco for 99 million euros, essentially due to a reorganisation process of the entire Sector and in particular of its staff structure; by CNH for 87 million euros, regarding the reorganisation in progress of its activities and the restructuring of certain of its foreign operations; and by Comau for 46 million euros, Magneti Marelli for 33 million euros Business Solutions for 22 million euros; in addition to this there were minor amounts pertaining to other Group Sectors.

8. Other unusual income (expenses)

Other unusual income (expenses) in 2006 consists of net expenses of 47 million euros. Included in this item, amongst other things, is the impairment of goodwill of 26 million euros relating to certain of Comau's European operations, which results from the redefinition and restructuring of the perimeters of that Sector's operations, and expenses of 17 million euros arising from the reorganisation and streamlining of relationships with the Group's suppliers.

Other unusual income (expenses) amounted to 812 million euros in 2005 and comprised the following items: the gain for the settlement of the Master Agreement with General Motors for 1,134 million euros (net of related expenses); a gain of 117 million euros realised on the final disposal of the real estate properties that had been securitised in 1998; additional costs connected with the process of reorganisation and streamlining of relationships with Group suppliers, initiated in 2004, and with Fiat Auto dealers, for a total of 187 million euros; costs of 141 million euros incurred by Fiat Auto, as a consequence of the rationalisation process of the platforms and the reallocation of production; costs of 71 million euros for an indemnity to Global Value S.p.A. for unwinding the joint venture with IBM; 30 million euros from indemnities paid to settle contractual guarantees granted on the sale of businesses in previous years and other minor items.

9. Financial income (expenses) and unusual financial income

Financial income (expenses)

In addition to the items included in the specific lines of the income statement, Net financial income (expenses) also includes the income from financial services companies included in Net revenues for 1,077 million euros (1,088 million euros in 2005) and the costs incurred by financial services companies included in Interest cost and other financial charges from financial services companies included in Cost of sales for 897 million euros (726 million euros in 2005).

Reconciliation to the income statement is provided at the foot of the following table.

(in millions of euros)	2006	2005
Financial income		
- Interest earned and other financial income	295	258
- Interest income from customers and other financial income of financial services companies	1,077	1,088
- Gains on disposal of securities	7	10
Total Financial income (a)	1,379	1,356
of which:		
- Financial income, excluding financial services companies	302	268
Interest and other financial expenses		
- Interest expense and other financial expenses	1,616	1,695
- Write-downs of financial assets	115	126
- Losses on disposal of securities	2	2
- Interest costs on employee benefits	166	146
Total Interest and other financial expenses (b)	1,899	1,969
Net income (expenses) from derivative financial instruments and exchange differences (c)	124	132
of which of (b+c):		
Interest and other financial expenses, effects resulting from derivative financial instruments and exchange differences, excluding financial services companies	878	1,111
Net financial income (expenses) excluding financial services companies (a-b-c)	(576)	(843)

Net financial expenses in 2006 (excluding financial services companies) totalled 576 million euros, decreasing from the 843 million euros in 2005. The improvement over 2005 is a consequence of the lower level of debt in the Group's Industrial Activities (amongst other things, as a result of the conversion of the Mandatory Convertible Facility and the completion of the Italenergia Bis operation, both of which took place in the third quarter of 2005), and net financial income of 71 million euros arising from the equity swaps on Fiat shares, set up to support stock option plans (further details of this are provided in Note 22).

Interest earned and other financial income may be analysed as follows:

(in millions of euros)	2006	2005
Interest income from banks	**106**	41
Interest income from securities	**17**	25
Commissions	**2**	2
Other interest earned and financial income	**170**	190
Total Interest earned and other financial income	**295**	258

Interest and other financial expenses may be analysed as follows:

(in millions of euros)	2006	2005
Interest expenses on bonds	**528**	524
Bank interest expenses	**307**	397
Interest expenses on trade payables	**10**	11
Other interest and financial expenses	**771**	763
Total Interest and other financial expenses	**1,616**	1,695

Unusual financial income

In 2005 the item Unusual financial income consisted of income amounting to 858 million euros arising from the increase of capital stock on September 20, 2005 and the simultaneous extinguishment of the Mandatory Convertible Facility (see Notes 25 and 28). In particular, this income corresponded to the difference between the subscription price of 10.28 euros per share and the market value of 7.337 euros per share at the subscription date, net of associated costs. This operation led to an increase in capital stock of 1,459 million euros and in other equity reserves of 682 million euros.

10. Result from investments

This item includes the Group's interest in the net result of the companies accounted for using the equity method, the write-downs connected with the loss in value of financial assets and any reinstatement of value, the write-downs of equity investments classified as held for sale, accruals to provisions against equity investments, income and expense arising from the adjustment to fair value of investments in other entities held for trading, and dividend income. In particular, in 2006 there was a profit of 125 million euros representing the net result of companies accounted for using the equity method (profit of 115 million euros in 2005).

The net result from investments in 2006 amounts to 156 million euros (34 million euros in 2005) and includes (amounts in millions of euros): Fiat Auto Sector companies 38 (57 in 2005), entities of Agricultural and Construction Equipment Sector companies 46 (39 in 2005), Iveco companies 31 (-51 in 2005) and other companies 41 (-11 in 2005).

11. Income taxes

Income taxes consist of the following:

(in millions of euros)		2006		2005
Current taxes:				
- IRAP	**149**		116	
- Other taxes	**346**		184	
Total Current taxes		**495**		300
Deferred taxes for the period		**(61)**		425
Taxes relating to prior periods		**56**		119
Total Income taxes		**490**		844

In 2006, the decrease in the charge for income taxes reflects:

- the reduced effect arising from the realisation of deferred tax assets;
- a decrease in the level of taxes relating to prior periods;
- an increase in current taxes arising from the increase in operating results.

Deferred tax income of 61 million euros (net expense of 425 million euros in 2005) is the net effect of the recognition of deferred tax during the year and the realisation of deferred tax assets recognised in prior years. Taxes relating to prior periods include the cost of finalising certain disputes with foreign tax authorities.

The effective tax rate for 2006 (excluding IRAP) was 21% (which represents a considerable decrease over the corresponding rate of 32% in 2005) and is the result of an increased utilisation of prior year tax losses and temporary differences for which no deferred tax assets had been recognised in prior years.

The reconciliation between the tax charges recorded in the consolidated financial statements and the theoretical tax charge, calculated on the basis of the theoretical tax rate in effect in Italy, is the following:

(in millions of euros)	2006	2005
Theoretical income taxes	**542**	747
Tax effect of permanent differences	**(2)**	(452)
Taxes relating to prior years	**56**	119
Effect of difference between foreign tax rates and the theoretical Italian tax rate	**(29)**	(3)
Effect of unrecognised deferred tax assets	**(189)**	504
Use of tax losses for which deferred tax assets had not been recognised	**(50)**	(83)
Other differences	**13**	(104)
Current and deferred income tax recognised in the financial statements, excluding IRAP	**341**	728
IRAP	**149**	116
Income taxes recorded in financial statements (current and deferred income taxes)	**490**	844

In order to render the reconciliation between income taxes recorded in the financial statements and theoretical income taxes more meaningful, the IRAP tax is not taken into consideration. Since the IRAP tax has a taxable basis that is different from income before taxes, it generates distortions between one year and another. Accordingly, theoretical income taxes are determined by applying only the tax rate in effect in Italy (IRES equal to 33% in 2006 and in 2005) to income before taxes.

Permanent differences in the above reconciliation include the tax effect of non-taxable income of 206 million euros in 2006 (677 million euros in 2005) and of non-deductible costs of 204 million euros in 2006 (225 million euros in 2005). In particular, in 2005 the tax effect of permanent differences arose principally from the theoretical tax effect of 283 million euros on the unusual financial income relating to the Mandatory Convertible Facility (gross 858 million euros) and that of 290 million euros arising from the sale of Italenergia Bis S.p.A. (gross 878 million euros).

The reconciliation includes a positive effect of 189 million euros resulting from the recognition of net deferred tax assets not recognised in prior years (the effect of this was negative in 2005 as the deferred tax assets originating during the year were not recognised).

In 2006, Other differences included unrecoverable withholding tax for 20 million euros (21 million euros in 2005).

Net deferred tax assets at December 31, 2006 consist of deferred tax assets, net of deferred tax liabilities, which have been offset where possible by the individual consolidated companies. The net balance of Deferred tax assets and Deferred tax liabilities may be analysed as follows:

(in millions of euros)	At December 31, 2006	At December 31, 2005	Change
Deferred tax assets	**1,860**	2,104	(244)
Deferred tax liabilities	**(263)**	(405)	142
Net deferred tax assets	**1,597**	1,699	(102)

The reduction in net deferred tax assets, as analysed in the following table, is mainly due to:

- negative exchange differences and other changes amounting to 105 million euros;
- the corresponding tax effect of items recorded directly in equity amounting to 35 million euros;
- changes in the scope of consolidation due to the sale of a subsidiary (B.U.C.) and to the deconsolidation of the Fiat Auto Sector financial subsidiaries which were transferred to the FAFS joint venture for 23 million euros.

These components of the reduction were partly offset by the recognition of deferred tax assets, net of the realisation of deferred tax assets recognised in prior years.

Deferred tax assets and deferred tax liabilities may be analysed by source as follows:

(in millions of euros)	At December 31, 2005	Recognised in income statement	Charged to equity	Changes in the scope of consolidation	Translation differences and other changes	At December 31, 2006
Deferred tax assets arising from:						
- Taxed provisions	1,396	126	–	(1)	(32)	**1,489**
- Inventories	223	–	–	–	(3)	**220**
- Taxed allowances for doubtful accounts	142	39	–	(2)	(7)	**172**
- Employee benefits	675	(15)	–	(2)	(47)	**611**
- Write-downs of financial assets	1,073	(602)	–	(2)	(3)	**466**
- Measurement of derivative financial instruments	22	124	(20)	–	(6)	**120**
- Other	1,099	(320)	–	(12)	(21)	**746**
Total Deferred tax assets	4,630	(648)	(20)	(19)	(119)	**3,824**
Deferred tax liabilities arising from:						
- Accelerated depreciation	(533)	8	–	20	17	**(488)**
- Deferred tax on gains	(83)	71	–	–	(2)	**(14)**
- Capital investment grants	(27)	10	–	–	–	**(17)**
- Employee benefits	(24)	(8)	–	1	–	**(31)**
- Capitalisation of development costs	(822)	(89)	–	–	5	**(906)**
- Other	(1,011)	(125)	(15)	6	45	**(1,100)**
Total Deferred tax liabilities	(2,500)	(133)	(15)	27	65	**(2,556)**
Theoretical tax benefit arising from tax loss carryforwards	5,011	804	–	(72)	(42)	**5,701**
Adjustments for assets whose recoverability is not probable	(5,442)	38	–	41	(9)	**(5,372)**
Total Deferred tax assets, net of Deferred tax liabilities	1,699	61	(35)	(23)	(105)	**1,597**

The decision to recognise deferred tax assets is taken by each company in the Group by assessing critically whether the conditions exist for the future recoverability of such assets on the basis of updated strategic plans, accompanied by the related tax plans. For this reason, the total theoretical future tax benefits arising from deductible temporary differences (3,824 million euros at December 31, 2006 and 4,630 million euros at December 31, 2005) and tax loss carryforwards (5,701 million euros at December 31, 2006 and 5,011 million euros at December 31, 2005) have been reduced by 5,372 million euros at December 31, 2006 and 5,442 million euros at December 31, 2005.

In particular, Deferred tax assets, net of Deferred tax liabilities, include 1,150 million euros at December 31, 2006 (965 million euros at December 31, 2005) of tax benefits arising from tax loss carryforwards. At December 31, 2006, a further tax benefit of 4,551 million euros (4,046 million euros at December 31, 2005) arising from tax loss carryforwards has not been recognised.

Deferred taxes have not been provided on the undistributed earnings of subsidiaries since the Group is able to control the timing of the distribution of these reserves and it is probable that they will not be distributed in the foreseeable future.

The totals of deductible and taxable temporary differences and accumulated tax losses at December 31, 2006, together with the amounts for which deferred tax assets have not been recognised, analysed by year of expiry, are as follows:

(in millions of euros)	Total at December 31, 2006	Year of expiry 2007	2008	2009	2010	Beyond 2010	Unlimited/ indeterminable
Temporary differences and tax losses relating to State taxation (IRES in the case of Italy):							
- Deductible temporary differences	**10,445**	4,723	1,281	1,210	1,159	2,010	62
- Taxable temporary differences	**(6,347)**	(1,330)	(1,164)	(1,240)	(1,072)	(1,290)	(251)
- Tax losses	**18,461**	551	1,978	2,016	2,134	4,804	6,978
- Temporary differences and tax losses for which deferred tax assets have not been recognised	**(17,574)**	(1,384)	(1,980)	(1,916)	(2,130)	(4,942)	(5,222)
Temporary differences and tax losses relating to State taxation	**4,985**	2,560	115	70	91	582	1,567
Temporary differences and tax losses relating to local taxation (IRAP in the case of Italy):							
- Deductible temporary differences	**4,025**	1,013	684	656	620	1,039	13
- Taxable temporary differences	**(4,239)**	(516)	(936)	(1,013)	(850)	(924)	–
- Tax losses	**822**	–	–	–	–	246	576
- Temporary differences and tax losses for which deferred tax assets have not been recognised	**(1,390)**	(163)	(81)	(81)	(79)	(419)	(567)
Temporary differences and tax losses relating to local taxation	**(782)**	334	(333)	(438)	(309)	(58)	22

12. Earnings per share

As explained at the Note 25 below, Fiat S.p.A. capital stock is represented by three different classes of shares (ordinary shares, preference shares and saving shares) that participate in dividends with different rights. Profit or loss of the period attributable to each class of share is determined in accordance with the share's contractual dividend rights, and for this purpose the net result attributable to ordinary equity holders of the parent entity is adjusted by the amount of the dividend declared in the period for each class of share and by any other dividends that are contractually due, in the theoretical event of a total distribution of profits. The remaining profit is then allocated equally to each of the three classes of shares as if all the profit for the period had been distributed, with the total amount of profit allocated to each class of share being divided by the weighted average number of outstanding shares to determine earnings per share.

The following table shows the reconciliation between the net result attributable to equity holders of the parent and the profit attributable to each class of shares, as well as, figures used in the computation of the base earnings per share:

		2006 Ordinary shares	Preference shares	Saving shares	Total	2005 Ordinary shares	Preference shares	Saving shares	Total
Profit attributable to equity holders of the parent	million of euros				**1,065**				1,331
Prior period dividends to saving shares declared for the period	million of euros	**–**	**–**	**50**	**50**	–	–	–	–
Dividends declared for the period	million of euros	**169**	**32**	**25**	**226**	–	–	–	–
Theoretical preference right on saving and ordinary shares	*million of euros*	**169**	**–**	**12**	**181**	–	–	–	–
Profit available for distribution to all classes of shares	million of euros	**521**	**49**	**38**	**608**	1,102	129	100	1,331
Profit attributable to each class of shares	million of euros	**859**	**81**	**125**	**1,065**	1,102	129	100	1,331
Weighted average number of shares	thousand	**1,088,027**	**103,292**	**79,913**	**1,271,232**	881,177	103,292	79,913	1,064,382
Basic Earning per share	euros	**0.789**	**0.789**	**1.564**		1.250	1.250	1.250	

If prior period dividends to saving shares had not been assigned, basic and diluted earnings per savings shares in 2006 would have been 0.983 euros per share 0.982 euros per share, respectively. Basic and diluted earnings per share attributable to ordinary and preference shares in 2006 would have been 0.828 euros per share and 0.827 euros per share, respectively.

For the purpose of calculating the diluted earning per share in 2006, the number of ordinary shares considered is the average number of shares outstanding plus the effects arising from shares that would be issued on the exercise of all dilutive stock options.

During 2005 no dilutive effects arose from above mentioned stock option plans.

In 2005 and 2006 no dilutive effects arose from warrants issued by Fiat S.p.A. on its ordinary shares.

Figures used to determine diluted earning per shares are as follows:

		2006				2005			
		Ordinary shares	Preference shares	Saving shares	Total	Ordinary shares	Preference shares	Saving shares	Total
Profit attributable to each class of shares	million of euros	**859**	**81**	**125**	**1,065**	1,102	129	100	1,331
Weighted average number of shares	thousand	**1,088,027**	**103,292**	**79,913**	**1,271,232**	881,177	103,292	79,913	1,064,382
Number of shares that would be issued from stock option plans	thousand	**1,580**	**–**	**–**	**1,580**	–	–	–	–
Total number of shares considered in the diluted earning per share	thousand	**1,089,607**	**103,292**	**79,913**	**1,272,812**	881,177	103,292	79,913	1,064,382
Diluted earning per share	euros	**0.788**	**0.788**	**1.563**		1.250	1.250	1.250	

Balance Sheet

13. Intangible assets

In 2006, changes in the gross carrying amount of Intangible assets were as follows:

(in millions of euros)	At December 31, 2005	Additions	Divestitures	Changes in the scope of consolidation	Reclassified to Assets held for sale	Translation differences and other changes	At December 31, 2006
Goodwill	3,159	781	–	(57)	(44)	(305)	**3,534**
Trademarks and other intangible assets with indefinite useful lives	283	1	–	–	–	(55)	**229**
- Development costs externally acquired	1,822	414	(7)	(1)	–	148	**2,376**
- Development costs internally generated	2,232	399	(5)	–	(1)	(173)	**2,452**
Total Development costs	4,054	813	(12)	(1)	(1)	(25)	**4,828**
- Patents, concessions and licenses externally acquired	999	81	(106)	(13)	–	29	**990**
Total Patents, concessions and licenses	999	81	(106)	(13)	–	29	**990**
- Other intangible assets externally acquired	596	38	(35)	(64)	(7)	24	**552**
Total Other intangible assets	596	38	(35)	(64)	(7)	24	**552**
- Advances and intangible assets in progress externally acquired	100	19	–	–	–	(67)	**52**
Total Advances and intangible assets in progress	100	19	–	–	–	(67)	**52**
Total gross carrying amount of Intangible assets	9,191	1,733	(153)	(135)	(52)	(399)	**10,185**

In 2006 Changes in accumulated amortisation and impairment losses were as follows:

(in millions of euros)	At December 31, 2005	Amortisation	Impairment losses	Divestitures	Changes in the scope of consolidation	Reclassified to Assets held for sale	Translation differences and other changes	At December 31, 2006
Goodwill	741	–	48	–	–	(38)	(67)	**684**
Trademarks and other intangible assets with indefinite useful lives	61	–	–	–	–	–	(11)	**50**
- Development costs externally acquired	667	287	2	(1)	–	–	46	**1,001**
- Development costs internally generated	784	329	5	(5)	–	–	(62)	**1,051**
Total Development costs	1,451	616	7	(6)	–	–	(16)	**2,052**
- Patents, concessions and licenses externally acquired	530	148	–	(105)	(10)	–	(9)	**554**
Total Patents, concessions and licenses	530	148	–	(105)	(10)	–	(9)	**554**
- Other intangible assets externally acquired	459	58	–	(33)	(52)	(6)	(2)	**424**
Total Other intangible assets	459	58	–	(33)	(52)	(6)	(7)	**424**
- Advances and intangible assets in progress externally acquired	6	–	–	–	–	–	(6)	**–**
Total Advances and intangible assets in progress	6	–	–	–	–	–	(6)	**–**
Total accumulated amortisation and impairment of Intangible assets	3,248	822	55	(144)	(62)	(44)	(111)	**3,764**

The net carrying amount of Intangible assets at December 31, 2006 can be analysed as follows:

(in millions of euros)	At December 31, 2005	Additions	Amorti-sation	Impairment losses	Divesti-tures	Change in the scope of consolidation	Reclassified to Assets held for sale	Translation diff. and other changes	At December 31, 2006
Goodwill	2,418	781	–	(48)	–	(57)	(6)	(238)	**2,850**
Trademarks and other intangible assets with indefinite useful lives	222	1	–	–	–	–	–	(44)	**179**
- Development costs externally acquired	1,155	414	(287)	(2)	(6)	(1)	–	102	**1,375**
- Development costs internally generated	1,448	399	(329)	(5)	–	–	(1)	(111)	**1,401**
Total Development costs	2,603	813	(616)	(7)	(6)	(1)	(1)	(9)	**2,776**
- Patents, concessions and licenses externally acquired	469	81	(148)	–	(1)	(3)	–	38	**436**
Total Patents, concessions and licenses	469	81	(148)	–	(1)	(3)	–	38	**436**
- Other intangible assets externally acquired	137	38	(58)	–	(2)	(12)	(1)	26	**128**
Total Other intangible assets	137	38	(58)	–	(2)	(12)	(1)	26	**128**
- Advances and intangible assets in progress externally acquired	94	19	–	–	–	–	–	(61)	**52**
Total Advances and intangible assets in progress	94	19	–	–	–	–	–	(61)	**52**
Total net carrying amount of Intangible assets	5,943	1,733	(822)	(55)	(9)	(73)	(8)	(288)	**6,421**

At December 31, 2006, Goodwill consists principally of net goodwill resulting from the purchase of the Case group and other companies of the Agricultural and Construction Equipment Sector for 1,794 million euros (2,016 million euros at December 31, 2005), the Ferrari Sector for 786 million euros (9 million euros at December 31, 2005), the Pico Group and other companies in the Production Systems Sector for 153 million euros (194 million euros at December 31, 2005), companies in the Trucks and Commercial Vehicles Sector for 56 million euros (56 million euros at December 31, 2005), companies in the Components Sector for 46 million euros (46 million euros at December 31, 2005), and companies in the Metallurgical Products Sector for 11 million euros (37 million euros at December 31, 2005). The increase of 781 million euros for the period mainly arises from the purchase in the second quarter of 2006 of part of the recently issued shares of Ferrari S.p.A. by Fiat S.p.A., representing 0.4% of the share capital of the company, and from the exercise of the call option on 28.6% of Ferrari shares in the third quarter of 2006.

Trademarks and other intangible assets with indefinite useful lives consist of trademarks and similar rights from which on the basis of the competitive environment the Group expects to be able to obtain a positive contribution to its cash flows for an indefinite period of time.

The Group performs impairment tests at least annually or more frequently whenever there is an indication that the goodwill and the other intangible assets with an indefinite useful life may be impaired. The recoverable amount of cash-generating units to which goodwill other intangible assets with an indefinite useful life and has been allocated is determined on the basis of its value in use.

For the purpose of impairment testing, goodwill and other intangible assets with indefinite useful lives are allocated to the cash-generating units to which they belong. In particular the vast majority of goodwill, representing approximately 97% of the total, is allocated to cash-generating units in the CNH, Ferrari and Comau Sectors. The cash-generating units considered for the testing of the recoverability of the goodwill are generally product lines of the various Sectors. In particular, in the CNH Sector the cash generating units to which goodwill has been allocated consist of the different brands (CaseIH and New Holland for Agricultural equipment, Case and New Holland Construction for construction equipment and financial services); while in Comau, goodwill has been allocated to the System business, to Pico and to Service. For Ferrari the cash generating unit corresponds to the Sector as a whole.

The recoverable amount of cash-generating units is their value in use, defined as the discounted value of the expected future operating cash flows resulting from the estimates included in the most recent budgets and plans prepared by the Group for the next four years, as extrapolated for later years on the basis of a medium- to long-term growth rate ranging from 0% to 2% (0% to 2% in 2005) depending on the various Sectors. The principal assumptions made in determining the value in use of cash-generating units are the discount rate and the growth rate. In particular, the Group uses discount rates which reflect current market assessments of the time value of money and which take account of the risks inherent in individual cash-generating units: such pre-tax rates range between 9% and 14% (between 8% and 16% in 2005). Given the broad and varied nature of the Group's activities, the growth rates used are based on the forecasts made by the individual Sector to which the cash-generating units belong.

In the fourth quarter of 2005, CNH began reorganizing its Agricultural equipment and construction equipment cash-generating units into four distinct global brand structures: the CaseIH and New Holland brands for agricultural equipment and the Case and New Holland Construction brands for construction equipment. This reorganisation involved certain structural changes in the Sector. From 2006, CNH has allocated its goodwill to these four brands and has begun performing impairment testing at the brand reporting unit level. The recoverable amount of the goodwill of the CNH Sector is determined on the basis of the value in use of the four new cash-generating units to which it has been allocated, by using the cash flows forecast by Sector management for the next seven years (seven years in 2005), an annual growth rate of 2% (2% in 2005) and a pre-tax discount rate varying between 13% and 14% (10% and 16% in 2005) depending on the cash-generating unit.

The recoverable amount of the Ferrari Sector goodwill (786 million euros) is determined on the basis of the cash flows expected by Sector management for the next five years at an annual growth rate of 2%, discounted using a pre-tax discount rate of approximately 10%.

The recoverable amount of the Comau Sector goodwill (153 million euros) is determined on the basis of the cash flows expected by Sector management for the next five years at an annual growth rate of 2% (2% in 2005), discounted using a pre-tax discount rate varying between 9% and 10% unchanged from 2005 depending on the cash-generating units involved. In 2006, this valuation led to the recognition of an impairment loss of 26 million euros for goodwill allocated to the System cash generating unit of the Comau Sector.

In addition, the goodwill previously allocated to the Magnesium cash generating unit of the Metallurgical Products Sector and amounting to 22 million euros became totally impaired when the assets and liabilities of the subsidiary Meridian Technologies Inc. were reclassified as Assets and Liabilities held for sale. This impairment loss was determined on the basis of fair value less costs to sell.

Development costs recognised as assets are attributed to cash generating units and are tested for impairment together with the related tangible fixed assets, using the discounted cash flow method in determining their recoverable amount.

The decrease of 73 million euros regarding the Change in the scope of consolidation mainly reflects the deconsolidation of the entities transferred to the FAFS joint venture. In 2005 the increase of 53 million euros included the effects of the acquisition of control of Leasys S.p.A. and Mako Elektrik Sanayi Ve Ticaret A.S., net of the effects of the entry in the scope of consolidation of the Powertrain activities previously part of the Fiat-GM Powertrain, the joint venture with General Motors, and of the reclassification to assets held for sale of the intangible assets of Atlanet S.p.A.

Foreign exchange losses of 273 million euros in 2006 (gains of 402 millions euros in 2005) principally reflect changes in the Euro/U.S. dollar exchange rate.

In 2005, changes in the gross carrying amount of Intangible assets were as follows:

(in millions of euros)	At December 31, 2004	Additions	Divestitures	Changes in the scope of consolidation	Translation differences and other changes	At December 31, 2005
Goodwill	2,809	–	–	53	297	**3,159**
Trademarks and other intangible assets with indefinite useful lives	260	1	(4)	2	24	**283**
- Development costs externally acquired	1,571	240	(7)	(7)	25	**1,822**
- Development costs internally generated	1,740	416	(2)	–	78	**2,232**
Total Development costs	3,311	656	(9)	(7)	103	**4,054**
- Patents, concessions and licenses externally acquired	976	96	(114)	(59)	100	**999**
Total Patents, concessions and licenses	976	96	(114)	(59)	100	**999**
- Other intangible assets externally acquired	520	32	(9)	30	23	**596**
Total Other intangible assets	520	32	(9)	30	23	**596**
- Advances and intangible assets in progress externally acquired	119	51	–	–	(70)	**100**
Total Advances and intangible assets in progress	119	51	–	–	(70)	**100**
Total gross carrying amount of Intangible assets	7,995	836	(136)	19	477	**9,191**

In 2005 Changes in accumulated amortisation and impairment losses were as follows:

(in millions of euros)	At December 31, 2004	Amortisation	Impairment losses	Divestitures	Changes in the scope of consolidation	Translation differences and other changes	At December 31, 2005
Goodwill	652	–	12	–	–	77	**741**
Trademarks and other intangible assets with indefinite useful lives	58	–	–	(3)	–	6	**61**
- Development costs externally acquired	341	230	100	–	(7)	3	**667**
- Development costs internally generated	481	232	3	–	–	68	**784**
Total Development costs	822	462	103	–	(7)	71	**1,451**
- Patents, concessions and licenses externally acquired	504	158	–	(113)	(38)	19	**530**
Total Patents, concessions and licenses	504	158	–	(113)	(38)	19	**530**
- Other intangible assets externally acquired	375	69	5	(9)	14	5	**459**
Total Other intangible assets	375	69	5	(9)	14	5	**459**
- Advances and intangible assets in progress externally acquired	6	–	–	–	–	–	**6**
Total Advances and intangible assets in progress	6	–	–	–	–	–	**6**
Total accumulated amortisation and impairment of Intangible assets	2,417	689	120	(125)	(31)	178	**3,248**

The net carrying amount of Intangible assets at December 31, 2005 can be analysed as follows:

(in millions of euros)	At December 31, 2004	Additions	Amortisation	Impairment losses	Divestitures	Change in the scope of consolidation	Translation differences and other changes	At December 31, 2005
Goodwill	2,157	–	–	(12)	–	53	220	**2,418**
Trademarks and other intangible assets with indefinite useful lives	202	1	–	–	(1)	2	18	**222**
- Development costs externally acquired	1,230	240	(230)	(100)	(7)	–	22	**1,155**
- Development costs internally generated	1,259	416	(232)	(3)	(2)	–	10	**1,448**
Total Development costs	2,489	656	(462)	(103)	(9)	–	32	**2,603**
- Patents, concessions and licenses externally acquired	472	96	(158)	–	(1)	(21)	81	**469**
Total Patents, concessions and licenses	472	96	(158)	–	(1)	(21)	81	**469**
- Other intangible assets externally acquired	145	32	(69)	(5)	–	16	18	**137**
Total Other intangible assets	145	32	(69)	(5)	–	16	18	**137**
- Advances and intangible assets in progress externally acquired	113	51	–	–	–	–	(70)	**94**
Total Advances and intangible assets in progress	113	51	–	–	–	–	(70)	**94**
Total net carrying amount of Intangible assets	5,578	836	(689)	(120)	(11)	50	299	**5,943**

14. Property, plant and equipment

In 2006, changes in the gross carrying amount of Property, plant and equipment were as follows:

(in millions of euros)	At December 31, 2005	Additions	Divestitures	Change in the scope of consolidation	Translation differences	Reclassified to Assets held for sale	Other changes	At December 31, 2006
Land	533	2	(8)	(9)	(12)	(57)	4	**453**
- Owned industrial buildings	4,352	119	(51)	(90)	(43)	(28)	79	**4,338**
- Industrial buildings leased under finance leases	73	–	–	–	–	–	(4)	**69**
Total Industrial buildings	4,425	119	(51)	(90)	(43)	(28)	75	**4,407**
- Owned plant, machinery and equipment	24,213	952	(955)	(199)	(182)	(207)	430	**24,052**
- Plant, machinery and equipment leased under finance leases	53	–	–	(5)	(3)	(23)	(6)	**16**
Total Plant, machinery and equipment	24,266	952	(955)	(204)	(185)	(230)	424	**24,068**
Assets sold with a buy-back commitment	1,582	523	(594)	–	5	–	2	**1,518**
- Owned other tangible assets	1,954	194	(231)	(42)	(29)	(22)	45	**1,869**
- Other tangible assets leased under finance leases	12	2	(1)	–	–	–	(5)	**8**
Total Other tangible assets	1,966	196	(232)	(42)	(29)	(22)	40	**1,877**
Advances and tangible assets in progress	615	642	(17)	(2)	(14)	(41)	(534)	**649**
Total gross carrying amount of Property, plant and equipment	33,387	2,434	(1,857)	(347)	(278)	(378)	11	**32,972**

In 2006 Changes in accumulated depreciation and impairment losses were as follows:

(in millions of euros)	At December 31, 2005	Depreciation	Impairment losses	Divestitures	Change in the scope of consolidation	Translation differences	Reclassified to Assets held for sale	Other changes	At December 31, 2006
Land	7	–	–	(1)	–	–	–	–	**6**
- Owned industrial buildings	2,122	139	1	(48)	(54)	(35)	(28)	21	**2,118**
- Industrial buildings leased under finance leases	10	2	–	–	–	–	–	(2)	**10**
Total Industrial buildings	2,132	141	1	(48)	(54)	(35)	(28)	19	**2,128**
- Owned plant, machinery and equipment	18,265	1,541	14	(915)	(185)	(123)	(149)	7	**18,455**
- Plant, machinery and equipment leased under finance leases	28	5	–	–	(3)	(2)	(9)	(10)	**9**
Total Plant, machinery and equipment	18,293	1,546	14	(915)	(188)	(125)	(158)	(3)	**18,464**
Assets sold with a buy-back commitment	406	152	36	(234)	–	2	–	(1)	**361**
- Owned other tangible assets	1,530	140	–	(132)	(31)	(24)	(12)	(2)	**1,469**
- Other tangible assets leased under finance leases	4	1	–	–	–	–	–	(1)	**4**
Total Other tangible assets	1,534	141	–	(132)	(31)	(24)	(12)	(3)	**1,473**
Advances and tangible assets in progress	9	–	–	–	–	(1)	(7)	(1)	**–**
Total accumulated depreciation and impairment of Property, plant and equipment	22,381	1,980	51	(1,330)	(273)	(183)	(205)	11	**22,432**

The net carrying amount of Property, plant and equipment at December 31, 2006 can be analysed as follows:

(in millions of euros)	At December 31, 2005	Additions	Depreciation	Impairment losses	Divestitures	Change in the scope of consolidation	Translation differences	Reclassified to Assets held for sale	Other changes	At December 31, 2006
Land	526	2	–	–	(7)	(9)	(12)	(57)	4	**447**
- Owned industrial buildings	2,230	119	(139)	(1)	(3)	(36)	(8)	–	58	**2,220**
- Industrial buildings leased under finance leases	63	–	(2)	–	–	–	–	–	(2)	**59**
Total Industrial buildings	2,293	119	(141)	(1)	(3)	(36)	(8)	–	56	**2,279**
- Owned plant, machinery and equipment	5,948	952	(1,541)	(14)	(40)	(14)	(59)	(58)	423	**5,597**
- Plant, machinery and equipment leased under finance leases	25	–	(5)	–	–	(2)	(1)	(14)	4	**7**
Total Plant, machinery and equipment	5,973	952	(1,546)	(14)	(40)	(16)	(60)	(72)	427	**5,604**
Assets sold with a buy-back commitment	1,176	523	(152)	(36)	(360)	–	3	–	3	**1,157**
- Owned other tangible assets	424	194	(140)	–	(99)	(11)	(5)	(10)	47	**400**
- Other tangible assets leased under finance leases	8	2	(1)	–	(1)	–	–	–	(4)	**4**
Total Other tangible assets	432	196	(141)	–	(100)	(11)	(5)	(10)	43	**404**
Advances and tangible assets in progress	606	642	–	–	(17)	(2)	(13)	(34)	(533)	**649**
Total net carrying amount of Property, plant and equipment	11,006	2,434	(1,980)	(51)	(527)	(74)	(95)	(173)	–	**10,540**

Additions of 2,434 million euros in 2006 mainly relate to the Automotive Sectors (Fiat Auto, Iveco, and CNH) and to the Powertrain and Magneti Marelli Sector and do not include capitalised borrowing costs.

During 2006 the Group recognised impairment losses on Assets sold with a buy-back commitment from Trucks and Commercial Vehicles for an amount of 36 million euros (24 million euros in 2005) in order to align their carrying amount to market value. These losses are recognised in Cost of sales. In addition, the Group reviewed the recoverable amount of certain machinery and equipment in order to determine whether there was any reduction in value arising from technical obsolescence. This assessment led to the recognition of an impairment loss of 15 million euros, all of which was recorded in Trading profit.

The column Other changes includes the reversal of impairment losses of 5 million euros in 2006 (16 million euros in 2005).

The column Change in the scope of consolidation shows an overall net reduction of 74 million euros which mainly reflects the disposal of B.U.C. (24 million euros), the disposal of Sestrieres S.p.A. (23 million euros), the disposal of business Autodie business of Comau Pico (21 million euros) and the deconsolidation of subsidiaries transferred to FAFS joint venture (10 million euros).

The column Reclassification to assets held for sale comprises the book value of the assets of Meridian Technologies Inc. and Ingest Facility S.p.A., for which sales agreements reached in December 2006 were still subject to all the necessary authorisations at the balance sheet date, of Fiat Auto in India and that of certain properties of the Iveco Sector.

Exchange losses of 95 million euros (gains of 422 million euros in 2005) principally reflect changes in the Euro/U.S. dollar exchange rate.

The column Other changes represents the reclassification of the prior year balance of Advances and tangible assets in progress to the appropriate categories at the time the assets were effectively acquired and put into operation.

In 2005, changes in the gross carrying amount of Property, plant and equipment were as follows:

(in millions of euros)	At December 31, 2004	Additions	Divestitures	Change in the scope of consolidation	Translation differences	Other changes	At December 31, 2005
Land	500	1	(25)	26	24	7	**533**
- Owned industrial buildings	4,088	76	(143)	93	189	49	**4,352**
- Industrial buildings leased under finance leases	48	–	–	–	–	25	**73**
Total Industrial buildings	4,136	76	(143)	93	189	74	**4,425**
- Owned plant, machinery and equipment	19,119	1,148	(1,081)	3,839	711	477	**24,213**
- Plant, machinery and equipment leased under finance leases	29	7	–	–	4	13	**53**
Total Plant, machinery and equipment	19,148	1,155	(1,081)	3,839	715	490	**24,266**
Assets sold with a buy-back commitment	1,495	468	(396)	–	7	8	**1,582**
- Owned other tangible assets	1,812	170	(187)	81	79	(1)	**1,954**
- Other tangible assets leased under finance leases	5	5	–	–	–	2	**12**
Total Other tangible assets	1,817	175	(187)	81	79	1	**1,966**
Advances and tangible assets in progress	677	400	–	49	30	(541)	**615**
Total gross carrying amount of Property, plant and equipment	27,773	2,275	(1,832)	4,088	1,044	39	**33,387**

In 2005 Changes in accumulated depreciation and impairment losses were as follows:

(in millions of euros)	At December 31, 2004	Depreciation	Impairment losses	Divestitures	Change in the scope of consolidation	Translation differences	Other changes	At December 31, 2005
Land	7	–	–	–	–	–	–	**7**
- Owned industrial buildings	1,931	133	30	(104)	14	85	33	**2,122**
- Industrial buildings leased under finance leases	5	3	–	–	–	–	2	**10**
Total Industrial buildings	1,936	136	30	(104)	14	85	35	**2,132**
- Owned plant, machinery and equipment	14,576	1,435	59	(1,050)	2,751	482	12	**18,265**
- Plant, machinery and equipment leased under finance leases	11	4	–	–	–	1	12	**28**
Total Plant, machinery and equipment	14,587	1,439	59	(1,050)	2,751	483	24	**18,293**
Assets sold with a buy-back commitment	389	150	24	(164)	–	2	5	**406**
- Owned other tangible assets	1,410	137	–	(107)	65	51	(26)	**1,530**
- Other tangible assets leased under finance leases	1	2	–	–	–	–	1	**4**
Total Other tangible assets	1,411	139	–	(107)	65	51	(25)	**1,534**
Advances and tangible assets in progress	6	2	–	–	–	1	–	**9**
Total accumulated depreciation and impairment of Property, plant and equipment	18,336	1,866	113	(1,425)	2,830	622	39	**22,381**

The net carrying amount of Property, plant and equipment at December 31, 2005 can be analysed as follows:

(in millions of euros)	At December 31, 2004	Additions	Depreciation	Impairment losses	Divestitures	Change in the scope of consolidation	Translation differences	Other changes	At December 31, 2005
Land	493	1	–	–	(25)	26	24	7	**526**
- Owned industrial buildings	2,157	76	(133)	(30)	(39)	79	104	16	**2,230**
- Industrial buildings leased under finance leases	43	–	(3)	–	–	–	–	23	**63**
Total Industrial buildings	2,200	76	(136)	(30)	(39)	79	104	39	**2,293**
- Owned plant, machinery and equipment	4,543	1,148	(1,435)	(59)	(31)	1,088	229	465	**5,948**
- Plant, machinery and equipment leased under finance leases	18	7	(4)	–	–	–	3	1	**25**
Total Plant, machinery and equipment	4,561	1,155	(1,439)	(59)	(31)	1,088	232	466	**5,973**
Assets sold with a buy-back commitment	1,106	468	(150)	(24)	(232)	–	5	3	**1,176**
- Owned other tangible assets	402	170	(137)	–	(80)	16	28	25	**424**
- Other tangible assets leased under finance leases	4	5	(2)	–	–	–	–	1	**8**
Total Other tangible assets	406	175	(139)	–	(80)	16	28	26	**432**
Advances and tangible assets in progress	671	400	(2)	–	–	49	29	(541)	**606**
Total net carrying amount of Property, plant and equipment	9,437	2,275	(1,866)	(113)	(407)	1,258	422	–	**11,006**

In 2005, the Group had written down certain industrial buildings during the year whose carrying amount was considered not to be fully recoverable either through use or by a possible sale. This write-down is included in Selling, general and administrative costs. Moreover, during 2005, the Group reviewed the recoverable amount of certain production plant in view of its reorganisation and restructuring programmes for specific Sectors. In addition, the Group carried out a recoverability assessment for assets of businesses for which there were indications that impairment may have occurred, using discounted cash flow methods. These assessments led to the recognition of impairment losses of 59 million euros, of which 12 million euros is recognised in Trading profit and 47 million euros in the item Restructuring costs.

The recoverable amount of these assets was determined with reference to their value in use, calculated using a pre-tax discount rate varying between 9.5% and 18%, as a function of the different business risks.

At December 31, 2005, the amount of 1,258 million euros shown as a Change in the scope of consolidation arose mainly from the line-by-line consolidation of the Powertrain activities, previously part of Fiat-GM Powertrain (the joint venture with General Motors), net of the reclassification to assets held for sale of certain plant and machinery of the subsidiary Atlanet S.p.A., for which a sales agreement had been signed with the British Telecom group, approved by the antitrust authorities in February 2006. At December 31, 2005, the column also included an amount of 32 million euros relating to the reclassification of certain properties and industrial buildings of CNH, no longer in use, to Assets held for sale, as the consequence of the restructuring process taking place over the past few years following the acquisition of the Case group.

At December 31, 2006, land and industrial buildings of the Group pledged as security for debt amounted to 112 million euros (195 million euros at December 31, 2005); plant and machinery pledged as security for debt and other commitments amounted to 65 million euros (61 million euros at December 31, 2005) and other assets pledged totalled 4 million euros (nil at December 31, 2005).

At December 31, 2006, the Group had contractual commitments for the acquisition of property, plant and equipment amounting to 493 million euros (418 million euros at December 31, 2005).

15. Investment property

The Group holds interests in certain property to earn rental income and this property is carried at cost. Changes in this item in 2006 were as follows:

(in millions of euros)	At December 31, 2005	Additions	Depreciation	Translation differences	Divestitures and other changes	At December 31, 2006
Gross carrying amount	36	–	–	–	(9)	27
Less: Depreciation and impairment	(10)	–	(1)	–	3	(8)
Net carrying amount of Investment property	26	–	(1)	–	(6)	**19**

During 2005, changes in Investment properties were as follows:

(in millions of euros)	At December 31, 2004	Additions	Depreciation	Translation differences	Divestitures and other changes	At December 31, 2005
Gross carrying amount	63	–	–	–	(27)	36
Less: Depreciation and impairment	(17)	–	(1)	–	8	(10)
Net carrying amount of Investment property	46	–	(1)	–	(19)	**26**

Rental income from investment property in 2006 amounted to 2 million euros, in line with the 2005 amount.

16. Investments and other financial assets

(in millions of euros)	At December 31, 2006		At December 31, 2005	
Investments:				
Investments accounted for using the equity method	1,719		1,762	
Investments at fair value with changes directly in equity	274		227	
Investments at cost	85		101	
Total Investments		2,078		2,090
Receivables		97		113
Other securities		105		130
Total Investments and other financial assets		**2,280**		2,333

Investments

The changes in Investments in 2006 are set out below:

(in millions of euros)	At December 31, 2005	Revaluations/ (Write-downs)	Acquisitions, Capitalisations (Refunds)	Change in the scope of consolidation	Translation differences	Disposals and other changes	At December 31, 2006
Unconsolidated subsidiaries	46	(2)	10	–	(3)	(4)	47
Jointly controlled entities	705	45	113	–	(74)	424	1,213
Associates	1,058	82	–	2	(23)	(616)	503
Other companies	281	–	6	–	–	28	315
Total Investments	2,090	125	129	2	(100)	(168)	**2,078**

Changes in 2005 were as follows:

(in millions of euros)	At December 31, 2004	Revaluations/ (Write-downs)	Acquisitions, Capitalisations (Refunds)	Change in the scope of consolidation	Translation differences	Disposals and other changes	At December 31, 2005
Unconsolidated subsidiaries	32	(3)	–	(3)	2	18	46
Jointly controlled entities	1,790	39	9	(1,210)	95	(18)	705
Associates	1,740	46	12	137	24	(901)	1,058
Other companies	234	(7)	23	(7)	–	38	281
Total Investments	3,796	75	44	(1,083)	121	(863)	**2,090**

Revaluations and Write-downs consist of adjustments to the carrying value of investments accounted for using the equity method for the Group's share of the result for the year of the investee company for an amount of 125 million euros in 2006 (115 million euros in 2005). Write-downs also include, in 2006 and in 2005, any loss in value in investments accounted for under the cost method.

Acquisitions and capitalisations amounting to 129 million euros (44 million euros in 2005) include the subscription of 90 million euros to the capital increase made by FAFS on the formation of the joint venture.

The formation of FAFS resulted in a reduction amounting to 431 million euros of Investments in associates as a consequence of the purchase of the 51% interest in Fidis Retail Italia held by Synesis Finanziaria S.p.A. for 479 million euros. Additionally, the simultaneous sale to Sofinco of 50% of its capital in FAFS gave rise to an increase amounting to 528 million euros of Investments in jointly controlled entities. Such changes are included in the column Disposals and other changes. Also included in the column Disposals and other changes are fair value gains of 28 million euros arising from the investment in Mediobanca S.p.A.; dividends of 69 million euros distributed by companies accounted for using the equity method, disposal of associated companies 91 million euros and other minor decreases of 36 million euros.

In 2005, Disposals and other changes negative for 863 million euros were made up as follows: a decrease of 856 million euros arising from the sale of the investment in Italenergia Bis S.p.A., as described in Note 6; positive fair value adjustments of 59 million euros arising from the investment in Mediobanca S.p.A.; dividends of 47 million euros distributed by companies accounted for using the equity method and other, minor decreases of 19 million euros.

Changes in the scope of consolidation of negative 1,083 million euros in 2005 mainly related to the consolidation on a line by line basis of Fiat Powertrain B.V. (previously Fiat-GM Powertrain), consolidated using the equity method until December 31, 2004, resulting in a reduction of 1,213 million euros. This reduction had been partially offset by an increase of 125 million euros arising from the equity method valuation of the investment in Iveco Finance Holdings Limited, no longer consolidated on a line-by-line basis following the sale of 51% to Barclays Mercantile Business Finance Ltd.

The item Investments in jointly controlled entities comprises the following:

	At December 31, 2006		At December 31, 2005	
	% of interest	Amount (in millions of euros)	% of interest	Amount (in millions of euros)
Fiat Auto Financial Services S.p.A. (ex Fidis Retail Italia S.p.A.)	**50.0**	**528**	–	–
Tofas-Turk Otomobil Fabrikasi Tofas A.S.	**37.9**	**206**	37.9	245
Naveco Ltd.	**50.0**	**117**	50.0	118
Società Europea Veicoli Leggeri-Sevel S.p.A.	**50.0**	**93**	50.0	108
Société Européenne de Véhicules Légers du Nord-Sevelnord Société Anonyme	**50.0**	**61**	50.0	59
Consolidated Diesel Company	**50.0**	**47**	50.0	59
LBX Company LLC	**50.0**	**27**	–	–
New Holland HFT Japan Inc.	**50.0**	**27**	50.0	35
Turk Traktor Ve Ziraat Makineleri A.S.	**37.5**	**23**	–	–
Nan Jing Fiat Auto Co. Ltd.	**50.0**	**22**	50.0	33
Transolver Finance Establecimiento Financiero de Credito S.A.	**50.0**	**17**	50.0	17
New Holland Trakmak Traktor A.S.	**37.5**	**14**	–	–
CNH de Mexico SA de CV	**50.0**	**13**	50.0	17
Other minor		**18**		14
Total Investments in jointly controlled entities		**1,213**		705

The item Investments in associates comprises the following:

	At December 31, 2006		At December 31, 2005	
	% of interest	Amount (in millions of euros)	% of interest	Amount (in millions of euros)
Iveco Finance Holdings Limited	**49.0**	**141**	49.0	131
Rizzoli Corriere della Sera MediaGroup S.p.A.	**9.9**	**107**	9.9	104
Kobelco Construction Machinery Co. Ltd.	**20.0**	**97**	20.0	106
CNH Capital Europe S.a.S.	**49.9**	**71**	49.9	65
Al-Ghazi Tractors Ltd.	**43.2**	**14**	43.2	14
Fidis Retail Italia S.p.A.	**–**	**–**	49.0	431
Turk Traktor Ve Ziraat Makineleri A.S.	**–**	**–**	37.5	29
Immobiliare Novoli S.p.A.	**–**	**–**	40.0	21
LBX Company LLC	**–**	**–**	50.0	20
New Holland Trakmak Traktor A.S.	**–**	**–**	37.5	14
Other minor		**73**		123
Total Investments in associates		**503**		1,058

Rizzoli Corriere della Sera MediaGroup S.p.A. is a listed company in which Fiat is one of the major shareholders, has a seat on the Board of Directors and is a party to a stockholders' agreement. As a result the company is considered to be an associate. In order to account for this investment using the equity method, reference was made to its most recent published financial statements being those for the third quarter of 2006, as those to be issued for financial year 2006 will be published subsequent to the publication of the consolidated financial statements of the Fiat Group.

At December 31, 2006, the fair value of Investments in listed jointly controlled entities and listed associates, determined on the basis of quoted market prices, is as follows:

(in millions of euros)	Carrying value	Fair Value
Tofas-Turk Otomobil Fabrikasi Tofas A.S.	206	498
Rizzoli Corriere della Sera MediaGroup S.p.A.	107	286
Turk Traktor Ve Ziraat Makineleri A.S.	23	130
Al-Ghazi Tractors Ltd.	14	51
Total Investments in listed jointly controlled entities and associates	**350**	**965**

At December 31, 2006, the item Investments in other companies includes the investment in Mediobanca S.p.A. of 268 million euros (227 million euros at December 31, 2005), as well as, the investment in Assicurazioni Generali S.p.A. (5 million euros), acquired in 2006 as a result of the winding up of Consortium S.r.l. and the consequent transfer to its quota holders of the shares that the company held in Mediobanca S.p.A. and Assicurazioni Generali S.p.A. on the basis of their investments.

At December 31, 2006, there are neither investments nor other financial assets given as collateral for debt.

17. Leased assets

The Group leases out assets, mainly its own products, as part of its financial services business. This item changed as follows in 2006:

(in millions of euros)	At December 31, 2005	Additions	Depreciation	Change in the scope of consolidation	Translation differences	Disposals and other changes	At December 31, 2006
Gross carrying amount	1,898	926	–	(1,779)	(24)	(674)	**347**
Less: Depreciation and impairment	(644)	–	(318)	517	6	339	**(100)**
Net carrying amount of Leased assets	1,254	926	(318)	(1,262)	(18)	(335)	**247**

The net reduction of 1,262 million euros included in the column Change in the scope of consolidation reflects the deconsolidation of subsidiaries whose activities were transferred to the FAFS joint venture.

The change in 2005 was as follows:

(in millions of euros)	At December 31, 2004	Additions	Depreciation	Change in the scope of consolidation	Translation differences	Disposals and other changes	At December 31, 2005
Gross carrying amount	1,106	409	–	825	37	(479)	**1,898**
Less: Depreciation and impairment	(366)	–	(184)	(300)	(13)	219	**(644)**
Net carrying amount of Leased assets	740	409	(184)	525	24	(260)	**1,254**

IN 2005 the column Change in the scope of consolidation included the effect resulting from consolidating Leasys S.p.A. on a line-by-line basis.

At December 31, 2006, minimum lease payments from non-cancellable operating leases amount to 192 million euros (420 million euros at December 31, 2005) and fall due as follows:

(in millions of euros)	At December 31, 2006	At December 31, 2005
Within one year	81	215
Between one and five years	107	200
Beyond five years	4	5
Total Minimum lease payments	**192**	420

18. Inventories

(in millions of euros)	At December 31, 2006	At December 31, 2005
Raw materials, supplies and finished goods	8,240	7,499
Work in progress	2,493	2,550
Advances on contract work	(2,286)	(2,168)
Total Inventories	**8,447**	7,881

At December 31, 2006, inventories include assets sold with a buy-back commitment by Fiat Auto for 894 million euros (748 million euros at December 31, 2005). Net of this amount, inventories show an increase of 420 million euros in 2006, due primarily to an increase in the level of activities of Fiat Auto.

At December 31, 2006, Inventories include inventories measured at their net realisable value (estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale) amounting to 1,677 million euros (1,614 million euros at December 31, 2005).

The amount of inventory write-downs recognised as an expense during 2006 is 386 million euros (251 million euros in 2005). Amounts recognised as income from the reversal of write-downs on items sold during the year were not significant.

At December 31, 2005, the carrying amount of inventories pledged as security for loans to the Group was 463 million euros, the loans were repaid in 2006. There were no inventories pledged as security at December 31, 2006.

The majority of Work in progress and Advances on contract work relates to the Production Systems Sector and can be analysed as follows:

(in millions of euros)	At December 31, 2006	At December 31, 2005
Gross amount due from customers for contract work as an asset	308	469
Less: Gross amount due to customers for contract work as a liability	(101)	(87)
Work in progress, net of advances on contract work	**207**	382
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	2,493	2,550
Less: Progress billings	(2,286)	(2,168)
Work in progress, net of advances on contract work	**207**	382

At December 31, 2006, the amount of retentions by customers on contract work in progress was not significant (9 million euros at December 31, 2005).

19. Current receivables

The composition of the caption and the analysis by due date is as follows:

	At December 31, 2006				At December 31, 2005			
(in millions of euros)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Trade receivables	**4,843**	**70**	**31**	**4,944**	4,871	66	32	4,969
Receivables from financing activities	**7,065**	**4,469**	**209**	**11,743**	10,796	5,007	170	15,973
Other receivables	**2,303**	**397**	**139**	**2,839**	2,600	292	192	3,084
Total Current receivables	**14,211**	**4,936**	**379**	**19,526**	18,267	5,365	394	24,026

At December 31, 2006, Current receivables include receivables sold and financed through both securitisation and factoring transactions of 7,717 millions of euros (10,123 millions of euros at December 31, 2005) which do not meet IAS 39 derecognition requirements. These receivables are recognised as such in the Group financial statements even though they have been legally sold; a corresponding financial liability is recorded in the consolidated balance sheet as Asset-backed financing (see Note 28).

Trade receivables

Trade receivables are shown net of allowances for doubtful accounts of 514 million euros at December 31, 2006 (524 million euros at December 31, 2005), determined on the basis of historical losses on receivables. Movements in the allowance accounts during the year are as follows:

(in millions of euros)	At December 31, 2005	Provision	Use and other changes	Change in the scope of consolidation	At December 31, 2006
Allowances for doubtful accounts	524	116	(108)	(18)	**514**

The carrying amount of Trade receivables is considered in line with their fair value at the date.

At December 31, 2006, trade receivables of 42 million euros were pledged as security for loans obtained (153 million euros at December 31, 2005).

Receivables from financing activities
Receivables from financing activities include the following:

(in millions of euros)	At December 31, 2006	At December 31, 2005
Retail financing	**6,482**	6,655
Finance leases	**580**	716
Dealer financing	**4,084**	6,804
Supplier financing	**234**	335
Receivables from banking activities	**–**	1,147
Current financial receivables from jointly controlled financial services entities	**143**	–
Financial receivables from companies under joint control, associates and unconsolidated subsidiaries	**22**	70
Other	**198**	246
Total Receivables from financing activities	**11,743**	15,973

The decrease of 4,230 million euros in Receivables from financing activities is principally due to the combined effect of the following matters:

- a decrease of approximately 3,388 million euros arising from the deconsolidation of the subsidiaries whose activities were transferred to the FAFS joint venture, this mainly affected Receivables from Dealer financing;
- the reduction to zero of Receivables from banking activities due to the disposal of B.U.C.;
- an increase of approximately 1 billion euros in retail financing and dealer financing receivables arising in the financial services subsidiaries that continue to be consolidated (in particular, the financial services subsidiaries of CNH);
- a decrease of 871 million euros arising from exchange differences.

Receivables from jointly controlled financial services entities include financial receivables due to Fiat entities by the FAFS group.

Receivables from financing activities are shown net of an allowance for doubtful accounts determined on the basis of specific insolvency risks. At December 31, 2006 the allowance amounts to 331 million euros (523 million euros at December 31, 2005). Movements in the allowance accounts during the year are as follows:

(in millions of euros)	At December 31, 2005	Provisions	Use and other changes	Change in the scope of consolidation	At December 31, 2006
Allowance for receivables regarding:					
- Retail financing	197	66	(129)	–	**134**
- Finance leases	98	10	(24)	(6)	**78**
- Dealer financing	102	21	(21)	(48)	**54**
- Supplier financing	28	–	(17)	–	**11**
- Receivables from banking activities	39	3	(1)	(41)	**–**
- Financial receivables from companies under joint control, associates and unconsolidated subsidiaries	–	–	–	–	**–**
- Other	59	3	(8)	–	**54**
Total allowance on Receivables from financing activities	523	103	(200)	(95)	**331**

Finance lease receivables relate almost entirely to vehicles of Fiat Auto, Ferrari, Trucks and Commercial Vehicles and Agricultural and Construction Equipment Sectors leased out under finance lease arrangements and may be analysed as follows stated gross of an allowance of 78 million euros at December 31, 2006 (98 million euros at December 31, 2005):

	At December 31, 2006				At December 31, 2005			
(in millions of euros)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Receivables for future minimum lease payments	**328**	**403**	**21**	**752**	433	456	36	925
Less: unrealised interest income	**(42)**	**(50)**	**(2)**	**(94)**	(51)	(56)	(4)	(111)
Present value of future minimum lease payments	**286**	**353**	**19**	**658**	382	400	32	814

There are no contingent rents as finance lease recognised income during 2006 or 2005.

Unguaranteed residual values at December 31, 2006 and 2005 are not significant.

The interest rate implicit in the lease is determined at the commencement of the lease for the whole lease term. The average interest rate implicit in total finance lease receivables vary depending on prevailing market interest rates.

Receivables for dealer financing are typically generated by sales of vehicles and are generally managed under dealer network financing programs as a component of the portfolio of the financial services companies. These receivables are interest bearing, with the exception of an initial limited, non-interest bearing period. The contractual terms governing the relationships with the dealer networks vary from Sector to Sector and from country to country, although these receivables are collected in approximately two to four months on average.

The fair value of receivables from financing activities at December 31, 2006 amounts approximately to 11,282 million euros (15,821 million euros at December 31, 2005) and has been calculated using a discounted cash flow method based on the following discount rates, adjusted, where necessary, to take account of the specific risk of insolvency of the underlying financial instrument.

In %	EUR	USD	GBP	CAD	AUD	BRL	PLN
Interest rate for six months	3.85	5.37	5.43	4.33	6.55	12.60	4.30
Interest rate for one year	4.03	5.33	5.58	4.31	6.52	12.37	4.55
Interest rate for five years	4.13	5.09	5.37	4.24	6.49	12.12	5.02

Other receivables
At December 31, 2006, Other receivables mainly consist of Current tax receivables of 808 million euros (778 million euros at December 31, 2005), Other tax receivables for VAT and other indirect taxes of 971 million euros (1,125 million euros at December 31, 2005) and Receivables from employees of 62 million euros (41 million euros at December 31, 2005).

At the balance sheet date the carrying amount of Other receivables is considered to be in line with their fair value.

20. Accrued income and prepaid expenses
The item Accrued income and prepaid expenses consists mainly of prepaid insurance premiums and rent.

21. Current securities

Current securities consist of short-term or marketable securities which represent temporary investments, but which do not satisfy all the requirements for being classified as cash equivalents. In particular:

(in millions of euros)	At December 31, 2006	At December 31, 2005
Current securities available-for-sale	**90**	317
Current securities for trading	**134**	239
Total Current securities	**224**	556

During 2006, this item decreased by 332 million euros as a consequence of a changed mix in the temporary investment of funds and for 102 million euros as a consequence of the disposal of B.U.C.

22. Other financial assets and Other financial liabilities

These items include the measurement at fair value of derivative financial instruments at the balance sheet date.

In particular:

	At December 31, 2006		At December 31, 2005	
(in millions of euros)	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Fair value hedges:				
- Exchange rate risk - Forward contracts and Currency swaps	**1**	**(1)**	26	(16)
- Interest rate risk - Interest rate swaps and Forward rate agreement	**129**	**(11)**	307	(26)
- Interest rate and exchange rate risk - Combined interest rate and currency swaps	**–**	**–**	9	(1)
- Other derivatives	**–**	**(5)**	–	–
Total Fair value hedges	**130**	**(17)**	342	(43)
Cash flow hedge:				
- Exchange rate risks - Forward contracts, Currency swaps and Currency options	**129**	**(61)**	48	(95)
- Interest rate swaps and Forward rate agreement	**15**	**(8)**	2	(3)
Total Cash flow hedges	**144**	**(69)**	50	(98)
Derivatives for trading	**108**	**(19)**	**62**	(48)
Other financial assets/(liabilities)	**382**	**(105)**	454	(189)

The fair value of derivative financial instruments is determined by taking into consideration market parameters at the balance sheet date and using valuation techniques widely accepted in the financial business environment. In particular:

- the fair value of forward contracts and currency swaps is determined by taking the prevailing exchange rate and interest rates in the two currencies at the balance sheet date;

- the fair value of currency options is determined using valuation techniques based on the Black-Scholes model or binomial models and market parameters at the balance sheet date (in particular exchange rates, interest rates and volatility rates);

- the fair value of interest rate swaps and forward rate agreements is determined by using the discounted cash flow method;

- the fair value of derivative financial instruments acquired to hedge interest rate risk and exchange rate risk is determined using the exchange rates prevailing at the balance sheet date and the discounted cash flow method;

- the fair value of equity swaps is determined using market prices at the balance sheet date;

- the fair value of the equity option is determined using the Black-Scholes or binomial models, with market parameters (in particular the price of the underlying, interest rates, expected future dividends and volatility) being measured at the balance sheet date.

The overall decrease in Other financial assets from 454 million euros at December 31, 2005 to 382 million euros at December 31, 2006, and the decrease in Other financial liabilities from 189 million euros at December 31, 2005 to 105 million euros at December 31, 2006, is due not only to the changes in exchange rates and interest rates over the period, but also to the expiry of certain hedging operations relating principally to bonds that have been reimbursed.

As this item consists principally of hedging instruments, the change in their value is compensated by the change in the value of the hedged item.

Derivates for trading consist principally of the following types:

- Currency derivatives acquired to hedge receivables and payables expressed in foreign currency that are not considered by fair value hedges.

- Derivatives relating to Fiat shares (*Equity Swap*) which are described further below.

At December 31, 2006, the notional amount of outstanding derivative financial instruments is as follows:

(in millions of euros)	At December 31, 2006	At December 31, 2005
Exchange rate risk management	**7,702**	5,992
Interest rate risk management	**8,249**	10,544
Interest rate and exchange rate risk management	**–**	204
Other derivative financial instruments	**2,154**	1,805
Total notional amount	**18,105**	18,545

At December 31, 2006, the notional amount of Other derivative instruments consists of, amongst the others:

- For 220 million euros (70 million euros at December 31, 2005) the notional amount of the two equity swaps, expiring in 2007, stipulated to hedge the risk of an increase in the Fiat share price above the exercise price of stock options granted in 2004 and 2006 to the Chief Executive Officer (see Note 25). At December 31, 2006, the Equity Swaps have a total positive fair value of 79 million euros (a positive value of 8 million euros at December 31, 2005). Although these equity swaps were entered into for hedging purposes, they do not qualify for hedge accounting under IFRS and accordingly are defined as trading derivative financial instruments.

- For 1,282 million euros (1,432 million euros at December 31, 2005), the notional amount of call options on General Motors common stock purchased in 2004 in order to hedge the risk implicit in the Convertible Bond still outstanding at that time (the residual debt of the Exchangeable bond linked to GM ordinary shares). Following the repayment of the majority of this bond (Note 28), these options are classified as trading instruments, even though they were originally purchased for hedging purposes, and are measured at their fair value which at December 31, 2006 and 2005 was essentially nil. These options expired unexercised in January 2007, at the same time as the total extinguishment of the Exchangeable loan.

- For 385 million euros (303 million euros at December 31, 2005), the notional amount of derivatives embedded in certain bonds with a return linked to stock market indices or inflation rates, as well as the notional amount of the related hedging derivatives, which convert this to market rate variability.

There are no significant situations at the date of preparation of these financial statements for which hedging exceeds the hedged future flows (overhedging).

Cash flow hedges

The economic effects mainly refer to the management of the exchange risk.

The policy of the Fiat Group for managing exchange risk normally requires that future cash flows from trading activities which will occur for accounting purposes within the following twelve months, and from orders acquired (or contracts in progress), whatever their due dates, to be hedged. As a result, it is considered reasonable to suppose that the hedging effect arising from this and recorded in the cash flow hedge reserve will be recognised in income, almost entirely during the following year.

Where a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or a highly probable forecasted transaction and could affect income statement, the effective portion of any gain or loss on the derivative financial instrument is recognised directly in equity. The cumulative gain or loss is removed from equity and recognised in the profit and loss account at the same time as the economic effect arising from the hedged item affects income. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognised in the income statement immediately. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realised to the point of termination remains in stockholders' equity and is recognised at the same time as the related transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss held in stockholders' equity is recognised in the income statement immediately.

In 2006 the Group transferred to income gains of 6 million euros (gains of 44 million euros in 2005) net of tax effect previously recognised directly in equity presented in the following line items:

(in millions of euros)	2006	2005
Exchange rate risk		
- Increase in Net revenues	**21**	49
- Decrease/(Increase) in Cost of sales	**(33)**	8
- Result from investments	**6**	–
Interest rate risk		
- Financial income (expenses)	1	(15)
Taxes income (expenses)	**11**	**2**
Total recognised in the income statement	**6**	44

The ineffectiveness of cash flow hedges was not material for the years 2006 and 2005.

Fair value hedge

Gains and losses resulting from the measurement of interest rate derivative financial instruments using fair value hedging rules and the gains and losses arising from the hedged item are shown in the following table:

(in millions of euros)	2006	2005
Interest rate risk		
- Net gains (losses) on qualifying hedges	**(107)**	(105)
- Fair value changes in hedged items	**106**	105
Net gains (losses)	**(1)**	–

The effect of fair value hedges related to exchange rate risk and on other derivative instruments was not material for the years 2006 and 2005.

23. Cash and cash equivalents

Cash and cash equivalents include:

(in millions of euros)	At December 31, 2006	At December 31, 2005
Cash at banks	**6,104**	4,529
Cash with a pre-determined use	**627**	706
Money market securities	**1,005**	1,182
Total Cash and cash equivalents	**7,736**	6,417

Amounts shown are readily convertible into cash and are subject to an insignificant risk of changes in value. The carrying amount of cash and cash equivalent is to be considered in line with their fair value at the balance sheet date.

Cash with a pre-determined use consists principally of cash whose use is restricted to the repayment of the debt related to securitisations classified in the item Asset-backed financing.

The credit risk associated with Cash and cash equivalents is limited, as contracts are entered into with primary national and international financial institutions.

24. Assets and Liabilities held for sale

At December 31, 2006, the items Assets and Liabilities held for sale of respectively 332 million euros and 309 million euros include the carrying amount of the assets and the liabilities of the subsidiaries Meridian Technologies Inc. and Ingest Facility S.p.A.; the agreements for the sale of these subsidiaries were signed in 2006 and at the balance sheet date were still subject to the necessary approvals. The items also include the assets and liabilities at carrying amount of the Indian business of Fiat Auto that will be transferred to the joint venture with Tata Motors currently being set up.

At December 31, 2005, the items Assets and Liabilities held for sale included the assets and liabilities of the subsidiary Atlanet S.p.A. at carrying values respectively of 119 million euros and 110 million euros: an agreement for the sale of this subsidiary was signed with the British Telecom group in 2005 and approved by the antitrust authorities in February 2006.

The item also includes an amount of 29 million euros (32 million euros at December 31, 2005) for certain properties and industrial buildings owned by CNH and no longer being used as a result of the restructuring process set up in prior years following the acquisition of the Case Group, and certain properties and industrial buildings of Fiat Auto and Iveco for an overall amount of 7 million euros.

The items included in Assets held for sale and Liabilities held for sale as of December 31, 2006, may be summarized as follows:

(in millions of euros)	At December 31, 2006
Intangible assets	8
Property, plant and equipment	173
Leased assets	7
Deferred tax assets	6
Inventories	37
Trade receivables	80
Receivables from financing activities	6
Other receivables, Accrued income and prepaid expenses	10
Cash and cash equivalents	5
Total Assets	**332**
Employee benefits	13
Other provisions	42
Asset-backed financing	–
Other debt	34
Trade payables	172
Deferred tax liabilities	4
Other payables, Accrued expenses and deferred income	44
Total Liabilities	**309**

25. Stockholders' equity

Stockholders' equity at December 31, 2006 increased by 623 million euros over that at December 31, 2005 mainly due to net income for the period (1,151 million euros) and foreign exchange losses from the translation into euros of the financial statements of subsidiaries denominated in other currencies (552 million euros).

Capital stock

At December 31, 2006, the capital stock of Fiat S.p.A. is as follows:

(number of shares)	At December 31, 2006	At December 31, 2005
Shares issued and fully paid		
- Ordinary shares	1,092,246,316	1,092,246,316
- Preference shares	103,292,310	103,292,310
- Saving shares	79,912,800	79,912,800
Total shares issued	**1,275,451,426**	1,275,451,426

Issued shares have a nominal value of 5 euros, with each category having rights as follows:

Each share conveys the right to a proportionate share of the earnings available for distribution and of the residual net assets upon liquidation, without harming the rights of preference and savings shares on the allocation of the earnings as described in the following paragraph.

Each ordinary share conveys the right to vote without any restrictions whatsoever. Each preference share conveys the right to vote only on issues that are within the purview of the Extraordinary Stockholders' Meeting and on resolutions concerning Regulations for Stockholders' Meetings. Savings shares are not entitled to vote.

The net income for the year resulting from the annual financial statements of Fiat S.p.A. is allocated as follows:

- to the Legal Reserve, 5% of net income until this reserve reaches one fifth of the capital stock;
- to savings shares, a dividend of up to 0.31 euros per share;
- to the Legal Reserve (additional allocation), to the Extraordinary Reserve and/or to retained earnings, such allocations as shall be decided by the Annual General Meeting of Stockholders;
- to preference shares, a dividend of up to 0.31 euros per share;
- to ordinary shares, a dividend of up to 0.155 euros per share;
- to savings shares and ordinary shares, in equal proportions, an additional dividend of up to 0.155 euros per share;
- to each ordinary, preference and savings share, in equal proportions, the balance of the net income which the Stockholders' Meeting resolves to distribute.

When the dividend paid to savings shares in any year amounts to less than 0.31 euros, the difference is added to the preferred dividend to which they are entitled in the following two years.

If the savings shares are delisted, they are transformed into registered shares if originally bearer shares, and have the right to a higher dividend increased by 0.175 euros, rather than 0.155 euros, with respect to the dividend received by the ordinary and preference shares.

If the ordinary shares are delisted, the higher dividend received by the savings shares with respect to the dividend received by ordinary and preference shares is increased by 0.2 euros per share.

As no dividends were distributed in 2004 and 2005, savings shares are entitled to an additional 0.62 euros per share at December 31, 2006.

The reconciliation of the number of shares outstanding at December 31, 2004 and at December 31, 2006 is as follows:

(number of shares in thousand)	At December 31, 2004	Capital increase	(Purchases)/ Sales of treasury stock	At December 31, 2005	Capital increase	(Purchases)/ Sales of treasury stock	At December 31, 2006
Ordinary shares issued	800,417	291,829	–	1,092,246	–	–	**1,092,246**
Less: Treasury stock	(4,384)	–	52	(4,332)	–	559	**(3,773)**
Ordinary shares outstanding	796,033	291,829	52	1,087,914	–	559	**1,088,473**
Preference shares issued	103,292	–	–	103,292	–	–	**103,292**
Less: Treasury stock	–	–	–	–	–	–	**–**
Preference shares outstanding	103,292	–	–	103,292	–	–	**103,292**
Saving shares issued	79,913	–	–	79,913	–	–	**79,913**
Less: Treasury stock	–	–	–	–	–	–	**–**
Saving shares outstanding	79,913	–	–	79,913	–	–	**79,913**
Total Shares issued by Fiat S.p.A.	983,622	291,829	–	1,275,451	–	–	**1,275,451**
Less: Treasury stock	(4,384)	–	52	(4,332)	–	559	**(3,773)**
Total Fiat S.p.A. outstanding shares	979,238	291,829	52	1,271,119	–	559	**1,271,678**

In regard to changes in 2005, it is recalled that the Mandatory Convertible Facility was extinguished by its conversion to capital stock through subscription by the Lending Banks to an increase in capital stock for consideration, as approved by the Board of Directors on September 15, 2005; the operation took place on September 20, 2005 (see Note 28). Capital stock increased in this manner from 4,918,113,540 euros to 6,377,257,130 euros, through the issue of 291,828,718 ordinary shares, each of par value of 5 euros, having the same characteristics as those currently in circulation, including dividend rights from January 1, 2005, pursuant to article 2441, paragraph 7 of the Italian Civil Code, at a price of 10.28 euros, of which 5.28 euros represents additional paid-in capital. The operation increased capital stock by 1,459 million euros, other reserves by 682 million euros, and generated unusual financial income of 858 million euros, net of related costs (see Note 9).

In regard to 2006, treasury stock was sold when the stock options were exercised.

The following matters have relevance with respect to the capital stock:

■ Pursuant to resolutions approved by the Board of Directors on December 10, 2001 and June 26, 2003, capital could have been increased through rights offerings for a maximum of 81,886,460 euros, with the issuance of a maximum of 16,377,292 ordinary shares at a par value of 5 euros each on February 1, 2007, following the exercise of the residual "FIAT ordinary share warrants 2007".

Fiat had nonetheless reserved the right to pay the warrant holders in cash, starting on January 2, 2007, in lieu of the shares to be issued (shares in exchange for warrants), for the difference between the average of the official market price of Fiat ordinary shares in December 2006 and the warrant exercise price, unless this difference were to exceed the maximum amount set and previously communicated by Fiat, in which case the holder of the warrants could opt to subscribe to the shares in exchange for the warrants. In the financial statements prepared in accordance with IFRS, these rights were recognised as an implicit component of the additional paid-in capital reserve at their fair value of 18 million euros on issue. As described in Note 41 on subsequent events, 4,676 warrants were exercised in January 2007 which led to the issue of 1,169 ordinary shares at a total price of 34,327 euros on February 1, 2007. The remaining warrants have expired and have accordingly been cancelled.

■ Pursuant to the resolution approved by the Extraordinary Stockholders' Meeting on September 12, 2002, the Board of Directors has the right to increase the capital one or more times by September 11, 2007, up to a maximum of 8 billion euros.

■ In a meeting held on November 3, 2006, the Board of Directors of Fiat S.p.A. exercised its delegated powers pursuant to article 2443 of the Italian Civil Code to increase capital stock to service the employee incentive plan reserved for employees of the company and/or its subsidiaries up to a maximum of 1% of that stock, being 50,000,000 euros, by taking a decision to issue a maximum of 10,000,000 ordinary shares each of nominal value 5 euros, corresponding to 0.78% of capital stock and 0.92% of ordinary capital stock, at a price of 13.37 euros each, to service the new employee stock option plan described in the following paragraph. The execution of this increase in capital is subject to the approval of the Annual General Meeting of Stockholders and is dependant on the conditions of the increase being satisfied.

Stock-based compensation

At December 31, 2006 and at December 31, 2005, the following stock-based compensation plans relating to managers of Fiat Group companies or members of the Board of Directors of Fiat S.p.A. were in place.

Stock Option plans linked to Fiat S.p.A. ordinary shares

The Board of Directors of Fiat S.p.A. approved certain stock option plans between March 1999 and September 2002 which provide managers of the Group with the title of *Direttore* and high management potential included in "management development programmes" and members of the Board of Directors of Fiat S.p.A. with the right to purchase a determined number of Fiat S.p.A. ordinary shares at a fixed price (strike price). These rights may be exercised over a fixed period of time from the vesting date to the expiry date of the plan. These stock option plans do not depend on any specific market conditions.

These options may generally be exercised once a three year period has passed from the grant date and for the following six years, consistent with tax law and regulations on the subject; nonetheless, the full amount granted as options is not exercisable until the end of the fourth year.

The contractual terms of these plans are as follows:

Plan	Recipient	Grant date	Expiry date	Strike price (euros)	Number of options granted	Vesting date	Vesting portion
Stock Options 1999	Managers	March 30, 1999	March 31, 2007	26.120	1,248,000	April 1, 2001	50%
						April 1, 2002	50%
Stock Options 2000	Managers	February 18, 2000	February 18, 2008	28.122	5,158,000	February 18, 2001	25%
						February 18, 2002	25%
						February 18, 2003	25%
						February 18, 2004	25%
Stock Options July 2000	Chairman of Fiat S.p.A.	July 25, 2000	July 25, 2008	25.459	250,000	July 25, 2001	50%
						May 14, 2002	50%
Stock Options February 2001	Managers	February 27, 2001	February 27, 2009	24.853	785,000	February 27, 2002	25%
						February 27, 2003	25%
						February 27, 2004	25%
						February 27, 2005	25%
Stock Options March 2001	Chairman of Fiat S.p.A.	March 29, 2001	October 30, 2008	23.708	1,000,000	July 1, 2002	100%
Stock Options October 2001	Managers	October 31, 2001	October 31, 2009	16.526	5,417,500	October 31, 2002	25%
						October 31, 2003	25%
						October 31, 2004	25%
						October 31, 2005	25%
Stock Options May 2002	Chairman of Fiat S.p.A.	May 14, 2002	January 1, 2010	12.699	1,000,000	January 1, 2005	100%
Stock Options September 2002	Managers	September 12, 2002	September 12, 2010	10.397	6,100,000	September 12, 2003	25%
						September 12, 2004	25%
						September 12, 2005	25%
						September 12, 2006	25%

On July 26, 2004, the Board of Directors granted to Sergio Marchionne as a part of his compensation as Chief Executive Officer options for the purchase of 10,670,000 Fiat S.p.A. ordinary shares at the price of 6.583 euros, exercisable from June 1, 2008 to January 1, 2011. In each of the first three years following the grant date, the Officer accrues the right to purchase, from June 1, 2008, an annual maximum of 2,370,000 shares. From June 1, 2008, he will have the right to exercise, effective at that date, the residual portion of the options on 3,560,000 shares. Vesting of the last block of stock options is subject to certain pre-determined profitability targets (*Non-Market Conditions* or *"NMC"*).

Contractual terms of the plan are as follows:

Plan	Grant date	Expiry date	Strike price (euros)	N° of options vested	Vesting date	Vesting portion
Stock Options July 2004	July 26, 2004	January 1, 2011	6.583	10,670,000	June 1, 2005	22.2%
					June 1, 2006	22.2%
					June 1, 2007	22.2%
					June 1, 2008	33.4%*NMC

On November 3, 2006 the Fiat S.p.A. Board of Directors approved an eight year stock option plan, which provides certain managers of the Group and the Fiat S.p.A. Chief Executive Officer with the right to purchase a determined number of Fiat S.p.A. ordinary shares at the fixed price of 13.37 euros per share. In particular, the 10,000,000 options granted to employees and the 5,000,000 options granted to the Chief Executive Officer have a vesting period of four years, with a quarter of the number vesting each year, are subject to achieving certain pre-determined profitability targets (*Non-Market Conditions* or *"NMC"*) in the reference period and may be exercised from the date on which the 2010 financial statements are approved. The remaining 5,000,000 options granted to the Chief Executive Officer of Fiat S.p.A. also have a vesting period of four years with a quarter of the number vesting each year and may be exercised from November 2010.

The ability to exercise the options is additionally subject to specific restrictions regarding the duration of the employment relationship or the continuation of the position held. The stock option plan will become effective after approval by stockholders in general meeting and once all its conditions have been satisfied.

The contractual terms of 2006 plan proposed by Board of Directors are as follows:

Plan	Recipient	Expiry date	Strike price (euros)	N° of options vested	Vesting date	Vesting portion
Stock Option November 2006	Chief Executive Officer	November 3, 2014	13.37	5,000,000	November 2007	25%
					November 2008	25%
					November 2009	25%
					November 2010	25%
Stock Option November 2006	Chief Executive Officer	November 3, 2014	13.37	5,000,000	Spring 2008 (*)	25%*NMC
					Spring 2009 (*)	25%*NMC
					Spring 2010 (*)	25%*NMC
					Spring 2011 (*)	25%*NMC
Stock Option November 2006	Managers	November 3, 2014	13.37	10,000,000	Spring 2008 (*)	25%*NMC
					Spring 2009 (*)	25%*NMC
					Spring 2010 (*)	25%*NMC
					Spring 2011 (*)	25%*NMC

(*) On approval of the prior year's Financial Statements.

A summary of outstanding stock options at December 31, 2006 is as follows:

	Managers compensation			Compensation as member of the Board		
Exercise price (in euros)	Options outstanding at December 31, 2006	Options outstanding at December 31, 2005	Average remaining contractual life (in years) at December 31, 2006	Options outstanding at December 31, 2006	Options outstanding at December 31, 2005	Average remaining contractual life (in years) at December 31, 2006
6.583	–	–	–	10,670,000	10,670,000	4.0
10.397	2,117,000	3,046,500	3.7	–	–	–
12.699	–	–	–	1,000,000	1,000,000	3.0
13.37 (*)	10,000,000	–	7.8	10,000,000	–	7.8
16.526	1,943,500	2,299,000	2.8	–	–	–
23.708	–	–	–	1,000,000	1,000,000	1.8
24.853	80,000	300,000	2.2	–	–	–
25.459	–	–	–	250.000	250.000	1.6
26.120	241,900	316,000	0.3	–	–	–
28.122	1,051,500	1,788,000	1.1	–	–	–
Total (*)	15,433,900	7,749,500		22,920,000	12,920,000	

(*) The granting of 20,000,000 stock options (of which 10,000,000 to managers and 10,000,000 to the Chief Executive officer), approved by the Board of Directors on November 3, 2006, is subject to the approval of shareholders in general meeting pursuant to law.

Changes during the year are as follows:

	Managers compensation		Compensation as member of the Board	
	Number of shares	Average exercise price (in euros)	Number of shares	Average exercise price (in euros)
Outstanding at the beginning of the year	7,749,500	17.51	12,920,000	8.75
Granted (*)	10,000,000	13.37	10,000,000	13.37
Forfeited	–	–	–	–
Exercised	(558,250)	10.397	–	–
Expired	(1,757,350)	21.54	–	–
Outstanding at December 31, 2006 (*)	15,433,900	14.62	22,920,000	10.76
Exercisable at December 31, 2006	5,433,900	16.93	2,250,000	19.01
Exercisable at December 31, 2005	6,987,875	18.28	2,250,000	19.01

(*) The granting of 20,000,000 stock options (of which 10,000,000 to managers and 10,000,000 to the Chief Executive officer), approved by the Board of Directors on November 3, 2006, is subject to the approval of shareholders in general meeting pursuant to law.

The majority of options that had been granted to managers were exercised during the fourth quarter of the year. The average price of Fiat S.p.A. ordinary shares during this period was 14.14 euros per share.

As discussed under Significant accounting policies, in the case of share-based payments the Group applies IFRS 2 to all stock options granted after November 7, 2002, which had not yet vested at January 1, 2005, namely the July 2004 and November 2006 stock option plans. For these stock options plans, the fair value calculated at the grant date used to determine the compensation expense to be accrued, based on a binomial pricing model is based on the following assumptions:

	Plan July 2004	Plan November 2006
Fair value at the grant date (euros)	2.440	3.99
Price of Fiat S.p.A. ordinary shares (euros)	6.466	14.425
Historical volatility of Fiat S.p.A ordinary shares (%)	29.37	28,33
Risk free interest rate	4.021	–

In addition, it is recalled that the dividend payment rate used in the determination of the fair value at the plan grant date in July 2004 was assumed to be zero, based on the experience in the period from 2003 to 2005. In determining the fair value of the November 2006 plan the recent statements made on future dividend prospects of approximately 25% of the consolidated Net result have been considered instead. In addition, the interest rate yield used in the option-pricing model for the 2006 plan is in line with that referred to in Note 19.

The total cost recognised in the income statement for share-based payments linked to Fiat S.p.A. ordinary shares amounts to 11 million euros in 2006 (10 million euros in 2005).

Stock Option plans linked to CNH Global N.V. ordinary shares

In the Agricultural and Construction Equipment Sector, CNH Global N.V. ("CNH") has granted share-based compensation to directors officers and employees which are linked to shares and which have the following terms:

■ *The CNH Global N.V. Outside Directors' Compensation Plan ("CNH Directors' Plan"),* as amended on April 28, 2006, provides for the payment of the following to independent outside members of the CNH Global N.V. Board in the form of cash, and/or common shares of CNH, and/or options to purchase common shares of CNH.

– an annual retainer fee of 65,000 USD;

– a committee membership fee of 25,000 USD; and

– a committee chair fee of 10,000 USD (collectively, the "Fees").

In addition, on April 7, 2006, outside directors received a one-time grant of 4,000 options to purchase common shares of CNH Global N.V. that vest on the third anniversary of the grant date. Each quarter the outside directors elect the form of payment of 1/4 of their Fees. If the elected form is options, the outside director will receive as many options as the amount of Fees that the director elects to forego, multiplied by four and divided by the fair market value of a common share, such fair market value being equal to the average of the highest and lowest sale price of a CNH Global N.V. common share on the last trading day of the New York Stock Exchange preceding the start of each quarter. Stock options granted as a result of such an election vest immediately upon grant, but shares purchased under options cannot be sold for six months following the date of grant.

At December 31, 2006 and 2005, there were 772,296 and 1 million common shares, respectively reserved for issuance under the CNH Directors' Plan. Outside directors do not receive benefits upon termination of their service as directors.

A summary of outstanding stock options under the CNH Director Plan at December 31, 2006 is as follows:

Exercise price (in USD)	Options outstanding at December 31, 2006	Weighted Average remaining contractual life (in years)	Options outstanding at December 31, 2005	Weighted Average remaining contractual life (in years)
9.15 – 15.70	**23,271**	**6.2**	64,348	8.3
15.71 – 26.20	**50,150**	**8.6**	71,055	8.4
26.21 – 40.00	**48,104**	**8.2**	18,654	5.5
40.01 – 56.00	**1,622**	**3.8**	4,460	4.9
56.01 – 77.05	**3,623**	**3.3**	10,525	4.3
Total at December 31, 2006	**126,770**	**7.8**	169,042	7.7

■ The *CNH Equity Incentive Plan*, as amended (the *"CNH EIP"*) provides for grants of various types of awards to officers and employees of CNH and its subsidiaries. In 2006, the CNH EIP was amended to reserve an additional 10,300,000 shares, raising total reserved shares to 15,900,000. The amended CNH EIP now requires that CNH shareholders, at the CNH Global N.V.: Annual General meeting or any Extraordinary General Meeting, ratify and approve the maximum number of shares available under the EIP. In connection with this new requirement, CNH received written confirmation from Fiat, which at the time owned approximately 90% of CNH's issued and outstanding common stock, that would vote at the next Annual General meeting to approve the increase in available shares under the CNH EIP.

Prior to 2006, certain stock option grants were issued which vest ratably over four years from the grant date and expire after ten years. Certain performance-based options, which had an opportunity for accelerated vesting tied to the attainment of specified performance criteria were issued; however, the performance criteria was not achieved. In any event, vesting of these options occurs seven years from the grant date. All options granted prior to 2006 have a contract life of ten years.

Except as noted below, the exercise prices of all options granted under the CNH EIP are equal to or greater than the fair market value of CNH common shares on the respective grant dates. During 2001, CNH granted stock options with an exercise price less than the quoted market price of our common shares at the date of grant. The exercise price of this grant was based upon the average closing price of CNH common shares on the New York Stock Exchange for the thirty-day period preceding the date of grant.

In 2006, the CNH Long-Term Incentive ("LTI") award discussed below was replaced by plans providing performance based stock options, cash, and stock options. As a part of this change, CNH, in September 2006, granted approximately 2.0 million performance based stock options which will result in an estimated expense over the vesting period of approximately 10 USD million (at targeted performance levels) under its EIP. Target performance levels were not achieved, resulting in only 387,510 shares vesting. All of the other performance based stock options were forfeited. One-third of the options vested with the approval of 2006 results by the Board of Directors. The remaining options will vest equally on the first and second anniversary of the initial vesting date. The actual number of shares vesting may exceed 2 million if CNH's performance exceeds targets; however, if minimum target levels are not achieved, the options will not vest. Options granted under the EIP in 2006 have a five years contractual life.

The following table summarises outstanding stock options under the CNH EIP at December 31, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise Price (in USD)	Number of Shares Outstanding	Weighted Average remaining Contractual Life	Weighted Average Exercise Price (in USD)	Number of Shares Exercisable	Weighted Average Exercise Price (in USD)
10.00 – 19.99	364,316	5.6	16.20	364,316	16.21
20.00 – 29.99	387,510	5.2	21.20	–	–
30.00 – 39.99	523,600	4.4	31.70	523,600	31.70
40.00 – 69.99	485,040	3.1	68.85	474,084	68.85
Total at December 31, 2006	**1,760,466**			**1,362,000**	

The Black-Scholes pricing model was used to calculate the fair value of stock options by CNH. The weighted-average assumptions used under the Black-Scholes pricing model were as follows:

	2006		2005	
	Directors' plan	Equity incentive plan	Directors' plan	Equity incentive plan
Option life (years)	**5**	**3.25**	5	5
Expected volatility of CNH Global N.V. shares (%)	**71.0**	**34.7**	72.0	71.5
Expected dividend yield (%)	**1.3**	**1.3**	1.3	1.3
Risk-free interest rate (%)	**4.8**	**4.5**	3.9	3.7

Based on this model, the weighted-average fair values of stock options awarded for the years ended December 31, 2006, and 2005 were as follows:

(in USD)	2006	2005
CNH Directors' Plan	**14.61**	10.13
CNH EIP	**5.78**	10.18

Changes during the period in all CNH stock option plans are as follows:

	Directors' plan		Equity incentive plan	
	Number of shares	Average exercise price (in USD)	Number of shares	Average exercise price (in USD)
Outstanding at the beginning of the year	169,042	21.60	2,041,070	34.62
Granted during the year	54,589	25.75	2,010,046	21.20
Forfeited during the year	(33,874)	34.74	(1,814,131)	22.84
Exercised during the year	(62,987)	14.10	(476,519)	16.20
Expired during the year	–	–	–	–
Outstanding at December 31, 2006	**126,770**	**23.19**	**1,760,466**	**36.42**
Exercisable at December 31, 2006	**82,770**	**22.43**	**1,362,000**	**40.48**
Exercisable at December 31, 2005	141,872	22.50	1,747,634	36.76

Under the CNH EIP, performance-based restricted shares may also be granted. CNH establishes the period and conditions of performance for each award and holds the shares during the performance period. Performance-based restricted shares vest upon the attainment of specified performance objectives. Certain performance-based restricted shares vest no later than seven years from the award date.

In 2004, a LTI award for which payout is tied to achievement of specified performance objectives was approved under the CNH EIP for selected key employees and executive officers. The LTI awards are subject to the achievement of certain performance criteria over a 3-year performance cycle. At the end of the 3-year performance cycle, any earned awards will be satisfied equally with cash and CNH common shares as determined at the beginning of the performance cycle, for minimum, target, and maximum award levels.

As a transition to the LTI, the first award for the 2004-2006 performance cycle provided an opportunity to receive an accelerated payment of 50% of the targeted award after the first two years of the performance cycle. Objectives for the first two years of the performance cycle were met and an accelerated payment of cash and 66,252 shares were issued in 2006. Ultimately, the cumulative results for the 2004-2006 performance cycle were achieved and the remaining award will be issued in early 2007.

A second 3 year LTI award for the 2005-2007 performance cycle was granted in 2005. Vesting will occur after 2007 results are approved by the CNH Global N.V. Board of Directors.

In connection with changes to the LTI, CNH granted approximately 2.2 million performance based, non-vested share awards under its EIP to approximately 200 of the Company's top executives. These shares were to cliff vest when 2008 audited results are approved by the CNH Global N.V. Board of Directors (estimated to be February 2009) if specified fiscal year 2008 targets were achieved. In December 2006, CNH extended this grant by providing participants an additional opportunity for potential partial payouts should these targets not be achieved until 2009 or 2010. All other terms remained unchanged. The grant date fair value on the date of the modification ranges from 27.35 USD per share to 26.27 USD depending on the service period over which the grant ultimately vests. The fair value is based on the market value of CNH's common shares on the date of the grant modification and is adjusted for the estimated value of dividends which are not available to participants during the vesting period. Depending on the period during which targets are achieved, the estimated expense over the service period can range from approximately 28 USD million to 52 USD million (current estimate is 38 USD million). If specified targets are not achieved by 2010, the shares granted will not vest.

As of December 31, 2006, outstanding performance shares under the 2006, 2005, and 2004 awards under the CNH EIP were as follows:

(number of shares)	2006 award	2005 award	2004 award
Granted	**4,475,000**	195,946	235,134
Exercised	**–**	–	(66,252)
Cancelled	**(2,237,500)**	–	–
Forfeited	**–**	(45,834)	(119,442)
Outstanding at December 31. 2006	**2,237,500**	**150,112**	**49,440**

As of December 31, 2006 and 2005, there were 10,642,793 common shares available for issuance under the CNH EIP.

The total cost recognised in the 2006 income statement for all share-based compensation linked to CNH Global N.V. ordinary shares amounted to 4 million euros (1 million euros in 2005).

Stock Option linked to Ferrari S.p.A. ordinary shares

Under this scheme, certain employees of Ferrari S.p.A., and the Chairman and the Chief Executive Officer of the company at the time, have the option to acquire respectively 207,200 and 184,000 Ferrari S.p.A. ordinary shares at a strike price of 175 euros per share. Under the scheme the options may be exercised until December 31, 2010, wholly or partially, and are subject to a limited extent to the company's listing process. A total of 104,000 options granted to the Chairman of Ferrari S.p.A. were exercised in 2006 and settled by carrying out an increase in capital stock, while a further 140,800 options were forfeited. At December 31, 2006 the employees and the Chairman held respective totals of 66,400 and 80,000 stock option rights under this scheme, all of whose exercise rights are subordinated to the listing of the company.

Cash-settled share-based payments

Certain entities of the Fiat Powertrain Technologies Sector have agreed in 2001, 2002, 2003 and 2004 with a number of employees a total of four cash-settled share-based payment defined Stock Appreciation Rights (SAR) plans. Under these plans, certain employees involved have the right to receive a payment corresponding to the increase in share price between the grant date and the exercise date of General Motors $1 2/3 shares listed in New York and Fiat S.p.A. ordinary shares listed in Milan. The right is exercisable from the vesting date to the expiry date of the plans and is subordinated to certain conditions (*Non-Market Conditions "NMC"*). The contractual terms of these rights are as follows:

Plan	Grant date	From	Until	Outstanding rights on GM $1 2/3 shares at December 31, 2006	Outstanding rights on Fiat S.p.A. shares at December 31, 2006	Grant price GM $1 2/3 (in USD)	Grant price Fiat S.p.A. (in euros)	Vesting portion
2001	February 12, 2002	March 1, 2002	February 12, 2009	45,053	220,176	49.57	15.50	100%*NMC
2002	February 12, 2002	February 12, 2003	February 12, 2010	44,580	207,490	49.57	15.50	1/3*NMC
		February 12, 2004	February 12, 2010					1/3*NMC
		February 12, 2005	February 12, 2010					1/3*NMC
2003	February 11, 2003	February 11, 2004	February 11, 2011	46,644	96,694	36.26	7.95	1/3*NMC
		February 11, 2005	February 11, 2011					1/3*NMC
		February 11, 2006	February 11, 2011					1/3*NMC
2004	February 10, 2004	February 10, 2005	February 11, 2012	40,470	181,042	49.26	6.03	1/3*NMC
		February 10, 2006	February 11, 2012					1/3*NMC
		February 10, 2007	February 11, 2012					1/3*NMC

Changes during the period are as follows:

	rights on GM $1 2/3 shares	rights on Fiat S.p.A. shares
Outstanding at the beginning of the year	176,747	847,135
Granted during the year	–	–
Forfeited during the year	–	–
Exercised during the year	–	(141,733)
Expired during the year	–	–
Outstanding at December 31, 2006	**176,747**	**705,402**
Exercisable at December 31, 2006	**176,747**	**705,402**
Exercisable at December 31, 2005	176,747	847,135

In accordance with IFRS 2, the Group measures the liability arising from cash-settled share-based payment transactions at fair value at each reporting date and at the date of settlement; the changes in the fair value of these liabilities are recognised in the income statement for the period. At December 31, 2006 and 2005, the Group measured the fair value of the liabilities generated by these plans using the binomial method based on the following assumptions:

	At December 31, 2006		At December 31, 2005	
	GM $1 2/3 share	Fiat S.p.A. ordinary share	GM $1 2/3 share	Fiat S.p.A. ordinary share
Closing price	**$ 30.72**	**€ 14.425**	$ 19.42	€ 7.36
Expected volatility (%)	**42.67**	**28.33**	77.56	28.39
Expected dividend yield (%)	**3.26**	**–**	10.30	0.00

The dividends expected to be paid on the ordinary shares of Fiat S.p.A. and used in the binomial model for 2006 are those referred to in recent statements made by the Group, consistent with the approach taken for the stock options granted by Fiat S.p.A. in 2006.

The *fair value* of the above mentioned rights at December 31, 2006 and at December 31, 2005 amounts to:

	Fair value at December 31, 2006		Fair value at December 31, 2005	
(in euros)	GM $1 2/3 share	Fiat S.p.A. ordinary share	GM $1 2/3 share	Fiat S.p.A. ordinary share
2001 Plan	**2.33**	**2.18**	3.28	0.23
2002 Plan	**3.44**	**2.64**	3.99	0.41
2003 Plan	**6.37**	**6.95**	5.37	2.10
2004 Plan	**5.22**	**8.59**	4.92	3.15

A loss of 2 million euros from the total change in the fair value of these cash-settled share-based payment plans was recognised by the Group in 2006 income (a loss of 2 million euros in 2005).

Treasury Stock
Treasury stock consists of 3,773,458 Fiat S.p.A. ordinary shares for an amount of 24 million euros (4,331,708 ordinary shares for an amount of 28 million euros at December 31, 2005).

Capital reserve
At December 31, 2006, the Capital reserve includes 682 million euros of additional paid-in capital for a total amount of 1,541 million euros consisting of the share premium paid by the subscribers of the capital increase made after the extinguishment of the Mandatory Convertible Facility on September 20, 2005 described at the paragraph Capital stock; 859 million euros are in to Earning reserves.

Earning reserves
The principal earning reserves are as follows:

- The legal reserve of Fiat S.p.A. of 447 million euros at December 31, 2006 (447 million euros at December 31, 2005);
- Retained earnings totalling 262 million euros at December 31, 2006 (retained losses totalling 1,055 million euros at December 31, 2005);
- The net result before minority interest of 1,065 million euros for the year ended December 31, 2006 (net result of 1,331 million euros for the year ended December 31, 2005);
- The share based payments reserve of 27 million euros at December 31, 2006 (16 million euros at December 31, 2005).

Income (expense) recognised directly in equity
This item consists of accumulated other comprehensive income at December 31, 2006; changes for the two years then ended are as follows:

(in millions of euros)	Cash flow hedge reserve	Available-for-sale reserve	Cumulative translation differences	Income (expense) recognised directly in equity
Balances at January 1, 2005	33	75	(75)	33
Gains (losses) recognised directly in the cash flow hedge reserve	(16)	–	–	(16)
Gains (losses) recognised directly in the available-for-sale reserve	–	61	–	61
Gains (losses) on translation differences	–	–	921	921
(Net profit) loss	(44)	–	–	(44)
Balances at December 31, 2005	(27)	136	846	955
Gains (losses) recognised directly in the cash flow hedge reserve	**109**	**–**	**–**	**109**
Gains (losses) recognised directly in the available-for-sale reserve	**–**	**46**	**–**	**46**
Gains (losses) on translation differences	**–**	**–**	**(551)**	**(551)**
(Net profit) loss	**(6)**	**(12)**	**(1)**	**(19)**
Balances at December 31, 2006	**76**	**170**	**294**	**540**

Minority interest
The minority interest in stockholders' equity of 674 million euros (732 million euros at December 31, 2005) refers mainly to the following companies consolidated on a line-by-line basis:

	% held by minority stockholders	
	At December 31, 2006	At December 31, 2005
Italian companies:		
Ferrari S.p.A.	**15.0**	44.0
Teksid S.p.A.	**15.2**	15.2
Foreign companies:		
CNH Global N.V.	**10.3**	16.1

26. Provisions for employee benefits

Group companies provide post-employment benefits for their employees, either directly or by contributing to independently administered funds.

The way these benefits are provided varies according to the legal, fiscal and economic conditions of each country in which the Group operates, the benefits generally being based on the employees' remuneration and years of service. The obligations relate both to active employees and to retirees.

Group companies provide post-employment benefits under defined contribution and/or defined benefit plans.

In the case of defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the company has no further payment obligations. Liabilities for contributions accrued but not paid are included in the item Other payables (see Note 30). The entity recognise the contribution cost when the employee has rendered his service and includes this cost by destination in Cost of Sales, Selling, General and Administrative costs and Research and development costs. In 2006, these expenses totalled 1,161 million euros (1,080 million euros in 2005).

Defined benefit plans may be unfunded, or they may be wholly or partly funded by contributions by an entity, and sometimes by its employees, into an entity, or fund, that is legally separate from the employer and from which the employee benefits are paid.

In the case of funded and unfunded post employment benefits, included in the item Post-employment benefits, the Group obligation is determined on an actuarial basis, using the Projected Unit Credit Method and is offset against the fair value of plan assets, if any. Where the fair value of plan assets exceed the post-employment benefits obligation, and the group has a right of reimbursement or a right to reduce future contributions, the surplus amount is recognised in accordance with IAS 19 as an asset. As discussed in the paragraph Significant accounting policies, actuarial gains and losses are accounted for from January 1, 2004 using the corridor approach.

Finally, the Group grants certain other long-term benefits to its employees; these benefits include those generally paid when the employee attains a specific seniority or in the case of disability. In this case the measurement of the obligation reflects the probability that payment will be required and the length of time for which payment is expected to be made. The amount of this obligation is calculated on an actuarial basis using the Projected Unit Credit Method. The corridor approach is not used for actuarial gains and losses arising from this obligation.

The item Other provisions for employees consists of the best estimate at the balance sheet date of short-term employee benefits payable (such as bonuses for example) by the Group within twelve months after the end of the period in which the employees render the related.

Provisions for employee benefits at December 31, 2006 and 2005 are as follows:

(in millions of euros)	At December 31, 2006	At December 31, 2005
Post-employment benefits:		
- Employee severance indemnity	**1,270**	1,283
- Pension Plans	**795**	903
- Health care plans	**986**	1,102
- Other	**259**	294
Total post-employment benefits	**3,310**	3,582
Other provisions for employees	**266**	216
Other long-term employee benefits	**185**	152
Total provision for employee benefits	**3,761**	3,950
Defined benefit plan assets	**11**	–
Total Defined benefits plan assets	**11**	–

In 2006, changes in Other provisions for employees and in Other long-term employee benefits are as follows:

(in millions of euros)	At December 31, 2005	Provision	Utilisation	Change in the scope of consolidation and other changes	At December 31, 2006
Other provisions for employees	216	209	(129)	(30)	**266**
Other long-term employee benefits	152	21	(14)	26	**185**
Total	368	230	(143)	(4)	**451**

In 2005, changes in Other provisions for employees and in Other long-term employee benefits were as follows:

(in millions of euros)	At December 31, 2004	Provision	Utilisation	Change in the scope of consolidation and other changes	At December 31, 2005
Other provisions for employees	100	136	(28)	8	216
Other long-term employee benefits	140	18	(13)	7	152
Total	240	154	(41)	15	**368**

Post-employment benefits and Other long-term employee benefits are calculated on the basis of the following actuarial assumptions:

	At December 31, 2006				At December 31, 2005			
In %	Italy	USA	UK	Other	Italy	USA	UK	Other
Discount rate	**3.98**	**5.80**	**5.00**	**4-5**	3.53	5.50	4.75	1-5.25
Future salary increase	**3.65**	**n/a**	**3.50**	**1.5-3.5**	2.58	n/a	3.50	2.25-3.5
Inflation rate	**2.00**	**n/a**	**3.00**	**2.00**	2.00	n/a	2.75	2.00
Increase in healthcare costs	**n/a**	**5-10**	**n/a**	**n/a**	n/a	5-10	n/a	n/a
Expected return on plan assets	**n/a**	**8.25**	**7.25**	**n/a**	n/a	8.25	6.88	n/a

Reserve for employee severance indemnity ("TFR")

The reserve for employee severance indemnities comprises liability for severance indemnities that Italian companies accrue each year end for employees, as required by Italian labour legislation. This provision is settled to retiree employees and, shall be partially paid in advance if certain conditions are met. This defined benefit post-employment plan is unfunded.

Pension plans

The item Pension plans consists principally of the obligations of Fiat Group companies operating in the United States (mainly to the CNH Sector) and in the United Kingdom.

Under these plans a contribution is generally made to a separate fund (trust) which independently administers the plan assets. The plan provides for a fixed contribution by employees and for a variable contribution by the employer necessary to, at a minimum, to satisfy the funding requirements as prescribed by the laws and regulations of each country. Prudently the Group makes discretionary contributions in addition to the funding requirements. If these funds are overfounded, that is if they present a surplus compared to the requirements of law, the Group companies concerned are not required to contribute to the plan in respect of the minimum performance requirement as long as the fund is in surplus. The administration strategy for these assets depends on the features of the plan and on the maturity of the obligations. Typically, longer term plan benefit obligations are funded by investing in more equity securities; shorter term plan benefit obligations are funded by investing in more fixed income securities.

With regard to pension plans in the United States from January 1, 2003 CNH Global N.V. makes contributions to these plans also by ordinary shares and not only by cash.

In the United Kingdom the Fiat Group participates in a plan financed by various entities belonging to the Fiat Group, called the "Fiat Group Pension Scheme", amongst others. Under this plan, participating employers make contributions on behalf of their active employees (active), retirees (pensioners) and employees who have left the Group but have not yet retired (deferred).

Health care plans

The item Health care plans comprise obligations for health care and insurance plans granted to employees of the Fiat Group working in the United States and Canada. These plans, which are unfunded, generally cover all employees retiring on or after reaching the age of 55 who have had at least 10 years of service with the Group.

Other

The item Other includes loyalty bonuses, which are due to employees who reach a specified seniority and are generally settled when an employee leaves the Group; and for French entities, the *Indemnité de depart à la retraite*, a plan similar to the Italian TFR. These schemes are unfunded.

The amounts recognised in the balance sheet at December 31, 2006 and 2005 for post-employment benefits are as follows:

	Employee severance indemnity		Pension Plans		Health care plans		Other	
(in millions of euros)	At December 31, 2006	At December 31, 2005	At December 31, 2006	At December 31, 2005	At December 31, 2006	At December 31, 2005	At December 31, 2006	At December 31, 2005
Present value of funded obligations	–	–	2,296	2,647	–	–	–	–
Less: Fair Value of plan assets	–	–	(2,176)	(2,115)	–	–	–	–
	–	–	120	532	–	–	–	–
Present value of unfunded obligations	1,362	1,417	811	539	1,109	1,417	278	323
Unrecognised actuarial gains (losses)	(92)	(134)	(151)	(164)	(161)	(370)	(18)	(28)
Less: Unrecognised past service cost	–	–	(1)	(4)	38	55	(1)	(1)
Unrecognised assets	–	–	5	–	–	–	–	–
Net liability	**1,270**	1,283	**784**	903	**986**	1,102	**259**	294
Amounts in the balance sheet:								
- Liabilities	1,270	1,283	795	903	986	1,102	259	294
- Less: Assets	–	–	(11)	–	–	–	–	–
Net liability	**1,270**	1,283	**784**	903	**986**	1,102	**259**	294

The amounts recognised in the income statement for Post-employment benefits are as follows:

	Employee severance indemnity		Pension Plans		Health care plans		Other	
(in millions of euros)	2006	2005	2006	2005	2006	2005	2006	2005
Current service cost	91	86	37	48	12	12	13	16
Interest costs	49	33	149	146	67	60	11	9
Less: Expected return on plan assets	–	–	(152)	(133)	–	–	–	–
Net actuarial losses (gains) recognised in the year	3	1	(4)	–	22	14	(2)	4
Past service costs	–	–	1	1	(11)	(11)	–	1
Paragraph 58 adjustment	–	–	3	–	–	–	–	–
Losses (gains) on curtailments and settlements	–	–	–	–	–	–	(1)	(1)
Plan amendments	–	–	15	(8)	(31)	(98)	–	–
Other	1	1	–	(7)	–	1	–	(3)
Total Costs (gains) for post-employment benefits	**144**	121	**49**	47	**59**	(22)	**21**	26
Actual return on plan assets	**n/a**	n/a	**198**	213	**n/a**	n/a	**n/a**	n/a

Changes in the present value of Post-employment obligations are as follows:

(in millions of euros)	Employee severance indemnity 2006	Employee severance indemnity 2005	Pension Plans 2006	Pension Plans 2005	Health care plans 2006	Health care plans 2005	Other 2006	Other 2005
Present value of obligation at the beginning of the year	1,417	1,243	3,186	2,830	1,417	1,186	323	278
Current service cost	91	86	37	48	12	12	13	16
Interest costs	49	33	149	146	67	60	11	9
Contribution by plan participants	–	–	6	5	7	7	–	–
Actuarial losses (gains)	(39)	47	41	137	(156)	177	(4)	8
Exchange rate differences	–	–	(89)	185	(140)	187	(4)	5
Benefits paid	(141)	(150)	(158)	(162)	(67)	(64)	(37)	(39)
Past service cost	–	–	–	–	–	(49)	–	2
Change in scope of consolidation	(5)	158	(4)	(1)	–	–	(6)	24
(Gains) Losses on curtailments	–	–	–	–	–	–	–	(1)
(Gains) Losses on settlements	–	–	(72)	–	–	–	–	–
Plan amendments	–	–	15	(8)	(31)	(98)	–	–
Other changes	(10)	–	(4)	6	–	(1)	(18)	21
Present value of obligation at the end of the year	**1,362**	1,417	**3,107**	3,186	**1,109**	1,417	**278**	323

The item (Gains) Losses on settlements (-72 million euros) is referred to the settlement of a funded defined benefit pension plan in the Trucks and Commercial Vehicles Sector as a consequence of the disposal to an insurance company of a pension plan of a subsidiary being wound up.

Plan amendments, recognised in the income statement and in changes in the present value of the obligations, mainly relate to 1) the effect of the modifications made to the CNH U.S. Pension Plan during the year, following a reduction in the number of members of the plan and the granting of various benefits to employees and 2) the amendments to healthcare plans including an effect of 25 million euros in 2006 arising from modifications to the "*CNH Health & Welfare Plan*" and the "*CNH Employee Group Insurance Plan*".

The effect of Plan amendments in 2005 on the amounts recognised for pension plans and healthcare plans both in the income statement and in changes in the present value of the obligations, was mainly due to a structural reduction in welfare benefits and resulting costs in North America, carried out by the CNH entities. These amendments mainly regarded the "*CNH Health & Welfare Plan*", the "*CNH Employee Group Insurance Plan*" and the "*CNH Retiree Medical Savings Account Plan*".

Changes in the scope of consolidation relate mostly to the deconsolidation of the subsidiaries transferred to the FAFS joint venture and the disposal of Sestrieres S.p.A. In 2005, this change principally related the first-time consolidation of the assets and liabilities of Powertrain, formerly part of Fiat-GM Powertrain, the joint venture with General Motors, and the effect of acquiring control of Leasys S.p.A.

Other changes includes the reclassification of the employee severance indemnity liability and other defined benefit plan liabilities of Ingest Facility S.p.A. to Liabilities held for sale.

Changes in the fair value of plan assets are as follows:

(in millions of euros)	Pension Plans 2006	Pension Plans 2005
Opening fair value of plan assets	2,115	1,709
Expected return on plan assets	152	133
Actuarial gains (losses)	46	80
Exchange rate differences	(74)	146
Contribution by employer	147	180
Contribution by plan participants	6	9
Benefits paid	(145)	(147)
Change in the scope of consolidation	–	1
(Gains) losses on settlements	(72)	–
Other changes	–	4
Closing fair value of plan assets	**2,176**	2,115

Plan assets for Post-employment benefits mainly consist of listed equity instruments and fixed income securities; plan assets do not include treasury stock of Fiat S.p.A. or properties occupied by Group companies.

Plan assets may be summarised as follows:

In %	At December 31, 2006	At December 31, 2005
Third party equity instruments	56	54
Third party debt instruments	39	42
Properties occupied by third parties	1	1
Other assets	4	3

Assumed healthcare cost trend rates have a significant effect on the amount recognised in the 2006 income statement. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

(in millions of euros)	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service costs and interest cost	26	21
Effect on defined benefit obligation	156	122

The present value of the defined benefit obligations in 2006 and at the end of the three previous years is as follows:

(in millions of euros)	At December 31, 2006	At December 31, 2005	At December 31, 2006	At December 31, 2005
Present value of obligation:				
- Employee severance indemnity	1,362	1,417	1,243	1,265
- Pension plans	3,107	3,186	2,830	2,713
- Healthcare plans	1,109	1,417	1,186	1,095
- Others	278	323	278	275
Total	**5,856**	6,343	**5,537**	5,348

The effects of the differences between the previous actuarial assumptions and what has actually occurred (experience adjustments) at December 31, 2006 and 2005, is as follows:

(in millions of euros)	At December 31, 2006	At December 31, 2005
Experience adjustments actuarial (gains) losses:		
- Employee severance indemnity	(3)	48
- Pension plans	57	(7)
- Healthcare plans	6	18
- Others	61	(25)
Total Experience adjustments actuarial (gains) losses on the present value of defined benefit obligation	**121**	34
Plan assets	10	15
Total Experience adjustments actuarial (gains) losses on the fair value of the plan assets	**10**	15

The best estimate of expected contribution to pension and healthcare plan for 2007 is as follows:

(in millions of euros)	2007
Pension plans	151
Healthcare plans	69
Total expected contribution	**220**

27. Other provisions

Changes in Other provisions for the year ended at December 31, 2006 are as follows:

(in millions of euros)	At December 31, 2005	Charge	Utilisation	Release to income	Other changes	At December 31, 2006
Warranty provision	1,046	1,157	(981)	(28)	60	**1,254**
Restructuring provision	488	331	(224)	(9)	(25)	**561**
Investment provision	71	–	–	–	(4)	**67**
Other risks	3,143	2,046	(1,886)	(178)	(157)	**2,968**
Total Other provisions	4,748	3,534	(3,091)	(215)	(126)	**4,850**

The effect of discounting provisions amounts to 10 million euros in 2006 and has been included in the Other changes as the negative effect of exchange rate differences amounting to 87 million euros.

The warranty provision represents management's best estimate of commitments given by the Group for contractual, legal or constructive obligations arising from product warranties given for a specified period of time which begins at the date of delivery to the customer. This estimate has been calculated considering, past experience and specific contractual terms.

The restructuring provision comprises the estimated amount of benefits payable to employees on termination in connection with restructuring plans amounting to 456 million euros at December 31, 2006 (391 million euros at December 31, 2005), other costs for exiting activities amounting to 25 million euros at December 31, 2006 (10 million euros at December 31, 2005) and other costs totalling 80 million euros at December 31, 2006 (87 million euros at December 31, 2005).

The total balance at December 31, 2006 relates to corporate restructuring programs of the following Sectors (in millions of euros): Fiat Auto 137 (175 at December 31, 2005); Agricultural and Construction Equipment 148 (72 at December 31, 2005); Powertrain 61 (15 at December 31, 2005), Trucks and Commercial Vehicles 49 (102 at December 31, 2005); Metallurgical Products 18 (19 at December 31, 2005); Components 25 (28 at December 31, 2005); Production Systems 83 (48 at December 31, 2004); Services 18 (16 at December 31, 2005); Other sectors 22 (13 at December 31, 2005).

The provision for other risks represents the amounts set aside by the individual companies of the Group principally in connection with contractual and commercial risks and disputes. The more significant balances of these provisions are as follows.

(in millions of euros)	At December 31, 2006	At December 31, 2005
Sales Incentives	**851**	856
Legal proceedings and other disputes	**630**	598
Commercial risks	**808**	877
Environmental risks	**95**	149
Indemnities	**49**	87
Other reserves for risk and charges	**535**	576
Other risks	**2,968**	3,143

A description of these follows:

■ *Sales Incentives* - These provisions relate to sales incentives that are offered on a contractual basis to the Group's dealer networks, primarily on the basis of the dealers achieving a specific cumulative level of revenue transactions during the calendar year. This provision is estimated based on the information available regarding the sales made by the dealers during the calendar year. The provision also includes sales incentives such as cash rebates announced by the Group and provided by dealers to customers, for which the dealers are reimbursed. The Group records these provisions when it is probable that the incentive will be provided and the Group's inventory is sold to its dealers. The Group estimates these provisions based on the expected use of these rebates with respect to the volume of vehicles that has been sold to the dealers.

■ *Legal proceedings and other disputes* -This provision represents management's best estimate of the liability to be recognised by the Group with regard to:

– Legal proceedings arising in the ordinary course of business with dealers, customers, suppliers or regulators (such as contractual or patent disputes).

– Legal proceedings involving claims with active and former employees.

– Legal proceedings involving different tax authorities.

None of these provisions is individually significant. Each Group company recognises a provision for legal proceedings when it is deemed probable that the proceedings will result in an outflow of resources. In determining their best estimate of the probable liability, each Group company evaluates their legal proceedings on a case-by-case basis to estimate the probable losses that typically arise from events of the type giving rise to the liability. Their estimate takes into account, as applicable, the views of legal counsel and other experts, the experience of the Group and others in similar situations and the Group's intentions with regard to further action in each proceeding. Fiat's consolidated provision aggregates these individual provisions established by each of the Group's companies.

■ *Commercial risks* - This provision includes the amount of obligations arising in connection with the sale of products and services such as extended warranty agreements and maintenance contracts. An accrual is recorded when the expected costs to complete the services under these contracts exceed the revenues expected to be realised.

This provision also includes management's best estimate of the costs that are expected to be incurred in connection with product defects that could result in a larger recall of vehicles. This provision for risks is developed through an assessment of reported damages or returns on a case-by-case basis.

■ *Environmental risks* - Based upon currently available information, the reserve represents management's best estimate of the Group's potential environmental obligations. Amounts included in the estimate comprise direct costs to be incurred in connection with environmental obligations associated with current or formerly owned facilities and sites. This provision also includes costs related to claims on environmental matters.

■ *Indemnities* - The reserve for indemnities relates to contractual indemnities provided by the Group in connection with significant divestitures carried out in 2006 and prior years. These liabilities primarily arise from indemnities relating to contingent liabilities in existence at the time of the sale, as well as those covering any breach of the representations and warranties provided in the contract and, in certain instances, environmental or tax matters. These provisions were determined estimating the amount of the expected outflow of resources, taking into consideration the relevant level of probability of occurrence.

28. Debt

A breakdown of debt and an analysis by due date are as follows:

	At December 31, 2006				At December 31, 2005			
(in millions of euros)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Asset-backed financing	**4,542**	**3,767**	**35**	**8,344**	7,426	3,254	49	10,729
Other debt:								
- Bonds	**547**	**5,160**	**1,590**	**7,297**	2,766	2,307	2,561	7,634
- Borrowings from banks	**1,590**	**1,609**	**150**	**3,349**	2,358	2,557	128	5,043
- Loans for banking activities	**–**	**–**	**–**	**–**	1,255	–	–	1,255
- Payables represented by securities	**282**	**33**	**–**	**315**	392	–	–	392
- Other	**656**	**173**	**54**	**883**	564	92	52	708
Total Other debt	**3,075**	**6,975**	**1,794**	**11,844**	7,335	4,956	2,741	15,032
Total Debt	**7,617**	**10,742**	**1,829**	**20,188**	14,761	8,210	2,790	25,761

The item Asset-backed financing represents the amount of financing received through both securitisation and factoring transactions which do not meet IAS 39 derecognition requirements and is recognised as an asset in the balance sheet under the item Current receivables (Note 19).

The bonds issued by the Fiat Group are governed by different terms and conditions according to their type as follows:

■ *Global Medium Term Note (GMTN Program)*: a maximum of 15 billion euros may be used under this Program, of which notes of approximately 4.2 billion euros have been issued to date; the program is guaranteed by Fiat S.p.A. The issuer taking part in the program is, among others, Fiat Finance & Trade Ltd. for an amount outstanding of 4,175 million euros. During 2006, under this program, a bond having a nominal value of 1 billion euros has been issued at a price of 99.565; this bond bears fixed interest at 5.625% and is repayable on November 15, 2011.

■ *Convertible bonds*: these represent the residual debt of 13 million euros remaining after the partial repayment in July 2004, of the 5-year bond originally convertible into General Motors Corporation common stock (the "Exchangeable bond") at a conversion price of 69.54 U.S. dollars per share, bearing interest at 3.25% and repayable on January 9, 2007. In order to hedge the risk, implicit in the bond, of an increase in the General Motors share price above 69.54 U.S. dollars, the Group purchased call options on General Motors common stock. These options, although originally purchased for hedging purposes, are classified as trading (see also Note 22).

■ *Other bonds*: these refer to the following issues:

– Fiat Finance & Trade Ltd. bond having a nominal value of 1 billion euros, issued at par, bearing fixed interest at 6.625% and repayable on February 15, 2013.

– Case New Holland Inc. ("CNH Inc.") bond having a nominal value of 500 million of U.S. dollars (equivalent to 380 million euros), issued in 2006 at par, bearing annual interest at 7.125% and repayable in 2014.

– Bonds issued by Case New Holland Inc. in 2003 (bearing coupon interest at 9.25% and repayable on August 1, 2011 for an amount of 1,050 million U.S. dollars, equivalent to 797 million euros) and in 2004 (bearing coupon interest at 6.00% and repayable on June 1, 2009 for an amount of 500 million U.S. dollars, equivalent to 380 million euros); the bond indenture contains a series of financial covenants that are common to the high yield American bond market.

– Bonds issued by CNH America LLC and CNH Capital America for a total amount outstanding of 381 million U.S. dollars, equivalent to 289 million euros.

In 2006, the increases in the item Bonds arising from the new issues made by Fiat Finance and Trade Ltd. and CNH Inc. have been partially offset by the repayment at maturity of previous bonds, in particular those issued by Fiat Finance and Trade Ltd. (2,243 million euros), and Fiat Finance Canada (100 million euros), as part of the Global Medium Term Note Programme.

The unaudited prospectuses and offering circulars, or their abstracts, relating to these principal bond issues are available on the Group's website at www.fiatgroup.com under "Shareholders and Investors – Financial Publications".

The majority of the bonds issued by the Group contain commitments ("covenants") by the issuer and in some cases by Fiat S.p.A. as the guarantor, that are common in international practice for bond issues of this type, by issuers in the same industrial segment as that in which the Group operates. In particular, these covenants may include (i) a negative pledge clause which requires that the benefit of any real present or future guarantees given as collateral on the assets of the issuer and/or Fiat, on other bonds and other credit instruments should be extended to these bonds to the same degree, (ii) a *pari passu* clause, on the basis of which obligations cannot be undertaken which are senior to the bonds issued, (iii) an obligation to provide periodic disclosure, (iv) for certain of the bond issues cross-default clauses, whereby the bonds become immediately due and payable when certain defaults arise in respect of other financial instruments issued by the Group and (v) other clauses generally present in issues of this type.

The above-mentioned bonds issued by CNH Inc. contain, moreover, financial covenants common to the high yield American bond market which place restrictions, among other things, on the possibility of the issuer and certain companies of the CNH group to secure new debt, pay dividends or buy back treasury stock, realise certain investments, conclude transactions with associated companies, give collateral on its assets, conclude sale and leaseback transactions, sell certain fixed assets or merge with other companies, and financial covenants which impose a maximum limit on further indebtedness by the CNH group companies which cannot exceed a specific ratio of cash flows to dividend payments and financial expenses. Such covenants are subject to various exceptions and limitations and, in particular, some of these would no longer be binding should the bonds be assigned an investment grade rating by Standard & Poor's Rating Services and/or Moody's Investors Service.

The major bond issues outstanding at December 31, 2006 are the following:

	Currency	Face value of outstanding bonds (in millions)	Coupon	Maturity	Outstanding amount (in millions of euros)
Global Medium Term Notes:					
Fiat Finance & Trade Ltd.(1)	EUR	1,000	6.25%	February 24, 2010	1,000
Fiat Finance & Trade Ltd.(1)	EUR	1,300	6.75%	May 25, 2011	1,300
Fiat Finance & Trade Ltd.(1)	EUR	617	(2)	(2)	617
Fiat Finance & Trade Ltd.(5)	EUR	1,000	5.625%	November 15, 2011	1,000
Others (3)					258
Total Global Medium Term Notes					**4,175**
Convertible bonds:					
Fiat Fin. Luxembourg S.A. (4)	USD	17	3.25%	January 9, 2007	13
Total Convertible bonds					**13**
Other bonds:					
CNH Capital America LLC	USD	127	6.75%	October 21, 2007	96
Case New Holland Inc.	USD	500	6.00%	June 1, 2009	380
Case New Holland Inc.	USD	1,050	9.25%	August 1, 2011	797
Fiat Finance & Trade Ltd. (5)	EUR	1,000	6.625%	February 15, 2013	1,000
Case New Holland Inc.	USD	500	7.125%	March 1, 2014	380
CNH America LLC	USD	254	7.25%	January 15, 2016	193
Total Other bonds					**2,846**
Hedging effect and amortised cost valuation					**263**
Total Bonds					**7,297**

(1) Bonds listed on the Mercato Obbligazionario Telematico of the Italian stock exchange (EuroMot). In addition, the majority of the bonds issued by the Fiat Group are also listed on the Luxembourg stock exchange.
(2) "Fiat Step-Up Amortizing 2001-2011" bonds repayable at face value in five equal annual instalments each for 20% of the total issued (617 million euros) due beginning from the sixth year (November 7, 2007) by reducing the face value of each bond outstanding by one-fifth. The last instalment will be repaid on November 7, 2011. The bonds pay coupon interest equal to: 4.40% in the first year (November 7, 2002), 4.60% in the second year (November 7, 2003), 4.80% in the third year (November 7, 2004), 5.00% in the fourth year (November 7, 2005), 5.20% in the fifth year (November 7, 2006), 5.40% in the sixth year (November 7, 2007), 5.90% in the seventh year (November 7, 2008), 6.40% in the eighth year (November 7, 2009), 6.90% in the ninth year (November 7, 2010), 7.40% in the tenth year (November 7, 2011).
(3) Bonds with amounts outstanding equal to or less than the equivalent of 50 million euros.
(4) Bonds convertible into General Motors Corporation common stock.
(5) Bonds listed on the Irish Stock Exchange

The Fiat Group intends to repay the issued bonds in cash at due date by utilising available liquid resources. At December 31, 2006, the Fiat Group also had unused committed credit lines expiring after 2007 of approximately 2 billion euros.

In addition, the companies in the Fiat Group may from time to time buy back bonds on the market that have been issued by the Group, also for purposes of their cancellation. Such buy backs, if made, depend upon market conditions, the financial situation of the Group and other factors which could affect such decisions.

The annual interest rates and the nominal currencies of debt are as follows:

	Interest rate					
(in millions of euros)	less than 5%	from 5% to 7.5%	from 7.5% to 10%	from 10% to 12.5%	greater than 12.5%	Total
Euro	2,714	5,628	271	–	1	**8,614**
U.S. dollar	85	6,886	812	15	1	**7,799**
Brazilian real	175	43	1,211	211	434	**2,074**
British pound	29	49	–	–	–	**78**
Canadian dollar	12	924	–	–	–	**936**
Other	76	512	76	14	9	**687**
Total Debt	**3,091**	**14,042**	**2,370**	**240**	**445**	**20,188**

Debt with annual nominal interest rates in excess of 12.5% relate principally to Group's subsidiaries operating in Brazil.

For further information on the management of interest rate and exchange rate risk reference should be made to the previous section Risk Management and to Note 34.

The fair value of Debt at December 31, 2006 amounts approximately to 20,484 million euros (approximately 25,624 million euros at December 31, 2005), determined using the quoted market price of financial instruments, if available, or the related future cash flows. The amount is calculated using the interest rates stated in Note 19, suitably adjusted to take account of the Group's current creditworthiness.

At December 31, 2006 the Group has outstanding financial lease agreements for certain property, plant and equipment whose net carrying amount totalling 70 million euros (96 million euros at December 31, 2005) is included in the item Property, plant and equipment (Note 14). Payables for finance leases included in the item Other debt amount to 57 million euros at December 31, 2006 (145 million euros at December 31, 2005) and are analysed as follows:

	At December 31, 2006				At December 31, 2005			
(in millions of euros)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Minimum future lease payments	16	39	6	61	79	59	17	155
Interest expense	(1)	(3)	–	(4)	(4)	(5)	(1)	(10)
Present value of minimum lease payments	**15**	**36**	**6**	**57**	75	54	16	145

The significant decrease in finance lease payables is mostly the result of paying the final instalments of 58 million euros in 2006 of an agreement for the lease of assets that were fully impaired in prior years.

Debt secured by mortgages on assets of the Group amounts to 190 million euros at December 31, 2006 (710 million euros at December 31, 2005), of which 57 million euros (145 million euros at December 31, 2005) due to creditors for assets acquired under finance leases. The total carrying amount of assets acting as security for loans amounts to 223 million euros at December

31, 2006 (872 million euros at December 31, 2005). In addition, it is recalled that the group's assets include current receivables and set-aside cash to be used for settling asset-backed financing of 8,344 million euros (10,729 million euros at December 31, 2005).

Net financial position

In compliance with Consob Regulation issued on July 28, 2006 and in conformity CESR's *Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses* issued on February 10, 2005, the Net financial position of the Fiat Group is as follows:

(in millions of euros)	At December 31, 2006	At December 31, 2005
Liquidity (a):	7,965	6,973
- Cash and cash equivalents	7,736	6,417
- Cash and cash equivalents included as Assets held for sale	5	–
- Securities held for trading (Current securities)	224	556
Current financial receivables (Receivables from financing activities) (b):	11,743	15,973
- from jointly controlled financial services entities	143	–
- from other related parties	48	73
- from third parties	11,552	15,900
Current financial receivables included as Assets held for sale (c)	5	–
Other current financial assets (Other financial assets) (d)	382	454
Debt (e):	20,188	25,761
- due to related parties	734	365
- due to third parties	19,454	25,396
Debt included as Liabilities held for sale (f)	33	–
Other current financial liabilities (Other financial liabilities) (g)	105	189
Net financial position (h) = (a+b+c+d-e-f-g):	(231)	(2,550)
- due to related parties	(543)	(292)
- due to third parties	312	(2,258)

The item Receivables from financing activities includes the entire portfolio of the financial services entities, classified as current assets as they will be realised during the normal operating cycle of these companies.

The following is reconciliation between Net financial position as presented in the above table and Net debt as presented in the Report on Operations:

(in millions of euros)	At December 31, 2006	At December 31, 2005
Consolidated net debt as presented in the Report on Operations	(11,836)	(18,523)
Less: Current financial receivables, excluding those due from jointly controlled financial services companies amounting to 143 million euros at December 31, 2006	11,605	15,973
Net financial position	(231)	(2,550)

Reference should be made to Notes 19, 21, 22 and 23 and the information provided in Note 28 for a further analysis of the items in the table.

29. Trade payables

An analysis by due date of trade payables at December 31, 2006 is as follows:

	At December 31, 2006				At December 31, 2005			
(in millions of euros)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Trade payables	12,602	1	–	12,603	11,773	4	–	11,777

The carrying amount of Trade payables is considered in line with their fair value at the balance sheet date.

30. Other payables

An analysis of Other payables at December 31, 2006 and 2005 is as follows:

(in millions of euros)	At December 31, 2006	At December 31, 2005
Current tax payables	311	388
Others:		
- Payables to personnel	496	483
- Tax payables	690	581
- Social security payables	341	354
- Advances on buy-back agreements	2,370	2,171
- Other minor	811	844
Total Others	4,708	4,433
Total Other payables	5,019	4,821

An analysis of Other payables by due date is as follows:

(in millions of euros)	At December 31, 2006 due within one year	due between one and five years	due beyond five years	Total	At December 31, 2005 due within one year	due between one and five years	due beyond five years	Total
Other payables	4,055	903	61	5,019	3,819	879	123	4,821

The item Advances on buy-back agreements refers to agreements entered into by the Group during the year or which still remain effective at the balance sheet date. An amount of 1,316 million euros relate to assets included in Property, plant and equipment, with the balance of 1,054 million euros relating to inventories.

The item Advances on buy-back agreements represents the following:

- at the date of the sale, the price received for the product is recognised as an advance in liabilities;

- subsequently, since the difference between the original sales price and the repurchase price is recognised in the income statement as operating lease instalments on a straight line basis over the lease term, the balance represents the remaining lease instalments yet to be recognised in income plus the repurchase price.

The carrying amount of Other payables is considered in line with their fair value at the balance sheet date.

31. Accrued liabilities and deferred income

The item Accrued liabilities and deferred income includes public grants recognised as income over the useful lives of the assets to which they relate. Furthermore, the item comprises deferred income relating to service contracts, as well as accrued liabilities for costs that will be settled in the following year.

32. Guarantees granted, commitments and contingent liabilities

Guarantees granted

At December 31, 2006, the Group had granted guarantees on the debt or commitments of third parties or associated entities totalling 726 million euros (1,198 million euros at December 31, 2005). An amount of 364 million euros of the decrease of 472 million euros is due to lower guarantees granted on behalf of Sava S.p.A. for the bonds it has issued.

Other commitments and important contractual rights

The Fiat Group has important commitments and rights deriving from outstanding agreements, summarised in the following.

Ferrari

As part of the agreement signed in 2002 for the acquisition by Mediobanca S.p.A. of 34% of the capital stock of Ferrari S.p.A., Fiat was granted a series of rights by the purchaser which included a call option (further details of this are provided in Note 32 to the consolidated financial statements at December 31, 2005). As described in the section Scope of consolidation, on September 29, 2006, Fiat exercised its call option on 28.6% of the shares of Ferrari S.p.A., taking its holding from 56.4% to 85% in this way. The remaining rights granted by Mediobanca have now ceased. Fiat has a call option exercisable from January 1 to July 31, 2008 on a further 5% of the Ferrari shares held by Mubadala Development Company at a pre-determined price of 303 euros per share (amounting to a total of 121.2 million euros) less any dividends that may be distributed.

Teksid

Teksid S.p.A. is the object of a put and call agreement with the partner Norsk Hydro concerning the subsidiary Meridian Technologies Inc. (held 51% by the Teksid group and 49% by the Norsk Hydro group). In particular, should there be a strategic deadlock in the management of the company (namely in all those cases in which a unanimous vote in favour is not reached by the directors on the board as regards certain strategic decisions disciplined by the contract between the stockholders), the following rights would arise:

- Put option of Norsk Hydro with Teksid on the 49% holding: the sale price would be commensurate with the initial investment made in 1998, revalued pro rata temporis, net of dividends paid.

- Call option of Teksid with Norsk Hydro on the 49% holding (exercisable whenever Norsk Hydro renounces its right to exercise the put option described above): the sale price would be the higher value between the initial investment made by Norsk Hydro in 1998, calculated according to the criteria expressed previously, and 140% of the fair market value (in this regard, an increase of two percentage points per year is established in the event the option is exercised from the start of 2008 until 2013, thus up to 150% of the relative value).

It should be pointed out that at present the conditions that would give rise to a strategic deadlock are considered to be remote.

On December 6, 2006 Teksid and Norsk Hydro reached an agreement for the sale of their interests in Meridian Technologies Inc. The finalisation of this transaction, subject to the closing of the financing to the purchaser from financial institutions, would lead to the termination of the above-mentioned agreement.

Fiat S.p.A. is subject to a put contract with Renault (in reference to the original investment of 33.5% in Teksid, now 15.2%).

In particular, Renault would acquire the right to exercise a sale option to Fiat on its interest in Teksid, in the following cases:

- in the event of non-fulfilment in the application of the protocol of the agreement and admission to receivership or any other redressment procedure;

- in the event Renault's investment in Teksid falls below 15% or Teksid decides to invest in a structural manner outside the foundry sector;

- should Fiat be the object of the acquisition of control by another car manufacturer.

The exercise price of the option is established as follows:

- for 6.5% of the capital stock of Teksid, the initial investment price increased by a given interest rate;

- for the remaining amount of capital stock of Teksid, the share of the accounting net equity at the exercise date.

Fidis Retail Italia (FRI)
All the rights of and commitments to Synesis Finanziaria S.p.A. (the company that held 51% of Fidis Retail Italia S.p.A.) described in Note 32 to the consolidated financial statements at December 31, 2005 terminated when Fiat exercised its call option on December 28, 2006 on establishing the FAFS joint venture with Crédit Agricole.

Sales of receivables
The Group has discounted receivables and bills without recourse having due dates after December 31, 2006 amounting to 5,697 million euros (2,463 million euros at December 31, 2005, with due dates after that date), which refer to trade receivables and other receivables for 4,489 million euros (2,007 million euros at December 31, 2005) and receivables from financing for 1,208 million euros (456 million euros at December 31, 2005). These amounts include receivables, mainly from the sales network, sold to jointly-controlled financial services companies (FAFS) for 3,400 million euros and associated financial service companies (Iveco Financial Services, controlled by Barclays) for 661 million euros (710 million euros at December 31, 2005). The increase recorded during 2006 is due to the deconsolidation of the financial services companies of Fiat Auto conveyed in the above mentioned joint venture with Crédit Agricole.

Operating lease contracts
The Group enters into operating lease contracts for the right to use industrial buildings and equipments with an average term of 10-20 years and 3-5 years, respectively, At December 31, 2006, the total future minimum lease payments under non-cancellable lease contracts are as follows:

	At December 31, 2006				At December 31, 2005			
(in millions of euros)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Future minimum lease payments under operating lease agreements	82	172	180	434	71	171	161	403

During 2006, the Group has recorded costs for lease payments for 71 million euros (69 million euros during 2005).

Contingent liabilities
As a global company with a diverse business portfolio, the Fiat Group is exposed to numerous legal risks, particularly in the areas of product liability, competition and antitrust law, environmental risks and tax matters. The outcome of any current or future proceedings cannot be predicted with certainty. It is therefore possible that legal judgments could give rise to expenses that are not covered, or fully covered, by insurers' compensation payments and could affect the Group financial position and results. At December 31, 2006, contingent liabilities estimated by the Group amount to approximately 220 million euros (approximately 200 million euros at December 31, 2005), for which no provisions have been recognised since an outflow of resources is not considered to be probable. Furthermore, contingent assets and expected reimbursement in connection with these contingent liabilities for approximately 30 million euros have been estimated but not recognised.

Instead, when it is probable that an outflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, the Group recognises specific provision for this purpose.

Furthermore, in connection with significant asset divestitures carried out in 2006 and in prior years, the Group provided indemnities to purchasers with the maximum amount of potential liability under these contracts generally capped at a percentage of the purchase price. These liabilities primarily relate to potential liabilities arising from breach of representations and warranties provided in the contracts and, in certain instances, environmental or tax matters, generally for a limited period of time. At December 31, 2006, potential obligations with respect to these indemnities are approximately 860 million euros (approximately 833 million euros at December 31, 2005), against which provisions of 49 million euros (87 million euros December 31, 2005) have been made, classified as Other provisions. The Group has provided certain other indemnifications that do not limit potential payment; it is not possible to estimate a maximum amount of potential future payments that could result from claims made under these indemnities.

In February 2006, Fiat has received a subpoena from the SEC Division of Enforcement regarding a formal investigation entitled "In the Matter of Certain Participants in the Oil-for-Food Program". Under this subpoena, the Group is required to provide the SEC with documents relating to certain Fiat-related entities, including certain CNH subsidiaries and Iveco, regarding matters relating to the United Nations Oil-for-Food Program. A substantial number of companies was mentioned in the "Report of the Independent Inquiry Committee into the United Nations Oil-for-Food Program", which alleged that these companies engaged in transactions under this programme that involved inappropriate payments. Management is currently unable to predict what actions, if any, may result from the SEC investigation.

33. Segment reporting
Information by business and geographical area is disclosed in accordance with IAS 14 – *Segment reporting*, and is prepared in conformity with the accounting policies adopted for preparing and presenting the Consolidated financial statements of the Group. The primary reporting format is by business segment, while geographical segments represent the secondary reporting format. This decision is based on the identification of the source and nature of the Group's risks and returns, which determine how the Group is organised and define its management structure and its internal financial reporting system.

Business segment information
The internal organisation and management structure of the Fiat Group throughout the world are based on the business segment to which entities and divisions belong. In addition, the Group has investments in holding entities and service providers whose activity is different from those of the industrial businesses. The following descriptions provide additional detail of this.

The Fiat Auto Sector operates internationally with the major brands Fiat, Lancia, Alfa Romeo and Fiat Light Commercial Vehicles, and manufactures and markets automobiles and commercial vehicles. It also provides financial services through the Fiat Auto Financial Services joint venture with the Crédit Agricole group.

The Maserati Sector produces and markets luxury sports cars with the brand Maserati.

The Ferrari Sector consists of the manufacturing and marketing of luxury sports cars with the brand Ferrari and the management of the Formula One racing cars.

The Agricultural and Construction Equipment (CNH) Sector manufactures and sells tractors and Agricultural equipment under the CaseIH and the New Holland brands and Construction equipment under the Case and New Holland brands. The Sector also provides financial services to its end customers and dealers.

The Iveco Sector produces and sells trucks and commercial vehicles, mainly in Europe, (under the Iveco brand), buses (under the Irisbus brands) and special vehicles (under the Iveco, Magirus and Astra brands). In addition, Iveco provides financial services to its customers and dealers mainly through Iveco Finance Holdings Ltd., a company 51% owned by the Barclays group and 49% by Iveco.

The Fiat Powertrain Technologies (FPT) Sector manufactures car engines and transmissions (these businesses were managed by the Fiat-GM Powertrain joint venture until April 2005). Starting from 2006 the Sector also includes Iveco and C.R.F. powertrain activities.

The Components Sector (Magneti Marelli) produces and sells components for lighting systems, engine control units, suspension and shock absorbers systems, electronic systems and exhaust systems.

The Metallurgical Products Sector (Teksid) produces components for engines, cast-iron components for transmissions gearboxes and suspensions, and magnesium bodywork components.

The Production System Sector (Comau) designs and produces industrial automation systems and related products for the automotive industry.

The Services Sector (Business Solutions) provides accounting and human resources services, almost all of which are supplied to other Group companies.

The activities of the Publishing and Communications Sector (Itedi) mainly include publishing the newspaper *La Stampa* and selling advertising space in the print, television and internet media.

Total Net revenues presented by each Sector includes transactions with other Sectors carried out at arm's length prices.

Intersegment revenues and expenses are reconciled and are eliminated in the consolidated financial statements of the Group; intersegment receivables and payables are eliminated in a similar manner.

The item Segment Capital expenditure, Depreciation and amortisation, and Impairment concern intangible assets and property, plant and equipment.

Other Sector non-cash items comprise the Other provision for risks and charges.

The "Segment Result" arising under IAS 14 is equal to the Operating result. The Operating result and Trading profit include, respectively, Interest income and other financial income and Interest expenses and other financial expenses of financial services companies in Net revenues and Cost of Sales of the Sector.

Sector Assets are operating assets used by the Sector in its business and are directly attributed or allocated, in a reasonable manner, to the Sector. These assets do not include tax assets and investments accounted for using the equity method.

Sector Liabilities are operating liabilities used by the Sector in its business and are directly attributed or allocated, in a reasonable manner, to the Sector. These liabilities do not include tax liabilities.

As the Sector Result includes Interest income and other financial income and Interest expenses and other financial expenses of financial services companies, the Assets of the Fiat Auto, CNH and Iveco Sectors include financial assets (primarily the investment portfolio) of financial services companies; similarly Sector Liabilities include the debt of financial services companies. As a result, the unallocated Group debt represents the debt of the industrial companies.

(in millions of euros)	Fiat Auto	Maserati	Ferrari	CNH	Iveco	FPT	Magneti Marelli	Teksid	Comau	Business Solutions	Itedi	Other and elimina-tions	FIAT Group
2006													
Total net revenues	**23,702**	**519**	**1,447**	**10,527**	**9,136**	**6,145**	**4,455**	**979**	**1,280**	**668**	**401**	**(7,427)**	**51,832**
Net revenues intersegment	(247)	(13)	(77)	(2)	(106)	(4,558)	(1,678)	(225)	(332)	(453)	(9)	7,700	**–**
Net revenues from third parties	**23,455**	**506**	**1,370**	**10,525**	**9,030**	**1,587**	**2,777**	**754**	**948**	**215**	**392**	**273**	**51,832**
Trading profit	**291**	**(33)**	**183**	**737**	**546**	**168**	**190**	**56**	**(66)**	**37**	**11**	**(169)**	**1,951**
Unusual income (expenses)	436	–	–	(145)	19	(66)	(15)	(30)	(206)	(9)	1	125	**110**
Operating result	**727**	**(33)**	**183**	**592**	**565**	**102**	**175**	**26**	**(272)**	**28**	**12**	**(44)**	**2,061**
Financial income (expenses)													**(576)**
Unusual financial income													**–**
Result from investments	37	–	–	45	32	1	(1)	3	(3)	–	–	42	**156**
Result before taxes													**1,641**
Income taxes													**490**
Result from continuing operations													**1,151**
Other information													
Capital expenditure	**2,163**	**82**	**142**	**394**	**865**	**254**	**293**	**32**	**56**	**10**	**45**	**(24)**	**4,312**
Depreciation and amortisation	**(1,538)**	**(30)**	**(145)**	**(293)**	**(421)**	**(402)**	**(201)**	**(38)**	**(23)**	**(13)**	**(7)**	**(10)**	**(3,121)**
Impairment	**(2)**	**–**	**–**	**–**	**(36)**	**(7)**	**(12)**	**(23)**	**(26)**	**–**	**–**	**–**	**(106)**
Other non-cash items	**(1,037)**	**(60)**	**(35)**	**(1,504)**	**(507)**	**(105)**	**(73)**	**(19)**	**(85)**	**(17)**	**(1)**	**(91)**	**(3,534)**

(in millions of euros)	Fiat Auto	Maserati	Ferrari	CNH	Iveco	FPT	Magneti Marelli	Teksid	Comau	Business Solutions	Itedi	Other and elimina-tions	FIAT Group
2005													
Total net revenues	**19,533**	**533**	**1,289**	**10,212**	**8,483**	**4,520**	**4,033**	**1,036**	**1,573**	**752**	**397**	**(5,817)**	**46,544**
Net revenues intersegment	(194)	–	(83)	(3)	(386)	(3,030)	(1,473)	(206)	(245)	(422)	(10)	6,052	–
Net revenues from third parties	**19,339**	**533**	**1,206**	**10,209**	**8,097**	**1,490**	**2,560**	**830**	**1,328**	**330**	**387**	**235**	**46,544**
Trading profit	**(281)**	**(85)**	**157**	**698**	**332**	**109**	**162**	**45**	**42**	**35**	**16**	**(230)**	**1,000**
Unusual income (expenses)	(537)	–	–	(87)	(120)	(28)	(35)	(18)	(50)	(28)	(3)	2,121	**1,215**
Operating result	**(818)**	**(85)**	**157**	**611**	**212**	**81**	**127**	**27**	**(8)**	**7**	**13**	**1,891**	**2,215**
Financial income (expenses)													**(843)**
Unusual financial income													**858**
Result from investments	68	–	–	39	(50)	(3)	(3)	1	(3)	(20)	–	5	**34**
Result before taxes													**2,264**
Income taxes													**844**
Result from continuing operations													**1,420**
Other information													
Capital expenditure	**1,582**	**20**	**142**	**255**	**789**	**296**	**313**	**45**	**38**	**19**	**20**	**1**	**3,520**
Depreciation and amortisation	**(1,264)**	**(37)**	**(128)**	**(296)**	**(396)**	**(310)**	**(181)**	**(45)**	**(27)**	**(28)**	**(7)**	**(21)**	**(2,740)**
Impairment	**(151)**	**–**	**–**	**–**	**(36)**	**(1)**	**(16)**	**–**	**–**	**(3)**	**–**	**(26)**	**(233)**
Other non-cash items	**(1,259)**	**(34)**	**(52)**	**(1,311)**	**(591)**	**(91)**	**(102)**	**(44)**	**(53)**	**(25)**	**(1)**	**(166)**	**(3,729)**

(in millions of euros)	Fiat Auto	Maserati	Ferrari	CNH	Iveco	FPT	Magneti Marelli	Teksid	Comau	Business Solutions	Itedi	Other and elimina-tions	FIAT Group
At December 31, 2006													
Sector operating assets	12,920	300	918	17,727	6,125	4,103	2,294	424	933	103	243	(514)	**45,576**
Sector operating assets held-for-sale	28	–	–	29	6	–	–	192	–	125	–	(68)	**312**
Investments	1,131	–	3	347	426	18	16	17	3	1	11	105	**2,078**
Unallocated Group assets:													
- Tax assets													**2,675**
- Receivables from financing activities, Non-current Other receivables and Securities of industrial companies													**450**
- Cash and cash equivalents, Current securities and Other financial assets of industrial companies													**7,212**
Total unallocated Group assets													**10,337**
Total assets													**58,303**
Sector operating liabilities	12,396	367	634	14,653	5,784	2,444	1,625	292	712	213	188	(1,226)	**38,082**
Sector operating liabilities held-for-sale	50	–	–	–	–	–	–	73	–	147	–	(1)	**269**
Provision for investments	19	–	–	–	39	3	4	–	2	–	–	–	**67**
Unallocated Group liabilities:													
- Tax liabilities													**864**
- Debt and Other financial liabilities of industrial companies net of Current financial receivables from jointly controlled financial services entities													**8,985**
Total unallocated Group liabilities													**9,849**
Total liabilities													**48,267**

(in millions of euros)	Fiat Auto	Maserati	Ferrari	CNH	Iveco	FPT	Magneti Marelli	Teksid	Comau	Business Solutions	Itedi	Other and elimina-tions	FIAT Group
At December 31, 2005													
Sector operating assets	16,226	235	936	17,828	6,033	4,220	2,363	671	1,091	228	186	534	**50,551**
Sector operating assets held-for-sale	5	–	–	32	–	–	–	–	–	113	–	–	**150**
Investments	1,780	1	3	385	487	17	13	13	5	1	12	(627)	**2,090**
Unallocated Group assets:													
- Tax assets													**2,882**
- Receivables from financing activities, Non-current Other receivables and Securities of industrial companies													**632**
- Cash and cash equivalents, Current securities and Other financial assets of industrial companies													**6,149**
Total unallocated Group assets													**9,663**
Total assets													**62,454**
Sector operating liabilities:	15,638	270	625	14,483	5,591	2,258	1,620	419	828	327	161	338	**42,558**
Sector operating liabilities held-for-sale	–	–	–	–	–	–	–	–	–	110	–	–	**110**
Provision for investments	21	–	–	–	43	3	2	–	2	–	–	–	**71**
Unallocated Group liabilities:													
- Tax liabilities													**934**
- Debt and Other financial liabilities of industrial companies													**9,368**
Total unallocated Group liabilities													**10,302**
Total liabilities													**53,041**

Geographical segment information

The following geographical segment information on Net Revenues is based on the geographical location of the Group's customers:

(in millions of euros)	2006	2005
Italy	**14,851**	13,078
Europe (Italy excluded)	**20,298**	18,518
North America	**6,315**	6,048
Mercosur	**5,416**	4,364
Other areas	**4,952**	4,536
Net revenues of the Group	**51,832**	46,544

The total amount of assets and capital expenditure by geographical segment are as follows:

	At December 31, 2006		At December 31, 2005	
(in millions of euros)	Assets	Capital expenditure	Assets	Capital expenditure
Italy	**24,351**	**2,534**	24,737	2,075
Europe (Italy excluded)	**12,918**	**1,110**	15,908	1,011
North America	**13,396**	**321**	15,599	165
Mercosur	**5,581**	**299**	4,085	164
Other areas	**2,057**	**48**	2,125	105
Total	**58,303**	**4,312**	62,454	3,520

34. Information on financial risks

The Group is exposed to the following financial risks connected with its operations:

- credit risk, regarding its normal business relations with customers and dealers, and its financing activities;

- liquidity risk, with particular reference to the availability of funds and access to the credit market and to financial instruments in general;

- market risk (principally relating to exchange rates, interest rates), since the Group operates at an international level in different currencies and uses financial instruments which generate interest. The Group is also exposed to the risk of changes in the price of certain listed shares.

As described in the section "Risk management", the Fiat Group constantly monitors the financial risks to which it is exposed, in order to detect those risks in advance and take the necessary action to mitigate them.

The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the Group.

The quantitative data reported in the following do not have any value of a prospective nature, in particular the sensitivity analysis on market risks is unable to reflect the complexity of the market and its related reaction which may result from every change which may occur.

Credit risk

The maximum credit risk to which the Group is theoretically exposed at December 31, 2006 is represented by the carrying amounts stated for financial assets in the balance sheet and the nominal value of the guarantees provided on liabilities or commitments to third parties as discussed in Note 32.

Dealers and final customers are subject to specific assessments of their creditworthiness under a detailed scoring system; in addition to carrying out this screening process, the Group also obtains financial and non-financial guarantees for credit granted for the sale of cars, commercial vehicles and agricultural and construction equipment. These guarantees are further strengthened by reserve of title clauses on financed vehicle sales to the sales network and on vehicles assigned under finance leasing agreements.

Balances which are objectively uncollectible either in part or for the whole amount are written down on a specific basis if they are individually significant. The amount of the write-down takes into account an estimate of the recoverable cash flows and the date of receipt, the costs of recovery and the fair value of any guarantees received. General provisions are made for receivables which are not written down on a specific basis, determined on the basis of historical experience and statistical information.

Out of Receivables for financing activities amounting to 11,743 million euros at December 31, 2006 (15,973 million euros at December 31, 2005), balances totalling 159 million euros (205 million euros at December 31, 2005) have been written down on an individual basis. Of the remainder, balances totalling 93 million euros (226 million euros at December 31, 2005) are past due up to one month, while balances totalling 360 million euros are past due by more than one month (408 million euros at December 31, 2005). In the event of instalment payments, even if only one instalment is overdue, the whole amount of the receivable is classified as such.

Out of Trade receivables and Other receivables totalling 7,783 million euros at December 31, 2006 (8,053 million euros at December 31, 2005), balances totalling 118 million euros (119 million euros at December 31, 2005) have been written down on an individual basis. Of the remainder, balances totalling 406 million euros (400 million euros at December 31, 2005) are past due up to one month, while balances totalling 554 million euros (613 million euros at December 31, 2005) are past due by more than one month.

The decrease in overdue balances is partly the result of the reduction in the portfolio as a consequence of the deconsolidation of he companies whose operations were transferred to the FAFS joint venture and is partly the effect of the steps taken during the year to collect these balances.

CNH Financial Services in Brazil (“Banco CNH”) participates in various agricultural development/subsidy programs of the Brazilian government, provided through the Banco Nacional de Desenvolvimento Economico e Social (“BNDES”). Under such programs BNDES provides credit lines to Banco CNH, at subsidized interest rates, such that Banco CNH can provide subsidized financing to farmers for purchases of agricultural equipment. Because of the severe regional droughts and low local agricultural commodity prices in Brazil, the Brazilian government granted a payment moratorium to certain of the farmers in the worst affected areas. Under this industry wide payment moratorium program, the government rescheduled out the full remaining value of the affected outstanding financing by one additional year and rescheduled the maturity and payments due on the credit lines provided to Banco CNH, and all other financial services participants in the program, by the same amount. The total remaining value of the outstanding financings and credit lines in 2006 that was rescheduled, was approximately 2.3 billion Reais (0.8 billion euros). In addition, Banco CNH increased its credit loss provisions during the year, to provision for lower equipment residual values over the longer loan amortization period.

Liquidity risk

Liquidity risk arises if the Group is unable to obtain under economic conditions the funds needed to carry out its operations.

The two main factors that determine the Group’s liquidity situation are on one side the funds generated by or used in operating and investing activities and on the other the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

As described in the Risk management section, the Group has adopted a series of policies and procedures whose purpose is to optimise the management of funds and to reduce the liquidity risk, as follows:

- centralising the management of receipts and payments, where it may be economical in the context of the local civil, currency and fiscal regulations of the countries in which the Group is present;

- maintaining an adequate level of available liquidity;

- diversifying the means by which funds are obtained and maintaining a continuous and active presence on the capital markets;

- obtaining adequate credit lines; and

- monitoring future liquidity on the basis of business planning.

Details as to the repayment structure of the Group’s financial assets and debt are provided in Notes 19 and 28, which are entitled respectively Current receivables and Debt.

Management believes that the funds and credit lines currently available, in addition to those funds that will be generated from operating and funding activities, will enable the Group to satisfy its requirements resulting from its investing activities and its working capital needs and to fulfil its obligations to repay its debts at their natural due date.

Exchange rate risk

The group is exposed to risk resulting from changes in exchange rates, which can affect its result and its equity. In particular:

- Where a Group company incurs costs in a currency different from that of its revenues, any change in exchange rates can affect the operating result of that company.

In 2006, the total trade flows exposed to exchange rate risk amounted to the equivalent of 13% of the Group’s turnover (14% in 2005).

The principal exchange rates to which the Group is exposed are the following:

– EUR/USD, relating to sales in dollars made by Italian companies (in particular Ferrari and Maserati) to the North American market and to other markets in which the dollar is the trading currency, and to the production and purchases of the CNH Sector in the Euro area;

– EUR/GBP, principally in relation to sales by Fiat Auto and Iveco on the UK market;

– EUR/PLN, relating to local costs incurred in Poland regarding products sold in the Euro area;

– USD/BRL and EUR/BRL, relating to Brazilian manufacturing operations and the related import and export flows, for which the company is a net exporter in US dollars;

– USD/CAD, relating to the sales made by the CNH Sector to the Canadian market.

The trading flows exposed to changes in these exchange rates amounted in 2006 to about 82% of the total exchange rate risk from trading transactions (79% in 2005).

Other significant exposures regard the exchange rates EUR/CHF, EUR/TRY, AUD/USD, GBP/USD and USD/JPY. None of these exposures, taken individually, exceeded 5% of the Group's total transaction exchange risk exposure in 2006.

It is the Group's policy to use derivative financial instruments to hedge a certain percentage, on average between 55% and 85%, of the trading transaction exchange risk exposure forecast for the coming 12 months (including such risk beyond that date where it is believed to be appropriate in relation to the characteristics of the business) and to hedge completely the exposure resulting from firm commitments.

■ Group companies may find themselves with trade receivables or payables denominated in a currency different from the money of account of the company itself. In addition, in a limited number of cases, it may be convenient from an economic point of view or it may be required under local market conditions, for companies to obtain finance or use funds in a currency different from the money of account. Changes in exchange rates may result in exchange gains or losses arising from these situations.

It is the Group's policy to hedge fully, whenever possible, the exposure resulting from receivables, payables and securities denominated in foreign currencies different from the company's money of account.

■ Certain of the Group's subsidiaries are located in countries which are not members of the European monetary union, in particular the United States, Canada, United Kingdom, Switzerland, Brazil, Poland, Turkey, India, China, Argentina and South Africa. As the Group's reference currency is the Euro, the income statements of those countries are converted into euros using the average exchange rate for the period, and while revenues and margins are unchanged in local currency, changes in exchange rates may lead to effects on the converted balances of revenues, costs and the result in Euros.

■ The assets and liabilities of consolidated companies whose money of account is different from the euros may acquire converted values in euros which differ as a function of the variations in exchange rates. The effects of these changes are recognised directly in the item "Cumulative translation differences" included in stockholders' equity (see Note 25).

The Group monitors its principal exposure to conversion exchange risk, although there was no specific hedging in this respect at the balance sheet date.

There have been no substantial changes in 2006 in the nature or structure of exposure to exchange rate risk or in the Group's hedging policies.

Sensitivity analysis

The potential loss in fair value of derivative financial instruments held by the Group at December 31, 2006 for managing exchange risk (currency swaps/forward, currency options and interest rate and currency swaps), which would arise in the case of a hypothetical, unfavourable and instantaneous change of 10% in the exchange rates of the major foreign currencies with the Euro, amounts to approximately 460 million euros (273 million euros at December 31, 2005). The valuation model for currency options assumes that market volatility at year end remains unchanged. Receivables, payables and future trade flows whose hedging transactions have been analysed were not considered in this analysis. It is reasonable to assume that changes in exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged. The increase over the prior year is the result of an increase in the hedging of the Group's main exposures and of an extension of its hedging policy to certain entities operating in emerging countries.

Interest rate risk

The manufacturing companies and treasuries of the Group make use of external funds obtained in the form of financing and invest in monetary and financial market instruments. In addition, Group companies make sales of receivables resulting from their trading activities on a continuing basis. Changes in market interest rates can affect the cost of the various forms of financing, including the sale of receivables, or the return on investments, and the employment of funds, causing an impact on the level of net financial expenses incurred by the Group.

In addition, the financial services companies provide loans (mainly to customers and dealers), financing themselves using various forms of direct debt or asset-backed financing (e.g. securitisation of receivables). Where the characteristics of the variability of the interest rate applied to loans granted differ from those of the variability of the cost of the financing obtained, changes in the current level of interest rates can influence the operating result of those companies and the Group as a whole.

In order to manage these risks, the Group uses interest rate derivative financial instruments, mainly interest rate swaps and forward rate agreements, with the object of mitigating, under economically acceptable conditions, the potential variability of interest rates on the net result.

Sensitivity analysis

In assessing the potential impact of changes in interest rates, the Group separates out fixed rate financial instruments (for which the impact is assessed in terms of fair value) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).

The fixed rate financial instruments used by the Group consist principally of part of the portfolio of the financial services companies (basically customer financing and financial leases) and part of debt (including subsidised loans and bonds).

The potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) held at December 31, 2006, resulting from a hypothetical, unfavourable and instantaneous change of 10% in market interest rates, would have been approximately 105 million euros (33 million euros at December 31, 2005).

The increase over the prior year reflects the greater weight of the fixed rate loans component, influenced in particular by the bonds issued by the Group during the year.

Floating rate financial instruments include principally cash and cash equivalents, loans provided by the financial services companies to the sales network and part of debt. The effect of the sale of receivables is also considered in the sensitivity analysis as well as the effect of hedging derivative instruments.

A hypothetical, unfavourable and instantaneous change of 10% in short-term interest rates at December 31, 2006, applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivatives financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately 11 million euros (17 million euros at December 31, 2005).

This analysis is based on the assumption that there is a general and instantaneous change of 10% in interest rates across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

Other risks on derivative financial instruments

As described in Note 22, the Group holds certain derivative financial instruments whose value is linked to the price of listed shares and stock market indices (principally Equity swaps on Fiat shares).
Although theses transactions were entered into for hedging purposes, they do not qualify for hedge accounting under IFRS.
As a consequence, the variability of the underlying values could have an effect on the Group's results.

Sensitivity analysis

The potential loss in fair value of derivative financial instruments held by the Group at December 31, 2006, in the event of a hypothetical, unfavourable and instantaneous change of 10% in the price of the underlying values would be approximately 40 million euros (8 million euros at December 31, 2005). The increase over 2005 is the result of new agreements entered during the year and the rise in the value of the Fiat shares.

35. Related party transactions

The Fiat Group engages in transactions with unconsolidated subsidiaries, jointly controlled entities, associated companies and other related parties on commercial terms that are normal in the respective markets, considering the quality of the goods or services involved.

The effects of such transactions on the consolidated income statements for 2006 and 2005 are as follows:

		of which: with related parties					
(in millions of euros)	Total 2006	Unconsolidated subsidiaries	Jointly controlled entities	Associated companies	Other related parties	Total related parties	Effect on Total (%)
Net revenues	51,832	17	1,767	402	3	2,189	4.2%
Cost of sales	43,888	–	3,037	–	14	3,051	7.0%
Selling, general and administrative costs	4,697	–	2	–	1	3	0.1%

		of which: with related parties					
(in millions of euros)	Total 2005	Unconsolidated subsidiaries	Jointly controlled entities	Associated companies	Other related parties	Total related parties	Effect on Total (%)
Net revenues	46,544	15	1,574	277	4	1,870	4.0%
Cost of sales	39,624	–	2,188	–	13	2,201	5.6%
Selling, general and administrative costs	4,513	–	–	3	1	4	0.1%

The effects on the consolidated balance sheets at December 31, 2006 and 2005 are as follows:

		of which: with related parties					
(in millions of euros)	At December 31, 2006	Unconsolidated subsidiaries	Jointly controlled entities	Associated companies	Other related parties	Total related parties	Effect on Total (%)
Other investments and financial assets	561	23	–	35	–	58	10.3%
Inventories	8,447	–	24	–	–	24	0.3%
Trade receivables	4,944	18	280	78	1	377	7.6%
Receivables from financing activities	11,743	13	174	4	–	191	1.6%
Other current receivables	2,839	13	129	3	–	145	5.1%
Cash and cash equivalents	7,736	–	–	–	–	–	0.0%
Asset-backed financing	8,344	–	124	272	–	396	4.7%
Other debt	11,844	40	266	32	–	338	2.9%
Trade payables	12,603	3	947	55	–	1,005	8.0%
Other payables	5,019	1	44	–	–	45	0.9%

(in millions of euros)	At December 31, 2005	of which: with related parties Unconsolidated Subsidiaries	Jointly controlled entities	Associated companies	Other related parties	Total related parties	Effect on Total (%)
Other investments and financial assets	571	11	–	68	–	79	13.8%
Inventories	7,881	–	38	–	–	38	0.5%
Trade receivables	4,969	15	101	87	–	203	4.1%
Receivables from financing activities	15,973	60	8	5	–	73	0.5%
Other current receivables	3,084	13	17	4	–	34	1.1%
Cash and cash equivalents	6,417	–	–	2	–	2	0.0%
Asset-backed financing	10,729	–	–	212	–	212	2.0%
Other debt	15,032	35	51	67	–	153	1.0%
Trade payables	11,777	16	579	26	–	621	5.3%
Other payables	4,821	1	38	2	–	41	0.9%

Transactions with jointly controlled entities

Significant transactions with jointly controlled entities are set out as follows:

■ Net revenues: transactions consist principally of the sales of motor vehicles, production systems and components, including engines and gearboxes, and the provision of services, to the following companies:

(in millions of euros)	2006	2005
Tofas-Turk Otomobil Fabrikasi Tofas A.S., for the sale of motor vehicles	820	681
Società Europea Veicoli Leggeri-Sevel S.p.A., for the sale of engines, other components and production systems	607	650
Iveco Fiat-Oto Melara Società consortile, for the sale of vehicles and special transport	108	115
Société Européenne de Véhicules Légers du Nord-Sevelnord Société Anonyme, for the sale of engines and other components and production systems	74	41
New Holland Trakmak Traktor A.S., for the sale of Agricultural and construction equipment	36	30
New Holland HFT Japan Inc., for the sale of Agricultural and construction equipment	26	27
Other minor amounts	96	30
Total Net revenues from jointly controlled entities	**1,767**	1,574

■ Cost of sales: transactions have taken place principally with the following companies:

(in millions of euros)	2006	2005
Tofas-Turk Otomobil Fabrikasi Tofas A.S., for the purchase of motor vehicles	804	540
Società Europea Veicoli Leggeri-Sevel S.p.A., for the purchase of motor vehicles	1,191	1,042
Société Européenne de Véhicules Légers du Nord-Sevelnord Société Anonyme, for the purchase of motor vehicles	378	431
Other minor amounts	664	175
Total Cost of sales for purchases from jointly controlled entities	**3,037**	2,188

■ Current trade receivables: these relate to receivables resulting from the revenues discussed above and, starting from December 2006, those arising from the Group's trade relationships with FAFS, which mostly regard the sales of vehicles leased out by FAFS in its own turn under operating or financial lease arrangements. In particular:

(in millions of euros)	2006	2005
FAFS	46	–
Tofas-Turk Otomobil Fabrikasi Tofas A.S.	82	44
Società Europea Veicoli Leggeri-Sevel S.p.A.	110	35
Société Européenne de Véhicules Légers du Nord-Sevelnord Société Anonyme	1	1
Other minor amounts	41	21
Total Current trade receivables due from jointly controlled entities	**280**	101

■ Current receivables from financing activities of 174 million euros (8 million euros at December 31, 2005): these relate to receivables resulting from financial activities carried out by the Group with jointly controlled entities (Sevel) and receivables of 143 million euros at December 31, 2006 from jointly controlled financial service companies (FAFS) resulting from the financing of the sales network.

■ Other current receivables of 129 million euros (17 million euros at December 31, 2005): these relate mostly to other receivables of 113 million euros due from FAFS of which 98 million euros relate to the extended term consideration due in connection with the transaction by which the joint venture was established.

■ Asset-backed financing of 124 million euros (nil at 31 December 31, 2005): these relate to amounts due to FAFS for sales of receivables which do not qualify as sales under IAS 39.

■ Other financial payables of 266 million euros (51 million euros at December 31, 2005): this item includes 243 million euros of other payables of a financial nature due to FAFS.

■ Trade payables: these relate to payables resulting from the costs discussed above and, starting from December 2006, those arising from the Group's trade relationships with FAFS. In particular:

(in millions of euros)	2006	2005
Tofas-Turk Otomobil Fabrikasi Tofas A.S.	152	124
Società Europea Veicoli Leggeri-Sevel S.p.A.	655	372
Société Européenne de Véhicules Légers du Nord-Sevelnord Société Anonyme	56	74
FAFS	76	–
Other minor amounts	8	9
Total Trade payables due to jointly controlled entities	**947**	579

Transactions with associated companies

The principal transactions are as follows:

■ Revenues: transactions consist principally of the sales of motor vehicles, production systems and components, including engines and gearboxes, and the provision of services, to the following companies:

(in millions of euros)	2006	2005
Iveco Finance Holdings Ltd. (a subsidiary of the Barclays group), for the sale of industrial vehicles leased out by the associate	225	150
Otoyol Sanayi A.S., for the sale of industrial vehicles	72	49
Other minor amounts	105	78
Total Revenues from associated companies	**402**	277

- Current trade receivables of 78 million euros (87 million euros at December 31, 2005): these relate to receivables resulting from the revenues discussed above.

Transactions with other related parties

The principal transaction in this category relates to an amount of 14 million euros (13 million euros in 2005) classified in cost of sales; included in this balance is the purchase of goods of 12 million euros for the high range and de-luxe upholstery of the Group's automobiles (12 million euros in 2005) from Poltrona Frau S.p.A., a company listed on the Milan Stock Exchange in which the chairman of the Board of Directors of Fiat S.p.A., Luca Cordero di Montezemolo, has an indirect investment.

Emoluments to Directors, Statutory Auditors and Key Management

The fees of the Director and Statutory Auditors of Fiat S.p.A. for carrying out their respective functions, including those in other consolidated companies, are as follows:

(in thousands of euros)	2006	2005
Directors	**16,006**	16,273
Statutory auditors	**190**	177
Total Emoluments	**16,196**	16,450

The aggregate expense incurred in 2006 and accrued at year end for the compensation of executives with strategic responsibilities of the Group amounts to approximately 23 million euros. This amount is inclusive of the following:

- the provision charged by the Group in respect of mandatory severance indemnity, amounting to 1 million euros;
- the amount contributed by the Fiat Group to State and employer defined contribution pension funds amounting to approximately 4 million euros;
- the amount contributed by the Fiat Group to a special defined benefit plan for certain senior Executives amounting to 0.7 million euros.

These costs consist of compensation of 15 million euros for Executives with strategic responsibilities who were already working for the Group in 2005 and continue with the Group at present, and 8 million euros for management personnel who took on key responsibilities in 2006 and managers who left the Group in the year, including the severance pay of the latter.

36. Acquisitions and Disposals of subsidiaries

Acquisitions

The Group did not acquire any significant subsidiary in 2006. It acquired instead minority interests in companies in which it already held control, leading to the recognition of the following cash outflows and goodwill:

(in millions of euros)	Purchased minority interest	Cash outflows on acquisition	Goodwill recognised at the acquisition date
Conversion of CNH Global N.V. privileged "Series A" shares	6%	–	–
Acquisition of Ferrari newly-issued shares and exercise of the call option on 28.6% of the Ferrari shares	29%	919	776
Total		**919**	**776**

In addition, the immaterial subsidiary Ferrari Financial Services AG was acquired in 2006, for a price paid by the Group which included goodwill amounting to 1 million euros. The acquiree's assets and liabilities at the acquisition date and immediately after the acquisition were as follows:

(in millions of euros)	IFRS book value at the acquisition date	IFRS book value immediately after the acquisition
Non current assets	1	1
Current assets	30	30
Total assets	**31**	**31**
Liabilities	31	31
Contingent liabilities	–	–

At the beginning of 2005, Magneti Marelli increased its equity investment in the capital stock of the automotive light manufacturer Mako Elektrik Sanayi Ve Ticaret A.S. from 43% to 95%, thus acquiring control from the Turkish group Koç. As a result, the company, previously accounted for using the equity method, has been consolidated on a line-by-line basis from January 1, 2005.
This transaction led to the acquisition of already recognised goodwill of 4 million euros from the acquired entity, which was left unaltered in the consolidated financial statements at December 31, 2005 given the acquiree's ability to earn a higher rate of return and the fact that the value of this also stemmed from synergies to be realised after the acquisition as well as from other benefits expected to arise from the operation.

The acquiree's assets and liabilities at the acquisition date and immediately after the acquisition were as follows:

(in millions of euros)	IFRS book value at the acquisition date	IFRS book value immediately after the acquisition
Non current assets	13	13
Current assets	35	35
Total assets	**48**	**48**
Liabilities	25	25
Contingent liabilities	–	–

In 2005 the Group acquired the control of the following previously jointly controlled entities as described below:

- As of May 2005, the operations that had previously been transferred to the Fiat-GM Powertrain joint-venture were consolidated in Fiat Powertrain Technologies. Fiat re-acquired full control of these operations upon termination of the Master Agreement with General Motors, with the sole exception of the Polish operations that continue to be jointly managed with General Motors. Fiat and GM had formed the JV through the contribution of certain businesses. As part of the agreement to liquidate the JV, Fiat and GM agreed that the businesses formerly contributed by Fiat and GM would be returned to the owner of each respective business before the Master Agreement. The termination agreement stated that each JV partner should receive businesses of equal net asset value. Any difference in the net asset value of the businesses returned to GM and Fiat would have resulted in a balancing payment from one JV partner to the other. Consequently the liquidation of the JV had no impact on income or net equity. Fiat subsequently consolidated the net assets it retained, effectively reclassifying the net equity investment in these assets from equity investments to consolidated assets and liabilities. The profits of Fiat Powertrain from January 1, 2005 until the acquisition date amounted to 21 million euros and this figure is included in the line item Result from investments in the consolidated financial statements of the Fiat Group.

■ At the end of 2005, the Fiat Group acquired Enel's share of the joint venture Leasys S.p.A., whose activity is the hire and management of company car fleets, thereby obtaining 100% control. The financial statements of this company have been consolidated from December 31, 2005. The loss of Leasys for 2005 included in the line item Result from investments in the consolidated financial statements of the Fiat Group amounted to 11 million euros. The transaction led to the acquisition of already recognised goodwill from the acquired entity for an amount of 50 million euros, which was left unaltered in the consolidated financial statements given the acquiree's ability to earn a higher rate of return and the fact that the value of this also stemmed from synergies to be realised after the acquisition as well as from other benefits expected to arise from the operation.

If the acquisition date for these transactions had been January 1, 2005, the revenues and net income for the period would have increased by 483 million euros and by 17 million euros, respectively.

Disposals

As described in the section Scope of consolidation, the Group disposed of the following businesses in 2006:

■ The procedure for the sale of the subsidiary Atlanet S.p.A. to the British Telecom group was for the most part finalised in the first quarter of 2006 on receiving the approval of the Italian Guarantor Authority for Competition and the Market; the transaction was finally concluded with the sale of the Polish and Brazilian business in the second half of the year.

■ Fiat sold its investment in Sestrieres S.p.A. to Via Lattea S.p.A. on June 29, 2006.

■ On August 30, 2006, Teksid S.p.A. sold its holding in Société Bretonne de Fonderie et Mecanique.

■ On August 31, 2006, Fiat sold its holding in Banca Unione di Credito (B.U.C.) to BSI (a company of the Generali Group).

■ The subsidiary Comau Pico sold its Autodie business to Mbtech Stuttgart on November 10, 2006.

■ On December 28, 2006, Fiat Auto and Crédit Agricole finalised the formation of the 50/50 joint venture FAFS.

The book value at the disposal date of the net assets sold is summarised in the following table. Specific disclosure is made for the B.U.C. disposal and the formation of FAFS given the significance of the amounts involved. In particular, disclosures relating to the formation of FAFS are separated between those that relate to the business previously controlled by the Fiat Group which was therefore consolidated on a line-by-line basis, and those that relate to the business of financing the final customer (the retail business), which was previously headed by the associate Fidis Retail Italia.

(in millions of euros)	Total sales of consolidated subsidiaries	of which B.U.C.	of which FAFS
Non-current assets	1,586	76	1,453
Cash and cash equivalents	653	196	442
Other current assets	5,119	1,005	3,957
Total assets	**7,358**	**1,277**	**5,852**
Debt	6,336	1,074	5,219
Other liabilities	590	34	395
Total liabilities	**6,926**	**1,108**	**5,614**

The consideration received for these sales of consolidated subsidiaries and the related net cash inflows are as follows:

(in millions of euros)	Total sales of consolidated subsidiaries	of which B.U.C.	of which FAFS
Consideration received:			
- Consideration due	593	254	277
- Less: Deferred sales proceeds, net	(85)	–	(85)
Total Consideration received	**508**	**254**	**192**
Net cash inflows on disposals:			
- Consideration received	508	254	192
- Less: Cash and cash equivalents disposed of	(461)	(196)	(247)
Total Net cash inflows on disposals	**47**	**58**	**(55)**
Reimbursement of loans extended by the Group's centralised cash management	3,131	–	3,131
Total Net cash inflows generated	**3,178**	**58**	**3,076**

The consideration received for the sales of other investments and the related net cash inflows are as follows:

(in millions of euros)	Total sales of other investments	of which FAFS
Total Consideration received	1,157	998
- Less: consideration paid for exercising the call option on FRI and the subsequent capitalisation	(659)	(659)
Total Net cash inflows generated	**498**	**339**

It is recalled that during 2005 the Group disposed of the following businesses:

■ In the first quarter of 2005, 65% of the investment in the temporary employment agency WorkNet was sold.

■ On June 1, 2005, Iveco sold to Barclays Mercantile Business Finance Ltd a 51% stake in Iveco Finance Holdings Limited, a company comprising certain financial services companies of Iveco operating in France, Germany, Italy, Switzerland and the United Kingdom. Since that date the investment in Iveco Finance Holdings Limited is no longer consolidated on a line-by-line basis but is accounted for using the equity method.

The book value at the disposal date of the net assets sold is summarised in the following table. Specific disclosure is made for Iveco Finance Holdings Limited given the significance of the amounts involved.

(in millions of euros)	Total	of which Iveco Finance Holdings
Non current assets	45	34
Cash and cash equivalents	118	115
Other current assets	2,951	2,874
Total assets	**3,114**	**3,023**
Debt	2,698	2,656
Other liabilities	172	127
Total liabilities	**2,870**	**2,783**

The consideration received from these sales and the related net cash inflows are as follows:

(in millions of euros)	Total	of which Iveco Finance Holdings
Total Consideration received	**160**	**122**
Net cash inflows generated:		
Consideration received	160	122
Less: Cash and cash equivalents disposed of	(118)	(115)
Reimbursement of loans extended by the Group's centralised cash management	2,017	2,017
Total Net cash inflows generated	**2,059**	**2,024**

37. Non-recurring transactions

Pursuant to the Consob Communication of July 28, 2006, the significant non-recurring operations carried out by the Fiat Group in 2006 were the purchase of 29% of the shares of Ferrari S.p.A., the sale of Banca Unione di Credito – B.U.C. and the establishment of the joint venture FAFS with Crédit Agricole. The effects of these operations are discussed in the preceding notes when significant and in particular in Note 36.

For disclosure purposes it is recalled that the Group has entered certain important targeted industrial and/or commercial sales agreements during the year (in many cases these are still at the stage of the "Letter of intent") under which manufacturing and/or commercial joint ventures will be set up in foreign countries (including India and China), development and growth will be agreed with other operators in the automotive business and vehicles will be constructed on behalf of other manufacturers and/or the manufacturing know how will be sold. By December 31, 2006 these agreements, which have by now become part of the Group's ordinary operations, had not yet had a significant effect on the amounts stated in the consolidated financial statements.

38. Transactions resulting from unusual and/or abnormal operations

Pursuant to the Consob Communication of July 28, 2006, the Group has not taken part in any unusual and/or abnormal operations as defined in that Communication (reference should be made to the section Format of the financial statements for a definition of these).

39. Translation of financial statements denominated in a currency other than the euros

The principal exchange rates used in 2006 and 2005 to translate into euros the financial statements prepared in currencies other than the euros were as follows:

	Average 2006	At December 31, 2006	Average 2005	At December 31, 2005
U.S. dollar	**1.256**	**1.317**	1.244	1.180
Pound sterling	**0.682**	**0.672**	0.684	0.685
Swiss franc	**1.573**	**1.607**	1.548	1.555
Polish zloty	**3.896**	**3.831**	4.023	3.860
Brazilian real	**2.734**	**2.815**	3.027	2.761
Argentine peso	**3.879**	**4.066**	3.637	3.589

40. Other information

Personnel costs

The income statement includes personnel costs for 6,741 million euros in 2006 (6,158 million euros in 2005).

An analysis of the average number of employees by category is provided as follows:

	2006	2005
Average number of employees		
- Managers	**2,432**	2,595
- White-collar	**54,351**	54,489
- Blue-collar	**116,943**	112,987
Total	**173,726**	170,071

41. Subsequent events

The principal events that have occurred after the balance sheet date are as follows:

■ On January 26, 2007, Fitch Ratings upgraded Fiat's rating from "BB-" to "BB". The short-term rating was upheld at "B". The outlook remains positive. Standard & Poor's Ratings services revised its outlook on Fiat's rating upwards from stable to positive, upholding the "BB" long-term and "B" short-term corporate credit ratings. On February 12, 2007, Moody's Investors Service upgraded the (long-term) rating of Fiat S.p.A. from Ba3 to Ba2, maintaining its positive outlook; the short-term rating remains unchanged.

■ On January 29, 2007, the Italian Stock Exchange removed from trading the 2007 Fiat Ordinary Share Warrants issued in 2002 and expiring in 2007. The owners of the 65,509,168 outstanding warrants at that date were given the option to subscribe in January 2007 to Fiat S.p.A. ordinary shares in the ratio of one Fiat ordinary share at a price of 29.364 euros for every four warrants held. To date 4,676 warrants have been exercised with the issue of 1,169 shares. As a consequence, on February 1, 2007 the capital stock of Fiat S.p.A. increased from 6,377,257,130 euros to 6,377,262,975 euros and additional paid-in capital increased by 28,481.52 euros.

■ On February 1, 2007, Fiat Auto S.p.A. changed its name to "Fiat Group Automobiles S.p.A." At the same time, four new companies were formed, 100% owned by Fiat Group Automobiles S.p.A.: "Fiat Automobiles S.p.A.", "Alfa Romeo Automobiles S.p.A.", "Lancia Automobiles S.p.A.", and "Fiat Light Commercial Vehicles S.p.A." These changes are consistent with the new corporate culture at the Fiat Group. In particular, they reflect two strategic decisions as to how to approach the business. On the one hand, the Group will exist as a unified whole, and on the other, each company will be distinguished by the specific nature of the respective operating sectors and individual brands. Finally, the name "Fiat Group Automobiles S.p.A." highlights the international vocation of this large industrial organisation.

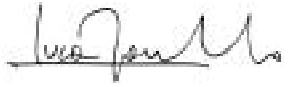
■ On February 14, 2007, Fiat and Tata Motors signed an agreement under which calls for a Tata license to build a pick-up vehicle bearing the Fiat nameplate at the Fiat Group Automobiles plant in Córdoba, Argentina. The first vehicles will be completed on the Córdoba assembly lines during 2008. Annual production is expected to be around 20,000 units. Total planned investment in the project is approximately 80 million US dollars. With the production of the pick-up model, the Fiat complex in Córdoba will retake the integral activity of all its productive units, to a great extent reinitiated with the manufacture of Fiat engines and gearboxes and the recent agreement to produce gearboxes for PSA Peugeot-Citroën. The vehicle is based on the new generation Tata pick-up truck and will be sold in South and Central America and selected European markets through Fiat Automobiles' import and distribution network. This will permit the Fiat brand to make an aggressive entry into the medium pick-up sector, thanks to Tata Motors' specific know-how.

■ On February 14, 2007, Iveco, and Tata Motors signed a Memorandum of Understanding (MoU) to investigate the feasibility of cross-market cooperation in the area of Commercial Vehicles. The MoU encompasses a number of potential developments in engineering, manufacturing, the sourcing and distribution of products, aggregates and components. Having signed the MoU, Iveco and Tata Motors will now set up a joint Steering Committee to determine the feasibility of cooperation in these areas, both in the short- and over the long-term. If a decision is reached that this is possible, the two companies will enter definitive agreements in the course of the coming months.

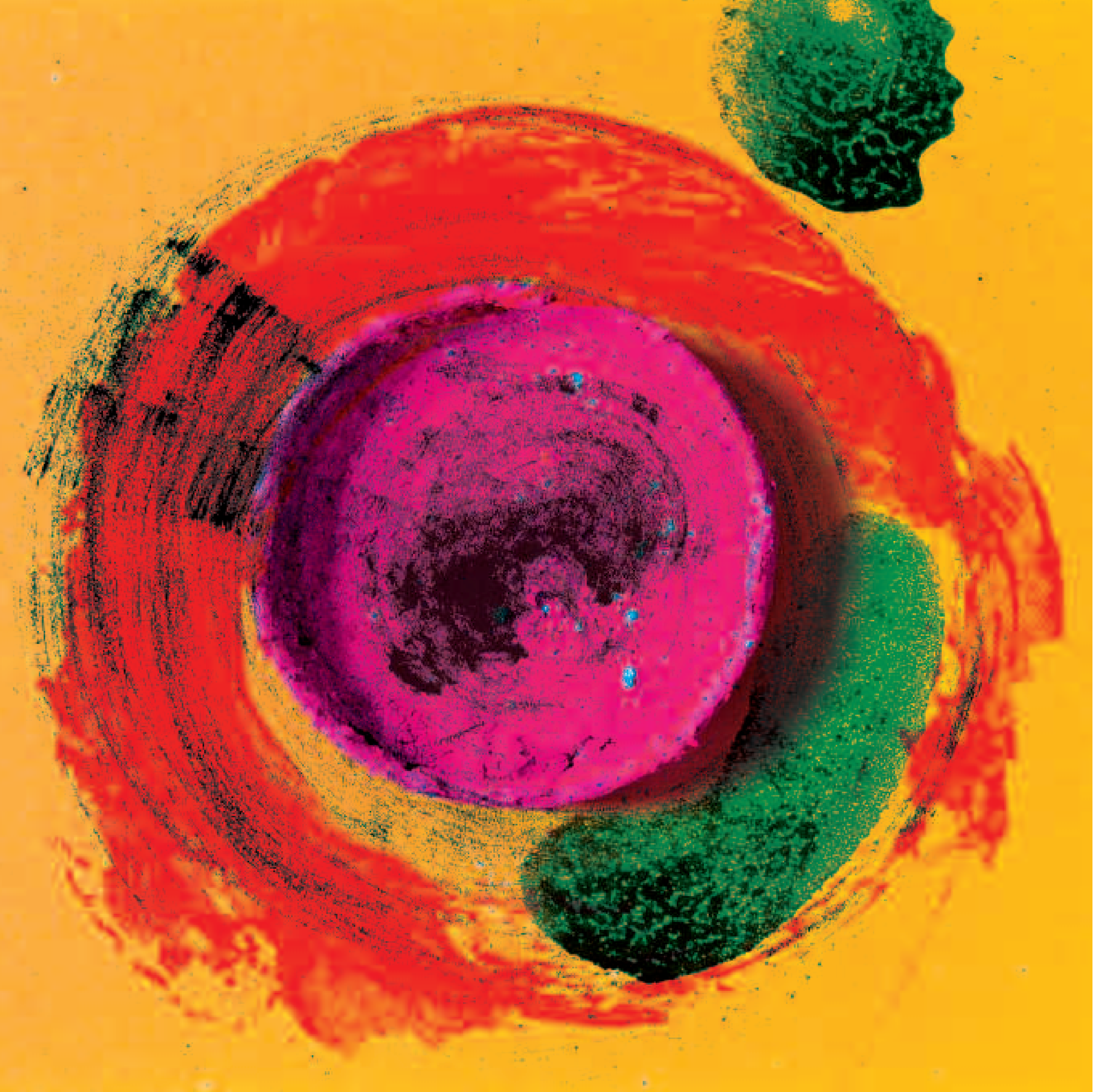
■ A meeting was held on February 19, 2007 at the Italian Prime Minister's Office, with the participation of the Prime Minister, the Ministers of Labour and Transport, and the Vice Minister for Economic Development, as well as national labour federation and industry representatives. The Chief Executive Officer Sergio Marchionne illustrated the Group's development plans for 2007-2010, with special attention being devoted to the situation in Italy. The meeting concluded with the signing of a transcript in which the Italian Government affirmed its willingness to support the Company's development plans. In particular, this would involve close assessment of initiatives taken in support of investments and research, and recognise the existence of conditions for granting the Fiat Group a quota for "*mobilità lunga*" (long-term mobility benefit to bridge the period prior to retirement). This amount was defined in the December 18, 2006 labour agreement, which envisages that a maximum of 2,000 Group employees will be laid off. The meeting transcript also envisages setting up a roundtable with the participation of local institutions to examine the measures necessary to overcome logistical and economic restraints at the Termini Imerese plant in Sicily, so that production of a model can be allocated to it starting from 2009.

Turin, February 20, 2007

On behalf of the Board of Directors



Luca Cordero di Montezemolo
Chairman



Appendix
The Companies of the Fiat Group

As required by Consob Resolution No. 11971 of May 14, 1999 as amended (Article 126 of the Regulations), a complete list of the companies and significant investments of the Group is provided below.
The companies on this list have been classified according to percentage of ownership, method of consolidation and type of business. The information provided for each company includes: name, registered office, country and capital stock stated in the original currency. The percentage of Group consolidation and the percentage held by Fiat S.p.A. or its subsidiaries are also shown.
A separate column shows the percentage held of the voting rights at the ordinary stockholders meeting, when this figure differs from the percentage interest held in the company.

Controlling company

■ **Parent company**

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Fiat S.p.A.	Turin	Italy	6,377,257,130	EUR	–	–	–	–

Subsidiaries consolidated on a line-by-line basis

■ **Automobiles**

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Fiat Auto S.p.A.	Turin	Italy	645,031,979	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Banco Fidis de Investimento SA	Betim	Brazil	116,235,465	BRL	100.00	Fidis S.p.A.	98.970	
						Fiat Automoveis S.A. - FIASA	1.030	
Clickar Assistance S.R.L.	Turin	Italy	335,632	EUR	100.00	Fidis S.p.A.	100.000	
Customer Center S.r.l.	Turin	Italy	2,500,000	EUR	100.00	Fiat Auto S.p.A.	100.000	
Easy Drive S.r.l.	Turin	Italy	10,400	EUR	100.00	Fiat Auto S.p.A.	99.000	
						Fiat Center Italia S.p.A.	1.000	
Fiat Auto Argentina S.A.	Buenos Aires	Argentina	476,464,366	ARS	100.00	Fiat Auto S.p.A.	72.495	
						Fiat Automoveis S.A. - FIASA	27.505	
Fiat Auto (Belgio) S.A.	Brussels	Belgium	18,600,000	EUR	100.00	Fiat Finance Netherlands B.V.	99.998	
						Fiat Auto (Suisse) S.A.	0.002	
Fiat Auto Dealer Financing SA	Brussels	Belgium	62,000	EUR	99.84	Fiat Auto (Belgio) S.A.	99.839	
Fiat Auto España S.A.	Alcalá De Henares	Spain	35,346,850	EUR	100.00	Fiat Finance Netherlands B.V.	99.998	
						Fiat Auto (Suisse) S.A.	0.002	
Fiat Auto Hellas S.A.	Argyroupoli	Greece	62,033,499	EUR	100.00	Fiat Finance Netherlands B.V.	100.000	
Fiat Auto (Ireland) Ltd.	Dublin	Ireland	5,078,952	EUR	100.00	Fiat Finance Netherlands B.V.	100.000	
Fiat Auto Japan K.K.	Minatu-Ku. Tokyo	Japan	420,000,000	JPY	100.00	Fiat Auto S.p.A.	100.000	
Fiat Auto Maroc S.A.	Casablanca	Morocco	1,000,000	MAD	99.95	Fiat Auto S.p.A.	99.950	
Fiat Auto Nederland B.V.	Lijnden	Netherlands	5,672,250	EUR	100.00	Fiat Netherlands Holding N.V.	100.000	
Fiat Auto Poland S.A.	Bielsko-Biala	Poland	660,334,600	PLN	100.00	Fiat Auto S.p.A.	100.000	
Fiat Auto Portuguesa S.A.	Alges	Portugal	1,000,000	EUR	100.00	Fiat Finance Netherlands B.V.	100.000	
Fiat Auto South Africa (Proprietary) Ltd	Sunninghill	South Africa	640	ZAR	100.00	Fiat Auto S.p.A.	100.000	
Fiat Auto (Suisse) S.A.	Schlieren	Switzerland	21,400,000	CHF	100.00	Fiat Auto S.p.A.	100.000	
Fiat Auto (U.K.) Ltd	Slough Berkshire	United Kingdom	44,600,000	GBP	100.00	Fiat Finance Netherlands B.V.	100.000	
Fiat Auto Var S.r.l.	Turin	Italy	7,370,000	EUR	100.00	Fiat Auto S.p.A.	100.000	
Fiat Automobil AG	Heilbronn	Germany	97,280,000	EUR	100.00	Fiat Finance Netherlands B.V.	99.000	
						Fiat Auto (Suisse) S.A.	1.000	
Fiat Automobil GmbH	Vienna	Austria	37,000	EUR	100.00	Fiat Finance Netherlands B.V.	100.000	
Fiat Automobil Vertriebs GmbH	Frankfurt	Germany	8,700,000	EUR	100.00	Fiat Automobil AG	100.000	
Fiat Automobiler Danmark A/S	Glostrup	Denmark	55,000,000	DKK	100.00	Fiat Finance Netherlands B.V.	100.000	
Fiat Automoveis S.A. - FIASA	Betim	Brazil	1,233,506,013	BRL	100.00	Fiat Auto S.p.A.	100.000	
Fiat Center Italia S.p.A.	Turin	Italy	2,000,000	EUR	100.00	Fiat Auto S.p.A.	100.000	
Fiat Center (Suisse) S.A.	Geneva	Switzerland	13,000,000	CHF	100.00	Fiat Auto (Suisse) S.A.	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Fiat CR Spol. S.R.O.	Prague	Czech Republic	1,000,000	CZK	100.00	Fiat Auto S.p.A.	100.000	
Fiat Credito Compania Financiera S.A.	Buenos Aires	Argentina	142,630,748	ARS	100.00	Fidis S.p.A.	99.999	
						Fiat Auto Argentina S.A.	0.001	
Fiat Finance Netherlands B.V.	Amsterdam	Netherlands	690,000,000	EUR	100.00	Fiat Auto S.p.A.	100.000	
Fiat France	Trappes	France	235,480,520	EUR	100.00	Fiat Finance Netherlands B.V.	100.000	
(*) Fiat India Automobiles Private Limited	Mumbai	India	19,620,126,500	INR	100.00	Fiat Auto S.p.A.	100.000	
(*) Fiat India Private Ltd.	Mumbai	India	8,363,617,700	INR	100.00	Fiat India Automobiles Private Limited	52.196	52.628
						Fiat Auto S.p.A.	47.804	47.372
Fiat Magyarorszag Kereskedelmi KFT.	Budapest	Hungary	150,000,000	HUF	100.00	Fiat Auto S.p.A.	100.000	
Fiat Motor Sales Ltd	Slough Berkshire	United Kingdom	1,500,000	GBP	100.00	Fiat Auto (U.K.) Ltd	100.000	
Fiat Purchasing Italia S.r.l.	Turin	Italy	600,000	EUR	100.00	Fiat Auto S.p.A.	100.000	
FIAT Purchasing Poland Sp. z o.o.	Bielsko-Biala	Poland	300,000	PLN	100.00	Fiat Auto S.p.A.	100.000	
Fiat SR Spol. SR.O.	Bratislava	Slovack Republic	1,000,000	SKK	100.00	Fiat Auto S.p.A.	100.000	
Fiat Teamsys GmbH	Heilbronn	Germany	500,000	EUR	100.00	Fiat Automobil AG	100.000	
Fiat Teamsys S.A.	Alges	Portugal	50,000	EUR	100.00	Fiat Auto Portuguesa S.A.	100.000	
Fiat Versicherungsdienst GmbH	Heilbronn	Germany	26,000	EUR	100.00	Fiat Automobil AG	51.000	
						Rimaco S.A.	49.000	
Fidis Hungary Ltd. under liquidation	Budapest	Hungary	13,000	EUR	100.00	Fidis S.p.A.	100.000	
Fidis S.p.A.	Turin	Italy	311,232,342	EUR	100.00	Fiat Auto S.p.A.	99.900	
						Nuove Iniziative Finanziarie 2 S.r.l.	0.100	
i-FAST Automotive Logistics S.r.l.	Turin	Italy	500,000	EUR	100.00	Fiat Auto S.p.A.	100.000	
Inmap 2000 Espana S.L.	Alcalá De Henares	Spain	4,698,919	EUR	100.00	Fiat Auto España S.A.	100.000	
International Metropolitan Automotive Promotion (France) S.A.	Trappes	France	2,977,680	EUR	100.00	Fiat France	99.997	
Italian Automotive Center S.A.	Brussels	Belgium	8,500,000	EUR	100.00	Fiat Auto (Belgio) S.A.	99.988	
						Nuove Iniziative Finanziarie 2 S.r.l.	0.012	
New Business 16 S.p.A. a socio unico	Chivasso	Italy	1,500,000	EUR	100.00	Fiat Auto S.p.A.	100.000	
Sata-Società Automobilistica Tecnologie Avanzate S.p.A.	Melfi	Italy	276,640,000	EUR	100.00	Fiat Auto S.p.A.	100.000	
SCDR Automotive Limited	Basildon	United Kingdom	50,000	GBP	100.00	Società di Commercializzazione e Distribuzione Ricambi S.p.A.	100.000	
SCDR (Ireland) Limited	Dublin	Ireland	70,000	EUR	100.00	Società di Commercializzazione e Distribuzione Ricambi S.p.A.	100.000	
SCDR (Switzerland) S.A.	Schlieren	Switzerland	100,000	CHF	100.00	Società di Commercializzazione e Distribuzione Ricambi S.p.A.	100.000	
Società di Commercializzazione e Distribuzione Ricambi S.p.A.	Turin	Italy	100,000	EUR	100.00	Fiat Auto S.p.A.	100.000	
Targa Rent S.r.l.	Turin	Italy	310,000	EUR	100.00	Fidis S.p.A.	100.000	
Targasys Espana S.L.	Alcalá De Henares	Spain	5,000	EUR	100.00	Fiat Auto España S.A.	100.000	

(*) Assets held for sale.

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
■ Ferrari								
Ferrari S.p.A.	Modena	Italy	20,260,000	EUR	85.00	Fiat S.p.A.	85.000	
Charles Pozzi S.a.r.l.	Levallois-Perret	France	959,519	EUR	85.00	Ferrari West Europe S.A.	100.000	
Ferrari Deutschland GmbH	Wiesbaden	Germany	1,000,000	EUR	85.00	Ferrari International S.A.	100.000	
Ferrari Financial Services AG	Munich	Germany	1,777,600	EUR	76.50	Ferrari Financial Services S.p.A.	100.000	
Ferrari Financial Services S.p.A.	Modena	Italy	600,000	EUR	76.50	Ferrari S.p.A.	90.000	
Ferrari GB Limited	Slough Berkshire	United Kingdom	50,000	GBP	85.00	Ferrari International S.A.	100.000	
Ferrari GE.D. S.p.A.	Modena	Italy	31,000,000	EUR	85.00	Ferrari S.p.A.	100.000	
Ferrari International S.A.	Luxembourg	Luxembourg	13,112,000	EUR	85.00	Ferrari S.p.A.	99.999	
						Ferrari N.America Inc.	0.001	
Ferrari N.America Inc.	Englewood Cliffs	U.S.A.	200,000	USD	85.00	Ferrari S.p.A.	100.000	
Ferrari San Francisco Inc.	Mill Valley	U.S.A.	100,000	USD	85.00	Ferrari N.America Inc.	100.000	
Ferrari (Suisse) SA	Nyon	Switzerland	1,000,000	CHF	85.00	Ferrari International S.A.	100.000	
Ferrari West Europe S.A.	Levallois-Perret	France	280,920	EUR	85.00	Société Française de Participations Ferrari - S.F.P.F. S.A.R.L.	100.000	
GSA-Gestions Sportives Automobiles S.A.	Meyrin	Switzerland	1,000,000	CHF	85.00	Ferrari International S.A.	100.000	
Pozzi Rent Snc	Lyon	France	15,256	EUR	85.00	Ferrari West Europe S.A.	100.000	
Société Française de Participations Ferrari - S.F.P.F. S.A.R.L.	Levallois-Perret	France	6,000,000	EUR	85.00	Ferrari International S.A.	100.000	
410 Park Display Inc.	New York	U.S.A.	100	USD	85.00	Ferrari N.America Inc.	100.000	
■ Maserati								
Maserati S.p.A.	Modena	Italy	40,000,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Maserati Deutschland GmbH	Wiesbaden	Germany	500,000	EUR	100.00	Maserati S.p.A.	100.000	
Maserati GB Limited	Slough Berkshire	United Kingdom	20,000	GBP	100.00	Maserati S.p.A.	100.000	
Maserati North America Inc.	Englewood Cliffs	U.S.A.	1,000	USD	100.00	Maserati S.p.A.	100.000	
Maserati (Suisse) S.A.	Nyon	Switzerland	250,000	CHF	100.00	Maserati S.p.A.	100.000	
Maserati West Europe societé par actions simplifiée	Levallois-Perret	France	37,000	EUR	100.00	Maserati S.p.A.	100.000	
■ Agricultural and Construction Equipment								
CNH Global N.V.	Amsterdam	Netherlands	531,719,530	EUR	89.71	Fiat Netherlands Holding N.V.	89.652	89.711
						CNH Global N.V.	0.066	0.000
Austoft Industries Limited	St. Marys	Australia	16,353,225	AUD	89.71	CNH Australia Pty Limited	100.000	
Banco CNH Capital S.A.	Curitiba	Brazil	252,285,242	BRL	89.71	CNH Global N.V.	98.760	
						CNH Latin America Ltda.	1.240	
Bli Group Inc.	Wilmington	U.S.A.	1,000	USD	89.71	CNH America LLC	100.000	
Blue Leaf I.P. Inc.	Wilmington	U.S.A.	1,000	USD	89.71	Bli Group Inc.	100.000	
Case Brazil Holdings Inc.	Wilmington	U.S.A.	1,000	USD	89.71	CNH America LLC	100.000	
Case Canada Receivables, Inc.	Calgary	Canada	1	CAD	89.71	CNH Capital America LLC	100.000	
Case Credit Australia Investments Pty Ltd	St. Marys	Australia	71,516,000	AUD	89.71	CNH Australia Pty Limited	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Case Credit Holdings Limited	Wilmington	U.S.A.	5	USD	89.71	CNH Capital America LLC	100.000	
Case Equipment Holdings Limited	Wilmington	U.S.A.	5	USD	89.71	CNH America LLC	100.000	
Case Equipment International Corporation	Wilmington	U.S.A.	1,000	USD	89.71	CNH America LLC	100.000	
Case Europe S.a.r.l.	Le Plessis-Belleville	France	7,622	EUR	89.71	CNH America LLC	100.000	
Case Harvesting Systems GmbH	Berlin	Germany	281,211	EUR	89.71	CNH America LLC	100.000	
Case IH Machinery Trading Shanghai Co. Ltd.	Shanghai	People's Rep.of China	2,250,000	USD	89.71	CNH America LLC	100.000	
Case India Limited	Wilmington	U.S.A.	5	USD	89.71	CNH America LLC	100.000	
Case International Marketing Inc.	Wilmington	U.S.A.	5	USD	89.71	CNH America LLC	100.000	
Case LBX Holdings Inc.	Wilmington	U.S.A.	5	USD	89.71	CNH America LLC	100.000	
Case New Holland Inc.	Wilmington	U.S.A.	5	USD	89.71	CNH Global N.V.	100.000	
Case United Kingdom Limited	Basildon	United Kingdom	3,763,618	GBP	89.71	CNH America LLC	100.000	
CNH America LLC	Wilmington	U.S.A.	0	USD	89.71	Case New Holland Inc.	100.000	
CNH Argentina S.A.	Buenos Aires	Argentina	29,611,105	ARS	89.71	New Holland Holdings Argentina S.A.	80.654	
						CNH Latin America Ltda.	19.346	
CNH Asian Holding Limited N.V.	Zedelgem	Belgium	34,594,401	EUR	89.71	CNH Global N.V.	100.000	
CNH Australia Pty Limited	St. Marys	Australia	306,785,439	AUD	89.71	CNH Global N.V.	100.000	
CNH Baumaschinen GmbH	Berlin	Germany	61,355,030	EUR	89.71	CNH International S.A.	100.000	
CNH Belgium N.V.	Zedelgem	Belgium	27,268,300	EUR	89.71	CNH International S.A.	100.000	
CNH Canada, Ltd.	Toronto	Canada	28,000,100	CAD	89.71	CNH Global N.V.	100.000	
CNH Capital America LLC	Wilmington	U.S.A.	0	USD	89.71	CNH Capital LLC	100.000	
CNH Capital Australia Pty Limited	St. Marys	Australia	83,248,874	AUD	89.71	CNH Australia Pty Limited	100.000	
CNH Capital Automotive Receivables LLC	Wilmington	U.S.A.	0	USD	89.71	CNH Capital America LLC	100.000	
CNH Capital Benelux	Zedelgem	Belgium	6,350,000	EUR	89.71	CNH Global N.V.	98.999	
						CNH Capital U.K. Ltd	1.001	
CNH Capital Canada Ltd.	Calgary	Canada	1	CAD	89.71	Case Credit Holdings Limited	99.500	
						CNH Canada, Ltd.	0.500	
CNH Capital (Europe) plc	Dublin	Ireland	38,100	EUR	89.71	CNH Capital plc	99.984	
						CNH Global N.V.	0.005	
						CNH Financial Services A/S	0.003	
						CNH International S.A.	0.003	
						CNH Trade N.V.	0.003	
						CNH Financial Services S.r.l.	0.002	
CNH Capital Insurance Agency Inc.	Wilmington	U.S.A.	5	USD	89.71	CNH Capital America LLC	100.000	
CNH Capital LLC	Wilmington	U.S.A.	0	USD	89.71	CNH America LLC	100.000	
CNH Capital plc	Dublin	Ireland	6,386,791	EUR	89.71	CNH Global N.V.	100.000	
CNH Capital RACES LLC	Wilmington	U.S.A.	1,000	USD	89.71	CNH Capital America LLC	100.000	
CNH Capital Receivables LLC	Wilmington	U.S.A.	0	USD	89.71	CNH Capital America LLC	100.000	
CNH Capital U.K. Ltd	Basildon	United Kingdom	10,000,001	GBP	89.71	CNH Global N.V.	100.000	
CNH Componentes, S.A. de C.V.	São Pedro	Mexico	135,634,842	MXN	89.71	CNH America LLC	100.000	
CNH Danmark A/S	Hvidovre	Denmark	12,000,000	DKK	89.71	CNH International S.A.	100.000	
CNH Deutschland GmbH	Heilbronn	Germany	18,457,650	EUR	89.71	CNH International S.A.	100.000	
CNH Engine Corporation	Wilmington	U.S.A.	1,000	USD	89.71	CNH America LLC	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
CNH Financial Services A/S	Hvidovre	Denmark	500,000	DKK	89.71	CNH Global N.V.	100.000	
CNH Financial Services GmbH	Heilbronn	Germany	1,151,000	EUR	89.71	CNH International S.A.	100.000	
CNH Financial Services S.A.S.	Puteaux	France	28,860,625	EUR	89.71	CNH Global N.V.	98.040	
						CNH Capital Benelux	1.960	
CNH Financial Services S.r.l.	Modena	Italy	10,400	EUR	89.71	CNH Capital plc	100.000	
CNH France S.A.	Morigny-Champigny	France	138,813,150	EUR	89.71	CNH International S.A.	100.000	
CNH International S.A.	Luxembourg	Luxembourg	300,000,000	USD	89.71	CNH Global N.V.	100.000	
CNH Italia s.p.a.	Modena	Italy	15,600,000	EUR	89.71	CNH Osterreich GmbH	75.000	
						CNH Global N.V.	25.000	
CNH Latin America Ltda.	Contagem	Brazil	967,783,051	BRL	89.71	CNH Global N.V.	85.658	
						Case Brazil Holdings Inc.	12.557	
						Case Equipment International Corporation	1.785	
CNH Maquinaria Spain S.A.	Coslada	Spain	21,000,000	EUR	89.71	CNH International S.A.	100.000	
CNH Osterreich GmbH	St. Valentin	Austria	2,000,000	EUR	89.71	CNH Global N.V.	100.000	
CNH Polska Sp. z o.o.	Plock	Poland	162,591,660	PLN	89.71	CNH Belgium N.V.	99.995	
						Fiat Polska Sp. z o.o.	0.005	
CNH Portugal-Comercio de Tractores e Maquinas Agricolas Ltda	Carnaxide	Portugal	498,798	EUR	89.71	CNH International S.A.	99.980	
						CNH Italia s.p.a.	0.020	
CNH Receivables LLC	Wilmington	U.S.A.	0	USD	89.71	CNH Capital America LLC	100.000	
CNH Serviços Técnicos e Desenvolvimento de Negocios Ltda	Curitiba	Brazil	1,000,000	BRL	89.71	Banco CNH Capital S.A.	100.000	
CNH Trade N.V.	Amsterdam	Netherlands	50,000	EUR	89.71	CNH Global N.V.	100.000	
CNH U.K. Limited	Basildon	United Kingdom	91,262,275	GBP	89.71	New Holland Holding Limited	100.000	
CNH Wholesale Receivables LLC	Wilmington	U.S.A.	0	USD	89.71	CNH Capital America LLC	100.000	
Fiatallis North America LLC	Wilmington	U.S.A.	32	USD	89.71	CNH America LLC	100.000	
Flexi-Coil (U.K.) Limited	Basildon	United Kingdom	3,291,776	GBP	89.71	CNH Canada, Ltd.	100.000	
Harbin New Holland Tractors Co., Ltd.	Harbin	People's Rep.of China	2,859,091	USD	89.71	CNH Asian Holding Limited N.V.	99.000	
						CNH International S.A.	1.000	
HFI Holdings Inc.	Wilmington	U.S.A.	1,000	USD	89.71	CNH America LLC	100.000	
JV Uzcaseagroleasing LLC	Tashkent	Uzbekistan	0	USD	45.75	Case Credit Holdings Limited	51.000	
JV UzCaseMash LLC	Tashkent	Uzbekistan	0	USD	53.83	Case Equipment Holdings Limited	60.000	
JV UzCaseService LLC	Tashkent	Uzbekistan	0	USD	45.75	Case Equipment Holdings Limited	51.000	
JV UzCaseTractor LLC	Tashkent	Uzbekistan	0	USD	45.75	Case Equipment Holdings Limited	51.000	
Kobelco Construction Machinery America LLC	Wilmington	U.S.A.	0	USD	58.31	New Holland Excavator Holdings LLC	65.000	
MBA AG	Bassersdorf	Switzerland	4,000,000	CHF	89.71	CNH Global N.V.	100.000	
New Holland Australia Pty Ltd	St. Marys	Australia	1	AUD	89.71	CNH Australia Pty Limited	100.000	
New Holland Credit Australia Pty Limited	St. Marys	Australia	725,834	AUD	89.71	CNH Capital Australia Pty Limited	100.000	
New Holland Credit Company, LLC	Wilmington	U.S.A.	0	USD	89.71	CNH Capital LLC	100.000	
New Holland Excavator Holdings LLC	Wilmington	U.S.A.	0	USD	89.71	CNH America LLC	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
New Holland Holding Limited	London	United Kingdom	165,000,000	GBP	89.71	CNH International S.A.	100.000	
New Holland Holdings Argentina S.A.	Buenos Aires	Argentina	23,555,415	ARS	89.71	CNH Latin America Ltda.	100.000	
New Holland Kobelco Construction Machinery Belgium SA	Herstal-lez-Liege	Belgium	247,900	EUR	66.94	New Holland Kobelco Construction Machinery S.p.A.	99.990	
New Holland Kobelco Construction Machinery S.p.A.	San Mauro Torinese	Italy	80,025,291	EUR	66.95	CNH Italia s.p.a.	74.625	
New Holland Ltd	Basildon	United Kingdom	1,000,000	GBP	89.71	CNH Global N.V.	100.000	
New Holland Tractor Ltd. N.V.	Antwerp	Belgium	9,631,500	EUR	89.71	New Holland Holding Limited	100.000	
New Holland Tractors (India) Private Ltd	New Delhi	India	1,949,835,804	INR	89.71	CNH Asian Holding Limited N.V.	100.000	
O & K - Hilfe GmbH	Berlin	Germany	25,565	EUR	89.71	CNH Baumaschinen GmbH	100.000	
Pryor Foundry Inc.	Oklahoma City	U.S.A.	1,000	USD	89.71	CNH America LLC	100.000	
Receivables Credit II Corporation	Calgary	Canada	1	CAD	89.71	CNH Capital America LLC	100.000	
RosCaseMash	Saratov	Russia	200,000	RUR	34.31	Case Equipment Holdings Limited	38.250	51.000
Shanghai New Holland Agricultural Machinery Corporation Limited	Shanghai	People's Rep.of China	35,000,000	USD	53.83	CNH Asian Holding Limited N.V.	60.000	

■ Powertrain Technologies

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Fiat Powertrain Technologies SpA	Turin	Italy	750,000,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
FMA - Fabbrica Motori Automobilistici S.r.l.	Pratola Serra	Italy	306,186,210	EUR	100.00	Fiat Powertrain Technologies SpA	100.000	
Milantech S.R.L.	Cusago	Italy	100,000	EUR	100.00	Fiat Powertrain Technologies SpA	100.000	
Powertrain Mekanik Sanayi ve Ticaret Limited Sirketi	Demirtas-Bursa	Turkey	75,329,600	TRY	100.00	Fiat Auto Holdings B.V. in liquidatie	99.980	
						Fiat Powertrain Technologies SpA	0.020	

■ Trucks and Commercial Vehicles

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Iveco S.p.A.	Turin	Italy	858,400,000	EUR	100.00	Fiat S.p.A.	60.563	
						Fiat Partecipazioni S.p.A.	39.437	
Afin Asigurari S.r.l.	Bucharest	Romenia	2,000,000	RON	100.00	s.c. Afin Leasing Ifn s.a.	100.000	
Afin Bohemia	Prague	Czech Republic	30,000	EUR	100.00	Afin Leasing AG	100.000	
Afin Bulgaria EAD	Sofia	Bulgaria	200,000	BGL	100.00	Afin Leasing AG	100.000	
Afin Hungary Kereskedelmi KFT.	Budapest	Hungary	24,000,000	HUF	100.00	Afin Leasing AG	100.000	
Afin Leasing AG	Vienna	Austria	1,500,000	EUR	100.00	Iveco International Trade Finance S.A.	100.000	
Afin Slovakia S.R.O.	Bratislava	Slovack Republic	30,000	EUR	100.00	Afin Leasing AG	100.000	
Afin Trade Bulgaria Eood	Sofia	Bulgaria	5,000	BGL	100.00	Afin Bulgaria EAD	100.000	
Afin Trade Vostok OOO	Moscow	Russia	345,000	RUR	100.00	Afin Leasing AG	100.000	
Amce-Automotive Manufacturing Co.Ethiopia	Addis Ababa	Ethiopia	3,000,000	ETB	70.00	Iveco S.p.A.	70.000	
AS Afin Baltica	Tallin	Estonia	800,000	EEK	100.00	Afin Leasing AG	100.000	
Astra Veicoli Industriali S.p.A.	Piacenza	Italy	10,400,000	EUR	100.00	Iveco S.p.A.	100.000	
Brandschutztechnik Gorlitz GmbH	Gürlitz	Germany	511,292	EUR	88.00	Iveco Magirus Brandschutztechnik GmbH	88.000	
C.A.M.I.V.A. Constructeurs Associés de Matériels d'Incendie, Voirie, Aviation S.A.	Saint-Alban-Leysse	France	1,870,169	EUR	99.96	Iveco Magirus Fire Fighting GmbH	99.961	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Componentes Mecanicos S.A.	Barcelona	Spain	37,405,038	EUR	59.39	Iveco España S.L.	59.387	
Effe Grundbesitz GmbH	Ulm	Germany	10,225,838	EUR	100.00	Iveco Investitions GmbH	90.000	
						Iveco S.p.A.	10.000	
Elettronica Trasporti Commerciali S.r.l. (Eltrac S.r.l.)	Turin	Italy	109,200	EUR	100.00	Iveco S.p.A.	100.000	
European Engine Alliance S.c.r.l.	Turin	Italy	32,044,797	EUR	63.24	CNH Global N.V.	33.333	
						Iveco S.p.A.	33.333	
FPT - Powertrain Technologies France S.A.	Garchizy	France	73,444,960	EUR	100.00	Iveco France	97.200	
						Iveco Participations S.A.	2.800	
Heuliez Bus S.A.	Rorthais	France	9,000,000	EUR	100.00	Société Charolaise de Participations S.A.	100.000	
IAV-Industrie-Anlagen-Verpachtung GmbH	Ulm	Germany	25,565	EUR	100.00	Iveco Investitions GmbH	95.000	
						Iveco S.p.A.	5.000	
Ikarus Egyedi Autobusz GY	Budapest	Hungary	350,000,000	HUF	68.15	Iveco España S.L.	68.146	
Industrial Vehicles Center Hainaut S.A.	Charleroi	Belgium	600,000	EUR	100.00	S.A. Iveco Belgium N.V.	95.000	
						Iveco Nederland B.V.	5.000	
Irisbus Australia Pty. Ltd.	Dandenong	Australia	1,500,000	AUD	100.00	Iveco España S.L.	100.000	
Irisbus Benelux Ltd.	Leudelange	Luxembourg	594,000	EUR	100.00	Iveco France	99.983	
						Société Charolaise de Participations S.A.	0.017	
Irisbus Deutschland GmbH	Mainz-Mombach	Germany	8,800,000	EUR	100.00	Iveco España S.L.	100.000	
Irisbus Italia S.p.A.	Turin	Italy	44,644,811	EUR	100.00	Iveco España S.L.	100.000	
Irisbus (U.K.) Ltd	Watford	United Kingdom	200,000	GBP	100.00	Iveco España S.L.	100.000	
IVC Brabant N.V. S.A.	Groot	Belgium	800,000	EUR	100.00	S.A. Iveco Belgium N.V.	75.000	
						Iveco Nederland B.V.	25.000	
Iveco Argentina S.A.	Cordoba	Argentina	130,237,793	ARS	100.00	Iveco España S.L.	99.000	
						Astra Veicoli Industriali S.p.A.	1.000	
Iveco Austria GmbH	Vienna	Austria	6,178,000	EUR	100.00	Iveco S.p.A.	100.000	
Iveco Bayern GmbH	Nuremberg	Germany	742,000	EUR	100.00	Iveco Magirus AG	100.000	
Iveco Contract Services Limited	Watford	United Kingdom	17,000,000	GBP	100.00	Iveco Partecipazioni Finanziarie S.r.l.	100.000	
Iveco Danmark A/S	Glostrup	Denmark	501,000	DKK	100.00	Iveco S.p.A.	100.000	
Iveco España S.L.	Madrid	Spain	121,612,116	EUR	100.00	Iveco S.p.A.	100.000	
Iveco Est Sas	Haunconcourt	France	305,600	EUR	100.00	Iveco France	100.000	
Iveco Finland OY	Espoo	Finland	200,000	EUR	100.00	Iveco S.p.A.	100.000	
Iveco France	Vénissieux	France	92,856,130	EUR	100.00	Iveco España S.L.	50.326	
						Iveco S.p.A.	49.674	
Iveco Holdings Limited	Watford	United Kingdom	47,000,000	GBP	100.00	Iveco S.p.A.	100.000	
Iveco International Trade Finance S.A.	Paradiso	Switzerland	30,800,000	CHF	100.00	Iveco Partecipazioni Finanziarie S.r.l.	100.000	
Iveco Investitions GmbH	Ulm	Germany	2,556,459	EUR	100.00	Iveco Magirus AG	99.020	
						Iveco S.p.A.	0.980	
Iveco Latin America Ltda	Vila da Serra	Brazil	684,700,000	BRL	100.00	Iveco España S.L.	99.999	
						Astra Veicoli Industriali S.p.A.	0.001	
Iveco Limited	Watford	United Kingdom	117,000,000	GBP	100.00	Iveco Holdings Limited	100.000	
Iveco L.V.I. S.a.s.	Saint-Priest-En-Jarez	France	503,250	EUR	100.00	Iveco France	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Iveco Magirus AG	Ulm	Germany	250,000,000	EUR	100.00	Iveco S.p.A.	53.660	
						Fiat Netherlands Holding N.V.	46.340	
Iveco Magirus Brandschutztechnik GmbH	Ulm	Germany	6,493,407	EUR	100.00	Iveco Magirus Fire Fighting GmbH	99.764	
						Iveco S.p.A.	0.236	
Iveco Magirus Fire Fighting GmbH	Weisweil	Germany	30,776,857	EUR	100.00	Iveco Magirus AG	90.032	
						Iveco S.p.A.	9.968	
Iveco Mezzi Speciali S.p.A.	Brescia	Italy	13,120,000	EUR	100.00	Iveco S.p.A.	100.000	
Iveco Motorenforschung AG	Arbon	Switzerland	4,600,000	CHF	100.00	Iveco S.p.A.	60.000	
						Iveco France	40.000	
Iveco Motors of North America Inc.	Wilmington	U.S.A.	1	USD	100.00	Iveco S.p.A.	100.000	
Iveco Nederland B.V.	Breda	Netherlands	4,537,802	EUR	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco Nord Nutzfahrzeuge GmbH	Hamburg	Germany	818,500	EUR	100.00	Iveco Magirus AG	100.000	
Iveco Nord-Ost Nutzfahrzeuge GmbH	Berlin	Germany	2,120,000	EUR	100.00	Iveco Magirus AG	100.000	
Iveco Norge A.S.	Voyenenga	Norway	18,600,000	NOK	100.00	Iveco S.p.A.	100.000	
Iveco Otomotiv Ticaret A.S.	Samandira-Kartal/Istanbul	Turkey	5,960,707	TRY	100.00	Iveco S.p.A.	99.995	
Iveco Partecipazioni Finanziarie S.r.l.	Turin	Italy	50,000,000	EUR	100.00	Iveco S.p.A.	100.000	
Iveco Participations S.A.	Trappes	France	10,896,100	EUR	100.00	Iveco S.p.A.	100.000	
Iveco Pension Trustee Ltd	Watford	United Kingdom	2	GBP	100.00	Iveco Holdings Limited	50.000	
						Iveco Limited	50.000	
Iveco Poland Ltd.	Warsaw	Poland	46,974,500	PLN	100.00	Iveco S.p.A.	99.989	
						Fiat Polska Sp. z o.o.	0.011	
Iveco Portugal-Comercio de Veiculos Industriais S.A.	Vila Franca de Xira	Portugal	15,962,000	EUR	100.00	Iveco S.p.A.	99.997	
						Astra Veicoli Industriali S.p.A.	0.001	
Iveco (Schweiz) AG	Kloten	Switzerland	9,000,000	CHF	100.00	Iveco Nederland B.V.	100.000	
Iveco South Africa (Pty) Ltd.	Wadewille	South Africa	15,000,750	ZAR	100.00	Iveco S.p.A.	100.000	
Iveco Sud-West Nutzfahrzeuge GmbH	Mannheim-Neckarau	Germany	1,533,900	EUR	100.00	Iveco Magirus AG	100.000	
Iveco Sweden A.B.	Arlov	Sweden	600,000	SEK	100.00	Iveco S.p.A.	100.000	
Iveco Trucks Australia Limited	Dandenong	Australia	47,492,260	AUD	100.00	Iveco S.p.A.	100.000	
Iveco Ukraine Inc.	Kiev	Ukraine	55,961,760	UAH	99.97	Iveco S.p.A.	99.968	
Iveco Venezuela C.A.	La Victoria	Venezuela	2,495,691,000	VEB	100.00	Iveco S.p.A.	100.000	
Iveco West Nutzfahrzeuge GmbH	Cologne	Germany	1,662,000	EUR	100.00	Iveco Magirus AG	100.000	
Karosa A.S.	Vysoke Myto	Czech Republic	1,065,559,000	CZK	97.98	Iveco France	97.978	
Karosa r.s.o.	Bratislava	Slovack Republic	200,000	SKK	97.98	Karosa A.S.	100.000	
Lohr-Magirus Feuerwehrtechnik GmbH	Kainbach	Austria	1,271,775	EUR	95.00	Iveco Magirus Brandschutztechnik GmbH	95.000	
Mediterranea de Camiones S.L.	Valencia	Spain	48,080	EUR	100.00	Iveco España S.L.	100.000	
Officine Brennero S.p.A.	Trento	Italy	7,120,000	EUR	100.00	Iveco S.p.A.	100.000	
OOO Afin Leasing Vostok LLC	Moscow	Russia	50,000,000	RUR	100.00	Afin Leasing AG	100.000	
S.A. Iveco Belgium N.V.	Groot	Belgium	6,000,000	EUR	100.00	Iveco S.p.A.	99.983	
						Iveco Nederland B.V.	0.017	
s.c. Afin Leasing Ifn s.a.	Bucharest	Romania	2,063,200,000	RON	100.00	Afin Leasing AG	100.000	
s.c. Afin Trade Company S.r.l.	Bucharest	Romania	17,500	RON	100.00	Afin Leasing AG	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
S.C.I. La Méditerranéenne	Vitrolles	France	248,000	EUR	100.00	Iveco France	50.000	
						Société de Diffusion de Vehicules Industriels-SDVI S.A.S.	50.000	
Seddon Atkinson Vehicles Ltd	Oldham	United Kingdom	41,700,000	GBP	100.00	Iveco Holdings Limited	100.000	
Société Charolaise de Participations S.A.	Vénissieux	France	2,370,000	EUR	100.00	Iveco España S.L.	100.000	
Société de Diffusion de Vehicules Industriels-SDVI S.A.S.	Trappes	France	7,022,400	EUR	100.00	Iveco France	100.000	
Transolver Service S.A.	Madrid	Spain	610,000	EUR	100.00	Iveco Partecipazioni Finanziarie S.r.l.	100.000	
Transolver Service S.p.A.	Turin	Italy	1,989,000	EUR	100.00	Iveco Partecipazioni Finanziarie S.r.l.	100.000	
Transolver Services GmbH	Heilbronn	Germany	750,000	EUR	100.00	Iveco Partecipazioni Finanziarie S.r.l.	100.000	
UAB Afin Baltica (Lithuania)	Vilnius	Lithuania	35,000	LTT	100.00	Afin Leasing AG	100.000	
Utilitaries & Véhicules Industriels Franciliens-UVIF SAS	La Garenne	France	1,067,500	EUR	100.00	Iveco France	100.000	
Zona Franca Alari Sepauto S.A.	Barcelona	Spain	520,560	EUR	51.87	Iveco España S.L.	51.867	
2 H Energy S.A.S.	Fécamp	France	2,000,000	EUR	100.00	Iveco Participations S.A.	100.000	

■ Components

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Magneti Marelli Holding S.p.A.	Corbetta	Italy	254,324,998	EUR	99.99	Fiat S.p.A.	99.991	100.000
Automotive Lighting Brotterode GmbH	Meiningen	Germany	7,270,000	EUR	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting Italia S.p.A.	Venaria Reale	Italy	2,000,000	EUR	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting LLC	Farmington Hills	U.S.A.	25,001,000	USD	99.99	Magneti Marelli Holding U.S.A. Inc.	100.000	
Automotive Lighting o.o.o.	Rjiasan	Russia	36,875,663	RUR	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting Polska Sp. z o.o.	Sosnowiec	Poland	83,500,000	PLN	99.99	Automotive Lighting Reutlingen GmbH	99.997	
						Fiat Polska Sp. z o.o.	0.003	
Automotive Lighting Rear Lamps Espana S.A.	Llinares del Valles	Spain	3,655,385	EUR	99.99	Automotive Lighting Rear Lamps Italia S.p.A.	100.000	
Automotive Lighting Rear Lamps France S.A.	Saint Denis	France	1,011,536	EUR	99.98	Automotive Lighting Rear Lamps Italia S.p.A.	99.992	
Automotive Lighting Rear Lamps Italia S.p.A.	Tolmezzo	Italy	10,000,000	EUR	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V.	El Marques Queretaro	Mexico	50,000	MXN	99.99	Magneti Marelli Holding U.S.A. Inc.	100.000	
Automotive Lighting Reutlingen GmbH	Reutlingen	Germany	1,330,000	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Automotive Lighting S.R.O.	Jihlava	Czech Republic	927,637,000	CZK	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting UK Limited	Cannock	United Kingdom	15,387,348	GBP	99.99	Magneti Marelli Holding S.p.A.	100.000	
Fiat CIEI S.p.A. in liquidation	Corbetta	Italy	220,211	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Industrial Yorka de Mexico S.A. de C.V.	Mexico City	Mexico	50,000	MXN	99.99	Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V.	98.000	
						Industrial Yorka de Tepotzotlan S.A. de C.V.	2.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Industrial Yorka de Tepotzotlan S.A. de C.V.	Mexico City	Mexico	50,000	MXN	99.99	Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V.	99.000	
						Industrial Yorka de Mexico S.A. de C.V.	1.000	
Industrias Magneti Marelli Mexico S.A. de C.V.	Tepotzotlan	Mexico	50,000	MXN	99.99	Magneti Marelli Sistemas Electronicos Mexico S.A.	99.998	
						Servicios Administrativos Corp. IPASA S.A.	0.002	
Kadron S/A	Maua	Brazil	2,622,229	BRL	99.99	Magneti Marelli Sistemas Automotivos Industria e Comercio Ltda	100.000	
Magneti Marelli After Market S.p.A.	Turin	Italy	1,550,000	EUR	99.99	Magneti Marelli Holding S.p.A.	99.999	100.000
Magneti Marelli Argentina S.A.	Buenos Aires	Argentina	700,000	ARS	99.99	Magneti Marelli Holding S.p.A.	95.000	
						Magneti Marelli France S.a.s.	5.000	
Magneti Marelli Automotive Components (WUHU) Co. Ltd.	Anhui	People's Rep.of China	5,000,000	USD	99.99	Magneti Marelli Powertrain S.p.A.	100.000	
Magneti Marelli Cofap Companhia Fabricadora de Pecas	Santo Andre	Brazil	170,950,534	BRL	99.63	Magneti Marelli Holding S.p.A.	99.634	99.966
Magneti Marelli Components B.V. in liquidation	Amsterdam	Netherlands	53,600,000	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Magneti Marelli Conjuntos de Escape S.A.	Buenos Aires	Argentina	12,000	ARS	99.99	Magneti Marelli Sistemi di Scarico S.p.A.	95.000	
						Magneti Marelli Argentina S.A.	5.000	
Magneti Marelli Deutschland GmbH in liquidation	Russelsheim	Germany	1,050,000	EUR	99.99	Magneti Marelli After Market S.p.A.	100.000	
Magneti Marelli do Brasil Industria e Comercio SA	Hortolandia	Brazil	40,568,427	BRL	99.86	Magneti Marelli Holding S.p.A.	99.872	99.990
Magneti Marelli Electronica SL	Barcelona	Spain	18,388,581	EUR	99.99	Magneti Marelli Iberica S.A.	100.000	
Magneti Marelli Elektronische Systeme GmbH	Heilbronn	Germany	100,000	EUR	99.99	Magneti Marelli Sistemi Elettronici S.p.A.	100.000	
Magneti Marelli Exhaust Systems Polska Sp. z o.o.	Sosnowiec	Poland	15,000,000	PLN	99.99	Magneti Marelli Sistemi di Scarico S.p.A.	99.993	
						Fiat Polska Sp. z o.o.	0.007	
Magneti Marelli France S.a.s.	Nanterre	France	42,672,960	EUR	99.99	Magneti Marelli Sistemi Elettronici S.p.A.	99.999	
						Ufima S.A.S.	0.001	
Magneti Marelli Guangzhou Motor Vehicle Instruments Co. Limited	Guangzhou	People's Rep.of China	8,100,000	USD	99.99	Magneti Marelli Sistemi Elettronici S.p.A.	100.000	
Magneti Marelli Holding U.S.A. Inc.	Wixom	U.S.A.	10	USD	99.99	Magneti Marelli Holding S.p.A.	100.000	
Magneti Marelli Iberica S.A.	Santpedor	Spain	18,099,776	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Magneti Marelli Motopropulsion France SAS	Nanterre	France	10,692,500	EUR	99.99	Magneti Marelli Powertrain S.p.A.	100.000	
Magneti Marelli North America Inc.	Wilmington	U.S.A.	40,223,205	USD	99.63	Magneti Marelli Cofap Companhia Fabricadora de Pecas	100.000	
Magneti Marelli Poland S.A.	Sosnowiec	Poland	10,567,800	PLN	99.99	Magneti Marelli Holding S.p.A.	99.995	
						Fiat Polska Sp. z o.o.	0.005	
Magneti Marelli Powertrain GmbH	Russelsheim	Germany	100,000	EUR	99.99	Magneti Marelli Powertrain S.p.A.	100.000	
Magneti Marelli Powertrain (Shanghai) Co. Ltd.	Shanghai	People's Rep.of China	17,500,000	USD	99.99	Magneti Marelli Powertrain S.p.A.	100.000	
Magneti Marelli Powertrain S.p.A.	Corbetta	Italy	85,690,872	EUR	99.99	Magneti Marelli Holding S.p.A.	99.999	100.000
Magneti Marelli Powertrain U.S.A. LLC	Sanford	U.S.A.	25,000,000	USD	99.99	Magneti Marelli Holding U.S.A. Inc.	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Magneti Marelli Racing Ltd	Basildon	United Kingdom	10,000	GBP	99.99	Magneti Marelli Holding S.p.A.	100.000	
Magneti Marelli Sistemas Automotivos Industria e Comercio Ltda	Contagem	Brazil	196,634,874	BRL	99.99	Magneti Marelli Powertrain S.p.A.	66.111	
						Automotive Lighting Reutlingen GmbH	33.889	
Magneti Marelli Sistemas Electronicos Mexico S.A.	Tepotzotlan	Mexico	23,611,680	MXN	99.99	Magneti Marelli Sistemi Elettronici S.p.A.	100.000	
Magneti Marelli Sistemi di Scarico S.p.A.	Corbetta	Italy	20,000,000	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Magneti Marelli Sistemi Elettronici S.p.A.	Corbetta	Italy	74,897,548	EUR	99.99	Magneti Marelli Holding S.p.A.	99.999	100.000
Magneti Marelli South Africa (Proprietary) Limited	Johannesburg	South Africa	1,950,000	ZAR	99.99	Magneti Marelli Sistemi di Scarico S.p.A.	100.000	
Magneti Marelli Suspension Systems Bielsko Sp. z.o.o.	Bielsko-Biala	Poland	70,050,000	PLN	99.99	Magneti Marelli Holding S.p.A.	100.000	
Magneti Marelli Suspension Systems Poland Sp. z o.o.	Sosnowiec	Poland	43,100,000	PLN	99.99	Magneti Marelli Holding S.p.A.	99.993	
						Fiat Polska Sp. z o.o.	0.007	
Magneti Marelli Tubos de Escape SL	Barcelona	Spain	10,154,256	EUR	99.99	Magneti Marelli Iberica S.A.	100.000	
Magneti Marelli U.K. Limited in liquidation	Cannock	United Kingdom	12,400,000	GBP	99.99	Magneti Marelli Holding S.p.A.	100.000	
Mako Elektrik Sanayi Ve Ticaret A.S.	Osmangazi Bursa	Turkey	16,500,000	TRY	94.99	Magneti Marelli Holding S.p.A.	95.000	
Malaysian Automotive Lighting SDN. BHD	Penang	Malaysia	8,000,000	MYR	79.99	Automotive Lighting Reutlingen GmbH	80.000	
Servicios Administrativos Corp. IPASA S.A.	Col. Chapultepec	Mexico	1,000	MXN	99.99	Magneti Marelli Sistemas Electronicos Mexico S.A.	99.990	
						Industrias Magneti Marelli Mexico S.A. de C.V.	0.010	
Sistemi Sospensioni S.p.A.	Corbetta	Italy	60,500,000	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Tecnologia de Iluminacion Automotriz S.A. de C.V.	Chihuahua	Mexico	50,000	MXN	99.99	Automotive Lighting LLC	100.000	
Ufima S.A.S.	Nanterre	France	44,940	EUR	99.94	Magneti Marelli Holding S.p.A.	64.967	
						Fiat Partecipazioni S.p.A.	34.980	
■ Metallurgical Products								
Teksid S.p.A.	Turin	Italy	145,817,739	EUR	84.79	Fiat S.p.A.	84.791	
(*) CHONGQING MERIDIAN BoAo MAGNESIUM Co. Ltd.	Nanpinq	People's Rep.of China	3,000,000	USD	23.78	Meridian Technologies Inc.	55.000	
Compania Industrial Frontera S.A. de C.V.	Frontera	Mexico	50,000	MXN	84.79	Teksid Hierro de Mexico S.A. de C.V.	100.000	
Fonderie du Poitou Fonte S.A.S.	Ingrandes-sur-Vienne	France	26,958,464	EUR	84.79	Teksid S.p.A.	100.000	
Funfrap-Fundicao Portuguesa S.A.	Cacia	Portugal	13,697,550	EUR	70.89	Fonderie du Poitou Fonte S.A.S.	83.607	
(*) Magnesium Products of America Inc.	Eaton Rapids	U.S.A.	43,454,000	USD	43.24	Meridian Technologies Inc.	100.000	
(*) Magnesium Products of Italy S.r.l.	Verres	Italy	13,962,000	EUR	43.24	Magnesium Products of America Inc.	100.000	
(*) Meridian Deutschland GmbH	Stuttgard	Germany	25,600	EUR	43.24	Meridian Technologies Inc.	100.000	
(*) Meridian Technologies Inc.	Saint John	Canada	158,823,445	CAD	43.24	Teksid S.p.A.	31.450	
						Teksid Acquisition Inc.	19.550	
(*) Meridian Technologies Japan Inc.	Saint John	Canada	6,210	CAD	43.24	Meridian Technologies Inc.	100.000	

(*) Assets held for sale.

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
(*) Shanghai Meridian Magnesium Products Company Limited	Shanghai	People's Rep.of China	12,000,000	USD	25.95	Meridian Technologies Inc.	60.000	
Teksid Acquisition Inc.	Toronto	Canada	63,700,001	CAD	84.79	Teksid S.p.A.	100.000	
Teksid do Brasil Ltda	Betim	Brazil	59,899,570	BRL	84.79	Teksid S.p.A.	100.000	
Teksid Hierro De Mexico Arrendadora S.A. de C.V.	Frontera	Mexico	497,690,000	MXN	84.79	Teksid S.p.A.	100.000	
Teksid Hierro de Mexico S.A. de C.V.	Frontera	Mexico	418,874,300	MXN	84.79	Teksid S.p.A.	100.000	
Teksid Inc.	Wilmington	U.S.A.	100,000	USD	84.79	Teksid S.p.A.	100.000	
Teksid Iron Poland Sp. z o.o.	Skoczow	Poland	115,678,500	PLN	84.79	Teksid S.p.A.	99.996	
						Fiat Polska Sp. z o.o.	0.004	
■ Production Systems								
Comau S.p.A.	Grugliasco	Italy	100,000,000	EUR	100.00	Fiat S.p.A.	100.000	
Autodie International, Inc.	Grand Rapids	U.S.A.	1,000	USD	100.00	Comau Pico Holdings Corporation	100.000	
ComauFrance S.A.	Trappes	France	11,900,000	EUR	100.00	Comau S.p.A.	100.000	
Comau Argentina S.A.	Buenos Aires	Argentina	25,680	ARS	100.00	Comau S.p.A.	55.280	
						Comau do Brasil Industria e Comercio Ltda.	44.688	
						Fiat Argentina S.A.	0.031	
Comau Deutschland GmbH	Boblingen	Germany	1,330,000	EUR	100.00	Comau S.p.A.	100.000	
Comau do Brasil Industria e Comercio Ltda.	Betim	Brazil	29,312,653	BRL	100.00	Comau S.p.A.	99.999	
						Fiat do Brasil S.A.	0.001	
Comau Estil Unl.	Luton	United Kingdom	86,027,139	USD	100.00	Comau S.p.A.	100.000	
Comau India Private Limited	Pune	India	58,435,020	INR	100.00	Comau S.p.A.	99.990	
						Comau Deutschland GmbH	0.010	
Comau Pico Expatriate, Inc.	Southfield	U.S.A.	1,000	USD	100.00	Comau Pico Holdings Corporation	100.000	
Comau Pico Holdings Corporation	New York	U.S.A.	100	USD	100.00	Comau S.p.A.	100.000	
Comau Pico Iaisa S.de R.L. de C.V.	Tepotzotlan	Mexico	3,000	MXN	100.00	Comau Pico Mexico S.de R.L. de C.V.	99.967	
						Comau S.p.A.	0.033	
Comau Pico Inc.	Southfield	U.S.A.	21,455	USD	100.00	Comau Pico Holdings Corporation	100.000	
Comau Pico Mexico S.de R.L. de C.V.	Tepotzotlan	Mexico	3,000	MXN	100.00	Comau S.p.A.	99.967	
						Comau Deutschland GmbH	0.033	
Comau Pico of Canada Inc.	Windsor	Canada	100	CAD	100.00	Comau Pico Inc.	100.000	
Comau Pico Pitex S.de R.L. C.V.	Tepotzotlan	Mexico	3,000	MXN	100.00	Comau Pico Mexico S.de R.L. de C.V.	99.967	
						Comau S.p.A.	0.033	
Comau Pico Resources, Inc.	Southfield	U.S.A.	1,000	USD	100.00	Comau Pico Holdings Corporation	100.000	
Comau Pico Trebol S.de R.L. de C.V.	Tepotzotlan	Mexico	3,000	MXN	100.00	Comau Pico Mexico S.de R.L. de C.V.	99.967	
						Comau S.p.A.	0.033	
Comau Poland Sp. z o.o.	Bielsko-Biala	Poland	2,100,000	PLN	100.00	Comau S.p.A.	99.976	
						Fiat Polska Sp. z o.o.	0.024	
Comau Romania S.R.L.	Bihor	Romenia	324,980	RON	100.00	Comau S.p.A.	100.000	

(*) Assets held for sale.

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Comau Russia OOO	Moscow	Russia	4,770,225	RUR	100.00	Comau S.p.A.	99.000	
						Comau Deutschland GmbH	1.000	
Comau SA Body Systems (Pty) Ltd.	Uitenhage	South Africa	301	ZAR	100.00	Comau South Africa (Pty) Ltd.	100.000	
Comau SA Press Tools and Parts (Pty) Ltd.	Uitenhage	South Africa	100	ZAR	100.00	Comau SA Body Systems (Pty) Ltd.	100.000	
Comau SA Properties (Pty) Ltd.	Uitenhage	South Africa	100	ZAR	100.00	Comau SA Body Systems (Pty) Ltd.	100.000	
Comau Service Systems S.L.	Madrid	Spain	250,000	EUR	100.00	Comau S.p.A.	100.000	
Comau (Shanghai) Automotive Equipment Co. Ltd.	Shanghai	People's Rep.of China	1,000,000	USD	100.00	Comau S.p.A.	100.000	
Comau South Africa (Pty) Ltd.	Uitenhage	South Africa	1,001,001	ZAR	100.00	Comau S.p.A.	100.000	
Comau Sverige AB	Trollhattan	Sweden	5,000,000	SEK	100.00	Comau S.p.A.	100.000	
Mecaner S.A.	Urdùliz	Spain	6,000,000	EUR	100.00	Comau S.p.A.	100.000	
Pico Europe, Inc.	Southfield	U.S.A.	1,000	USD	100.00	Comau S.p.A.	100.000	
Precision Pico Products Inc.	Plymouth	U.S.A.	1,000	USD	100.00	Comau Pico Holdings Corporation	100.000	
■ Services								
Business Solutions S.p.A.	Turin	Italy	4,791,396	EUR	100.00	Fiat S.p.A.	100.000	
(*) Building Services S.r.l.	Turin	Italy	90,000	EUR	51.00	Ingest Facility S.p.A.	51.000	
(*) Building Support S.r.l.	Turin	Italy	90,000	EUR	51.00	Building Services S.r.l.	100.000	
Business Solutions Argentina S.A.	Buenos Aires	Argentina	845,860	ARS	100.00	Fiat do Brasil S.A.	99.990	
						Fiat Auto Argentina S.A.	0.010	
Business Solutions Polska Sp. z o.o.	Bielsko-Biala	Poland	3,600,000	PLN	100.00	Business Solutions S.p.A.	99.986	
						Fiat Polska Sp. z o.o.	0.014	
eSPIN S.p.A.	Turin	Italy	1,000,000	EUR	100.00	Business Solutions S.p.A.	100.000	
Fiat Argentina S.A.	Buenos Aires	Argentina	4,446,257	ARS	100.00	Fiat Partecipazioni S.p.A.	90.961	
						Fiat do Brasil S.A.	9.029	
						SGR-Sociedad para la Gestion de Riesgos S.A.	0.009	
						Fiat Auto Argentina S.A.	0.001	
Fiat do Brasil S.A.	Nova Lima	Brazil	28,513,780	BRL	100.00	Fiat Partecipazioni S.p.A.	99.998	
						Fiat Gesco S.p.A.	0.002	
Fiat Finance et Services S.A.	Trappes	France	3,700,000	EUR	100.00	Business Solutions S.p.A.	99.997	
						Fiat Partecipazioni S.p.A.	0.001	
Fiat GES.CO. Belgium N.V.	Zedelgem	Belgium	62,500	EUR	100.00	Fiat U.K. Limited	99.960	
						Fiat Gesco S.p.A.	0.040	
Fiat Gesco S.p.A.	Turin	Italy	3,600,000	EUR	100.00	Business Solutions S.p.A.	100.000	
Fiat GmbH	Ulm	Germany	200,000	EUR	100.00	Fiat Gesco S.p.A.	100.000	
Fiat Iberica S.A.	Madrid	Spain	2,797,054	EUR	100.00	Fiat Gesco S.p.A.	100.000	
Fiat Servizi per l'Industria S.c.p.a.	Turin	Italy	1,652,669	EUR	99.38	Fiat Partecipazioni S.p.A.	51.000	
						Fiat Auto S.p.A.	25.500	
						Iveco S.p.A.	6.000	
						Fiat S.p.A.	5.000	
						CNH Italia s.p.a.	3.000	
						Teksid S.p.A.	2.000	
						Comau S.p.A.	1.500	

(*) Assets held for sale.

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
						C.R.F. Società Consortile per Azioni	1.500	
						Editrice La Stampa S.p.A.	1.500	
						Fiat Gesco S.p.A.	1.500	
						Magneti Marelli Holding S.p.A.	1.500	
Fiat U.K. Limited	Basildon	United Kingdom	750,000	GBP	100.00	Fiat Gesco S.p.A.	100.000	
(*) Ingest Facility Polska Sp. z o.o.	Bielsko-Biala	Poland	500,000	PLN	100.00	Ingest Facility S.p.A.	100.000	
(*) Ingest Facility S.p.A.	Turin	Italy	1,700,000	EUR	100.00	Business Solutions S.p.A.	100.000	
ITS GSA FiatGroup France S.A.S.	Trappes	France	1,737,440	EUR	100.00	Fiat Finance et Services S.A.	100.000	
ITS-GSA Deutschland GmbH	Ulm	Germany	25,000	EUR	100.00	Fiat GmbH	100.000	
ITS-GSA U.K. Limited	Watford	United Kingdom	50,000	GBP	100.00	Fiat U.K. Limited	100.000	
KeyG Consulting S.p.A.	Turin	Italy	167,352	EUR	60.00	Fiat Gesco S.p.A.	60.000	
Risk Management S.p.A.	Turin	Italy	120,000	EUR	100.00	Business Solutions S.p.A.	100.000	
Sadi Polska-Agencja Celna Sp. z o.o.	Bielsko-Biala	Poland	500,000	PLN	100.00	Servizi e Attività Doganali per l'Industria S.p.A.	99.800	
						Fiat Polska Sp. z o.o.	0.200	
Servizi e Attività Doganali per l'Industria S.p.A.	Turin	Italy	520,000	EUR	100.00	Fiat Gesco S.p.A.	100.000	
Telexis do Brasil Ltda.	Nova Lima	Brazil	1,400	BRL	100.00	Fiat do Brasil S.A.	99.929	
						Fiat Financas Brasil Ltda	0.071	
■ Publishing and Communications								
Itedi-Italiana Edizioni S.p.A.	Turin	Italy	5,980,000	EUR	100.00	Fiat S.p.A.	100.000	
BMI S.p.A.	Genoa	Italy	124,820	EUR	58.00	Itedi-Italiana Edizioni S.p.A.	58.004	
Editrice La Stampa S.p.A.	Turin	Italy	4,160,000	EUR	100.00	Itedi-Italiana Edizioni S.p.A.	100.000	
La Stampa Europe SAS	Paris	France	18,600,000	EUR	100.00	Itedi-Italiana Edizioni S.p.A.	100.000	
Publikompass S.p.A.	Milan	Italy	3,068,000	EUR	100.00	Itedi-Italiana Edizioni S.p.A.	100.000	
■ Holding companies and Other companies								
Centro Ricerche Plast-Optica S.p.A.	Amaro	Italy	1,033,000	EUR	75.13	C.R.F. Società Consortile per Azioni	51.000	
						Automotive Lighting Rear Lamps Italia S.p.A.	24.500	
C.R.F. Società Consortile per Azioni	Orbassano	Italy	45,000,000	EUR	99.29	Fiat Partecipazioni S.p.A.	52.061	
						Fiat Auto S.p.A.	17.478	
						Iveco S.p.A.	9.987	
						Magneti Marelli Holding S.p.A.	7.490	
						Fiat Powertrain Technologies SpA	4.994	
						CNH Italia s.p.a.	2.497	
						Comau S.p.A.	2.497	
						Teksid S.p.A.	2.497	
						Ferrari S.p.A.	0.499	
Deposito Avogadro S.r.l.	Turin	Italy	100,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	

(*) Assets held for sale.

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Elasis-Società Consortile per Azioni	Pomigliano d'Arco	Italy	20,000,000	EUR	98.93	Fiat Auto S.p.A.	51.000	
						C.R.F. Società Consortile per Azioni	27.933	
						CNH Italia s.p.a.	6.800	
						Fiat Powertrain Technologies SpA	5.000	
						Iveco S.p.A.	3.300	
						Comau S.p.A.	1.500	
						Magneti Marelli Holding S.p.A.	1.500	
						Fiat Partecipazioni S.p.A.	1.450	
						Ferrari S.p.A.	1.100	
						Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	0.250	
						Fiat S.p.A.	0.167	
Fahag Immobilien-und Finanz-Gesellschaft AG	Zurich	Switzerland	500,000	CHF	100.00	IHF-Internazionale Holding Fiat S.A.	100.000	
Fast Buyer France S.a.r.l.	Trappes	France	7,700	EUR	100.00	Fast-Buyer S.p.A.	100.000	
Fast-Buyer S.p.A.	Turin	Italy	500,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Fiat Attività Immobiliari S.p.A.	Turin	Italy	65,700,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Fiat Auto Holdings B.V. in liquidatie	Amsterdam	Netherlands	1,000,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Fiat Financas Brasil Ltda	Nova Lima	Brazil	2,469,701	BRL	100.00	Fiat Finance S.p.A.	99.994	
						Fiat do Brasil S.A.	0.006	
Fiat Finance and Trade Ltd	Luxembourg	Luxembourg	251,494,000	EUR	100.00	Fiat Finance S.p.A.	99.993	
						Fiat Finance Canada Ltd.	0.007	
Fiat Finance Canada Ltd.	Calgary	Canada	10,099,885	CAD	100.00	Fiat Finance S.p.A.	100.000	
Fiat Finance Luxembourg S.A.	Luxembourg	Luxembourg	100,000	USD	100.00	Intermap (Nederland) B.V.	99.000	
						Fiat Netherlands Holding N.V.	1.000	
Fiat Finance North America Inc.	Wilmington	U.S.A.	40,090,010	USD	100.00	Fiat Finance S.p.A.	60.526	
						Fiat S.p.A.	39.474	
Fiat Finance S.p.A.	Turin	Italy	224,440,000	EUR	100.00	Fiat S.p.A.	100.000	
Fiat Information & Communication Services società consortile per azioni	Turin	Italy	800,000	EUR	98.06	Fiat S.p.A.	51.000	
						CNH Italia s.p.a.	10.000	
						Fiat Auto S.p.A.	10.000	
						Iveco S.p.A.	10.000	
						Comau S.p.A.	3.000	
						Ferrari S.p.A.	3.000	
						Fiat Gesco S.p.A.	3.000	
						Itedi-Italiana Edizioni S.p.A.	3.000	
						Magneti Marelli Holding S.p.A.	3.000	
						Teksid S.p.A.	3.000	
						Fiat Partecipazioni S.p.A.	1.000	
Fiat Netherlands Holding N.V.	Amsterdam	Netherlands	2,610,397,295	EUR	100.00	Fiat S.p.A.	60.563	
						Fiat Partecipazioni S.p.A.	39.437	
Fiat Partecipazioni S.p.A.	Turin	Italy	306,158,302	EUR	100.00	Fiat S.p.A.	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Fiat Partecipazioni (U.K.) Limited	London	United Kingdom	860,000	GBP	100.00	Fiat Partecipazioni S.p.A.	100.000	
Fiat Polska Sp. z o.o.	Warsaw	Poland	25,500,000	PLN	100.00	Fiat Partecipazioni S.p.A.	99.907	
						Fiat Auto Poland S.A.	0.029	
						Magneti Marelli Suspension Systems Poland Sp. z o.o.	0.012	
						Automotive Lighting Polska Sp. z o.o.	0.010	
						Magneti Marelli Exhaust Systems Polska Sp. z o.o.	0.010	
						Magneti Marelli Poland S.A.	0.010	
						Teksid Iron Poland Sp. z o.o.	0.010	
						Business Solutions Polska Sp. z o.o.	0.002	
						CNH Polska Sp. z o.o.	0.002	
						Comau Poland Sp. z o.o.	0.002	
						Iveco Poland Ltd.	0.002	
						Sadi Polska-Agencja Celna Sp. z o.o.	0.002	
						Sirio Polska Sp. z o.o.	0.002	
Fiat Servizi S.A.	Paradiso	Switzerland	100,000	CHF	100.00	IHF-Internazionale Holding Fiat S.A.	100.000	
Fiat U.S.A. Inc.	New York	U.S.A.	16,830,000	USD	100.00	Fiat S.p.A.	100.000	
Fiat-Revisione Interna S.c.r.l.	Turin	Italy	300,000	EUR	98.37	Fiat S.p.A.	51.000	
						Fiat Auto S.p.A.	15.000	
						CNH Global N.V.	10.000	
						Iveco S.p.A.	6.000	
						Comau S.p.A.	2.000	
						Ferrari S.p.A.	2.000	
						Fiat Gesco S.p.A.	2.000	
						Fiat Powertrain Technologies SpA	2.000	
						Itedi-Italiana Edizioni S.p.A.	2.000	
						Magneti Marelli Holding S.p.A.	2.000	
						Maserati S.p.A.	2.000	
						Teksid S.p.A.	2.000	
						Fiat Finance S.p.A.	1.000	
						Fiat Partecipazioni S.p.A.	1.000	
IHF-Internazionale Holding Fiat S.A.	Lugano	Switzerland	100,000,000	CHF	100.00	Fiat S.p.A.	100.000	
Intermap (Nederland) B.V.	Amsterdam	Netherlands	200,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	Turin	Italy	300,000	EUR	99.23	Fiat Partecipazioni S.p.A.	51.000	
						Fiat Auto S.p.A.	16.000	
						Iveco S.p.A.	12.000	
						CNH Italia s.p.a.	3.000	
						Comau S.p.A.	3.000	
						Fiat Gesco S.p.A.	3.000	
						Fiat Powertrain Technologies SpA	3.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
						Fiat S.p.A.	3.000	
						Magneti Marelli Holding S.p.A.	3.000	
						Teksid S.p.A.	3.000	
Neptunia Assicurazioni Marittime S.A.	Lausanne	Switzerland	10,000,000	CHF	100.00	Rimaco S.A.	100.000	
New Business 7 S.p.A.	Turin	Italy	11,899,524	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
New Business 8 S.p.A.	Turin	Italy	1,437,210	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Rimaco S.A.	Lausanne	Switzerland	350,000	CHF	100.00	IHF-Internazionale Holding Fiat S.A.	100.000	
SIRIO - Sicurezza Industriale Società consortile per azioni	Turin	Italy	120,000	EUR	92.59	Fiat Partecipazioni S.p.A.	57.177	
						Fiat Auto S.p.A.	17.415	
						Iveco S.p.A.	4.583	
						Fiat Powertrain Technologies SpA	2.356	
						Magneti Marelli Powertrain S.p.A.	1.159	
						Comau S.p.A.	0.751	
						Fiat S.p.A.	0.751	
						Ferrari S.p.A.	0.729	
						Teksid S.p.A.	0.664	
						Irisbus Italia S.p.A.	0.622	
						Fiat Gesco S.p.A.	0.593	
						Sistemi Sospensioni S.p.A.	0.551	
						C.R.F. Società Consortile per Azioni	0.535	
						New Holland Kobelco Construction Machinery S.p.A.	0.535	
						Fiat Servizi per l`Industria S.c.p.a.	0.503	
						Fiat Finance S.p.A.	0.449	
						Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	0.449	
						Magneti Marelli Sistemi Elettronici S.p.A.	0.438	
						Fidis S.p.A.	0.325	
						CNH Italia s.p.a.	0.237	
						Automotive Lighting Italia S.p.A.	0.233	
						Editrice La Stampa S.p.A.	0.233	
						Elasis-Società Consortile per Azioni	0.233	
						Ingest Facility S.p.A.	0.233	
						Magneti Marelli Sistemi di Scarico S.p.A.	0.218	
						Astra Veicoli Industriali S.p.A.	0.103	
						Fiat Information & Communication Services società consortile per azioni	0.103	
						Servizi e Attività Doganali per l`Industria S.p.A.	0.103	
						Magneti Marelli Holding S.p.A.	0.091	
						Fiat Purchasing Italia S.r.l.	0.063	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
						Fiat-Revisione Interna S.c.r.l.	0.061	
						Iveco Mezzi Speciali S.p.A.	0.061	
						Fiat Center Italia S.p.A.	0.045	
						eSPIN S.p.A.	0.040	
						Fast-Buyer S.p.A.	0.040	
						Itedi-Italiana Edizioni S.p.A.	0.039	
						Maserati S.p.A.	0.039	
						New Business 16 S.p.A. a socio unico	0.039	
						Orione-Società Industriale per la Sicurezza e la Vigilanza Consortile per Azioni	0.039	
						PDL Services S.r.l.	0.039	
						Risk Management S.p.A.	0.039	
						Sisport Fiat S.p.A. - Società sportiva dilettantistica	0.039	
						Automotive Lighting Rear Lamps Italia S.p.A.	0.022	
						Easy Drive S.r.l.	0.022	
						Fiat Attività Immobiliari S.p.A.	0.022	
Sisport Fiat S.p.A. - Società sportiva dilettantistica	Turin	Italy	2,720,800	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights

Jointly-controlled entities accounted for using the proportional consolidation

■ Powertrain Technologies

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Fiat-GM Powertrain Polska Sp. z o.o.	Bielsko-Biala	Poland	220,100,000	PLN	50.00	Fiat Powertrain Technologies SpA	50.000	

Jointly-controlled entities accounted for using the equity method

■ Automobiles (**)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Fiat Auto Financial Services S.p.A.	Turin	Italy	700,000,000	EUR	50.00	Fiat Auto S.p.A.	50.000	
FAL Fleet Services S.A.S.	Trappes	France	3,000,000	EUR	50.00	Fidis Servizi Finanziari S.p.A.	100.000	
FC France S.A.	Trappes	France	11,360,000	EUR	50.00	Fiat Auto Financial Services S.p.A.	99.999	
Fiat Auto Contracts Ltd	Slough Berkshire	United Kingdom	16,000,000	GBP	50.00	Fidis Servizi Finanziari S.p.A.	100.000	
Fiat Auto Financial Services (Wholesale) Ltd.	Slough Berkshire	United Kingdom	3,500,000	GBP	50.00	Fidis Servizi Finanziari S.p.A.	100.000	
Fiat Auto Financial Services Limited	Slough Berkshire	United Kingdom	10,250,000	GBP	50.00	Fiat Auto Financial Services S.p.A.	100.000	
Fiat Auto Lease N.V.	Amsterdam	Netherlands	454,000	EUR	50.00	Fidis Servizi Finanziari S.p.A.	100.000	
Fiat Bank GmbH	Heilbronn	Germany	39,600,000	EUR	50.00	Fiat Auto Financial Services S.p.A.	100.000	
Fiat Bank Polska S.A.	Warsaw	Poland	125,000,000	PLN	50.00	Fiat Bank GmbH	100.000	
Fiat Credit Belgio S.A.	Evere	Belgium	3,718,500	EUR	50.00	Fidis Servizi Finanziari S.p.A.	99.999	
						Fidis Nederland B.V.	0.001	
Fiat Credit Hellas Commercial S.A. of Vehicles	Argyroupoli	Greece	600,000	EUR	50.00	Fiat Auto Financial Services S.p.A.	100.000	
Fiat Distribuidora Portugal S.A. (***)	Alges	Portugal	450,300	EUR	100.00	Fiat Auto Portuguesa S.A.	100.000	
Fiat Finance Holding S.A.	Luxembourg	Luxembourg	2,300,000	EUR	50.00	Fidis Servizi Finanziari S.p.A.	99.995	
						Fidis Nederland B.V.	0.005	
Fiat Finance S.A.	Luxembourg	Luxembourg	9,900,000	EUR	50.00	Fiat Auto Financial Services S.p.A.	99.995	
						Fidis Finance (Suisse) S.A.	0.005	
Fiat Finansiering A/S	Glostrup	Denmark	13,000,000	DKK	50.00	Fiat Auto Financial Services S.p.A.	100.000	
Fiat Handlerservice GmbH (***)	Heilbronn	Germany	5,100,000	EUR	100.00	Fiat Automobil AG	100.000	
Fidis Credit Danmark A/S (***)	Glostrup	Denmark	500,000	DKK	100.00	Fiat Finance Netherlands B.V.	100.000	
Fidis Dealer Services B.V. (***)	Utrecht	Netherlands	698,000	EUR	100.00	Fiat Auto Nederland B.V.	100.000	
Fidis Finance (Suisse) S.A.	Schlieren	Switzerland	24,100,000	CHF	50.00	Fiat Auto Financial Services S.p.A.	100.000	
Fidis Finance Polska Sp. z o.o.	Warsaw	Poland	10,000,000	PLN	50.00	Fidis Servizi Finanziari S.p.A.	100.000	
Fidis Insurance Consultants SA	Argyroupoli	Greece	60,000	EUR	49.99	Fiat Credit Hellas Commercial S.A. of Vehicles	99.975	
Fidis Leasing GmbH	Vienna	Austria	40,000	EUR	50.00	Fiat Auto Financial Services S.p.A.	100.000	
Fidis Leasing Polska Sp. z o.o.	Warsaw	Poland	12,500,000	PLN	50.00	Fiat Auto Financial Services S.p.A.	100.000	
Fidis Nederland B.V.	Utrecht	Netherlands	3,085,800	EUR	50.00	Fiat Auto Financial Services S.p.A.	100.000	
Fidis Retail Financial Services (Ireland) PLC	Dublin	Ireland	100,007	EUR	50.00	Fiat Auto Financial Services S.p.A.	99.994	
Fidis Retail IFIC SA	Alges	Portugal	10,000,000	EUR	50.00	Fiat Auto Financial Services S.p.A.	100.000	
Fidis Retail Portugal Aluguer de Veiculos S.A.	Alges	Portugal	50,000	EUR	50.00	Fiat Auto Financial Services S.p.A.	100.000	
Fidis Servizi Finanziari S.p.A.	Turin	Italy	80,349,266	EUR	50.00	Fiat Auto Financial Services S.p.A.	100.000	
Finplus Renting S.A.	Alcalá De Henares	Spain	2,225,884	EUR	50.00	Fidis Servizi Finanziari S.p.A.	100.000	

(**) The Fiat Group Consolidated Financial Statements include the valuation according to the equity method of the FAFS Group, which comprises FAFS S.p.A. and its subsidiaries listed below.
(***) At December 31, 2006, subsidiary in accordance with article 2359 Civil Code, qualified as jointly-controlled entity for financial statements purpose, following the agreement with the partner Sofinco (Crédit Agricole Group).

Jointly-controlled entities accounted for using the equity method (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
FL Auto Snc	Trappes	France	8,954,581	EUR	50.00	FC France S.A.	99.998	
FL Location SNC	Paris	France	76,225	EUR	49.99	FC France S.A.	99.980	
Leasys S.p.A. a socio unico	Fiumicino	Italy	77,499,400	EUR	50.00	Fidis Servizi Finanziari S.p.A.	100.000	
Savarent Società per Azioni a Socio Unico	Turin	Italy	21,000,000	EUR	50.00	Fidis Servizi Finanziari S.p.A.	100.000	
Sofice-Société de Financement des Concessionnaires s.a.s. (***)	Trappes	France	3,353,600	EUR	100.00	Fiat France	100.000	
TarCredit E.F.C. S.A.	Alcalá De Henares	Spain	16,671,569	EUR	50.00	Fiat Auto Financial Services S.p.A.	100.000	
Tarfin S.A.	Schlieren	Switzerland	500,000	CHF	50.00	Fidis Servizi Finanziari S.p.A.	100.000	
Targasys Stock SA (***)	Alcalá De Henares	Spain	5,108,799	EUR	100.00	Fiat Auto España S.A.	100.000	
G.E.I.E. Gisevel	Paris	France	15,200	EUR	50.00	Fiat France	50.000	
G.E.I.E.-Sevelind	Paris	France	15,200	EUR	50.00	Fiat France	50.000	
Nan Jing Fiat Auto Co. Ltd.	Nanjing	People's Rep.of China	1,409,469,782	CNY	50.00	Fiat Auto S.p.A.	50.000	
Società Europea Veicoli Leggeri-Sevel S.p.A.	Atessa	Italy	68,640,000	EUR	50.00	Fiat Auto S.p.A.	50.000	
Société Européenne de Véhicules Légers du Nord-Sevelnord Société Anonyme	Paris	France	80,325,000	EUR	50.00	Fiat France	50.000	
Tofas-Turk Otomobil Fabrikasi Tofas A.S.	Levent	Turkey	500,000,000	TRY	37.86	Fiat Auto S.p.A.	37.856	

■ Agricultural and Construction Equipment

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Case Mexico S.A. de C.V.	São Pedro	Mexico	810,000	MXN	44.86	CNH de Mexico SA de CV	100.000	
Case Special Excavators N.V.	Zedelgem	Belgium	1,100,000	EUR	44.86	CNH Global N.V.	50.000	
CNH Comercial, SA de C.V.	São Pedro	Mexico	160,050,000	MXN	44.86	CNH de Mexico SA de CV	100.000	
CNH de Mexico SA de CV	São Pedro	Mexico	165,276,000	MXN	44.86	CNH Global N.V.	50.000	
CNH Industrial, S.A. de C.V.	São Pedro	Mexico	200,050,000	MXN	44.86	CNH de Mexico SA de CV	100.000	
CNH Servicios Comerciales, S.A. de C.V.	São Pedro	Mexico	50,000,000	MXN	43.96	CNH Global N.V.	49.000	
CNH Servicios Corporativos S.A. de C.V.	São Pedro	Mexico	375,000	MXN	44.86	CNH de Mexico SA de CV	99.999	
Consolidated Diesel Company	Whitakers	U.S.A.	100	USD	44.86	CNH Engine Corporation	50.000	
LBX Company LLC	Wilmington	U.S.A.	0	USD	44.86	Case LBX Holdings Inc.	50.000	
L&T-Case Equipment Private Limited	Mumbai	India	240,100,000	INR	44.86	CNH America LLC	50.000	
Megavolt L.P. L.L.L.P.	Wilmington	U.S.A.	500,000	USD	35.88	CNH America LLC	40.000	
New Holland HFT Japan Inc.	Sapporo	Japan	240,000,000	JPY	44.86	CNH Global N.V.	50.000	
New Holland Trakmak Traktor A.S.	Izmir	Turkey	800,000	TRY	33.64	CNH Global N.V.	37.500	
Turk Traktor Ve Ziraat Makineleri A.S.	Ankara	Turkey	47,000,000	TRY	33.64	CNH Global N.V.	37.500	

■ Trucks and Commercial Vehicles

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Iveco Fiat - Oto Melara Società consortile r.l.	Rome	Italy	40,000	EUR	50.00	Iveco S.p.A.	50.000	
Naveco Ltd.	Nanjing	People's Rep.of China	2,527,000,000	CNY	50.00	Iveco S.p.A.	50.000	
SAIC IVECO Commercial Vehicle Investment Company Limited	Shanghai	People's Rep.of China	50,000,000	USD	50.00	Iveco S.p.A.	50.000	
Transolver Finance Establecimiento Financiero de Credito S.A.	Madrid	Spain	9,315,500	EUR	50.00	Iveco S.p.A.	50.000	

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(***) At December 31, 2006, subsidiary in accordance with article 2359 Civil Code, qualified as jointly-controlled entity for financial statements purpose, following the agreement with the partner Sofinco (Crédit Agricole Group).

Jointly-controlled entities accounted for using the equity method (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
■ Components								
Gestamp Marelli Autochasis S.L.	Barcelona	Spain	2,000,000	EUR	50.00	Sistemi Sospensioni S.p.A.	50.000	
■ Metallurgical Products								
Hua Dong Teksid Automotive Foundry Co. Ltd.	Zhenjiang-Jangsu	People's Rep.of China	346,637,050	CNY	42.40	Teksid S.p.A.	50.000	

Subsidiaries accounted for using the equity method

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
■ Automobiles								
Alfa Romeo Inc.	Orlando	U.S.A.	3,000,000	USD	100.00	Fiat Auto S.p.A.	100.000	
Alfa Romeo Motors Ltd.	Bangkok	Thailand	160,000,000	THB	100.00	Fiat Auto S.p.A.	99.999	
Auto Italia Erfurt GmbH in liquidation	Erfurt	Germany	2,985,000	EUR	100.00	Fiat Automobil Vertriebs GmbH	100.000	
F.A. Austria Commerz GmbH	Vienna	Austria	37,000	EUR	100.00	Fiat Auto (Suisse) S.A.	100.000	
Fiat Auto Egypt Industrial Company SAE	Giza	Egypt	50,000,000	EGP	80.40	Fiat Auto S.p.A.	80.400	
Fiat Auto Egypt S.A.E.	Giza	Egypt	5,000,000	EGP	79.60	Fiat Auto Egypt Industrial Company SAE	99.000	
Fiat Auto S.A. de Ahorro para Fines Determinados	Buenos Aires	Argentina	24,535,149	ARS	100.00	Fiat Auto Argentina S.A.	100.000	
Fiat Auto Thailand Pvt. Ltd.	Bangkok	Thailand	276,000,000	THB	100.00	Fiat Auto S.p.A.	100.000	
Italcar SA	Casablanca	Morocco	28,000,000	MAD	99.94	Fiat Auto Maroc S.A.	99.986	
Sirio Polska Sp. z o.o.	Bielsko-Biala	Poland	1,350,000	PLN	100.00	Fiat Auto Poland S.A.	99.963	
						Fiat Polska Sp. z o.o.	0.037	
Zao Zernoproductpromsnabmechanizatsija	Nizhnjy Novgorod	Russia	24,660,000	RUR	73.14	Fiat Auto S.p.A.	73.139	73.127
■ Ferrari								
Ferrari Financial Services, Inc.	Wilmington	U.S.A.	1,000	USD	76.50	Ferrari Financial Services S.p.A.	100.000	
■ Agricultural and Construction Equipment								
Farmers New Holland Inc.	Wilmington	U.S.A.	800,000	USD	89.71	CNH America LLC	100.000	
Medicine Hat New Holland Ltd.	Ottawa	Canada	926,783	CAD	71.59	CNH Canada, Ltd.	79.800	
Memphis New Holland Inc.	Wilmington	U.S.A.	487,600	USD	86.79	CNH America LLC	96.739	
Northside New Holland Inc.	Wilmington	U.S.A.	250,000	USD	69.97	CNH America LLC	78.000	
Ridgeview New Holland Inc.	Wilmington	U.S.A.	534,000	USD	61.79	CNH America LLC	68.876	
Southside New Holland Tractor & Equipment, Inc.	Wilmington	U.S.A.	325,000	USD	89.71	CNH America LLC	100.000	
Sunrise Tractor & Equipment Inc.	Wilmington	U.S.A.	875,000	USD	70.85	CNH America LLC	78.971	
Tri-County New Holland Inc.	Wilmington	U.S.A.	400,000	USD	89.71	CNH America LLC	100.000	
■ Trucks and Commercial Vehicles								
Altra S.p.A.	Genoa	Italy	516,400	EUR	100.00	Iveco S.p.A.	100.000	
F. Pegaso S.A.	Madrid	Spain	993,045	EUR	100.00	Iveco España S.L.	100.000	
Financière Pegaso France S.A.	Trappes	France	260,832	EUR	100.00	Iveco España S.L.	100.000	
Iveco Colombia Ltda.	Santa Fe' de Bogota	Colombia	7,596,249,000	COP	100.00	Iveco Venezuela C.A.	99.990	
						Iveco Latin America Ltda	0.010	
Iveco Plan S.A. de Ahorro para fines determinados	Buenos Aires	Argentina	153,000	ARS	100.00	Iveco Argentina S.A.	99.600	
						Fiat Argentina S.A.	0.400	
Iveco S.P.R.L.	Kinshasa	Congo (Dem. Rep. Congo)	340,235,000	CDF	100.00	Iveco S.p.A.	99.992	
						Astra Veicoli Industriali S.p.A.	0.008	

Subsidiaries accounted for using the equity method (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Components								
Cofap Fabricadora de Pecas Ltda	Santo Andre	Brazil	62,838,291	BRL	68.26	Magneti Marelli do Brasil Industria e Comercio SA	68.350	
Seima Italiana Auto Svet	Krasnig Oktjabr Kirz	Russia	14,574,000	RUR	99.99	Automotive Lighting o.o.o.	99.167	
						Automotive Lighting Reutlingen GmbH	0.833	
Production Systems								
Comau AGS S.p.A.	Grugliasco	Italy	1,000,000	EUR	100.00	Comau S.p.A.	100.000	
Comau Service U.K. Ltd	Watford	United Kingdom	260,000	GBP	100.00	Comau S.p.A.	100.000	
Services								
Cromos Consulenza e Formazione S.r.l. in liquidation	Turin	Italy	13,000	EUR	76.00	Business Solutions S.p.A.	76.000	
Holding companies and Other companies								
Centro Studi sui Sistemi di Trasporto-CSST S.p.A.	Turin	Italy	520,000	EUR	89.92	Fiat Auto S.p.A.	49.000	
						Iveco S.p.A.	30.000	
						C.R.F. Società Consortile per Azioni	11.000	
European Engine Alliance EEIG	Basildon	United Kingdom	0	GBP	63.24	CNH U.K. Limited	33.333	
						Iveco S.p.A.	33.333	
Fiat (China) Business Co., Ltd.	Beijing	People's Rep.of China	500,000	USD	100.00	Fiat Partecipazioni S.p.A.	100.000	
Isvor Dealernet S.r.l. in liquidation	Turin	Italy	10,000	EUR	99.39	Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	80.000	
						Fiat Auto S.p.A.	20.000	
SGR-Sociedad para la Gestion de Riesgos S.A.	Buenos Aires	Argentina	10,000	ARS	99.96	Rimaco S.A.	99.960	
Sistemi Ambientali S.p.A. in liquidation	Rivoli	Italy	9,544,080	EUR	99.79	Fiat Partecipazioni S.p.A.	99.785	

Subsidiaries valued at cost

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Automobiles								
Fiat Auto Espana Marketing Instituto Agrupacion de Interes Economico	Alcalá De Henares	Spain	30,051	EUR	95.00	Fiat Auto España S.A.	95.000	
Fiat Auto Marketing Institute (Portugal) ACE	Alges	Portugal	15,000	EUR	80.00	Fiat Auto Portuguesa S.A.	80.000	
New Business 21 S.p.A.	Turin	Italy	120,000	EUR	100.00	Fiat Auto S.p.A.	100.000	
New Business 22 S.p.A.	Turin	Italy	120,000	EUR	100.00	Fiat Auto S.p.A.	100.000	
New Business 23 S.p.A.	Turin	Italy	120,000	EUR	100.00	Fiat Auto S.p.A.	100.000	
New Business 24 S.p.A.	Turin	Italy	120,000	EUR	100.00	Fiat Auto S.p.A.	100.000	
Nuove Iniziative Finanziarie 2 S.r.l.	Turin	Italy	25,000	EUR	100.00	Fiat Auto S.p.A.	99.000	
						Fidis S.p.A.	1.000	
(*) Powertrain India Pvt. Ltd. in liquidation	Mumbai	India	101,000	INR	100.00	Fiat India Automobiles Private Limited	100.000	
Ferrari								
Scuderia Ferrari Club S.c. a r.l.	Maranello	Italy	105,000	EUR	81.47	Ferrari S.p.A.	95.848	
Agricultural and Construction Equipment								
Case Credit Wholesale Pty. Limited	St. Marys	Australia	347,750	AUD	89.71	CNH Australia Pty Limited	100.000	
Fermec North America Inc.	Wilmington	U.S.A.	5	USD	89.71	CNH America LLC	100.000	
International Harvester Company	Wilmington	U.S.A.	1,000	USD	89.71	CNH America LLC	100.000	
J.I. Case Company Limited	Basildon	United Kingdom	2	GBP	89.71	Case United Kingdom Limited	100.000	
Trucks and Commercial Vehicles								
Consorzio per la Formazione Commerciale Iveco-Coforma	Turin	Italy	51,646	EUR	59.92	Iveco S.p.A.	50.000	
						Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	10.000	
Iran Magirus-Deutz	Teheran	Iran	180,000,000	IRR	100.00	Iveco Magirus AG	100.000	
Irisbus North America Limited Liability Company	Las Vegas	U.S.A.	20,000	USD	100.00	Iveco France	100.000	
Iveco Motors of China Limited	Shanghai	People's Rep.of China	300,000	USD	100.00	Iveco S.p.A.	100.000	
M.R. Fire Fighting International S.A.	Brasov	Romenia	35,000,000	RON	75.88	Iveco Magirus Brandschutztechnik GmbH	74.000	
						Brandschutztechnik Gorlitz GmbH	1.000	
						Iveco Magirus Fire Fighting GmbH	1.000	
Components								
Automotive Lighting Japan K.K.	KohoKu-Ku-Yokohama	Japan	10,000,000	JPY	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Electromechanical Racing S.r.l.	Corbetta	Italy	100,000	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Magneti Marelli Automotive Components (India) Limited	Pune	India	125,000,000	INR	99.99	Magneti Marelli Components B.V. in liquidation	100.000	

(*) Assets held for sale.

Subsidiaries valued at cost (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Magneti Marelli Electronic Systems (Asia) Limited	Hong Kong	People's Rep.of China	10,000	HKD	99.99	Magneti Marelli Sistemi Elettronici S.p.A.	99.990	
						Magneti Marelli France S.a.s.	0.010	
Yorka Northamerica Corp.	Southfield	U.S.A.	10,000	USD	99.99	Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V.	100.000	
■ Production Systems								
Comau (Shanghai) International Trading Co. Ltd.	Shanghai	People's Rep.of China	200,000	USD	100.00	Comau S.p.A.	100.000	
Comau U.K. Limited	Telford	United Kingdom	2,500	GBP	100.00	Comau S.p.A.	100.000	
Consorzio Fermag in liquidation	Milan	Italy	144,608	EUR	68.00	Comau S.p.A.	68.000	
Synesis	Modugno	Italy	20,000	EUR	75.00	Comau S.p.A.	75.000	
■ Services								
(*) CONSORZIO SERMAGEST - Servizi Manutentivi Gestionali	Turin	Italy	16,108	EUR	60.00	Ingest Facility S.p.A.	60.001	
Fiat Common Investment Fund Limited	London	United Kingdom	2	GBP	100.00	Fiat U.K. Limited	100.000	
PDL Services S.r.l.	Turin	Italy	105,000	EUR	100.00	Business Solutions S.p.A.	100.000	
■ Holding companies and Other companies								
Fast Buyer Middle East A.S.	Bursa	Turkey	350,230	TRY	98.80	Fast-Buyer S.p.A.	98.800	
Fiat Gra.De EEIG	Watford	United Kingdom	0	GBP	97.47	Fiat Auto S.p.A.	46.000	
						CNH Global N.V.	23.000	
						Fiat Netherlands Holding N.V.	23.000	
						Business Solutions S.p.A.	2.000	
						Fiat S.p.A.	2.000	
						Comau S.p.A.	1.000	
						C.R.F. Società Consortile per Azioni	1.000	
						Magneti Marelli Holding S.p.A.	1.000	
						Teksid S.p.A.	1.000	
Fiat Oriente S.A.E. in liquidation	Cairo	Egypt	50,000	EGP	100.00	Fiat Partecipazioni S.p.A.	100.000	
Fides Corretagens de Securos Ltda	Nova Lima	Brazil	365,525	BRL	100.00	Rimaco S.A.	99.998	
Isvor Fiat India Private Ltd. in liquidation	New Delhi	India	1,750,000	INR	99.23	Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	100.000	
MC2 - Media Communications S.p.A.	Turin	Italy	219,756	EUR	51.00	Fiat Partecipazioni S.p.A.	51.000	
New Business 18 S.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
New Business 19 S.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
New Business 20 S.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Nuova Immobiliare nove S.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Nuova Immobiliare Otto S.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Nuova Immobiliare Tre S.p.A.	Turin	Italy	120,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	

(*) Assets held for sale.

Subsidiaries valued at cost (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Nuove Iniziative Finanziarie 4 S.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Orione-Società Industriale per la Sicurezza e la Vigilanza Consortile per Azioni	Turin	Italy	120,000	EUR	98.88	Fiat Partecipazioni S.p.A.	78.262	
						Fiat S.p.A.	18.003	
						Editrice La Stampa S.p.A.	0.439	
						Fiat Auto S.p.A.	0.439	
						CNH Italia s.p.a.	0.220	
						Comau S.p.A.	0.220	
						Fiat Finance S.p.A.	0.220	
						Fiat Gesco S.p.A.	0.220	
						Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	0.220	
						Iveco S.p.A.	0.220	
						Magneti Marelli Holding S.p.A.	0.220	
						Sisport Fiat S.p.A. - Società sportiva dilettantistica	0.220	

Associated companies accounted for using the equity method

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
■ Automobiles								
Fiat Auto Kreditbank GmbH	Vienna	Austria	5,000,000	EUR	25.00	Fidis S.p.A.	25.000	
Fidis Bank G.m.b.H.	Vienna	Austria	4,740,000	EUR	25.00	Fidis S.p.A.	25.000	
Targasys S.r.l.	Turin	Italy	4,322,040	EUR	40.00	Fidis S.p.A.	40.000	
■ Ferrari								
Ferrari Maserati Cars International Trading (Shanghai) Co. Ltd.	Shanghai	People's Rep.of China	3,000,000	USD	34.00	Ferrari S.p.A.	40.000	
Senator Software Gmbh	Munich	Germany	25,565	EUR	37.49	Ferrari Financial Services AG	49.000	
■ Agricultural and Construction Equipment								
Al-Ghazi Tractors Ltd	Karachi	Pakistan	214,682,226	PKR	38.73	CNH Global N.V.	43.169	
CNH Capital Europe S.a.S.	Puteaux	France	88,482,297	EUR	44.77	CNH Global N.V.	49.900	
Employers Health Initiatives LLC	Wilmington	U.S.A.	0	USD	44.86	CNH America LLC	50.000	
Kobelco Construction Machinery Co. Ltd.	Tokyo	Japan	16,000,000,000	JPY	17.94	CNH Global N.V.	20.000	
New Holland Finance Ltd	Basingstoke	United Kingdom	2,900,001	GBP	43.96	CNH Global N.V.	49.000	
Rathell Farm Equipment Company Inc.	Wilmington	U.S.A.	640,000	USD	38.81	CNH America LLC	43.266	
■ Powertrain Technologies								
Powertrain Industrial Services S.C.R.L. in liquidation	Turin	Italy	100,000	EUR	50.00	Fiat Powertrain Technologies SpA	25.000	
						FMA - Fabbrica Motori Automobilistici S.r.l.	22.000	
						Fiat Automoveis S.A. - FIASA	2.000	
						Powertrain Mekanik Sanayi ve Ticaret Limited Sirketi	1.000	
■ Trucks and Commercial Vehicles								
GEIE V.IV.RE	Boulogne	France	0	EUR	50.00	Iveco S.p.A.	50.000	
Haveco Automotive Transmission Co. Ltd.	Zhajiang	People's Rep.of China	200,010,000	CNY	33.33	Iveco S.p.A.	33.330	
Iveco Finance Holdings Limited	Basingstoke	United Kingdom	1,000	EUR	49.00	Iveco Partecipazioni Finanziarie S.r.l.	49.000	
Iveco Uralaz Ltd.	Miass	Russia	65,255,056	RUR	33.33	Iveco S.p.A.	33.330	
Iveco-Motor Sich, Inc.	Zaporozhye	Ukraine	26,568,000	UAH	38.62	Iveco S.p.A.	38.618	
Otoyol Sanayi A.S.	Samandira-Kartal/Istanbul	Turkey	52,674,386	TRY	27.00	Iveco S.p.A.	27.000	
V.IVE.RE Gruppo Europeo di Interesse Economico	Turin	Italy	0	EUR	50.00	Iveco S.p.A.	50.000	

Associated companies accounted for using the equity method (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
■ Production Systems								
Gonzalez Production Systems Inc.	Pontiac	U.S.A.	10,000	USD	49.00	Comau Pico Holdings Corporation	49.000	
G.P. Properties I L.L.C.	Pontiac	U.S.A.	10,000	USD	49.00	Comau Pico Holdings Corporation	49.000	
■ Services								
Servizio Titoli S.p.A.	Turin	Italy	126,000	EUR	27.24	Business Solutions S.p.A.	27.238	
■ Publishing and Communications								
Editalia S.r.l.	Caserta	Italy	2,833,050	EUR	45.00	Editrice La Stampa S.p.A.	45.000	
Edizioni Dost S.r.l.	Bologna	Italy	1,042,914	EUR	40.00	Editrice La Stampa S.p.A.	40.000	
Società Editrice Mercantile S.r.l.	Genoa	Italy	4,247,000	EUR	40.00	Editrice La Stampa S.p.A.	40.000	
To-dis S.r.l. a socio unico	Turin	Italy	510,000	EUR	45.00	Editrice La Stampa S.p.A.	45.000	
■ Holding companies and Other companies								
Livingstone Motor Assemblers Ltd.	Livingstone	Zambia	20,000,000	ZMK	20.00	Fiat Partecipazioni S.p.A.	20.000	
Rizzoli Corriere della Sera MediaGroup S.p.A.	Milan	Italy	762,019,050	EUR	9.90	Fiat Partecipazioni S.p.A.	9.895	10.291
WorkNet S.p.A.	Milan	Italy	1,000,000	EUR	35.00	Fiat Partecipazioni S.p.A.	35.000	

Associated companies valued at cost

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
■ Automobiles								
Consorzio per la Reindustrializzazione Area di Arese S.r.l. in liquidation	Arese	Italy	1,020,000	EUR	30.00	Fiat Auto S.p.A.	30.000	
Fidis Rent GmbH	Frankfurt	Germany	50,000	EUR	49.00	Fiat Teamsys GmbH	49.000	
■ Ferrari								
Iniziativa Fiorano S.r.l.	Modena	Italy	90,000	EUR	28.33	Ferrari S.p.A.	33.333	
■ Agricultural and Construction Equipment								
Nido Industria Vallesina	Ancona	Italy	53,903	EUR	34.74	CNH Italia s.p.a.	38.728	
■ Trucks and Commercial Vehicles								
Sotra S.A.	Abidijan	Ivory Coast	3,000,000,000	XAF	39.80	Iveco France	39.800	
Trucks & Bus Company	Tajoura	Libya	96,000,000	LYD	25.00	Iveco España S.L.	25.000	
Zastava-Kamioni D.O.O.	Kragujevac	Serbia	1,673,505,893	YUM	33.68	Iveco S.p.A.	33.677	
■ Components								
Flexider S.p.A.	Turin	Italy	4,131,655	EUR	25.00	Magneti Marelli Holding S.p.A.	25.000	
Mars Seal Private Limited	Mumbai	India	400,000	INR	24.00	Magneti Marelli France S.a.s.	24.000	
Matay Otomotiv Yan Sanay Ve Ticaret A.S.	Istanbul	Turkey	2,400,000	TRY	28.00	Magneti Marelli Holding S.p.A.	28.000	
M.I.P.-Master Imprese Politecnico	Milan	Italy	20,658	EUR	50.00	Magneti Marelli Holding S.p.A.	50.000	
■ Production Systems								
Consorzio Generazione Forme-CO.GE.F.	San Mauro Torinese	Italy	15,494	EUR	33.33	Comau S.p.A.	33.333	
■ Services								
FMA-Consultoria e Negocios Ltda	São Paulo	Brazil	1	BRL	50.00	Fiat do Brasil S.A.	50.000	
(*) S.I.MA.GEST2 Società Consortile a Responsabilità Limitata	Zola Predosa	Italy	50,000	EUR	30.00	Ingest Facility S.p.A.	30.000	
Società Cooperativa Delta Più r.l. in liquidation	Trieste	Italy	44,865	EUR	34.96	Cromos Consulenza e Formazione S.r.l. in liquidation	46.000	
■ Publishing and Communications								
Le Monde Europe S.A.S.	Paris	France	5,024,274	EUR	48.44	La Stampa Europe SAS	48.443	
Le Monde Presse S.A.S.	Paris	France	7,327,930	EUR	27.28	La Stampa Europe SAS	27.277	
■ Holding companies and Other companies								
Agenzia Internazionalizzazione Imprese Torino S.r.l. in liquidation	Turin	Italy	102,000	EUR	35.00	Fiat Partecipazioni S.p.A.	35.000	

(*) Assets held for sale.

Associated companies valued at cost (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Ascai Servizi S.r.l. in liquidation	Rome	Italy	73,337	EUR	25.77	Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	25.970	
Ciosa S.p.A. in liquidation	Milan	Italy	516	EUR	25.00	Fiat Partecipazioni S.p.A.	25.000	
Concordia Finance S.A.	Luxembourg	Luxembourg	13,137,000	EUR	29.46	Fiat Netherlands Holding N.V.	29.459	
Consorzio Parco Industriale di Chivasso	Chivasso	Italy	51,650	EUR	27.40	Fiat Partecipazioni S.p.A.	23.100	
						New Business 16 S.p.A. a socio unico	4.300	
Consorzio per lo Sviluppo delle Aziende Fornitrici in liquidation	Turin	Italy	241,961	EUR	30.92	CNH Italia s.p.a.	10.672	
						Fiat Auto S.p.A.	10.672	
						Iveco S.p.A.	10.672	
Consorzio Prode	Naples	Italy	51,644	EUR	34.63	Elasis-Società Consortile per Azioni	35.000	
Consorzio Scire	Pomigliano d'Arco	Italy	51,644	EUR	49.47	Elasis-Società Consortile per Azioni	50.000	
Consorzio Scuola Superiore per l'Alta Formazione Universitaria Federico II	Naples	Italy	127,500	EUR	19.79	Elasis-Società Consortile per Azioni	20.000	
Interfinanziaria S.A.	Paradiso	Switzerland	1,000,000	CHF	33.33	IHF-Internazionale Holding Fiat S.A.	33.330	
MB Venture Capital Fund I Participating Company F N.V.	Amsterdam	Netherlands	50,000	EUR	45.00	Fiat Partecipazioni S.p.A.	45.000	
Nuova Didactica S.c. a r.l.	Modena	Italy	112,200	EUR	24.92	Ferrari S.p.A.	16.364	
						CNH Italia s.p.a.	12.273	
Tecnologie per il Calcolo Numerico-Centro Superiore di Formazione S.c. a r.l.	Trento	Italy	100,000	EUR	24.82	C.R.F. Società Consortile per Azioni	25.000	
Zetesis S.p.A. in liquidation	Milan	Italy	283,150	EUR	40.00	Fiat Partecipazioni S.p.A.	40.000	

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights

Other companies valued at cost

■ Agricultural and Construction Equipment

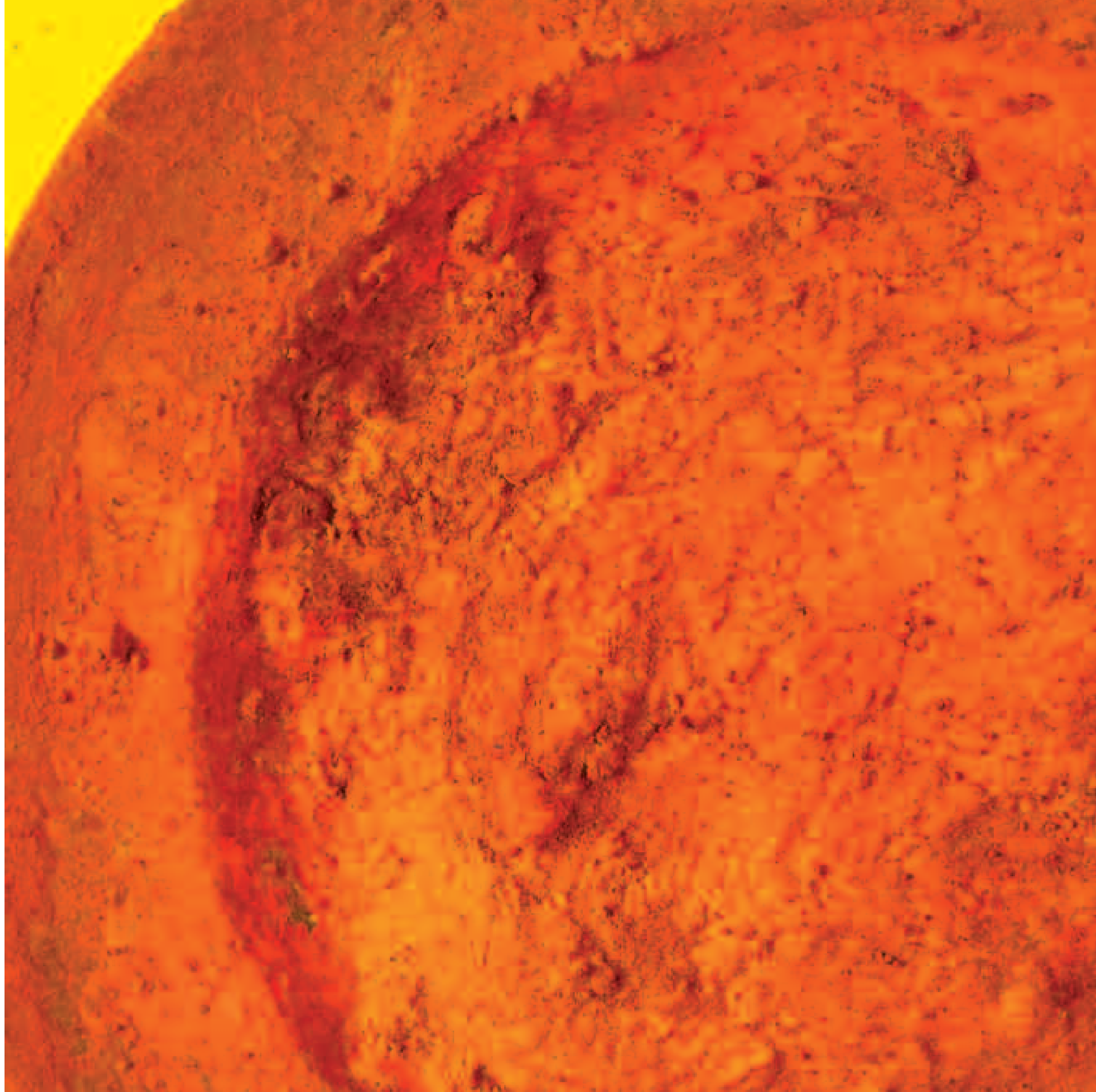
Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Polagris S.A.	Pikieliszki	Lithuania	1,133,400	LTT	9.92	CNH Polska Sp. z o.o.	11.054	

■ Trucks and Commercial Vehicles

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Consorzio Spike	Genoa	Italy	90,380	EUR	15.00	Iveco S.p.A.	15.000	

■ Holding companies and Other companies

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Centro di Eccellenza su Metodi e Sistemi per le Aziende Competitive	Fisciano	Italy	225,000	EUR	15.83	Elasis-Società Consortile per Azioni	16.000	
Consorzio Calef (Consorzio per la ricerca e lo sviluppo delle applicazioni industriali laser e del fascio elettronico)	Rotondella	Italy	83,445	EUR	10.44	Elasis-Società Consortile per Azioni	5.319	
						C.R.F. Società Consortile per Azioni	5.213	
Consorzio Lingotto	Turin	Italy	9,612	EUR	16.90	Fiat Attività Immobiliari S.p.A.	11.500	
						Fiat S.p.A.	5.400	
Consorzio Technapoli	Naples	Italy	1,626,855	EUR	10.99	Elasis-Società Consortile per Azioni	11.110	
Ercole Marelli & C. S.p.A. in liquidation	Milan	Italy	9,633,000	EUR	13.00	Fiat Partecipazioni S.p.A.	13.000	
Euromedia Luxembourg One S.A. in liquidation	Luxembourg	Luxembourg	44,887,500	USD	14.29	Fiat Netherlands Holding N.V.	14.286	
Expo 2000 - S.p.A.	Turin	Italy	2,205,930	EUR	18.95	Fiat Partecipazioni S.p.A.	18.949	
Fin.Priv. S.r.l.	Milan	Italy	20,000	EUR	14.29	Fiat S.p.A.	14.285	
Sorore Ricerche per Santa Maria della Scala	Siena	Italy	9,296	EUR	16.66	Fiat Partecipazioni S.p.A.	16.663	
Torino Zerocinque Investment S.p.A.	Milan	Italy	2,755,000	EUR	17.62	Fiat Partecipazioni S.p.A.	17.620	
Torino Zerocinque Trading S.p.A.	Milan	Italy	2,425,000	EUR	15.04	Fiat Partecipazioni S.p.A.	15.040	



I am enough of an artist to draw freely upon my imagination. Imagination is more important than knowledge. Knowledge is limited. Imagination encircles the world. Albert Einstein

Fiat S.p.A. Financial Statements at December 31, 2006

Financial Review of Fiat S.p.A.

The financial statements illustrated and commented on in the following pages have been prepared on the basis of the company's statutory financial statements at December 31, 2006 to which reference should be made. In compliance with European Regulation no. 1606 of July 19, 2002, starting from 2005 the Fiat Group has adopted International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") in the preparation of its consolidated financial statements. On the basis of national laws implementing that Regulation, starting from 2006 the Parent Company Fiat S.p.A. is presenting its financial statements in accordance with IFRS, which are reported together with comparative figures for the previous year.

Operating Performance

The Parent Company earned net income of 2,343 million euros in 2006, 1,226 million euros higher than in 2005 when the result included net non-recurring income of 1,714 million euros.

The company's Income Statement is summarised in the following table:

(in millions of euros)	2006	2005
Investment income	**2,461**	(424)
- Dividends	**362**	8
- (Impairment losses) reversals	**2,099**	(431)
- Gains (losses) on disposals	**–**	(1)
Personnel and operating costs net of other revenues	**(120)**	(109)
Income (expenses) from significant non-recurring transactions	**–**	1,133
Financial income (expenses)	**(24)**	(62)
Financial income from significant non-recurring transactions	–	858
Income taxes	**26**	(279)
Net income	**2,343**	1,117

Investment income totals 2,461 million euros compared with investment expense of 424 million euros in 2005 and consists of dividends received during the period and reversal of impairment losses (net of write-downs) of investments. Specifically:

■ **Dividends** total 362 million euros and were received from the subsidiaries IHF – Internazionale Holding Fiat S.A. (259 million euros), Fiat Finance S.p.A. (75 million euros) and other companies. In 2005 dividends received from investments totalled 8 million euros.

■ **Impairment loss reversals (net of write-downs)** of 2,099 million euros resulted from the revaluation of the investments in the subsidiaries Fiat Partecipazioni S.p.A. (1,388 million euros mainly connected to Fiat Auto), Iveco S.p.A. (946 million euros) and Fiat Netherlands Holding N.V. (96 million euros connected to CNH), all written-down in previous years, net of the impairment loss recognised on the investment in Comau S.p.A. (330 million euros).

In 2005, net impairment losses recognised on investments totalled 431 million euros, mainly due to losses from the investments in Fiat Partecipazioni S.p.A. (811 million euros connected mainly to the losses of Fiat Auto), Teksid S.p.A., Comau S.p.A. and Business Solutions S.p.A. (for a total of 147 million euros), net of the revaluation of the investments held in Fiat Netherlands Holding N.V. (376 million euros due to the positive performance of the CNH and Iveco subsidiaries), Magneti Marelli Holding S.p.A. (144 million euros) and minor companies.

Personnel and operating costs net of other revenues total 120 million euros, compared with 109 million euros in 2005.

Specifically:

■ **Personnel and operating costs**, totalling 199 million euros, comprise 58 million euros in personnel costs (60 million euros in 2005), and 141 million euros in other operating costs (121 million euros in 2005), which include the costs for services, amortisation and depreciation and other operating costs. These costs increased as a whole by 18 million euros from 2005 as a result of non-recurring charges. In 2006, the average headcount was 140 employees, compared with an average of 133 employees in 2005.

■ **Other revenues**, totalling 79 million euros (72 million euros in 2005), principally refer to the change in contract work in progress (agreements between Fiat S.p.A. and Treno Alta Velocità – T.A.V. S.p.A.), which is measured by applying the percentage of completion to the total contractual value of the work, to royalties for the use of the Fiat trademark, calculated as a percentage of the revenues generated by the Group companies that use it, and the services of executives at the principal companies of the Group. The increase from 2005 is mainly attributable to higher charges for the use of the trademark.

No **Income (expenses) from significant non-recurring transactions** is reported in 2006. In 2005 a gain of 1,133 million euros (net of related costs) was recorded on the transaction regarding the termination of the Master Agreement with General Motors.

In 2006, there were **net financial expenses** of 24 million euros, arising from the interest charges on the Company's debt, which was partially offset by the gain resulting from derivative financial instruments.
In 2005 there were net expenses of 62 million euros mainly arising from the interest expenses connected with the Mandatory Convertible Facility.

No **Financial income from significant non-recurring transactions** is reported in 2006. In 2005 this item included income of 858 million euros resulting from the capital increase of September 20, 2005 with the simultaneous conversion of the Mandatory Convertible Facility. The income represents the difference between the subscription price of the new shares issued and the stock market price of the shares at the subscription date, net of issuance costs.

The **income tax** revenue of 26 million euros is the net result of the remuneration for the tax loss brought into the national tax consolidation by Fiat S.p.A. in 2006 to offset the income reported by the Group's Italian companies, and the IRAP charge recognised for the period.
Income tax expenses of 279 million euros in 2005 consisted of the reversal of deferred tax assets of 277 million euros, recognised in the financial statements at December 31, 2004 in relation to the settlement subsequently made with General Motors for the termination of the Master Agreement.

Balance Sheet

Highlights of the Parent Company's Balance Sheet are illustrated in the following table:

(in millions of euros)	At December 31, 2006	At December 31, 2005
Non-current assets	14,559	5,168
- of which: Investments	14,500	5,118
Working capital	167	303
Total net invested capital	14,726	5,471
Stockholders' equity	10,374	7,985
Net debt (liquid funds)	4,352	(2,514)

Non-current assets mainly include investments in the relevant subsidiaries of the Group.

The net increase of 9,382 million euros in investments as compared to December 31, 2005 stems from net write-ups arising from the reversal of previously recognised impairment losses and recapitalisations of 6,361 million euros carried out during the year in the subsidiaries Fiat Partecipazioni S.p.A. (6,000 million euros), Fiat Netherlands Holding N.V. (121 million euros) and Comau S.p.A. (240 million euros), in order to re-balance the equity structure inside the Group and cover losses, as well as the re-purchase from Mediobanca S.p.A. of 28.6% of the shares of Ferrari S.p.A. (893 million euros) upon exercise of the call option provided for in the 2002 agreements, which brought the investment to an 85% stake.

Working capital, which totalled 167 million euros, consists of inventories net of advances received, trade, tax and employee receivables/payables, other receivables/payables and provisions. The 136 million euro decrease over December 31, 2005 is mainly attributable to the refund of VAT receivables by the Tax Authorities.

Stockholders' equity at December 31, 2006 totalled 10,374 million euros, reflecting an increase of 2,389 million euros as compared to December 31, 2005 due to the positive result of the year (2,343 million euros) and other minor changes (including 28 million euros resulting from marking to market the fair value carrying amount of the Mediobanca shareholding).

For a more complete analysis of the changes in stockholders' equity, reference should be made to the relevant table set out in the following pages as part of the statutory financial statements of the Parent Company Fiat S.p.A.

Net debt totalled 4,352 million euros at December 31, 2006 compared with net liquid funds of 2,514 million euros at December 31, 2005. The use of the liquid funds balance at the beginning of the year and the subsequent accumulation of debt are the consequence of the previously mentioned recapitalisations of subsidiaries and purchase of Ferrari S.p.A. shares. A breakdown of net debt is illustrated in the following table:

(in millions of euros)	At December 31, 2006	At December 31, 2005
Financial receivables, cash and cash equivalents	(85)	(3,076)
Current financial payables	1,627	557
Non-current financial payables	2,810	5
Net debt (net liquid funds)	4,352	(2,514)

Current financial payables consist of the overdraft with the subsidiary Fiat Finance S.p.A. and short-term financing received from that company, as well as payables to factoring companies for advances on receivables. Non-current financial payables consist almost entirely of loans repayable in the 2010-2013 period granted by the subsidiary Fiat Finance S.p.A. at market rates as part of the recapitalisation of subsidiaries discussed above.
At December 31, 2005 financial receivables related to short-term financing of 2,700 million euros granted to the subsidiary Fiat Finance S.p.A. and due in 2006, and to cash deposited on the current account held with that company.

For a more complete analysis of cash flows, reference should be made to the Statement of Cash Flows set out on the following pages as part of the statutory financial statements of the Parent Company Fiat S.p.A.

Reconciliation between the Parent Company's equity and its result for the year with those of the Group

Pursuant to the Consob Communication of July 28, 2006, set out below is a reconciliation between the Parent Company's equity at December 31, 2006 and its result for the year then ended with those of the Group (Group interest).

(in millions of euros)	Stockholders' equity at December 31, 2006	2006 Net result
Financial Statements of Fiat S.p.A.	10,374	2,343
Elimination of the carrying amounts of consolidated investments and the respective dividends from the financial statements of Fiat S.p.A.	(14,211)	(346)
Elimination of the reversal of impairment losses (net of recognised impairment losses) of consolidated investments	–	(2,099)
Equity and results of consolidated subsidiaries	13,404	1,229
Consolidation adjustments:		
Elimination of intercompany profits and losses on the sale of investments	–	(41)
Elimination of intercompany profits and losses in inventories and fixed assets and other adjustments	(205)	(21)
Consolidated financial statements (Group interest)	9,362	1,065

Income Statement (*)

(in euros)	Note	2006	2005
Dividends and other income from investments	(1)	362,418,522	7,713,904
(Impairment losses) reversal of impairment losses of investments	(2)	2,099,350,000	(430,788,686)
Gains (losses) on the disposal of investments	(3)	425,380	(1,300,134)
Other operating income	(4)	79,238,202	72,853,610
Personnel costs	(5)	(57,899,516)	(60,027,274)
Other operating costs	(6)	(141,006,254)	(121,360,013)
Income (expenses) from significant non-recurring transactions	(7)	–	1,133,110,377
Financial income (expenses)	(8)	(24,846,809)	(61,685,499)
Financial income from significant non-recurring transactions	(9)	–	857,636,269
Result before taxes		2,317,679,525	1,396,152,554
Income taxes	(10)	(25,695,447)	278,827,554
Result from continuing operations		2,343,374,972	1,117,325,000
Result from discontinued operations		–	–
Net result		2,343,374,972	1,117,325,000

(*) Pursuant to Consob resolution no. 15519 of July 27, 2006 effects of transactions with related parties on the Income Statement of Fiat S.p.A. are included in the specific income statement schedule reported in the following pages and also provided in the comments of the single items and in Note 30.

Balance Sheet (*)

(in euros)	Note	At December 31, 2006	At December 31, 2005
ASSETS			
Non-current assets			
Intangible assets	(11)	771,530	675,599
Property, plant and equipment	(12)	37,252,689	39,658,553
Investments	(13)	14,499,594,748	5,117,531,801
Other financial assets	(14)	20,134,319	5,335,175
Other non-current assets	(15)	1,573,473	4,501,747
Deferred tax assets	(10)	–	–
Total Non-current assets		14,559,326,759	5,167,702,875
Current assets			
Inventories	(27)	–	–
Trade receivables	(16)	154,692,452	215,652,499
Current financial receivables	(17)	84,173,202	3,075,893,885
Other current receivables	(18)	626,428,489	799,919,053
Cash and cash equivalents	(19)	608,105	495,235
Total Current assets		865,902,248	4,091,960,672
Assets held for sale		–	–
TOTAL ASSETS		15,425,229,007	9,259,663,547
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' equity	(20)		
Capital stock		6,377,257,130	6,377,257,130
Additional paid-in capital		1,540,856,410	681,856,410
Reserve under law no. 413/1991		22,590,857	22,590,857
Legal reserve		446,561,763	446,561,763
Reserve for treasury stock in portfolio		24,138,811	27,709,936
Extraordinary reserve		6,134,851	334,633
Retained earnings (losses)		(553,411,863)	(811,736,863)
Treasury stock		(24,138,811)	(27,709,936)
Gains (losses) recognised directly in equity		162,764,566	134,267,390
Stock option reserve		27,399,708	16,102,522
Net result		2,343,374,972	1,117,325,000
Total Stockholders' equity		10,373,528,394	7,984,558,842
Non-current liabilities			
Provisions for employee benefits and other non-current provisions	(21)	18,104,487	29,170,653
Non-current financial payables	(22)	2,810,029,000	5,262,000
Other non-current liabilities	(23)	20,000,576	16,861,109
Deferred tax liabilities	(10)	3,438,000	–
Total Non-current liabilities		2,851,572,063	51,293,762
Current liabilities			
Provisions for employee benefits and other current provisions	(24)	26,790,951	30,990,501
Trade payables	(25)	184,660,883	385,182,033
Current financial payables	(26)	1,627,429,902	557,382,830
Other payables	(27)	361,246,814	250,255,579
Total Current liabilities		2,200,128,550	1,223,810,943
Liabilities held for sale		–	–
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		15,425,229,007	9,259,663,547

(*) Pursuant to Consob resolution no. 15519 of July 27, 2006 effects of transactions with related parties on the Balance Sheet of Fiat S.p.A. are included in the specific balance sheet schedule reported in the following pages and also provided in the comments of the single items and in Note 30.

Statement of Cash Flows

(in thousands of euros)	2006	2005
A) Cash and cash equivalents at beginning of period	**495**	325
B) Cash flows from (used in) operating activities during the period:		
Net result for the period	**2,343,375**	1,117,325
Amortisation and depreciation	**2,882**	2,918
Non-cash gain from extinguishment of the Mandatory Convertible Facility	**–**	(859,000)
Non-cash stock option costs	**11,297**	10,041
(Impairment losses) reversals of impairment losses of investments	**(2,099,350)**	430,789
Capital losses/gains on the disposal of investments	**(329)**	(93)
Change in provisions for employee benefits and other provisions	**7,990**	2,100
Change in deferred taxes	**3,438**	277,000
Change in working capital	**151,872**	(76,028)
Total	**421,175**	905,052
C) Cash flows from (used in) investment activities:		
Investments:		
- Recapitalisations of subsidiaries	**(6,361,126)**	(165,193)
- Acquisitions	**(919,412)**	–
Other investments (tangible and intangible assets and other financial assets)	**(15,529)**	(1,808)
Proceeds from the sale of:		
- Investments	**2,357**	–
- Other non-current assets (tangible, intangible and other)	**313**	261
Total	**(7,293,397)**	(166,740)
D) Cash flows from (used in) financing activities:		
Change in current financial receivables	**2,991,721**	(753,091)
Change in non-current financial payables	**2,804,767**	–
Change in current financial payables	**1,070,047**	14,548
Capital increase (a)	**–**	–
Sale of treasury stock	**5,800**	401
Dividend distribution	**–**	–
Total	**6,872,335**	(738,142)
E) Total change in cash and cash equivalents	**113**	170
F) Cash and cash equivalents at end of period	**608**	495

(a) In 2005, the item "Capital increase" is shown net of the repayment of the Mandatory Convertible Facility (3 billion euros), as it did not give rise to cash flows.

Statement of Changes in Stockholders' Equity

(in thousands of euros)	At December 31, 2004	Capital increase for conversion of the Mandatory Convertible Facility	Fair value adjustments recognised directly in equity	Valuation of stock option plans and other changes	Net result for the period	At December 31, 2005
Capital stock	4,918,113	1,459,144				6,377,257
Additional paid-in capital	–	681,856				681,856
Reserve under law no. 413/1991	22,591					22,591
Legal reserve	446,562					446,562
Reserve for treasury stock in portfolio	26,413			1,297		27,710
Extraordinary reserve	1,632			(1,297)		335
Retained earnings (losses)	(813,435)			1,698		(811,737)
Treasury stock	(26,413)			(1,297)		(27,710) (*)
Gains (losses) recognised directly in equity	74,397		59,870			134,267
Stock option reserve	6,062			10,041		16,103
Net result for the period					1,117,325	1,117,325
Total Stockholders' equity	4,655,922	2,141,000	59,870	10,442	1,117,325	7,984,559

(*) Treasury stock at December 31, 2005 consists of 4,331,708 ordinary shares for a total nominal value of 21,659 thousand euros.

	At December 31, 2005	Allocation of the net result for the prior period	Fair value adjustments recognised directly in equity	Valuation of stock option plans and other changes	Net result for the period	At December 31, 2006
Capital stock	6,377,257					6,377,257
Additional paid-in capital	681,856	859,000				1,540,856
Reserve under law no. 413/1991	22,591					22,591
Legal reserve	446,562					446,562
Reserve for treasury stock in portfolio	27,710			(3,571)		24,139
Extraordinary reserve	335			5,800		6,135
Retained earnings (losses)	(811,737)	258,325				(553,412)
Treasury stock	(27,710)			3,571		(24,139) (*)
Gains (losses) recognised directly in equity	134,267		28,497			162,764
Stock option reserve	16,103			11,297		27,400
Net result for the period	1,117,325	(1,117,325)			2,343,375	2,343,375
Total Stockholders' equity	**7,984,559**	**–**	**28,497**	**17,097**	**2,343,375**	**10,373,528**

(*) Treasury stock at December 31, 2006 consists of 3,773,458 ordinary shares for a total nominal value of 18,867 thousand euros.

Statement of total recognised income and expenses for 2006 and 2005

(in thousands of euros)	2006	2005
Gains (losses) recognised directly in the fair value reserve (investments in other companies)	**28,497**	58,958
Gains (losses) recognised directly in equity	**28,497**	58,958
Transfer from cash flow hedge reserve	**–**	912
Net result for the period	**2,343,375**	1,117,325
Total of recognised income (expense) for the period	**2,371,872**	1,177,195

Income Statement

pursuant to Consob Resolution No. 15519 of July 27, 2006

(in thousands of euros)	Note	2006	of which Related parties (Note 30)	2005	of which Related parties
Dividends and other income from investments	(1)	**362,419**		7,714	
(Impairment losses) reversal of impairment losses of investments	(2)	**2,099,350**		(430,789)	
Gains (losses) on the disposal of investments	(3)	**425**		(1,300)	
Other operating income	(4)	**79,238**	**33,200**	72,854	24,256
Personnel costs	(5)	**(57,900)**		(60,027)	
Other operating costs	(6)	**(141,006)**	**(51,901)**	(121,360)	(54,477)
Income (expenses) from significant non-recurring transactions	(7)	**–**		1,133,110	
Financial income (expenses)	(8)	**(24,847)**	**(17,765)**	(61,685)	106,259
Financial income from significant non-recurring transactions	(9)	**–**		857,636	
Result before taxes		**2,317,679**		1,396,153	
Income taxes	(10)	**(25,696)**		278,828	
Result from continuing operations		**2,343,375**		1,117,325	
Result from discontinued operations		**–**		–	
Net result		**2,343,375**		1,117,325	

Balance Sheet

pursuant to Consob Resolution No. 15519 of July 27, 2006

(in thousands of euros)	Note	At December 31, 2006	of which Related parties (Note 30)	At December 31, 2005	of which Related parties
ASSETS					
Non-current assets					
Intangible assets	(11)	**772**		676	
Property, plant and equipment	(12)	**37,253**		39,658	
Investments	(13)	**14,499,595**		5,117,532	
Other financial assets	(14)	**20,134**	**10,029**	5,335	5,262
Other non-current assets	(15)	**1,573**		4,502	
Deferred tax assets	(10)	**–**		–	
Total Non-current assets		**14,559,327**		5,167,703	
Current assets					
Inventories	(27)	**–**		–	
Trade receivables	(16)	**154,692**	**2,408**	215,652	7,687
Current financial receivables	(17)	**84,173**	**84,173**	3,075,894	3,075,894
Other current receivables	(18)	**626,429**	**146,908**	799,920	106,007
Cash and cash equivalents	(19)	**608**		495	
Total Current assets		**865,902**		4,091,961	
Assets held for sale		**–**		–	
TOTAL ASSETS		**15,425,229**		9,259,664	
STOCKHOLDERS' EQUITY AND LIABILITIES					
Stockholders' equity	(20)				
Capital stock		**6,377,257**		6,377,257	
Additional paid-in capital		**1,540,856**		681,856	
Reserve under law no. 413/1991		**22,591**		22,591	
Legal reserve		**446,562**		446,562	
Reserve for treasury stock in portfolio		**24,139**		27,710	
Extraordinary reserve		**6,135**		335	
Retained earnings (losses)		**(553,412)**		(811,737)	
Treasury stock		**(24,139)**		(27,710)	
Gains (losses) recognised directly in equity		**162,765**		134,267	
Stock option reserve		**27,400**		16,103	
Net result		**2,343,375**		1,117,325	
Total Stockholders' equity		**10,373,529**		7,984,559	
Non-current liabilities					
Provisions for employee benefits and other non-current provisions	(21)	**18,104**		29,171	
Non-current financial payables	(22)	**2,810,029**	**2,810,029**	5,262	5,262
Other non-current liabilities	(23)	**20,001**	**–**	16,861	2,622
Deferred tax liabilities	(10)	**3,438**		–	
Total Non-current liabilities		**2,851,572**		51,294	
Current liabilities					
Provisions for employee benefits and other current provisions	(24)	**26,791**		30,991	
Trade payables	(25)	**184,661**	**17,801**	385,182	4,975
Current financial payables	(26)	**1,627,430**	**1,405,554**	557,383	434
Other payables	(27)	**361,246**	**319,078**	250,255	215,379
Total Current liabilities		**2,200,128**		1,223,811	
Liabilities held for sale		**–**		–	
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**15,425,229**		9,259,664	

Notes to the Financial Statements

Principal activities

Fiat S.p.A. (the "Company") is a corporation organised under the laws of the Republic of Italy and is the Parent Company of the Fiat Group, holding investments, either directly or indirectly through subholdings, in the capital of the parent companies of business Sectors in which the Fiat Group operates.

The head office of the company is in Turin, Italy.

The financial statements of Fiat S.p.A. are prepared in euros which is the currency of the economic environment in which the company operates.

The Balance Sheet and Income Statement are presented in euros, while the Statement of Cash Flows, the Statement of Changes in Stockholders' Equity, the Statement of Total Recognised Income and Expenses and the amounts stated in the Notes are presented in thousands of euros, unless otherwise stated.

As the Parent Company, Fiat S.p.A. has additionally prepared the consolidated financial statements of the Fiat Group at December 31, 2006.

Significant accounting policies

Basis of preparation

The 2006 financial statements are the separate financial statements of the Parent Company, Fiat S.p.A., and have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union. The designation "IFRS" also includes all the revised International Accounting Standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

In compliance with European Regulation no. 1606 of July 19, 2002, starting from 2005 the Fiat Group has adopted the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") for the preparation of its consolidated financial statements. On the basis of national legislation implementing that Regulation, the annual statutory accounts of the Parent Company Fiat S.p.A. as of December 31, 2006 have been prepared for the first time also using those accounting standards. As a consequence the Parent Company Fiat S.p.A. is presenting its financial statements for 2006 and its comparative figures for the prior year in accordance with IFRS. The accounting principles applied are the same as those used in the preparation of the Company's Balance Sheets at January 1, 2005 and December 31, 2005 and its 2005 Income Statement in accordance with IFRS; these statements are provided in the Appendix attached to these Notes, to which reference should be made. The Appendix provides reconciliations of the Company's equity and Income Statement reported under its previous accounting principles (Italian accounting principles) and IFRS, together with Notes, as required by IFRS 1 – *First-time adoption of IFRS*.

Certain reclassifications have been made with respect to the figures published in the Appendix to the 2006 First-half Report. The comparative figures for the previous period were consequently reclassified. These reclassifications have no effect on the net result or stockholders' equity.

The financial statements have been prepared on a historical cost basis, modified as required for measuring certain financial instruments.

Format of the financial statements

Fiat S.p.A. presents an Income Statement using a classification based on the nature of its revenues and expenses given the type of business it performs. The Fiat Group presents a Consolidated Income Statement using a classification based on function, as this is believed to be more representative of the format selected for managing the business sectors and for internal reporting purposes and is coherent with international practice in the automotive sector.
Fiat S.p.A. has elected to present current and non-current assets and liabilities as separate classifications on the face of the Balance Sheet. A mixed format has been selected by the Fiat Group for the Consolidated Balance Sheet, as permitted by IAS 1, presenting only current and non-current assets separately. This decision has been taken in view of the fact that both companies carrying out industrial activities and those carrying out financial activities are consolidated in the Group's financial statements. The investment portfolios of financial services companies are included in current assets in the Consolidated Balance Sheet, as the investments will be realised in their normal operating cycle. Financial services companies, though, obtain funds only partially from the market: the remaining are obtained through the Group's treasury companies (included in industrial companies), which lend funds both to industrial Group companies and to financial services companies as the need arises. This financial service structure within the Group means that any attempt to separate current and non-current debt in the Consolidated Balance Sheet cannot be meaningful. This has no effect on the presentation of the liabilities of Fiat S.p.A.

The statement of cash flows has been prepared using the indirect method.

In connection with the requirements of the Consob Resolution No. 15519 of July 27, 2006 as to the format of the financial statements, specific supplementary Income Statement and Balance Sheet formats have been added for related party transactions, so as not to compromise the overall reading of the statements.

Intangible assets

Purchased and internally-generated intangible assets are recognised as assets in accordance with IAS 38 - *Intangible Assets*, where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably.

Intangible assets with finite useful lives are measured at purchase or manufacturing cost, net of amortisation charged on a straight-line basis over their estimated useful lives and net of any impairment losses.

Property, plant and equipment

Cost

Property, plant and equipment is measured at purchase or manufacturing cost, net of accumulated depreciation and any impairment losses, and is not revalued.
Subsequent expenditures are capitalised only if they increase the future economic benefits embodied in the asset to which they relate. All other expenditures are expensed as incurred.

Assets are depreciated using the policies and rates described below.

Lease arrangements in which the lessor maintains substantially all the risks and rewards incidental to the ownership of an asset are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Depreciation

Depreciation is charged on a straight-line basis over the estimated useful lives of assets as follows:

	Annual depreciation rate
Buildings	3%
Plant	10%
Furniture	12%
Fixtures	20%
Vehicles	25%

Land is not depreciated.

Impairment of assets

The company reviews at least annually the recoverability of the carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates, in order to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the carrying amount of an asset is written down to its recoverable amount.
The recoverable amount of an asset is the higher of fair value less costs to sell and its value in use.

In particular, in assessing whether investments in subsidiaries and associated companies have been impaired, their recoverable amount has been taken as their value in use, as the investments are not listed and a market value (fair value less costs to sell) cannot be reliably measured. The value in use of an investment is determined by estimating the present value of the estimated cash flows expected to arise from the results of the investment and from the estimated value of its ultimate disposal, in line with the requirements of paragraph 33 of IAS 28.

When an impairment loss on assets subsequently reverses or decreases, the carrying amount of the asset or cash-generating unit is increased up to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recognised had no impairment loss been recorded. The reversal of an impairment loss is recognised immediately in income.

Financial instruments

Presentation

Financial instruments held by the company are presented in the Balance Sheet as described in the following:

- Non-current assets: Investments, Other financial assets, Other non-current assets.

- Current assets: Trade receivables, Current financial receivables, Other current receivables, Cash and cash equivalents.

- Non-current liabilities: Non-current financial payables, Other non-current liabilities.

- Current liabilities: Trade payables, Current financial payables (including payables for advances on the sale of receivables), Other payables.

The item "Cash and cash equivalents" consists of cash and deposits with banks, units with liquidity funds and other highly traded securities that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

The liability relating to financial guarantee contracts is included in Non-current financial payables. The term financial guarantee contracts refers to contracts under which the company guarantees to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The present value of the related receivable for any outstanding commissions is classified in Non-current financial assets.

Measurement

Investments in subsidiaries and associates are stated at cost adjusted for any impairment losses.

The excess on acquisition of the purchase cost and the share acquired by the company of the investee company's net assets measured at fair value is, accordingly, included in the carrying value of the investment.

Investments in subsidiaries and associates are tested for impairment annually and if necessary more often. If there is any evidence that these investments have been impaired, the impairment loss is recognised directly in the Income Statement. If the company's share of losses of the investee exceeds the carrying amount of the investment and if the company has an obligation to respond for these losses, the company's interest is reduced to zero and a liability is recognised for its share of the additional losses. If the impairment loss subsequently no longer exists it is reversed and the reversal is recognised in the income statement up to the limit of the cost of the investment.

Investments in other companies, comprising non-current financial assets that are not held for trading (available-for-sale financial assets), are initially measured at fair value. Any subsequent profits and losses resulting from changes in fair value, arising from quoted prices, are recognised directly in equity until the investment is sold or is impaired; the total profits and losses recognised in equity up to that date are recognised in the Income Statement for the period.
Minor investments in other companies for which a market quotation is not available are measured at cost, adjusted for any impairment losses.

Other financial assets for which the company has the intent to hold to maturity are recognised on the trade date and are measured at purchase price (being representative of fair value) on initial recognition in the Balance Sheet, inclusive of transaction costs other than in respect of assets held for trading. These assets are subsequently measured at amortised cost using the effective interest method.

Other non-current assets, Trade receivables, Current financial receivables and Other current receivables, excluding assets deriving from derivative financial instruments and all financial assets for which quotations on an active market are not available and whose fair value cannot be reliably determined are measured at amortised cost using the effective interest method if they have a pre-determined maturity. If financial assets do not have a pre-determined maturity they are measured at cost. Receivables with a due date beyond one year that are non-interest bearing or on which interest accrues at below market rate are discounted to present value using market rates.

Valuations are performed on a regular basis with the purpose of verifying if there is objective evidence that a financial asset, taken on its own or within a group of assets, may have been impaired. If objective evidence exists, the impairment loss is recognised as a cost in the Income Statement for the period.

Non-current financial payables, Other non-current liabilities, Trade payables, Current financial payables and Other payables are measured on initial recognition at fair value (normally represented by the cost of the transaction), including any transaction costs.
Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for derivative financial instruments and liabilities for financial guarantee contracts.
Financial liabilities hedged by derivative instruments are measured according to the hedge accounting criteria applicable to fair value hedges; gains and losses resulting from subsequent measurement at fair value, caused by fluctuations in interest rates, are recognised in the Income Statement and are set off by the effective portion of the gain or loss resulting from the respective valuation of the hedging instrument at fair value.

Liabilities for financial guarantee contracts are measured at the higher of the estimate of the contingent liability (determined in accordance with IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*) and the amount initially recognised less any amount released to income over time.

Derivative financial instruments

Derivative financial instruments are used solely for hedging purposes, for the purpose of reducing foreign exchange rate risk, interest rate risk and the risk of fluctuations in market prices.

In accordance with the conditions of IAS 39, derivative financial instruments qualify for hedge accounting only when, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, the effectiveness can be reliably measured and the hedge is actually highly effective throughout the financial reporting periods for which it was designated.

All derivative financial instruments are measured at fair value, in accordance with IAS 39.

When financial instruments have the characteristics to qualify for hedge accounting the following accounting treatment is adopted:

- **Fair value hedge** – If a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognised asset or liability that is attributable to a particular risk that could affect the Income Statement, the gain or loss resulting from remeasuring the hedging instrument at fair value is recognised in the Income Statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in the Income Statement.

- **Cash flow hedge** – If a derivative financial instrument is designated as a hedge of the exposure to variability in the future cash flows of a recognised asset or liability or a highly probable forecast transaction that could affect the Income Statement, the effective portion of the gain or loss on the derivative financial instrument is recognised directly in equity. The cumulative gain or loss is reversed from equity and reclassified into the Income

Statement in the period in which the hedged transaction is recognised. Gains or losses associated with a hedge (or part of a hedge) which is no longer effective are immediately recognised in the Income Statement. If a hedging instrument or a hedging relationship is terminated, but the transaction being hedged has not yet occurred, the cumulative gains and losses recognised in equity until that time are recognised in the Income Statement at the time the transaction occurs. If a hedged transaction is no longer considered probable, the unrealised gains and losses that remain in equity are immediately recognised in the Income Statement.

If hedge accounting cannot be used, the gains and losses resulting from changes in the measurement of the derivative financial instrument at fair value are immediately recognised in the Income Statement.

Inventory

Inventory consists of work in progress on specific contracts and in particular relates to long-term construction contracts signed by Fiat S.p.A. with Treno Alta Velocità – T.A.V. S.p.A. under which Fiat S.p.A. as general contractor performs the coordination, organisation and management of the work.

Work in progress refers to activities carried out directly and is measured by applying the percentage of completion to the contract fee, thereby recognising the margins deriving from the work performed to date. The cost to cost method is used to determine the percentage of completion of a contract (by dividing the costs incurred by the total costs forecast for the whole construction).
Any losses expected to be incurred on contracts are fully recognised in the Income Statement and as a reduction in contract work in progress when they become known.

Any advances received from customers for services performed are presented as a reduction in inventory. If the amount of advances exceeds inventory, the excess is recognised as Advances in the item Other payables.

Sales of receivables

Receivables sold in factoring operations are derecognised from assets if and only if the risks and rewards relating to their ownership have been substantially transferred to the buyer. Receivables sold with recourse and without recourse that do not satisfy this condition remain in the company's Balance Sheet even if they have been sold from a legal point of view; in this case, an obligation of the same amount is recognised as a liability for the advances received.

Assets held for sale

Any amounts in this item will consist of non-current assets (or assets and liabilities included in disposal groups) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale (or disposal groups) are measured at the lower of their carrying amount and fair value less disposal costs.

Employee benefits

Post-employment plans

The company provides pension plans and other post-employment plans to its employees. The pension plans for which the company has an obligation under Italian law are defined contribution plans, while the other post-employment plans, for which the company generally has an obligation under national collective bargaining agreements, are defined benefit plans. The payments made by the company for defined contribution plans are recognised in the Income Statement as a cost when incurred. Defined benefit plans are based on the employees' working lives and on the salary or wage received by the employee over a pre-determined period of service.

The employees' severance indemnity (*trattamento di fine rapporto* or *TFR*) is considered to be a defined benefit plan and is accounted for in the same way as other defined benefit plans.

The company's obligation to fund defined benefit plans and the annual cost recognised in the Income Statement are determined by independent actuaries using the projected unit credit method. The portion of net actuarial gains and losses at the end of the previous reporting period that exceeds the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of the plan assets at that date is deferred and recognised over the remaining working lives of the employees (the "corridor method"); the portion of actuarial gains and losses that does not exceed this threshold is deferred.

In the context of IFRS first-time adoption, the company elected to recognise all cumulative actuarial gains and losses at January 1, 2004 (date of first-time adoption of IFRS by the Fiat Group), although it has adopted the corridor method for those arising subsequently.

The expense related to the reversal of discounting pension obligations for defined benefit plans are reported separately as part of the Group's financial expense.

The liability for obligations arising under defined benefit plans and due on termination of the employment contract represents the present value of the obligation adjusted by actuarial gains and loses deferred as the result of applying the corridor approach and by past service costs for employee service in prior periods that will be recognised in future years.

Other long-term benefits

The accounting treatment of other long-term benefits is the same as that for post-employment benefit plans except for the fact that actuarial gains and losses and past service costs are fully recognised in the Income Statement in the year in which they arise and the corridor method is not applied.

Equity compensation plans

The company provides additional benefits to certain members of top management and to certain employees through equity compensation plans. Under IFRS 2 - *Share-based Payment*, these plans are a component of employee remuneration whose cost is measured by the fair value of the stock options at the grant date recognised in the Income Statement on a straight-line basis from the grant date to the vesting date, with a counter entry to equity. Changes in fair value after the grant date do not have any effect on the initial measurement.

The company has applied the transitional provisions of IFRS 2 and as a result the Standard is applicable to all stock option plans granted after November 7, 2002 but which had not yet vested by January 1, 2005, the effective date of the Standard. Detailed disclosures are also provided for plans granted before that date.

Provisions
The company recognises provisions when it has a legal or constructive obligation to third parties, when it is probable that the settlement of the obligation will require the outflow of resources and when a reliable estimate can be made for the amount of the obligation.

Changes in estimates are recognised in the Income Statement for the period in which the change occurs.

Treasury stock
The cost of purchase of treasury stock is accounted for as a reduction of equity. The effects of any subsequent transactions with those shares are similarly recognised directly in equity.

Dividends received and receivable
Dividends received and receivable from investments are recognised in the Income Statement when the right to receive the payment of this income is established and only if declared from post-acquisition net income.

If dividends are declared from pre-acquisition net income, those dividends are deducted from the cost of the investment.

Revenue recognition
Revenue is recognised to the extent that it is probable that economic benefits will flow to the company and when the amount of revenue can be measured reliably. Revenue is presented net of any adjusting items.

Revenue from services and revenue from construction contracts is recognised by reference to the stage of completion (the percentage of completion method). Revenues arising from royalties are recognised on an accrual basis in accordance with the terms of the relevant agreement.

Financial income and expenses
Financial income and expenses are recognised and measured in the Income Statement on an accrual basis.

Taxes
The tax charge for the period is determined on the basis of prevailing laws and regulations. Income taxes are recognised in the Income Statement other than those relating to items credited or charged directly to equity, in which case income taxes are also recognised directly in equity.

Deferred tax assets and liabilities are determined on the basis of all the temporary differences between the carrying amount of an asset or liability in the Balance Sheet and its corresponding tax basis. Deferred tax assets resulting from unused tax losses and temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised. Current and deferred income taxes and liabilities are offset when there is a legally enforceable right to offset. Deferred tax assets and liabilities are measured by using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Fiat S.p.A. and almost all its Italian subsidiaries have elected to take part in the national tax consolidation programme pursuant to articles 117/129 of the Consolidated Income Tax Act (T.U.I.R.); the election has been made for a three year period beginning in 2004.

Fiat S.p.A. acts as the consolidating company in this programme and calculates a single taxable base for the group of companies taking part, thereby enabling benefits to be realised from offsetting taxable income and tax losses in a single tax return. Each company participating in the consolidation transfers its taxable income or tax loss to the consolidating company and Fiat S.p.A. recognises a receivable from that company for the amount of IRES corporate income tax paid over on its behalf. In the case of a company bringing a tax loss into the consolidation Fiat S.p.A. recognises a payable to that company for the amount of the loss actually set off at a group level.

Dividends
Dividends payable are recognised as a change in stockholders' equity in the period in which their distribution is approved by stockholders.

Use of estimates
The preparation of financial statements and related disclosures that conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Estimates are used in accounting for depreciation and amortisation, impairment losses and reversals of impairment losses on investments, the margins earned on construction contracts, employee benefits, taxes and provisions. Estimates and assumptions are reviewed periodically and the effects of any changes are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

New accounting principles
In August 2005, the IASB issued IFRS 7 – *Financial Instruments: Disclosures* and a complementary amendment to IAS 1 *Presentation of Financial Statements – Capital Disclosures*.
IFRS 7 requires disclosures about the significance of financial instruments for an entity's financial position and performance. These disclosures incorporate many of the requirements previously included in IAS 32 – *Financial Instruments: Disclosure and Presentation*. IFRS 7 also requires information about the extent to which the entity is exposed to risks arising from financial instruments, and a description of management's objectives, policies and processes for managing those risks. The amendment to IAS 1 introduces requirements for disclosures about an entity's capital.
IFRS 7 and the amendment to IAS 1 are effective for annual periods beginning on or after January 1, 2007. The Company early adopted IFRS 7 for the annual period beginning January 1, 2006. Comparative data for the Notes envisaged in paragraphs 31 and 42 of said standard are not provided, in accordance with the transitional provisions of paragraph 44.

On November 2, 2006, the IFRIC issued an interpretation of IFRS 2 (IFRIC Interpretation 11 – *IFRS 2 – Group and Treasury Share Transactions*). This interpretation establishes that share-based payment arrangements in which an entity receives services as consideration for its own equity instruments must be accounted for as equity-settled. IFRIC Interpretation 11 is effective from January 1, 2008. The Company early adopted this interpretation on January 1, 2006 and no significant effects arose from this.

Risk management
The risks to which Fiat S.p.A. is exposed, either directly or indirectly through its subsidiaries, are the same as those of the companies of which it is the Parent. Reference should therefore be made to the note on Risk Management included as part of the Notes to the Consolidated Financial Statements of the Fiat Group as well as to Note 29.

Composition and principal changes

Income Statement

1. Dividends and other income from investments
Dividends and other income from investments can be analysed as follows:

(in thousands of euros)	2006	2005
Dividends distributed by subsidiaries:		
- IHF - Internazionale Holding Fiat S.A.	**258,967**	–
- Fiat Finance S.p.A.	**75,000**	–
- Itedi S.p.A.	**12,000**	–
Total dividends distributed by subsidiaries	**345,967**	–
Dividends distributed by other companies	**16,452**	7,714
Total Dividends and other income from investments	**362,419**	7,714

Dividends distributed by other companies in 2006 consist of dividends paid by Mediobanca S.p.A. (8,702 thousand euros), Consortium S.r.l. (6,618 thousand euros) and Fin. Priv. S.r.l. (1,132 thousand euros).

2. (Impairment losses) reversals of impairment losses of investments
Impairment losses and reversals of impairment losses of investments can be analysed as follows:

(in thousands of euros)	2006	2005
Reversals of impairment losses:		
- Fiat Partecipazioni S.p.A.	**1,388,000**	–
- Iveco S.p.A.	**945,814**	–
- Fiat Netherlands Holding N.V.	**95,536**	376,100
- Magneti Marelli Holding S.p.A.	**–**	144,221
- Fiat USA Inc.	**–**	4,017
- Fiat Finance North America Inc.	**–**	2,415
Total Reversals of impairment losses	**2,429,350**	526,753
Impairment losses:		
- Business Solutions S.p.A.	**–**	(52,056)
- Teksid S.p.A.	**–**	(52,986)
- Comau S.p.A.	**(330,000)**	(41,800)
- Fiat Partecipazioni S.p.A.	**–**	(810,700)
Total Impairment losses	**(330,000)**	(957,542)
Total (Impairment losses) reversals of impairment losses	**2,099,350**	(430,789)

This item consists of the impairment losses or reversals of impairment losses arising from the application of the cost method in accordance with IAS 27 and IAS 36.

In particular as the investments are not listed and a market value (fair value less costs to sell) cannot be reliably measured, their recoverable amount in measuring impairment losses and the reversal of impairment losses has been taken as their value in use. The value in use of an investment is determined by estimating the present value of the estimated cash flows expected to arise from the results of the investment and from the estimated value of a hypothetical ultimate disposal, in line with the requirements of paragraph 33 of IAS 28. In calculating this value in use, the forecast included in the business plans of the individual Group Sectors are taken into consideration, as attributed to the investments, increased by their terminal value, adjusted to take account of the risks and uncertainties inherent in the assumptions on which these plans are based. These results and the terminal value are then discounted to present value by applying a rate that is representative of the cost of equity, which varies between 11% and 16% depending on the characteristics of the Sector under consideration.

The investment in Fiat Partecipazioni S.p.A. was impaired in previous years by a total of 5,403,000 thousand euros, which reflects for the most part losses incurred in the Fiat Auto Sector, held as an investment by Fiat Partecipazioni S.p.A. through the subholding Fiat Auto Holdings B.V. As a result of the fact that the Fiat Auto Sector has returned to profitability in 2006 and due to positive future forecasts, the value in use of the investment in that company has been estimated to be approximately 3.3 billion euros, taking into consideration the above-mentioned adjustments, which was then compared with its carrying amount in Fiat Partecipazioni S.p.A. of approximately 2.1 billion euros. The difference of approximately 1.2 billion euros, taken together with the cash flows generated at Fiat Partecipazioni S.p.A. (earned moreover from the gains realised on the sale of investments considered by the Group to be non-strategic), has given rise to a reversal of 1,388,000 thousand euros of the previous impairment loss. The residual part of the accumulated impairment loss recognised in prior years which is available for reversal in future years amounts to 4,015,000 thousand euros, as reported in Note 13.

The investment in 60.56% of the capital of Iveco S.p.A. (the remaining 39.44% is held by Fiat Partecipazioni S.p.A.) was transferred to Fiat S.p.A. during the year from Fiat Netherlands Holding N.V. under a regime whereby the carrying amounts were left unchanged throughout the operation, as described further in Note 13. On the basis of grounds similar to those used for Fiat Auto S.p.A., impairment losses of 945,814 thousand euros recognised in prior years and implicitly reflected in the book value transferred were reversed. The value in use of the investment held is actually greater than the carrying value that has been reinstated, and amounting to 1,593,290 thousand euros.

In a similar manner the part of the write-down of the investment in Fiat Netherlands Holding N.V. attributable to its holding in CNH Global N.V. and amounting to 95,536 thousand euros has been fully reversed.

The write-down of the investment in Comau S.p.A., carried out using the same approach, was affected by the losses incurred by the Sector in 2006 as the result of the steps taken to restructure the company and reshape its operations.

3. Gains (losses) on the disposal of investments
Net gains amount to 425 thousand euros in 2006, representing an improvement of 1,725 thousand euros compared to 2005.

The 2006 figure mainly includes the gains on the sale of minor investments within the Group.

Net losses of 1,300 thousand euros were realised from the disposal of investments in 2005, arising from price settlements on the sale of minor investments.

4. Other operating income

Other operating income can be analysed as follows:

(in thousands of euros)	2006	2005
Revenues from services rendered to Group companies	29,513	20,170
Changes in construction contract work in progress	44,376	40,977
Other revenues and income from Group companies	3,687	4,086
Other revenues and income from third parties	1,662	7,621
Total Other operating income	**79,238**	72,854

Revenues from services rendered to Group companies refer to managerial services provided by Fiat S.p.A. personnel at the premises of various Group companies and fee income for the use of the Fiat trademark for licences granted to Fiat Auto S.p.A. and Fiat Automoveis S.A. – FIASA.

Changes in construction contract work in progress relate to the portion attributable to the year of the fees due to Fiat S.p.A. for the activities performed directly by the company (management, coordination and organisation) as part of the agreements signed with Treno Alta Velocità - T.A.V. S.p.A. (see Note 27).

Other revenues and income from Group companies mostly relates to rental income from real estate properties and to directors' fees paid by companies for duties performed by Fiat S.p.A. employees.

Other revenues and income from third parties refers to the recovery of expenses, prior year income and sundry income.

5. Personnel costs

Personnel costs can be analysed as follows:

(in thousands of euros)	2006	2005
Wages and salaries	22,589	22,993
Defined contribution plans and social security contributions	8,094	7,315
Employee severance indemnity and other defined benefit plans	1,821	2,847
Other long-term employee benefits	314	44
Compensation component of stock option plans	11,297	10,041
Restructuring costs	4,255	10,940
Other personnel costs	9,530	5,847
Total Personnel costs	**57,900**	60,027

The average number of employees for the year rose from 133 in 2005 (63 managers, 65 white-collar workers and 5 blue-collar workers) to 140 in 2006 (63 managers, 70 white-collar workers and 7 blue-collar workers).

As described in Note 4, certain of the company's managers performed their duties at the premises of Group's principal subsidiaries with their costs then being recharged to those companies.

Defined contribution plans consist of the amounts paid by the company to the Italian insurance bodies (INPS) and other social security and assistance organisations for post-employment benefit defined contribution plans (pension plans and medical care) on behalf of all categories of employee. Social security contributions consist of the amount paid by the company to the Italian insurance and assistance bodies (INPS and INAIL) for short-term benefits on behalf of employees such as sickness benefits, industrial injury benefits and compulsory maternity leave.

The compensation component of stock option plans refers to stock option plans with underlying Fiat S.p.A. shares, as described in detail in Note 20.

Restructuring costs consist of employee leaving incentives paid.

Other personnel costs consist mainly of accruals for employee annual target bonuses, leaving incentives and insurance.

The aggregate expense incurred in 2006 and accrued at year end for the compensation of key management personnel of the Group amounts to approximately 19,774 thousand euros. This amount is inclusive of the following:

- the provision charged by the company in respect of mandatory severance indemnity, amounting to 945 thousand euros (including the amount recognised in financial expenses);
- the amount contributed by the company to a defined contribution pension fund amounting to 536 thousand euros in 2006;
- the amount contributed by the company to a special defined benefit plan for certain senior executives amounting to 711 thousand euros in 2006.

6. Other operating costs

Other operating costs can be analysed as follows:

(in thousands of euros)	2006	2005
Costs for services rendered by Group companies	41,345	32,669
Costs for services rendered by third parties	56,352	53,483
Costs for the use of third party assets	1,561	988
Purchase of goods	488	407
Depreciation of property, plant and equipment	2,761	2,816
Amortisation of intangible assets	121	95
Sundry operating costs	38,378	30,902
Total Other operating costs	**141,006**	121,360

Costs for services rendered by Group companies consist of assistance and consultancy of an administrative and financial nature (Fiat Gesco S.p.A. 3,948 thousand euros, Fiat Finance S.p.A. 630 thousand euros, Servizio Titoli S.p.A. 1,228 thousand euros, KeyG Consulting S.p.A. 511 thousand euros), public relations (Fiat I.&C.S. S.c.p.A. 3,001 thousand euros), facility management (Ingest Facility S.p.A. 3,709 thousand euros), payroll services (Fiat Sepin S.c.p.A. 3,005 thousand euros), information systems services (eSPIN S.p.A. 1,932 thousand euros), security services (Orione S.c.p.A. 3,478 thousand euros, Sirio S.c.p.A. 1,132 thousand euros), sponsorship, advertising and promotion services (Ferrari S.p.A. 2,066 thousand euros, Fiat France S.A. 1,734 thousand euros) and internal auditing services (Fiat-Revisione Interna S.c.r.l. 13,704 thousand euros).

Costs for services rendered by third parties consist of professional advice and consultancy in the technical field (the high speed train TAV) and the legal, administrative and financial fields for a total of 26,599 thousand euros, sponsorship and advertising services for 3,217 thousand euros, information systems services for 2,209 thousand euros and insurance costs and general expenses.

Costs for services also include the fees paid to the directors and statutory auditors of Fiat S.p.A. amounting to 8,991 thousand euros and 147 thousand euros respectively. The amount of directors' fees include those resolved by stockholders as well as compensation established by the Board of Directors for directors having particular duties.

Sundry operating costs consist of costs attributed to Group companies for their initiatives in supporting the Group's brand and image, accruals for provisions, subscriptions to trade associations, prior year expenses and other more minor costs.
In 2005 sundry operating costs included the costs for an indemnity paid on the termination of the agreements with IBM and higher costs attributed to Group companies for their initiatives in supporting the Group's brand and image.

7. Income (expenses) from significant non-recurring transactions

There is no non-recurring income or expense in 2006.

The net income from significant non-recurring transactions of 1,133,110 thousand euros in 2005 consisted of the amount of 1,135,000 thousand euros received on the termination of the Master Agreement with General Motors, net of the related transaction costs (legal expenses and other costs for a total of 1,890 thousand euros).

8. Financial income (expenses)

Financial income (expenses) can be analysed as follows:

(in thousands of euros)	2006	2005
Financial income	55,282	105,787
Financial (expenses)	(145,945)	(182,304)
Net income (expenses) from derivative financial instruments	65,816	14,832
Total Financial income (expenses)	**(24,847)**	(61,685)

Financial income can be analysed as follows:

(in thousands of euros)	2006	2005
Financial income from Group companies:		
- Interest income from Fiat Finance S.p.A. current account	13,258	40,387
- Interest income from Fiat Finance S.p.A. loans	28,209	48,868
- Commission income from sureties and personal guarantees	3,631	4,397
- Other financial income	979	717
Total Financial income from Group companies	46,077	94,369
Financial income from third parties:		
- Interest income on bank and other deposits	90	102
- Interest income on tax credits	8,506	9,464
- Commission income from third party sureties and guarantees	604	1,836
- Other third party financial income	5	16
Total Financial income from third parties	9,205	11,418
Total Financial income	**55,282**	105,787

Financial expenses can be analysed as follows:

(in thousands of euros)	2006	2005
Financial expenses with Group companies:		
- Interest expense from Fiat Finance S.p.A. current account	3,032	–
- Interest expense from Fiat Finance S.p.A. loans	122,487	–
- Commissions and other charges payable to Intermap (Nederland) B.V.	3,992	2,937
- Fiat Finance S.p.A. service commissions	147	5
Total Financial expenses with Group companies	129,658	2,942
Financial expenses with third parties:		
- Interest expense on the Mandatory Convertible Facility	–	97,288
- Commissions on the Mandatory Convertible Facility	–	68,945
- Interest expense and charges for the sale of receivables	14,286	11,695
- Financial expenses for employee benefits	732	655
- Other third party interest and financial expenses	1,286	721
Total Financial expenses with third parties	16,304	179,304
Exchange losses (income)	(17)	58
Total Financial expenses	**145,945**	182,304

Net income from derivative financial instruments of 65,816 thousand euros (14,832 thousand euros in 2005) consists of the component of profit and loss resulting from the valuation of derivative financial instruments arranged through other Group companies which, in their turn, are parties to agreements with primary banks. In particular, the 2006 amount includes gains of 71,198 thousand euros (14,832 thousand euros in 2005) arising from the change in fair value of two equity swaps, expiring in 2007, stipulated to hedge the risk of an increase in the Fiat share price above the exercise price of stock options granted in 2004 and 2006 to the Chief Executive Officer (see Note 20). The equity swaps have a notional amount of 219,853 thousand euros (70,241 thousand euros at December 31, 2005). Although theses equity swaps were entered into for hedging purposes, they do not qualify for hedge accounting under IFRS and accordingly are defined as trading derivative financial instruments.

9. Financial income from significant non-recurring transactions

There is no financial income from significant non-recurring transactions in 2006.

In 2005 this item consisted of income of 857,636 thousand euros arising from the increase of capital stock on September 20, 2005 and the simultaneous extinguishment of the Mandatory Convertible Facility. In particular, this income represents the difference between the subscription price of the shares (10.28 euros per share) and their stock market price at the subscription date (7.337 euros per share) related to the new shares issued (291,828,718 ordinary shares), net of the related costs.

10. Income taxes

Income taxes recognised in the Income Statement can be analysed as follows:

(in thousands of euros)	2006	2005
Current taxes:		
- IRES	**(30,587)**	1,115
- IRAP	**1,627**	–
Total Current taxes	**(28,960)**	1,115
Deferred taxes for the period:		
- IRES	**–**	277,000
- IRAP	**3,438**	–
Total deferred taxes for the period	**3,438**	277,000
Taxes relating to prior periods	**(173)**	713
Total Income taxes	**(25,695)**	278,828

IRES current tax income of 30,587 thousand euros arises from the compensation for the tax losses brought by the company into the national tax consolidation for the year.

IRAP current tax expense of 1,627 thousand euros results from the taxable income for the year arising mostly from the margins earned on the long-term agreements with T.A.V. S.p.A. for the completion of the work for the high speed stretch of line between Turin and Novara.

IRAP deferred tax expense of 3,438 thousand euros relates to the part of the margins earned on the long-term agreements with T.A.V. S.p.A. whose taxation is deferred to the completion of the work, net of deferred deductible costs relating to the same tax.

Tax income relating to prior periods of 173 thousand euros relates to refunds of foreign income taxes and the finalisation of last year's national consolidated tax return.

Income taxes in the prior year consist almost exclusively of deferred tax expense of 277,000 thousand euros resulting from the realisation of deferred tax assets recognised in the Balance Sheet at December 31, 2004 in relation to the income arising from the termination of the Master Agreement with General Motors.

A reconciliation between theoretical income taxes determined on the basis of the tax rates applicable in Italy and the income taxes reported in the financial statements is as follows:

(in thousands of euros)	2006	2005
Theoretical income taxes	**764,834**	460,730
Tax effect of permanent differences	**(703,920)**	(138,560)
Taxes relating to prior years	**(173)**	713
Unrecognised net deferred tax assets	**(91,501)**	(47,241)
Other differences	**–**	3,186
Current and deferred income tax recognised in the financial statements, excluding IRAP	**(30,760)**	278,828
IRAP (current and deferred)	**5,065**	–
Income taxes reported in the Income Statement (current and deferred income taxes)	**(25,695)**	278,828

Theoretical income taxes are calculated by applying the IRES tax rate (33% in 2006 and 2005) to the result before taxes. IRAP tax is excluded to facilitate an understanding of the reconciliation between theoretical and reported income taxes; since it is calculated on a tax basis that differs from profit before taxes, it would otherwise generate distortions between one year and another.

The permanent differences referred to above include amongst other things the tax effect of non-taxable income in 2006 amounting to 837,061 thousand euros (459,423 thousand euros in 2005) and of non-deductible costs in 2006 amounting to 133,141 thousand euros (320,863 thousand euros in 2005). In particular, non-taxable income in 2006 results principally from the reversal of impairment losses on investments which led to an effect of 801,685 thousand euros (173,828 thousand euros in 2005). The theoretical tax on this income in 2005 included also 283,020 thousand euros relating to the non-recurring financial income of 857,636 thousand euros arising from the Mandatory Convertible Facility.

Non-deductible costs mainly include impairment losses on investments whose tax effect totalled 117,902 thousand euros in 2006 (315,989 thousand euros in 2005).

Details of deferred tax liabilities net of deferred tax assets may be analysed as follows:

(in thousands of euros)	At December 31, 2005	Recognised in Income Statement	Charged to equity	At December 31, 2006
Deferred tax assets arising from:				
- Write-downs of investments that are deductible in future years	391,907	(241,037)	–	**150,870**
- Taxed provisions and other minor differences	36,036	(21,851)	–	**14,185**
Total Deferred tax assets	427,943	(262,888)	–	**165,055**
Deferred tax liabilities arising from:				
- Deferred tax on gains	(39,736)	39,736	–	**–**
- Measurement of construction contracts by the percentage of completion method	(75,865)	38,220	–	**(37,645)**
- Other	(8,910)	421	(1,505)	**(9,994)**
Total Deferred tax liabilities	(124,511)	78,377	(1,505)	**(47,639)**
Theoretical tax benefit arising from tax loss carryforward	143,089	89,778	–	**232,867**
Adjustments for assets whose recoverability is not probable	(446,521)	91,295	1,505	**(353,721)**
Total Deferred tax liabilities, net of Deferred tax assets	–	(3,438)	–	**(3,438)**

Deferred tax assets have been recognised by carrying out a critical analysis to ensure that the conditions for their future realisation exist, through the use of updated strategic business plans and the related tax plans. As a consequence, the total theoretical future tax benefits arising from deductible temporary differences (165,055 thousand euros at December 31, 2006 and 427,943 thousand euros at December 31, 2005) and tax loss carryforward (232,867 thousand euros at December 31, 2006 and 143,089 thousand euros at December 31, 2005), has been reduced by 353,721 thousand euros at December 31, 2006 (446,521 thousand euros at December 31, 2005).

Total temporary differences (deductible and taxable) and total tax losses at December 31, 2006 and the amounts for which Deferred tax assets have not been recognised, analysed by year of expiry, are set out in the following table:

		Year of expiry				
(in thousands of euros)	Total at December 31, 2006	2007	2008	2009	2010	Beyond 2010
Temporary differences and tax losses relating to IRES:						
- Deductible temporary differences	**497,567**	490,321	1,164	1,146	687	4,249
- Taxable temporary differences	**(131,344)**	–	–	(101,060)	–	(30,284)
- Tax losses	**705,655**	–	178,678	230,529	–	296,448
- Temporary differences and tax losses for which deferred tax assets have not been recognised	**(1,071,878)**	(490,321)	(179,842)	(130,615)	(687)	(270,413)
Temporary differences and tax losses relating to State taxation	**–**	–	–	–	–	–
Temporary differences relating to IRAP:						
- Deductible temporary differences	**20,177**	12,801	1,162	1,087	878	4,249
- Taxable temporary differences	**(101,071)**	(11)	–	(101,060)	–	–
Temporary differences and tax losses relating to local taxation	**(80,894)**	12,790	1,162	(99,973)	878	4,249

Balance Sheet

11. Intangible assets

All intangible assets were acquired from third parties. There are no intangible assets with an indefinite useful life.

The main classes of intangible assets and related changes during 2006 are summarised below:

(in thousands of euros)	At December 31, 2005	Additions	Amortisation	(Decreases) and Other changes	At December 31, 2006
Concessions, licences and similar rights					
- Gross carrying amount	1,003	26	–	28	**1,057**
- Accumulated amortisation	(912)	–	(74)	16	**(970)**
- Net carrying amount	91	26	(74)	44	**87**
Other intangible assets					
- Gross carrying amount	373	138	–	–	**511**
- Accumulated amortisation	(9)	–	(47)	–	**(56)**
- Net carrying amount	364	138	(47)	–	**455**
Intangible assets in progress and advances					
- Gross carrying amount	221	57	–	(48)	**230**
- Accumulated amortisation	–	–	–	–	**–**
- Net carrying amount	221	57	–	(48)	**230**
Total intangible assets					
- Gross carrying amount	1,597	221	–	(20)	**1,798**
- Accumulated amortisation	(921)	–	(121)	16	**(1,026)**
- Net carrying amount	676	221	(121)	(4)	**772**

Concessions, licences and similar rights include the costs incurred for the development and registration of owned trademarks which are amortised on a straight-line basis over three years.

Other intangible assets relate to leasehold improvements. They are amortised over the term of the related leases (4 and 12 years).

Intangible assets in progress and advances relate to costs for administrative registration procedures of trademarks that had not been finalised at year end, which are therefore not amortised.

Amortisation of intangible assets is recognised under Other operating costs in the Income Statement (Note 6).

12. Property, plant and equipment

The main classes of property, plant and equipment and related changes during 2006 are summarised below:

(in thousands of euros)	At December 31, 2005	Additions	Amortisation	(Decreases) and Other changes	At December 31, 2006
Land and buildings					
- Gross carrying amount	45,946	–	–	–	**45,946**
- Accumulated depreciation	(11,516)	–	(1,304)	–	**(12,820)**
- Net carrying amount	34,430	–	(1,304)	–	**33,126**
Plant and machinery					
- Gross carrying amount	10,086	30	–	–	**10,116**
- Accumulated depreciation	(8,161)	–	(989)	–	**(9,150)**
- Net carrying amount	1,925	30	(989)	–	**966**
Other tangible assets					
- Gross carrying amount	5,630	483	–	(61)	**6,052**
- Accumulated depreciation	(2,327)	–	(468)	(96)	**(2,891)**
- Net carrying amount	3,303	483	(468)	(157)	**3,161**
Total property, plant and equipment					
- Gross carrying amount	61,662	513	–	(61)	**62,114**
- Accumulated depreciation	(22,004)	–	(2,761)	(96)	**(24,861)**
- Net carrying amount	39,658	513	(2,761)	(157)	**37,253**

Land and buildings include land for 610 thousand euros (unchanged with respect to the previous year) while buildings mainly comprise the company's headquarters in Turin, Via Nizza 250.

Plant and machinery is principally made up of general plant used in the buildings.

Other tangible assets comprise cars, office furniture and equipment.

At December 31, 2006, there are no tangible assets in progress or contractual commitments to purchase items of property, plant and equipment of a significant amount.

There are no buildings charged as collateral or whose use is restricted.

Depreciation of property, plant and equipment is recognised under Other operating costs in the Income Statement (Note 6).

13. Investments

At December 31, 2006, investments total 14,499,595 thousand euros and underwent the following changes during the year:

(in thousands of euros)	At December 31, 2005	Acquisitions/ Capital increases	Disposals/ Capital reimbursements	(Impairment losses) reversal of imp. losses/ adjustments to fair value	At December 31, 2006
Investments in subsidiaries	4,856,540	7,904,758	(649,410)	2,099,350	**14,211,238**
Investments in other companies	260,992	18,111	(19,243)	28,497	**288,357**
Total Investments	5,117,532	7,922,869	(668,653)	2,127,847	**14,499,595**

Investments in subsidiaries and changes that occurred during the year are set out in the following table:

(in thousands of euros)	% interest	At December 31,2005	Acquisitions/ Capital increases	Disposals/ Capital reimbursements	(Imp. losses)/ rev. of imp. losses	At December 31, 2006
Fiat Partecipazioni S.p.A.	100.00	580,792	6,000,000		1,388,000	**7,968,792**
- Gross carrying amount		5,983,792	6,000,000			11,983,792
- Accumulated impairment losses		(5,403,000)			1,388,000	(4,015,000)
Fiat Netherlands Holding N.V.	60.56	2,725,683	121,126	(647,476)	95,536	**2,294,869**
- Gross carrying amount		3,767,033	121,126	(1,593,290)		2,294,869
- Accumulated impairment losses		(1,041,350)		945,814	95,536	–
Iveco S.p.A.	60.56		647,476		945,814	**1,593,290**
- Gross carrying amount			1,593,290			1,593,290
- Accumulated impairment losses			(945,814)		945,814	–
Ferrari S.p.A.	85.00	160,675	896,012	(1,484)		**1,055,203**
- Gross carrying amount		160,675	896,012	(1,484)		1,055,203
- Accumulated impairment losses		–				–
Magneti Marelli Holding S.p.A.	99.99	811,153				**811,153**
- Gross carrying amount		811,153				811,153
- Accumulated impairment losses		–				–
Teksid S.p.A.	84.79	75,851				**75,851**
- Gross carrying amount		128,837				128,837
- Accumulated impairment losses		(52,986)				(52,986)
Comau S.p.A.	100.00	140,613	240,000		(330,000)	**50,613**
- Gross carrying amount		182,413	240,000			422,413
- Accumulated impairment losses		(41,800)			(330,000)	(371,800)
Business Solutions S.p.A.	100.00	36,304				**36,304**
- Gross carrying amount		88,360				88,360
- Accumulated impairment losses		(52,056)				(52,056)
Itedi - Italiana Edizioni S.p.A.	100.00	25,899				**25,899**
- Gross carrying amount		25,899				25,899
- Accumulated impairment losses		–				–
IHF - Internazionale Holding Fiat S.A.	100.00	33,445				**33,445**
- Gross carrying amount		33,445				33,445
- Accumulated impairment losses		–				–
Fiat Finance S.p.A.	100.00	222,263				**222,263**
- Gross carrying amount		222,263				222,263
- Accumulated impairment losses		–				–
Fiat Finance North America Inc.	39.47	15,557				**15,557**
- Gross carrying amount		17,118				17,118
- Accumulated impairment losses		(1,561)				(1,561)
Fiat U.S.A. Inc.	100.00	27,258				**27,258**
- Gross carrying amount		34,645				34,645
- Accumulated impairment losses		(7,387)				(7,387)
Other minor		1,047	144	(450)		**741**
- Gross carrying amount		1,935	144	(1,216)		863
- Accumulated impairment losses		(888)		766		(122)
Total investments in subsidiaries		4,856,540	7,904,758	(649,410)	2,099,350	**14,211,238**
- Gross carrying amount		11,457,568	8,850,572	(1,595,990)	–	18,712,150
- Accumulated impairment losses		(6,601,028)	(945,814)	946,580	2,099,350	(4,500,912)

Changes that occurred in 2006 may be summarised as follows:

- In May 2006, in order to re-balance the equity structure inside the Group, the capital stock of the subsidiaries Fiat Partecipazioni S.p.A and Fiat Netherlands Holding N.V. was increased by 6,000,000 thousand euros and 121,126 thousand euros respectively.

- In May 2006, Ferrari S.p.A. increased its capital stock through the issuance of 104,000 new shares servicing its stock option plans. Fiat S.p.A. subsequently acquired 93,600 newly-issued shares of Ferrari S.p.A. for 26,713 thousand euros and sold 5,200 shares for 1,484 thousand euros, the latter as part of its agreements with Mubadala Development Company PJSC, bringing its interest therein to 56.4%.

- At the end of September 2006, Fiat S.p.A. exercised its call option and repurchased 28.6% of the capital stock of Ferrari S.p.A. from Mediobanca S.p.A. (and the other members of the syndicate), increasing its interest therein from 56.4% to 85%. The call option was part of the agreements signed with Mediobanca S.p.A. in connection with the sale in 2002 aimed at listing the Ferrari S.p.A. shares. The above transaction led to an increase in the carrying amount of the investment equal to the purchase price of 892,555 thousand euros, including related charges, net of the release of the provision of 23,256 thousand euros accrued in previous years against the company's obligation to Mediobanca S.p.A. which was subject to the latter's execution of the listing of Ferrari S.p.A. shares (see Note 24). The remaining rights agreed with Mediobanca S.p.A. have now ceased. Fiat has a call option exercisable from January 1, 2008 to July 31, 2008 on a further 5% of the Ferrari shares held by Mubadala Development Company at a pre-determined price of 303 euros per share (for a total of 122,776 thousand euros) less any dividend that may be distributed.

- In December 2006, Fiat Netherlands Holding N.V. decreased its capital stock and transferred its 100% investment in Iveco S.p.A. to its stockholders (Fiat S.p.A. and Fiat Partecipazioni S.p.A.) on the basis of their ownership percentage. Fiat S.p.A. thus obtained 519,871,290 Iveco S.p.A. shares, equal to 60.56% of the capital stock, at the same value as the previous carrying amount in the financial statements of Fiat Netherlands Holding N.V. (approximately 1.245 euros per share). At the same time it decreased its investment in Fiat Netherlands Holding N.V. by the same amount (647,476 thousand euros). Since the transaction involved directly and indirectly wholly owned subsidiaries of Fiat S.p.A., carrying amounts were left unchanged throughout the operation. As a result, the accumulated impairment losses recognised by Fiat S.p.A. in previous years due to the impairment losses related to Iveco S.p.A. have not been adjusted.

Impairment losses and the reversals of impairment losses arise from the application of the cost method (see Note 2).

A full list of investments with the additional disclosures required by Consob in its communication no. DEM/6064293 of July 28, 2006 is attached.

Investments in other companies and the changes that occurred are set out below:

(in thousands of euros)	% interest	At December 31, 2005	Acquisitions/ Capital increases	Disposals/ Capital reimbursements	Fair value adjustments	At December 31, 2006
Mediobanca S.p.A.	1.84	227,107	13,544		27,605	**268,256**
Fin.Priv. S.r.l.	14.28	14,355				**14,355**
Consortium S.r.l.	2.76	19,530		(19,243)		**287**
Assicurazioni Generali S.p.A.	0.01		4,567		892	**5,459**
Total investments in other companies		260,992	18,111	(19,243)	28,497	**288,357**

The increase in the investments in Mediobanca S.p.A. and Assicurazioni Generali S.p.A. shown in the column Acquisitions/Capital increases is the result of the winding up of Consortium S.r.l. and the consequent transfer to its shareholders of the shares that the company held in Mediobanca S.p.A. and Assicurazioni Generali S.p.A. on the basis of their investments. The transfer prices were determined on the basis of the market price of the shares.

Fiat S.p.A has measured its investments in Mediobanca S.p.A. and Assicurazioni Generali S.p.A. on the basis of the market price of the shares at year end. This led to an increase in the carrying amount of the investments, recognised directly in equity at year end.

There are no entities in Investments in other companies for whose obligations Fiat S.p.A. has unlimited responsibility (article 2361, paragraph 2 of the Italian civil code).

At December 31, 2005 and 2006 there were no investments given as security for financial or contingent liabilities.

14. Other financial assets

Other financial assets may be analysed as follows:

(in thousands of euros)	At December 31, 2006	At December 31, 2005	Change
Call option on Ferrari S.p.A. shares	**10,032**	–	10,032
Fees receivables for guarantees given	**10,029**	5,262	4,767
Debt securities	**73**	73	–
Total Other financial assets	**20,134**	5,335	14,799

The call option on Ferrari S.p.A. shares has been measured at the amount of the premium paid in October 2006 and relates to 5% of the capital stock of Ferrari S.p.A. held by the Arab Mubadala Development Company PJSC fund. The option may be exercised at a price of 303 euros per share from January 1, 2008 to July 31, 2008. It has been recognised at cost since its fair value cannot be reliably measured.

Fees receivables for guarantees given are measured at the present value of the fees to be received in future years for guarantees provided by the company (mainly for guaranteeing loans obtained by Group companies).

Debt securities consist of listed Italian State securities pledged to fund scholarship grants.

A breakdown of other financial assets by maturity date is as follows:

(in thousands of euros)		At December 31, 2006	At December 31, 2005
Other financial assets			
	due within one year	**2,512**	1,331
	due after one year but within five years	**17,578**	3,044
	due after five years	**44**	960
	total	**20,134**	5,335

15. Other non-current assets

At December 31, 2006, other non-current assets amount to 1,573 thousand euros (4,502 thousand euros at December 31, 2005) and consist of amounts receivable from tax authorities due after one year.

16. Trade receivables

At December 31, 2006, trade receivables amount to 154,692 thousand euros, a decrease of 60,960 thousand euros over December 31, 2005. They are due as follows:

(in thousands of euros)	At December 31, 2006	At December 31, 2005	Change
Third parties			
- Receivables	**152,512**	208,193	(55,681)
- Allowance for doubtful accounts	**(228)**	(228)	–
Total third parties	**152,284**	207,965	(55,681)
Intercompany trade receivables	**2,408**	7,687	(5,279)
Total Trade receivables	**154,692**	215,652	(60,960)

Trade receivables from third parties mainly relate to amounts due from T.A.V. S.p.A. for the progress of works on high speed rail sections during the latter part of 2006. These receivables match the trade payables resulting from the progress of the works to be paid to the consortia CAV.E.T. and CAV.TO.MI. (see Note 25). The allowance for doubtful accounts has been calculated on the basis of an assessment of the risk on a number of minor receivables.

Intercompany trade receivables mainly relate to licence agreements for the use of the Fiat trademark.

The carrying amount of trade receivables is deemed to approximate their fair value.

All trade receivables are due within one year and there are no significant overdue balances.

17. Current financial receivables

At December 31, 2006, current financial receivables total 84,173 thousand euros, a decrease of 2,991,721 thousand euros as compared to December 31, 2005. They comprise intercompany loans and receivables as follows:

(in thousands of euros)	At December 31, 2006	At December 31, 2005	Change
Loan to Fiat Finance S.p.A.	**–**	2,709,592	(2,709,592)
Current account with Fiat Finance S.p.A.	**–**	358,252	(358,252)
Amounts due from Intermap (Nederland) B.V. for derivative financial instruments	**84,133**	8,002	76,131
Other receivables due from Fiat Finance S.p.A. and Intermap (Nederland) B.V.	**40**	48	(8)
Total Current financial receivables	**84,173**	3,075,894	(2,991,721)

The loan of 2,709,592 thousand euros granted to Fiat Finance S.p.A. in 2005 consisted of 2,700,000 thousand euros as principal increased by the accrued interest. It originally expired on January 16, 2006 and was then renewed and fully repaid in connection with the recapitalisation of the subsidiaries mentioned above (see Note 13).

The current account with Fiat Finance S.p.A. represents a balance of 358,252 thousand euros on the Group centralised treasury management.

The item Amounts due from Intermap (Nederland) B.V. for derivative financial instruments consists of the fair value of the first of the two equity swaps on Fiat S.p.A. shares taken out with leading banks by Intermap (Nederland) B.V. under instruction from Fiat S.p.A. to hedge the risk of a rise in the share price above the exercise price of the stock options granted to the company's Chief Executive Officer in 2004, as described in Note 8, to which reference should be made for additional information. The fair value of this equity swap has been calculated on the basis of the market price at the Balance Sheet date.

18. Other current receivables

At December 31, 2006, other current receivables amount to 626,428 thousand euros, a decrease of 173,491 thousand euros over December 31, 2005. They are due as follows:

(in thousands of euros)	At December 31, 2006	At December 31, 2005	Change
Intercompany receivables for consolidated IRES tax	**146,847**	74,024	72,823
Other intercompany receivables	**61**	31,983	(31,922)
VAT receivables	**205,907**	418,544	(212,637)
IRES tax receivables	**268,429**	236,832	31,597
Other	**5,184**	38,536	(33,352)
Total Other current receivables	**626,428**	799,919	(173,491)

Intercompany receivables for consolidated IRES tax arise from the tax calculated on the taxable income contributed by the Italian subsidiaries participating in the national tax consolidation program.

At December 31, 2005, the item Other intercompany receivables included IRES receivables sold to subsidiaries for tax prepayments made on their behalf (30,894 thousand euros).

At December 31, 2005, the item VAT receivables included factored credits of 335,073 thousand euros which were reimbursed by tax authorities during 2006.

IRES tax receivables include receivables that the Italian subsidiaries participating in the national tax consolidation program transferred to Fiat S.p.A. in the 2006 fiscal year and in previous fiscal years. At December 31, 2006 factored credits for which a refund has been claimed amounted to 230,142 thousand euros (224,539 thousand euros at December 31, 2005).

At December 31, 2006, interest recognised on VAT receivables for which refund has been claimed (pro-rata portion for the consolidated VAT) total 14,019 thousand euros (25,139 thousand euros at December 31, 2005) while that recognised on IRES tax receivables (factored) amounts to 15,531 thousand euros (9,886 thousand euros at December 31, 2005).

The carrying amount of other current receivables is deemed to approximate their fair value.

Almost all other current receivables are due within one year, except for an amount of 59 thousand euros which is due between one and five years.

19. Cash and cash equivalents

Cash and cash equivalents consist of the following:

(in thousands of euros)	At December 31, 2006	At December 31, 2005	Change
Cash at banks and post offices	**608**	345	263
Cheques and cash in hand	**–**	150	(150)
Total Cash and cash equivalents	**608**	495	113

The above figures related to on demand deposits in euros in the company's bank current accounts. The carrying amount of cash and cash equivalents is deemed to be in line with their fair value.

The credit risk relating to cash and cash equivalents is insignificant since the counterparties are leading national and international banks.

20. Stockholders' equity

Stockholders' equity amounts to 10,373,528 thousand euros at December 31, 2006, an increase of 2,388,969 thousand euros as compared to December 31, 2005 resulting mostly from the profit for the year of 2,343,375 thousand euros.

Capital stock

Capital stock amounts to 6,377,257 thousand euros at December 31, 2006, which may be analysed as follows:

(no. of shares)	At December 31, 2006	At December 31, 2005
Shares issued and fully paid-up		
- Ordinary shares	**1,092,246,316**	1,092,246,316
- Preference shares	**103,292,310**	103,292,310
- Savings shares	**79,912,800**	79,912,800
Total shares issued	**1,275,451,426**	1,275,451,426

All issued shares have a nominal value of 5 euros, with each category having rights as follows.

Each share conveys the right to a proportionate share of earnings available for distribution and of the residual net assets upon liquidation, without harming the rights of preference and savings shares on the allocation of the earnings as described in the following paragraph.

Each ordinary share conveys the right to vote without any restrictions whatsoever. Each preference share conveys the right to vote only on issues that are within the purview of the Extraordinary Stockholders Meeting and on resolutions concerning the regulations for stockholders meetings. Savings shares are not entitled to vote.

The profit for the year resulting from the annual financial statements of Fiat S.p.A. is to be allocated as follows:

- to the legal reserve, 5% of profit for the year until this reserve reaches one fifth of the capital stock;
- to savings shares, a dividend of up to 0.31 euros per share;
- to the legal reserve (additional allocation), to the extraordinary reserve and/or to retained earnings, such allocations as shall be resolved by the Stockholders Meeting;
- to preference shares, a dividend of up to 0.31 euros per share;
- to ordinary shares, a dividend of up to 0.155 euros per share;
- to savings shares and ordinary shares, in equal proportions, an additional dividend of up to 0.155 euros per share and
- to each ordinary, preference and savings share, in equal proportions, the balance of the profit for the year which the Stockholders Meeting resolves to distribute.

When the dividend paid to savings shares in any year amounts to less than 0.31 euros, the difference is added to the preferred dividend to which they are entitled in the following two years.

If the savings shares are delisted, they are transformed into registered shares if originally bearer shares, and have the right to a higher dividend increased by 0.175 euros, rather than 0.155 euros, with respect to the dividend received by the ordinary and preference shares.

If the ordinary shares are delisted, the higher dividend received by the savings shares with respect to the dividend received by ordinary and preference shares is increased by 0.2 euros per share.

As no dividends were distributed in 2004 and 2005, savings shares are entitled to an additional 0.62 euros per share at December 31, 2006.

The reconciliation of the number of shares outstanding at December 31, 2004 and at December 31, 2006 is as follows:

(no. of shares, in thousands)	At December 31, 2004	Capital increase	(Purchases)/ Sales of treasury stock	At December 31, 2005	Capital increase	(Purchases)/ Sales of treasury stock	At December 31, 2006
Ordinary shares issued	800,417	291,829	–	1,092,246	–	–	**1,092,246**
Less: Treasury stock	(4,384)	–	52	(4,332)	–	559	**(3,773)**
Ordinary shares outstanding	796,033	291,829	52	1,087,914	–	559	**1,088,473**
Preference shares issued	103,292	–	–	103,292	–	–	**103,292**
Less: Treasury stock	–	–	–	–	–	–	**–**
Preference shares outstanding	103,292	–	–	103,292	–	–	**103,292**
Savings shares issued	79,913	–	–	79,913	–	–	**79,913**
Less: Treasury stock	–	–	–	–	–	–	**–**
Savings shares outstanding	79,913	–	–	79,913	–	–	**79,913**
Total shares issued by Fiat S.p.A.	983,622	291,829	–	1,275,451	–	–	**1,275,451**
Less: Treasury stock	(4,384)	–	52	(4,332)	–	559	**(3,773)**
Total Fiat S.p.A. shares outstanding	979,238	291,829	52	1,271,119	–	559	**1,271,678**

Regarding changes in 2005, the Mandatory Convertible Facility was extinguished by its conversion to capital stock through subscription by the Lending Banks to an increase in capital stock for consideration, as approved by the Board of Directors on September 15, 2005; the operation took place on September 20, 2005. Capital stock increased in this manner from 4,918,113,540 euros to 6,377,257,130 euros, through the issuance of 291,828,718 ordinary shares, each with a par value of 5 euros, having the same characteristics as those currently in circulation, including dividend rights from January 1, 2005, pursuant to article 2441, paragraph 7 of the Italian civil code, at a price of 10.28 euros, of which 5.28 euros represents share premium. The operation increased capital stock by 1,459,144 thousand euros, additional paid-in capital by 681,856 thousand euros, and generated non-recurring financial income of 857,636 million euros, net of related costs (see Note 9).

Regarding 2006, treasury stock was sold when the stock options were exercised.

The following are significant matters with respect to the capital stock of Fiat S.p.A.:

- Pursuant to resolutions approved by the Board of Directors on December 10, 2001 and June 26, 2003, capital could have been increased through rights offerings up to a maximum of 81,886,460 euros by the issue of up to 16,377,292 ordinary shares at a par value of 5 euros each on February 1, 2007, following the exercise of the "FIAT ordinary share warrants 2007". Fiat had reserved the right to pay the warrant holders in cash, starting on January 2, 2007, in lieu of the shares to be issued (shares in exchange for warrants), for the difference between the average of the official market price of Fiat ordinary shares in December 2006 and the warrant exercise price, unless this difference exceeds the maximum amount set and previously communicated by Fiat S.p.A., in which case the holder of the warrants could nevertheless have opted to subscribe to the shares in exchange for the warrants. Following exercise of 4,676 "FIAT ordinary share warrants 2007", on February 1, 2007 a total of 1,169 shares were issued for a consideration of 34,326.51 euros. The remaining warrants have expired and have accordingly been cancelled.

- Pursuant to the resolution approved by stockholders in their extraordinary meeting of September 12, 2002, the Board of Directors has the right to increase the capital one or more times by September 11, 2007, up to a maximum of 8 billion euros.

- At its meeting of November 3, 2006, the Board exercised its delegated powers pursuant to Article 2443 of the Italian Civil Code for the capital increase to service the incentive plan. The capital increase is reserved to employees of the company and/or subsidiaries within a limit of 1% of the capital stock, i.e. for a maximum of 50,000,000 euros through the issuance of a maximum of 10,000,000 ordinary shares with a par value of 5 euros each, corresponding to 0.78% of the capital stock and 0.92% of the ordinary capital, at a price of 13.37 euros per share, to service the new stock option plan for employees, described in the following paragraph. Execution of this capital increase is subject to the approval by the Stockholders Meeting of the incentive plan and is dependant on the conditions of the plan being satisfied.

Additional paid-in capital
At December 31, 2006, additional paid-in capital amounts to 1,540,856 thousand euros. The 859,000 thousand euros increase is due to the allocation thereto of the portion of 2005 profit relating to the non-recurring financial income recognised in the Income Statement under IFRS. Such income arose in connection with the 2005 capital increase as a result of the extinguishment of the Mandatory Convertible Facility and its conversion to capital stock. As described in Note 9, the amount is the difference between the subscription price of 10.28 euros per share and the market value of 7.337 euros per share at the subscription date. However, the recognition of such amount as income does not affect its substantial nature of share premium and it should be treated as such pursuant to article 2431 of the Italian Civil Code. Therefore, the portion of 2005 profit recognised under IFRS and relating to such share premium has been recorded as an increase in the additional paid-in capital that had already been recognised in connection with the above-mentioned capital increase.

Reserve under Law no. 413/1991
This reserve amounts to 22,591 thousand euros at year end, unchanged with respect to December 31, 2005. It reflects the mandatory revaluation of property (net of the related substitute reserve) made pursuant to Law no. 413 of December 30, 1991, taken to this specific reserve in accordance with that law.

Legal reserve
This reserve amounts to 446,562 thousand euros at year end, unchanged with respect to December 31, 2005 since net income is firstly used to cover accumulated losses.

Reserve for treasury stock in portfolio
This reserve totals 24,139 thousand euros at December 31, 2006, a decrease of 3,571 thousand euros over December 31, 2005, following the disposal of treasury stock during the year; as a result, the legal obligation of article 2357-ter of the Italian Civil Code is no longer applicable.

The amount of this reserve at December 31, 2006 corresponds to that approved by the Stockholders Meeting of May 11, 2004 in proportion to treasury stock still owned by the company.

Extraordinary reserve
At December 31, 2006, the extraordinary reserve totals 6,135 thousand euros, with an increase of 5,800 thousand euros from the previous year due to the amounts received upon sale of treasury stock.

Retained earnings (losses)
Losses carried forward total 553,412 thousand euros at year end, a decrease of 258,325 thousand euros, due to the portion of 2005 profit not allocated to specific reserves. There were retained losses of 949,100 thousand euros at December 31, 2005 in the financial statements prepared in accordance with Italian accounting principles; these losses were reduced to 726,081 thousand euros following the allocation of 2005 profits by Stockholders Meeting held on May 3, 2006. The difference of 172,669 thousand euros with respect to the balance of 553,412 thousand euros stated above is due to the adjustments made on transition to IFRS (on both stockholders' equity at January 1, 2005 and the 2005 results) which were classified as retained earnings under IFRS and therefore attributable to retained earnings (losses).

Treasury stock
Treasury stock held by Fiat S.p.A. amounts to 24,139 thousand euros at year end and relates to 3,773,458 ordinary shares with a unit carrying amount of 6.397 euros generally servicing the stock option plans granted to employees up to September 12, 2002.

The 3,571 thousand euros decrease over the previous year is due to the disposal of 558,250 shares following the exercise during the year of a number of options granted in September 2002.

Gains (losses) recognised directly in equity
At December 31, 2006, net gains recognised directly in equity total 162,764 thousand euros, with a rise of 28,497 thousand euros over the previous year.

The reserve includes gains and losses recognised directly in equity arising from the fair value adjustment of investments in other companies (Mediobanca S.p.A. and Assicurazioni Generali S.p.A.) as described previously (see Note 13).

Stock option reserve

As discussed in Note 5, the overall expense recognised in 2006 for share-based payments linked to Fiat S.p.A. shares is 11,297 thousand euros (10,041 thousand euros in 2005).

The accumulated stock option reserve totals 27,400 thousand euros at December 31, 2006 (16,103 thousand euros at December 31, 2005).

Share-based payments

At December 31, 2006, Fiat S.p.A. has various share-based payment plans for the executives of Group companies and members of the Board of Directors of Fiat S.p.A.

Stock Option plans linked to Fiat S.p.A. ordinary shares

The Board of Directors of Fiat S.p.A. approved certain stock option plans between March 1999 and September 2002 which provide executives of the Group with the title of "direttore" and high management potential included in "management development programmes" and members of the Board of Directors of Fiat S.p.A. with the right to purchase a determined number of Fiat S.p.A. ordinary shares at a fixed price (strike price). These rights may be exercised over a fixed period of time from the vesting date to the expiry date of the plan. These stock option plans do not depend on any specific market conditions.

In accordance with applicable tax regulations, options are generally exercisable after three years from the grant date and for the following six years. Nevertheless the full amount granted as options is not exercisable until the end of the fourth year.

The contractual terms of these plans are as follows:

Plan	Recipient	Grant date	Expiry date	Strike price (euros)	Number of options granted	Vesting date	Vesting portion
Stock Option 1999	Executives	March 30, 1999	March 31, 2007	26.120	1,248,000	April 1, 2001	50%
						April 1, 2002	50%
Stock Option 2000	Executives	February 18, 2000	February 18, 2008	28.122	5,158,000	February 18, 2001	25%
						February 18, 2002	25%
						February 18, 2003	25%
						February 18, 2004	25%
Stock Option July 2000	Chairman of B.o.D.	July 25, 2000	July 25, 2008	25.459	250,000	July 25, 2001	50%
						May 14, 2002	50%
Stock Option February 2001	Executives	February 27, 2001	February 27, 2009	24.853	785,000	February 27, 2002	25%
						February 27, 2003	25%
						February 27, 2004	25%
						February 27, 2005	25%
Stock Option March 2001	Chairman of B.o.D.	March 29, 2001	October 30, 2008	23.708	1,000,000	July 1, 2002	100%
Stock Option October 2001	Executives	October 31, 2001	October 31, 2009	16.526	5,417,500	October 31, 2002	25%
						October 31, 2003	25%
						October 31, 2004	25%
						October 31, 2005	25%
Stock Option May 2002	Chairman of B.o.D.	May 14, 2002	January 1, 2010	12.699	1,000,000	January 1, 2005	100%
Stock Option September 2002	Executives	September 12, 2002	September 12, 2010	10.397	6,100,000	September 12, 2003	25%
						September 12, 2004	25%
						September 12, 2005	25%
						September 12, 2006	25%

On July 26, 2004, the Board of Directors granted to Sergio Marchionne as a part of his compensation as Chief Executive Officer options for the purchase of 10,670,000 Fiat S.p.A. ordinary shares at the price of 6.583 euros, exercisable from June 1, 2008 to January 1, 2011. In each of the first three years following the grant date, the Officer accrues the right to purchase, starting from June 1, 2008, an annual maximum of 2,370,000 shares. From June 1, 2008, he will have the right to exercise, effective at that date, the residual portion of the options on 3,560,000 shares. This right is subject to achieving certain pre-determined profitability targets (*Non-Market Conditions or "NMC"*).

The contractual terms of the plan are as follows:

Plan	Grant date	Expiry date	Strike price (euros)	Number of options granted	Vesting date	Vesting portion
Stock Option July 2004	July 26, 2004	January 1, 2011	6.583	10,670,000	June 1, 2005	22.2%
					June 1, 2006	22.2%
					June 1, 2007	22.2%
					June 1, 2008	33.4%*NMC

On November 3, 2006 the Fiat S.p.A. Board of Directors approved an eight year stock option plan, which provides certain managers of the Group and the Chief Executive Officer with the right to purchase a determined number of Fiat S.p.A. ordinary shares at the fixed price of 13.37 euros per share. In particular, the 10,000,000 options granted to employees and the 5,000,000 options granted to the Chief Executive Officer have a vesting period of four years, with a quarter of the number vesting each year, are subject to achieving certain pre-determined profitability targets (*Non-Market Conditions or "NMC"*) in the reference period and may be exercised from the date on which the 2010 financial statements are approved. The remaining 5,000,000 options granted to the Chief Executive Officer of Fiat S.p.A. also have a vesting period of four years with a quarter of the number vesting each year and may be exercised from November 2010.

The ability to exercise the options is additionally subject to specific restrictions regarding the duration of the employment relationship or the mandate given. The stock option plan will become effective after approval by the Stockholders Meeting and once all its conditions have been satisfied.

The contractual terms of 2006 plans proposed by Board of Directors are as follows:

Plan	Recipient	Expiry date	Strike price (euros)	Number of options granted	Vesting date	Vesting portion
Stock Option November 2006	Chief Executive Officer	November 3, 2014	13.37	5,000,000	November 2007	25%
					November 2008	25%
					November 2009	25%
					November 2010	25%
Stock Option November 2006	Chief Executive Officer	November 3, 2014	13.37	5,000,000	Spring 2008 (*)	25%*NMC
					Spring 2009 (*)	25%*NMC
					Spring 2010 (*)	25%*NMC
					Spring 2011 (*)	25%*NMC
Stock Option November 2006	Executives	November 3, 2014	13.37	10,000,000	Spring 2008 (*)	25%*NMC
					Spring 2009 (*)	25%*NMC
					Spring 2010 (*)	25%*NMC
					Spring 2011 (*)	25%*NMC

(*) On the approval of the Financial Statements of the previous year.

A summary of outstanding stock option plans at December 31, 2006 is as follows:

	Managers compensation			Compensation as member of the Board		
Exercise price (euros)	No. of options outstanding at December 31, 2006	No. of options outstanding at December 31, 2005	Average remaining contractual life (in years) at December 31, 2006	No. of options outstanding at December 31, 2006	No. of options outstanding at December 31, 2005	Average remaining contractual life (in years) at December 31, 2006
6.583	**–**	–	–	**10,670,000**	10,670,000	4.0
10.397	**2,117,000**	3,046,500	3.7	**–**	–	–
12.699	**–**	–	–	**1,000,000**	1,000,000	3.0
13.37 (*)	**10,000,000**	–	7.8	**10,000,000**	–	7.8
16.526	**1,943,500**	2,299,000	2.8	**–**	–	–
23.708	**–**	–	–	**1,000,000**	1,000,000	1.8
24.853	**80,000**	300,000	2.2	**–**	–	–
25.459	**–**	–	–	**250,000**	250,000	1.6
26.120	**241,900**	316,000	0.3	**–**	–	–
28.122	**1,051,500**	1,788,000	1.1	**–**	–	–
Total (*)	**15,433,900**	7,749,500		**22,920,000**	12,920,000	

(*) The granting of 20,000,000 stock options (of which 10,000,000 granted to managers and 10,000,000 granted to the Chief Executive Officer), approved by the Board of Directors on November 3, 2006, is subject to approval by the Stockholders Meeting pursuant to law.

Changes during the year are as follows:

	Managers compensation		Compensation as member of the Board	
	Number of shares	Average exercise price (euros)	Number of shares	Average exercise price (euros)
Outstanding at the beginning of the year	7,749,500	17.51	12,920,000	8.75
Granted (*)	10,000,000	13.37	10,000,000	13.37
Forfeited	–	–	–	–
Exercised	(558,250)	10.397	–	–
Expired	(1,757,350)	21.54	–	–
Outstanding at December 31, 2006 (*)	**15,433,900**	**14.62**	**22,920,000**	**10.76**
Exercisable at December 31, 2006	**5,433,900**	**16.93**	**2,250,000**	**19.01**
Exercisable at December 31, 2005	6,987,875	18.28	2,250,000	19.01

(*) The granting of 20,000,000 stock options (of which 10,000,000 granted to managers and 10,000,000 granted to the Chief Executive Officer), approved by the Board of Directors on November 3, 2006, is subject to approval by the Stockholders Meeting pursuant to law.

The majority of options that had been granted to managers were exercised during the fourth quarter of the year. The average price of Fiat S.p.A. ordinary shares during this period was 14.14 euros.

As discussed under Significant accounting policies, in the case of share-based payments Fiat S.p.A. applies IFRS 2 to all stock options granted after November 7, 2002, which had not yet vested at January 1, 2005, namely the July 2004 and November 2006 stock option plans. For the stock options plans of July 2004 and November 2006, the fair value calculated at the grant date used to determine the compensation expense to be accrued, based on a binomial pricing model is based on the following assumptions:

	Plan of July 2004	Plan of November 2006
Average unit fair value at grant date	2.440	**3.99**
Price of Fiat S.p.A. ordinary shares at grant date (euros)	6.466	**14.425**
Historical volatility of Fiat S.p.A. ordinary share (%)	29.37	**28.33**

In addition, it is recalled that the dividend payment rate used in the determination of the fair value at the plan grant date in July 2004 was assumed to be zero, based on the experience in the period from 2003 to 2005. In determining the fair value of the November 2006 plan the recent statements made on future dividend prospects have been considered instead (25% of consolidated income).

The following disclosures complete the information provided on equity items:

Availability for use of equity items

(in thousands of euros)	At December 31, 2006	Possible use	Available amount
Capital stock	6,377,257		
Reserves:			
- Additional paid-in capital	1,540,856	A, B, C (*)	1,540,856
- Reserve under Law no. 413/1991	22,591	A, B, C	22,591
- Legal reserve	446,562	B	–
- Reserve for treasury stock in portfolio	24,139	–	–
- Extraordinary reserve	6,135	A, B, C	6,135
- Gains (losses) recognised directly in equity	162,764	–	–
- Stock option reserve	27,400	–	–
Total	**8,607,704**		

Key:
A: capital increase
B: coverage of losses
C: dividend

(*) Fully available to increase capital and cover losses. Any other use requires an increase of the legal reserve up to 20% of capital stock (this may also be carried out by making a transfer from additional paid-in capital itself). The increase required for this at December 31, 2006 would be 828,889 thousand euros.

21. Provisions for employee benefits and other non-current provisions

At December 31, 2006, provisions for employee benefits and other non-current provisions amounts to 18,104 thousand euros, a decrease of 11,067 thousand euros as compared to December 31, 2005 and is made up as follows:

(in thousands of euros)	At December 31, 2005	Accruals	Utilisations	Other changes	At December 31, 2006
Provisions for employee benefits	29,124	3,386	(14,477)	38	**18,071**
Other non-current provisions	47	–	(14)	–	**33**
Total Provisions for employee benefits and other non-current provisions	29,171	3,386	(14,491)	38	**18,104**

Provisions for employee benefits

The company provides post-employment benefits for its employees, either directly or by contributing to independently administered funds.

The benefits are generally based on the employees' remuneration and years of service. The obligations relate both to active employees and to retirees.

The company provides post-employment benefits under defined contribution and/or defined benefit plans.

In the case of defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid the company has no further payment obligations. Liabilities for contributions accrued but not yet paid at the Balance Sheet date are included in the item Other payables (see Note 27). The company recognises the contribution cost for the year on the basis of the service rendered by the employee in the item Personnel costs (see Note 5).

In the case of post-employment benefits the company's obligation is determined on an actuarial basis, using the Projected Unit Credit Method. Any resulting actuarial gains and losses are accounted for using the corridor approach.

Finally, the company grants certain other long-term benefits to its employees; these benefits include those generally paid when the employee attains a specific seniority. In this case, the measurement of the obligation reflects the probability that payment will be made and the period over which the payment is expected to be made. The amount of this obligation is calculated on an actuarial basis using the Projected Unit Credit Method. The corridor approach is not used for the actuarial gains and losses arising from this obligation.

Changes in provisions for employee benefits during the year are as follows:

(in thousands of euros)	At December 31, 2005	Accruals	Utilisations	Other changes	At December 31, 2006
Post-employment benefits:					
- Employee severance indemnity	11,492	1,128	(6,080)	176	**6,716**
- Other	16,442	1,944	(8,397)	(138)	**9,851**
Total post-employment benefits	27,934	3,072	(14,477)	38	**16,567**
Other long-term employee benefits	1,190	314	–	–	**1,504**
Total Provisions for employee benefits	29,124	3,386	(14,477)	38	**18,071**

Post-employment benefits and Other long-term employee benefits are calculated on the basis of the following actuarial assumptions:

	At December 31, 2006	At December 31, 2005
Discount rate	**3.93%**	3.29%
Future salary increase rate	**4.28%**	1.95%
Inflation rate	**2.00%**	2.00%
Theoretical retirement age	**Years: 60 (F) – 65 (M)**	Years: 60 (F) – 65 (M)
Mortality rate	**SI99**	SI99
Average annual departure rate	**9.79%**	8.73%

The provisions for employee benefits may be summarised as follows:

Employee severance indemnity

The employee severance indemnity is recognised as required by Italian labour legislation. This provision is used to pay employees leaving the company for any reason and can be partially paid in advance if certain conditions are met. This defined benefit plan is unfunded.

Other

The item Other includes post-employment benefits accrued by employees, former employees and the Chief Executive Officer following additional or individual labour agreements. These schemes are unfunded.

Other long-term employee benefits

This item mainly includes benefits which are due to employees who reach a specified seniority.

Post-employment benefits at December 31, 2006 and 2005 are made up as follows:

	Employee severance indemnity		Other		Total	
(in thousands of euros)	At December 31, 2006	At December 31, 2005	At December 31, 2006	At December 31, 2005	At December 31, 2006	At December 31, 2005
Present value of unfunded defined benefit plan obligations	**8,412**	12,792	**13,655**	18,250	**22,067**	31,042
Unrecognised actuarial gains (losses)	**(1,696)**	(1,300)	**(3,804)**	(1,808)	**(5,500)**	(3,108)
Net liability	**6,716**	11,492	**9,851**	16,442	**16,567**	27,934

The amounts recognised in the Income Statement for post-employment benefits are as follows:

	Employee severance indemnity		Other		Total	
(in thousands of euros)	2006	2005	2006	2005	2006	2005
Service cost						
- Current service cost	**712**	704	**1,137**	1,139	**1,849**	1,843
- Net actuarial (gains) losses recognised during the year	**94**	–	**397**	1,003	**491**	1,003
Total current service cost	**806**	704	**1,534**	2,142	**2,340**	2,846
Interest costs	**322**	278	**410**	377	**732**	655
Total cost (income) for post-employment benefits	**1,128**	982	**1,944**	2,519	**3,072**	3,501

The items Current service cost and Net actuarial (gains) losses recognised during the year are recorded in the Income Statement item Personnel costs (see Note 5) if relating to employees and in Other operating costs (see Note 6) if relating to the Chief Executive Officer.

Interest expense is recognised under the Income Statement item Financial income (expenses) (see Note 8).

Changes in the present value of the obligation for post-employment benefits are as follows:

	Employee severance indemnity		Other		Total	
(in thousands of euros)	2006	2005	2006	2005	2006	2005
Present value of obligation at the beginning of the year	**12,792**	11,651	**18,250**	17,838	**31,042**	29,489
Current service cost	**621**	943	**1,137**	1,139	**1,758**	2,082
Interest costs	**322**	278	**410**	377	**732**	655
Actuarial (gains) losses arising during the year	**581**	825	**2,394**	867	**2,975**	1,692
Benefits paid	**(6,080)**	(1,807)	**(8,397)**	(1,971)	**(14,477)**	(3,778)
Other changes	**176**	902	**(139)**	–	**37**	902
Present value of obligation at the end of the year	**8,412**	12,792	**13,655**	18,250	**22,067**	31,042

The present value of the defined benefit obligations in 2006 and at the end of the two previous years is as follows:

(in thousands of euros)	At December 31, 2006	At December 31, 2005	At December 31, 2004
Present value of obligation at the end of the year:			
- Employee severance indemnity	**8,412**	12,792	11,651
- Others	**13,655**	18,250	17,838
Total	**22,067**	31,042	29,489

The effects of the differences between the previous actuarial assumptions and what has actually occurred (experience adjustments) at December 31, 2006 and 2005, is as follows:

(in thousands of euros)	2006	2005
Experience adjustments actuarial (gains) losses:		
- Employee severance indemnity	**83**	783
- Others	**1,769**	2,545
Total effect on the present value of defined benefit obligation	**1,852**	3,328

Other non-current provisions

Other non-current provisions at December, 31 2006 total 33 thousand euros (47 thousand euros at December 31, 2005) and relate to sums set aside to pay scholarship grants to employees' children.

22. Non-current financial payables

At December 31, 2006, non-current financial payables amount to 2,810,029 thousand euros, an increase of 2,804,767 thousand euros over December 31, 2005. The balance relates to the following:

(in thousands of euros)	At December 31, 2006	At December 31, 2005	Change
Financial payables to Group companies	**2,800,000**	–	2,800,000
Financial guarantee contracts	**10,029**	5,262	4,767
Total Non-current financial liabilities	**2,810,029**	5,262	2,804,767

Financial payables to Group companies relate to the euro loans due beyond one year extended by Fiat Finance S.p.A. in the first half of 2006 in connection with the recapitalisation of subsidiaries already mentioned (see Note 13). Interest accrued on these loans ranges between 6.20% and 7.18%.

An analysis of loans received by repayment date is as follows:

(in thousands of euros)	At December 31, 2006
Maturity 2010	**400,000**
Maturity 2011	**1,400,000**
Maturity 2013	**1,000,000**
Total Financial payables to Group companies	**2,800,000**

The fair value of these loans at December 31, 2006 is approximately 3 billion euros; the difference between this and their original value (being their nominal value) is essentially due to the improvement in the credit merit of Fiat S.p.A. Fair value was calculated by taking market rates and adjusting these as appropriate to take into account Fiat's credit spread at the Balance Sheet date.

The item financial guarantee contracts consists of the fair value of the liabilities assumed as the result of providing guarantees. After assessing the possibility of any risks for which provisions for contingent liabilities must be recognised and after determining that this item relates essentially only to guarantees provided on behalf of Group company loans, it has been concluded that the present value of the fees receivable for guarantees given (see Other financial assets in Note 14) represents the best estimate of the fair value of these guarantees.

This item may be analysed by maturity date as follows:

(in thousands of euros)		At December 31, 2006	At December 31, 2005
Financial guarantee contracts			
	due within one year	**2,512**	1,331
	due after one year but within five years	**7,473**	3,044
	due beyond five years	**44**	887
	total	**10,029**	5,262

23. Other non-current liabilities

At December 31, 2006, Other non-current liabilities amount to 20,001 thousand euros, showing a net increase of 3,140 thousand euros over the balance at the previous year end.

The item may be analysed as follows:

(in thousands of euros)	At December 31, 2006	At December 31, 2005	Change
Non-current post-employment benefits to be paid:			
- to the former Chief Executive Officer	**5,542**	5,807	(265)
- to former employees	**14,459**	8,432	6,027
Non-current intercompany payables for consolidated IRES tax	**–**	2,622	(2,622)
Total Other non-current liabilities	**20,001**	16,861	3,140

The non-current post-employment benefits to be paid represent the present value of benefits (see Note 21) to be paid to the former Chief Executive Officer and employees that left the company.

The balance of 2,622 thousand euros at December 31, 2005 for intercompany payables for consolidated IRES tax relates to items transferred in connection with the national tax consolidation program in previous years whose liquidity status is subject to certain conditions.

An analysis of other non-current liabilities by due date is as follows:

(in thousands of euros)		At December 31, 2006	At December 31, 2005
Other non-current liabilities			
	due within one year	**866**	609
	due after one year but within five years	**4,814**	5,690
	due after five years	**14,321**	10,562
	total	**20,001**	16,861

24. Provisions for employee benefits and other current provisions

At December 31, 2006 this balance amounts to 26,791 thousand euros, a decrease of 4,200 thousand euros over December 31, 2005, and may be analysed as follows:

(in thousands of euros)	At December 31, 2005	Accruals	Utilisations	At December 31, 2006
Provision for contractual fees	23,256	–	(23,256)	**–**
Provision for indemnities	–	18,000	–	**18,000**
Restructuring provision	4,115	1,890	(4,115)	**1,890**
Provision for employee bonuses	3,620	6,901	(3,620)	**6,901**
Total Provisions for employee benefits and other current provisions	30,991	26,791	(30,991)	**26,791**

The provision for contractual fees at December 31, 2005 was made with respect to any fees that would have been payable to Mediobanca S.p.A. if the latter had listed the Ferrari S.p.A. shares sold in 2002. As discussed above (see Note 13) the provision has been used to reduce the carrying amount of the investment in Ferrari S.p.A. repurchased during the year.

The provision for indemnities relates to the contingent liabilities arising from guarantee commitments and obligations to third parties assumed when subsidiaries have sold their investments or business units.

The restructuring provision includes the employee termination benefits to be paid in accordance with the company's rationalisation plans.

The provision for employee bonuses comprises the expected cost for the annual performance bonuses.

25. Trade payables

At December 31, 2006, trade payables amount to 184,661 thousand euros, a decrease of 200,521 thousand euros as compared to December 31, 2005. The balance can be analysed as follows:

(in thousands of euros)	At December 31, 2006	At December 31, 2005	Change
Trade payables to third parties	**167,115**	380,335	(213,220)
Intercompany trade payables for goods and services	**17,546**	4,847	12,699
Total Trade payables	**184,661**	385,182	(200,521)

Trade payables to third parties are mainly due to CAV.E.T. and CAV. TO.MI. in relation to the work performed over the latter part of the year (see Note 16).

Trade payables are due within one year and their carrying amount at the Balance Sheet date is deemed to approximate their fair value.

26. Current financial payables

At December 31, 2006, current financial payables amount to 1,627,430 thousand euros, up 1,070,047 thousand euros over December 31, 2005. The balance can be analysed as follows:

(in thousands of euros)	At December 31, 2006	At December 31, 2005	Change
Financial payables to Group companies:			
- Current account with Fiat Finance S.p.A.	**426,538**	–	426,538
- Loan from Fiat Finance S.p.A.	**900,000**	–	900,000
- Payables to Group companies for derivative financial instruments	**10,315**	–	10,315
- Accrued interest expense	**68,701**	434	68,267
Total financial payables to Group companies	**1,405,554**	434	1,405,120
Financial payables to third parties:			
- Advances on factored receivables	**221,876**	556,949	(335,073)
Total financial payables to third parties	**221,876**	556,949	(335,073)
Total Current financial payables	**1,627,430**	557,383	1,070,047

The loan from Fiat Finance S.p.A. was obtained at the end of 2006 with maturity in the first quarter of 2007.

The item Payables to Group companies for derivative financial instruments consists of the fair value of the hedging derivative financial instruments outstanding at December 31, 2006 and the fair value of the equity swap on Fiat shares taken out with leading banks by Intermap (Nederland) B.V. under instruction from Fiat S.p.A. to hedge the risk of a rise in the share price above the exercise price of the stock options granted to the company's Chief Executive Officer in 2006, as described in Note 8, to which reference should be made for additional information. The fair value of this equity swap has been calculated on the basis of the market price at the Balance Sheet date.

Advances on factored receivables relate to IRES receivables.

Current financial payables are denominated in euros. Their carrying amount is deemed to be in line with their fair value.

27. Other payables

At December 31, 2006, other payables amount to 361,247 thousand euros, an increase of 110,991 thousand euros over December 31, 2005. The balance may be analysed as follows:

(in thousands of euros)	At December 31, 2006	At December 31, 2005	Change
Advances	**12,918**	21,954	(9,036)
Other payables:			
- Intercompany payables			
- Consolidated VAT	**160,957**	117,028	43,929
- Consolidated IRES tax	**154,910**	97,926	56,984
- Other intercompany payables	**3,211**	425	2,786
- Total intercompany payables	**319,078**	215,379	103,699
- Social security payables	**1,353**	1,717	(364)
- Consolidated VAT payables to third parties (former Group companies)	**13,928**	–	13,928
- Current amounts payable to employees, directors and statutory auditors	**6,802**	6,359	443
- Payables to stockholders of Toro Assicurazioni S.p.A., Magneti Marelli S.p.A. and Comau S.p.A. for public offerings	**864**	864	–
- Dividends payable	**246**	248	(2)
- Other	**200**	898	(698)
Total other payables	**342,471**	225,465	117,006
Tax payables:			
- VAT payable	–	–	–
- Taxes withheld on payments to employees and independent contractors	**3,422**	2,322	1,100
- Tax payable	**1,627**	–	1,627
- Other	**739**	428	311
Total tax payables	**5,788**	2,750	3,038
Accrued expenses and deferred income	**70**	87	(17)
Total Other liabilities	**361,247**	250,256	110,991

Advances

This item consists of the difference between inventories and progress payments and contractual advances received from the customer Treno Alta Velocità – T.A.V. S.p.A. for contract work in progress and is made up as follows:

(in thousands of euros)	At December 31, 2006	At December 31, 2005	Change
Contract work in progress	**352,879**	308,503	44,376
Less: Progress payments for work completed	**357,891**	319,389	38,502
Gross amount due to the customer	**5,012**	10,886	(5,874)
Contractual advances	**7,906**	11,068	(3,162)
Total Advances	**12,918**	21,954	(9,036)

The item relates to contracts for the high speed railway project signed by Fiat S.p.A. with Treno Alta Velocità - T.A.V. S.p.A. (which was in turn engaged by F.S. S.p.A.), for the operational engineering and construction of two lines (Bologna-Florence and Turin-Milan, the latter divided into two sub-lines: Turin-Novara and Novara-Milan). At December 31, 2006, the contractual amounts (including additional work and monetary adjustments) total 4,386 million euros for the Bologna-Florence line, 4,588 million euros for the Turin-Novara sub-line and 2,212 million euros for the Novara-Milan sub-line.

As part of such project, Fiat S.p.A., as the general contractor, engaged CAV.E.T. and CAV.TO.MI. for the engineering and construction activities, retaining all work coordination, organisational and management activities. Contract work in progress therefore reflects the fees earned by Fiat S.p.A. in the form of a percentage (roughly 3.6%) of the contractual amounts, for the activities directly carried out. The work is paid through progress payments made by T.A.V. S.p.A. to Fiat S.p.A. based on the stage of completion of the works and advance payments, which Fiat S.p.A. then pays over to CAV.E.T. and CAV.TO.MI. net of its contractual percentage earned.

These amounts may be analysed by line as follows:

(in thousands of euros)	At December 31, 2006	At December 31, 2005	Change
Contract work in progress	**352,879**	308,503	44,376
- Florence-Bologna line	**129,754**	119,697	10,057
- Turin-Novara line	**179,703**	164,039	15,664
- Novara-Milan line	**43,422**	24,767	18,655
Less: Progress payments for work completed	**357,891**	319,389	38,502
- Florence-Bologna line	**132,416**	124,835	7,581
- Turin-Novara line	**180,002**	169,202	10,800
- Novara-Milan line	**45,473**	25,352	20,121
Gross amount due to the customer	**5,012**	10,886	(5,874)
- Florence-Bologna line	**2,662**	5,138	(2,476)
- Turin-Novara line	**299**	5,163	(4,864)
- Novara-Milan line	**2,051**	585	1,466

Contract work in progress is measured on the basis of the stage of completion in relation to the sales price, which in this case is the consideration contractually agreed for the activities directly carried out by Fiat S.p.A. Contract costs relating to the contract revenue recognised total 116,060 thousand euros at December, 31 2006 (104,838 thousand euros at December 31, 2005). Changes in contract work in progress have been recognised in the Income Statement under the item Other operating income (see Note 4). When the lines are contractually completed, the final contractual revenue for the activities directly carried out will be recognised in the Income Statement under Other operating income, net of any decrease in inventories. At the same time the accounts for inventories and amounts classified as advances will be closed.

Net advances relating to work completed may be analysed as follows:

(in thousands of euros)	Advances received from customers At December 31, 2006	Advances received from customers At December 31, 2005	Advances paid to suppliers At December 31, 2006	Advances paid to suppliers At December 31, 2005	Net advances for work completed At December 31, 2006	Net advances for work completed At December 31,2005
Florence-Bologna line	**3,774,803**	3,398,254	**3,642,387**	3,273,419	**132,416**	124,835
Turin-Novara line	**4,552,834**	4,267,724	**4,372,832**	4,098,522	**180,002**	169,202
Novara-Milan line	**1,218,035**	664,444	**1,172,562**	639,092	**45,473**	25,352
Progress payments for work completed	**9,545,672**	8,330,422	**9,187,781**	8,011,033	**357,891**	319,389

Advances relate to amounts received as down payments from the customer T.A.V. S.p.A. at the commencement of the contracts, which are then recovered as the work progresses. The balance may be analysed as follows:

(in thousands of euros)	Contractual advances received from customers At December 31, 2006	Contractual advances received from customers At December 31, 2005	Contractual advances paid to suppliers At December 31, 2006	Contractual advances paid to suppliers At December 31, 2005	Net contractual advances At December 31, 2006	Net contractual advances At December 31, 2005
Florence-Bologna line	**70,871**	88,672	**68,146**	85,262	**2,725**	3,410
Turin-Novara line	**3,486**	36,320	**3,358**	36,440	**128**	(120)
Novara-Milan line	**135,034**	201,248	**129,981**	193,470	**5,053**	7,778
Contractual advances	**209,391**	326,240	**201,485**	315,172	**7,906**	11,068

The company provided T.A.V. S.p.A. with bank sureties to secure these advances and for the proper performance of the work for a total of 1,877,521 thousand euros at December 31, 2006 (of which 695,243 thousand euros relating to the Bologna Florence line, 742,882 thousand euros to the Turin-Novara sub-line and 439,396 thousand euros to the Novara-Milan sub-line). On the other hand, as contractually provided for, CAV.E.T. provided Fiat S.p.A. with bank sureties totalling 669,582 thousand euros, while CAV.TO.MI provided bank sureties of 714,754 thousand euros for the Turin-Novara sub-line and 422,895 thousand euros for the Novara-Milan sub-line.

No retentions were made in relation to the amounts due from T.A.V. S.p.A. since they have been replaced with a portion of the bank sureties mentioned above.

Lastly, in line with the contractual terms and with the prior approval of the testing commission given to RFI – Rete Ferroviaria Italiana S.p.A., the Turin-Novara high speed line was opened to the public in February 2006. Moreover, the company signed an agreement with T.A.V. S.p.A. in December 2006 for the acknowledgment of the substantial completion of the work on the line. However, since all contractually required checks for the formal approval of the work were still underway at December 31, 2006 and, therefore, the bank sureties had not yet been released, this line has not been closed from an accounting standpoint.

Tax payables and other payables

The main components of these items are as follows.

At December 31, 2006, intercompany payables for consolidated VAT of 160,957 thousand euros (117,028 thousand euros at December 31, 2005) relate to the VAT credits of Italian subsidiaries transferred to Fiat S.p.A. as part of the consolidated VAT procedure.

At December 31, 2006, payables to Group companies in connection with the IRES tax consolidation amounted to 154,910 thousand euros (97,926 thousand euros at December 31, 2005) and represent the remuneration due for the tax losses contributed by the Italian subsidiaries to the national tax consolidation for 2006 and for the IRES tax credits of the Italian subsidiaries transferred to Fiat S.p.A. as part of the tax consolidation procedure.

Tax payables and other payables are all due within one year and their carrying amount is deemed to approximate their fair value.

28. Guarantees granted, commitments and contingent liabilities

Guarantees granted

This item is made up as follows:

(in thousands of euros)	2006	2005	Change
Guarantees granted			
Sureties			
- on behalf of Group companies	**569,288**	797,457	(228,169)
- on behalf of third parties	**96,011**	460,303	(364,292)
Total sureties	**665,299**	1,257,760	(592,461)
Other personal guarantees			
- on behalf of Group companies	**6,748,140**	7,059,768	(311,628)
- on behalf of third parties	**152,404**	160,937	(8,533)
Total other personal guarantees	**6,900,544**	7,220,705	(320,161)
Total Guarantees granted	**7,565,843**	8,478,465	(912,622)

Sureties

At December 31, 2006, sureties amount to 665,299 thousand euros, a decrease of 592,461 thousand euros over December 31, 2005.

This balance mostly relates to sureties granted on behalf of Group companies on Billets de Trésorerie issued (Fiat Finance and Trade Ltd. 165,115 thousand euros), medium- to long-term loans granted by banks (214,580 thousand euros) and the rental payments relating to buildings included in the property securitisation transactions carried out in previous years (189,593 thousand euros). Sureties granted on behalf of third parties mainly relate to the Sava savings bonds still outstanding (46,011 thousand euros, a decrease of 364,292 thousand euros over December 31, 2005).

Other personal guarantees

At December 31, 2006, other personal guarantees amount to 6,900,544 thousand euros, a decrease of 320,161 thousand euros over December 31, 2005.

These relate to:

■ guarantees of 6,748,140 thousand euros granted on behalf of Group companies, including:

– 790,193 thousand euros for loans (Banco CNH Capital S.A. 603,861 thousand euros, CNH America LLC 38,656 thousand euros, Fiat Automoveis S.A. 112,203 thousand euros, Magneti Marelli Controle Motor Ltda. 2,753 thousand euros and Fiat Finance Canada Ltd. 32,720 thousand euros);

– 5,188,361 thousand euros for bond issuances (Fiat Finance and Trade Ltd. 5,175,306 thousand euros and Fiat Finance Luxembourg S.A. 13,055 thousand euros);

– 186,373 thousand euros for credit facilities (CNH Capital America LLC 113,895 thousand euros, Iveco France S.A. 30,000 thousand euros, Fiat Finance North America Inc. 30,354 thousand euros, Fiat Automoveis S.A. 1,466 thousand euros, Fiat India Private Limited 9,619 thousand euros, Comau India Private Limited 1,037 thousand euros);

– 469,627 thousand euros for VAT receivables as part of the tax consolidation procedure, as required by the Ministerial Decree of December 13, 1979 as subsequently amended, and 113,586 thousand euros for other guarantees;

■ guarantees of 152,404 thousand euros granted on behalf of third parties (former Group companies, mainly on VAT receivables).

In addition:

■ as part of an agreement signed on June 22, 2005 with a pool of national and international banks headed by Citibank International, Fiat S.p.A. has provided guarantees on the use of a new three-year credit facility of 1 billion euros granted to Fiat Finance S.p.A. and other Group companies. At December 31, 2006 the facility had not yet been used. In addition, Fiat S.p.A. has granted CNH Global N.V. and its subsidiaries a revolving credit facility of 1 billion dollars usable with the Group treasuries and expiring at the end of January 2007. This facility was not renewed on expiry by Fiat S.p.A. but by the Group's treasury companies with whom it may be utilised until its expiry on 28 February 2008;

■ in 2005, in relation to the early collection by Fiat Partecipazioni S.p.A. of the residual consideration for the sale of the aviation business, Fiat S.p.A. is jointly and severally liable with Fiat Partecipazioni S.p.A. to the purchaser, Avio Holding S.p.A., should Fiat Partecipazioni S.p.A. fail to pay the compensation (following either an arbitral award or an out-of-court settlement) provided for by the sales agreement signed with the seller in 2003. Similarly, in connection with the sale of the controlling interest in the railway business, Fiat S.p.A. is liable to the purchaser, Alstom N.V., for any failure of the company that sold the business (now Fiat Partecipazioni S.p.A.) to comply with the contractual compensation obligations.

Commitments

Commitments total 4,648 thousand euros at year end, a decrease of 2,324 thousand euros over December 31, 2005. The balance represents the residual amount of the commitment undertaken by Fiat S.p.A. on its centenary, in a resolution adopted by stockholders in their meeting of June 22, 1998, to make a contribution to the costs of providing degree courses in Automotive Engineering and of renovating the related university building over a ten-year period.

Teksid

Fiat S.p.A. is subject to a put contract with Renault (in reference to the original investment of 33.5% in Teksid, now 15.2%).

In particular, Renault would acquire the right to exercise a sale option to Fiat on its interest in Teksid, in the following cases:

■ in the event of nonfulfilment in the application of the protocol of the agreement and admission to receivership or any other redressment procedure;

■ in the event Renault's investment in Teksid falls below 15% or Teksid decides to invest in a structural manner outside the foundry sector;

■ should Fiat be the object of the acquisition of control by another car manufacturer.

The exercise price of the option is established as follows:

■ for 6.5% of the capital stock of Teksid, the initial investment price increased by a given interest rate;

■ for the remaining amount of capital stock of Teksid, the share of the accounting net equity at the exercise date.

Contingent liabilities

In connection with significant asset divestitures carried out in 2006 and in prior years, Fiat S.p.A. directly or indirectly through its subsidiaries provided indemnities to purchasers with the maximum amount of potential liability under these contracts generally capped at a percentage of the purchase price. These liabilities primarily relate to potential liabilities arising from contingent liabilities in existence at the time of the sale, as well as breach of representations and warranties provided in the contracts and, in certain instances, environmental or tax matters, generally for a limited period of time. At December 31, 2006, potential obligations with respect to these indemnities are approximately 810 million euros (approximately 750 million euros at December 31, 2005), net of provisions set aside by the single companies. Certain other indemnifications have been provided that do not limit potential payment; it is not possible to estimate a maximum amount of potential future payments that could result from claims made under these indemnities.

Certain claims against Fiat S.p.A. for damages in relation to real estate properties sold in previous years are still pending. Given this fact and the specific conditions of the related proceedings, the possible outcome of this situation cannot be reasonably estimated and, therefore, the likelihood of any costs to be borne by the company cannot be determined.

29. Information on financial risks

The manner in which Fiat S.p.A. measures and manages financial risks are consistent with Group policy.

In particular, the categories of the major risks to which the company is exposed are set out in the following.

Credit risk

The maximum credit risk to which Fiat S.p.A. is theoretically exposed at December 31, 2006 is represented by the carrying amounts stated for financial assets in the Balance Sheet and the nominal value of the guarantees provided as discussed in Note 28.

Amounts receivable at the Balance Sheet date are essentially due from Group companies, from the tax authorities and from T.A.V. S.p.A. The risk on receivables from this latter company is limited to the margin earned by Fiat S.p.A. (of approximately 3.6%), since a condition for the settlement of payables to consortium companies is the receipt of the amounts due from TAV S.p.A.

Guarantees given are for the most part on behalf of Group companies.

There are no significant overdue balances.

Liquidity risk

Liquidity risk arises if the company is unable to obtain under economic conditions the funds needed to carry out its operations.

Fiat S.p.A. takes part in the Group's centralised treasury management and as a result the liquidity risks to which it is exposed are strictly connected with those to which the Fiat Group is exposed as a whole.

The two main factors that determine the Group's liquidity situation are on one side the funds generated by or used in operating and investing activities and on the other the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

The Group has adopted a series of policies and procedures whose purpose is to optimise the management of funds and to reduce the liquidity risk, as follows:

- centralising the management of receipts and payments, where it may be economical in the context of the local civil, currency and fiscal regulations of the countries in which the Group is present;
- maintaining an adequate level of available liquidity;
- diversifying the means by which funds are obtained and maintaining a continuous and active presence on the capital markets;
- obtaining adequate credit lines; and
- monitoring future liquidity on the basis of business planning.

Management believes that the funds and credit lines currently available, in addition to those funds that will be generated from operating and funding activities, will enable the Group to satisfy its requirements resulting from its investing activities and its working capital needs and to fulfil its obligations to repay its debts at their natural due date.

Exchange rate risk

At December 31, 2006 Fiat S.p.A. has no significant receivables or payables balances or derivative financial instruments exposed to exchange rate risk.

Interest rate risk

Fiat S.p.A. satisfies its financial requirements through the Group's centralised treasury management system.

In particular:

- non-current financial payables consist of fixed rate loans granted by Fiat Finance S.p.A. (as discussed in Note 22). The change in the fair value of these loans resulting from a hypothetical, instantaneous and unfavourable change of 10% in market interest rates would have been approximately 51 million euros;
- current financial payables consist mostly of current account overdrafts with Fiat Finance S.p.A., a fixed rate loan from Fiat Finance S.p.A. and payables for advances received from counterparty banks on the sale of receivables (as discussed in Note 26). In regard to those financial payables and their refinancing, a hypothetical, instantaneous and unfavourable change of 10% in short-term interest rate levels would have led to an increase in pre-tax expenses on an annual basis of approximately 5 million euros.

Other risks relating to derivative financial instruments

As discussed in Note 8, Fiat S.p.A. holds certain derivative financial instruments whose value is linked to the trends in the price of listed shares (they are essentially equity swaps on Fiat shares). Although these transactions were entered into for hedging purposes, they do not always qualify for hedge accounting under IFRS. As a result, fluctuations in their value could affect the company's results.

The potential loss in fair value of derivative financial instruments held by the company at December 31, 2006, linked to changes in the price of listed shares, which would arise in the case of a hypothetical, instantaneous and unfavourable change of 10% in the underlying values, amounts to approximately 40 million euros (8 million euros at December 31, 2005). The increase over the figure at December 31, 2005 is the result of new transactions entered during the year and the increase in the market price of the underlying Fiat share.

30. Intercompany and related party transactions

Related party transactions for Fiat S.p.A. consist for the most part of transactions carried out with the company's directly and indirectly held subsidiaries, carried out at market conditions that are normal in the respective markets taking into account the characteristics of the goods and the services involved.

The effects of these transactions on the single items of the 2006 financial statements, which may also be found in the supplementary financial statements and in the explanatory notes, is summarised in the following tables:

Counterparty (in thousands of euros)	Other fin. assets	Trade recs.	Current fin. recs.	Other current recs.	Non-curr. fin. pays.	Trade pays.	Current fin. pays.	Other pays.
eSPIN S.p.A.	–	–	–	–	–	165	–	–
Ferrari S.p.A.	–	–	–	–	–	2,479	–	–
Fiat Auto S.p.A.	–	343	–	37	–	9,073	–	34
Fiat Automoveis S.A. – FIASA	–	1,240	–	–	–	–	–	–
Fiat Finance S.p.A.	–	–	33	–	2,800,000	–	1,399,095	–
Fiat France S.A.	–	–	–	–	–	2,074	–	–
Fiat Gesco S.p.A.	–	–	–	–	–	325	–	–
Fiat Inf. & Comm. Services S.c.p.A.	–	–	–	–	–	2,165	–	–
Fiat Powertrain Technologies S.p.A.	–	630	–	–	–	–	–	–
Fiat Servizi per l'Industria S.c.p.A.	–	–	–	–	–	–	–	3,177
Ingest Facility S.p.A.	–	–	–	–	–	464	–	–
Intermap (Nederland) B.V.	–	–	84,140	–	–	–	6,459	–
KeyG Consulting S.p.A.	–	–	–	–	–	115	–	–
Orione S.c.p.A.	–	–	–	–	–	296	–	–
Sirio S.c.p.A.	–	–	–	–	–	101	–	–
RES tax consolidation	–	–	–	146,847	–	–	–	154,910
VAT consolidation	–	–	–	–	–	–	–	160,957
Financial guarantee contracts	10,029	–	–	–	10,029	–	–	–
Other Group companies	–	195	–	24	–	289	–	–
Total Group companies	**10,029**	**2,408**	**84,173**	**146,908**	**2,810,029**	**17,546**	**1,405,554**	**319,078**
Other related parties	–	–	–	–	–	255	–	–
Total Group companies and other related parties	**10,029**	**2,408**	**84,173**	**146,908**	**2,810,029**	**17,801**	**1,405,554**	**319,078**
Total line item	20,134	154,692	84,173	626,428	2,810,029	184,661	1,627,430	361,247
Percentage of line item	**50%**	**2%**	**100%**	**23%**	**100%**	**10%**	**86%**	**88%**

Items arising from the national tax consolidation (see Notes 18 and 27) and from the consolidated VAT settlement procedure (see Note 27) are reported in the above table in the aggregate, as these do not represent actual trading between Group companies and are carried out solely as part of the financial procedure permitted by tax laws and regulations governing the relations of Italian Group companies with the tax revenue authorities. In a similar manner the asset and liability balances (each of the same amount) relating to the valuation of financial guarantee contracts (see Notes 14 and 22) have also not been reported by individual counterparty as they are not material, being only representative of the present value of the estimated commissions to be earned in future years.

Counterparty (in thousands of euros)	Other operating income	Other operating costs	Financial income (expenses)
Banco CNH Capital S.A.	–	–	375
Business Solutions S.p.A.	1,323	–	–
CNH Global N.V.	–	–	889
Comau S.p.A.	1,154	–	–
C.R.F. S.c.p.A.	345	–	–
Editrice La Stampa S.p.A.	335	–	–
Elasis S.c.p.A.	345	–	–
eSPIN S.p.A.	–	1,932	–
Ferrari S.p.A.	–	2,066	–
Fiat Auto S.p.A.	12,881	7,524	122
Fiat Automoveis S.A. - FIASA	5,609	–	567
Fiat Finance S.p.A.	–	630	(89,572)
Fiat Finance and Trade Ltd.	–	–	1,929
Fiat France S.A.	–	1,734	–
Fiat Gesco S.p.A.	–	3,948	–
Fiat Inf. & Comm. Services S.c.p.A.	85	4,287	–
Fiat Partecipazioni S.p.A.	223	206	–
Fiat Powertrain Technologies S.p.A.	1,583	–	–
Fiat-Revisione Interna S.c.r.l.	–	13,704	–
Fiat Servizi per l'Industria S.c.p.A.	–	3,184	–
Fidis S.p.A.	387	–	–
Ingest Facility S.p.A.	2,178	3,770	–
Intermap (Nederland) B.V.	–	–	67,263
Isvor Fiat S.c.p.A.	443	117	–
Itedi S.p.A.	387	–	–
Iveco S.p.A.	2,411	–	–
KeyG Consulting S.p.A.	–	511	–
Magneti Marelli Holding S.p.A.	1,745	–	–
MC2 - Media Communications S.p.A.	233	17	–
Orione S.c.p.A.	–	3,478	–
Publikompass S.p.A.	480	24	–
Servizio Titoli S.p.A.	–	1,237	–
Sirio S.c.p.A.	–	1,132	–
Teksid S.p.A.	967	–	–
Other Group companies	86	1,139	662
Total Group companies	**33,200**	**50,640**	**(17,765)**
Other related parties	–	1,261	–
Total Group companies and other related parties	**33,200**	**51,901**	**(17,765)**
Total line item	79,238	141,006	(24,847)
Percentage of line item	**42%**	**37%**	**71%**

Details of the more significant transactions between Fiat S.p.A. and Group companies summarised in the above table are as follows:

- granting of a licence to use the Fiat trademark to Fiat Auto S.p.A. and Fiat Automoveis S.A.– FIASA for a consideration calculated as a percentage of turnover;

- services provided by executives of Fiat S.p.A. to the main Group companies (Fiat Auto S.p.A., Comau S.p.A., Business Solutions S.p.A., Iveco S.p.A., Teksid S.p.A., Magneti Marelli Holding S.p.A., Fiat Powertrain Technologies S.p.A. and other minor);

- lease of property to Ingest Facility S.p.A. and Fiat Information & Communication Services S.c.p.A. and the recovery of directors' fees and expenses;

- provision of sureties and personal guarantees (see Note 28) on the issues of bonds and Billets de Trésorerie (mainly Fiat Finance and Trade Ltd.), bank loans (Fiat Automoveis S.A., Fiat Finance S.p.A. and other minor), property rental payments (Fiat Auto S.p.A. and its subsidiaries) and credit facilities guaranteed or made available (CNH Global N.V.);

- management of current accounts, granting of loans, obtaining of short- and medium-term loans and financial assistance (Fiat Finance S.p.A.);

- management of derivative financial instruments (Intermap - Nederland B.V. and Fiat Finance S.p.A., see Notes 17 and 26);

- purchases of administrative, tax and corporate assistance and consultancy services (Fiat Gesco S.p.A., Servizio Titoli S.p.A. and KeyG Consulting S.p.A.), public relations services (Fiat Information & Communications Services S.c.p.A.), office space services, maintenance and real estate services (Ingest Facility S.p.A. and Fiat Partecipazioni S.p.A.), personnel and other management services (Fiat Servizi per l'Industria S.c.p.A.), ICT services (eSPIN S.p.A.), security services (Orione S.c.p.A and Sirio S.c.p.A.), sponsorship, advertising and promotional activities (Ferrari S.p.A. and Fiat France S.A.) and supervisory and internal audit services (Fiat Revisione Interna S.c.r.l.);

- contributions to expenses for activities supporting the trademark and image of the Group (Fiat Auto S.p.A.).

Intercompany transactions in 2006 also include the management of investments which entailed the following:

- collection of dividends from subsidiaries (see Note 1);

- subscription of capital increases of directly held subsidiaries (see Note 13);

- acquisition of 60.56% of the capital of Iveco S.p.A. from Fiat Netherlands Holding N.V., as reported in Note 13;

- as part of the corporate restructuring of the consortium companies of the Group, Fiat S.p.A., acquisition of the direct control of Fiat Revi S.c.p.A. by purchasing the investments previously held by Fiat Partecipazioni S.p.A. and Fiat Auto S.p.A. In addition, Fiat S.p.A. sold its minority interest in Fiat Sepin S.c.p.A. to Fiat Partecipazioni S.p.A.

Financial flows from relations with related parties are not presented in a specific table as these also regard almost entirely the transactions with directly or indirectly held subsidiaries discussed earlier.

Transactions with related parties as defined by IAS 24 which did not involve directly or indirectly held subsidiaries were as follows:

- professional and advisory services and services as the secretary of the Board of Directors and of the Committees were provided to Fiat S.p.A. by Franzo Grande Stevens for fees of 1,136 thousand euros;

- directors' fees of 77 thousand euros and 48 thousand euros were recharged to Istituto Finanziario Industriale S.p.A. and IFIL Investments S.p.A. respectively;

- Ferrari S.p.A. increased its capital stock in 2006 by issuing a total of 104,000 new shares at a price of 175 euros each, following the exercising by the company's chairman, Luca Cordero di Montezemolo, of the same number of stock options. Notice of this decision was provided in advance to the Board of Fiat S.p.A. at its meeting on 28 February and the options were effectively exercised on 12 May for 88,400 options and on 8 June for the remaining 15,600 options. Fiat S.p.A. purchased a total of 93,600 shares from Mr. Montezemolo at a price of 285 euros each, which was the same price as that the one agreed upon between Mediobanca S.p.A. and Mubadala Development Company on the occasion of the recent sale. The total investment amounted to 26,713 thousand euros.

31. Net financial position

Pursuant to the Consob Communication of July 28, 2006 and in compliance with the CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses issued on February 10, 2005, the net financial position of Fiat S.p.A. at December 31, 2006 is as follows:

(in thousands of euros)	At 31 December 2006	At 31 December 2005	Change
Cash and cash equivalents	**608**	495	113
Current financial receivables:	**84,173**	3,075,894	(2,991,721)
- from Group companies	**84,173**	3,075,894	(2,991,721)
- from Third parties	**–**	–	–
Non-current financial payables:	**(2,810,029)**	(5,262)	(2,804,767)
- due to Group companies	**(2,810,029)**	(5,262)	(2,804,767)
- due to Third parties	**–**	–	–
Current financial payables:	**(1,627,430)**	(557,383)	(1,070,047)
- due to Group companies	**(1,405,554)**	(434)	(1,405,120)
- due to Third parties	**(221,876)**	(556,949)	335,073
Net financial position	**(4,352,678)**	2,513,744	(6,866,422)
- due to Group companies	**(4,131,410)**	3,070,198	(7,201,608)
- due to Third parties	**(221,268)**	(556,454)	335,186

32. Significant non-recurring transactions

Pursuant to the Consob Communication of July 28, 2006, the only significant non-recurring transaction carried out by Fiat S.p.A. in 2006 was the purchase of 28.6% of the shares of Ferrari S.p.A.. The effects of this transaction are discussed in Note 13.

33. Transactions resulting from unusual and/or abnormal operations

Pursuant to the Consob Communication of July 28, 2006, Fiat S.p.A. has not taken part in any unusual and/or abnormal operations as defined in that Communication, under which unusual and abnormal transactions are those which because of their significance or importance, the nature of the parties involved, the object of the transaction, the means of determining the transfer price or the timing of the event (close to the year end) may give rise to doubts regarding the accuracy/completeness of the information in the financial statements, conflicts of interest, the safeguarding of an entity's assets or the protection of minority interests.

34. Subsequent Events

As reported in Note 20, following the exercise of 4,676 "Fiat Ordinary Share Warrants 2007" (issued on the occasion of the capital increase on December 10, 2001), 1,169 shares (nominal value 5 euros each) were issued on February 1, 2007 at a price of 34,326.51 euros. The subscribed and paid-in capital of Fiat S.p.A. consequently increased by 5,845 euros from 6,377,257,292,130 euros to 6,377,262,975 euros. The difference of 28,481.51 euros was allocated to Additional paid-in capital. The remaining warrants have expired and have accordingly been cancelled.

Following the contribution of the shares in Magneti Marelli Holding S.p.A. and Teksid S.p.A. by Fiat S.p.A., the stockholders of Fiat Partecipazioni S.p.A. resolved in an extraordinary meeting on February 9, 2007 in favour of a capital increase of 1,002 million euros (consisting of an increase in capital stock of 50 million euros and additional paid-in capital of 952 million euros), through the issuance of shares to be assigned to the contributing stockholder Fiat S.p.A.. The transaction was carried out as part of the programme to streamline and simplify the Group's corporate structure, in which Fiat Partecipazioni S.p.A. is assigned the role of parent company for the principal Italian industrial sectors.

List of investments in subsidiaries and associated companies with additional information required by Consob (communication no. DEM/6064293 of July 28, 2006)

■ Subsidiaries

Company and registered office	Capital (in euros)	Result for the last fiscal year (in euros)	Stockholders' equity (in euros)	% owned by Fiat S.p.A.	Number of shares	Accounting value (in euros)
Fiat Partecipazioni S.p.A. – Turin						
At 12/31/05	3,924,685,869	(862,234,014)	306,158,302	100.00	3,924,685,869	580,792,082
■ reduction of capital stock through cancellation of shares					(3,618,527,567)	
■ capital contribution						6,000,000,000
■ reversal of impairment loss						1,388,000,000
At 12/31/06	**306,158,302**	**942,776,463**	**7,248,934,765**	**100.00**	**306,158,302**	**7,968,792,082**
Fiat Netherlands Holding N.V. – Amsterdam (Netherlands)						
At 12/31/05	4,366,482,748	207,060,528	4,255,797,815	60.56	57,488,376	2,725,682,656
■ capital contribution						121,125,650
■ transfer of investment in Iveco S.p.A. to stockholders						(647,475,682)
■ reversal of impairment loss						95,536,000
At 12/31/06	**2,610,397,295**	**937,119,160**	**3,361,946,033**	**60.56** **+39.44 ind.**	**57,488,376**	**2,294,868,624**
Iveco S.p.A. – Turin						
At 12/31/05				–	–	–
■ transfer from Fiat Netherlands Holding N.V. to stockholders					519,871,290	647,475,682
■ restoration of carrying amount						945,814,000
At 12/31/06	**858,400,000**	**141,459,227**	**819,519,720**	**60.56** **+39.44 ind.**	**519,871,290**	**1,593,289,682**
Ferrari S.p.A. – Modena						
At 12/31/05	20,000,000	52,962,628	218,805,827	56.00	4,480,000	160,675,480
■ purchases					2,413,600	896,012,409
■ sale					(5,200)	(1,484,066)
At 12/31/06	**20,260,000**	**94,470,228**	**331,476,056**	**85.00**	**6,888,400**	**1,055,203,823**
Magneti Marelli Holding S.p.A. – Corbetta						
At 12/31/05	254,324,998	(64,320,893)	548,153,279	99.99	254,301,607	811,153,400
Ordinary shares						
At 12/31/05				100.00	250,500,601	799,002,413
At 12/31/06				**100.00**	**250,500,601**	**799,002,413**
Preference shares						
At 12/31/05				99.39	3,801,006	12,150,987
At 12/31/06				**99.39**	**3,801,006**	**12,150,987**
At 12/31/06	**254,324,998**	**(42,698,723)**	**505,454,556**	**99.99**	**254,301,607**	**811,153,400**
Teksid S.p.A. – Turin						
At 12/31/05	145,817,739	(43,497,815)	102,319,924	84.79	123,640,010	75,851,000
At 12/31/06	**145,817,739**	**(30,916,663)**	**71,403,261**	**84.79**	**123,640,010**	**75,851,000**
Comau S.p.A. – Grugliasco						
At 12/31/05	140,000,000	(55,231,582)	156,954,825	100.00	140,000,000	140,613,200
■ reduction of capital stock					(85,516,556)	
■ capital stock increase					45,516,556	
■ capital contribution						240,000,000
■ impairment loss						(330,000,000)
At 12/31/06	**100,000,000**	**(348,940,866)**	**48,013,959**	**100.00**	**100,000,000**	**50,613,200**
Business Solutions S.p.A. – Turin						
At 12/31/05	10,000,000	(31,547,213)	4,791,396	100.00	10,000,000	36,304,200
At 12/31/06	**4,791,396**	**18,086,645**	**22,878,041**	**100.00**	**10,000,000**	**36,304,200**
Itedi - Italiana Edizioni S.p.A. – Turin						
At 12/31/05	5,980,000	1,919,935	40,354,885	100.00	5,980,000	25,899,105
At 12/31/06	**5,980,000**	**8,694,788**	**37,049,673**	**100.00**	**5,980,000**	**25,899,105**

List of investments (continued)

Company and registered office		Capital (in euros)	Result for the last fiscal year (in euros)	Stockholders' equity (in euros)	% owned by Fiat S.p.A.	Number of shares	Accounting value (in euros)
IHF - Internazionale Holding Fiat S.A. – Lugano (Switzerland)							
At 12/31/05		64,304,546	109,326,187	353,318,843	100.00	100,000	33,444,877
	CHF	100,000,000	170,013,153	549,446,133			
At 12/31/06		**62,231,626**	**272,335,448**	**360,981,993**	**100.00**	**100,000**	**33,444,877**
	CHF	**100,000,000**	**437,615,831**	**580,061,965**			
Fiat Finance S.p.A. – Turin							
At 12/31/05		224,440,000	21,035,715	312,118,679	100.00	224,440,000	222,262,897
At 12/31/06		**224,440,000**	**85,039,496**	**322,158,175**	**100.00**	**224,440,000**	**222,262,897**
Fiat Finance North America Inc. – Wilmington (U.S.A.)							
At 12/31/05		33,983,225	971,635	39,411,080	39.47	150	15,557,000
	USD	40,090,010	1,146,238	46,493,251			
At 12/31/06		**30,440,402**	**1,355,068**	**36,657,462**	**39.47**	**150**	**15,557,000**
	USD	**40,090,010**	**1,784,625**	**48,277,877**	**+60.53 ind.**		
Fiat U.S.A. Inc. – New York (U.S.A.)							
At 12/31/05		14,266,339	421,594	27,255,517	100.00	1,000	27,257,726
	USD	16,830,000	497,355	32,153,333			
At 12/31/06		**12,779,043**	**601,656**	**25,015,728**	**100.00**	**1,000**	**27,257,726**
	USD	**16,830,000**	**792,381**	**32,945,714**			
Elasis-Società Consortile per Azioni – Pomigliano d'Arco							
At 12/31/05		20,000,000	29,905	20,134,672	0.17	33,334	29,974
At 12/31/06		**20,000,000**	**736,816**	**20,871,489**	**0.17**	**33,334**	**29,974**
					+99.83 ind.		
Fiat Information & Communication Services società consortile per Azioni – Turin							
At 12/31/05		800,000	26,635	955,257	51.00	408,000	430,000
At 12/31/06		**800,000**	**(75,141)**	**880,116**	**51.00**	**408,000**	**430,000**
					+49.00 ind.		
MC2 - Media Communications S.p.A. – Turin							
At 12/31/05		219,757	1,210	220,967	3.17	6,977	5,165
■ sale						(6,977)	(5,165)
At 12/31/06					**–**	**–**	**–**
Fiat-Revisione Interna S.c.r.l. – Turin							
At 12/31/05		300,000	55,930	389,238	14.00	42,000 n.v.	42,962
■ purchase						111,000 n.v.	144,018
At 12/31/06		**300,000**	**11,525**	**400,763**	**51.00**	**153,000 n.v.**	**186,980**
					+49.00 ind.		
Fiat Servizi per l'Industria S.c.p.A. – Turin							
At 12/31/05		1,652,669	349,291	2,001,960	36.47	602,688	515,803
■ sale						(520,055)	(445,083)
At 12/31/06		**1,652,669**	**(465,973)**	**1,535,987**	**5.00**	**82,633**	**70,720**
					+95.00 ind.		
Isvor Fiat Società consortile di sviluppo e addestramento Industriale per Azioni – Turin							
At 12/31/05		300,000	175,142	715,087	26.00	78,000	–
■ sale						(69,000)	–
At 12/31/06		**300,000**	**133,185**	**848,273**	**3.00**	**9,000**	**–**
					+97.00 ind.		
Orione S.c.p.A.-Società Industriale per la Sicurezza e la Vigilanza Consortile per Azioni – Turin							
At 12/31/05		26,605	60,906	87,511	81.20		21,108
■ transformation into a consortium stock corporation						21,603	
At 12/31/06		**120,000**	**42,912**	**223,818**	**18.00**	**21,603**	**21,108**
					+81.12 ind.		
SIRIO - Sicurezza Industriale Società consortile per Azioni – Turin							
At 12/31/05		120,000	14,974	197,826	0.75	901	764
At 12/31/06		**120,000**	**16,490**	**229,062**	**0.75**	**901**	**764**
					+ 92.27 ind.		
■ Total subsidiaries							**14,211,237,162**

List of investments in subsidiaries and associated companies with additional information required by Consob (communication no. DEM/6064293 of July 28, 2006)

■ Other companies

Company and registered office	% owned by Fiat S.p.A.	Number of shares	Accounting value (in euros)
Mediobanca S.p.A. – Milan			
At 12/31/05	1.77	14,118,350	227,107,778
■ transfer from Consortium S.r.l. to stockholders		884,857	13,544,506
■ adjustment to fair value			27,605,057
At 12/31/06	**1.84**	**15,003,207**	**268,257,341**
Assicurazioni Generali S.p.A. – Trieste			
At 12/31/05			
■ transfer from Consortium S.r.l. to stockholders		164,083	4,566,922
■ adjustment to fair value			892,119
At 12/31/06	**0.01**	**164,083**	**5,459,041**
Fin.Priv. S.r.l. – Milan			
At 12/31/05	14.29		14,354,662
At 12/31/06	**14.29**		**14,354,662**
Consortium S.r.l. – Milan			
At 12/31/05	2.76		19,529,683
■ reduction of capital stock and reserves and refund to stockholders			(19,243,420)
At 12/31/06	**2.76**		**286,263**
Consorzio Lingotto – Turin			
At 12/31/05	5.40		279
At 12/31/06	**5.40**		**279**
■ Total other companies			**288,357,586**

% owned by Fiat S.p.A.
The indirect percentage held in the ordinary capital of subsidiaries is also indicated.

Fees paid to Members of the Board of Directors and Control Bodies, General Managers and Executives with Strategic Responsibilities (in thousands of euros) (Article 78 of Consob Regulation No. 11971/99)

First name and last name	Office held in 2006	Term of office	Expiration (*)	Compensation for office held	Non-cash benefits (**)	Bonuses and other incentives	Other fees	Total
Luca Cordero di Montezemolo	Director Chairman	01/01-12/31/2006	2009	550.0 1)	9.1	1,000.0	5,484.0 2)	7,043.1
John Elkann	Director Vice Chairman	01/01-12/31/2006	 2009	550.0 3)	24.5			574.5
Sergio Marchionne	Chief Executive Officer	01/01-12/31/2006	2009	2,000.0		4,228.0 4)	368.8 5)	6,596.8
Andrea Agnelli	Director	01/01-12/31/2006	2009	77.0				77.0
Roland Berger	Director	05/03-12/31/2006	2009	48.3				48.3
Tiberto Brandolini d'Adda	Director	01/01-12/31/2006	2009	77.0				77.0
Luca Garavoglia	Director	01/01-12/31/2006	2009	92.0				92.0
Gian Maria Gros-Pietro	Director	01/01-12/31/2006	2009	92.0				92.0
Hermann-Josef Lamberti	Director	01/01-12/31/2006	2009	92.0				92.0
Virgilio Marrone	Director	01/01-12/31/2006	2009	77.0 6)				77.0
Vittorio Mincato	Director	01/01-12/31/2006	2009	89.0				89.0
Pasquale Pistorio	Director	01/01-12/31/2006	2009	80.0				80.0
Carlo Sant'Albano	Director	05/03-12/31/2006	2009	48.3 7)				48.3
Ratan Tata	Director	05/03-12/31/2006	2009	39.3				39.3
Mario Zibetti	Director	01/01-12/31/2006	2009	101.0				101.0
Angelo Benessia	Director	01/01-05/03/2006		40.8				40.8
Flavio Cotti	Director	01/01-05/03/2006		34.8				34.8
John Daniel Winteler	Director	01/01-05/03/2006		31.8				31.8
Carlo Pasteris	Chairman of the Board of Statutory Auditors	05/03-12/31/2006	2009	41.9			3.0 8)	44.9
Giuseppe Camosci	Statutory Auditor	01/01-12/31/2006	2009	42.0				42.0
Cesare Ferrero	Chairman of the Board of Statutory Auditors Statutory Auditor	01/01-05/03/2006 05/03-12/31/2006	 2009	49.1			40.0 9)	89.1
Giorgio Ferrino	Statutory Auditor	01/01-05/03/2006		14.1				14.1
Executives with strategic responsibilities (***)				0.0	119.0 10)	6,667.0 11)	11,876.0 12)	18,662.0 13)

(*) Year in which the Stockholders Meeting is convened for approval of the Annual Report, coinciding with expiration of the term of office.
(**) They include the use of means of transport for personal purposes.
(***) It includes 17 executives.
1) The gross annual compensation for the office of Chairman amounts to 500,000 euros.
2) Compensation for office held in Ferrari, including variable compensation. Starting from the fourth year of office as Chairman of Ferrari, he will accrue the right to receive the following severance package: a sum payable over twenty years, the amount of which, after ten years, may not be greater than five times the fixed portion of his annual compensation. The relevant accrual posted by Ferrari in 2006 amounted to 593.3 thousand euros.
3) The gross annual compensation for the office of Vice Chairman amounts to 500,000 euros.
4) Variable compensation whose payment is subject to the achievement of predetermined targets related to the annual budget and which may not be greater than 2.5 times the gross annual fixed compensation.
5) The amount includes compensation for office held in the subsidiaries IHF and BUC (368.8 thousand euros) but does not include compensation for the office held in Fiat Auto (500 thousand euros), which he does not receive but is channelled to Fiat S.p.A. In 2006, the Company posted an accrual of 771 thousand euros for the Chief Executive Officer's severance package.
6) Compensation channelled to IFI S.p.A.
7) Compensation channelled to IFIL Investments S.p.A.
8) Compensation for the office of Common representative of holders of savings shares, held until April 20, 2006.
9) Compensation for the office of Chairman of the Board of Statutory Auditors of Fiat Auto S.p.A.
10) Including fringe benefits.
11) Variable portion of the compensation.
12) Including compensation for employment work, amounts paid upon termination of employment (3,318.0 thousand euros), and compensation not channelled for offices held at subsidiaries.
13) Social contributions paid by the company are not included.

Stock Options granted Members of the Board of Directors, General Managers and Executives with Strategic Responsibilities (Article 78 of Consob Regulation No. 11971/99)

Grantee		Options held at the beginning of the year			Options granted during the year			Options exercised during the year			Options expired in the year	Options held at the end of the year		
First name and last name	Office held at the date of the grant	Number of options	Average exercise price	Exercise period (mm/yy)	Number of options	Average exercise price	Exercise period (mm/yy)	Number of options	Average exercise price	Average market price at exercise date	Number of options	Number of options	Average exercise price	Exercise period (mm/yy)
Paolo Fresco	Chairman	2,250,000	20.614	07/01-01/10								2,250,000	20.614	07/01-01/10
Sergio Marchionne	Chief Executive Officer	10,670,000	6.583	06/08-01/11*								10,670,000	6.583	06/08-01/11
Executives with strategic responsibilities		801,000	18.572	02/01-09/10				40,000	10.397	14.14	192,600	568,400	17.703	02/01-09/10

* The options are exercisable for one-third of the shares only upon satisfaction of the profitability targets, whose amount and reference period are defined in advance.

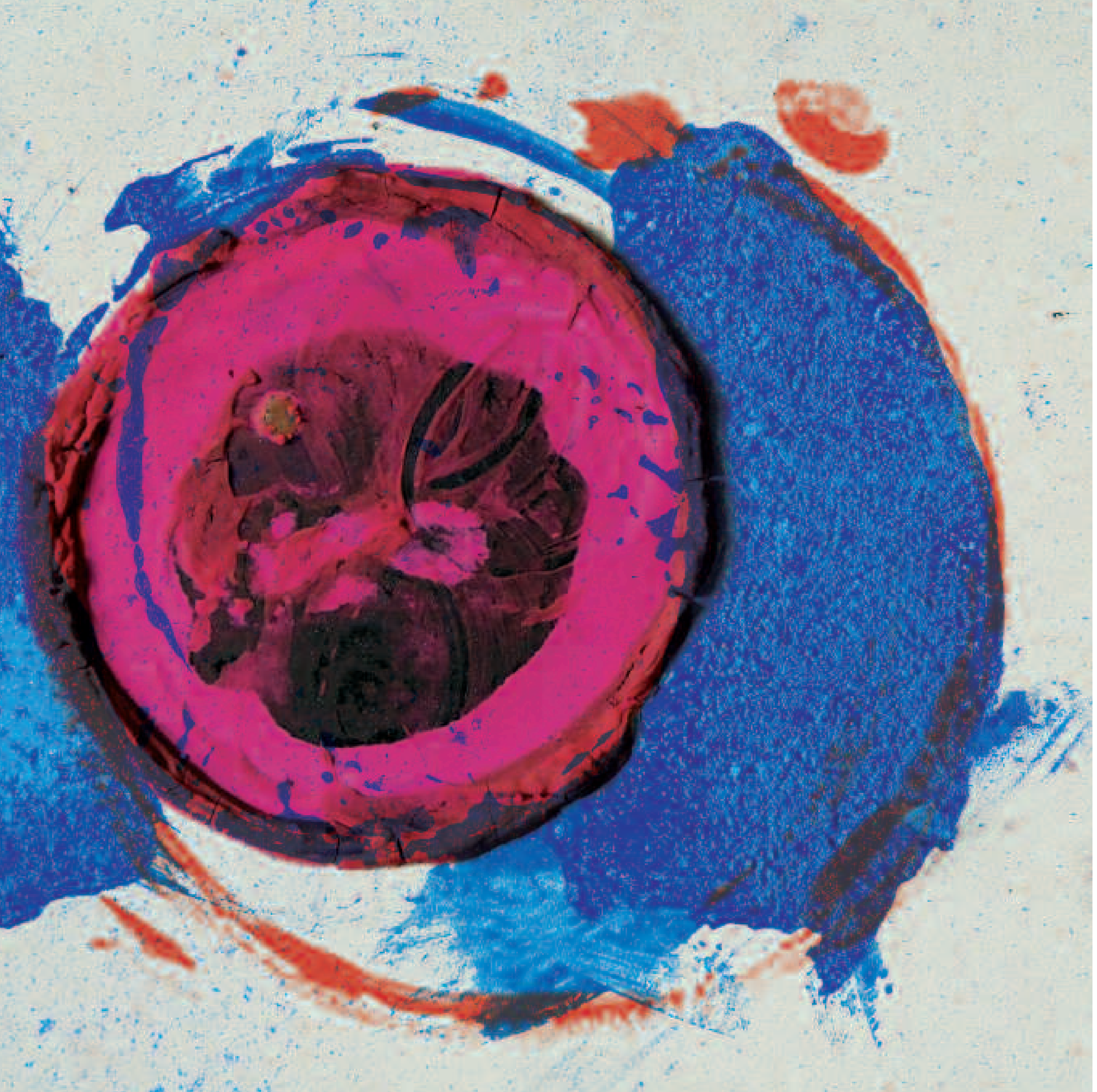
As indicated in Note 20, on November 3, 2006 the Fiat S.p.A. Board of Directors approved a stock option plan, which provides more than 300 managers, including executives with strategic responsibilities, and the Chief Executive Officer with the right to purchase 10,000,000 Fiat S.p.A. ordinary shares at the fixed price of 13.37 euros per share. In particular, the options granted to the managers and no. 5,000,000 options granted to the Chief Executive Officer have a vesting period of four years, with a quarter of the number vesting each year, are subject to achieving certain pre-determined profitability targets in the reference period and may be exercised from the date on which the 2010 financial statements are approved. The remaining 5,000,000 options also have a vesting period of four years with a quarter of the number vesting each year and may be exercised from November 2010. Furthermore the ability to exercise the options is additionally subject to specific restrictions regarding the duration of the mandate given.

The stock option plan will become effective after approval by the Stockholders Meeting and once all its conditions have been satisfied.

Turin, February 20, 2007

On behalf of the Board of Directors

Luca Cordero di Montezemolo
Chairman



Appendix
Transition of the Parent Company Fiat S.p.A. to International Financial Reporting Standards (IFRS)

In compliance with European Regulation no. 1606 of July 19, 2002, starting from 2005 the Fiat Group has adopted the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") for the preparation of its consolidated financial statements. On the basis of national legislation implementing that Regulation, the annual statutory accounts of the Parent Company Fiat S.p.A. at December 31, 2006 have also been prepared using those accounting standards. As a consequence the Parent Company Fiat S.p.A. is presenting its financial statements for 2006 and its comparative figures for the prior year in accordance with IFRS.

This Appendix provides reconciliations of the company's Balance Sheets at January 1, 2005 and December 31, 2005 and its Income Statement for the year ended December 31, 2005, together with notes, as required by IAS 1 – *Presentation of Financial Statements*.

This information has been prepared as part of the transition by Fiat S.p.A. to IFRS and in connection with the preparation of its statutory accounts for the year ending December 31, 2006 in accordance with IFRS; it does not include all of the disclosures which would be necessary for a full presentation of the financial position and results of operations of Fiat S.p.A. as of and for the year ended December 31, 2005 in conformity with IFRS.

Reconciliations required by IFRS 1

As required by IFRS 1 – *First-time Adoption of International Financial Reporting Standards*, this Appendix describes the principles adopted in preparing the opening Balance Sheet at January 1, 2005 in accordance with IFRS and the main differences with the Italian accounting principles used to prepare the Italian financial statements for the year ended December 31, 2005, and provides reconciliations between the figures already published, prepared in accordance with Italian accounting principles, and the corresponding figures redetermined in accordance with IFRS.

The Balance Sheet and Income Statement for the year ended December 31, 2005 have been prepared in accordance with the provisions of IFRS 1 on the basis of the IFRS already effective from January 1, 2006 as published at December 31, 2005. As a result in particular the amendment to IAS 39 issued in 2005 regarding the recognition and measurement of financial guarantee contracts in the financial statements of the guarantor and having effect from January 1, 2006 has been applied.

First-time adoption of IFRS

General principle

In compliance with IFRS 1, Fiat S.p.A. has applied the accounting standards effective at the reporting date of its first IFRS financial statements to its opening Balance Sheet at January 1, 2005 and retrospectively throughout all the periods presented in those statements, except for the exemptions permitted by IFRS 1 and elected by the company as described in the following. In particular, as Fiat S.p.A. has adopted IFRS for its separate financial statements at a later date than for its consolidated financial statements (in which there was an opening IFRS Balance Sheet at January 1, 2004), it has measured assets and liabilities in accordance with IFRS at the same value in both Balance Sheets (separate and consolidated), with the exception of the items for which there are consolidating adjustments.

There are the following differences in the opening Balance Sheet at January 1, 2005 compared to that included in the financial statements for the year ended December 31, 2004 prepared in accordance with Italian accounting principles:

- all assets and liabilities whose recognition is required by IFRS, including those not permitted in the application of Italian accounting principles, have been recognised and measured in accordance with IFRS;
- all assets and liabilities whose recognition is required by Italian accounting principles but is not permitted by IFRS have been derecognised;
- certain Balance Sheet items have been reclassified in accordance with IFRS.

The effects of these adjustments have been recognised directly in opening equity at January 1, 2005, the date of first-time adoption of IFRS.

Financial statement format

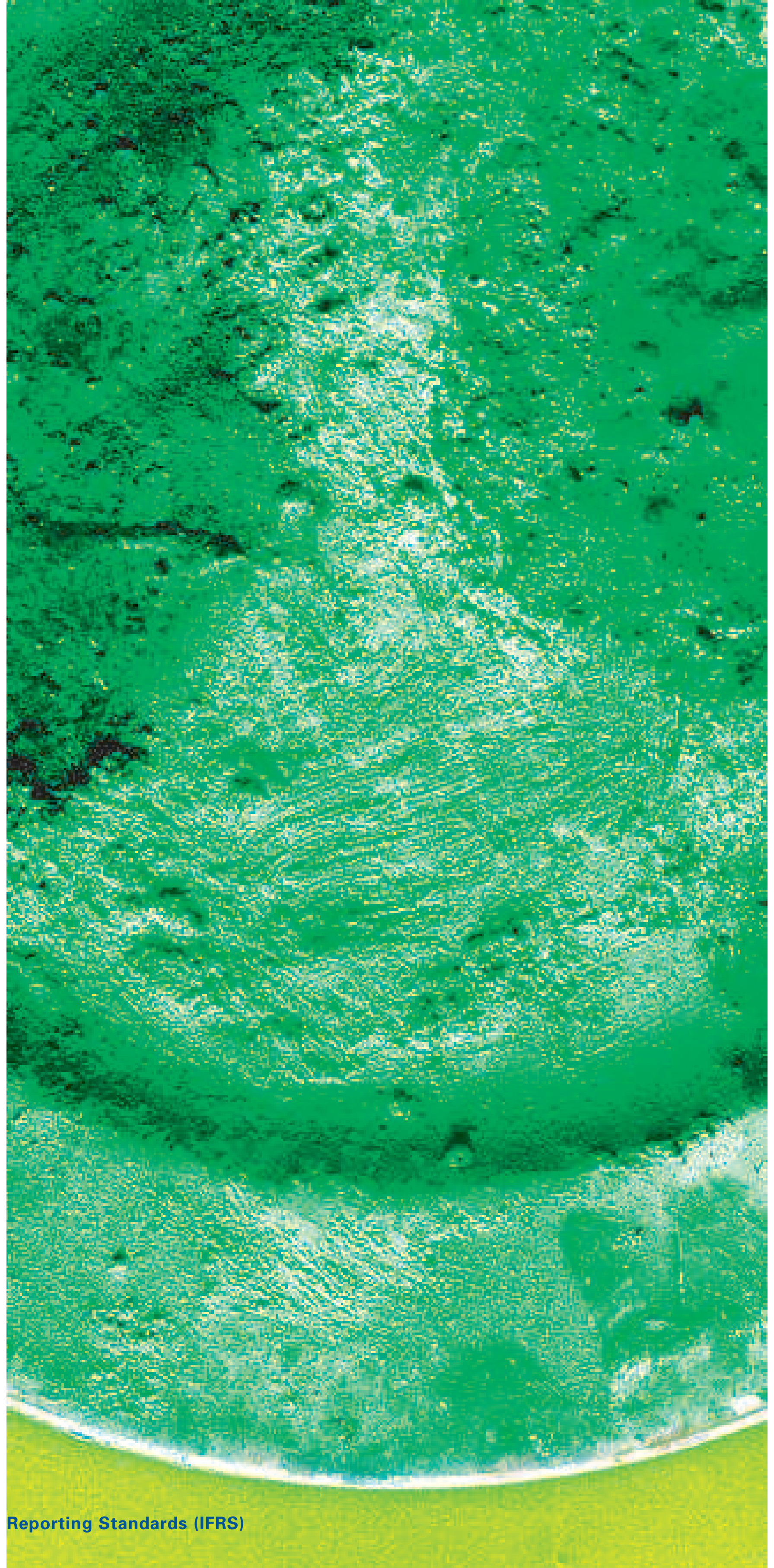
Fiat S.p.A. has adopted the current/non-current distinction for the presentation of assets and liabilities in its Balance Sheet, leading to the need to reclassify the previous Balance Sheets presented in accordance with the formats required by Legislative Decree no. 127 of April 9, 1991 and subsequent modifications; the presentation of the Income Statement remains unchanged, with expenses classified on the basis of their nature.

Optional exemptions elected by Fiat S.p.A

In accordance with the optional exemption granted by IFRS 1, Fiat S.p.A. has elected to measure its assets and liabilities at January 1, 2005, the transition date, at the same amounts used in the preparation of the Group's consolidated financial statements for the year ended December 31, 2004.
In further detail:

- **Employee benefits**: the Fiat Group elected to recognise all cumulative actuarial gains and losses at January 1, 2004 on transition to IFRS, even though it decided to use the "corridor approach" for later actuarial gains and losses. This exemption was applied from January 1, 2004, the date of first-time adoption of IFRS by the Fiat Group. There would not have been material differences if this had instead been applied from January 1, 2005.

- **Business combinations**: Fiat S.p.A. has elected not to apply IFRS 3 – *Business Combinations* to business combinations that occurred before the date of transition to IFRS.



Effects of transition to IFRS on the Balance Sheet at January 1, 2005

(in millions of euros)	Italian GAAP	Reclassifications	Adjustments	IAS/IFRS	
Intangible assets	50	–	(50)	–	Intangible assets
Property, plant and equipment	43	(1)	–	42	Property, plant and equipment
Equity investments	5,249	–	75	5,324	Investments
Other securities	–	–	7	7	Other financial assets
		277	–	277	Deferred tax assets
		2	–	2	Other non-current assets
Total fixed assets	**5,342**	**278**	**32**	**5,652**	**Total Non-current assets**
Inventories	7,145	(7,321)	176	–	Inventories
Trade receivables	351	6	–	357	Trade receivables
Receivables from subsidiaries	25	(25)	–		
Financial receivables from subsidiaries	2,321	2	–	2,323	Current financial receivables
Taxes receivable	289	(289)	–		
Deferred tax assets	277	(277)	–		
Other receivables	33	312	359	704	Other current receivables
Treasury stock	26	–	(26)		
Cash on hand	–	–	–	–	Cash and cash equivalents
Total current assets	**10,467**	**(7,592)**	**509**	**3,384**	**Total Current Assets**
Accrued income and prepaid expenses	**7**	**(7)**	**–**		
		–	–	–	Assets held for sale
TOTAL ASSETS	**15,816**	**(7,321)**	**541**	**9,036**	**TOTAL ASSETS**
Total stockholders' equity	**4,466**	**–**	**190**	**4,656**	**Total stockholders' equity**
Provisions for termination indemnities and similar obligations	19	36	(3)	52	Provisions for employee benefits and other non-current provisions
Other provisions	30	(30)	–		
		–	–	–	Deferred tax liabilities
		–	7	7	Non-current debt
		13	–	13	Other non-current liabilities
Total provisions for risks and charges	**49**	**19**	**4**	**72**	**Total Non-current liabilities**
Provision for employee severance indemnities	**12**	**(12)**	**–**		
		6	–	6	Provisions for employees and other current provisions
Trade payables	502	11	–	513	Trade payables
Payable to subsidiaries	223	(223)	–		
Borrowings from banks	3,060	137	347	3,544	Current debt
Advances	7,336	(7,336)	–		
Payables to social security authorities	3	(3)	–		
Other payables	26	219	–	245	Other payables
Taxes payable	9	(9)	–		
Total payables	**11,159**	**(7,198)**	**347**	**4,308**	**Total Current Liabilities**
Accrued expenses and deferred income	**130**	**(130)**	**–**		
		–	–	–	Liabilities held for sale
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	**15,816**	**(7,321)**	**541**	**9,036**	**TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES**

Effects of transition to IFRS on the Balance Sheet at December 31, 2005

(in millions of euros)	Italian GAAP	Reclassifications	Adjustments	IAS/IFRS	
Intangible assets	28	–	(28)	–	Intangible assets
Property, plant and equipment	41	(1)	–	40	Property, plant and equipment
Equity investments	4,983	–	135	5,118	Investments
Other securities		–	5	5	Other financial assets
		–	–	–	Deferred tax assets
		5	–	5	Other non-current assets
Total fixed assets	**5,052**	**4**	**112**	**5,168**	**Total Non-current assets**
Inventories	8,431	(8,635)	204	–	Inventories
Trade receivables	208	8	–	216	Trade receivables
Receivables from subsidiaries	113	(113)	–		
Financial receivables from subsidiaries	3,059	9	8	3,076	Current financial receivables
Taxes receivable	103	(103)	–		
Deferred tax assets	–	–	–		
Other receivables	35	208	557	800	Other current receivables
Treasury stock	28	–	(28)		
Cash on hand	–	–	–	–	Cash and cash equivalents
Total current assets	**11,977**	**(8,626)**	**741**	**4,092**	**Total Current Assets**
Accrued income and prepaid expenses	**13**	**(13)**	**–**		
		–	–	–	Assets held for sale
TOTAL ASSETS	**17,042**	**(8,635)**	**853**	**9,260**	**TOTAL ASSETS**
Total stockholders' equity	**7,689**	**–**	**296**	**7,985**	**Total stockholders' equity**
Provisions for termination indemnities and similar obligations	22	12	(5)	29	Provisions for employee benefits and other non-current provisions
Other provisions	31	(31)	–		
		–	–	–	Deferred tax liabilities
		–	5	5	Non-current debt
		17	–	17	Other non-current liabilities
Total provisions for risks and charges	**53**	**(2)**	**–**	**51**	**Total Non-current liabilities**
Provision for employee severance indemnities	**12**	**(12)**	**–**		
		31	–	31	Provisions for employees and other current provisions
Trade payables	380	5	–	385	Trade payables
Payable to subsidiaries	223	(223)	–		
Borrowings from banks	–	–	557	557	Current debt
Advances	8,657	(8,657)	–		
Payables to social security authorities	2	(2)	–		
Other payables	23	228	–	251	Other payables
Taxes payable	3	(3)	–		
Total payables	**9,288**	**(8,621)**	**557**	**1,224**	**Total Current Liabilities**
Accrued expenses and deferred income	**–**	**–**	**–**		
			–	–	Liabilities held for sale
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	**17,042**	**(8,635)**	**853**	**9,260**	**TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES**

Reconciliation of Stockholders' Equity

(in millions of euros)		At January 1, 2005	At December 31, 2005
Stockholders' equity in accordance with Italian GAAP		**4,466**	**7,689**
Measurement of contract work in progress using the percentage of completion method	A	176	204
Employee benefits	B	3	5
Write-off of deferred costs (excluding the financial expenses of the "Mandatory Convertible Facility")	C	(42)	(28)
Treasury stock	D	(26)	(28)
Measurement of derivative financial instruments	E	(1)	8
Measurement at fair value of the investment in Mediobanca	F	75	135
Recognition and measurement of financial liabilities ("Mandatory Convertible Facility")	G	5	–
Total adjustments		**190**	**296**
Stockholders' equity in accordance with IAS/IFRS		**4,656**	**7,985**

Details of the schedules regarding the effects on the Balance Sheet of the transition to IFRS

The final pages of this Appendix contain explanatory notes on the principal reconciling items between Italian accounting principles and IFRS, cross-referenced in the following by the use of letters.

Intangible assets

Adjustments

(in millions of euros)		At January 1, 2005	At December 31, 2005
Write-off of deferred costs (excluding the financial expenses regarding the "Mandatory Convertible Facility")	C	(42)	(28)
Recognition and measurement of financial liabilities (the "Mandatory Convertible Facility")	G	(8)	–
		(50)	**(28)**

Property, plant and equipment

Reclassifications

(in millions of euros)		At January 1, 2005	At December 31, 2005
to "Trade receivables" for minor adjustments and reclassifications		(1)	(1)
		(1)	**(1)**

Investments

Adjustments

(in millions of euros)		At January 1, 2005	At December 31, 2005
Measurement at fair value of the investment in Mediobanca	F	75	135
		75	**135**

Other financial assets

Adjustments

(in millions of euros)		At January 1, 2005	At December 31, 2005
Recognition of financial guarantee contracts	M	7	5
		7	**5**

Deferred tax assets

Reclassifications

(in millions of euros)		At January 1, 2005	At December 31, 2005
from "Deferred tax assets" for changes in the format of the Balance Sheet		277	–
		277	**–**

Other non-current assets

Reclassifications

(in millions of euros)		At January 1, 2005	At December 31, 2005
from "Other current receivables" for changes in the format of the Balance Sheet (reclassification of non-current balances)		2	5
		2	**5**

Inventories

Reclassifications

(in millions of euros)		At January 1, 2005	At December 31, 2005
from "Advances" as a reduction of amounts received	A	(7,321)	(8,635)
		(7,321)	**(8,635)**

Adjustments

(in millions of euros)		At January 1, 2005	At December 31, 2005
Measurement of contract work in progress using the percentage of completion method	A	176	204
		176	**204**

Trade receivables

Reclassifications

(in millions of euros)		At January 1, 2005	At December 31, 2005
from "Property, plant and equipment" for minor adjustments and reclassifications		1	1
from "Receivables from subsidiaries" for changes in the format of the Balance Sheet		5	7
		6	**8**

Current financial receivables

Reclassifications

(in millions of euros)		At January 1, 2005	At December 31, 2005
from "Accrued income and prepaid expenses" for changes in the format of the Balance Sheet (interest component)		2	9
		2	**9**

Adjustments

(in millions of euros)		At January 1, 2005	At December 31, 2005
Measurement of derivative financial instruments	E	–	8
		–	**8**

Other current receivables

Reclassifications

(in millions of euros)		At January 1, 2005	At December 31, 2005
from "Receivables from subsidiaries" for changes in the format of the Balance Sheet		20	106
to "Other non-current assets" for changes in the format of the Balance Sheet (reclassification of balance of non-current tax receivables)		(2)	(5)
from "Accrued income and prepaid expenses" for changes in the format of the Balance Sheet		7	13
from "Taxes receivable" for changes in the format of the Balance Sheet		289	103
to "Current financial receivables" for changes in the format of the Balance Sheet (interest components of accruals and deferrals)		(2)	(9)
		312	**208**

Adjustments

(in millions of euros)		At January 1, 2005	At December 31, 2005
Sales of receivables	L	359	557
		359	**557**

Provisions for employee benefits and other non-current provisions

Reclassifications

(in millions of euros)		At January 1, 2005	At December 31, 2005
from "Employee severance indemnities" for changes in the format of the Balance Sheet		12	12
from "Other provisions" for changes in the format of the Balance Sheet		24	–
		36	**12**

Adjustments

(in millions of euros)		At January 1, 2005	At December 31, 2005
Employee benefits	B	(3)	(5)
		(3)	**(5)**

Non-current debt

Adjustments

(in millions of euros)		At January 1, 2005	At December 31, 2005
Recognition of financial guarantee contracts	M	7	5
		7	**5**

Other non-current liabilities

Reclassifications

(in millions of euros)		At January 1, 2005	At December 31, 2005
to "Other payables" for changes in the format of the Balance Sheet (reclassification of non-current balances)		13	17
		13	**17**

Provisions for employee benefits and other current provisions

Reclassifications

(in millions of euros)		At January 1, 2005	At December 31, 2005
from "Other provisions" for changes in the format of the Balance Sheet		6	31
		6	**31**

Trade payables

Reclassifications

(in millions of euros)		At January 1, 2005	At December 31, 2005
from "Payables to subsidiaries" for changes in the format of the Balance Sheet		11	5
		11	**5**

Current debt

Reclassifications

(in millions of euros)		At January 1, 2005	At December 31, 2005
from "Accrued expenses and deferred income" for changes in the format of the Balance Sheet (interest component)		130	–
from "Payables to subsidiaries" for changes in the format of the Balance Sheet		7	–
		137	**–**

Adjustments

(in millions of euros)		At January 1, 2005	At December 31, 2005
Recognition and measurement of financial liabilities (the "Mandatory Convertible Facility")	G	(13)	–
Sale of receivables	L	359	557
Measurement of derivative financial instruments	E	1	–
		347	**557**

Other payables

Reclassifications

(in millions of euros)		At January 1, 2005	At December 31, 2005
from "Advances" for changes in the format of the Balance Sheet		7,336	8,657
to "Inventories" as a reduction of amounts received	A	(7,321)	(8,635)
from "Taxes receivables" for changes in the format of the Balance Sheet		9	3
from "Payables to subsidiaries" for changes in the format of the Balance Sheet		205	218
from "Payables to social security authorities" for changes in the format of the Balance Sheet		3	2
to "Other non-current liabilities" for changes in the format of the Balance Sheet (reclassification of non-current balances)		(13)	(17)
		219	**228**

Effects of transition to IFRS on the Income Statement for 2005

(in millions of euros)	Italian GAAP	Reclassifications	Adjustments	IAS/IFRS	
		8	–	8	Dividends and other income from investments
		(429)	(2)	(431)	(Impairment losses) reversals on investments
		(1)	–	(1)	Gains (losses) on the disposal of investments
Revenues from sales and services	20	25	28	73	Other operating revenues
Change in contract work in progress	13	(13)	–		
Other revenues and income	12	(12)	–		
Raw materials, services, leases and rentals	77	(77)	–		
Personnel costs	42	11	7	60	Personnel costs
Amortisation, depreciation and writedowns	27	(27)	–		
Other operating costs	41	(41)	–		
		145	(24)	121	Other operating costs
Difference between the value and costs of production	**(142)**	**(433)**	**43**		
Write-ups of equity investments	528	(528)	–		
(Write-downs) of equity investments	(957)	957	–		
Total value adjustments to financial assets	**(429)**	**429**	**–**		
		1,133	–	1,133	Income (expenses) from significant non-recurring transactions
Income from equity investments	8	(8)	–		
Other financial income	113	(169)	(7)	(63)	Financial income (expenses)
Interest and other financial expenses	169	(169)	–		
		–	858	858	Financial income from significant non-recurring transactions
Extraordinary income	1,136	(1,136)	–		
Extraordinary expenses	15	(15)	–		
Profit (loss) before taxes	**502**	**–**	**894**	**1,396**	**Profit (loss) before taxes**
Income taxes	279	–	–	279	Income taxes
		–	**894**	**1,117**	**Profit (loss) from continuing operations**
		–	–	–	Profit (loss) from discontinued operations
Net profit (loss) for the period	**223**	**–**	**894**	**1,117**	**Net profit (loss) for the period**

Reconciliation of net profit (loss) for the year

(in millions of euros)		2005
Net profit (loss) in accordance with Italian GAAP		**223**
Measurement of contract work in progress using the percentage of completion method	A	28
Employee benefits	B	2
Writeback of amortisation charged on deferred costs (excluding the financial expenses of the "Mandatory Convertible Facility")	C	15
Elimination of reinstatement of treasury stock	D	(2)
Measurement of derivative financial instruments	E	8
Recognition and measurement of financial liabilities (the "Mandatory Convertible Facility")	G	(5)
Recognition of financial income from the conversion of the "Mandatory Convertible Facility"	H	858
Stock options	I	(10)
Total adjustments		**894**
Net profit (loss) in accordance with IAS/IFRS		**1,117**

Details of the schedules regarding the effects on the Income Statement of the transition to IFRS

The final pages of this Appendix contain explanatory notes on the principal reconciling items between Italian accounting principles and IFRS, cross-referenced in the following by the use of letters.

Dividends and other income from investments

Reclassifications

(in millions of euros)		2005
from "Income from equity investments" for changes in the format of the Income Statement		8
		8

(Impairment losses) reversals on investments

Reclassifications

(in millions of euros)		2005
from "Write-downs of equity investments" for changes in the format of the Income Statement		(957)
from "Write-ups of equity investments" for changes in the format of the Income Statement		528
		(429)

Adjustments

(in millions of euros)		2005
Treasury stock	D	(2)
		(2)

Gains (losses) on the disposal of investments

Reclassifications

(in millions of euros)		2005
from "Extraordinary income" for changes in the format of the Income Statement		1
from "Extraordinary expenses" for changes in the format of the Income Statement		(2)
		(1)

Other operating revenues

Reclassifications

(in millions of euros)		2005
from "Changes in contract work in progress" for changes in the format of the Income Statement		13
from "Other revenues and income" for changes in the format of the Income Statement		12
		25

Adjustments

(in millions of euros)		2005
Measurement of contract work in progress using the percentage of completion method	A	28
		28

Personnel costs

Reclassifications

(in millions of euros)		2005
from "Extraordinary expenses" for changes in the format of the Income Statement		11
		11

Adjustments

(in millions of euros)		2005
Employee benefits	B	(3)
Stock options	I	10
		7

Other operating costs

Reclassifications

(in millions of euros)		2005
from "Raw materials, services, leases and rentals" for changes in the format of the Income Statement		77
from "Amortisation, depreciation and write-downs" for changes in the format of the Income Statement		27
from "Other operating costs" for changes in the format of the Income Statement		41
Other reclassifications		–
		145

Adjustments

(in millions of euros)		2005
Write-off of deferred costs (excluding the financial expenses costs regarding the "Mandatory Convertible Facility")	C	(15)
Recognition and measurement of financial liabilities (the "Mandatory Convertible Facility")	G	(8)
Other adjustments		(1)
		(24)

Income (expenses) from significant non-recurring transactions

Reclassifications

(in millions of euros)		2005
from "Extraordinary income" for changes in the format of the Income Statement		1,135
from "Extraordinary expenses" for changes in the format of the Income Statement		(2)
		1,133

Financial income (expenses)

Reclassifications

(in millions of euros)		2005
from "Interest and other financial expenses" for changes in the format of the Income Statement		(169)
		(169)

Adjustments

(in millions of euros)		2005
Measurement of derivative financial instruments	E	8
Employee benefits	B	(1)
Recognition and measurement of financial liabilities (the "Mandatory Convertible Facility")	G	(13)
Other adjustments		(1)
		(7)

Financial income from significant non-recurring transactions

Adjustments

(in millions of euros)		2005
Recognition of unusual income from the conversion of the "Mandatory Convertible Facility"	H	858
		858

Description of the principal reconciling items between Italian accounting principles and IFRS

The following paragraphs provide a description of the main differences between Italian accounting principles and IFRS that have had an effect on the financial statements of Fiat S.p.A.

In this respect the following clarifications are provided:

- the differences are presented before any tax effect;

- net deferred tax liabilities emerge from these differences; the effect of these is set off by reducing the deferred tax assets previously recognised in the Balance Sheet prepared in accordance with Italian accounting principles.

Given the activities carried out by Fiat S.p.A. it is important to note that IAS 27 – *Consolidated and Separate Financial Statements* requires investments in subsidiaries to be measured at cost or, alternatively, at fair value in accordance with IAS 39. Fiat S.p.A. has adopted the cost method and as a result if there are indications that the recoverability of cost, wholly or partially, is in doubt, the carrying amount is reduced to the recoverable amount in accordance with IAS 36 – *Impairment of Assets*. If, subsequently, an impairment loss no longer exists or is decreased, the carrying amount, which in any event cannot exceed original cost, is increased to the new estimate of the recoverable amount. This reversal of an impairment loss is recognised immediately in the Income Statement.

In accordance with Italian accounting principles Fiat S.p.A. formerly measured its investments in subsidiaries at cost adjusted for permanent losses in value. Taking into account the means by which investments were either established or acquired and their subsequent performance, any write-downs and reinstatements of value recognised in the financial statements prepared in accordance with Italian accounting principles are considered to be in line with the recognition and measurement requirements of IFRS.

The principal difference with the previous set of accounting principles arising on the adoption of IFRS and regarding the presentation of the statement of cash flows is the different composition of the item whose changes are being discussed. Under IAS 7, this item consists only of cash and cash equivalents, whereas previously it also included current financial receivables. There are no substantial changes in the presentation of the various cash flows other than the effect on cash flows from (used in) financing activities as a result of the matter just described.

A. Measurement of work in progress using the percentage of completion method

As permitted by Italian accounting principles Fiat S.p.A. previously measured work in progress on long-term construction-type contracts (being the contracts entered into by Fiat S.p.A. as general contractor with *Treno Alta Velocità – T.A.V. S.p.A.*) at cost of production. Contract revenue, therefore, was recognised when the work was delivered to the customer and finally accepted, in this way deferring the recognition of the margin to the completion of the contract.

Amounts received from the customer during contract activity were considered as financial advances and recognised as a liability under the item "Advances", while amounts paid to subcontractors as advances were recognised in assets as inventory.

IAS 11 – *Construction Contracts* requires construction contracts to be measured by reference to the stage of completion of the contract, applied as a percentage to the sales price, in this way recognising margins in relation to contract activity carried out over the periods concerned. In addition, the legal aspects of the means and timing by which the transfer of title is passed are not relevant and accordingly progress payments received for work performed on a contract are deducted from the carrying amount of inventory for presentational purposes. If the amount of progress payments received is greater than that of inventory, the difference is presented as a liability (item "Other payables) for "advances".

The adoption of IAS 11 has therefore led to an increase in stockholders' equity at January 1, 2005, arising from the cumulative margins on contracts in progress at the transition date, and to an increase in the net result for 2005 deriving from margins earned and recognised on contracts in progress during the year.

B. Employee benefits

The employees' severance indemnity (*Trattamento di Fine Rapporto* or *TFR*) which was accounted for under Italian accounting principles in accordance with specific legal requirements is considered to be a defined benefit obligation under IAS 19 – *Employee Benefits* and consequently has been recalculated using the Projected Unit Credit Method.

In addition Fiat S.p.A. grants various forms of benefits to its employees and former employees (termination incentives, compensation, bonuses) in connection with previous or current, local company or individual, employment agreements, for which obligations are measured under IAS 19 in a manner different from that used previously under Italian accounting principles.

The application of IAS 19 has led to an overall increase in stockholders' equity at January 1, 2005 and in the 2005 net result.

Finally Fiat S.p.A. accounts for employee benefits using the corridor approach and has elected to present the interest component of defined benefit employee plans in the item "net financial income (expense)", with the resulting increase in financial expenses for 2005.

C. Write-off of deferred costs (excluding the financial expenses of the "Mandatory Convertible Facility")

Under Italian accounting principles Fiat S.p.A. capitalised and amortised certain costs (mainly start-up and extension costs) which require a different accounting treatment under IFRS.

In addition, costs incurred in connection with increases in capital stock, which are also deferred and amortised under Italian accounting principles, are recognised under IFRS as a deduction from equity in accordance with IAS 32 – *Financial Instruments: Disclosure and Presentation*.

The adoption of IFRS has therefore led to a decrease in stockholders' equity at January 1, 2005 and to an increase in the 2005 net result as the result of the reversal of the amortisation charged to the Income Statement under Italian accounting principles.

D. Treasury stock

In accordance with Italian accounting principles Fiat S.p.A. accounted for treasury stock as an asset, recognising related valuation adjustments and gains or losses on disposal in the Income Statement.

Under IAS 32 treasury stock is deducted from stockholders' equity and any subsequent changes must also be recognised in equity.

The adoption of IFRS has therefore led to to a decrease in stockholders' equity at January 1, 2005 and in the 2005 net result as the result of the reversal of the reinstatement of treasury stock and of gains realised on disposal.

E. Measurement of derivative financial instruments

Starting from 2001 Fiat S.p.A. adopted IAS 39 – *Financial Instruments: Recognition and Measurement*, to the extent that is was considered consistent and not in contrast with the general principles established by Italian law and regulations governing financial statements. In particular, taking into account the restrictions of Italian laws and regulations, it was determined that IAS 39 was immediately applicable at that date only in part and in reference to the designation of derivative financial instruments as either "hedging instruments" or " non-hedging instruments", and with respect to the symmetrical accounting of the result of the measurement of the hedging instrument and the result attributable to the hedged item (hedge accounting). The transactions which were entered into within the extent of the company's risk management policies and which qualified for hedge accounting were classified as "hedges", while the others, although set up for the purpose of managing risk exposure (as speculative operations are not permitted as a policy), were designated as "trading" transactions.

The main differences between Italian accounting principles and IFRS may be summarised as follows:

- **Financial instruments designated as "hedging instruments"** – under Italian accounting principles the instrument is measured symmetrically with the underlying hedged item. As a result when the underlying hedged item is not adjusted to fair value in the financial statements there is no requirement to adjust the financial instrument. Similarly, where the hedged item has not yet been recognised in the financial statements (hedging of future cash flows), the valuation of the hedging instrument at fair value is deferred.

Under IFRS:

– **In the case of a fair value hedge** the gains or losses arising from remeasuring the hedging instrument at fair value are recognised in the Income Statement, while the gains or losses on the hedged item attributable to the hedged risk adjust the carrying amount of the hedged item and are similarly recognised in income. No impact consequently arises on net profit or loss or stockholders' equity from the adoption of IFRS (except for any ineffective portion of the hedge), while adjustments impact the carrying values of hedging instruments and hedged items. Fiat S.p.A. has not entered any agreements of this nature which have led to an impact on the periods presented or which require the redetermination of the amounts under IFRS.

– **In the case of a cash flow hedge** (hedging of future cash flows) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity through the statement of changes in equity, and the ineffective portion of the gain or loss is recognised in the Income Statement. Consequently differences between Italian accounting principles and IFRS can only have an effect on stockholders' equity for the effective portion. In this respect the impact on stockholders' equity of the forward rate agreements entered into by Fiat S.p.A. to hedge the risk of an increase in interest rates on the variable part of the interest payable on the Mandatory Convertible Facility is reflected in stockholders' equity at January 1, 2005. These agreements had a negative fair value at that date, not recognised under Italian accounting principles, but which is recognised under IFRS with a consequent decrease in stockholders' equity.

- **Financial instruments designated as "non-hedging instruments"** (except for foreign currency derivative financial instruments) – under Italian accounting principles these instruments were measured at market value and if this was less than contractual value the difference was recognised in the Income Statement in accordance with the concept of prudence. IAS 39 also requires the difference to be recognised when market value exceeds contractual value. The accounting treatment for foreign currency financial instruments under Italian accounting principles was however in compliance with IAS 39.
Fiat S.p.A. entered into a "Total Return Equity Swap" agreement in 2005 to hedge the risk of a significant increase in the Fiat share price above the exercise price of the stock options granted to the Managing Director. At January 1, 2005 the Swap had a negative fair value that was recognised in the financial statements prepared in accordance with Italian accounting principles (a treatment in line with IFRS); at December 31, 2005, however, the Swap had a positive fair value which was not recognised under Italian accounting principles and which therefore led to an increase in the 2005 net result for IFRS purposes.

F. Measurement at fair value of the investment in Mediobanca

Investments in other companies classified as financial fixed assets were measured at cost in the financial statements of Fiat S.p.A. prepared in accordance with Italian accounting principles; the carrying amount was adjusted for impairment losses which were then reinstated in subsequent years if the reasons underlying the impairment no longer subsisted.

Under IAS 39 – *Financial Instruments: Recognition and Measurement* investments in other companies classified as non-current financial assets and which are not held for trading are measured at fair value if this can be determined, and the resulting gains or losses resulting from changes in fair value are recognised directly in equity until the assets are sold or impaired; at that time cumulative gains and losses previously recognised in equity are included in the Income Statement for the period.

The investment in Mediobanca S.p.A. held by the company is classified as an available-for-sale financial asset, with its fair value being determined from its Stock Exchange quotation at the Balance Sheet date. The adoption of IAS 39, therefore, led to an increase in stockholders' equity at both January 1, 2005 and December 31, 2005.

G. Recognition and measurement of financial liabilities (the "Mandatory Convertible Facility")
Financial liabilities at January 1, 2005 relate principally to the "Mandatory Convertible Facility" which was measured in the financial statements of Fiat S.p.A. prepared in accordance with Italian accounting principles at the amounts received from the lending banks. The various commissions due to the banks (for financial arrangement, underwriting commitments, etc.) and paid at agreed contractual dates (on inception, over the term and on repayment) were recognised in the Income Statement on a straight-line basis over the term of the loan (*pro-rata temporis)*.

Under IAS 39 – *Financial Instruments: Recognition and Measurement*, financial liabilities must initially be recognised at fair value (being the amounts received from the banks), net of the related transaction costs, and must subsequently be measured at amortised cost using the effective interest method. The adoption of IAS 39, therefore, led to the requirement to recompute expense over the various years with a resulting net increase in stockholders' equity at January 1, 2005. This effect reversed on the extinguishment of the Mandatory Convertible Facility in 2005 leading to a decrease in the 2005 net result.

H. Recognition of financial income from the conversion of the "Mandatory Convertible Facility"
The Mandatory Convertible Facility Agreement provided for either reimbursement by cash (which was possible only under certain conditions, which were not actually satisfied at the date that the agreement was terminated) or the mandatory conversion of the facility into shares (at a contractually agreed variable price, depending on the performance of the Fiat share on the stock exchange), underwritten by the lending banks and subsequently offered in option to stockholders. In the financial statements of Fiat S.p.A. prepared in accordance with Italian accounting principles, the conversion of the facility led to a decrease of the debt and an increase in capital stock and additional paid-in capital by an amount of 10.28 euros per share, being the subscription price of the new shares, with no effect on the Income Statement.

In the financial statements of Fiat S.p.A. prepared in accordance with IFRS, the Mandatory Convertible Facility should have been considered a financial liability with a conversion feature that is considered to be an embedded derivative and that should be separated from the debt instrument at inception, with any subsequent changes in fair value recognised in the Income Statement. Due to the significant uncertainty as to whether gains on the remeasurement to fair value of the embedded derivative would actually have been realised, however, the fair value adjustment has not been recognised over the life of the instrument.

Financial income from significant non-recurring transactions of 858 million euros was then recognised for IFRS purposes when the uncertainty surrounding the ability to convert and realise the gains was resolved, and namely at the time that the actual conversion took place. This gain corresponds to the difference between the subscription price of 10.28 euros per share and the market value of 7.337 euros per share at the subscription date, net of issuance costs.

This different accounting treatment has no effect on stockholders' equity.

I. Stock options
No obligation or cost was recognised for stock-based compensation under Italian accounting principles.

IFRS 2 – *Share-based Payment* requires the total fair value of stock options at the grant date to be recognised in the Income Statement on a straight-line basis from the grant date to the vesting date, with the offsetting credit recognised directly in equity. Changes in fair value after the grant date do not have any effect on the initial measurement.

In accordance with the transitional provisions of IFRS 2, Fiat S.p.A. has applied the Standard to all stock options granted after November 7, 2002 which had not yet vested by January 1, 2005, the effective date of the Standard; as a consequence no cost has been recognised for stock-based compensation granted prior to that date.

There was no effect on stockholders' equity at January 1, 2005 from the application of IFRS 2, while there was a decrease in the net result for 2005.

L. Sales of receivables
Fiat S.p.A. sells a significant part of its receivables through factoring transactions.

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

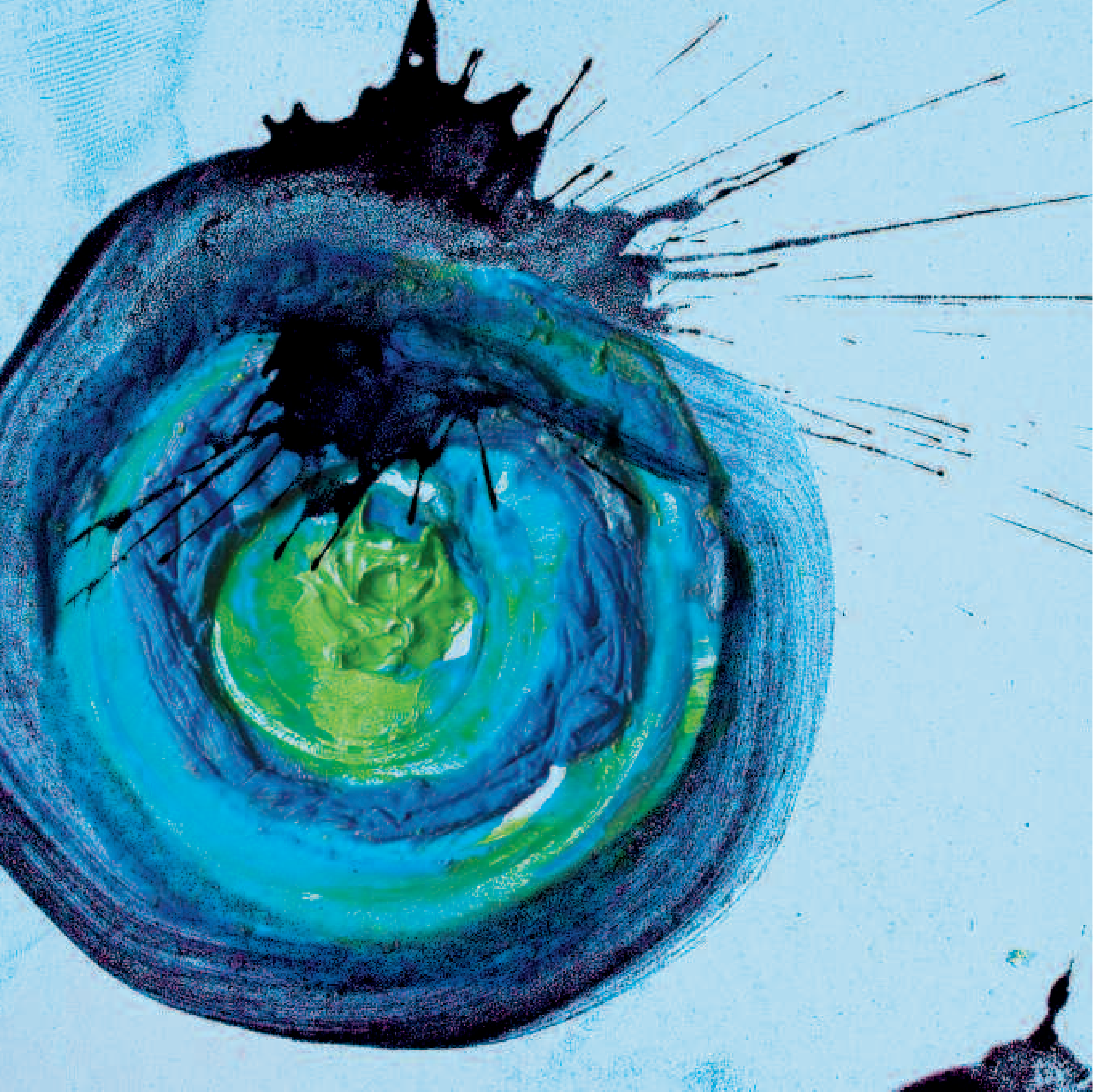
Under Italian accounting principles all the receivables sold under factoring transactions (both with or without recourse) were derecognised.

Under IAS 39 – *Financial Instruments: Recognition and Measurement*, the derecognition of financial assets is permitted if and only if the risks and rewards of ownership of the assets have been substantially transferred: as a result, all receivables sold with recourse and a part of receivables sold without recourse (in particular receivables from the tax authorities) have been reinstated in the Balance Sheet.

M. Recognition of financial guarantee contracts
Under Italian accounting principles guarantees granted were recognised in the memorandum accounts and only the commissions received and any risk provisions were recognised in the financial statements; risk provisions were measured on the basis of the best estimate of the cost required to fulfill the obligation existing at the Balance Sheet date in the event of risks regarding the solvency of the guaranteed entity.

Under IFRS (and with particular regard to IAS 39 as amended), guarantees given are initially measured at fair value, adjusted for any directly attributable transaction costs.

On first-time adoption of IFRS, Fiat S.p.A. accordingly recognised the present value of the commissions receivable for guarantees granted in non-current financial assets and recognised the fair value of the contractual liabilities in non-current debt, as there were no specific risk situations requiring provisions to be recognised in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. In particular, since the guarantees given by Fiat S.p.A. (regarding financial liabilities of other Fiat Group companies) are granted at market conditions and generate commissions, it has been concluded that the current value of the commissions which were to be received represented the best estimate of the fair value of the guarantees granted. As these amounts were the same there was no effect on stockholders' equity nor on the result for the year ended December 31, 2005.



Auditors' Reports

Auditors' Report on the Consolidated Financial Statements Pursuant to Art. 156 of Legislative Decree No. 58 of February 24, 1998

To the Stockholders of FIAT S.p.A.

We have audited the consolidated financial statements of Fiat S.p.A. and its subsidiaries (the "Fiat Group") as of and for the year ended December 31, 2006, which comprise the consolidated balance sheet, the consolidated statements of income, changes in stockholders' equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Regulatory Commission for Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present for comparative purposes the corresponding data for the prior year. For the opinion on the prior year's consolidated financial statements, reference should be made to our auditors' report dated March 2, 2006.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Fiat Group as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Turin, Italy

February 22, 2007

DELOITTE & TOUCHE S.p.A.

Piergiovanni Pasquarelli
Partner

This report has been translated into the English language solely for the convenience of international readers.

Auditors' Report on the Financial Statements Pursuant to Art. 156 of Legislative Decree No. 58 of February 24, 1998

To the Stockholders of FIAT S.p.A.

We have audited the financial statements of Fiat S.p.A. as of and for the year ended December 31, 2006, which comprise the balance sheet, the statements of income, changes in stockholders' equity and cash flows and the related explanatory notes. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit. These financial statements represent Fiat S.p.A.'s first annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Regulatory Commission for Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements present for comparative purposes the corresponding data for the year 2005 prepared in accordance with IFRS. In addition, the Appendix to the financial statements explains the effects of transition to IFRS as adopted by the European Union and includes the reconciliation statements required by IFRS 1, previously published as an attachment to the Fiat Group's Half Year Report as of June 30, 2006, which we have audited and on which we issued a special purpose auditors' report dated July 25, 2006.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of Fiat S.p.A. as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with IFRS as adopted by the European Union.

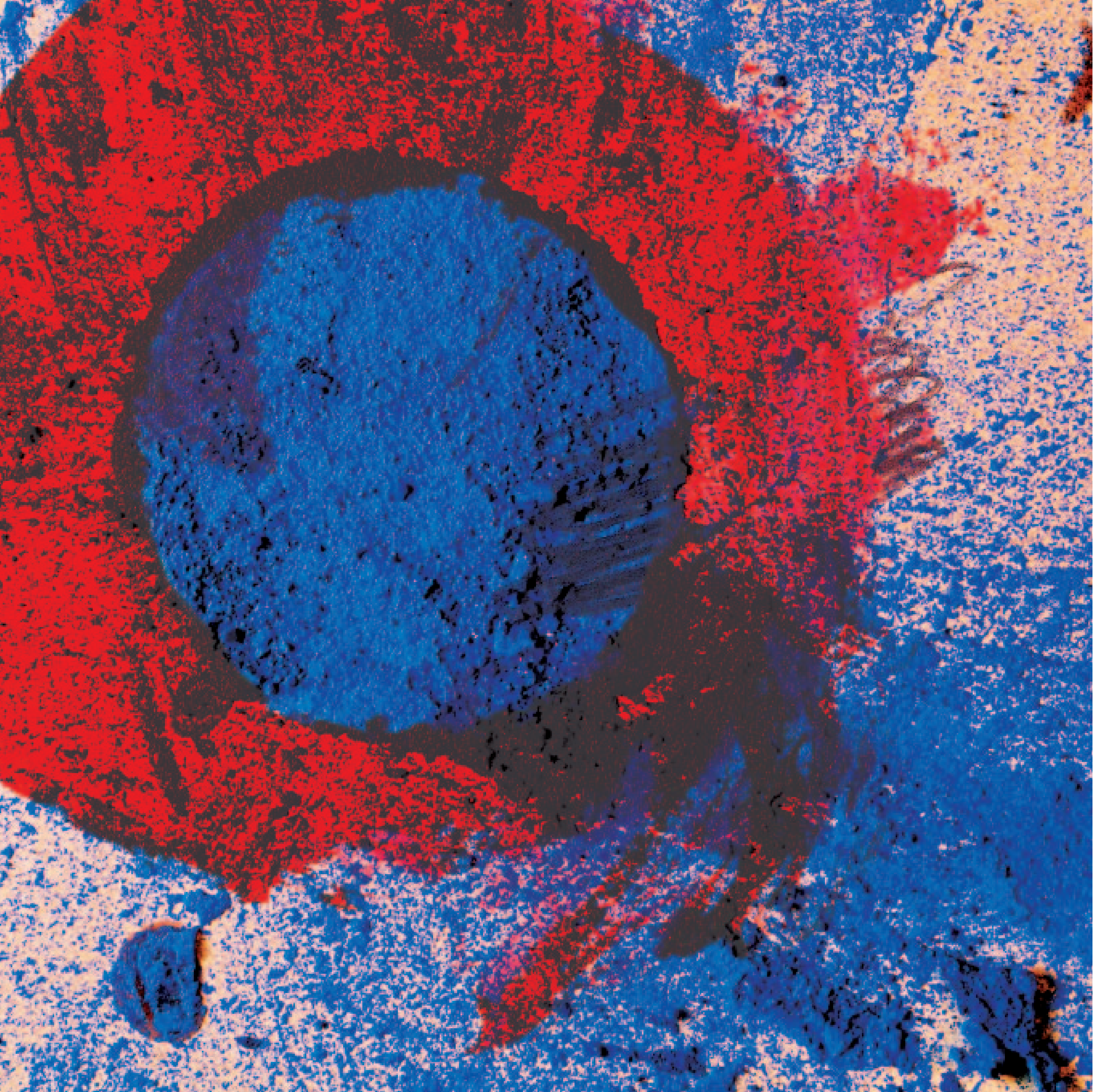
Turin, Italy

February 22, 2007

DELOITTE & TOUCHE S.p.A.

Piergiovanni Pasquarelli
Partner

This report has been translated into the English language solely for the convenience of international readers.



Reports of the Board of Statutory Auditors

Report of the Board of Statutory Auditors on the Consolidated Financial Statements to Stockholders

Dear Stockholders:

The consolidated financial statements of Fiat S.p.A. at December 31, 2006, including the Balance Sheet, Income Statement and respective Notes, which are being submitted for your consideration, show a net income for the Group of 1,065 million euros attributable to equity holders of the parent. They were provided to us within the statutory terms, together with the Report on Operations, and were prepared in accordance with the International Financial Reporting Standards (IFRS).

The controls carried out by Deloitte & Touche S.p.A., which is responsible for the audit, have shown that the amounts included in the financial statements are consistent with the accounting records of the Parent Company and its Subsidiaries and with the official information provided by said subsidiaries.

These results and information were communicated by the Subsidiaries to the Parent Company for use in the preparation of the consolidated financial statements. They were examined by the external auditors during their audit of the consolidated financial statements. As far as accounting records are concerned, they were reviewed by the bodies and/or individuals responsible for monitoring each individual company as required under the pertinent legal systems. Consequently, as allowed under Article 41, Section 3 of Legislative Decree No. 127 of April 9, 1991, the Board of Statutory Auditors did not review these results and information and the consolidated financial statements, except for the items discussed below.

The determination of the scope of consolidation, the selection of the standards used to consolidate subsidiaries and the procedures used for that purpose comply with the requirements of IFRS. Therefore, the structure of the consolidated financial statements is technically correct and overall consistent with the pertinent legislation. The Report on Operations presents fairly the results, balance sheet and financial position, as well as the operations in 2006 and the events that have occurred since the end of the fiscal year, for the complex of companies subject of the consolidation process. Based on our examination, this report is consistent with the consolidated financial statements.

Turin, March 9, 2007

The Statutory Auditors

Carlo Pasteris

Giuseppe Camosci

Cesare Ferrero

Report of the Board of Statutory Auditors to Stockholders

Dear Stockholders:

Article 153 of Legislative Decree No. 58 of February 24, 1998 requires the Board of Statutory Auditors to report the results of its oversight activity to the Stockholders Meeting, convened to approve the statutory financial statements, indicating any omissions or improper transactions it discovered, and empowers it to put forth motions regarding the financial statements, their approval and other matters under its jurisdiction.

This Report is provided in accordance with the abovementioned provision and pursuant to Article 2429, Section 2, of the Italian Civil Code.

During the past fiscal year, we performed the duties incumbent upon us under Article 149 of Legislative Decree No. 58 of February 24, 1998, and are able to report specific information on the subjects listed below.

We attended the meetings of the Board of Directors, where we received detailed information on the Company's business and on the main operating, financial and asset transactions carried out or in the process of being carried out by the Company and/or its subsidiaries. In this regard, we determined and ascertained that all pending or completed transactions complied with all pertinent provisions of the law and the By-laws, were not in conflict with any resolution adopted by the Stockholders Meeting or produced no conflicts of interest, and were consistent with the principles of sound management.

The Company's organization is adequate, based on the size of the Company. As part of our work, we met with the heads of the various Company Functions and with representatives of the External Auditors, from whom we obtained comprehensive information indicating that the Company was complying with the principles of fair and sound management.

The system of internal control, which is constantly upgraded, and which has also been upgraded as a response to the requirements of the Sarbanes-Oxley Act as the Company is listed on the NYSE, has been created at Group level and is operational at the Parent Company and its subsidiaries.

We express a favorable opinion on the adequacy of the Company's system of internal control, intended as a system whose task is to check compliance with the internal operating and administrative procedures adopted to ensure that the Company is managed correctly and efficiently, while at the same time identifying, preventing and minimizing financial and operating risks and the risk of fraud. The Board of Statutory Auditors attended all Internal Control Committee meetings.

Based on our determinations and on what we ascertained in previous fiscal years, we further believe that the Company's administrative and accounting system is adequate for the purpose of presenting fairly the results of operations.

The guidelines provided by Fiat S.p.A. to its subsidiaries pursuant to Article 114, Section 2, of Legislative Decree No. 58/98 also appear to be adequate.

The Board of Directors provided us with the Report on Operations for the first half of 2006 within the statutory deadline and published it in accordance with the formalities required by Consob. It also complied with statutory requirements as regards quarterly reports. With regard to Consob communications, on matters falling under our jurisdiction, we can confirm the following:

- The information provided by the Directors in their Report on Operations is comprehensive and complete, as is that reported in the Appendix to the Notes to the Financial Statements relating to the effects of the transition to International Financial Reporting Standards which have become mandatory for the Company.

- As required by the Consolidated Law on Financial Intermediation (Legislative Decree No. 58/98), we have been informed on a constant basis on matters falling under our jurisdiction.

- The checks and audits of the Company conducted by us on a periodic basis revealed no atypical or unusual transactions.

- With regard to intercompany transactions, the Board of Directors mentions in the Notes to the Financial Statements that numerous transactions involving the sale of goods and the provision of services took place between the Company, other Group companies and/or related parties. The Report on Operations further states that these transactions were executed on commercial terms deemed normal in the respective markets, considering the characteristics of the goods or services involved.

■ The External Auditors' report neither contains objections nor does it draw attention to any particular event or set forth relevant qualifications or suggestions.

■ In 2006, the Board of Directors met nine times, as did the Internal Control Committee. We were present at all of those meetings. The Board of Statutory Auditors met 18 times. The External Auditors attended five of those meetings.

■ During the year, we issued the opinions that are required by law from the Board of Statutory Auditors.

■ In compliance with Article 149, paragraph 1, letter c) bis of Legislative Decree no. 58 of February 24, 1998, we acknowledge that the Directors affirm in their Annual Report on Corporate Governance that:
"The Fiat Group adopted and abides by the new Corporate Governance Code of Italian Listed Companies issued in March 2006, supplemented and amended as necessary to ensure that the corporate governance system it adopted is in line with the rules imposed for listing on the NYSE, including the relevant sections of the Sarbanes-Oxley Act, and the characteristics of the Group."

We confirmed that the Group actually complies with the Corporate Governance Code and that its various aspects were discussed in the Annual Report on Corporate Governance submitted to you by the Board of Directors. Reference is made to that report for more complete information in this regard.

We have received a communication from Deloitte & Touche S.p.A. stating that Fiat S.p.A. retained its services to perform, in addition to auditing the statutory and consolidated financial statements, limited auditing of the consolidated first half report, agreed procedures for auditing of the quarterly reports, and auditing of the Form 20-F consolidated financial statements, the engagements listed below for which the respective fees are indicated:

■ Studies and analyses on the accounting treatment in Form 20-F for fiscal 2005 of significant, non-recurring transactions carried out by Fiat S.p.A. or subsidiaries in the reference year, for a fee of 352,900 euros.

■ Additional auditing work concerning the separate balance sheet of Fiat S.p.A. at January 1, 2005 prepared in accordance with International Financial Reporting Standards ("IFRS") and the separate balance sheet at December 31, 2005, prepared for comparative purposes in accordance with IFRS, for a fee of 63,000 euros.

■ Signing of the tax returns and Form 770, for a fee of 5,000 euros.

■ Auditing of the final statement of costs approved by the joint committee founded by Fiat S.p.A. and the Turin Polytechnic University for the establishment of university degree courses in automotive engineering, for a fee of 5,500 euros.

■ Activities preliminary to the audit of the system of internal control over financial reporting of the Fiat Group as required by Section 404 of the United States Sarbanes-Oxley Act starting from fiscal year 2006 (completion of the planning and pre-assessment stages), for a total fee of 479,000 euros.

■ Audit of the system of internal control over financial reporting of the Fiat Group as of December 31, 2006 as required by Section 404 of the United States Sarbanes-Oxley Act, with a total fee estimated preliminarily at 5,500,000 euros, of which approximately 70% relates to procedures performed by December 31, 2006. This engagement, which was granted on February 20, 2007, excludes the part of procedures carried out at CNH Global N.V. and its subsidiaries (an issuer registered separately with the United States Securities and Exchange Commission).

Based on the audits we performed in those areas that fall under our jurisdiction pursuant to Article 149 of Legislative Decree No. 58 of February 24, 1998 and the information received from the External Auditors, we have verified that the statutory financial statements, which show net income of 2,343,374,972 euros, have been prepared and are presented in accordance with the applicable provisions of law (or the regulations to which the law refers).

We therefore recommend that you approve these financial statements as they have been submitted to you, together with the motion proposed by the Board regarding the allocation of net income.

Turin, March 9, 2007

The Statutory Auditors

Carlo Pasteris

Giuseppe Camosci

Cesare Ferrero

Items on the Agenda and Related Reports and Motions

Motion for Approval of the Financial Statements and Allocation of the 2006 Net Income

Stockholders,

We submit for your approval the Financial Statements for the fiscal year ended December 31, 2006, the first prepared in accordance with International Financial Reporting Standards (IFRS), and we propose that the net income for the year of 2,343,374,972 be allocated as follows:

- 553,411,863 euros to fully cover the losses carried forward;
- 89,498,155 euros to the Legal Reserve;
- to Stockholders a dividend of:
  - 0.155 euros per ordinary share (equivalent to approximately 169.3 million euros);
  - 0.31 euros per preference share (equivalent to approximately 32 million euros);
  - 0.93 euros per savings share (equivalent to approximately 74.3 million euros), which include the dividend of 0.31 euros pertaining to 2006, and the two dividends of 0.31 euros each pertaining to 2005 and 2004, when no dividend was paid;
- to Retained earnings the residual amount (equal to approximately 1,424.9 million euros).

The ex-dividend date is May 24, 2007, with detachment of the coupon on May 21, 2007.
It will be paid to the shares outstanding at the coupon detachment date, excluding treasury shares.

Turin, February 20, 2007

On behalf of the Board of Directors

Luca Cordero di Montezemolo
Chairman

Motion for the Purchase of Own Shares and Modalities of their Disposition

Stockholders,

We propose that you authorise the Board of Directors to purchase own shares and dispose of them also through the Group subsidiaries, subject to the limits and procedures provided for by the applicable provisions of the Italian Civil Code, the combined provisions of Article 132 of Legislative Decree no. 58 of February 24, 1998 and Article 144 bis of the Issuer Regulation, and other applicable laws and regulations. This authorization will allow not only the necessary servicing of the stock option plans but will consent a strategic investment opportunity for all the purposes permitted by the law.

We propose that you authorise the purchase of own shares of all three classes of stock over a period of eighteen months and for an amount which should not exceed the maximum legal limit equal to 10% of the Company's capital, inclusive of the Fiat shares already owned by the Company and those owned by its subsidiaries. The shares currently owned by Fiat S.p.A. represent approximately 0.3% of the Company capital stock, while the other Group companies do not own Fiat shares.

The maximum and minimum purchase price per share will be directly related to the market quotations and namely to the reference price reported on the Stock Exchange on the day before the intended purchase, with the maximum and minimum prices being 10% more or less than such reference, respectively.

Nevertheless, we intend to maintain available reserves for purchases of an aggregate maximum amount of 1 billion and four hundred million euros, including previously restricted reserves for owned stock.

The purchases will be made on regulated markets in accordance with the terms and procedures set forth by Borsa Italiana, consistently with equal treatment of stockholders. However, should the opportunity arise, they might also be made through a tender offer, offer for exchange, or other allowed procedures.

We also request authorisation to dispose of the own shares on one or more occasions, without time limits or restraints and in accordance with the terms and procedures allowed by law. The own shares may also be used to service the stock option plans previously granted to directors and executives and for any additional stock plans that might be resolved by the Board of Directors in future. In such event, the shares will be sold at the prices set when the stock options were granted.

Turin, February 20, 2007

On behalf of the Board of Directors

Luca Cordero di Montezemolo
Chairman

Incentive Plan pursuant to Article 114 bis of Legislative Decree 58/98

Stockholders,

The May 3, 2006 Stockholders Meeting resolution approved the motions submitted by the Board of Directors and authorised an incentive plan with 20 million underlying Fiat ordinary shares based on financial instruments issued by leading financial institutions and linked to Fiat shares. On November 3, 2006, the Board of Directors examined the above mentioned plan in light of the changed market conditions and, after receiving the opinion and proposals of the Nominating and Compensation Committee, resolved that, subject to authorisation by today's Stockholders Meeting pursuant to Article 114 bis of the Consolidated Law on Financial Intermediation, an incentive plan based on stock options was a more convenient technical solution.

This decision confirms the importance of the involvement of executives that hold key positions with respect to the Company's and Group's operating performance in order to promote retention of such key managers as well as to align their interests with those of the stockholders. We believe that key management's involvement is a fundamental element of our corporate governance; moreover we deem that the motivation of management through the granting of financial instruments reflecting the Company's market value contributes to the development of confidence in the Company's growth and promotes management's identification with the Group.

The incentive plan will have a duration of eight years, with a four-year lock up period, and will be based on a maximum of 20 million underlying Fiat ordinary shares, 50% representing newly issued shares and 50% outstanding shares, offered at a strike price of 13.37 euros, equal to the arithmetical average of the official prices posted on the Borsa Italiana S.p.A.'s market in the thirty days preceding the Board resolution.

Grantees of the plan are the Chief Executive Officer of Fiat S.p.A. Sergio Marchionne, for 10 million options corresponding to an equal number of outstanding ordinary shares, and for an additional 10 million options, corresponding to an equal number of newly-issued shares, more than 300 executives, identified by the Chief Executive Officer among Group employees, who have a significant impact on business results.

The options granted to employees and 50% of the options granted to the Chief Executive Officer have a four-year vesting period, in equal annual quotas, predicated on the achievement of predetermined financial targets in the reference period. These options are exercisable starting from the approval of the 2010 Financial Statements. The residual 50% of the options granted to the Chief Executive Officer has a four-year vesting period in equal annual quotas and is exercisable starting November 2010.

In order to service the options granted to employees with newly issued shares, on November 3 2006, the Board exercised the powers granted to it pursuant to Article 2443 of the Italian Civil Code for the capital increase to service the incentive plan. The capital increase is reserved to employees of the Company and/or its subsidiaries, within a limit of 1% of the capital stock, i.e. for a maximum of 50,000,000 (fifty million) euros through the issue of a maximum of 10,000,000 (ten million) ordinary shares with a par value of 5 (five) euros each, corresponding to 0.78% of the capital stock and 0.92% of the ordinary capital, at the above mentioned price of 13.37 euros. Execution of this capital increase is subject to the approval by today's Stockholders Meeting of the incentive plan and is dependant on the conditions of the plan being satisfied. It is envisaged that the 10 million options based on outstanding shares will be acquired over the duration of the plan pursuant to the terms and conditions envisaged by law.

Given its specific characteristics, the plan does not have support from special funds.

Finally, we remind you that, in addition to the incentive plan that you have been asked to approve, other stock option plans have been granted to directors and managers. Such plans were approved between 1999 and 2004, and consist of a total of 18,353,900 options outstanding on December 31, 2006, including 7,683,900 already exercisable for the same number of Fiat ordinary shares.

Detailed information on the characteristics of said plans, as well as on this incentive plan, is provided in the Report on Operations and the Notes to the Statutory and Consolidated Financial Statements, as prescribed by the relevant regulation and International Financial Reporting Standards (IFRS), respectively.

Turin, February 20, 2007

On behalf of the Board of Directors

Luca Cordero di Montezemolo
Chairman

Motion to amend Articles 9, 11, 12, 13 and 17 of the By-laws

Stockholders,

Certain amendments to the By-laws must be made to comply with the recent amendments to Legislative Decree no. 58 of February 24 1998, the Consolidated Law on Financial Intermediation, that were introduced by Law no. 262 of December 28 2005, the Law on Investors Protection, and Legislative Decree no. 303 of December 29, 2006.

In particular, Article 11 (Board of Directors) must be amended in order to introduce the vote list system for the election of directors, so that a director can be elected on the basis of a minority list. The amendment must also define the minimum equity interest required for submission of a list of candidates. Pursuant to the new law, the interest must not exceed 2.5% of the voting shares, or a different threshold to be established by Consob according to the capitalisation, the number of outstanding shares available for trade, and the ownership structure of listed companies.

Considering the widespread ownership of Fiat stock and the consequently fragmented nature of stockholdings in the Company, as well as corporate governance practices already applied for the appointment of the members of the Board of Statutory Auditors, we propose that the minimum equity interest required for submission of a list of candidates for the directors' election be set in compliance with the provisions that may be applicable to the Company pursuant to future regulations and that, in any case, should not exceed 1% of ordinary shares, and thus at a level significantly lower than what is currently set by the law.

Another new requirement is that at least two directors satisfying the requirements of independence set forth in Article 147 ter of the Consolidated Law on Financial Intermediation must be appointed to the Board of Directors. These requirements state that independent directors must not be relatives up to the fourth degree of other directors of the Company, its subsidiaries or parent companies or the companies subject to joint control. Furthermore, they may not be consultants, advisors or employees of these companies. The candidates may not have other financial or professional relationships with these companies such as to compromise their independence with respect to such companies and their directors. Should they subsequently fail to satisfy these requirements, they will cease to be members of the Board as operation of law.

Consequently we submit a proposal of amendment to the By-laws whereby each list of candidates must include a candidate that satisfies the requirements of independence imposed by law.

We also propose amendment of Article 12 (Corporate Offices, Committees, and Directors' Compensation) whereby the Board of Directors, after receiving the opinion of the Board of Statutory Auditors, shall appoint the Manager in charge of preparing the Company's financial reporting. The Board of Directors may vest with the relevant functions more than one individual, provided that these individuals perform such functions together and have joint responsibility; a several-year experience with the accounting and financial affairs at large companies is also a mandatory professional requirement.

Finally, we propose that you amend Articles 13 (Meetings and Duties of the Board of Directors) and 17 (Appointment and Qualifications of the Statutory Auditors) in accordance with the new rules governing the Board of Statutory Auditors, including the one applied last year, which specifies that the Chairman of the Board of Statutory Auditors be chosen from the list of candidates that obtained the second highest number of votes at the Stockholders Meeting.

The proposed amendments are illustrated in detail at the end of this report, which shows the old and new versions. Said amendments may be subject to further changes prior to the Stockholders Meetings should new provisions of law come into effect.

Turin, February 20, 2007

On behalf of the Board of Directors

Luca Cordero di Montezemolo
Chairman

Current text	Proposed amendments
Art. 9 – Convening of Stockholders Meetings and Adoption of Valid Resolutions Resolutions adopted by the Stockholders Meeting pursuant to law and these By-laws are binding on all stockholders, including those who are absent or dissenting.	**Art. 9 – Convening of Stockholders Meetings and Adoption of Valid Resolutions** Unchanged
Ordinary Meetings are properly constituted on first call by the attendance of stockholders representing at least one half of the capital stock entitled to vote; on second call, by the attendance of stockholders representing any portion of the capital stock entitled to vote.	Unchanged
Resolutions are always adopted by an absolute majority of the votes, except for the election of Directors, which requires only a relative majority, and the election of Statutory Auditors, which is governed by the provisions of Article 17.	Resolutions are always adopted by an absolute majority of the votes, except for **the election of Directors and Statutory Auditors which is governed by the provisions of Articles 11 and 17.**
An Extraordinary Stockholders Meeting is duly convened, on the first call, if stockholders representing at least half of the voting capital are present. On the second call and third call, the stockholders in attendance must represent more than one-third and at least one-fifth, respectively, of the voting capital.	Unchanged
An Extraordinary Stockholders Meeting can adopt a resolution, on the first, second or third call, with the favorable vote of at least two-thirds of the capital represented at the Meeting.	Unchanged
The foregoing provisions have no effect on special majorities required pursuant to law or on the provisions that govern Special Meetings for holders of shares of a single class.	Unchanged
Art. 11 – Board of Directors The Company is managed by a Board of Directors consisting of a number varying from nine to fifteen members, as determined by the Stockholders Meeting.	**Art. 11 – Board of Directors** Unchanged
No one over the age of 75 shall be appointed as a Director.	Unchanged
	The Board of Directors is appointed by using lists of candidates. If several lists are submitted, one of the members of the Board of Directors shall be chosen from the list that obtained the second highest number of votes. Lists may be submitted only by those stockholders who, individually or together with others, own voting shares representing the

percentage applicable to the Company according to current laws. In any case, the percentage shall not exceed 1% of the ordinary shares.

No single stockholder, nor stockholders that are controlled by or associated with the company pursuant to the Italian Civil Code, can present or vote, even by means of third parties or a trustee company, more than one list of candidates. Each candidate can be present in one list only, otherwise he will be considered ineligible.

The candidates included on the lists must be indicated in numerical order and satisfy the integrity requirements imposed by law. The candidate who is indicated at number one on the list must also satisfy the legal requirements of independence.

The lists presented must be deposited at the Company's offices at least fifteen days prior to the date set for the Meeting on first call, and mention of such term must be made in the document calling the Meeting.

Together with each list and within the time limit indicated above, declarations will be deposited in which single candidates accept the candidature and, on their own responsibility, state that they satisfy the envisaged requirements. The candidates who do not comply with these rules are ineligible.

Once the Stockholders Meeting determines the number of directors to be elected, the following procedure shall be applied:

1. all the directors except one shall be elected from the list that has obtained the highest number of votes, on the basis of the numerical order under which they appear on the list;

2. in accordance with the law, one director shall be elected from the list that has obtained the second highest number of votes, on the basis of the numerical order under which the candidates appear on the list.

Lists that received a percentage of votes at the Stockholders Meeting that is less than half of the number required pursuant to the third paragraph of this article shall not be counted.

The foregoing rules for appointment of the Board of Directors do not apply if at least two lists are not submitted or voted on, or at the Stockholders Meetings that must replace directors during their terms. In these cases, the Stockholders Meeting shall decide on the basis of a relative majority.

The appointment, revocation, expiration of the term of office, replacement or lapsing of Directors is governed by the applicable laws. However, if as a result of resignations or other reasons the majority of the Directors elected by the Stockholders Meeting is no longer in office, the term of office of the entire Board of Directors will be deemed to have expired, and a Stockholders Meeting will be convened on an urgent basis by the Directors still in office for the purpose of electing a new Board of Directors.	**Without prejudice to what is set forth in this article**, the appointment, revocation, expiration of the term of office, replacement or lapsing of directors is governed by the applicable laws. However, if as a result of resignations or other reasons the majority of the directors elected by the Stockholders Meeting is no longer in office, the term of office of the entire Board of Directors will be deemed to have expired, and a Stockholders Meeting will be convened on an urgent basis by the directors still in office for the purpose of electing a new Board of Directors.
Art. 12 – Corporate Offices, Committees and Directors' Compensation	**Art. 12 – Corporate Offices, Committees and Directors' Compensation**
The Board of Directors shall appoint from among its members a Chairman, a Vice Chairman, if deemed advisable, and one or more Chief Executive Officers. In the case of the absence or incapacity of the Chairman, the Vice Chairman, if appointed, will assume his functions.	Unchanged
The Board of Directors may set up an Executive Committee and/or other Committees with specific functions and tasks, fixing its/their composition and operating procedures. More specifically, the Board of Directors shall establish a Committee to supervise the Internal Control System and Committees for the nomination and compensation of Directors and senior managers with strategic responsibilities.	Unchanged
	After receiving the opinion of the Board of Statutory Auditors, the Board of Directors shall appoint the manager in charge of preparing the Company's financial reporting. The Board of Directors may vest with the relevant functions more than one individual provided that these individuals perform such functions together and have joint responsibility. Only a person who has acquired several years of experience in the accounting and financial affairs at large companies may be appointed.
The Board of Directors may also appoint one or more Chief Operating Officers and may designate a Secretary, who need not be a member of the Board.	Unchanged
The compensation payable to the Directors and members of the Executive Committee shall be determined by the	Unchanged

Stockholders Meeting and will be effective until the Meeting resolves otherwise. The compensation of the Directors vested with particular offices shall be determined by the Board of Directors, after having received the opinion of the Statutory Auditors. Nevertheless, the Stockholders Meeting may determine an aggregate amount for compensation of all the Directors, including those vested with particular offices.	

Art. 13 – Meetings and Duties of the Board of Directors	**Art. 13 – Meetings and Duties of the Board of Directors**
Meetings of the Board of Directors are convened by the Chairman at least once every quarter and whenever the Chairman deems it appropriate, or when requested by at least three Directors or by one of the Directors to whom powers have been delegated.	Unchanged
The Board of Directors can also be called, after the Chairman has been informed, by at least two statutory auditors.	The Board of Directors can also be called, after the Chairman has been informed, by at least **one statutory auditor**.
Meetings are called by written notice, containing all elements necessary for the discussion, to be sent at least five days before the day on which the meeting is to be held, except in cases of urgency.	Unchanged
Meetings are presided over by the Chairman or, in his absence, by the Vice Chairman, if appointed; in their absence the chair shall be taken by another Director designated by the Board.	Unchanged
In the course of meetings, the Directors to whom powers have been delegated must report to the Board of Directors and the Board of Statutory Auditors at least once every quarter on their activities and business outlook, as well as on transactions carried out by the Company or its subsidiaries that are particularly significant in terms of size or characteristics, and each Director is required to disclose any interest that he may have, either directly or on behalf of third parties, in any transaction to which the Company is a party.	Unchanged
Based on the information it receives, the Board of Directors evaluates the adequacy of the Company's organization, administrative structure and accounting system; reviews the Company's strategic, industrial and financial plans; and based on reports provided by the bodies with delegated powers, assesses the general performance of the Company's operations.	Unchanged

Directors and Statutory Auditors may attend meetings by means of telecommunication systems. In such cases, the meeting is deemed to have been held at the location where both the meeting's Chairman and Secretary were present. In addition, it must be possible to identify the attendees, and they must be able to follow the proceedings, intervene in real time in the discussion of the topics on the Agenda and receive, send or view documents.	Unchanged

Art. 17 – Appointment and Qualifications of the Statutory Auditors	**Art. 17 – Appointment and Qualifications of the Statutory Auditors**
The Board of Statutory Auditors is composed of 3 regular members and 3 alternate members. The minority has the right to appoint one regular and one alternate auditor.	Unchanged
All statutory auditors must be entered in the register of auditors and possess at least three years' experience as a statutory account auditor.	Unchanged
The Board of Statutory Auditors is appointed on the basis of lists presented by stockholders on which candidates are listed in numerical order. The list consists of two sections: one for candidates to the office of regular auditor, the other for candidates to the office of alternate auditor.	Unchanged
Only those stockholders who, alone or with others, hold in total voting shares representing at least 1% of the ordinary shares have the right to present lists of candidates.	Unchanged
No single stockholder, nor stockholders belonging to the same group, can present, even by means of third parties or a trustee company, more than one list, nor can they vote for different lists. Each candidate can be present in one list only, otherwise he will be considered ineligible.	No single stockholder, nor stockholders belonging to the same group, can present **or vote**, even by means of third parties or a trustee company, more than one list. Each candidate can be present in one list only, otherwise he will be considered ineligible.
Candidates who already serve as regular auditors in five other publicly traded companies, not counting the controlling companies and subsidiaries of Fiat S.p.A., or fail to meet the requirements of integrity, professionalism and independence set forth in the applicable laws and this article may not be included in lists of candidates. Statutory auditors whose term of office has expired may be reelected.	Unchanged

The lists presented must be deposited at the company's offices at least ten days prior to the date set for the Meeting on first call, and mention of such term must be made in the document calling the Meeting.	Unchanged
Together with each list and within the time limit indicated above, declarations will be deposited in which single candidates accept the candidature and, on their own responsibility, state that there are no grounds for ineligibility or incompatibility, and that they fulfill the requirements laid down by law and by the company's By-laws for the offices in question. Any list for which the above conditions are not observed will be considered as not presented.	Together with each list and within the time limit indicated above, declarations will be deposited in which single candidates accept the candidature and, on their own responsibility, state that there are no grounds for ineligibility or incompatibility, and that they **satisfy** the requirements laid down by law and by the company's By-laws for the offices in question. **Any candidate for which the above rules are not observed will be considered as ineligible.**
The statutory auditors are elected as follows:	The statutory auditors are elected as follows:
1. two regular auditors and two alternate auditors are drawn from the list that has obtained the highest number of votes at the Stockholders Meeting, on the basis of the numerical order under which they appear in each section of the list;	**1.** two regular auditors and two alternate auditors are **elected** from the list that has obtained the highest number of votes at the Stockholders Meeting, on the basis of the numerical order under which they appear in each section of the list;
2. the remaining regular auditor and the other alternate auditor are drawn from the second list that has obtained most votes at the Stockholders Meeting, on the basis of the numerical order under which they appear in each section of the list.	**2. in compliance with the provisions of law,** the remaining regular auditor and the other alternate auditor **are elected** from the list that has obtained **the second highest number of** votes at the Stockholders Meeting, on the basis of the numerical order under which they appear in each section of the list.
The chairmanship of the Board of Statutory Auditors will go to the first candidate from the list that has obtained most votes.	The chairmanship of the Board of Statutory Auditors will go to the first candidate from the list that has obtained **the second highest number of votes**.
Should it be impossible to proceed with the appointment according to the above described system, the Stockholders Meeting shall resolve by relative majority.	Unchanged
Where the requirements of the law or company articles are not met, the statutory auditor forfeits his office.	Unchanged
In the event of a statutory auditor being replaced, the first alternate auditor, if available, belonging to the same list as the auditor being substituted and after having confirmed the existence of the prescribed requirements, will join the Board for the remainder of the auditors' term of office. In the event of a replacement of the Chairman, the office will be taken over by the other regular statutory auditor belonging to the same list.	Unchanged

Prior conditions in matters of the appointment of statutory auditors do not apply to Stockholders Meetings that have to appoint alternate auditors in the case only one auditor has remained in office. In such cases, the Stockholders Meeting resolves by relative majority.	Prior **rules** in matters of the appointment of statutory auditors do not apply to Stockholders Meetings that have to appoint alternate auditors in the case only one auditor has remained in office. In such cases, the Stockholders Meeting resolves by relative majority.
Meetings of the Statutory Auditors may be held by means of telecommunication systems. In such cases, the meeting is deemed to have been held at the location where it was convened and where at least one Statutory Auditor was present. In addition, it must be possible to identify the attendees, and they must be able to follow the proceedings, intervene in real time in the discussion of the topics on the Agenda and receive, send or view documents.	Unchanged

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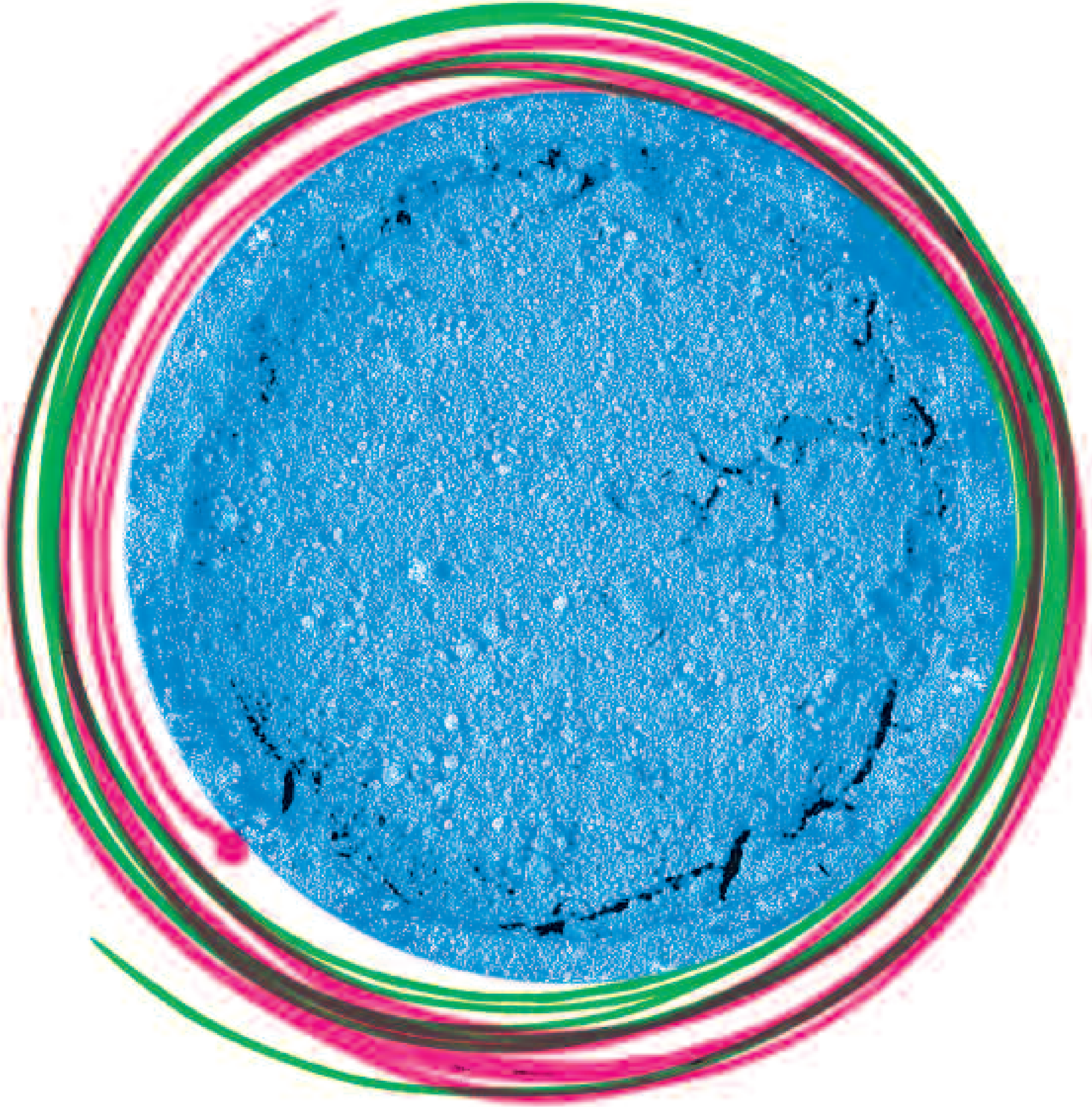

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