FIAT GROUP

Annual Report
Consolidated and Statutory Financial Statements

at december 31, 2005

100th Fiscal Year

Annual Report
Consolidated and Statutory Financial Statements
at December 31, 2005

Stockholders Meeting

Stockholders are invited to attend the Ordinary Stockholders Meeting to be held at the Fiat Historical Center, Via Chiabrera 20, Turin, on May 2, 2006, on the first call and on May 3, 2006, on the second call, at 1:00 p.m. to resolve on the following:

Agenda

1. Statutory and Consolidated Financial Statements at December 31, 2005, and Report on Operations; related resolutions.
2. Appointment of the Board of Directors after determining the number of its Members and their fees.
3. Appointment of the Board of Statutory Auditors, its Chairman and the determination of the relevant fees.
4. Engagement of the External Auditors.
5. Incentive Plan: resolutions pursuant to Article 114 bis of Legislative Decree 58/98.

Contents

Fiat S.p.A.

Registered Office: Via Nizza 250, Turin, Italy
Paid-in capital: 6,377,257,130 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 Angelo Benessia (2) Tiberto Brandolini d'Adda Flavio Cotti (1) Luca Garavoglia (1) Gian Maria Gros-Pietro (1) Hermann-Josef Lamberti (2) Vittorio Mincato (3) Virgilio Marrone Pasquale Pistorio (3) Daniel John Winteler (1) Mario Zibetti (2)
Secretary of the Board	Franzo Grande Stevens

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

Board of Statutory Auditors

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

External Auditors

Deloitte & Touche S.p.A.

Letter from the Chairman and the Chief Executive Officer

2005 marked a turning point for Fiat.

We delivered on our commitments, we met all of our targets and we even exceeded a number of them.

We had promised that 2004 would be Fiat's final year of net losses – and we achieved net income of over 1.4 billion euros in 2005.

We had committed to a drastic cut in net industrial debt – and it was reduced by two-thirds.

We had decided to focus on the relaunch of our Automobile activities, and in the last quarter of 2005 Fiat Auto posted a trading profit of 21 million euros after 17 consecutive quarters of losses.

This has contributed to restoring Fiat's credibility, not only in Italy, but internationally, as evidenced by the improvement in our debt ratings and our ability to attract a large number of institutional investors in our debt raising activities.

Our reputation has also benefited from the launch of new models across all brands that have been received extremely well by the public for their creativity, style, technology, and innovation, qualities that have distinguished the best Fiat cars since the firm was founded.

These breakthroughs, as well as all the other operational and financial improvements highlighted in this annual report, could not have been achieved without the strenuous efforts of the entire Fiat community, each and every one of whose members contributed to the relaunch of the Group with dedication and discipline. To do so, the Fiat people had to endorse fundamental changes in attitude, to assume greater responsibility and accountability, and to show their determination to deliver. We would like to express our sincere thanks to all of them.

During 2005, we also built a strong base for more effective and profitable operations in the future.

First of all, we successfully resolved all pending strategic and financial issues: we settled our outstanding matters with General Motors and received a 1.56 billion euro cash payment; the Italenergia Bis transaction led to a 1.8 billion euro reduction in net industrial debt; and finally, conversion of the Mandatory Convertible Facility resulted in a 3 billion euro debt reduction and a sharp improvement in Group equity.

Fiat's business governance structure, especially in Automobiles, was right-sized to match realistic demand and market conditions. In Autos we have put in place a fully market-oriented organization, unbundling the brands: Fiat, Lancia and Alfa Romeo now face the customer on their own, while sharing key functions such as manufacturing, quality and safety. Everything is driven by the brands and for the brands. Similarly, in Agricultural and Construction Equipment, Case New Holland was reorganized along four brands rather than regions.

And we have begun to aggressively streamline processes throughout the organization.

The Company will reap the benefits of these structural improvements in 2006 and beyond.

Last year, we made other important decisions that will shape the Group's future, in the form of targeted industrial alliances with major international partners. Seven such agreements were struck in the Automobile Sector – with Pars Industrial Development Foundation (PDIF), PSA-Tofas, Zastava, Suzuki, Ford, Severstal Auto and Tata Motors – while another partnership was established in commercial vehicles and industrial engines, between Iveco and SAIC.

Though much was done in 2005 to set the Company on course towards a real, lasting rebirth of our Group, the process is far from over and much remains to be done. Nonetheless, today's Fiat is a much different company from what it was just a year ago.

The Group improved all key financial indicators. Our cash position – about 7 billion euros at 2005 year end – is strong.

The financial markets are showing increased confidence in our prospects, as demonstrated by the steady appreciation of the Fiat share price. We have nearly completed the process of making our Internal Control System fully Sarbanes-Oxley compliant, a move that will further enhance confidence in the Group at the international level.

The Fiat we are talking about is a Group with a reinvigorated managerial structure, a leaner organization, a solid financial structure and stronger market positions thanks to new products. This new Fiat can achieve new, challenging targets in 2006.

At Group level, we aim to deliver positive cash flow from operations, a trading profit between 1.6 and 1.8 billion euros, and net income of about 700 million euros.

While we do not expect market conditions for our operating Sectors to change materially this year, we have set high trading margin targets (trading profit as a percentage of revenues) for all of them: 7% to 7.5% at CNH, 5.5% to 6% at Iveco, and 3.5% to 4% in Components and Production Systems.

The Automobile Sector should also turn in a positive performance, with a trading margin of 0.5% to 1%. This result will be supported by the full-year contribution of new models already rolled out. These will be joined in coming months by other new models, as we implement our aggressive product renewal plan calling for the launch of 20 new cars and the restyling of 23 current models between 2005 and 2008.

We made a clean break with the past, while respecting all commitments made to stakeholders. We are clearly within reach of recovering our position as a competitive automotive Group.

This is why we are keeping up the pressure that has enabled us to get this far, demanding much from ourselves and from all the men and women of the Fiat community. We have no intention of lessening the momentum that has allowed Fiat to generate a series of steady improvements, quarter after quarter, throughout 2005.

We will remain focused on reducing costs in non-essential areas, while continuing to invest in innovation. We will complement our advanced technological resources with better commercial organization and more efficient services.

Finally, we will continue to seek new international opportunities, implementing our strategy of targeted alliances with key partners who will help us reduce capital commitments, and share investments and risks.

It is for all these reasons that we feel confident about our future.

Turin, February 28, 2006

Luca Cordero di Montezemolo
Chairman

Sergio Marchionne
Chief Executive Officer


FIAT

01
Report on Operations

The Fiat Group

The Fiat Group performs automotive manufacturing and financial service activities in approximately 190 countries.

Below is a description of how the Group is currently structured, as a result of its refocusing on the automotive business started in 2003 and continued in 2004. In 2005, reporting of Group activities was redefined by Business Areas as follows:

Automobiles

Fiat Auto produces and sells automobiles under the Fiat, Alfa Romeo and Lancia brands and light commercial vehicles under the Fiat brand. It provides financing services to its dealers and suppliers and rental services to its customers.

The Sector is represented by Fiat Auto S.p.A. and its subsidiaries.

The Fiat Group also controls **Maserati** and **Ferrari**. They produce luxury sports cars that excel for their exclusive characteristics, technology and performance. Following transfer of the ownership of Maserati from Ferrari to Fiat Partecipazioni S.p.A., as of April 2005 the two companies are represented separately.

Fiat Powertrain Technologies is the new 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 will also include the engine and transmission operations of Iveco, Centro Ricerche Fiat and Elasis.

Agricultural and Construction Equipment

CNH 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.

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 financing services to its dealer network and rental services to customers.

Components and Production Systems

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 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.
- Publication of the *La Stampa* daily newspaper, and sale of advertising space for multimedia customers through *Publikompass*.

Other Businesses also include Holding companies and Other companies, among which Banca Unione di Credito, a group performing banking activities in Switzerland.

Highlights – Group

(in millions of euros)	2005	2004
Net revenues	**46,544**	45,637
Trading profit	**1,000**	50
Operating result	**2,215**	(585)
Income/(loss) before taxes	**2,264**	(1,629)
Net income/(loss) before minority interest	**1,420**	(1,579)
Group interest in net income/(loss)	**1,331**	(1,634)
Earnings per share (ordinary, preference, and savings) (in euros) (1)	**1.250**	(1.699)
Diluted earnings per share (ordinary, preference, and savings) (in euros) (1)	**1.250**	(1.699)
Investments in tangible and intangible assets (net of vehicles sold under buy-back commitments)	**3,052**	2,915
of which: Capitalised R&D costs	**656**	753
R&D expenses (2)	**1,558**	1,791
Total assets	**62,454**	62,522
Net debt	**18,523**	25,423
of which: Net industrial debt	**3,219**	9,447
Stockholders' equity before minority interest	**9,413**	4,928
Group interest in stockholders' equity	**8,681**	4,304
Employees at year-end (number)	**173,695**	161,066

Effective January 1, 2005, the Fiat Group adopted the International Financial Reporting Standards (IFRS). The comparative data for 2004 have thus been restated in accordance with the new accounting standards. For additional information on the impact of their adoption on 2004 figures that had already been published, reference is made to the Appendix 1 of the Consolidated Financial Statements.

(1) In accordance with IAS 33, the dilutive effects of the Mandatory Convertible Facility have not been included in the determination of earnings per share for 2004, as there was a net loss for the period.

(2) Includes capitalised R&D costs and costs charged directly to operations for 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)	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Italy	**155**	173	**77,070**	71,469	**56**	54	**52**	53	**13,078**	14,903
Europe excluding Italy	**280**	305	**43,376**	43,253	**58**	56	**32**	33	**18,518**	17,646
North America	**80**	89	**12,572**	12,400	**28**	28	**17**	17	**6,048**	6,020
Mercosur	**40**	43	**29,132**	24,229	**20**	19	**10**	10	**4,364**	3,195
Other regions	**99**	104	**11,545**	9,715	**27**	23	**9**	9	**4,536**	3,873
Total	**654**	714	**173,695**	161,066	**189**	180	**120**	122	**46,544**	45,637

(*) Fiscal 2004 figures are different from those published until now due to the impact of changes in the scope of consolidation resulting from the adoption, from January 1, 2005, of International Financial Reporting Standards (IFRS).

01 Report on Operations

- Fiat Group recorded **revenues** of 46.5 billion euros in 2005, up 2% from 45.6 billion euros in 2004. All automotive Sectors posted improvements, apart from a slight decrease (-0.8%) at Fiat Auto as a recovery in car sales volumes in the last quarter was insufficient to offset the trend of the first nine months, when sales slowed down ahead of new model launches.

- Group **trading profit** for the year came in at 1 billion euros, compared with 50 million euros in 2004. The 950 million euro improvement in trading profit reflected a 541 million euro reduction in trading losses at Fiat Auto and the positive performance of all other industrial Sectors, which met or exceeded their trading margin targets (trading profit as a percentage of revenues). In particular, trading margins were as follows: Fiat Auto -1.4%, in line with the target set; CNH 6.8%, against a target of 6/6.5%; Iveco 4.4%, higher than its 4% target; the Components and Production Systems business area 3.7%, higher than its 3% target.

- **Operating result** for the year was positive by 2.2 billion euros, compared with an operating loss of 585 million euros in 2004. The year benefited from the improvement in trading profit and, more particularly, from the gain of 1.1 billion euros from the General Motors settlement and the gain realised on the sale of the investment in Italenergia Bis (878 million euros).

- **Income before taxes** was 2.3 billion euros, compared with a loss of 1.6 billion euros in 2004. The 3.9 billion euro improvement reflected an increase in operating result (+2.8 billion euros), the unusual financial income of 858 million euros associated with the capital increase to service the Mandatory Convertible Facility and a decrease in net financial expenses.

- **Consolidated net income** (Group and third parties) amounted to 1.4 billion euros, against a loss of 1.6 billion euros in 2004.

- **Net industrial debt** amounted to 3.2 billion euros, showing a decrease during the year of approximately 6.2 billion euros, mainly reflecting the conversion of the Mandatory Convertible Facility, the repayment of financial debt related to the Italenergia Bis transaction, and the receipt of the General Motors indemnity following the settlement of the Master Agreement.

- The Group's **cash position** at December 31, 2005 was approximately 7 billion euros, up from 6.1 billion euros at January 1, 2005, after the utilisation of 1.9 billion euros of cash for the repayment of bonds.

Highlights by Sector

(in millions of euros)	Net revenues 2005	2004	Trading profit 2005	2004	Operating result 2005	2004	Total operating assets 2005	2004
Fiat Auto	19,533	19,695	(281)	(822)	(818)	(1,412)	16,231	15,967
Maserati	533	409	(85)	(168)	(85)	(171)	235	312
Ferrari	1,289	1,175	157	138	157	136	936	837
Fiat Powertrain Technologies	1,966	–	26	–	4	–	2,362	–
Agricultural and Construction Equipment (CNH)	10,212	9,983	698	467	611	399	17,860	15,224
Commercial Vehicles (Iveco)	9,489	9,047	415	371	289	347	7,510	9,797
Components (Magneti Marelli)	4,033	3,795	162	165	127	148	2,363	2,228
Metallurgical Products (Teksid)	1,036	910	45	(39)	27	(42)	671	576
Production Systems (Comau)	1,573	1,711	42	40	(8)	30	1,091	1,042
Services (Business Solutions)	752	976	35	41	7	34	341	636
Publishing and Communications (Itedi)	397	407	16	11	13	9	186	161
Holding companies, Other companies and Eliminations	(4,269)	(2,471)	(230)	(154)	1,891	(63)	915	1,784
Total for the Group	46,544	45,637	1,000	50	2,215	(585)	50,701	48,564

(in millions of euros)	Total operating liabilities 2005	2004	Investments (*) 2005	2004	R&D expenses (**) 2005	2004	Number of employees 2005	2004
Fiat Auto	15,638	15,269	1,582	1,792	665	952	46,099	45,122
Maserati	270	302	20	51	57	72	606	652
Ferrari	625	428	142	143	86	75	2,809	2,670
Fiat Powertrain Technologies	1,255	–	173	–	2	–	10,111	–
Agricultural and Construction Equipment (CNH)	14,483	12,128	255	243	234	221	25,420	25,746
Commercial Vehicles (Iveco)	6,213	8,342	444	330	277	243	32,373	31,037
Components (Magneti Marelli)	1,620	1,371	313	280	197	193	24,213	21,868
Metallurgical Products (Teksid)	419	389	45	44	5	4	8,952	8,571
Production Systems (Comau)	828	823	38	23	20	17	12,725	13,328
Services (Business Solutions)	437	604	19	25	–	–	5,436	6,519
Publishing and Communications (Itedi)	161	165	20	2	–	–	846	849
Holding companies, Other companies and Eliminations	719	1,440	1	(18)	15	14	4,105	4,704
Total for the Group	42,668	41,261	3,052	2,915	1,558	1,791	173,695	161,066

(*) 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

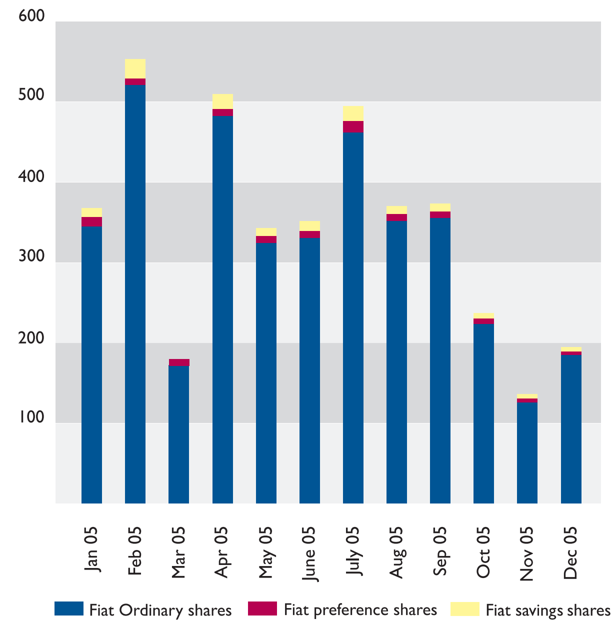
Financial communication

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 organizes presentations, live or through conference calls, after the regular publication of Group results or other events requiring direct communications with the market. Moreover, the 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. 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:

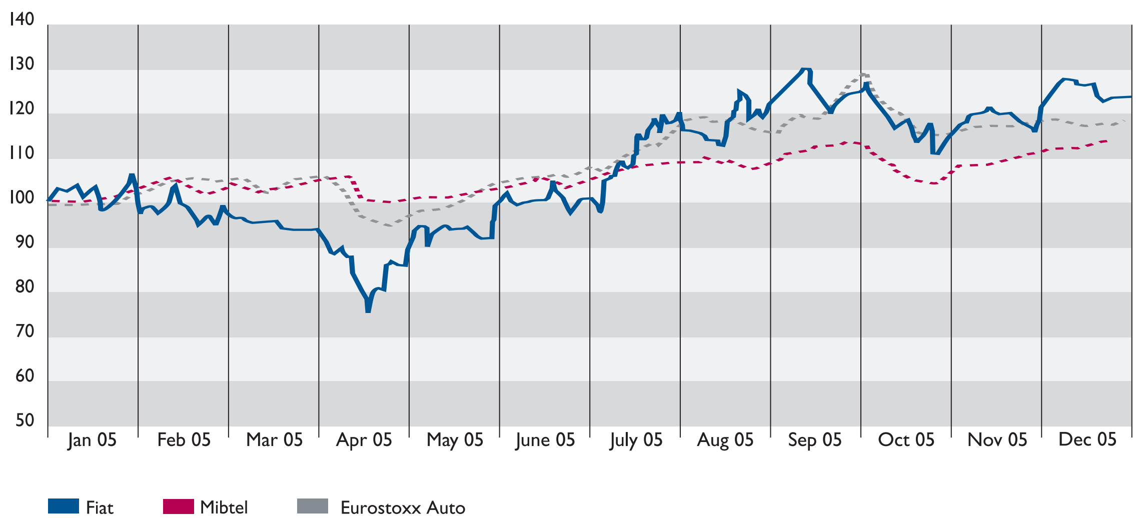
For holders of Fiat shares:
Toll-free telephone number
in Italy: 800-804027
E-mails: serviziotitoli@fiatgroup.com
investor.relations@fiatgroup.com

For holders of ADRs:
Toll-free telephone number in the USA and Canada: 800 900 11 35
Outside the USA and Canada:
781 575 43 28
Website: www.adr.com

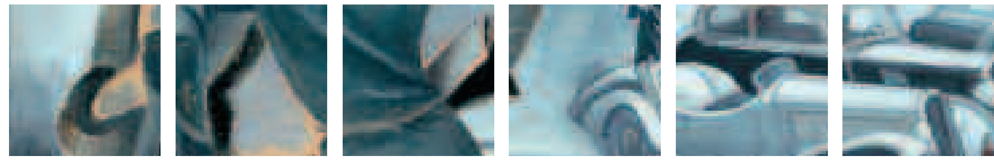
Average monthly trading volumes (in millions of shares)



Performance of Fiat stock with respect to MIBTEL and Eurostoxx Auto indexes since January 1, 2005 (1/1/05=100)



Stock markets worldwide posted strong gains in 2005, except for the New York Stock Exchange, which rose by only 3%.
In Italy the S&P/MIB grew by 15.5%, while the Vienna (+50%), Zurich (+33%), Frankfurt (26%), and Paris (+22%) stock exchanges stood out at the European level.
During the year, the European automotive market staged a recovery from 2004 levels, with the automotive sector index (Dow Jones Eurostoxx Auto) posting an increase of 18%.
Against this background, Fiat stock was up by 23.5%. The market rewarded the successful resolution of all its principal strategic and financial issues (relations with General Motors, Italenergia Bis, and the Mandatory Convertible Facility), the successful roll-out of important new models, the announcements of targeted industrial agreements with international partners, and achievement of its financial targets for 2005.

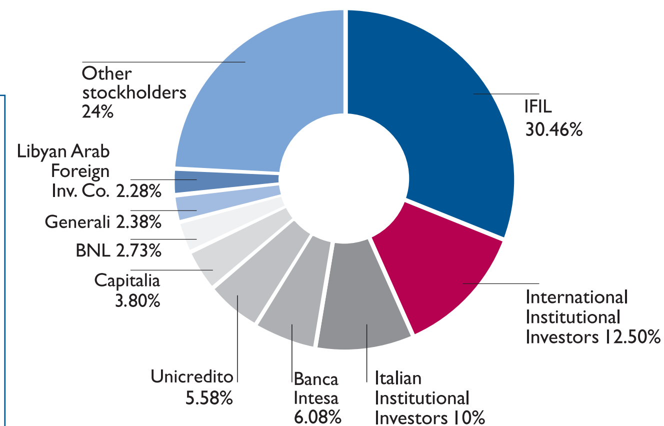


Major Stockholders

There are more than 300 thousand individual Fiat stockholders. A total of 1,092,246,316 ordinary shares were outstanding at December 31, 2005. As of today, the following individual and institutional investors have holdings exceeding 2% of total outstanding ordinary stock.

Ordinary shares: 1,092,246,316	
IFIL Investments S.p.A.	(*) 30.46%
Banca Intesa	6.08%
Unicredito	5.58%
Capitalia	3.80%
BNL	2.73%
Generali	2.38%
Libyan Arab Foreign Inv. Co.	2.28%
International Institutional Investors	approx. 12.5%
Italian Institutional Investors	approx. 10%
Other stockholders	approx. 24%

(*) Including 0.4% of treasury stock held by Fiat S.p.A.



Highlights per share

(in euros)	2005	2004
Earnings per share (ordinary, preference and savings) (1)	1.250	(1.699)
Diluted earnings per share (ordinary, preference and savings) (1)	1.250	(1.699)

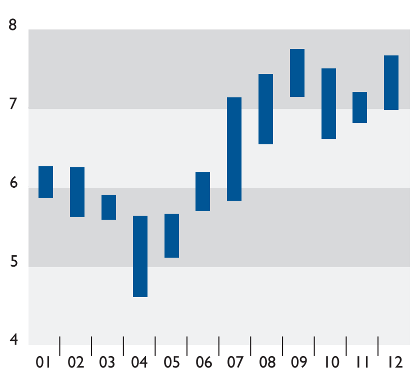
(1) In accordance with IAS 33, the dilutive effects of the Mandatory Convertible Facility have not been included in the determination of earnings per share for 2004, as there was a net loss in the period.

Official price per share

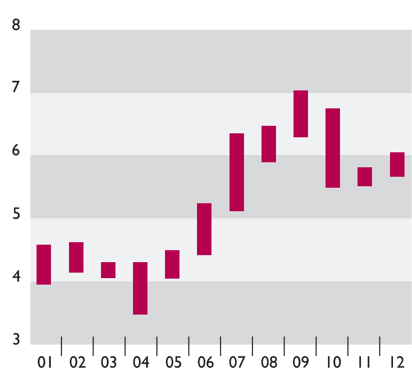
(in euros)	12/30/05	12/30/04	12/30/03	12/30/02	12/28/01	12/29/00
Ordinary shares	7.333	5.897	6.142	7.704	17.921	26.340
Preference shares	5.935	3.976	3.704	4.348	12.267	17.606
Savings shares	6.558	4.243	3.957	4.183	11.459	15.149

Minimum and maximum monthly price in 2005 (in euros)

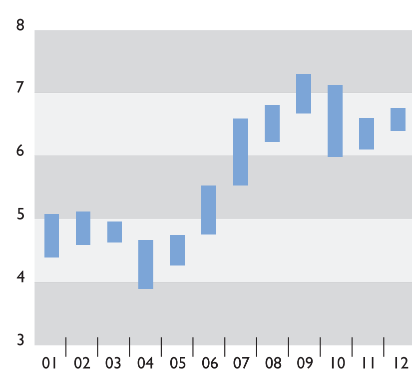
Fiat Ordinary shares



Fiat Preference shares



Fiat Savings shares



Sustainability Report – Economic, environmental and social responsibility

One year ago, even though it was a period when pulling the company out of the crisis was the top priority for everyone at Fiat, the Group took the time to publish its first Sustainability Report.

This was considered a way of reasserting the importance Fiat assigns to providing the public with balanced information about the issues associated with management accountability, respect for the environment, and corporate social responsibility. A way of emphasising that for Fiat, dialogue with the community is far from marginal: instead, it's a vital part of its business.

The Sustainability Report testifies not only to the work Fiat has performed on its finances, manufacturing programmes and products, but also to the great strides forward made by the Group in corporate responsibility, as it believes that these efforts do not hamper its business, but add to its value.

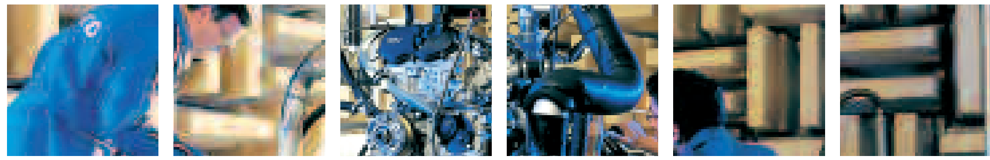
The Sustainability Report is divided into three sections, dealing in turn with the Fiat Group's **economic**, **environmental** and **social responsibility**. Several additions have been made since the first issue, reflecting the goals that were set out in last year's Report and which to a large extent have been met.

Because this is yet another area where Fiat has made good on its promises. And it also bears out the Report's twofold aim: to take stock of what has been done, and to establish the targets to which the future work must tend.

In **economic responsibility**, Fiat has reached its goal of increasing the Group's value and competitiveness. In doing so, it has stayed true to its Code of Conduct, and made significant progress in ensuring that its suppliers abide by the principles of the Code of Conduct and those of the Compliance Programme. In this connection, Fiat has concluded its awareness-raising efforts and is now monitoring results.

In **environmental responsibility**, Fiat's commitment took concrete shape with the new central Research and Innovation function, set up in 2005 to provide a better way of making sure that technological development also lightens the impact of products on the environment. At the same time, the number of plants which have received ISO 14001 certification increased, from 84 in 2004 to 89 in 2005. In addition, the Environmental Management System has been extended to many more manufacturing sites, and the results of the first efforts at tying respect for the environment in with Fiat's business targets are promising.

In the area of **social responsibility**, significant progress has been made. The information provided in the section on Human Resources now covers worldwide data. In addition, the Group continued to support major programmes designed to help the disadvantaged in countries such as Brazil, and embarked on new initiatives in Europe and elsewhere. Fiat devotes particular attention to developing services and individual and collective transportation means to help people who face special challenges that can limit their mobility: ways such as the Autonomy Programme, the range of agricultural equipment for the disabled, and Fiat's contribution to the Torino 2006 Paralympic Games, where the Group provided funding and management expertise.



Research and Innovation

In 2005, a central "**Research and Innovation**" function was set up with the aim of:

- Overseeing multi-sectorial research and innovation, ensuring a uniform approach and cost containment;
- Optimising and facilitating the transfer of results achieved within the Group and guaranteeing synergies between the Sectors in projects of common interest;
- Promoting opportunities for public funding in the Group;
- Protecting and enhancing intellectual property;
- Promoting the Group's high-tech image.

The new function groups together human and engineering resources already available at the Centro Ricerche Fiat, Elasis and the corresponding development centres within the single Sectors (Fiat Auto, CNH, Iveco, Magneti Marelli and Comau).
Consistently with this approach, a **multi-sectorial innovation team** has been set up, which is composed of upper echelon engineering and marketing personnel from each Sector.

In 2005, the Group's two R&D companies, the Centro Ricerche Fiat (C.R.F.) and Elasis, intensified their interactions with the operating Sectors. Improved coordination of policies, objectives and initiatives made it possible to rationalise skills and make the most of each centre's areas of excellence.

In 2005, R&D expenses[1] totalled approximately 1.6 billion euros, equal to about 3.5% of net revenues of industrial operations. The plan covering the 2006-2008 period calls for R&D expenses for a total of approximately 5.9 billion euros.
Overall, R&D activities involved approximately 13,200 people at 120 centres in Italy and abroad.

Centro Ricerche Fiat (C.R.F.)

Environmentally-friendly engines, innovative vehicle structures, electronic chassis control systems, onboard electronic systems, integrated transportation safety, environmental protection and advanced manufacturing methods. These are the fields where the Centro Ricerche Fiat concentrated its work in 2005. In addition to its headquarters in Orbassano on the outskirts of Torino, the Fiat Research Centre has branches in Trento, Bari, Foggia and Catania, as well as an interest in the C.R.P. - Centro Ricerche Plast-optica - Plastics and Optics Research Center in Amaro (Udine), a joint venture between the C.R.F., Automotive Lighting and Agemont, whose work in the fields of optics and plastics is instrumental in developing better lighting systems.

With a staff of approximately 890 employees, the C.R.F. made significant progress during the year, with R&D output totalling 460 projects. Eighty new patent applications were filed, bringing the total number of patents held by the Centre to over 1,400. A further 1,000 patents are currently pending. In addition, the C.R.F. was awarded 115 projects in the EU's Sixth Framework Programme, confirming its leadership in European research.

Of the many awards testifying to the high quality of the Centre's work, some of the most important included:

- The Special Prize for "Innovative Concepts for the Vehicle of the Future" which the jury awarded to the Centre's trail-blazing "Sportiva Latina" prototype at the 33rd Barcelona International Motor Show;
- The "Oscar Masi" 2005 award for new production technologies based on research by the C.R.F., which was assigned to Comau for the new AgiLaser laser welding system;
- The "International Engine of the Year" award for 2005 assigned to the 1.3-litre Multijet engine, currently in production at Fiat Powertrain Technologies plants and developed from C.R.F. innovations and patents;
- The "EuroCarBody Award" for 2005 – Recognition went to the outstanding work performed by the Fiat Auto and Centro Ricerche Fiat project team in developing, planning and producing the chassis for the Grande Punto.

The major accomplishments of the Centro Ricerche Fiat in 2005 are reviewed below.

- **Panda Natural Power**. Fuelled with compressed natural gas, this version of the Fiat Panda promises to be the new benchmark in sustainable urban mobility.

(1) Including capitalised R&D costs and costs charged directly to operations during the fiscal year.

The floor pan, derived from the 4x4 version, houses two separate natural gas tanks with a total capacity of 70 litres. Compared to the Fiat Punto now in production, cruising range is increased by 20%. The two fuel tanks are so well integrated that the car offers just as much room for passengers and luggage as the original version.

- **Fiat Panda Hydrogen**. The Orbassano laboratories are continuing to develop fuel cell propulsion systems. After the Seicento Elettra H2 Fuel Cell and the Seicento Hydrogen, the Panda Hydrogen has now made its debut.
  With the fuel cell engine neatly stowed away beneath the floor pan, the Panda Hydrogen retains all of the distinctive features of the New Panda's occupant compartment, comfortably accommodating the driver and three passengers.
  At full power, the vehicle reaches a top speed of over 130 kph and can accelerate from 0 to 50 kph in 7 seconds. Grade driveaway capability is 23%. The hydrogen tank, with its total volume of 68 litres, gives the Panda Hydrogen a cruising range of over 200 kilometres in stop-and-go city traffic.
  Refueling, moreover, takes less than five minutes: much the same as a natural gas-powered car.

- **Infonebbia Fog Warning System – Experimental Torino-Caselle link**. During the Olympic Winter Games, the Infonebbia Fog Warning System test site on the Torino-Caselle motorway was put into service. The site is integrated with the Torino 2006 Traffic Operative Centre mobility and emergency management system. Several kilometres of the motorway have been equipped with intelligent safety aids: technologies that check on visibility, devices for keeping road users informed, systems for detecting and announcing traffic jams and a control centre that handles wireless monitoring for the entire test site.
  Four "safety cars" equipped with radar and telematic systems ply the road in order to provide assistance to drivers in potentially critical conditions.

- **Motor vehicle safety**. Safety, both of vehicle occupants and vulnerable road users such as pedestrians, benefits from the product improvements achieved through the use of numerical/experimental design and testing techniques that focus on crashworthy vehicle structures as well as airbags, seat belts, occupant compartment interiors and pedestrian protection systems.

- **Lightweight materials for commercial vehicles**. The Centro Ricerche Fiat assisted Iveco in developing new ways to increase the competitiveness of the Daily line. The goal for 2005 – reducing vehicle weight without penalising costs and investments – was reached through the use of high strength steels and flexible manufacturing technologies such as hydroforming and profiling.

- **High performance thin seat structure**. The C.R.F. developed a new front seat structure for subcompact cars featuring a low-bulk seatback and cushion.
  With this structure, seatback and cushion padding are approximately 50% thinner than on a conventional seat, while continuing to provide excellent performance in terms of postural comfort and active and passive safety.

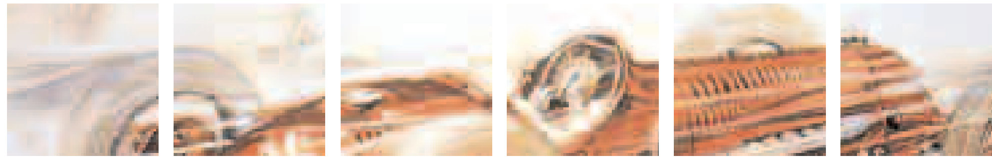
- **Spark ignition Multiair engine**. The work of the Centro Ricerche Fiat on optimising the performance of the original UNIAIR electronic valve control technology in terms of feasibility and costs has made it possible to extend this system's applications to include medium-small engines, thus cutting their CO_2 emissions.
  The preproduction version of the Fire MULTIAIR engine has been successfully tested, demonstrating its low consumption and high performance. In addition, the UNIAIR system turned out to be fully compatible with turbocharging technologies.

Elasis

Elasis is a highly specialised research centre whose work addresses technological innovation, complete vehicle development, mobility and its environmental impact, and traffic safety.

The Centre has a staff of over 800 employees at its two sites in Pomigliano and Lecce, both located in Southern Italy. It is provided with sophisticated computer-aided design tools and advanced physical and virtual testing equipment which are based on an ability to develop and manage information systems that puts Elasis in the front ranks of the world's R&D centres.

In 2005, Elasis continued to pursue its strategic goal of forging new links in the research/innovation system's value chain and of promoting local development:



- Upstream, by working together with universities, private institutions and consortia in basic research and training, and
- Downstream, by continuing to work on the issues related to mobility and its environmental impact, and by cooperating with employers' associations and chambers of commerce in Southern Italy to help the area's SMEs make the most of their skills.

Significant achievements were made in the following areas:

Biomechanics. The Elasis Biomechanics Centre developed simulation methods for the crash tests called for by international regulatory requirements and rating systems. This work has extended the range of experimental tests that can be simulated, and ensured that simulations are more representative of the complex physical phenomena that take place during impact. Simulations have been developed for frontal, side and rear impact tests, whiplash tests and knee impact tests with adult occupants and children. These testing and statistical analysis methods were applied during the development of all new Fiat Auto models, and contributed significantly to the achievement of the 5-star Euro NCAP ratings for Fiat Croma, Grande Punto and Alfa 159.

225 Minicargo development project. As part of the joint venture between Fiat Auto and PSA, Elasis is working together with Tofas to develop the body shell, trim and closure panels for this new vehicle. Particular attention is devoted to optimising weight and standardising components by applying innovative robust design methods and an integrated system of product archetypes based on Knowledge Based Engineering (KBE) technology.

New product planning. During 2005, Elasis worked together with Fiat Auto in setting out the requirements for the C-segment models envisaged by the Product Plan, and with Ferrari in developing the architecture of the new 8-cylinder front-engined roadster, which will be the forerunner of the Ferrari's future 12-cylinder offerings.

Fast Dynamics Prototype. The Fast Dynamics Prototype – known by its Italian acronym PDR – was developed in order to boost the actuation speed of vehicle dynamics systems. This prototype will serve as the foundation for further work on developing technologies capable of coping with the most extreme conditions.

FIRE engine evolution. In 2005, Elasis continued its development and product engineering work on 8 and 16-valve spark ignition engines in the FIRE series with displacements ranging from 1.1 to 1.4 litres. In particular, the first engine in the new FIRE family was developed and put into production: a 1.4-litre unit with variable valve timing which will be installed on the Grande Punto, Idea, Doblò, Palio and Siena, all of which meet Euro 4 emission requirements.

In addition, a demonstrator (engine plus vehicle) for the turbocharged 16-valve 1.4-litre Fire powerplant was developed on the Alfa 147 platform. Elasis is now engineering this unit for installation on the Grande Punto and 198 Stilo.

Product Lifecycle Management. Elasis employs a systematic Product Lifecycle Management approach which integrates CAD, CAE, CAM, CAT, Digital Mock-Up, Virtual Reality, Product Data Management and Engineering BOM solutions. In addition to being a key factor in the Centre's work, these capabilities are also transferred to the various Sectors to encourage cross-functional coordination and the spread of best practices.

New "Hardware In the Loop!" (HIL) model. A project was launched to develop a vehicle dynamics model that can be used in realtime hardware-in-the-loop applications, and should be concluded by the end of 2006. A simulation model is now nearing completion which implements the control logic that superintends driveability and will thus make it possible to assess vehicle handling early in the design stage.

Workplace ergonomics. The work stations along the Alfa 159 assembly lines were certified, and Elasis cooperated with the Centro Ricerche Fiat in several newly-launched studies for determining and validating ergonomic indexes.

Traffic safety and mobility. In partnership with the Province of Milan, Elasis continued to work on the SUMMIT project. The project, which focuses on innovative models and methods for road user safety, is partially funded by the Lombardy regional administration.

In the area of education and prevention, Elasis and Italy's State Police jointly developed the ICARO project, which aims at promoting a culture of traffic safety through a presentation which will tour a number of Italian cities.

Human Resources

At December 31, 2005, the Group had 173,695 employees, compared with 161,066 at the end of 2004 (this figure is different from the one published until now due to the impact of changes in the scope of consolidation resulting from the adoption, from January 1, 2005, of International Financial Reporting Standards IFRS). The Group hired around 15,800 new employees in 2005, while a total of around 17,000 employees left the Company. As the net result of changes in the scope of consolidation, the Group added around 13,900 employees. The consolidation of the activities originally conveyed to the Fiat-GM Powertrain joint venture, which returned to Fiat's control after the termination of the Master Agreement with General Motors, the acquisition of a controlling interest in Mako, the consolidation of Leasys and the sale of WorkNet account for most of the change. As regards recruitment, over 600 recent university graduates were added to Group staff, mainly in engineering departments.

The Group's high skill staff ("professionals") totally exceed 25,000, 44% of whom work outside Italy.

ORGANISATIONAL AND MANAGEMENT CHANGES

The organisation of the Fiat Group underwent major changes in 2005.

Fiat Powertrain Technologies is the new sector into which the engine and transmission activities that returned to Fiat after the termination of the Master Agreement with General Motors were conveyed. Starting in 2006, it also groups the powertrain businesses of Iveco, C.R.F. and Elasis. These organisational changes will enable Fiat Powertrain Technologies to take an integrated approach to the management of multiple cutting-edge research and engineering centres, with the resulting benefit of gaining a significant advantage in the development of innovative and competitive products.

Iveco and CNH went through major organisational changes in accordance with common guidelines that were consistent with the organisational model adopted by Fiat Auto starting from 2004.

CNH's new organisation is characterised, on the one hand, by a differentiation of its brands as reference and contact points with the marketplace and, on the other, by the establishment of global functions with governance responsibility over the main business processes.

Iveco's new organisation is structured as follows:

- functions focused on customer service and its development;
- platforms focused on products;
- functions focused on the efficiency of global processes;
- business units dedicated to managing specific businesses;
- staff functions that support strategically Sector's overall objectives.

In 2005, the Group continued to strengthen its management organisation, adding a considerable number of managers with international experience.

A total of 113 managers were hired from outside the Group, including 9 who were selected to fill top positions in the Group's Sectors.

In 2005, the management assessment process, which involved more than 2,200 employees, was completed in accordance with a new leadership model that has become an integral part of the Group's management system.

Professional Development

In 2005, the Group invested approximately 90 million euros (2.1% of its total payroll) in training programmes designed to support the operations of the Group and the professional development of its employees.

About 89,000 employees received training and professional development support.

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

Isvor Fiat provided training, consulting and professional support programmes representing a total of 15,475 classroom/training days. An additional 26,189 users received a total of 137,748 hours of Web-based distance learning support.

Grants and Scholarships

The Fiat Grants and Scholarships Programme, 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.

In 2005, Fiat awarded 581 grants – 185 to students in Italy and 396 to students in other countries – at a total cost of 1,032,600 euros.

INDUSTRIAL RELATIONS

The discussions carried out in 2005 with the trade unions and representatives of employees at the company level focused on finding consensus solutions to handle the social impact of the programmes implemented by the various Group companies to restructure and streamline their organisations and recover competitiveness. The **social dialogue** concerned mainly the measures needed to bring the Group's manufacturing operations in line with market needs, to improve their efficiency and operational flexibility and to manage the impact on staffing levels of reorganisation programmes implemented to reduce business governance costs.

In **Italy**, discussions with the trade unions, both at the national and local level, were carried out constructively. A number of meetings were held to explain and discuss the different stages of the Group's restructuring process. A key meeting with trade unions, national government and local authorities was held on August 3, 2005 at Palazzo Chigi, the building where the Prime Minister's office is located. At that meeting, Sergio Marchionne, Fiat's Chief Executive Officer, explained the Group's situation, focusing in particular on Fiat Auto's operating performance and development plan as it applies to product range planning, to production allocations and to Fiat Auto's capital investment programme and the conditions for implementation of the programme. The situation for the other Group Sectors was discussed in detail at other meetings held in the autumn. On those occasions, the executives in charge of the different businesses explained the relevant strategies and action plans to the trade unions, highlighting the programmes that they planned to implement to achieve the profitability and competitiveness targets assigned to them. The actions that would be required at the operational level were then reviewed with local union representatives at the manufacturing facilities affected by these programmes, with the goal of finding consensus solutions to manage the programmes' impact on employees and identify the most appropriate measures for each case.

At Fiat Auto, the capacity underutilisation at its plants, due to lower sales volumes, was handled by using the Cassa Integrazione Guadagni Ordinaria (Temporary Layoff Benefits Fund). This tool was also used in the administrative, technical and sales departments and affected mainly office staff and middle managers whose workload had decreased due to a reduction in sales volumes and ongoing organisational changes. At the end of 2005, the number of employees in Fiat Auto's administrative, technical and sales departments who were receiving Cassa Integrazione benefits, while significantly less than the 1,800 envisioned when the application process got under way in April, numbered about 900.

As a result, at the beginning of 2006, the Company and the trade unions agreed to request an extension of Cassa Integrazione benefits, while seeking consensus solutions on how to handle any remaining redundancies. Specifically, both parties are of a view that the mobilità lunga (long-term mobility benefit to bridge the period prior to retirement) system could be the most appropriate tool.

The Cassa Integrazione Straordinaria (Longer-term Temporary Layoff Benefits Fund) was used in connection with the manufacturing rationalisation and reorganisation plan launched by Fiat Powertrain Italia at the end of 2004. This plan affected the Mirafiori (Turin) and Arese (Milan) Fiat Powertrain production facilities. At the end of 2005, 370 Fiat Auto employees in Arese were still receiving Cassa Integrazione Straordinaria benefits.

On the other hand, in areas in which a favourable demand trend produced an increase in manufacturing activity, the Group took action to increase plant utilisation. These actions, which were taken with the agreement of employee representatives and/or trade unions included an increase in the number of shifts (e.g., agreements to reintroduce a six-day working week in the production organisation at the Sata plant in Melfi, specifically to ramp up production of the Grande Punto, and at Fiat Powertrain's factories in Termoli and Pratola Serra) and the use of overtime work (e.g., CNH's plant in Jesi).

Solutions designed to improve the use of the Group's manufacturing capacity are also being planned in **Poland**, where Fiat Auto and Fiat Powertrain Technologies plan to resume Saturday overtime work and where Teksid will introduce an 18-shift rotation. Agreements that improve working flexibility have been reached by Iveco at its Ulm plant in **Germany** and by CNH in **Belgium**.

Issues concerning the condition of the Fiat Group, especially those that have a transnational impact, were the subject of information and consultation with the members of the **Fiat Group European Works Council**, as required under the applicable EU Directive. Under an agreement signed on June 29, 2005 with the European Metalworkers Union and Italian unions, the Council's charter was renewed for an additional four years. The new agreement changed the country allocation of the seats in the European Works Council to include representatives from the countries that had joined the "enlarged" European Union. The Council's 30 seats were allocated according to the current employment distribution of the Fiat Group in Europe. This resulted in the awarding of seats to representatives of Poland, Hungary and the Czech Republic and in the reduction of the number of seats available to representatives from France, Germany, the U.K. and Spain. The number of seats held by representatives from Italy, Belgium, Portugal and Austria remained the same.

Sergio Marchionne, the Group's Chief Executive Officer, spoke at the annual plenary meeting of the Council, which took place on November 21 and 22, 2005, providing an update on the results achieved, the actions that are being implemented and the Group's objectives.

With regard to **collective bargaining** involving compensation issues, the agreements reached with the 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 increases to the achievement of the targets to improve the Company's performance.

In **Italy**, metalworking companies began 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 75,000 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 unions (Fim-Cisl, Fiom-Cgil and Uilm-Uil) 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 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.

The agreement with the unions also included new rules regarding the contract for apprentices, providing the option of extending the use of apprenticeship contracts to assembly line workers who perform relatively simple tasks.

As part of the bargaining process, the national trade unions called strikes for a total of 60 hours. These strikes, which took place between May 2005 and January 2006, were scheduled and implemented differently at different locations. At Fiat Group companies, the contract renewal strikes varied between 30 and 58 hours, depending on the location, with about 25% of potentially affected workers walking off the job.
In Italy Group employees were also awarded the Annual Performance Bonus. Under the Group-wide Agreement of 1996, which is still in force, the bonus was computed on the basis of indicators of the Group's overall performance, as determined from the 2004 Consolidated Financial Statements, and quality indicators for the individual Sectors.

Outside Italy, the main labour agreements included completion of annual labour negotiations in **France**, which resulted in wage increases that averaged between 2% and 3%, depending on the company involved. In **Poland** as well, the majority of Group companies reached wage agreements with the unions, granting average raises of 110 to 150 zlotys per month. The wage increases granted in **Brazil** were in line with those granted by other large groups, and employees received annual bonuses that varied according to company results.

In the **United States**, negotiations with the UAW for the renewal of a company-level contract covering 650 employees that are represented by the UAW at CNH plants in Racine, Wisconsin, and Burlington, Iowa, and at an engineering centre in Burr Ridge, Illinois, and a depot in St. Paul, Minnesota, were completed in March. This agreement provided wage increases that were in line with those offered by competitors. At the same time, it enabled CNH to reduce costs in particular by scaling back retiree health-care benefits.

With the exception of the strikes called in Italy for the renewal of the National Collective Labour Agreement for Metalworkers (mentioned above), instances of labour unrest were relatively minor.

Financial Review of the Group

INTRODUCTION

Significant Transactions occurred in the Year

- On February 13, 2005 the Boards of Directors of Fiat and General Motors approved a contract pursuant to which General Motors paid Fiat 1.56 billion euros to terminate the Master Agreement, including cancellation of the put option, unwinding of all joint ventures and return of GM's 10% equity interest in Fiat Auto Holdings B.V. to Fiat. Under the agreement, GM continues to use some of Fiat's diesel technology and acquired a 50% interest in the Bielsko-Biala (Poland) plant which manufactures 1.3 liter diesel engines.
- On September 9, 2005 Fiat sold 24.6% of the share capital of Italenergia Bis to EDF at a price of 1,147 million euros. Concurrently the Citigroup financing of the same amount that had been extended in September 2002 was reimbursed.
- Pursuant to the delegation of authority granted by the Extraordinary Stockholders Meeting held on September 12, 2002, the Board of Directors resolved on a capital increase to service the Mandatory Convertible Facility that fell due on September 20, 2005, through the issuance of 291,828,718 ordinary shares at the price of 10.28 euros each. Pursuant to the last section of article 2441 of the Italian Civil Code, the lending banks subscribed the new shares on September 20, 2005 through a set-off against the total debt of 3 billion euros owed to them.

The operating and financial impact of the above transactions is described in this Financial Review of the Group and in the Notes to the Financial Statements. Refer to these sections for additional information.

Principal Transactions that affected the Scope of Consolidation in 2005

- In the first quarter of 2005, Magneti Marelli increased its investment in the automotive lighting manufacturer Mako Elektrik Sanayi Ve Ticaret A.S. by purchasing a further interest from the Turkish group Koç, thereby acquiring control. As a result, this company, previously accounted for by using the equity method, is consolidated on a line by line basis from January 1, 2005.
- A 65% interest in the temporary employment agency WorkNet was sold in the first quarter of 2005.
- The operations that had previously been transferred to the Fiat-GM Powertrain joint venture were consolidated in Fiat Powertrain Technologies (Automobiles business area) as of May 2005. Fiat regained 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. The Powertrain operations of Iveco, CRF (Fiat Research Centre) and Elasis will subsequently be transferred to Fiat Powertrain Technologies. Significant data regarding these businesses are included in the comments of the respective Sectors they currently belong to.
- On June 1, 2005, Iveco sold to Barclays Mercantile Business Finance Limited a 51% stake of Iveco Finance Holdings Limited, which comprised certain financial services companies of Iveco operating in France, Germany, Italy, Switzerland and the United Kingdom. As of that date, Iveco Finance Holdings was deconsolidated and accounted for by using the equity method.
- At the end of 2005, the Fiat Group acquired Enel's share of the Leasys joint venture, active in the hire and management of company car fleets, thereby obtaining 100% control. The balance sheet of this company was consolidated on a line-by-line basis at December 31, 2005 and its results are being consolidated from January 1, 2006.

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.

In April 2005 the ownership of Maserati was transferred from Ferrari S.p.A. to Fiat Partecipazioni S.p.A. As a consequence, a new entity is operational from April 1, 2005 which comprises the group of companies producing and selling Maserati cars. To assure comparability of the reported figures, fiscal 2004 data of the Maserati business have been retrospectively separated from the Ferrari-Maserati business.

For reporting purposes, starting January 1 2005, Group's activities are aggregated in five business areas. In more detail:

- Fiat Auto, Fiat Powertrain Technologies (consolidated on a line by line basis effective May 2005 following termination of the Master Agreement with General Motors), Maserati and Ferrari are included in the Automobiles business area;
- CNH and Iveco continue to report as separate entities;
- Magneti Marelli, Teksid and Comau make up the Components and Production Systems business area;
- all remaining activities are grouped together under Other Businesses.

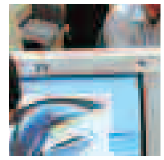
FINANCIAL REVIEW OF THE GROUP

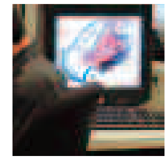
OPERATING PERFORMANCE OF THE GROUP

(in millions of euros)	2005	2004
Net revenues	**46,544**	45,637
Cost of sales	**39,624**	39,121
Selling, general and administrative costs	**4,513**	4,701
Research and development costs	**1,364**	1,350
Other income (expenses)	**(43)**	(415)
Trading profit	**1,000**	50
Gains (losses) on the disposal of equity investments	**905**	150
Restructuring costs	**502**	542
Other unusual income (expenses)	**812**	(243)
Operating result	**2,215**	(585)
Financial income (expenses)	**(843)**	(1,179)
Unusual financial income	**858**	–
Result from equity investments	**34**	135
Income/(loss) before taxes	**2,264**	(1,629)
Income taxes	**844**	(50)
Result of continuing operations	**1,420**	(1,579)
Result of discontinued operations	**–**	–
Net income/(loss) before minority interest	**1,420**	(1,579)
Minority interest	**89**	55
Group interest in net income/(loss)	**1,331**	(1,634)

In order to achieve a better presentation, more consistent between the various Sectors, certain costs that in the Appendix to the First Quarter 2005 Report were classified by certain Sectors as Other income (expenses) and by other Sectors as Cost of sales or Selling, general and administrative costs, are now recorded in the same manner by all Sectors. This reclassification has no impact on Trading profit, Operating result or Net result.

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

Fiat Group recorded **net revenues** of 46,544 million euros, up 2% from 2004. The increase reported by industrial Sectors was offset in part by decreases in the Other Businesses.

Revenues by Business area

(in millions of euros)	2005	2004	% change
Automobiles (Fiat Auto, Maserati, Ferrari and Fiat Powertrain Technologies)	**21,729**	21,207	2.5%
Agricultural and Construction Equipment (CNH)	**10,212**	9,983	2.3%
Commercial Vehicles (Iveco)	**9,489**	9,047	4.9%
Components and Production Systems (Magneti Marelli, Teksid and Comau)	**6,642**	6,416	3.5%
Other Businesses (Services, Publishing and Communications, Holding companies and Other companies)	**1,618**	2,003	-19.2%
Eliminations	**(3,146)**	(3,019)	–
Total for the Group	**46,544**	45,637	2.0%

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

Automobiles business area

In 2005 the **Automobiles business area** recorded net revenues of 21,729 million euros, up 2.5% on the prior year. This increase is the result of improvements posted by Ferrari (+9.7%) and Maserati (+30.3%), and the consolidation of the powertrain operations as of May 2005. Fiat Auto instead showed a slight decrease (-0.8%).

(in millions of euros)	2005	2004	% change
Fiat Auto	**19,533**	19,695	-0.8%
Maserati	**533**	409	30.3%
Ferrari	**1,289**	1,175	9.7%
Fiat Powertrain Technologies	**1,966** (1)	–	–
Eliminations	**(1,592)**	(72)	–
Total	**21,729**	21,207	2.5%

(1) Includes revenues from Fiat Auto for 1,512 million euros.

- In 2005 **Fiat Auto** recorded net revenues of 19,533 million euros, reflecting a slight decrease (-0.8%) from the 19,695 million euros of 2004. The decrease was due to lower volumes, partially offset by a better mix and positive exchange rate impacts.

  The decrease in volumes was mainly concentrated in the first nine months of the year, principally due to the impact of slower sales of older models ahead of new product launches, the Group's focus on more profitable sales channels, and intense competitive pressure. This decline was in part offset by an increase in sales in the fourth quarter of the year due to the contribution of new models: Grande Punto, Croma and Alfa 159.

Fiat Auto delivered a total of 1,697,300 units in 2005, 3.9% less than in 2004. A total of 1,100,000 units were delivered in Western Europe (-7.8%); the decline recorded for the year levelled off in the fourth quarter due to the positive contribution of new models. While sales were down in most leading countries of Europe, the decline was less pronounced in Italy (-2.4%) and Spain (-3%). France represented the exception, where deliveries increased by 8.3%. Fiat Auto had a 28% share of the Italian car market (the same as in 2004) and 6.5% in Western Europe (-0.7 percentage points from 2004).

Outside Western Europe, the unfavourable trend of the Polish market severely impacted Fiat Auto sales, which fell by 44.3% from 2004. In Brazil, Fiat Auto exploited expansion on the domestic market by increasing its sales 12.9% and achieving a 24.4% share of the car market and a 28.8% share of the light commercial vehicle market, reflecting increases of 0.9 and 4.5 percentage points, respectively.

- **Maserati** had revenues of 533 million euros in 2005. The significant improvement (30.3%) from 2004 was due to the success of the Quattroporte and the sales of the special MC12 street version.
- **Ferrari** posted revenues of 1,289 million euros in 2005. The 9.7% increase from 2004 was largely attributable to the good performance of the F430 and 612 Scaglietti models. Revenues were also boosted by sales of the Superamerica and the FXX models, produced in limited edition.
- **Fiat Powertrain Technologies** is the new 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 will also include the engine and transmission operations of Iveco, Centro Ricerche Fiat and Elasis. This Sector had revenues of 1,966 million euros between May and December 2005. The Sector's sales were realised in part with Fiat Auto and for 23% with third parties.

Agricultural and Construction Equipment

In 2005, **CNH** revenues totalled 10,212 million euros, up 2.3% from 2004. Higher sales of construction equipment and improved prices were partially offset by lower agricultural equipment volume.

Demand for tractors was down in Western Europe and Latin America and stable in North America. CNH recorded decreases across all of these regions. On the other hand, the increase in demand in Rest of the World markets drove the increase in sales recorded by CNH in this region. Combine harvester volumes were stable in Western Europe, grew in North America and the rest of the world, but fell by half in Latin America, reflecting a drastic downturn in demand in this market.

CNH benefited from the good performance of the global construction equipment market and reported an increase in sales volumes for all the main products. The Sector performed well in Latin America, North America, and in the rest of the world, with the only slight decrease being recorded in Western Europe.

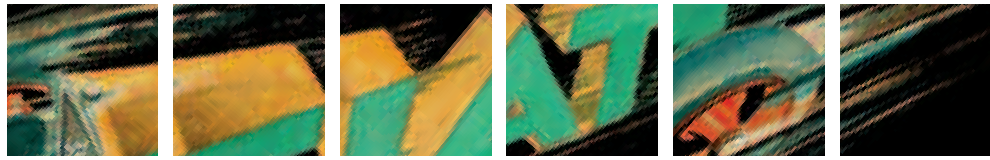
Iveco

Iveco revenues totalled 9,489 million euros in 2005. This represented a 4.9% increase, largely reflecting a higher number of units delivered across its principal product lines, particularly heavy and light vehicles.

Moreover, the volumes reflect vehicles billed, while, under the new IFRS, only rental revenues can be reported for vehicles sold with a buy-back commitment, with the total rent being equal to the difference between the sale price and the buy-back price, which is then allocated over the term of the contract. Consequently, sales volumes might not correlate immediately with revenue volumes.

During the year, Iveco delivered a total of 172,500 vehicles (15,400 of which sold with buy-back commitments), up 6.3% from 2004. A total of 134,900 vehicles, or a 2.3% increase over 2004, were delivered in Western Europe, where the Sector benefited from the general growth recorded in all markets with the exception of Italy. The significant increases posted in France, Germany, Spain and the United Kingdom, were offset in part by a decrease in Italy. Sales in Latin America were quite strong.

At 10.9%, Iveco's share of the Western European market was virtually unchanged from the prior year, despite a downturn in the medium range segment.



Components and Production Systems business area

The **Components and Production Systems business area** had revenues of 6,642 million euros, for an overall increase of 3.5%, due to the positive performance of Magneti Marelli (+6.3%) and Teksid (+13.8%), partly offset by a reduction at Comau (-8.1%).

(in millions of euros)	2005	2004	% change
Components (Magneti Marelli)	**4,033**	3,795	6.3%
Metallurgical Products (Teksid)	**1,036**	910	13.8%
Production Systems (Comau)	**1,573**	1,711	-8.1%
Total	**6,642**	6,416	3.5%

- **Magneti Marelli** had revenues of 4,033 million euros in 2005. The 6.3% increase compared to 2004 partly reflected the consolidation of Mako from January 1, 2005. Excluding changes in the scope of consolidation and exchange rate effects, revenues increased by roughly 2.0%. The strong performance of Magneti Marelli operations in Brazil and Poland and the positive trend of its onboard electronics activities offset lower sales volumes in Italy, which started recovering in the fourth quarter.
- **Teksid** had revenues of 1,036 million euros, up 13.8% from 2004. Higher volumes at the Cast Iron Business Unit (+4.6%), the positive impact of exchange rates, and the recovery of higher raw materials costs through higher sales prices contributed to the improved performance, more than offsetting lower volume in the Magnesium Business Unit (-6.8%).
- **Comau** had revenues of 1,573 million euros in 2005. The 8.1% reduction from 2004 reflected the transfer of Comau's European service activities to Iveco, Magneti Marelli, and CNH. When calculated on a comparable scope of consolidation, Comau's revenues rose by approximately 6%, reflecting a strong performance in the Car Bodywork and Maintenance areas.

Other Businesses

Other Businesses recorded an overall decrease of 19.2% from 2004 due to the performance of Business Solutions and Other companies.

(in millions of euros)	2005	2004	% change
Services (Business Solutions)	**752**	976	-23.0%
Publishing and Communications (Itedi)	**397**	407	-2.5%
Holding companies and Other companies	**469**	620	-24.4%
Total	**1,618**	2,003	-19.2%

- **Business Solutions** had revenues of 752 million euros in 2005, down 23% from 2004. The decrease stemmed in part from the change in the scope of consolidation (sale of the temporary employment agency WorkNet). On a comparable scope of consolidation, the decrease in revenues was approximately 5%, mainly reflecting lower activity in the administration area, following a redefinition of the services the Sector provides to other Group companies.
- In 2005, **Itedi** had revenues of 397 million euros, down 2.5% from the previous year. The downturn is attributable to lower advertising revenues following termination of a major concession agreement, lower newspaper sales revenues, and a more selective and profitability-oriented approach to brand stretching initiatives.

Trading profit

Trading profit increased significantly from 50 million euros in 2004 to 1,000 million euros in 2005. The 950 million euro increase is due to the 669 million euro reduction in the losses reported by the Automobiles business area (of which 541 million euros related to Fiat Auto), as well as the positive performances of the other industrial Sectors. On the other hand, Other Businesses posted a decrease of 77 million euros.

Trading profit by Business area

(in millions of euros)	2005	2004	Change
Automobiles (Fiat Auto, Maserati, Ferrari and Fiat Powertrain Technologies)	(183)	(852)	669
Agricultural and Construction Equipment (CNH)	698	467	231
Commercial Vehicles (Iveco)	415	371	44
Components and Production Systems (Magneti Marelli, Teksid and Comau)	249	166	83
Other Businesses (Services, Publishing and Communications, Holding companies and Other companies) **and Eliminations**	(179)	(102)	-77
Total for the Group	1,000	50	950

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

Automobiles business area

Trading profit of the **Automobiles business area** improved by 669 million euros, from a loss of 852 million euros in 2004 to a loss of 183 million euros in 2005. This improvement stemmed from the strong reduction in losses at Fiat Auto and Maserati, higher trading profit reported by Ferrari and the consolidation of Fiat Powertrain Technologies.

(in millions of euros)	2005	2004	Change
Fiat Auto	(281)	(822)	541
Maserati	(85)	(168)	83
Ferrari	157	138	19
Fiat Powertrain Technologies	26	–	26
Total	(183)	(852)	669

- **Fiat Auto** had a trading loss of 281 million euros in 2005, a sharp improvement from the loss of 822 million euros of 2004. This change was mainly attributable to an improved product mix due to the new models, a reduction in product cost due to purchasing efficiencies, a strong focus on more profitable sales channels and a drastic reduction in business governance costs.
- The trading loss of **Maserati** was 85 million euros, as compared to a loss of 168 million euros in 2004, which included 46 million euros in fixed asset write-downs. Higher sales volumes and a better product mix accounted for the further reduction in the Sector's trading loss.
- In 2005, **Ferrari** had a trading profit of 157 million euros, up from a profit of 138 million euros in 2004. The improvement reflected higher sales volumes and efficiency gains, which were partially offset by the negative impact of exchange rates.
- **Fiat Powertrain Technologies** achieved a trading profit of 26 million euros between May and December 2005.

Agricultural and Construction Equipment

In 2005, **CNH** reported trading profit of 698 million euros, compared with 467 million euros in 2004. Improved pricing, higher volumes of construction equipment, manufacturing efficiencies, and greater profitability in financial services more than offset higher raw material prices, lower volumes in the agricultural equipment segment and increased R&D costs. The Sector also benefited from a structural reduction in employee healthcare costs in North America, which also resulted in a positive 83 million euro reversal to previously accrued reserves.

Iveco

Iveco had a trading profit of 415 million euros, 44 million euros higher than in 2004, reflecting increased volume and improved pricing, which offset higher raw materials prices and a less favourable market mix.

Components and Production Systems business area

The aggregate trading profit of the **Components and Production Systems business area** was 249 million euros. This reflected an increase of 83 million euros, generated primarily by Teksid which however had reported major charges in 2004 due to write-downs of fixed assets.

(in millions of euros)	2005	2004	Change
Components (Magneti Marelli)	162	165	-3
Metallurgical Products (Teksid)	45	(39)	84
Production Systems (Comau)	42	40	2
Total	249	166	83

- **Magneti Marelli** posted a trading profit of 162 million euros, virtually unchanged from 2004 (165 million euros) as efficiency gains offset the unfavourable price-cost ratio resulting from higher raw materials prices.
- **Teksid** closed 2005 with a trading profit of 45 million euros, against a trading loss of 39 million euros in 2004, which was impacted by writedowns of fixed assets for 68 million euros. The improvement reported by the Sector is noteworthy (+16 million euros) even excluding this item.
- **Comau**'s trading profit was 42 million euros in 2005, compared with 40 million euros in 2004. On a comparable scope of activity, the improvement was equal to 8 million euros, as the company began to benefit from the restructuring and cost-reduction plans implemented mainly in its North American operations.

Other Businesses

The combined trading loss reported by the **Other Businesses** amounted to 179 million euros, 77 million euros worse than in the prior year.

(in millions of euros)	2005	2004	Change
Services (Business Solutions)	35	41	-6
Publishing and Communications (Itedi)	16	11	5
Holding companies, Other companies and Eliminations	(230)	(154)	-76
Total	(179)	(102)	-77

- Trading profit of **Business Solutions** was 35 million euros in 2005, a 6 million euro decrease over 2004, which primarily reflected the contraction in the Sector's activities and changes in the scope of consolidation.
- In 2005 **Itedi** recorded a trading profit of 16 million euros, compared with 11 million euros in 2004. The improvement stemmed from industrial, distribution and marketing efficiencies.
- In 2005, trading loss of **Holding companies**, **Other companies and Eliminations** increased by 76 million euros, from a trading loss of 154 million euros in 2004 to a loss of 230 million euros in 2005, mainly due to a reduction in revenues related to the "High Speed Railway" (TAV) project and the changing mix of services provided to the Group's other Sectors.

Operating result

Operating result was positive by 2,215 million euros in 2005, compared with a loss of 585 million euros in 2004. The 2,800 million euro increase reflects the improvement in trading profit (+950 million euros), higher gains on sales of equity investments, which increased by 755 million euros, the increase of 1,055 million euros in other unusual income (expenses) and lower restructuring costs for 40 million euros.

Net gains on sales of equity investments, totalling 905 million euros, include the gain of 878 million euros from the sale of the investment in Italenergia Bis to Electricité De France and the gain of 23 million euros realised upon sale of Palazzo Grassi S.p.A. In 2004, this item amounted to 150 million euros, mainly consisting of the gain on the sale of Fiat Engineering S.p.A. (81 million euros), the Midas activities (31 million euros), and Edison shares and warrants (32 million euros).

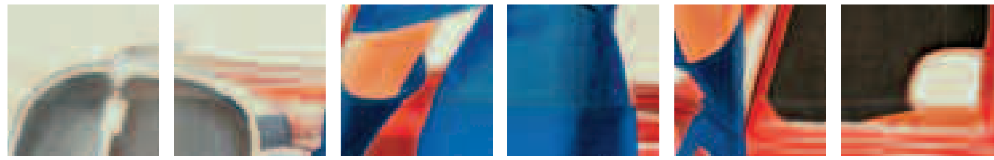
Restructuring costs totalled 502 million in 2005 and were distributed as follows amongst the principal Sectors:

- Fiat Auto: 162 million euros for the rightsizing of the central business governance structures of the Sector and of certain companies outside Italy, as well as the restructuring of the Fiat-GM Powertrain activities (a joint-venture that was unwound in May);
- Iveco: 103 million euros, mainly for the reorganisation of the entire Sector, particularly staff structures;
- CNH: 87 million euros, attributable to the ongoing reorganisation of activities and the restructuring process underway at certain production plants.
- Comau, Magneti Marelli, and Business Solutions reported restructuring costs of 46, 33, and 22 million euros, respectively.

In 2004, restructuring costs totalling 542 million euros regarded mainly Fiat Auto (355 million euros), CNH (68 million euros), Magneti Marelli (48 million euros) and Iveco (24 million euros).

Other unusual income (expenses) was positive by 812 million euros and included the following: a gain from the termination of the Master Agreement with General Motors of 1,134 million euros (net of accessory costs); a gain of 117 million euros realised upon the final sale of the real estate 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 relating to prior year business disposals, totalling 30 million euros and other minor items.

In 2004 this item reflected unusual expenses of 243 million euros, principally in connection with the process of reorganising and rationalising relationships with Group suppliers.



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

(in millions of euros)	Trading Profit		Gains/Losses on sales of equity investments		Restructuring costs		Other unusual income (expenses)		Operating result	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Fiat Auto	**(281)**	(822)	**–**	3	**162**	355	**(375)**	(238)	**(818)**	(1,412)
Maserati	**(85)**	(168)	**–**	–	**–**	–	**–**	(3)	**(85)**	(171)
Ferrari	**157**	138	**–**	–	**–**	–	**–**	(2)	**157**	136
Fiat Powertrain Technologies	**26**	–	**–**	–	**17**	–	**(5)**	–	**4**	–
Agricultural and Construction Equipment (CNH)	**698**	467	**–**	–	**87**	68	**–**	–	**611**	399
Commercial Vehicles (Iveco)	**415**	371	**(10)**	–	**103**	24	**(13)**	–	**289**	347
Components (Magneti Marelli)	**162**	165	**–**	31	**33**	48	**(2)**	–	**127**	148
Metallurgical Products (Teksid)	**45**	(39)	**5**	–	**14**	3	**(9)**	–	**27**	(42)
Production Systems (Comau)	**42**	40	**(1)**	–	**46**	10	**(3)**	–	**(8)**	30
Services (Business Solutions)	**35**	41	**9**	2	**22**	9	**(15)**	–	**7**	34
Publishing and Communications (Itedi)	**16**	11	**–**	–	**2**	2	**(1)**	–	**13**	9
Holding companies, Other companies and Eliminations	**(230)**	(154)	**902**	114	**16**	23	**1,235**	–	**1,891**	(63)
Total for the Group	**1,000**	50	**905**	150	**502**	542	**812**	(243)	**2,215**	(585)

The other unusual expenses of Fiat Auto are principally connected with ongoing rationalisation and reorganisation processes, as mentioned above. The 2005 operating result of Holding companies and Other companies includes 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 income

Net financial expenses totalled 843 million euros in 2005, down from the 1,179 million euros in 2004. Moreover, the unwinding of the equity swap on General Motors shares in 2004 resulted in a net loss of approximately 150 million euros (determined according to IFRS). This was in addition to approximately 100 million euros due to writedowns of financial receivables. Excluding these non-recurring items, the decrease is attributable to the lower net debt of Group industrial companies, partly in consequence of the conversion of the Mandatory Convertible Facility and the completion of the Italenergia Bis transaction but also the more efficient mix of funding, in spite of higher borrowing costs following the rise in interest rates (particularly in the dollar zone).

Financial expenses include the interest cost component of pension plans and other employee benefits, totalling 146 million euros in 2005 (127 million euros in the previous year).

Unusual financial income of 858 million euros was booked in 2005 relating to the capital increase of September 20, 2005 following the 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 (see the Notes to the Consolidated Financial Statements for additional details).

Investment income was 34 million euros in 2005, down 101 million euros from 2004. The result for 2005 was impacted by allowances for risks and charges of 74 million euros on investments in China (20 million euros in 2004). The effect of the sale of Italenergia Bis and the consolidation of Fiat-GM Powertrain on a line by line basis, no longer accounted for by using the equity method, also had an impact.

Result before taxes increased from the loss of 1,629 million euros of 2004 to the income of 2,264 million euros of 2005. The improvement totals 3,893 million euros and is attributable for 2,800 million euros to the increase in operating result, for 858 million euros to the unusual financial gain posted in 2005, and for 336 million euros to lower net financial expenses, offset by lower income from equity investments (down by 101 million euros).

Income taxes totalled 844 million euros in 2005 and include 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. The remaining amount includes: 116 million euros for IRAP, 332 million euros for current and deferred tax charges, primarily attributable to companies outside Italy, and 119 million euros in income taxes for previous years. In 2004, income taxes totalled 50 million euros, of which 122 million euros for IRAP and 217 million euros for other current income taxes, which were offset by the recording of deferred tax assets of 389 million euros.

Net income before minority interest was 1,420 million euros in 2005, against a loss of 1,579 million euros in 2004.

Group interest in net income amounted to 1,331 million euros in 2005, against a loss of 1,634 million euros in 2004.

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)	2005	2004
A) Cash and cash equivalents at beginning of period	5,767	6,845
B) Cash flows from (used in) operating activities	3,716	2,011
C) Cash flows from (used in) investment activities	(535)	144
D) Cash flows from (used in) financing activities (1)	(2,868)	(3,078)
Translation exchange differences	337	(155)
E) Total change in cash and cash equivalents	650	(1,078)
F) Cash and cash equivalents at end of period	6,417	5,767

(1) Net of the repayment of the Mandatory Convertible Facility of 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.

In 2005 cash flows from **operating activities** totalled 3,716 million euros.

The income cash flow, or in other words net income plus depreciation, amortisation, and changes in provisions and items relating to sales with buy-back commitments, net of "Gains/losses and other non-monetary items", amounted to 3,555 million euros. The gains deducted from the income for the year include the gain of 878 million euros realised upon sale of the investment in Italenergia Bis and the unusual financial income of 858 million euros resulting from the capital increase servicing the Mandatory Convertible Facility. In addition to the income cash flow, there was cash generated by a decrease in working capital, which, when calculated on a comparable consolidation and exchange rate basis, amounted to 114 million euros. The cash flows from operating activities of the year included the collection of approximately 1.1 billion euros corresponding to the gain resulting from the termination of the Master Agreement with General Motors.

Cash flows used in investment activities totalled 535 million euros. Net of the increase in current securities (159 million euros), which mainly represent a temporary investment of funds, investment activities absorbed a total of 376 million euros. The reimbursement of loans extended by the Group's centralised cash management to the financial services companies sold by Iveco resulted in receipts of approximately 2 billion euros, while the unwinding of the joint ventures with General Motors contributed approximately 500 million euros. These amounts are included under the item "Other changes" which totalled 2,494 million euros. Proceeds from the sale of non-current assets amounted to 500 million euros, of which 73 million euros from the sale of equity investments, 115 million euros mainly resulting from vehicles sold under long-term leases (financial services companies), and 312 million euros from the sale by industrial companies of properties and other tangible assets. The increase in "Receivables from financing activities", attributable to an increase in financing provided by CNH and Fiat Auto to the dealer networks, that was in part offset by the collection of financial receivables and a decrease in loans extended to Fiat Auto suppliers, generated a net outflow of 251 million euros.

Net of vehicles sold under buy-back commitments, investments in tangible assets, (including investments in vehicles for long-term leasing operations for 409 million euros) and intangible assets totalled 3,052 million euros.

Financing activities absorbed a total of 2,868 million euros, mainly due to the repayment of bonds on maturity for approximately 1.9 billion euros and the repayment of other loans.

BALANCE SHEET OF THE GROUP AT DECEMBER 31, 2005

At December 31, 2005 **total assets** amounted to 62,454 million euros, substantially in line with the figure of 62,522 million euros at December 31, 2004.

During the year **non-current assets** increased by 438 million euros. In particular, increases were reported in "Intangible assets" (+365 million euros), mainly due to the euro/dollar translation impact on CNH goodwill, in "Property, plant and equipment" (+1,569 million euros), largely attributable to the consolidation of the powertrain operations in Fiat Auto following the unwinding of the joint ventures with General Motors, and in "Leased assets" (+514 million euros), as a result of the consolidation of Leasys activities. These increases were offset by the decrease (-1,692 million euros) in "Equity investments and other fixed assets", mainly due to the abovementioned unwinding of the joint ventures (approximately 1.2 billion euros in carrying value at December 31, 2004) and the sale of the investment in Italenergia Bis (carrying amount of 856 million euros) at the beginning of September, and a decrease in deferred tax assets (-298 million euros).

Receivables from financing activities at December 31, 2005 amounted to 15,973 million euros with a decrease of 1,525 million euros from December 31, 2004. If the following are excluded:

- a decrease of approximately 2.4 billion euros due to the deconsolidation of certain Iveco financial services companies, which were sold in the first half of 2005 following the set-up of the Iveco Finance Holdings joint-venture with Barclays;
- a decrease of approximately 0.6 billion euros in financial receivables from associated companies, mainly due to the mentioned consolidation of Leasys;
- the positive effect of foreign currency translation differences amounting to approximately 1.4 billion euros (mainly relating to CNH activities);
- and the writedowns made of approximately 130 million euros,

the residual change consisted of an increase of approximately 250 million euros. The higher levels of activity at CNH and Fiat Auto, and the related increase in the loans provided to the dealer network and end-customers, were offset by the reduction in factoring activities with Fiat Auto suppliers and the collection of other financial receivables.

Working capital, net of the items connected with sales of vehicles with buy-back commitments, is negative by 249 million euros, a 191 million euro increase with respect to December 31, 2004, when it was negative by 440 million euros.

Net Inventories grew by 647 million euros. The increase is attributable for approximately 480 million euros to foreign currency translation differences (mainly appreciation of the dollar against the euro) and the consolidation of the powertrain operations of the former joint-venture with GM. The remaining increase of approximately 170 million euros is mainly attributable to the Production Systems Sector due to lower advances received for contract work in progress and new contracts in consequence of stiffer competition on the market.

(in millions of euros)	At 12.31.2005	At 12.31.2004	Change
Inventories (1)	**7,133**	6,486	647
Trade receivables	**4,969**	5,491	-522
Trade payables	**(11,777)**	(11,697)	-80
Other receivables/(payables), Accruals and deferrals (2)	**(574)**	(720)	146
Working capital	**(249)**	(440)	191

(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.

The overall decrease in **trade receivables** totalled 522 million euros and is essentially attributable to an increase in sales of receivables without recourse.

At December 31, 2005, trade receivables, other receivables and receivables from financing activities falling due after that date that had been sold without recourse (in compliance with IAS 39 de-recognition requirements) totalled 2,463 million euros (1,623 million euros at December 31, 2004). Approximately 500 million euros of this increase is attributable to the change in the scope of consolidation resulting from the establishment of the joint-venture Iveco Finance Holdings with Barclays.

At December 31, 2005 consolidated **net debt** totalled 18,523 million euros, for a decrease of 6.9 billion euros with respect to 25,423 million euros at December 31, 2004. During 2005 a number of financial transactions were carried out that led to a gradual reduction in the net debt of the Fiat Group and more than offset foreign currency translation differences (mainly referring to debt of financial services companies denominated in dollars and reais).

(in millions of euros)	At 12.31.2005	At 12.31.2004
Debt	(25,761)	(32,191)
- Asset-backed financing	(10,210)	(10,174)
- Other debt	(15,551)	(22,017)
Other financial liabilities (1)	(189)	(203)
Other financial assets (1)	454	851
Current securities	556	353
Cash and cash equivalents	6,417	5,767
Net debt	(18,523)	(25,423)
Industrial Activities	(3,219)	(9,447)
Financial Services	(15,304)	(15,976)

(1) This item includes the asset and liability fair values of derivative financial instruments.

More specifically, the net debt of the Group decreased as a result of the following transactions:

- the collection of 1.56 billion euros from General Motors (partially reduced by the effect of the consolidation of the powertrain activities amounting to approximately 400 million euros);
- the reimbursement of approximately 2 billion euros in financing that had previously been extended by central cash management to the financial services companies sold by Iveco to Barclays;
- the conversion of the Mandatory Convertible Facility amounting to 3 billion euros;
- the completion of the Italenergia Bis transaction for approximately 1.8 billion euros; following the sale to EDF of the 24.6% shareholding owned by the Fiat Group, the financing of 1,147 million euros provided by Citigroup and a restricted pool of banks was reimbursed. In addition, the payable of approximately 600 million euros to the bank shareholders of Italenergia Bis that purchased 14% of the shares of Italenergia Bis from Fiat in 2002 was eliminated (see the "Notes to the Consolidated Financial Statements" for further information on this transaction).

Cash position (cash, cash equivalents and current securities), which totalled 6,973 million euros at December 31, 2005, increased by 873 million euros compared to 6,120 million euros at December 31, 2004.

At December 31, 2005, "Cash and cash equivalents" included approximately 700 million euros (approximately 600 million euros at December 31, 2004) specifically allocated to service the debt for securitisation structures recognised mainly under "Asset-backed financing."

INDUSTRIAL ACTIVITIES AND FINANCIAL SERVICES ACTIVITIES: PERFORMANCE IN 2005

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 (consisting of the retail financing, leasing, and rental companies of Fiat Auto, CNH and Iveco and the banking activities performed by Banca Unione di Credito-BUC).

Principles of analysis

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

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

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

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

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

Operating Performance by Activity Segment

			2005			2004
(in millions of euros)	Consolidated	Industrial Activities	Financial Services	Consolidated	Industrial Activities	Financial Services
Net revenues	**46,544**	**45,350**	**2,023**	45,637	44,291	2,123
Cost of sales	**39,624**	**39,006**	**1,447**	39,121	38,306	1,592
Selling, general and administrative costs	**4,513**	**4,261**	**252**	4,701	4,394	307
Research and development costs	**1,364**	**1,364**	**–**	1,350	1,350	–
Other income (expenses)	**(43)**	**(37)**	**(6)**	(415)	(467)	52
Trading profit	**1,000**	**682**	**318**	50	(226)	276
Gains (losses) on the disposal of equity investments	**905**	**906**	**(1)**	150	148	2
Restructuring costs	**502**	**501**	**1**	542	540	2
Other unusual income (expenses)	**812**	**812**	**–**	(243)	(243)	–
Operating result	**2,215**	**1,899**	**316**	(585)	(861)	276
Financial income (expenses)	**(843)**	**(843)**	**–**	(1,179)	(1,179)	–
Unusual financial income	**858**	**858**	**–**	–	–	–
Result from equity investments (*)	**34**	**1**	**33**	135	101	34
Income/(loss)before taxes	**2,264**	**1,915**	**349**	(1,629)	(1,939)	310
Income taxes	**844**	**744**	**100**	(50)	(146)	96
Net income/(loss)	**1,420**	**1,171**	**249**	(1,579)	(1,793)	214
Result of intersegment equity investments	**–**	**248**	**–**	–	214	–
Net income/(loss) before minority interest	**1,420**	**1,419**	**249**	(1,579)	(1,579)	214

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

Industrial Activities

In 2005 **net revenues** of Industrial Activities totalled 45,350 million euros, representing an increase of 2.4% with respect to the previous year, following growth in the Automobiles business area, Iveco, CNH and the Components and Production Systems business area.

The **trading profit** of Industrial Activities totalled 682 million euros in 2005, against a loss of 226 million euros in 2004. The improvement is mainly attributable to the reduction of 546 million euros in the trading loss of Fiat Auto, as well as growth at Iveco, CNH and the Components and Production Systems business area.

The **operating result** of Industrial Activities improved from an operating loss of 861 million euros in 2004 to an operating profit of 1,899 million euros in 2005, as a result of the improvement in trading profit and the significant contribution of unusual income, particularly that of 1,134 million euros resulting from the General Motors indemnity and the gain on the sale to EDF of the equity investment in Italenergia Bis (878 million euros).

Financial Services

Revenues

(in millions of euros)	2005	2004	% change
Fiat Auto	619	743	-16.7%
Agricultural and Construction Equipment (CNH)	879	727	20.9%
Commercial Vehicles (Iveco)	457	591	-22.7%
Holding companies and Other companies (1)	68	62	9.7%
Total	2,023	2,123	-4.7%

(1) These amounts refer to the banking activities performed by Banca Unione di Credito.

In 2005, the **net revenues** of Financial Services totalled 2,023 million euros, 4.7% less than in 2004. Growth at CNH only partially offset the decreases at Fiat Auto and Iveco. In particular:

- the Financial Services of Fiat Auto generated revenues of 619 million euros, compared with 743 million euros in 2004. This decrease principally reflects the sale of retail financing activities in the United Kingdom in the fourth quarter of 2004 and the reduced financing to suppliers;
- CNH's Financial Services reported revenues of 879 million euros, up 20.9% from 2004. This growth reflects improved yield and greater financing of the dealer network;
- Iveco's Financial Services generated net revenues of 457 million euros (591 million euros in 2004). The decrease stemmed mainly from the sale of operations within the framework of the transaction with Barclays, which therefore contributed only for the first five months of 2005.

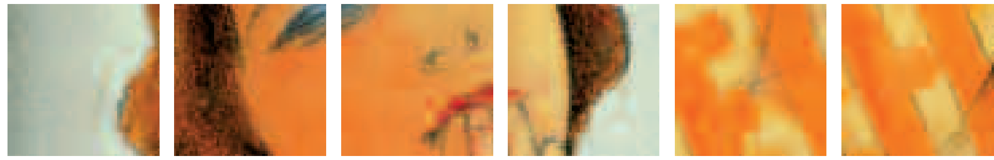
Trading profit

(in millions of euros)	2005	2004	Change
Fiat Auto	60	65	-5
Agricultural and Construction Equipment (CNH)	235	188	47
Commercial Vehicles (Iveco)	10	11	-1
Holding companies and Other companies (1)	13	12	1
Total	318	276	42

(1) These amounts refer to the banking activities performed by Banca Unione di Credito.

The **trading profit** of Financial Services was 318 million euros, compared with a profit of 276 million euros in 2004. In particular:

- the decrease reported by Fiat Auto's Financial Services (in 2005, its trading profit was 60 million euros, compared with 65 million euros in 2004) was mainly due to the contraction in financing to suppliers and the previously mentioned change in scope of consolidation, which were only partially offset by improvement in financing activity outside of Europe (Brazil and Argentina);
- the trading profit of CNH's Financial Services rose from 188 million euros in 2004 to 235 million euros in 2005. The improvement stemmed from higher margins and volumes for dealer network financing and continued improvement in portfolio quality;
- Iveco's Financial Services closed the year with a trading profit of 10 million euros, which was substantially in line with the trading profit of 11 million euros reported in 2004, in spite of the previously mentioned sale of activities.



Balance Sheet by Activity Segment

(in millions of euros)	At 12.31. 2005 Consolidated	At 12.31. 2005 Industrial Activities	At 12.31. 2005 Financial Services	At 12.31.2004 Consolidated	At 12.31.2004 Industrial Activities	At 12.31.2004 Financial Services
Intangible assets	5,943	5,762	181	5,578	5,468	110
- Goodwill	*2,418*	*2,259*	*159*	*2,157*	*2,067*	*90*
- Other intangible assets	*3,525*	*3,503*	*22*	*3,421*	*3,401*	*20*
Property, plant and equipment (1)	11,006	10,961	45	9,437	9,391	46
Investment property	26	26	–	46	46	–
Investments and other financial assets	2,333	4,184	796	4,025	5,834	565
Leased assets	1,254	4	1,250	740	7	733
Deferred tax assets	2,104	1,930	174	2,402	2,286	117
Total Non-current Assets	22,666	22,867	2,446	22,228	23,032	1,571
Inventories (1)	7,881	7,809	76	7,257	7,168	89
Trade receivables	4,969	4,856	341	5,491	5,517	445
Receivables from financing activities	15,973	4,881	15,856	17,498	7,474	17,418
Other receivables	3,084	2,922	243	2,734	2,673	216
Accrued income and prepaid expenses (2)	272	253	21	295	257	39
Current financial assets	1,041	663	378	1,237	1,086	215
- Current equity investments	*31*	*31*	–	*33*	*33*	–
- Current securities	*556*	*204*	*352*	*353*	*239*	*189*
- Other financial assets	*454*	*428*	*26*	*851*	*814*	*26*
Cash and cash equivalents	6,417	5,517	900	5,767	4,893	873
Total Current assets (2)	39,637	26,901	17,815	40,279	29,068	19,295
Assets held for sale (2)	151	151	–	15	11	4
TOTAL ASSETS	62,454	49,919	20,261	62,522	52,111	20,870
Total assets adjusted for asset-backed financing transactions	*52,244*	*48,388*	*11,316*	*52,348*	*49,489*	*12,956*
Stockholders' equity	9,413	9,409	2,479	4,928	4,928	2,173
Provisions	8,698	8,499	199	7,290	7,117	173
- Employee benefits	*3,919*	*3,894*	*25*	*3,682*	*3,656*	*26*
- Other provisions	*4,779*	*4,605*	*174*	*3,608*	*3,461*	*147*
Debt	25,761	13,782	16,915	32,191	22,039	17,808
- Asset-backed financing	*10,210*	*1,531*	*8,945*	*10,174*	*2,622*	*7,914*
- Other debt	*15,551*	*12,251*	*7,970*	*22,017*	*19,417*	*9,894*
Other financial liabilities	189	180	9	203	177	27
Trade payables	11,777	11,700	297	11,697	12,010	220
Other payables	4,821	4,698	205	4,561	4,352	303
Deferred tax liabilities	405	375	29	522	481	40
Accrued expenses and deferred income	1,280	1,166	128	1,130	1,007	126
Liabilities held for sale	110	110	–	–	–	–
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	62,454	49,919	20,261	62,522	52,111	20,870
Total liabilities adjusted for asset-backed financing transactions	52,244	48,388	11,316	52,348	49,489	12,956

(1) With respect to the figures as of December 31, 2004 published in the Quarterly Report at March 31, 2005, an amount of 416 million euros has been reclassified from "Property, plant and equipment" to "Inventories". This reclassification became necessary following the change in procedures for accounting for sales with buy-back commitments, as described in the section "Significant Accounting Policies" of the Notes to the Consolidated Financial Statements.

(2) As described in the section "Significant Accounting Policies" of the Notes to the Consolidated Financial Statements, certain of the figures at December 31, 2004 published in the Quarterly Report at March 31, 2005 have been reclassified at and from December 31, 2005. In particular, at and from that date, the item "Accrued income and prepaid expenses" is included in "Current assets" and the item "Assets held for sale" is excluded from "Current assets" and presented separately. The corresponding figures at December 31, 2004 have therefore similarly been reclassified.

Net Debt by Activity Segment

	At 12.31.2005			At 12.31.2004		
(in millions of euros)	Consolidated	Industrial Activities	Financial Services	Consolidated	Industrial Activities	Financial Services
Debt	(25,761)	(13,782)	(16,915)	(32,191)	(22,039)	(17,808)
- Asset-backed financing	*(10,210)*	*(1,531)*	*(8,945)*	*(10,174)*	*(2,622)*	*(7,914)*
- Other debt	*(15,551)*	*(12,251)*	*(7,970)*	*(22,017)*	*(19,417)*	*(9,894)*
Intersegment financial receivables	–	4,594	342	–	6,823	771
Financial payables net of intersegment balances	(25,761)	(9,188)	(16,573)	(32,191)	(15,216)	(17,037)
Other financial assets (1)	454	428	26	851	814	26
Other financial liabilities (1)	(189)	(180)	(9)	(203)	(177)	(27)
Current securities	556	204	352	353	239	189
Cash and cash equivalents	6,417	5,517	900	5.767	4,893	873
Net debt	(18,523)	(3,219)	(15,304)	(25,423)	(9,447)	(15,976)

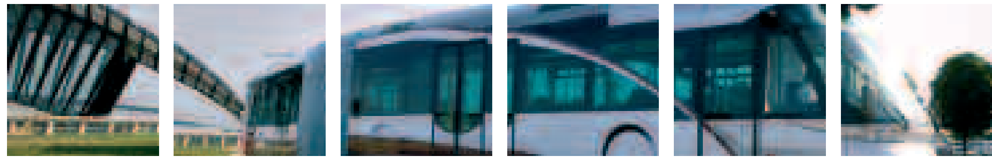
(1) This item includes the asset and liability fair values of derivative financial instruments.

"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" in financial services companies represent loans or advances to industrial companies, mainly relating to the sales of receivables by industrial to financial companies in transactions that do not comply with the requirements of IAS 39 for recognition of those sales.

"Cash and cash equivalents" include approximately 700 million euros at December 31, 2005 (approximately 600 million euros at December 31, 2004) mainly relating to financial services companies and allocated to service the debt for securitisation structures, classified as "Asset-backed financing."

The **net debt of financial services companies** at December 31, 2005 was 672 million euros lower than at December 31, 2004. This decrease is mainly attributable to the sale of the Iveco financial services companies within the context of the Barclays transaction, partly offset by the net increase of the financed portfolio and the effect of foreign currency translation differences.



Change in net industrial debt

(in millions of euros)	2005
Net industrial debt at beginning of period	(9,447)
Net income	1,419
Amortisation and depreciation (net of vehicles sold under buy-back commitments)	2,392
Change in provisions for risks and charges and other changes	(544)
Cash flows from (used in) operating activities during the period, net of change in working capital	3,267
Change in working capital	92
Cash flows from (used in) operating activities during the period	3,359
Investments in tangible and intangible assets (net of vehicles sold under buy-back commitments)	(2,636)
Cash flows from (used in) operating activities during the period, net of capital expenditures	723
Net change in receivables from financing activities	409
Change in scope of consolidation and other changes	2,285
Net cash flows from (used in) Industrial Activities excluding capital contributions and dividends paid	3,417
Capital increases and dividends, net	2,971
Translation exchange differences	(160)
Change in net industrial debt	6,228
Net industrial debt at end of period	(3,219)

During 2005 **net industrial debt** decreased by 6,228 million euros.

Operating activities for the period generated a positive cash flow of 3,359 million euros, including 1.1 billion euros from the gain on the General Motors settlement. Net of industrial capital expenditures of 2,636 million euros, the operating cash flow amounted to 723 million euros.

The collection of financial receivables, mainly by Fiat Partecipazioni and Iveco, generated a positive cash flow of 409 million euros.

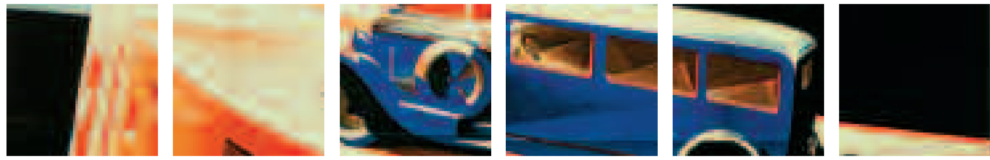
The item "Change in scope of consolidation and other changes" includes the reduction in net debt resulting from the completion of the Italenergia Bis transaction (1.8 billion euros), sales of real estate (0.3 billion euros) and the net surplus (cash net of acquired debt) of 0.1 billion euros resulting from the unwinding of the joint-ventures with General Motors.

The conversion of the Mandatory Convertible Facility contributed for 3 billion euros to the reduction in net debt.

Statement of Cash Flows by Activity Segment

(in millions of euros)	Consolidated 2005	Industrial Activities 2005	Financial Services 2005
A) Cash and cash equivalents at beginning of period	5,767	4,893	873
B) Cash flows from (used in) operating activities during the period:			
Net result before minority interest	1,420	1,419	249
Amortisation and depreciation (net of vehicles sold under buy-back commitments)	2,590	2,392	198
(Gains)/losses and other non-monetary items (a)	(1,561)	(1,923)	114
Dividends received	47	132	3
Change in provisions	797	816	(18)
Change in deferred income taxes	394	438	(43)
Change in items due to buy-back commitments (b)	(85)	(7)	(74)
Change in working capital	114	92	13
Total	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)	(3,052)	(2,636)	(416)
- Equity investments	(67)	(152)	(33)
Proceeds from the sale of non-current assets	500	385	115
Net change in receivables from financing activities	(251)	409	(660)
Change in current securities	(159)	(19)	(140)
Other changes	2,494	2,252	244
Total	(535)	239	(890)
D) Cash flows from (used in) financing activities:			
Net change in financial payables and other financial assets/liabilities (c)	(2,839)	(3,159)	321
Increase in capital stock (c)	–	–	119
Dividends paid	(29)	(29)	(88)
Total	(2,868)	(3,188)	352
Translation exchange differences	337	214	123
E) Total change in cash and cash equivalents	650	624	27
F) Cash and cash equivalents at end of period	6,417	5,517	900

(a) This includes, amongst other items, the unusual financial income of 858 million euros arising from the extinguishment 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 with a buy-back commitment, 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, investments, 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) 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 transaction, as neither of these gave rise to cash flows.



Industrial Activities

In 2005, Industrial Activities generated cash and cash equivalents totalling 624 million euros, and in particular:

- operating activities generated 3,359 million euros: cash flow (net income plus amortisation and depreciation), net of "(Gains)/losses and other non-monetary items", and taking into consideration the changes in provisions, deferred taxes and items relating to the management of sales with buy-back commitments, was positive for 3,135 million euros, to which dividends for 132 million euros should be added. Working capital, which decreased slightly, generated an additional 92 million euros;
- investment activities generated a total of 239 million euros as a consequence of the reimbursement of the financial payables of the sold Iveco financial services companies and the cash resulting from the unwinding of the joint ventures with GM (included under "Other changes"), in addition to the collection of financial receivables. These resources more than offset the investments in property, plant and equipment and intangible fixed assets (2,636 million euros);
- financing activities absorbed 3,188 million euros, largely in consequence of the reimbursement of bonds at maturity (approximately 1.9 billion euros) and other borrowings.

Financial Services

Cash and cash equivalents of Financial Services at December 31, 2005 amounted to 900 million euros, substantially in line with the 873 million euros at December 31, 2004.

The 27 million euros in cash generated by financial services companies during the year was the result of the following:

- operating activities generated 442 million euros in cash mainly as a result of net income plus amortisation and depreciation;
- investment activities absorbed 890 million euros in cash, mainly due to the increase in the portfolio (660 million euros), investment needs (416 million euros), largely connected with vehicles to be used in long-term leasing operations and the temporary investment of funds, net of the disposal of assets (mainly the sale of vehicles leased out under operating leases);
- cash generated by operations and financing activities during the year substantially offset the cash requirements generated by investment activities.

Corporate Governance

Introduction

The Fiat Group adopted and abides by the Corporate Governance Code of Italian Listed Companies, 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, an "**Annual Report on Corporate Governance**" is prepared and made available on the occasion of the annual stockholders meeting that approves the financial statements. It is also available in the section "Investor Relations" on the website www.fiatgroup.com, which also contains 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. The aspects of significance for 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 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 centralized management, through dedicated companies, of cash management, corporate and administrative, internal audit, and training services.

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

Board of Directors

As envisaged in the Articles of Association, the number of members of the Board of Directors ranges from nine to fifteen. In order to have a majority of independent directors, the Stockholders Meeting held on June 23, 2005 increased the number of members of the Board of Directors from eleven to fifteen and they shall remain in office until the date of the Stockholders Meeting that will be called to approve the 2005 financial statements.

As envisaged in Article 16 of the Company's Articles of Association, 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, authorizing them to severally perform all ordinary and extraordinary acts that are consistent with the Company's purpose and not reserved by law or otherwise delegated or reserved to the Board of Directors itself. In practice, the Chairman exercises coordination and strategic guidance within the activities of the Board of Directors, while the Chief Executive Officer is in charge of the operating management of the Group.

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

Therefore, decisions regarding significant transactions are excluded from the mandate granted to executive directors. The term "significant transactions" refers to those transactions that in and of themselves require the company to inform the market thereof, in accordance with rules established by market supervisory authorities.
When the Company needs to execute significant transactions, the executive directors shall provide the Board of Directors reasonably in advance with a summary analysis of the strategic consistency, economic feasibility, and expected return for the Company.
Decisions regarding the most significant transactions with related parties are also excluded from the mandate granted to executive directors, with all transactions being subject to special rules of substantial and procedural fairness and disclosure to the Board.

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 and Chief Executive Officer of Ferrari S.p.A., John Elkann is Chairman of Itedi S.p.A., and Sergio Marchionne, in addition to being Chairman of the principal subsidiaries, is also Chief Executive Officer of Fiat Auto S.p.A.

An adequate number of **independent directors** is essential to protect the interests of stockholders, particularly minority stockholders, and third parties. At its meeting on May 10, 2005, the Board of Directors resolved to submit a motion to the Stockholders Meeting to increase the number of independent directors so that they would constitute a majority on the board. The Board of Directors held that enhancing protections against potential conflicts of interest was a priority for the Company, particularly in those areas less prone to control by the Stockholders Meeting. The Board of Directors also proposed that new and more selective criteria for determining independence be adopted. Following the resolutions passed by the Stockholders Meeting on June 23, 2005, the Board of Directors has 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 February 28, 2006, the Board of Directors confirmed that the directors Angelo Benessia, Flavio Cotti, Luca Garavoglia, Gian Maria Gros-Pietro, Hermann-Josef Lamberti, Vittorio Mincato, Pasquale Pistorio and Mario Zibetti satisfied these requirements of independence.
By going beyond the recommendations of the Corporate Governance Code, having a board with a majority of independent directors implements one of the fundamental rules of the NYSE, even though non-US issuers are not required to adopt it.

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:

- Angelo Benessia: Vice Chairman of RCS Quotidiani S.p.A.;
- Tiberto Brandolini D'Adda: Chairman and General Manager of Sequana Capital; Vice Chairman and Chief Executive Officer of Exor Group; Director of: Giovanni Agnelli e C. S.a.p.az., Espírito Santo Financial Group, IFIL Investments S.p.A., SGS S.A. and Vittoria Assicurazioni S.p.A.;
- Luca Cordero di Montezemolo: Director of: Tod's S.p.A., Merloni Elettrodomestici S.p.A., Pinault Printemps Redoute, Le Monde; Member of the International Advisory Board of Citigroup Inc.;
- Flavio Cotti: Chairman of the Advisory Board of Credit Suisse Group; Director of Georg Fischer AG;
- John Elkann: Vice Chairman of Giovanni Agnelli e C. S.a.p.az.; Vice Chairman of IFIL Investments S.p.A.; Director of: IFI S.p.A., Exor Group and RCS MediaGroup;
- Luca Garavoglia: Chairman of Davide Campari Milano S.p.A.;
- Gian Maria Gros-Pietro: Chairman of Autostrade S.p.A.; Director

of: Edison S.p.A. and Seat Pagine Gialle; Member of the Supervisory Board of Sofipa Equity Fund;

- Hermann-Josef Lamberti: Member of the Management Board of Deutsche Bank AG, of the Supervisory Board of Deutsche Bank Privat- und Geschäftskunden AG; Member of the Supervisory Board of Deutsche Börse AG; Member of the Supervisory Board of Schering AG; Member of the Supervisory Board of Carl Zeiss AG;
- Sergio Marchionne: Vice Chairman of the SGS Group; Director of Serono S.A. and President of ACEA (European Automobile Manufacturers Association);
- Virgilio Marrone: General Manager of IFI S.p.A.; Director of: Exor Group and Sanpaolo Imi;
- 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 and Telecom Italia S.p.A.;
- Daniel J. Winteler: Chairman and Chief Executive Officer of Alpitour S.p.A.; Director of: IFIL Investments S.p.A. and Sequana Capital;
- Mario Zibetti: Director of Ersel Finanziaria S.p.A.

Committees established by the Board of Directors

During 2005 the Board of Directors revised the Charters of the Internal Control Committee and of the Nominating and Compensation Committee supplementing roles and requirements. In particular, the Board 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

In 2002, amending what was defined in 1999, partly in order to receive the changes made to the Corporate Governance Code, the Board adopted the "Guidelines for the Internal Control System," which came into effect on January 1, 2003.

Essential parts of the Internal Control System are the **Code of Conduct** that replaced the Code of Ethics in 2002, and the Compliance Program adopted by the Board of Directors on February 28, 2003 and subsequently amended on February 28, 2005 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 to.

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

In application of the Compliance Program, the Code of Conduct, and the Sarbanes Oxley Act Section 301 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 information regarding the Company are disseminated in compliance with the "**Disclosures Controls & Procedures**" adopted in conformity with the Securities Exchange Act of 1934 and the Sarbanes Oxley Act of 2002. Periodic and extraordinary financial information and price sensitive information is disseminated on the basis of these Disclosures Controls & Procedures. These disclosures are also posted on the Group website.

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 Articles of Association, must be entered in the Auditors' Register and have at least three years' experience as chartered accountants. Furthermore, they may not hold the position of statutory auditor in more than five other listed companies, with the exception of the controlling companies and subsidiaries of Fiat S.p.A.

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

In accordance with Article 17 of the Company's Articles of Association and as envisaged under the Consolidated Law on Financial Intermediation, properly organized **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. Thus far, the minority stockholders have not exercised this right, although Fiat believes that the independence of its Board of Statutory Auditors is guaranteed by the requirements of independence and professionalism prescribed by law and the Articles of Association, and the unquestioned professional authoritativeness that has always distinguished its members. Furthermore, in accordance with the Articles of Association, the slates of candidates must be deposited at the registered office of the company at least ten days before the scheduled date of the Stockholders Meeting on its first call and be accompanied by statements certifying satisfaction of the requirements prescribed by law and the Articles of Association and that they are not ineligible or incompatible, on penalty of rejection of those slates.

Stock Options Plans

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

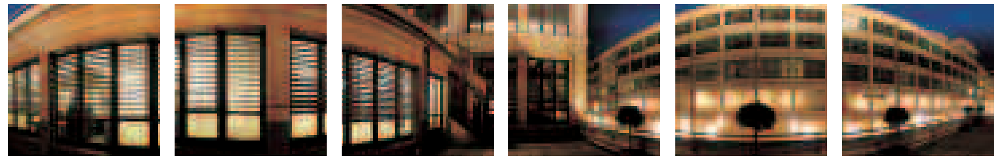
- Options are granted to individual managers on the basis of objective parameters that take into account the level of responsibility assigned to each person and his or her performance.
- If employment is terminated or an employee's relationship with the Group is otherwise severed, options that are not exercisable become null and void. However, vested options may be exercised within 30 days from the date of termination, with certain exceptions.
- The option exercise price, which is determined 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.
- The options are normally exercisable starting one year after they are granted and for the following eight years, but during the first four years, exercise is limited to annual tranches, which may be accumulated, of no more than 25% of the total granted.

In consideration of the options previously granted under the aforesaid plans and that have since expired upon termination of employment, a total of 7,749,500 option rights corresponding to the same number of shares represent treasury stock to be assigned to the holders of options pursuant to the conditions envisaged in the specific Regulations.

In addition, the Board of Directors 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 shares per year and on June 1, 2008 he accrues the right to purchase, effective that date, the residual portion amounting to 3,560,000 shares. The right to exercise the options related to this last portion of shares is subject to certain predetermined profitability targets that should be reached during the reference period.

Ferrari S.p.A. granted its Chairman and Chief Executive Officer, Luca Cordero di Montezemolo, options for the purchase of 184,000 Ferrari shares at the price of 175 euros per share, exercisable until December 31, 2010. The exercise of 80,000 of said shares is subject to the placement of Ferrari shares on the stock market.

Options granted as part of Stock Options Plans on Fiat shares and outstanding at December 31, 2005 are shown in the next page. Options granted to Board Members are instead shown in a specific table in the Notes to the Financial Statements.



	2005 Number of shares	2005 Average exercise price (*)	2005 Market price	2004 Number of shares	2004 Average exercise price (*)	2004 Market price
Options outstanding on 1/1	**10,502,543**	**16.38**	**5.9**	12,697,743	16.46	6.14
Options granted during the year	–	–	–	–	–	–
Expired options	**2,753,043**	–	–	2,195,200	–	–
Options outstanding on 12/31	**7,749,500**	**17.51**	**7.37**	10,502,543	16.38	5.9
Options exercisable on 12/31	**6,987,875**	**18.28**	**7.37**	7,144,748	18.8	5.9

(*) 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.

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

(number of shares)

First name and last name	Description of investments	Number of shares held at 12.31.2004	Number of shares bought in 2005	Number of shares sold in 2005	Number of shares held at 12.31.2005
Luca Cordero di Montezemolo	Fiat ordinary	19,172	–	–	19,172
Sergio Marchionne	Fiat ordinary	–	220,000	–	220,000
Cesare Ferrero	Fiat ordinary	1	–	–	1

Transactions among Group Companies and with Related Parties

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

The main transactions that took place during 2005 between the Parent Company, Fiat S.p.A., and its subsidiaries and associated companies are summarized below:

- Subscription to capital increases of subsidiaries as described in the Notes to the financial statements of Fiat S.p.A.;
- Licensing of the right to use the Fiat trademark, for a consideration based on a percentage of sales, to Fiat Auto S.p.A.;
- Contributions provided to Group companies for initiatives to enhance the Group's image;
- Services provided by Fiat S.p.A. managers to Fiat Auto S.p.A., Iveco S.p.A., Teksid S.p.A., Magneti Marelli Holding S.p.A., Comau S.p.A., Business Solutions S.p.A., Itedi S.p.A. and other minor Group companies;
- Grant of suretyships and guarantees in connection with the issuance of bonds (essentially Fiat Finance and Trade Ltd.), loans provided by banks (Fiat Finance S.p.A. - formerly Fiat Ge.Va. S.p.A., FMA - Fabbrica Motori Automobilistici S.r.l., Banco CNH Capital S.A., CNH America LLC, Fiat Automoveis S.A. and other minor companies), the issuance of "billets de tresorerie" (Fiat Finance and Trade Ltd.), credit lines (CNH Global N.V., CNH Capital America LLC, CNH Capital Canada Ltd., NH Credit Company LLC and other minor companies) and payment obligations under building rental contracts (Fiat Auto S.p.A. and its subsidiaries). In addition, a $1 billion direct credit line is in place between Fiat S.p.A. and CNH Global N.V.;
- Rental of buildings to Ingest Facility S.p.A.;
- Current accounts and short-term financings management (Fiat Finance S.p.A.), purchase of administrative, fiscal, corporate affairs and consulting services (Fiat Gesco S.p.A.), payroll and other general services (Fiat Servizi per l'Industria S.c.p.A.);
- Purchase of inspection and internal auditing services from Fiat-Revisione Interna S.c.r.l.;
- Purchase of information technology services provided by PDL Service S.r.l. and eSPIN S.p.A.;
- Purchase of external relations services provided by Fiat Information & Communication Services società consortile per azioni;
- Office space and real property maintenance services provided by Ingest Facility S.p.A.;
- Security services and other services provided by Consorzio Orione and Sirio S.c.p.A.;
- Purchase of automobiles from Fiat Auto S.p.A.

Fiat S.p.A., as consolidating company, and almost all its Italian subsidiaries decided to comply with the national tax consolidation program according to articles 177/129 of T.U.I.R. (Consolidated Law on Income Tax).

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. Transactions with related parties to be mentioned include professional services rendered by Mr. Franzo Grande Stevens (consultancies and activities performed in his capacity as secretary of the Board of Directors) to Fiat S.p.A. for a total of 940 thousand euros.

Based on the information received from the various Group companies, there were no atypical or unusual transactions during the year.

Extraordinary transactions among Group companies or with related parties that occurred during the year are as follows:

- Ferrari S.p.A.: an entity comprising the group of companies that manufacture and sell Maserati cars was transferred to a company that simultaneously assumed the name Maserati S.p.A. and was sold to Fiat Partecipazioni S.p.A;
- Within the framework of the reorganization of central activities in France, aimed at transferring the role of national company to the main operating company, Fiat France S.A. was merged into Fiat Auto France S.A. which took its name. Before the merger, Fiat France S.A. had been sold by Fiat Partecipazioni S.p.A. to Fiat Finance Netherlands B.V.; concurrently, Fiat France S.A. sold its 100% interest in La Stampa Europe SAS to Itedi S.p.A.

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 2006 are set out below:

- On January 3, 2006, Fiat Auto and Severstal Auto announced that they had signed an industrial agreement for the assembly in Russia of Fiat Palio and Fiat Albea models based on CKDs produced in Turkey by Tofas, the joint venture between Fiat Auto and the Koç Group. The assembly will start in 2007 in the Severstal Auto plant of Naberejniye Chelni near Kazan in the Volga region. On February 8, Fiat Auto and Severstal extended the reach of the industrial agreement to Fiat Doblò models (which are also produced in Turkey), that will be assembled in Russia in the same manner as the Fiat Palio and Fiat Albea models.
- On January 13, 2006, the Fiat Group and Tata Motors Ltd. announced, by means of a joint press release, that they had signed an agreement to co-operate on dealer network sharing, which covers the sale of Fiat branded cars in Tata outlets throughout India. As a result of this agreement, a targeted selection of Fiat cars and the complete Tata product range along with service and sale of spare parts will be available from March 2006 through the Tata dealership network. Dealers will display the new Fiat logo alongside the Tata logo at their outlets.
- Following its announcement on January 30, 2006, Fiat communicated on February 10 that it had successfully closed its offer to issue 6.625% Senior Notes having a face value of 1 billion euros and maturing on February 15, 2013, whose price was set on February 7, 2006 at face value. The Notes, which were issued by Fiat Finance and Trade Ltd. Société Anonyme, a wholly-owned subsidiary of Fiat S.p.A., have been admitted to listing on the Irish Stock Exchange and were rated Ba3 by Moody's Investors Service, BB- by Standard & Poor's Ratings Services and BB- by Fitch Ratings. These ratings are in line with the agencies' ratings of the Fiat Group's long-term debt. In January 2006, Fitch Ratings and Moody's changed their outlook on Fiat S.p.A. from negative to stable, as Standard & Poor's Rating Services had already done in August 2005.
- On February 13, 2006, the Piedmont Region and the Fiat Group announced by means of a joint press release a wide-ranging cooperative program for hydrogen fuelled transport, as envisaged in the protocol of intent signed at the end of December 2005.

  Fiat and the Piedmont Region will cooperate on local and European-level programs over the short, medium and long term. They will promote the Piedmont Region as a key research and development centre in this innovative area. Fiat will support these initiatives by lending some of its internationally recognised experts, including available resources at the Centro Ricerche Fiat in Orbassano and at the Fiat Auto innovation facilities.
- On February 19, 2006, the Italian Ministry of Productive Activities, Fiat Auto and Elasis (Fiat's advanced research center headquartered in Pomigliano d'Arco near Naples) signed a contract for renewal of the Group's Termini Imerese manufacturing facility. The contract is part of a more general Program Agreement drawn up with the government in December 2002, and follows through on a project that Fiat Auto submitted to the Ministry and Sicily's regional administration in April 2004. The project will involve action along two fronts.

  In the first area, and in line with the Fiat development plan, the project calls for industrial investments in the Termini Imerese plant amounting to approximately 31 million euros to prepare the Sicilian facility to produce the Lancia Ypsilon and the model's subsequent facelifts.

  The second area of action is that of research and development, where Elasis will work on improving the plant's manufacturing processes. Investments in this area will amount to approximately 13 million euros.

  The Fiat Group has committed a total of 44 million euros to the project. Public funding will amount to about 10 million euros, of which 1.6 million euros has been provided by the Sicilian regional administration.
- On February 21, 2006, the Italian Ministry of Productive Activities, Fiat Powertrain Italia, Fabbrica Motori Automobilistici (FMA), and

Elasis signed a project agreement providing for an investment plan to support Fiat's manufacturing plants at Pratola Serra near Avellino and Termoli near Campobasso and the research activities carried out at Pomigliano d'Arco (Naples).

This agreement is part of the general Programme Agreement reached with the Italian Government in December 2002.

The plan calls for the following measures:

- industrial capital expenditures of approximately 180 million euros in the FMA plant at Pratola Serra for the production of new diesel engines (1.6 and 1.9 JTD two- and four-valve engines);
- industrial capital expenditures of approximately 434 million euros in the Powertrain Italia plant at Termoli for a new highly automated and flexible production line that will make advanced generation petrol-powered engines able to respond quickly to changes in demand, and the new M40 transmission for light commercial vehicles of Sevel Val di Sangro;
- an investment of approximately 33 million euros earmarked for research and development specifically performed by Elasis in the design of new engines.

The Fiat Group's commitment of 647 million euros will be supplemented by a Government contribution of approximately 82 million euros.

- On February 24, 2006, CNH announced that its wholly owned subsidiary, Case New Holland Inc., issued senior notes with a face value of $500 million maturing in 2014 (fixed annual interest rate of 7.125%) to professional investors. The company expects to complete the transaction at the beginning of March 2006.

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 2006, while demand in Brazil should show moderate growth. In this context, the Group's Automobile Sector plans to take advantage of the full-year contribution of its new models to boost volume and improve its mix in European markets. Meanwhile, the profit contribution from Brazil is expected to remain roughly unchanged from the 2005 level.

Aggressive cost-cutting will continue in all non-essential areas of the company. Efforts will also be made to ensure that purchasing efficiencies offset the impact of expected price hikes in raw materials.

At CNH, the demand for construction equipment should remain strong, while agricultural equipment volumes in 2006 are expected to remain stable. The North American market is expected to outperform Europe, with soft demand forecast in Latin America. CNH should benefit from its recent brand reorganisation, while relying on pricing to offset rising raw material costs. CNH will also remain focused on achieving greater purchasing and manufacturing efficiencies.

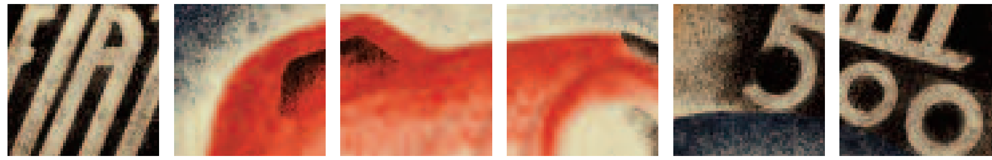
Iveco expects a slight increase in market shares, in the framework of a stable Western European market, especially for its heavy-range vehicles and buses. Growth is also expected in the rest of the world, particularly for buses. Additionally, Iveco will focus on manufacturing efficiencies to offset higher labour and utilities costs. Iveco is planning major improvements to its product range, including restyling of the Daily, early introduction of Euro 4- and Euro 5-compliant engines, and the launch of new special-purpose vehicles.

Overall, the Group expects that all its businesses will achieve sales volumes in line with the forecast of essentially flat market demand. Cost-reduction measures are on track. As a result, the Group confirms its targets for 2006: positive operating cash flow, trading profit between 1.6 and 1.8 billion euros and net income of about 700 million euros.

Broken down by Sector, full-year 2006 trading margin targets (trading profit as a percentage of revenues) are as follows:

- Autos (excluding Maserati and Ferrari), 0.5% to 1.0%,
- CNH, 7.0% to 7.5%;
- Iveco, 5.5% to 6.0%; and
- Components, 3.5% to 4.0%.

The Fiat Group will continue to implement its strategy of targeted alliances, in order to reduce capital commitments, and share investments and risks. Efforts will be made to complement Fiat's advanced technological resources with better quality, commercial distribution and customer service capabilities.



01

Report on Operations

Operating Performance by Sector of Activity

Automobiles

Agricultural and Construction Equipment

Commercial Vehicles

Engines, Components and Production Systems

Other Businesses

Services

Publishing and Communications

Fiat Auto

Fiat, Alfa Romeo, Lancia and Fiat Veicoli Commerciali

Operating Performance

Demand in Western Europe in the **automobile market** was substantially in line (-0.2%) with the previous year. The largest declines occurred in Italy (-1.3%) and the United Kingdom (-5.0%), offset in part by gains in France (+2.6%), Germany (+1.6%) and Spain (+0.9%).

Outside Western Europe, demand was off sharply in Poland (-26.5%), while the Brazilian market continued on its growth track, with demand rising by 9.1%.

The Western European **market for light commercial vehicles** posted an overall increase of 2.8% over 2004. This increase was the net result of gains of 13.4% in Spain, 3.4% in France and 3.1% in Germany and decreases of 1.8% in Italy and 1.3% in the United Kingdom.

Fiat Auto's share of the automobile market held at 28.0% in Italy (about the same as in 2004), but declined to 6.5% for Western Europe as a whole (0.7 percentage points less than in 2004).

The Sector's share of the market for light commercial vehicles was virtually unchanged, registering 10.4% for all of Western Europe (-0.2 percentage points compared with 2004) and 42.3% for Italy (in line with 2004).

In Brazil, Fiat Auto's share of the automobile and light commercial vehicle markets increased to 24.4% (+0.9 percentage points) and 28.8% (+4.5 percentage points), respectively.

Automobile Market

(in thousands of units)	2005	2004	% change
France	2,058.1	2,005.3	2.6
Germany	3,250.1	3,198.3	1.6
United Kingdom	2,443.5	2,572.8	-5.0
Italy	2,234.2	2,264.7	-1.3
Spain	1,527.3	1,514.1	0.9
Western Europe	14,415.8	14,449.2	-0.2
Poland	234.2	318.5	-26.5
Brazil	1,414.8	1,297.3	9.1

Highlights

(in millions of euros)	2005	2004
Net revenues	19,533	19,695
Trading profit/(loss)	(281)	(822)
Operating result (*)	(818)	(1,412)
Investments in tangible and intangible assets	1,582	1,792
- of which capitalised R&D costs	*310*	*500*
Total R&D expenses (**)	665	952
Automobiles and light commercial vehicles delivered (number)	1,697,300	1,766,000
Employees at year-end (number)	46,099	45,122

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

In 2005, Fiat Auto sold a total of 1,697,300 vehicles, or 3.9% less than in 2004. In Western Europe, shipments were down 7.8% to 1,100,000 units. Strong competitive pressure and, early in the year, the expected launch of new models account for the reduction in unit sales. Once new models became available, sales rebounded both in Italy and Europe as a whole, particularly in the fourth quarter.

In 2005, Fiat Auto's sales volume was down 2.4% in Italy (but increased by 14.7% in the fourth quarter of 2005) and 3% in Spain.

Sales Performance
Automobiles and Light Commercial Vehicles

(in thousands of units)	2005	2004	% change
France	79.3	73.2	8.3
Germany	90.8	107.8	-15.8
United Kingdom	53.3	86.7	-38.5
Italy	687.7	704.3	-2.4
Spain	70.3	72.4	-3.0
Rest of Western Europe	118.5	148.8	-20.3
Western Europe	1,099.9	1,193.2	-7.8
Poland	33.8	60.6	-44.3
Brazil	404.3	358.1	12.9
Rest of the world	159.3	154.1	3.3
Total sales	1,697.3	1,766.0	-3.9
Associated companies	107.3	90.7	18.3
Grand total	1,804.6	1,856.7	-2.8

The decrease was more pronounced in Germany (-15.8%) and the United Kingdom (-38.5%, owing to a sharp drop in market demand). Among all major European markets, only France bucked the trend, posting an 8.3% increase in shipments.

In Poland, weak demand had a strong negative impact on Fiat Auto's sales volume, which contracted by 44.3% compared with 2004.

In 2005, Fiat Auto intensified its activity in those markets outside the EU where it already has an established presence, such as Brazil, Argentina and Turkey, while at the same time launching programmes to expand in emerging markets through alliances with strong local partners.

In Brazil, Fiat Auto benefited from healthy demand in the local market, increasing sales by 12.9% with respect to 2004 and regaining leadership of the market. The success of the flex (alcohol and gasoline bi-fuel) versions of the Palio and Mille models, which were introduced during the first half of the year, account for this outstanding performance.

In Argentina, where consumer demand continued to improve after the deep crisis of 2002, the automobile market expanded at a rate of 35.6% compared with 2004 and Fiat Auto increased its market share to 12.4% (up 0.6% percentage points compared with 2004). Thanks to the positive impact of new products and the contribution of a revamped sales network, deliveries of automobiles and light commercial vehicles increased by 43.1% to 44,100 units.

In Turkey, 2005 was a good year for the economy in general and the automobile industry in particular. Demand for automobiles and light commercial vehicles increased to about 720,000 units (+2.9% compared with 2004). In this environment, Tofas (a local joint venture in which Fiat Auto has a 37.9% interest) achieved a market share of 11.2% and increased deliveries by 8.1%. Tofas's improved performance over 2004, both in the domestic and export markets, was made possible by the start of production of the new Doblò and the market launch of the new Palio and Albea.

In 2005, sales of light commercial vehicles followed a positive trend, with total shipments rising to 285,200 units or 5.1% more than in 2004. In Western Europe, sales decreased to 181,800 units, or 0.7% less than in 2004. With the exception of Italy and Germany, where shipments were down 2.7% and 0.4%, respectively, sales improved throughout Western Europe (Spain +11.6%, France +3.9%, United Kingdom +1.4%).

After termination of the Master Agreement with General Motors, Fiat Auto regained its strategic independence and was thus able to execute targeted industrial agreements with major carmakers outside Italy. These agreements will provide the foundation for increasing the competitiveness of Fiat Auto's products and expand its presence in emerging markets.

This was the rationale for the agreements signed in 2005 with Pars Industrial Development Foundation for the production and sale of Fiat cars in Iran, with PSA and Tofas to design and produce a new light commercial vehicle in Turkey, with Ford to develop and manufacture A Segment automobiles at a Fiat Auto plant in Poland, with Zastava to assemble the Fiat Punto under license at a Zastava plant in Serbia, and with Suzuki to study the feasibility of producing new Multijet engines in Asia under license.

Two additional agreements were executed in January 2006: one in India with Tata Motors Ltd that involves the sharing of the dealer network and the distribution of Fiat-branded cars through Tata's dealers in India; and another in Russia with Severstal Auto for the assembly in Russia of the Fiat Palio and Fiat Albea using CKD kits manufactured in Turkey by Tofas. In February 2006, industrial cooperation with Severstal was extended to Fiat Doblò models, which will be assembled in Russia using CKD kits manufactured by Tofas.

01 Report on Operations

Innovation and Products

In 2005, Fiat Auto continued to pursue a strategy focused on upgrading, improving and completing its model lineup.

As part of its effort to round out its model line, **Fiat** launched the Croma, a new entry in the medium-high segment. This car, which is notable for its high levels of performance and comfort, was brought to market in May 2005. It was very well received by customers, with over 27,000 orders by the end of the year.

The Grande Punto was launched in September and generated an excellent response among customers at dealership showrooms during the "Open Doors" promotion. As the availability of the Grande Punto was gradually expanded to the rest of Western Europe, the year ended with registrations of more than 35,000 units and new orders for 88,000 cars, with customers outside Italy accounting for 45% of the total.

The launch of the Fiat Panda Cross and Fiat Sedici during the second half of the year helped the Fiat brand reclaim a strong position in the four-wheel-drive segment of the market, where it had already established a presence with the Panda 4x4.

Both the Panda Cross and the Fiat Sedici were unveiled in November. The Panda Cross is a new version of the four-wheel-drive Panda. The Fiat Sedici, which is being built in partnership with Suzuki at a plant owned by Suzuki in Hungary, is Fiat's first entry ever into the C 4x4 segment of the market. Its standing will benefit from being chosen as the official car of the 2006 Turin Winter Olympic Games.

At the Bologna Motor Show, which was held at the beginning of December, Fiat presented the Panda Monster, a further evolution of the Panda four-wheel-drive, and the Fiat Oltre, a show car based on a powerful Iveco multi-function vehicle.

Alfa Romeo continued to renovate its product line. The Alfa 159 (brought to market in October 2005) belongs to the great Alfa Romeo tradition of automobiles with distinctive styling. At the end of December, the Alfa 159 had generated more than 14,000 orders. In October, Alfa Romeo unveiled the Brera coupé, an upscale sports car whose styling elicited accolades both from the industry press and the public in general.

In anticipation of the celebrations of its 100th birthday in November 2006, **Lancia** presented important upgrades of some of its most successful models: new versions of the Ypsilon (the Momo Design in particular), Musa (Platino+) and Phedra (Unique Edition).

Due to the launch of numerous new models, the Fiat and Alfa Romeo brands ended 2005 with a lineup of models that, on




average, are less than two years old and, consequently, are highly competitive. The competitiveness of the product line is bolstered by the significant success achieved in terms of safety and customer satisfaction. Three new models introduced in 2005 - the Fiat Croma, Alfa 159 and Grande Punto - were awarded five stars, placing them at the top of the Euro NCAP safety ranking. The Grande Punto was also honoured with several prizes in Europe, including the Golden Steering Wheel in Germany and the Auto Europa prize awarded by the Italian Association of Automotive Journalists (UIGA).

The **Fiat Veicoli Commerciali** (Fiat Light Commercial Vehicles) brand also had a very positive year with the launch in October of the new Doblò, which was awarded the coveted Van of the Year 2006 international prize and was able to achieve a high level of market penetration. By the end of 2005, a total of 3 million vehicles had been produced at the Sevel Val di Sangro plant, which also set a record by manufacturing more than 200,000 units in 12 months.

The Sector's research and development activities focused on completing the ongoing development of the Grande Punto, Croma, Alfa 159 and Doblò; continuing the development of the Nuovo Ducato, Nuovo Scudo and a new car in the International B Segment; and starting the development of the Nuova Stilo and Fiat 500.

Another area of activity involved basic research in engines and components for future applications.

Financial Services

In 2005, Sector companies that provide **financing to the sales network** handled loans totalling about 9,810 million euros (11,090 million euros in 2004). When combined with other financial instruments available to provide financing support to the sales network, these operations generated financing averaging about 3,150 million euros in 2005 (3,660 million euros in 2004).

The reduction in business volume reflects a decrease in sales in some European countries, a policy designed to reduce and selectively control dealer inventories and a change in the scope of consolidation due to the sale of retail financing activities in the United Kingdom in the fourth quarter of 2004. In Brazil, on the contrary, lending activity mirrored the positive sales performance in the local market.

In 2005, the total loan volume handled by the Sector's activities that provide **financing to suppliers** declined to 3,670 million euros (6,342 million euros in 2004), for an average loan position of 560 million euros (990 million euros in 2004). This decrease reflects a selective approach to the portfolio of loans held by these operations and the decision to focus on Fiat Auto's strategic suppliers.

In the **renting business**, Fiat Auto strengthened its position in Italy by acquiring, at the end of 2005, full control of Leasys, a joint venture that it had established with Enel and that is active in the field of company fleet management.

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

The work done in previous years to strengthen their sales and customer support network enabled these two companies to end 2005 with a portfolio of more than 39,000 contracts (+14% compared with 2004). Their rental fleet also increased, rising to 144,500 vehicles at the end of 2005, or 3% more than a year earlier.

Maserati

Operating Performance

In April 2005, ownership of Maserati was transferred from Ferrari S.p.A. to Fiat Partecipazioni S.p.A. (a holding company owned directly by Fiat S.p.A.). The transfer resulted in the creation of a new entity, established on April 1, 2005, to which the business operations that produce and sell cars under the Maserati brand have been conveyed.

For comparison purposes, the Maserati business operations have been separated from those of Ferrari-Maserati retrospectively to 2004.

Maserati achieved major commercial and racing objectives in 2005. The success of the Quattroporte drove sales significantly higher, causing revenues to soar by 30.3% compared with 2004. Maserati products - the Quattroporte, the MC12 and the Pininfarina Birdcage 75th concept car - were honoured on 11 separate occasions by the international press.

In December 2005, the Maserati Corse organisation won the FIA GT Constructors' Cup and, racing as part of the Vitaphone team, the FIA GT Team Cup. In July 2005, the Maserati MC12 scored a prestigious victory at the Spa 24 Hours Race.

In the eight major markets in which Maserati operates, demand in the key Coupé and Spyder market segments contracted by 8.4% and 15.9%, respectively.

In the luxury sedan segment, demand was down 3% compared with 2004, but the success of the Quattroporte enabled Maserati to more than double its market share, which rose from 2.1% in 2004 to 4.6% in 2005.

Maserati delivered 5,568 cars to its sales network, a gain of 16.9% compared with the 4,765 cars shipped in 2004. The outstanding performance of the Quattroporte accounts for this improvement. With 2005 sales totalling 2,311 units (1,124 in 2004), the United States remained Maserati's most important market.

At the end of 2005, Maserati had orders for 789 cars, 613 of which were for the Quattroporte.

Highlights

(in millions of euros)	2005	2004
Net revenues	**533**	409
Trading profit/(loss)	**(85)**	(168)
Operating result (*)	**(85)**	(171)
Investments in tangible and intangible assets	**20**	51
- of which capitalised R&D costs	**9**	–
Total R&D expenses (**)	**57**	72
Cars delivered (number)	**5,568**	4,765
Employees at year-end (number)	**606**	652

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

Innovation and Products

In 2005, Maserati completed the product line renewal process that got under way in 2004 with the introduction of several new models. The Quattroporte is now available in three configurations: Standard, Executive GT and Sport GT. These new versions, which were presented at the Frankfurt Motor Show in September 2005, emphasise the multifaceted nature of this car, which combines the highest level of comfort with an unmistakably sporty character. The Quattroporte was Maserati's top selling model in 2005.

Lastly, the GranSport line was completed with the entry of the GranSport Spyder.



Ferrari

Operating Performance

In 2005, Ferrari once again demonstrated the extraordinary appeal of its products, not only in the brand's traditional markets, but also in those that it has entered recently. While its cars are intrinsically exclusive objects, rising customer demand caused Ferrari to increase annual deliveries to end customers to 5,409 cars, mainly with the goal of reducing delivery wait time and meeting the demand from new markets, where the sales trend has been particularly strong. These achievements were made possible by the performance of the F430 (both the berlinetta and spider versions), the 612 Scaglietti and Superamerica, which was produced in limited edition run.

Shipment to the sales network totalled 5,399 cars in 2005, a gain of 11% over the 4,866 units delivered in 2004. With 1,580 cars sold (+9%), the United States was once again Ferrari's biggest market, followed by Europe with 2,908 units (+13.7%), including 662 cars sold in Italy (+26%).

A total of 5,409 cars were delivered to end customers, an increase of 8.7% compared with the 4,975 units shipped in 2004. The positive performance achieved in 2005 was made possible by rising demand in North America (unit sales were up about 8% compared with 2004), Italy, the United Kingdom and France. New and developing markets also provided a significant contribution (Middle East +41%, Eastern Europe +92%, South America +36%), generating a significant increase in volume without compromising the exclusivity of the Ferrari brand. In China, a brand-new sales network shipped 82 cars, double the number sold in 2004.

Highlights

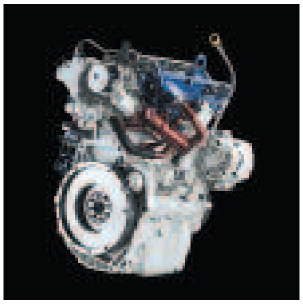
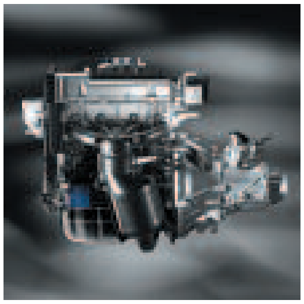
(in millions of euros)	2005	2004
Net revenues	1,289	1,175
Trading profit	157	138
Operating result (*)	157	136
Investments in tangible and intangible assets	142	143
- of which capitalised R&D costs	*46*	*37*
Total R&D expenses (**)	86	75
Cars delivered to the network (number)	5,399	4,866
Employees at year-end (number)	2,809	2,670

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

Innovation and Products

The outstanding results achieved in 2005 were made possible by the success of the F430 in the berlinetta and spider versions, both of which feature innovations derived directly from Formula One racing (such as an electronic differential and controls placed directly on the steering wheel), and the 612 Scaglietti, a car that combines top-level performance with an uncompromising commitment to interior comfort.

The Superamerica also provided a significant contribution to 2005 results. This car was produced in a limited run of 559 units, all of which were sold in a few months. The Superamerica embodies a highly original and innovative approach to the challenge of combining the high performance of a 12-cylinder berlinetta with the versatility of a convertible. It is the first car in the world to use a breakthrough roof design that relies on electrochromic crystal technology applied to large glass surfaces to transform itself from a coupé to a convertible in just a few seconds. As a result, it offers the driver both the characteristic qualities of an open car and the functional advantages of a coupé. Powered by a 540-HP 12-cylinder engine, the Superamerica is also the fastest convertible in the world.

Fiat Powertrain Technologies

Operating Performance

Fiat Powertrain Technologies is a new Sector to which the Group has transferred the operations (automobile engines and transmissions) that were returned to Fiat's control following the termination of the Master Agreement with General Motors. As of May 2005, all of the operations originally conveyed to the Fiat-GM Powertrain joint venture are being consolidated into Fiat Powertrain Technologies. The only exceptions are the activities in Poland, which continue to operate as a joint venture with General Motors.

In 2006, Fiat Powertrain Technologies will also include the powertrain businesses of Iveco, C.R.F and Elasis.

Most of the Sector's production, which amounted to 1,966 million euros for the period from May to December 2005, was absorbed by Fiat Auto, with noncaptive customers accounting for 23% of the total.

Innovation and Products

Currently, the operating arm of Fiat Powertrain Technologies is its Product Line Passenger & Commercial Vehicles (FPT-P&CV) Division. Working with Fiat Auto, its largest customer, FPT-P&CV designs and builds innovative powertrain systems for Fiat, Lancia and Alfa Romeo, delivering products that are consistent with Fiat Auto's strategy of renewing, relaunching and repositioning its product line.

In the area of gasoline engines, FPT-P&CV used the opportunity provided by the launch of the Grande Punto to introduce an evolution of the Fire 1.4 8v engine that uses a phasing transformer to deliver increased fuel efficiency and better performance. For the upscale segments of the market, FPT-P&CV developed two new gasoline engines: the four-cylinder L850, which is available in two versions (a 160-HP 1.9-liter version and a 185-HP 2.2-liter version) and the 260-HP six-cylinder HFV6 3.2. Both engines, which are available in the newly launched Alfa Romeo 159, use a JTS direct injection system with continuous intake and exhaust phasing transformers.

Highlights
(Data refer to the period from May 1 to December 31, 2005)

(in millions of euros)	2005
Net revenues	**1,966**
Trading profit	**26**
Operating result (*)	**4**
Investments in tangible and intangible assets	**173**
- of which capitalised R&D costs	–
Total R&D expenses (**)	**2**
Employees at year-end (number)	**10,111**

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

In the field of diesel engines, FPT-P&CV's 1.3-liter Piccolo Diesel engine won Engine of the Year 2005 honours (1.0 to 1.4 liter category) in the International Engine of the Year Awards 2005 contest beating major European and Japanese competitors. The output of this engine has since been increased to 90 HP and the engine has been made compliant with the Euro 4 pollution standards by adding a diesel particulate filter (DPF). At the higher end of the market, the Sector offers the 200 HP Euro 4, a 5 cylinder, 2.4-liter engine that powers the Alfa 159 and the Croma, delivering a level of specific power that places it at the top of its class.

For the future, FPT-P&CV intends to build on the technological leadership it has gained in common-rail engines (next generation Multijet powerplants); continue with the relaunching of the Fire family of gasoline engines by extending their range of application with the introduction of turbocharged versions; redouble its technological efforts to improve fuel efficiency, improve quality and ensure compliance with increasingly stringent antipollution laws; and continue to work on the development of bi-fuel and natural gas engines.

Programs that are already being implemented in pursuit of this strategy include: development of a 1.6 diesel engine that targets a new segment of the market, extension of PDA technology to the Fire engines, use of turbocharging technology in gasoline engines, launch of a new M40 transmission and more widespread use of the Selespeed automatic transmission.

Agricultural and Construction Equipment
CNH

Operating Performance

In 2005, the worldwide market for **agricultural equipment** experienced a slight increase in tractor sales (+5%) and a decline in combines (-16%). In tractors, market demand was down in Latin America (-19%) and Western Europe (-6%), it increased significantly in the Rest of the World markets (26%) and remained flat in North America. With respect to 2004, the combines market declined sharply in Latin America (-58%), it increased in Western Europe (+6%) and in the Rest of the World markets (+10%) and remained flat in North America.

Highlights

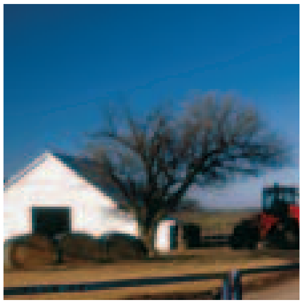
(in millions of euros)	2005	2004
Net revenues	**10,212**	9,983
Trading profit	**698**	467
Operating result (*)	**611**	399
Investments in tangible and intangible assets	**255**	243
- of which capitalised R&D costs	***40***	*32*
Total R&D expenses (**)	**234**	221
Employees at year-end (number)	**25,420**	25,746

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

Sales of CNH tractors decreased across all regions with respect to 2004, except for the Rest of the World markets which recorded an increase in volumes. Overall CNH reported a slight decrease in market share. CNH unit sales of combines were also down compared to 2004: a sharp decline in Latin America was only partially offset by higher volumes in North America and in the Rest of the World markets. Overall market share was almost unchanged; the decrease in Latin America was compensated by the increase in the Rest of the World markets.

The global market for **construction equipment** expanded in 2005 compared to 2004 (+11%). Retail unit demand for loader backhoes rose 15% worldwide thanks to a significant increase in Latin America (+47%) and to growth on the North American market (+8%). Market demand for skid steer loaders was up 4% worldwide as a result of positive performances in Latin America (+34%) and Western Europe (+9%). Retail unit demand for heavy equipment increased 8% worldwide, with sales growth posted in Latin America (+18%), in North America (+15%) and in Western Europe (+4%).

In 2005, CNH benefited from the rising demand, increasing its total shipments of construction equipment at a rate consistent with that of the overall market in the different market regions. Only in Western Europe there was a slight decrease.




01 Report on Operations

Growth Strategies

CNH reorganized its operations in the fourth quarter of 2005 to focus on its four distinct global brands, giving each one full independent profit and loss accountability - Case IH and New Holland in agricultural equipment and Case and New Holland in construction equipment - in order to invigorate the brands and satisfy more effectively the differentiated needs of the customers and dealers of each brand. CNH is allocating new resources to provide additional dedicated sales and marketing personnel and materials, and additional technical support and training to its dealers. The Sector has, in particular, defined the following:

- refocus on its customers and further improve its distribution and service capabilities and product quality and reliability, all designed to increase customer satisfaction and market penetration;
- achieve higher margins by delivering efficiencies in purchasing and manufacturing structure;
- reduce debt and strengthen its consolidated balance sheet by increasing cash flow.

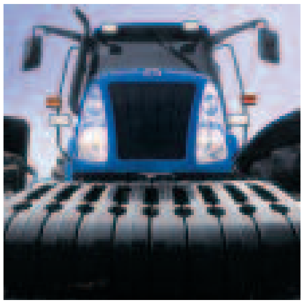
A full-line company in both the agricultural and construction equipment industries, CNH has strong and usually leading positions in most significant geographical areas and product categories in both businesses. As of December 31, 2005, CNH was manufacturing products in 39 facilities throughout the world and distributing its products in approximately 160 countries around the world.

Innovation and Products

The company has recently completely renewed products lineup across all of its brands. It is now shifting product development, management and manufacturing efforts to focus on achieving best in-class product quality and reliability. In addition, CNH intends to introduce greater differentiation between its brands to increase their market attractiveness. The Sector will action these plans by optimising research and developments expenses, through the continued use of common architectures, the development of engines through joint ventures and introducing new engines that meet tightening emissions standards.

Improved product quality and reliability should lead to future reductions in warranty costs and create wider appreciation of CNH products.

Case IH and New Holland are also responding to customer interest in the use of bio-fuels and fuel efficiency. In 2005 its brands have led the way in the agricultural industry with the first common rail fuel injection to be utilized in agricultural tractors. In connection with the expanded use of Bio-Diesel in farming, which is also encouraged by government subsidies in various countries, Case IH and New Holland agricultural machinery offer unaltered performance level with the use of RME blends up to 20%, provided that recommended maintenance and service requirements are met.



A number of CNH products were singled out for recognition in 2005.

Construction Equipment magazine named Case 335 and 340 articulated dump trucks and Case CX27B, CX31B, CX36B and CX50B compact excavators from Case Construction Equipment as winners of its "Top 100 New Products" Awards. The listing emphasises innovative products and highlights manufacturers who are investing in research and development.

The American Society of Agricultural Engineers gave prestigious AE 50 Recognition Awards for 2005 to the new generation New Holland Speedrower™ self-propelled windrowers and the new generation Case IH ASM 24/20 planter.

In Brazil, CNH's combines received an important award from one of the biggest trade publications of the country.

In Italy, the New Holland E215LC "Multi-Function" excavator was awarded the Samoter 2005 Novelties Award at the Verona Expo.

Services

In North America, New Holland's "Easier To Do Business" ("ETDB") initiative gained momentum. In 2005, more than 60 projects were launched to improve relationships with agricultural equipment dealers and help them work more profitably. The ETDB projects are based on suggestions and feedback through many dealership channels including: business meetings, advisory councils, surveys and through New Holland's field sales and service managers.

Case Construction Equipment revamped its Dealer Advisory Council in order to better focus on specific issues.

Financial Services Operations have increasingly focused their actions on the sale of Sector's products, by providing support to dealers and end customers in the different regions.

Commercial Vehicles
Iveco

Operating Performance

In 2005, Western European demand for commercial vehicles (GVW ≥ 2.8 tons) increased to 1,109,700 units, or 5.2% more than in 2004. The largest gains occurred in France (+10.8%) and Spain (+9.6%), followed by more modest increases in the United Kingdom (+3.7%) and Germany (+2.9%). In Italy, demand was down 1.7%.

New registrations of light commercial vehicles (GVW between 2.8 and 6 tons) grew to 779,800 units, for an increase of 4.3% compared with 2004. Demand was particularly strong in Spain (+9.4%) and France (+8.2%), expanded more moderately in Germany (+1.5%) and the United Kingdom (+3.8%), and contracted in Italy (-2.1%).

Demand for medium vehicles (GVW between 6.1 and 15.9 tons) also improved, rising to 79,100 units (+2.9% compared with 2004). All of the European markets benefited from the increase in demand, especially Germany (+8.7%) and Spain (+9.3%). The exceptions were the United Kingdom, where new registrations were flat, and Italy, where shipments were down (-6.6% with respect to 2004).

New registrations of heavy vehicles (GVW ≥ 16 tons) grew to 250,800 units, or 8.6% more than in 2004. The largest gains were recorded in Spain (+10.0%), France (+21.6%), the United Kingdom (+5.0%) and Germany (+4.1%). Demand held relatively steady in Italy (+1.1%) but was up a healthy 8.9% in the remaining countries of Western Europe.

In Western Europe, the bus market expanded to 34,800 units, or 6.6% more than in 2004. This improvement is the result of a positive trend in France (+11.9%), the United Kingdom (+23.3%) and Spain (+15.9%), and steady demand in Germany and Italy.

Iveco's share of the Western European market for vehicles with a curb weight of 2.8 tons or more settled at 10.9% (0.2 percentage points less than in 2004), due mainly to weakness in Italy, where the Sector's share went from 29.8% in 2004 to 29.4% in 2005. In the light-vehicle segment (Daily), Iveco's market share held steady at 9.3%, with minor changes in the different markets. In the medium-vehicle segment (Eurocargo), the Sectors' market share decreased to 26.3%, or 1.7 percentage points less than in 2004. Nevertheless, Iveco was able to maintain and consolidate its rank as the second largest producer. At 11.1%, Iveco's share of the heavy-vehicle segment was about the same as in 2004 (11.3%).

The Irisbus Group's penetration of the Western European market (20.4% in 2005) declined by 1 percentage point compared with 2004. The Sector's market share contracted in Italy (-3.3 percentage points) and France (-3.0 percentage points), where Iveco still controls a significant portion of the market (about 45% to 50%), decreased by a smaller percentage in Spain (-1.7 percentage points) and held relatively steady in the United Kingdom (-0.4 percentage points) and Germany (+0.6 percentage points).

Highlights

(in millions of euros)	2005	2004
Net revenues	**9,489**	9,047
Trading profit	**415**	371
Operating result (*)	**289**	347
Investments in tangible and intangible assets (**)	**444**	330
- of which capitalised R&D costs	***175***	*114*
Total R&D expenses (***)	**277**	243
Employees at year-end (number)	**32,373**	31,037

(*) Including restructuring costs and unusual income (expenses).
(**) Net of vehicles sold with buy-back commitments.
(***) Including R&D capitalised and charged to operations.

Commercial Vehicles Market (GVW ≥ 2,8 tons)

(in thousands of units)	2005	2004	% change
France	**194.0**	175.0	10.8
Germany	**238.1**	231.3	2.9
United Kingdom	**196.6**	189.6	3.7
Italy	**122.6**	124.7	-1.7
Spain	**118.5**	108.1	9.6
Other Western European Countries	**239.9**	226.2	6.0
Western Europe	**1,109.7**	1,054.9	5.2

Commercial Vehicles Market (GVW ≥ 2,8 tons)

(in thousands of units)	2005	2004	% change
Heavy	**250.8**	230.8	8.6
Medium	**79.1**	76.8	2.9
Light	**779.8**	747.3	4.3
Western Europe	**1,109.7**	1,054.9	5.2

Iveco sold 172,500 vehicles worldwide (+6.3% compared with 2004). The Sector's affiliates in India and Turkey shipped approximately 64,800 units (+12.8%). In Western Europe, Iveco sold about 134,900 vehicles, or 2.3% more than in the previous year. This positive sales performance reflects favourable conditions in all European markets with the exception of Italy, where the sales volume contracted by 3.8%. In the rest of the world, sales volumes were buoyed by a strong performance in Latin America, where Iveco shipped 11,900 vehicles, for a gain of 22.8% compared with 2004.

The Irisbus Group sold a total of 8,526 vehicles in 2005, in line with the previous year (8,553 vehicles).

Iveco produced about 435,300 engines, about the same as in 2004. 41% of this production was used directly by the Sector, while 48% of it was sold to CNH and Sevel, a joint venture between Fiat Auto and the PSA Group.

The powertrain operations generated revenues of 2,554 million euros in 2005 (58% coming from intra-Sector sales), for a year-over-year gain of 6.3%, and a trading profit of 83 million euros, up from 76 million euros in 2004.

In China, Naveco, a 50-50 joint venture with the Yueijin Group, produced and sold around 18,000 light vehicles (+20% compared with 2004).

In Turkey, the Otoyol licensee sold 5,200 vehicles (about the same as in 2004), while in India the associated company Ashok Leyland manufactured and shipped 59,600 units (+14% compared with 2004).

Sales Performance
Commercial Vehicles sold by Country

(in thousands of units)	2005	2004	% change
France	26.4	24.6	7.5
Germany	17.3	17.0	1.9
United Kingdom	17.1	16.1	6.5
Italy	39.0	40.6	-3.8
Spain	19.8	18.5	7.1
Other Western European Countries	15.3	15.0	0.7
Western Europe	**134.9**	**131.8**	**2.3**
Eastern Europe	13.3	12.9	3.0
Rest of the World	24.3	17.6	38.0
Total units sold	**172.5**	**162.3**	**6.3**
Associated companies	64.8	57.5	12.8
Grand total	**237.3**	**219.8**	**8.0**

Innovation and Products

Iveco's R&D operations developed highly innovative solutions for all three major vehicle components: chassis, engine and cab. Many of these innovations are protected by international patents.

The Sector did further research in the areas of aerodynamics, welding techniques that reduce weight by increasing the rigidity of a vehicle's body, cab structures that can absorb energy in the event of a crash and cab climate control solutions.

In the field of advanced materials, research focused on high-resistance steel, light alloys, nanocomposites, multifunctional glass and shape-retaining intelligent materials. A total of 20 research projects have been selected for their potential to deliver crucial advantages in the areas of vehicle, cab and powertrain structure.

Studies in the transmission area focused on the use of new, low friction lubricants and extremely high-resistance cast iron. Research in the field of safety concentrated on developing integrated solutions that use sensors to take advantage of such technologies as video cameras, infrared video cameras and short-range and long-range radars.

In many cases, these innovative programs attracted the attention of other Group Sectors, providing the opportunity for synergies.

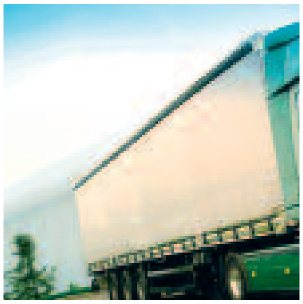
In the area of environmental issues, Iveco introduced the Stralis Euro 4/Euro 5, a heavy vehicle that is already in compliance with 2009 European emission ceilings.

With regard to its manufacturing processes, in keeping with the guidelines provided in the 2004 Sustainability Report of the Fiat Group, Iveco, which has already received ISO 14001 certification, made further progress in applying EU principles to materials that can be recycled at the end of a vehicle's life. About 92% of the Daily van is made with materials that can be recycled at the end of the vehicle's life,

Sales Performance
Commercial Vehicles sold by Product Segment

(in thousands of units)	2005	2004	% change
Heavy	42.8	37.6	13.8
Medium	21.3	21.1	0.9
Light	95.7	91.0	5.1
Buses	8.5	8.6	–
Divisions (*)	4.2	4.0	3.5
Total units sold	**172.5**	**162.3**	**6.3**

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



even though the relevant EU regulations, which are in effect until 2015, require only 85% recyclability.

In 2005, Iveco continued to renovate its vehicle line.

The family of light vehicles was expanded by the addition of a new 136-HP version of the 2.3-liter Iveco Unijet engine and the automated Agile gearbox, which is available with a 136-HP or a 166-HP 3.0-liter engine. The Daily was honoured for the second time in a few months with the title of "Van of the Year 2005." Coming on the heels of the "Fleet Van of the Year 2005" listing by the magazine Motor Transport, this prestigious honour was bestowed on the Daily by What Van?, the most widely read industry magazine in Great Britain. A new version of this vehicle, the Daily Euro 4, is scheduled for launch in 2006.

At the RAI Expo in Amsterdam, Iveco presented a version of the Eurocargo that already meets the Euro 5 emissions ceilings, achieving compliance in advance of the statutory deadline and before all competitors.

The Sector also introduced the ES, a new version of the Stralis, its pride and joy in the heavy road vehicle segment. The main innovations offered in this version are two safety devices: the ESP (an electronic stability control system that can take action to correct a vehicle's path) and Lane Departure Warning System (a device that signals when a vehicle is crossing over a lane dividing line).

At the Samoter, the International Earthmoving and Building Machinery and Equipment Expo in Verona, the judges of the Technical Innovation Contest awarded the Innovation Prize to the Astra RD32 rigid dumper, naming it a completely innovative product for the adoption and integration of cutting-edge technological solutions and best production practices in specific aspects of the production of numerous components used in the vehicle.

Irisbus also broadened its product line, focusing on low-emission vehicles, with special emphasis on urban transportation vehicles fuelled with natural gas. The new Irisbus Arway was unveiled in Turin in 2005. This bus, which was created for long-distance service, is equipped with a Cursor 8 engine that complies with the environmental requirements of the Euro 4 standard. In the area of luxury touring buses, Irisbus presented the New Domino, a bus that accommodates up to 55 passengers in the utmost comfort and is equipped with a 430-HP Cursor engine that is already Euro 4 compliant.

Services

The Iveco Customer Centre continued to improve its performance in 2005, cutting the response time to customer calls by more than 30%. In addition, the Customer Centre used the existing platform to establish an ongoing dialogue with customers, which significantly improved Iveco's direct marketing capabilities.

During 2005, the Iveco replacement parts distribution system achieved an excellent level of service, setting records in terms of parts availability while at the same time optimising warehouse inventories.

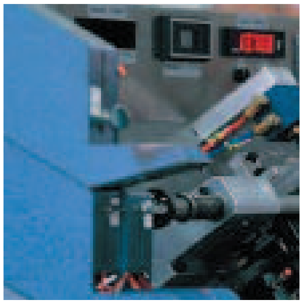
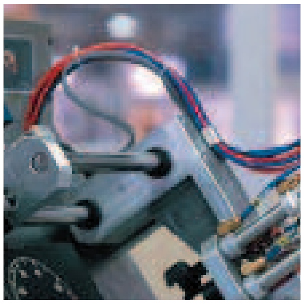
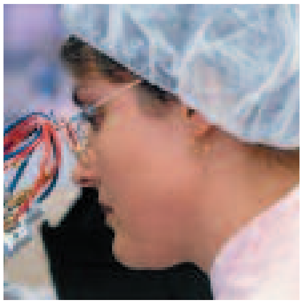
The integration of the systems that distribute bus and commercial vehicle replacement parts was extended to include the French bus products. These products are now distributed from a single logistics hub in Paris, which has taken over the operations of the Lyon warehouse.

In anticipation of the need to tackle the increasingly complex repair situations that result from the steadily growing use of onboard vehicle electronics, the Sector's technical support organisation worked on two key areas in 2005: a) developing powerful but simple-to-use diagnostic tools and b) boosting the skill level of mechanics in the aftersale network.

In the first half of 2005, as part of its effort to deliver increasingly innovative and competitive financial solutions, Iveco and Barclays Mercantile Business Finance Ltd. entered into an agreement that established Iveco Finance Holdings Limited. Iveco conveyed some of its finance companies in France, Germany, Italy, Switzerland and the United Kingdom to this new company, which will provide financing and leasing solutions for commercial vehicles. On June 1, 2005, Iveco sold 51% of Iveco Finance Holdings Limited to Barclays Mercantile Business Finance Ltd. Iveco Finance Holdings Limited was deconsolidated as of the same date and is accounted for from that date using the equity method.

In 2005, Iveco Finance provided funding for 23.4% of all of the vehicles sold by the Sector.

The pool of long-term rental vehicles managed by the Transolver Services companies numbered 3,116 units at the end of 2005.

Components
Magneti Marelli

Operating Performance

Despite a lacklustre reference market in 2005, Magneti Marelli increased its revenues by 2.0%, on a comparable basis. All of the Sector's business units contributed to this growth, booking major orders for new car models which will make it possible to diversify the customer portfolio even further. Highlights of the performance of each business unit are outlined below.

Highlights

(in millions of euros)	2005	2004
Net revenues	**4,033**	3,795
Trading profit	**162**	165
Operating result (*)	**127**	148
Investments in tangible and intangible assets	**313**	280
- of which capitalised R&D costs	***67***	*70*
Total R&D expenses (**)	**197**	193
Employees at year-end (number)	**24,213**	21,868

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

Lighting Group

Revenues for 2005 totalled 1,261 million euros, an increase of approximately 180 million euros in absolute terms. A significant factor in this growth was the acquisition of Mako Elektrik Sanayi Ve Ticaret A.S. from the Turkish Koç Group, which took effect on January 1, 2005. The company, in which Magneti Marelli already had an equity interest, produces lighting, HVAC and electromechanical equipment. On a comparable consolidation and exchange rate basis, the increase amounted to 4.4%.

Though sales volumes were substantially unchanged in 2005, the business unit was able to increase its revenues thanks to the introduction of new products and changes in the high-tech product mix. A significant boost came from the first-time application in Europe of headlamps equipped with infrared sensors for night vision enhancement, and the successful introduction of LED tail lamp technology.

During 2005, orders were received from major European automakers such as PSA, Volvo and Audi, while manufacturing operations got under way in China.

Powertrain (Engine Control)

Revenues for 2005 totalled 788 million euros, a 1.1% increase over the previous year's 761 million euros on a comparable exchange rate basis.

During 2005 sales of diesel injection systems increased, and the designing and prototyping works continued. Investment plans are now being drawn up for a new injector design, dubbed the Pico-Eco, which will consolidate and increase the business unit's market share in this area.

Among orders received during the year, special mention goes to the complete JTD 1.3 diesel system for Fiat and General Motors vehicles.

Cofap Automotive Suspension

Revenues for 2005 amounted to 1,052 million euros as against 1,011 million euros in 2004, a decrease of 0.5% from the previous year's figures on a comparable exchange basis. Increased volumes for the Panda in Poland offset declining sales in Italy, where the market picked up again late in the year thanks to the newly-introduced models, and to the Grande Punto in particular.

The business unit's work on product innovation included developing new mono-tube high pressure gas shock absorbers, and presenting the technology to customers in the United States.

Gestamp Marelli Autochasis S.L., a joint venture with Spain's Metalbages, was established in February 2005. This agreement reinforces the company's ability to serve customers with manufacturing facilities in Spain, in particular Opel.

In Europe, important new orders were received from PSA and Iveco.

Electronic Systems

Total revenues for 2005 amounted to 513 million euros, against 476 million euros in the previous year. On a comparable exchange rate basis, this was a 6.2% increase.

Fiat and PSA continued to be the Electronic Systems business unit's largest customers, while there was an increase in sales to the Volkswagen-Audi Group. In the course of the year, orders reflected the unit's globe-spanning reach: in the Mercosur, Fiasa placed orders for instrument panels, and in Europe, IP orders were received for the Alfa 159, the new 500 and the new Stilo, while Iveco ordered navigation products. In China, orders were booked by PSA and Volkswagen for the instrument panels installed on their new passenger cars produced in that country, as well as by the local maker Chery.

In September 2005, the unit penned an agreement with Autoliv, a leading Swedish manufacturer of automotive safety systems. Under the terms of the agreement, the two groups will cooperate in developing, producing and marketing electronic systems.

Exhaust Systems

Revenues for 2005 were 404 million euros, a 4.5% increase over the 365 million euros recorded in 2004 on a comparable exchange basis.

In Europe, major new orders were acquired in the course of the year for new models or applications with DPF (diesel particulate filters) for Opel, Mitsubishi and Mercedes. In addition, the business unit received its first order from Volkswagen, together with orders for systems installed on new versions of Nissan vehicles.

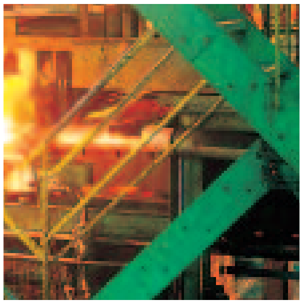
In the Mercosur, orders were received for the exhaust system on the new Fiasa model and on Volkswagen and Ford vans and light trucks. In China, an order was received for the new applications with the 1.7 Nanjing-Fiat engine.

Motorsport

Magneti Marelli participates in the major motorsport championships as a technical partner. In 2005, 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 a number of teams, and in the Moto GP1 championship, where it provided fuel injection and electronics systems to Yamaha - 2005's winner - as well as to Ducati and Kawasaki. Magneti Marelli also helped bring Maserati to victory in the FIA GT1 championship.





Metallurgical Products
Teksid

Operating Performance

In 2005, the high cost of raw materials and 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 2005, Teksid's revenues thus rose by 13.8%, with a major impetus coming from the Cast Iron Business Unit.

The **Cast Iron** Business Unit increased its revenues by 20.4% thanks to a 4.6% rise in sales, the favourable effect of exchange rates and successful efforts to recover the increased cost of raw materials. Volumes in particular benefited from the sharp upswing in demand, especially in North America and Brazil. Restructuring also continued at the Crescentino plant, which is sharpening its focus on the manufacture of components for light vehicles. In Brazil, production of a significant number of products, including those previously manufactured by the former General Motors foundries, was transferred to the Sector's plants in 2005.

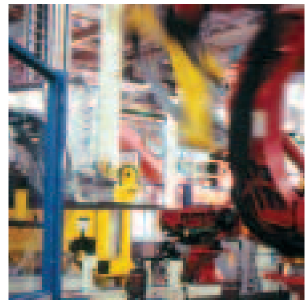
Highlights

(in millions of euros)	2005	2004
Net revenues	**1,036**	910
Trading profit/(loss)	**45**	(39)
Operating result (*)	**27**	(42)
Investments in tangible and intangible assets	**45**	44
- *of which capitalised R&D costs*	**–**	–
Total R&D expenses (**)	**5**	4
Employees at year-end (number)	**8,952**	8,571

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

The **Magnesium** Business Unit (where Teksid operates through its subsidiary Meridian Technologies Inc., in which Teksid holds a 51% interest and Norway's Norsk Hydro group the remaining 49%) saw revenues decrease by 1% and volumes drop by 6.8% as major reference markets lost momentum, particularly the North American SUV market. Nevertheless, North America continued to account for around 80% of revenues in 2005.

Marketing efforts in 2005 enabled both the Cast Iron Business Unit and the Magnesium Business Unit to win major orders from leading international automakers.

Production Systems
Comau

Operating Performance

In 2005, the Sector's reference markets continued to be impacted by uncertainty, shrinking volumes and intense pressure on prices.

Most car makers in the Western world scaled back their investment programs. Though continuing to put new models on the market, they focused on converting existing facilities and rationalising production capacity. Major greenfield investments, on the other hand, were suspended or postponed.

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

Comau continued to restructure its business portfolio, with the transfer of its European service activities to Iveco, Magneti Marelli and CNH, effective January 1, 2005. If the effect of changes in the scope of consolidation is not taken into account, revenues rose by approximately 6%, largely because of the strong performance shown by the Bodywork and Service business units.

With markets shrinking nearly everywhere, new orders received in 2005 totalled 1,448 million euros, 9% less than the previous year on a comparable scope of consolidation.

Highlights

(in millions of euros)	2005	2004
Net revenues	**1,573**	1,711
Trading profit	**42**	40
Operating result (*)	**(8)**	30
Investments in tangible and intangible assets	**38**	23
- of which capitalised R&D costs	**9**	–
Total R&D expenses (**)	**20**	17
Employees at year-end (number)	**12,725**	13,328

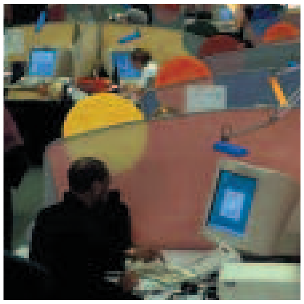
(*) Including restructuring costs and unusual income (expenses).
(**) Including R&D capitalised and charged to operations.

In 2005, new orders for contract work came to 1,210 million euros, a 14% decrease over 2004 on a comparable scope of activity. Overall, 48% of the orders for contract work were acquired in Europe and 35% in the Nafta area, while the remaining 17% came from the Mercosur and new markets (7% from China). 17% of all orders came from Fiat Group companies and 83% from other manufacturers.

At December 31, 2005, the backlog amounted to 713 million euros, a decrease of approximately 20% from the previous year on a comparable basis.

For Service operations, 2005 saw a significant increase in orders, which rose 30% on a comparable scope of activity. Total value reached 238 million euros, 26% of which coming from Fiat Group companies.

Business Solutions
FIAT GROUP


Services
Business Solutions

Operating Performance

In 2005, the Sector further accelerated its efforts to concentrate on the captive market, confirming the strategy outlined in 2004. Excluding the impact of changes in the scope of consolidation, Business Solutions limited the shortfall in revenues to approximately 5%, a decrease attributable to reassignments of the services provided to Group companies, which brought less administrative services to the Sector.

The Sector operates through the following units:

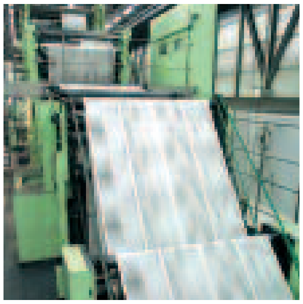
- **Human Resources**: This unit provides payroll and HR services. The unit was radically restructured in 2005, with the sale of companies operating on the non-captive market (in particular the sale of WorkNet, a temporary employment agency).
- **Facility Management**: Through Ingest Facility S.p.A., the unit handles regular and extraordinary maintenance of industrial and non-industrial buildings.
- **Administration**: During 2005, parameters and boundaries for the unit's work for the Group were reviewed, clarifying service levels and mutual responsibilities. This approach rationalised the unit's activities, cutting volumes but boosting efficiency.

Highlights

(in millions of euros)	2005	2004
Net revenues	752	976
Trading profit	35	41
Operating result (*)	7	34
Investments in tangible and intangible assets	19	25
Employees at year-end (number)	5,436	6,519

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

- **I.C.T. - Information and Communication Technology**: This unit has been deeply affected by restructuring in order to improve efficiency and competitiveness. As part of this effort, an agreement was reached between Fiat and IBM at the end of June which, among its other provisions, enabled Business Solutions to dispose of its equity investments in Global Value Services and Global Value S.p.A. Also as part of the unit's reorganisation, an agreement (subject to approval from the antitrust authorities, which was obtained in February 2006) with British Telecom was signed in December 2005 for the sale of Atlanet, a provider of fixed telephony services and connectivity in general. Fiat's connectivity needs will be served by British Telecom in the coming years.



Publishing and Communications
Itedi

Operating Performance

In 2005, average daily sales of newspapers in Italy were slightly down (approximately -3%) from the previous year.

The Italian advertising market as a whole grew by 2.8% with respect to 2004, making 2005 a year of consolidation after the strong 7.4% gains achieved in 2004.

Editrice La Stampa S.p.A. reported an average daily circulation of 312,000 copies in 2005, an 8% drop from the 339,000 copies of 2004. This erosion was largely due to the fact that several joint marketing arrangements with other papers were discontinued during the year, as well as to lower newsstand sales.

Brand stretching initiatives designed to increase newsstand sales of additional products leveraging the paper's brand name continued in 2005, following a new sales strategy aimed at giving preference to profitability rather than volumes. Efforts to expand newspaper readership also continued, most notably by distributing the paper in schools. Revenues from the sale of newspapers and other publishing products totalled 70 million euros in 2005, approximately 12% less than in 2004. This decrease was chiefly due to the abovementioned lower revenues from brand stretching initiatives and the drop off in sales volumes, which was also due to 6 strike days more than in 2004. However, despite this unfavourable environment, the newsstand channel began to show signs of recovery from August. Advertising revenues amounted to 94 million euros, substantially in line with the previous year.

Highlights

(in millions of euros)	2005	2004
Net revenues	**397**	407
Trading profit	**16**	11
Operating result (*)	**13**	9
Investments in tangible and intangible assets	**20**	2
Employees at year-end (number)	**846**	849

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

Publikompass S.p.A. booked advertising billings of 328 million euros, compared with 330 million euros in 2004: a slight (-0.6%) decrease in revenues stemming from the termination on June 30, 2004 of an advertising arrangement with SKY which the latter's parent company decided to manage independently.

On October 3, 2005, Editrice **La Stampa S.p.A.** signed a letter of intent with M-dis S.p.A., one of Italy's major distributors of publishing products, for the disposal of the unit's distribution activities. Under this agreement, To-dis s.r.l. was set up, and from 2006, this company will handle distribution of the products managed by M-dis (the newspapers *Corriere della Sera* and *La Gazzetta dello Sport*, and other publishing products) and Editrice La Stampa (the daily La Stampa and other publishing products).

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

Stockholders,

We propose that you approve the Statutory Financial Statements at December 31, 2005.

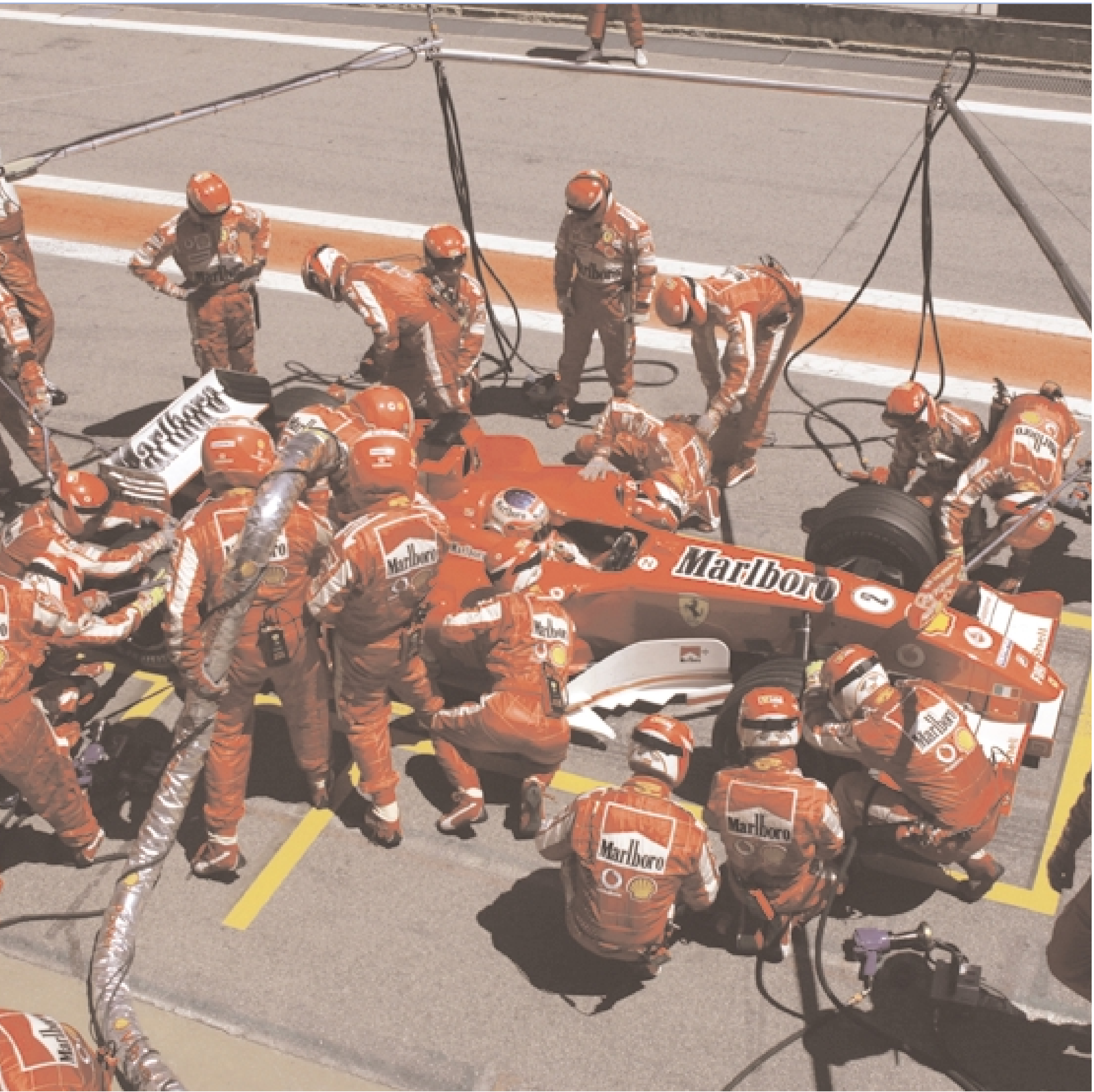
We also submit for your approval a motion to allocate the net income of 223,019,671 euros to partially cover the losses carried forward, which consequently amount to 726,080,851 euros.

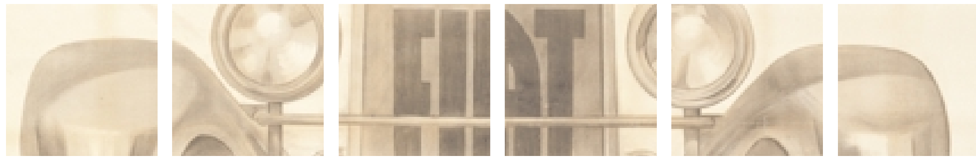
Turin, February 28, 2006

Board of Directors

By:

Luca Cordero di Montezemolo
Chairman


Marlboro



02
Fiat Group
Consolidated Financial Statements at December 31, 2005

Consolidated Income Statement

(in millions of euros)	Note	2005	2004
Net revenues	(1)	46,544	45,637
Cost of sales	(2)	39,624	39,121
Selling, general and administrative costs	(3)	4,513	4,701
Research and development costs	(4)	1,364	1,350
Other income (expenses)	(5)	(43)	(415)
Trading profit		1,000	50
Gains (losses) on the disposal of equity investments	(6)	905	150
Restructuring costs	(7)	502	542
Other unusual income (expenses)	(8)	812	(243)
Operating result		2,215	(585)
Financial income (expenses)	(9)	(843)	(1,179)
Unusual financial income	(9)	858	–
Result from equity investments	(10)	34	135
Result before taxes		2,264	(1,629)
Income taxes	(11)	844	(50)
Result from continuing operations		1,420	(1,579)
Result from discontinued operations		–	–
Net result before minority interest		1,420	(1,579)
Minority interest		89	55
Group interest in net result		1,331	(1,634)

(in euros)		
Earnings per ordinary and preference share	1.250	(1.699)
Earnings per savings share	1.250	(1.699)
Diluted earnings per ordinary and preference share	1.250	(1.699)
Diluted earnings per savings share	1.250	(1.699)

Consolidated Balance Sheet

(in millions of euros)	Note	At December 31, 2005	At December 31, 2004
ASSETS			
Intangible assets	(13)	5,943	5,578
Property, plant and equipment	(14)	11,006	9,437
Investment property	(15)	26	46
Investments and other financial assets:	(16)	2,333	4,025
- Investments accounted for using the equity method		*1,762*	*3,490*
- Other investments and financial assets		*571*	*535*
Leased assets	(17)	1,254	740
Deferred tax assets	(11)	2,104	2,402
Total Non-current assets		22,666	22,228
Inventories	(18)	7,881	7,257
Trade receivables	(19)	4,969	5,491
Receivables from financing activities	(19)	15,973	17,498
Other receivables	(19)	3,084	2,734
Accrued income and prepaid expenses	(20)	272	295
Current financial assets:		1,041	1,237
- Current equity investments		*31*	*33*
- Current securities	(21)	*556*	*353*
- Other financial assets	(22)	*454*	*851*
Cash and cash equivalents	(23)	6,417	5,767
Total Current assets		39,637	40,279
Assets held for sale	(24)	151	15
TOTAL ASSETS		62,454	62,522
Total assets adjusted for asset-backed financing transactions		52,244	52,348
LIABILITIES			
Stockholders' equity:	(25)	9,413	4,928
- Stockholders' equity of the Group		*8,681*	*4,304*
- Minority interest		*732*	*624*
Provisions:		8,698	7,290
- Employee benefits	(26)	*3,919*	*3,682*
- Other provisions	(27)	*4,779*	*3,608*
Debt:	(28)	25,761	32,191
- Asset-backed financing		*10,210*	*10,174*
- Other debt		*15,551*	*22,017*
Other financial liabilities	(22)	189	203
Trade payables	(29)	11,777	11,697
Other payables	(30)	4,821	4,561
Deferred tax liabilities	(11)	405	522
Accrued expenses and deferred income	(31)	1,280	1,130
Liabilities held for sale	(24)	110	–
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		62,454	62,522
Total stockholders' equity and liabilities adjusted for asset-backed financing transactions		52,244	52,348

Consolidated Statement of Cash Flows

(in millions of euros)		2005	2004
A) Cash and cash equivalents at beginning of period		5,767	6,845
B) Cash flows from (used in) operating activities during the period:			
Net result before minority interest		1,420	(1,579)
Amortisation and depreciation (net of vehicles sold under buy-back commitments)		2,590	2,224
(Gains) losses and other non-monetary items	(a)	(1,561)	277
Dividends received		47	28
Change in provisions		797	(53)
Change in deferred income taxes		394	(165)
Change in items due to buy-back commitments	(b)	(85)	(136)
Change in working capital		114	1,415
Total		3,716	2,011
C) Cash flows from (used in) investment activities:			
Investments in:			
- Tangible and intangible assets (net of vehicles sold under buy-back commitments)		(3,052)	(2,915)
- Equity investments	(c)	(39)	(151)
- Other equity investments		(28)	(88)
Proceeds from the sale of:			
- Tangible and intangible assets (net of vehicles sold under buy-back commitments)		427	246
- Equity investments	(c)	46	173
- Other equity investments		27	175
Net change in receivables from financing activities		(251)	1,960
Change in current securities		(159)	460
Other changes	(c)	2,494	284
Total		(535)	144
D) Cash flows from (used in) financing activities:			
Net change in financial payables and other financial assets/liabilities	(d)	(2,839)	(3,074)
Increase in capital stock	(d)	–	16
Dividends paid		(29)	(20)
Total		(2,868)	(3,078)
Translation exchange differences		337	(155)
E) Total change in cash and cash equivalents		650	(1,078)
F) Cash and cash equivalents at end of period		6,417	5,767

(a) This includes, amongst other items, the unusual financial income of 858 million euros arising from the extinguishment 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 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) In this line are stated the effects on the Group's net assets resulting from the sale and purchase of consolidated companies, included as part of the Scope of consolidation in the Notes to the Consolidated Financial Statements.
(d) 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	Revenue reserves	Income (expense) recognised directly in equity	Minority interest	Total
Balances at January 1, 2004	4,918	(32)	279	714	31	650	6,560
Cover of Fiat S.p.A. fiscal 2003 loss by Additional paid-in capital and Legal reserve	–	–	(279)	279	–	–	–
Dividends	–	–	–	–	–	(19)	(19)
Capital increase	–	–	–	–	–	16	16
Net change in income (expenses) recognised directly in equity	–	–	–	–	(4)	(9)	(13)
Other changes	–	6	–	26	–	(69)	(37)
Net profit (loss)	–	–	–	(1,634)	–	55	(1,579)
Balances at December 31, 2004	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 change in income (expenses) recognised directly in equity	–	–	–	–	884	38	922
Other changes	–	(2)	–	11	–	10	19
Net profit (loss)	–	–	–	1,331	–	89	1,420
Balances at December 31, 2005	6,377	(28)	682	739	911	732	9,413

Consolidated Statement of Recognised Income and Expense

(in millions of euros)	2005	2004
Gains (losses) recognised directly in the cash flow hedge reserve	3	25
Gains (losses) recognised directly in reserve for fair value measurement of available-for-sale financial assets	61	46
Exchange gains (losses) on the translation of foreign operations	861	(70)
Gains (losses) recognised directly in equity by the Group	925	1
Transfers from cash flow hedge reserve	(41)	(5)
Group interest in net result	1,331	(1,634)
Recognised income (expense) of the Group	2,215	(1,638)

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 marginal 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 2005 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 endorsed 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 on the coming into effect of European Union Regulation No. 1606 of July 19, 2002. In this context, the accounting policies applied in these financial statements are consistent with those adopted in preparing the IFRS opening consolidated balance sheet at January 1, 2004, as well the consolidated financial statements at December 31, 2004, as restated in accordance with IFRS and presented in the Appendix attached to these notes to which reference should be made. Reconciliations between profit or loss and equity under previous GAAP (Italian GAAP) to profit or loss and equity under IFRS for the periods shown as comparatives, as required by IFRS 1 - *First-time Adoption of IFRS*, together with related explanatory notes, are included in this Appendix.

Certain changes, however, have been made to the classification of the figures reported in the Appendix to the Quarterly Report at March 31, 2005, and the comparative data for prior periods have been reclassified accordingly. These changes have no effect on Trading profit, Operating result, Net result or Consolidated stockholders' equity and regard in particular:

- Vehicles sold with a buy-back commitment are accounted for as Inventory if they regard the Fiat Auto business (agreements with normally a short-term buy-back commitment) and as Property, plant and equipment if they regard the Commercial Vehicles business (agreements with normally a long-term buy-back commitment). In the balance sheet included in the Appendix to the Quarterly Report at March 31, 2005, these vehicles were accounted for as either Inventory or Property, plant and equipment depending on the term of the buy-back commitment (less or more than twelve months, respectively).
- In order to achieve a better presentation, more consistent between the various Sectors, certain costs, previously classified by some Sectors as Other income (expenses) and by others as Cost of sales or Selling, general and administrative costs, have been recorded in the same manner by all Sectors.
- The item Accrued income and prepaid expenses is included in Current assets.

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 coherent with international practice in the automotive sector.

For the balance sheet, a mixed format has been selected to present current and non-current assets and liabilities, as permitted by paragraph 51 and following of 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 certain entities performing banking activities. 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.

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 either dormant or generating a negligible volume of business are not included in the consolidated financial statements. Their influence 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

Equity 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 Result from equity 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 companies that are consolidated 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 foreign currency 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 of January 1, 2004, 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.

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 residual 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 being tested for impairment 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	3 - 5

All other development costs are expensed as incurred.

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. 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 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 are capitalised only if they increase the future economic benefits embodied in the related item of property, plant and equipment. All other expenditures are expensed as incurred.

Property, plant and equipment also include vehicles sold with a buy-back commitment, which are recognised according to the method described in the note Revenue recognition if originating from the Commercial Vehicles business.

Assets held under finance leases, which provide the Group with substantially all the risks and rewards of ownership, are recognized 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 equity 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 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 at which the hedged transaction affects income statement. 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 recognized 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 asset 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, semifinished 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 and is 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 by independent actuaries 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 all 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.

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 as fixed assets 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 dealers and agency fees in the case of direct sales, 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.

Cost of sales also include 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).

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 recognized 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 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 by the weighted average number of shares outstanding during the year, excluding treasury shares. 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 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 many areas, including accounting for bad debt provisions on accounts receivable, inventory obsolescence, depreciation, asset impairment, employee benefits, taxes, restructuring reserves, provisions and contingencies. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected immediately in the income statement.

New accounting standards

There are no revised or new standards or interpretations that became effective on January 1, 2005 that had a significant effect on the Group's financial statements.

In December 2004, the IASB issued an amendment to IAS 19 - *Employee Benefits* providing entities with the option of recognising actuarial gains and losses in full in the period in which they occur, outside the income statement, in a statement of recognised income and expense. The amendment also provides guidance on allocating the cost of a group defined benefit plan to the entities in the Group. The amendment is effective for annual periods beginning on or after January 1, 2006. The Group is currently evaluating the impact of this amendment.

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 the 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 income statement in the same period or periods during which the foreign currency risk of the hedged transaction affects consolidated income statement. The Group already adopt this approach.

In June 2005, the IASB issued the final 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.

This amendment to IAS 39 is effective for annual periods beginning on or after January 1, 2006. The Group is currently assessing the impact, if any, that this change will have.

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: comparative information for the disclosures required by paragraphs 31-42 of this Standard are not provided, in accordance with the transition rules included in paragraph 44.

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 financial statement, 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*.

These amendments are effective for annual periods beginning on or after January 1, 2006. Management is currently assessing the impact, if any, that these changes will have.

RISK MANAGEMENT

Credit risk

The Group's credit concentration risk is different, as a function of the activities carried out by the individual sectors and as a function of the various sales markets in which the Group operates; in both 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 exchange rate 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, 2005 include Fiat S.p.A. and 457 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, 2005 decreased by 36 compared with that at December 31, 2004.

Excluded from consolidation are 86 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, of these 45 are accounted for using the cost method; these represent 0.1 percent of Group revenues, 0.0 percent of stockholders' equity and 0.1 percent of total assets.

Interests in joint ventures (20 companies) 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 main aggregate amounts related to the Group interests in joint ventures accounted for using the equity method are as follows:

(in millions of euros)	At December 31, 2005
Non-current assets	1,064
Current assets	1,413
Total assets	2,477
Financial debt	710
Other liabilities	1,062

(in millions of euros)	2005
Net revenues	3,464
Trading profit	59
Operating result	59
Result before taxes	56
Net result	34

Thirty six associates are accounted for using the equity method, while 43 associates, that in aggregate are of minor importance, 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, 2005
Total assets	7,482
Liabilities	6,432

(in millions of euros)	2005
Net revenues	1,280
Net result	71

The following acquisitions were made in 2005:

- In the first quarter of 2005, Magneti Marelli increased its equity investment in the automotive light manufacturer Mako Elektrik Sanayi Ve Ticaret A.S., thus acquiring control from the Turkish group Koç. As a result, the company, previously accounted for using the equity method, is now consolidated on a line-by-line basis.
- 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. The Powertrain businesses of Iveco, C.R.F. (Fiat Research Centre) and Elasis will subsequently be transferred to Fiat Powertrain Technologies.
- 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 balance sheet of this company has been consolidated from December 31, 2005.

The following divestitures, the proceeds of which totalled 159 million euros, were made in 2005:

- 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. As of that date, Iveco Finance Holdings Limited was no longer consolidated on a line-by-line basis, but accounted for using the equity method.

Acquisitions and divestitures of businesses affected the Group's assets and liabilities as of the dates of acquisition or divestiture as follows:

(in millions of euros)	Acquisitions	Divestitures
Non-current assets	742	125
Cash and cash equivalents	459	2,085
Other current assets	495	(3,099)
Total assets	1,696	(889)
Debt	354	(368)
Other liabilities	1,342	(534)
Total liabilities	1,696	(902)

Comments are provided in the following notes of the main effects of these operations on the single items concerned.

In April 2005, the ownership of Maserati was transferred from Ferrari to Fiat Partecipazioni S.p.A. Since April 1, 2005, therefore, a new entity has been operational comprising the group of companies producing and selling Maserati cars. To ensure the comparability of the figures, the Maserati business has been retrospectively separated from the Ferrari-Maserati business for 2004.

OTHER INFORMATION

Specific sections of the Report on operations provide information on significant events which have occurred since the balance sheet date and on transactions between Group companies and with related parties.

COMPOSITION AND PRINCIPAL CHANGES

Income Statement

1. Net revenues

Net revenues can be analysed as follows:

(in millions of euros)	2005	2004
Revenues from:		
Sales of goods	41,013	39,755
Rendering of services	2,346	2,895
Contract revenues	1,285	1,245
Rents on operating leases	397	406
Rents on assets sold with a buy-back commitment	323	289
Interest and other financial income from financial services companies	1,088	1,018
Other	92	29
Total Net revenues	46,544	45,637

2. Cost of sales

Cost of sales comprises the following:

(in millions of euros)	2005	2004
Cost of sales attributable to the industrial business	38,898	38,363
Interest cost and other financial charges from financial services companies	726	758
Total Cost of sales	39,624	39,121

3. Selling, general and administrative costs

Selling costs amount to 2,533 million euros in 2005 (2,594 million euros in 2004) and comprise mainly marketing, advertising and sales personnel costs.

General and administrative costs amount to 1,980 million euros in 2005 (2,107 million euros in 2004) and comprise mainly expenses for administration which are not attributable to sales, production and research and development functions.

4. Research and development costs

In 2005, Research and development costs of 1,364 million euros (1,350 million euros in 2004) comprise all research and development costs not recognised as assets amounting to 902 million euros (1,038 million euros in 2004) and the amortisation of capitalised development costs of 462 million euros (312 million euros in 2004). During the period the Group incurred new expenditure for capitalised development costs of 656 million euros (753 million euros in 2004).

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)	2005	2004
Other income		
Gains on disposal of Property, plant and equipment and Leased assets	166	66
Amortisation of deferred government investment grants	64	63
Government revenue grants	58	53
Royalties and other income from licences and know-how	55	44
Rental income	40	47
Recovery of expenses and compensation for damages	145	69
Release of excess provisions	177	104
Prior period income	294	352
Other income	362	688
Total Other income	1,361	1,486
Other expenses		
Indirect taxes	106	117
Losses on disposal of Property, plant and equipment and Leased assets	35	20
Impairment of assets	29	336
Post-employment benefits for retired former employees	63	58
Charges for other provisions	533	450
Prior period expenses	186	220
Other expenses	452	700
Total Other expenses	1,404	1,901
Other income (expenses)	(43)	(415)

In 2005 the item Release of excess provisions includes 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.

Included under the item Impairment of assets in 2004 was an amount of 190 million euros for the write down of plant and machinery in the Fiat Auto, Iveco, Maserati and Teksid Sectors, and the write-down of goodwill in CNH by 121 million euros following a reassessment of the purchase accounting regarding the Case acquisition, which relates to accumulated tax losses which became recoverable, with the corresponding counter-entry recognised in deferred tax assets for the same amount.

6. Gains (losses) on the disposal of equity investments

This item, amounting to 905 million euros in 2005, consists 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 share capital 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. As a result, the possibility that Fiat be required to repurchase the 14% holding has been 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 (see Note 28).

The item also includes a gain of 23 million euros on the disposal of Palazzo Grassi S.p.A.

In 2004 the gain of 150 million euros included, amongst others, the gains on the following sales: 81 million euros relating to Fiat Engineering S.p.A., 31 million euros relating to the Midas Group, 2 million euros relating to Edison S.p.A. shares and 30 million euros relating to Edison S.p.A. warrants.

7. Restructuring costs

Restructuring costs amount to 502 million euros in 2005 (542 million euros in 2004) and have been incurred by Fiat Auto for 162 million euros (355 million euros in 2004), 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 (the joint venture wound up at the beginning of May); by Iveco for 103 million euros (24 million euros in 2004), essentially due to a reorganisation process of the entire Sector and in particular of its staff structure; by CNH for 87 million euros (68 million euros in 2004), regarding the reorganisation in progress of its activities and the restructuring of certain of its foreign operations; and by Comau for 46 million euros (10 million euros in 2004), Components for 33 million euros (48 million euros in 2004), Business Solutions for 22 million euros (9 million euros in 2004), and other Sectors for minor amounts.

8. Other unusual income (expenses)

Other unusual income (expenses) amounts to 812 million euros in 2005 and comprises 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.

The unusual expenses of 243 million euros in 2004 related to the process of reorganisation and streamlining of relationships with Group suppliers.

9. Financial income (expenses) and Unusual financial income

Financial income (expenses)

In addition to the items included in the specific line of the income statement, Net financial income (expenses) also includes the income from financial services companies included in Net revenues for 1,088 million euros (1,018 million euros in 2004) 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 726 million euros (758 million euros in 2004). A reconciliation to the income statement is provided at the foot of the following table.

(in millions of euros)	2005	2004
Financial income		
Interest earned and other financial income	376	367
Interest income from customers	968	913
Gains on disposal of securities	12	–
Total Financial income	1,356	1,280
of which:		
Financial income, excluding financial services companies	268	262
Interest and other financial expenses		
Interest expense and other financial expenses	1,695	1,730
Write-downs of financial assets	126	262
Losses on disposal of securities	2	–
Interest costs on employee benefits	146	127
Total Interest and other financial expenses	1,969	2,119
Net income (expenses) from derivative financial instruments and exchange differences	132	(80)
of which:		
Interest and other financial expenses, effects resulting from derivative financial instruments and exchange differences, excluding financial services companies	1,111	1,441
Net financial income (expenses) excluding financial services companies	(843)	(1.179)

Net financial expenses in 2005 (excluding financial services companies) totalled 843 million euros, decreasing from the amount of 1,179 million euros in 2004, which included the unwinding of the equity swap agreement on General Motors shares resulting in a net loss of around 150 million euros.

The increase of 55 million euros in interest income from customers in 2005 arises from the increase in the level of activities, partially compensated by an effect of 69 million euros resulting from the sale in the fourth quarter of 2004 of the holding in the financial company operating in the United Kingdom, which formed part of the overall sale to Fidis Retail Italia of the European operations of Fiat Auto Holdings B.V., and by an effect of 79 million euros resulting from the sale, of 51% of the interest in Iveco Finance Holdings Limited to Barclays Mercantile Business Finance Ltd. in 2004.

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

(in millions of euros)	2005	2004
Interest income from banks	58	47
Interest income from securities	45	40
Commissions	48	49
Other Interest earned and financial income	225	231
Total Interest earned and other financial income	376	367

Interest and other financial expenses may be analysed as follows:

(in millions of euros)	2005	2004
Interest expenses on bonds	524	587
Bank interest expenses	397	450
Interest expenses on trade payables	11	27
Other interest and financial expenses	763	666
Total Interest and other financial expenses	1,695	1,730

Unusual financial income

The item Unusual financial income consists of income of 858 million euros arising from the increase of share capital on September 20, 2005 and the simultaneous extinguishment of the Mandatory Convertible Facility (see Notes 25 and 28). In particular, this income 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 accessory 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 equity 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 2005 there was a profit of 115 million euros representing the net result of companies accounted for using the equity method (153 million euros in 2004, including an amount of 54 million euros relating to Italenergia Bis S.p.A. which was sold in 2005).

The net result from equity investments in 2005 amounts to 34 million euros (135 million euros in 2004) and includes (amounts in millions of euros): Fiat Auto Sector companies 57 (91 in 2004), entities of CNH Global N.V. Sector companies 39 (25 in 2004), Commercial Vehicles Sector companies -54 (-20 in 2004) and other companies -8 (39 in 2004, of which 54 related to Italenergia Bis S.p.A.).

11. Income taxes

Income taxes consist of the following:

(in millions of euros)	2005		2004	
Current taxes:				
IRAP	116		122	
Other taxes	184		217	
Total Current taxes		300		339
Deferred taxes for the period		425		(389)
Taxes relating to prior periods		119		–
Total Income taxes		844		(50)

In 2005, the increase in the charge for income taxes is due to an improvement in the result and accruals for prior year taxes.

Deferred taxation of 425 million euros in 2005 (-389 million euros in 2004) includes:

- an amount of 277 million euros, representing the realisation of deferred tax assets recognised originally in 2004 in connection with the income arising from the termination of the Master Agreement with General Motors; and
- an amount of 148 million euros, being the difference between deferred tax assets recognised in prior years and realised against 2005 profit and deferred tax assets recognised in the year.

Taxes relating to prior periods include the cost of finalising certain disputes with foreign tax authorities.

The effective tax rate for 2005 (excluding IRAP) was 32.1% (the rate was insignificant in 2004 as a result of pre-tax losses).

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

(in million di euros)	2005	2004
Theoretical income taxes	747	(538)
Tax effect of permanent differences	(452)	3
Taxes relating to prior years	119	–
Tax effect of difference between foreign tax rates and the theoretical Italian tax rate	(3)	5
Deferred tax assets not recognised	504	459
Use of tax losses	(83)	(128)
Other differences	(104)	21
Current and deferred income tax recognised in the financial statements, excluding IRAP	728	(178)
IRAP	116	128
Income taxes recorded in financial statements (current and deferred income taxes)	844	(50)

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 IRES tax rate (equal to 33% in 2005) in effect in Italy to income before taxes.

Permanent differences in the above reconciliation include the tax effect of non-taxable income of 677 million euros in 2005 (229 million euros in 2004) and of non-deductible costs of 225 million euros in 2005 (232 million euros in 2004). In particular, the tax effect of permanent differences arises 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).

In 2005, Other differences included unrecoverable withholding tax for 21 million euros (11 million euros in 2004).

Current tax assets and liabilities in the balance sheet at December 31, 2005 amount to 778 million euros and 388 million euros, respectively (780 million euros and 334 million euros at December 31, 2004), as described in Notes 19 and 30.

Net deferred tax assets at December 31, 2005 consist of deferred tax assets, net of deferred tax liabilities, that 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, 2005	At December 31, 2004	Change
Deferred tax assets	2,104	2,402	(298)
Deferred tax liabilities	(405)	(522)	117
Net deferred tax assets	1,699	1,880	(181)

The reduction in net deferred tax assets is mainly due to the above-mentioned realisation of 277 million euros in deferred tax assets related to the gain on the termination of the Master Agreement with General Motors.

Deferred tax assets, net of Deferred tax liabilities, can be analysed as follows:

(in millions of euros)	At December 31, 2004	Recognised in income statement	Charged to equity	Changes in the scope of consolidation	Translation differences and other changes	At December 31, 2005
Deferred tax assets arising from:						
Taxed provisions	1,057	261	–	13	65	1,396
Inventories	132	72	–	10	9	223
Taxed allowances for doubtful accounts	149	(7)	–	(2)	2	142
Employee benefits	630	(19)	–	(21)	85	675
Write-downs of financial assets	1,660	(566)	–	(20)	(1)	1,073
Measurement of derivative financial instruments	14	4	14	–	(10)	22
Other	998	(25)	–	–	126	1,099
Total Deferred tax assets	4,640	(280)	14	(20)	276	4,630
Deferred tax liabilities arising from:						
Accelerated depreciation	(405)	(34)	–	(32)	(62)	(533)
Deferred tax on gains	(171)	91	–	–	(3)	(83)
Capital investment grants	(24)	(3)	–	–	–	(27)
Employee benefits	(9)	(4)	–	(11)	–	(24)
Capitalisation of development costs	(692)	(84)	–	–	(46)	(822)
Other	(872)	(159)	9	78	(67)	(1,011)
Total Deferred tax liabilities	(2,173)	(193)	9	35	(178)	(2,500)
Theoretical tax benefit arising from tax loss carryforwards	4,591	469	–	(182)	133	5,011
Adjustments for assets whose recoverability is not probable	(5,178)	(421)	–	244	(87)	(5,442)
Total Deferred tax assets, net of Deferred tax liabilities	1,880	(425)	23	77	144	1,699

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 deriving from deductible temporary differences (4,630 million euros at December 31, 2005 and 4,640 million euros at December 31, 2004) and tax loss carryforwards (5,011 million euros at December 31, 2005 and 4,591 million euros at December 31, 2004) have been reduced by a total of 5,442 million euros at December 31, 2005 and 5,178 million euros at December 31, 2004.

In particular, Deferred tax assets, net of Deferred tax liabilities, include 965 million euros at December 31, 2005 (1,208 million euros at December 31, 2004) of tax benefits arising from tax loss carryforwards. At December 31, 2005, a further tax amount of 4,046 million euros (3,383 million euros at December 31, 2004) 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, 2005, 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, 2005	Year of expiry 2006	2007	2008	2009	Beyond 2009	Unlimited/ indeterminable
Temporary differences and tax losses relating to State taxation (IRES in the case of Italy):							
Deductible temporary differences	12,855	4,929	1,704	714	509	4,327	672
Taxable temporary differences	(6,804)	(1,704)	(904)	(863)	(825)	(1,814)	(694)
Tax losses	17,223	605	633	1,788	2,010	5,486	6,701
Temporary differences and tax losses for which deferred tax assets have not been recognised	(18,389)	(1,987)	(1,269)	(1,845)	(2,026)	(5,856)	(5,406)
Temporary differences and tax losses relating to State taxation	4,885	1,843	164	(207)	(332)	2,144	1,273
Temporary differences and tax losses relating to local taxation (IRAP in the case of Italy):							
Deductible temporary differences	3,389	675	218	235	140	1,860	261
Taxable temporary differences	(3,857)	(600)	(558)	(546)	(514)	(967)	(672)
Tax losses	1,070	–	–	–	70	117	883
Temporary differences and tax losses for which deferred tax assets have not been recognised	(1,330)	(163)	(52)	(35)	(22)	(360)	(698)
Temporary differences and tax losses relating to local taxation	(728)	(88)	(392)	(346)	(326)	650	(226)

12. Earnings per share

The computation of earnings per share is based on the following figures:

		2005	2004
Group interest in net result	million euros	1,331	(1,634)
Profit attributable to ordinary and preference shares	million euros	1,231	(1,501)
Profit attributable to savings shares	million euros	100	(133)
Average number of ordinary and preference shares outstanding	number	984,468,753	899,033,378
Average number of savings shares outstanding	number	79,912,799	79,912,798
Earnings per ordinary and preference share	euros	1.250	(1.699)
Earnings per savings share	euros	1.250	(1.699)
Diluted earnings per ordinary and preference share	euros	1.250	(1.699)
Diluted earnings per savings share	euros	1.250	(1.699)

There is no difference between Basic earnings per share and Diluted earnings per share due to the negligible effect of the outstanding warrants.

In accordance with IAS 33, the dilutive effects of the Mandatory Convertible Facility have not been included in the determination of earnings per share for 2004, as there was a net loss in the period.

Balance Sheet

13. Intangible assets

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

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 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

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 2,016 million euros, the Pico group and other companies in the Production Systems Sector for 194 million euros, companies in the Components Sector for 46 million euros, the Irisbus group and other minor items in the Commercial Vehicles Sector for 56 million euros, and companies in the Metallurgical Products Sector for 37 million euros. The amount of 53 million euros regarding the change in the scope of consolidation is related to the acquisition of control of Leasys S.p.A. and Mako Elektrik Sanayi Ve Ticaret A.S.

In addition to the effects resulting from the above-mentioned acquisitions and the entry into the scope of consolidation of the Powertrain activities, previously part of Fiat-GM Powertrain, the joint venture with General Motors, the column Change in the scope of consolidation also includes the reclassification to assets held for sale of the intangible assets of Atlanet S.p.A., for which a sales agreement has been signed with the British Telecom group and approved by the antitrust authorities in February 2006.

The addition to Other intangible assets of 32 million euros relates mainly to software.

Foreign exchange gains of 402 million euros in 2005 principally reflect changes in the euro/U.S. dollar rate.

The Group performs impairment tests at least annually, or more frequently whenever there is an indication that the goodwill may be impaired. The recoverable amount of cash-generating units to which goodwill 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 91% of the total, has been allocated to the agricultural equipment, construction equipment and financial services cash-generating units in CNH, and the Systems, Pico and Service cash-generating units in Comau.

The principal assumptions made in determining value in use of cash-generating units regard 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: these pre-tax rates are in the range between 5.5% and 16%. Taking account of the detailed structure of the Group, growth rates are based upon the forecasts of the separate industrial Sector to which each cash-generating unit belongs. The forecasts of operating cash flows are those included in the latest budgets and plans prepared by the Group for the next three years, extrapolated for later years on the basis of a medium- to long-term growth rate from 0% to 2% depending on the various sectors.

In particular, the recoverable amount of the goodwill of the CNH Sector, which represents approximately 83% of the total goodwill recognised by the Group, has been determined on the basis of the value in use of the cash-generating unit to which it has been allocated, using the cash flows forecast by Sector management for the next seven years, an annual growth rate of 2% and a pre-tax discount rate varying between 10% and 16% depending on the cash-generating unit.

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.

14. Property, plant and equipment

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

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 column Other changes includes the reversal of impairment losses on previously impaired assets amounting to 16 million euros in 2005 (there was no reversal of impairment losses in 2004).

The net carrying amount of Property, plant and equipment 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

Additions of 2,275 million euros in 2005 mainly refer to the Automotive Sectors (Fiat Auto, Iveco, CNH) and to the Components Sector, and do not include capitalised borrowing costs. The amount of 1,258 million euros shown as a Change in the scope of consolidation arises mainly from the line-by-line consolidation of the Powertrain activities, previously included in the joint venture with General Motors, Fiat-GM Powertrain, 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 has been signed with the British Telecom group approved by the antitrust authorities in February 2006; translation gains of 422 million euros principally reflect changes in the euro/U.S. dollar rate.

The Group has 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.

During the year 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 (these rates are unchanged from those used in 2004).

Additionally, at December 31, 2005 the Group recognised a write-down to market value of goods sold with a buy-back commitment for a total of 24 million euros. This write-down is recognised in Cost of sales.

The column Other changes includes the reduction in Advances and tangible assets in progress, existing at the end of the prior year which was reclassified to the appropriate categories at the time the assets were effectively acquired and put into operation. The column also includes 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, 2005, land and industrial buildings of the Group pledged as security for debt amounted to 195 million euros (139 million euros at December 31, 2004); plant and machinery pledged as security for debt and other commitments amounted to 61 million euros (31 million euros at December 31, 2004).

At December 31, 2005, the Group had contractual commitments for the acquisition of property, plant and equipment amounting to 418 million euros (407 million euros at December 31, 2004).

15. Investment property

(in millions of euros)	At December 31, 2004	Additions	Depreciation	Change in the scope of consolidation	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

The Group holds interests in certain property to earn rental income. This investment property is carried at cost.

Rental income from investment property in 2005 amounted to 2 million euros, essentially in line with the 2004 amount.

16. Investments and other financial assets

(in millions of euros)		At December 31, 2005		At December 31, 2004
Investments:				
Investments accounted for using the equity method	1,762		3,490	
Investments valued at fair value with changes directly in equity	227		168	
Investments valued at cost	101		138	
Total Investments		2,090		3,796
Receivables		113		112
Other securities		130		117
Total Investments and other financial assets		2,333		4,025

Investments

The changes in Investments in 2005 are set out below:

(in millions of euros)	At December 31, 2004	Revaluations/ (Write-downs)	Acquisitions and capitalisations	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 (115 million euros in 2005 and 153 million euros in 2004). Write-downs also include any loss in value in investments accounted for under the cost method.

Changes in the scope of consolidation of -1,083 million euros mainly relate 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 has been partially offset by an increase of 125 million euros arising from the equity method valuation of the investment in the associate Iveco Finance Holdings Limited, no longer consolidated on a line-by-line basis following the sale by the Fiat Group of 51% of the company to Barclays Mercantile Business Finance Ltd.

Disposals and other changes of -863 million euros are 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.

The item Investments in jointly controlled entities comprises the following:

(in millions of euros)	At December 31, 2005 % of interest	At December 31, 2005 Amount	At December 31, 2004 % of interest	At December 31, 2004 Amount
Tofas-Turk Otomobil Fabrikasi Tofas A.S.	37.9	245	37.9	183
Naveco Ltd.	50.0	118	50.0	94
Società Europea Veicoli Leggeri-Sevel S.p.A.	50.0	108	50.0	118
Société Européenne de Véhicules Légers du Nord-Sevelnord Société Anonyme	50.0	59	50.0	45
Consolidated Diesel Company	50.0	59	50.0	49
New Holland HFT Japan Inc.	50.0	35	50.0	30
Nan Jing Fiat Auto Co. Ltd.	50.0	33	50.0	39
Transolver Finance Establecimiento Financiero de Credito S.A.	50.0	17	50.0	15
CNH de Mexico SA de CV	50.0	17	50.0	7
Fiat Powertrain B.V.	–	–	50.0	1,182
Other minors		14		28
Total Investments in jointly controlled entities		705		1,790

The item Investments in associates comprises the following:

(in millions of euros)	At December 31, 2005 % of interest	At December 31, 2005 Amount	At December 31, 2004 % of interest	At December 31, 2004 Amount
Fidis Retail Italia S.p.A.	49.0	431	49.0	390
Iveco Finance Holdings Limited	49.0	131	–	–
Kobelco Construction Machinery Co. Ltd.	20.0	106	20.0	99
Rizzoli Corriere della Sera MediaGroup S.p.A.	9.9	104	9.8	101
CNH Capital Europe S.a.S.	49.9	65	49.9	58
Turk Traktor Ve Ziraat Makineleri A.S.	37.5	29	37.5	30
Immobiliare Novoli S.p.A.	40.0	21	40.0	21
LBX Company LLC	50.0	20	50.0	16
Al-Ghazi Tractors Ltd.	43.2	14	43.2	12
New Holland Trakmak Traktor A.S.	37.5	14	37.5	13
CBC-Iveco Ltd.	50.0	–	50.0	21
Italenergia Bis S.p.A.	–	–	38.6	856
Other minors		123		123
Total Investments in associates		1,058		1,740

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 2005, as those to be issued for financial year 2005 will be published subsequent to the publication of the consolidated financial statements of the Fiat Group.

At December 31, 2005, the fair market value of Investments in listed jointly controlled entities and listed associates is as follows:

(in millions of euros)	Carrying value	Fair Value
Tofas-Turk Otomobil Fabrikasi Tofas A.S.	245	338
Rizzoli Corriere della Sera MediaGroup S.p.A.	104	301
Al-Ghazi Tractors Ltd.	14	52
Total Investments in listed jointly controlled entities and associates	363	691

The item Investments in other companies includes the investment in Mediobanca S.p.A. of 227 million euros (168 million euros at December 31, 2004).

At December 31,2005, there are no investments nor other financial assets given as collateral for financial debt. At December 31, 2004, Investments and other financial assets given as collateral for financial debt amounted to 856 million euros, and related to the investment in Italenergia Bis S.p.A.

17. Leased assets

(in millions of euros)	At December 31, 2004	Additions	Depreciation	Impairment	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

The column Change in the scope of consolidation includes the effect resulting from consolidating Leasys S.p.A. on a line-by-line basis.

The Group leases out assets, mainly its own products, as part of its financial services business. Minimum lease payments from non-cancellable operating leases amount to 420 million euros, at December 31, 2005 (415 million euros at December 31, 2004) and fall due as follows:

(in millions of euros)	At December 31, 2005	At December 31, 2004
Within one year	215	239
Between one and five years	200	175
Beyond five years	5	1
Total Minimum lease payments	420	415

18. Inventories

(in millions of euros)	At December 31, 2005	At December 31, 2004
Raw materials, supplies and finished goods	7,499	6,962
Work in progress	2,550	2,618
Advances on contract work	(2,168)	(2,323)
Total Inventories	7,881	7,257

At December 31, 2005, inventories include assets sold with a buy-back commitment by Fiat Auto for 748 million euros (771 million euros at December 31, 2004). Net of this amount, inventories show an increase of 647 million euros in 2005, due to the foreign exchange rate effect following the appreciation of the U.S. dollar against the euro, and the change in scope of consolidation (approximately 480 million euros).

At December 31, 2005, 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 1,614 million euros (1,547 million euros at December 31, 2004).

The amount of inventory write-downs recognised as an expense during the year are 251 million euros (244 million euros in 2004). 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 is 463 million euros (495 million euros at December 31, 2004).

The majority of Work in progress and Advances on contract work relates to the Production Systems Sector (Comau) and can be analysed as follows:

(in millions of euros)	At December 31, 2005	At December 31, 2004
Gross amount due from customers for contract work as an asset	469	407
Less: Gross amount due to customers for contract work as a liability	(87)	(112)
Work in progress, net of advances on contract work	382	295
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	2,550	2,618
Less: Progress billings	(2,168)	(2,323)
Work in progress, net of advances on contract work	382	295

At December 31, 2005, retentions by customers on progress billings amount to 9 million euros (1 million euros at December 31, 2004).

19. Current receivables

The composition of the caption and the analysis by due date is as follows:

(in millions of euros)	At December 31, 2005				At December 31, 2004			
	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	4,871	66	32	4,969	5,462	18	11	5,491
Receivables from financing activities	10,796	5,007	170	15,973	11,316	5,691	491	17,498
Other receivables	2,600	292	192	3,084	2,457	228	49	2,734
Total Current receivables	18,267	5,365	394	24,026	19,235	5,937	551	25,723

At December 31, 2005 Current receivables include receivables sold and financed through both securitisation and factoring transactions of 9,604 millions of euros (9,596 millions of euros at December 31, 2004) 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 524 million euros at December 31, 2005 (468 million euros at December 31, 2004), 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, 2004	Provision	Use and other changes	Change in the scope of consolidation	At December 31, 2005
Allowances for doubtful accounts	468	136	(81)	1	524

The carrying amount of Trade receivables is considered in line with their fair value at the date.

At December 31, 2005, trade receivables of 153 million euros were pledged as security for loans obtained (109 million euros at December 31, 2004).

Receivables from financing activities

Receivables from financing activities include the following:

(in millions of euros)	At December 31, 2005	At December 31, 2004
Retail financing	6,655	6,763
Finance leases	716	2,120
Dealer financing	6,804	5,360
Supplier financing	335	838
Receivables from banking activities	1,147	1,270
Financial receivables from companies under joint control, associates and unconsolidated subsidiaries	70	630
Other	246	517
Total Receivables from financing activities	15,973	17,498

The decrease of 1,525 million euros in Receivables from financing activities with respect to the balance at December 31, 2004 is principally due to the combined effect of the following matters:

- a decrease of approximately 2.4 billion euros as a result of the sale by the Iveco Sector of part of its financial services activities, and the creation of the joint venture Iveco Finance Holdings Limited with Barclays;
- positive translation differences of approximately 1.4 billion euros, principally arising from the receivables of CNH;
- a decrease of approximately 500 million euros in Supplier financing;
- a decrease of 560 million euros in Financial receivables from companies under joint control, associates and unconsolidated subsidiaries, mainly as a result of the acquisition of 100% control of Leasys and the resulting inclusion of that company in the scope of consolidation.

Receivables from financing activities are shown net of an allowance for doubtful accounts determined on the basis of specific insolvency risks. At December 31, 2005 the allowance amounts to 523 million euros (559 million euros at December 31, 2004). Movements in the allowance accounts during the year are as follows:

(in millions of euros)	At December 31, 2004	Provisions	Use and other changes	Change in the scope of consolidation	At December 31, 2005
Allowance for receivables regarding:					
Retail financing	185	41	(24)	(5)	197
Finance leases	108	17	(22)	(5)	98
Dealer financing	75	38	(11)	–	102
Supplier financing	22	6	–	–	28
Receivables from banking activities	39	6	(6)	–	39
Financial receivables from companies under joint control, associates and unconsolidated subsidiaries	–	–	–	–	–
Other	130	12	(83)	–	59
Total allowance on Receivables from financing activities	559	120	(146)	(10)	523

Finance lease receivables relate almost entirely to Fiat Auto, Commercial Vehicles and Agricultural and Construction Equipment leased out under finance lease arrangements and may be analysed as follows stated gross of an allowance of 98 million euros at December 31, 2005 (108 million euros at December 31, 2004):

	At December 31, 2005				At December 31, 2004			
(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	433	456	36	925	894	1,553	39	2,486
Less: unrealised interest income	(51)	(56)	(4)	(111)	(89)	(164)	(5)	(258)
Present value of future minimum lease payments	382	400	32	814	805	1,389	34	2,228

There are no contingent rents as finance lease recognised income during 2005 or 2004.

Unguaranteed residual values at December 31, 2005 and 2004 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, 2005 amounts approximately to 15,821 million euros (17,460 million euros at December 31, 2004) 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	2.64	4.70	4.59	3.81	5.64	16.06	4.60
Interest rate for one year	2.84	4.84	4.57	4.06	5.58	15.58	4.70
Interest rate for five years	3.22	4.88	4.54	4.18	5.70	14.73	5.15

Other receivables

At December 31, 2005 Other receivables are as follows:

(in millions of euros)	At December 31, 2005	At December 31, 2004
Tax receivables	1,903	1,759
Receivables from employees	41	38
Receivables from social security agencies	30	25
Other	1,110	912
Total Other receivables	3,084	2,734

At December 31, 2005 Tax receivables include current income tax assets of 778 million euros (780 million euros at December 31,2004).

The carrying amount of Other receivables is considered to be in line with their fair value at the date.

20. Accrued income and prepaid expenses

The item Accrued income and prepaid expenses consists mainly of prepaid insurance premiums and rent.

21. Current securities

At December 31, 2005, current securities consist of short-term or marketable securities which represent temporary investments, but which do not satisfy the requirements for being classified as cash equivalents. In particular:

(in millions of euros)	At December 31, 2005	At December 31, 2004
Current securities available-for-sale	317	108
Current securities for trading	239	245
Total Current securities	556	353

During 2005 this item increased by 203 million euros as a consequence of a changed mix in the temporary investment of funds.

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:

(in millions of euros)	At December 31, 2005 Positive fair value	At December 31, 2005 Negative fair value	At December 31, 2004 Positive/(negative) fair value
Fair value hedges:			
Exchange rate risk - Forward contracts and Exchange rate swaps (currency swaps)	26	(16)	7
Interest rate risk - Interest rate swaps and Forward rate agreement	307	(26)	467
Interest rate and exchange rate risk - Combined interest rate and currency swaps	9	(1)	190
Total Fair value hedges	342	(43)	664
Cash flow hedge:			
Exchange rate risks - Forward contracts, Exchange rate swaps (currency swaps) and Currency options	48	(95)	70
Interest rate swaps and Forward rate agreement	2	(3)	(53)
Combined interest rate and currency swaps	–	–	2
Total Cash flow hedges	50	(98)	19
Derivatives for trading	62	(48)	(35)
Other financial assets/(liabilities)	454	189	648

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 and market interest rates at the balance sheet date.

The overall decrease in Other financial assets from 851 million euros at December 31, 2004 to 454 million euros at December 31, 2005, and the decrease in Other financial liabilities from 203 million euros at December 31, 2004 to 189 million euros at December 31, 2005, is due not only to the changes in exchange rates and interest rates over the period, but also to the termination of certain hedging operations in advance, as a consequence of the change in the Group's funding structure.

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.

At December 31, 2005 the notional amount of outstanding derivative financial instruments is as follows:

(in millions of euros)	At December 31, 2005	At December 31, 2004
Exchange rate risk management	5,992	5,612
Interest rate risk management	10,544	13,487
Interest rate and exchange rate risk management	204	783
Other derivative financial instruments	1,805	2,219
Total notional amount	18,545	22,101

At December 31, 2005 the notional amount of Other derivative instruments consists of:

- For 70 million euros (66 million euros at December 31, 2004) the notional amount of the equity swap stipulated to hedge the risk of an increase in the Fiat share price above the exercise price of 10,670,000 stock options granted to Mr. Marchionne (see Note 25). The risk of a significant increase in the Fiat share price above the exercise price of these options (6.583 euros) is covered by the aforementioned "Total Return Equity Swap" agreement put into place at a reference price of 6.583 euros per share; this agreement expires on October 30, 2006. Although this equity swap was entered into for hedging purposes, it does not qualify for hedge accounting under IFRS and accordingly is defined as a trading derivative financial instrument. At December 31, 2005, the Equity Swap has a positive fair value of 8 million euros (a negative value of 7 million euros at December 31, 2004).
- For 1,432 million euros 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 (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, 2005 is essentially nil (3 million euros at December 31, 2004).
- For 303 million euros (913 million euros at December 31, 2004) 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.

There are no significant cases at the date of preparing these financial statements in which hedging exceeds the hedged future flows (overhedging).

Cash flow hedges

The policy of the Fiat Group for managing exchange risk 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, shall be hedged.

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 in which the hedged transaction affects income statement. 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 2005 the Group transferred to income gains of 44 million euros net of tax effect previously recognised directly in equity (gains of 12 million euros in 2004) presented in the following line items:

(in millions of euros)	2005	2004
Exchange rate risk		
Increase in Net revenues	49	33
Decrease in Cost of sales	8	(4)
Interest rate risk		
Financial income (expenses)	(15)	(14)
Taxes income (expenses)	2	(3)
Total recognised in the income statement	44	12

The ineffectiveness of cash flow hedges was not material for the years 2005 and 2004.

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)	2005	2004
Interest rate risk		
Net gains (losses) on qualifying hedges	(105)	86
Fair value changes in hedged items	105	(86)
Net gains (losses)	–	–

The effect of fair value hedges on exchange rate risk was not material for the years 2005 and 2004.

23. Cash and cash equivalents

Cash and cash equivalents include:

(in millions of euros)	At December 31, 2005	At December 31, 2004
Cash at banks	4,529	3,208
Cash with a pre-determined use	706	669
Money market securities	1,182	1,890
Total Cash and cash equivalents	6,417	5,767

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

The items Assets and Liabilities held for sale includes 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 the fourth quarter of 2005 and approved by the antitrust authorities in February 2006.

The item also includes an amount of 32 million euros 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.

25. Stockholders' equity

Stockholders' equity at December 31, 2005 increased by 4,485 million euros over that at December 31, 2004, mainly due to the increase in capital stock of 1,459 million euros on September 20, 2005 and the related increase in reserves for 682 million euros, net income for the period (1,420 million euros) and foreign exchange gains from the translation into euros of the financial statements of subsidiaries denominated in other currencies (921 million euros).

Capital stock

At December 31, 2005, the capital stock of Fiat S.p.A. is as follows:

(number of shares)	At December 31, 2005	At December 31, 2004
Shares issued and fully paid		
Ordinary shares	1,092,246,316	800,417,598
Preference shares	103,292,310	103,292,310
Saving shares	79,912,800	79,912,800
Total shares issued	1,275,451,426	983,622,708

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.

The reconciliation of the number of shares outstanding at December 31, 2004 and at December 31, 2005 is as follows:

(number of shares in thousand)	At December 31, 2004	Capital increase	(Purchases)/ Sales of treasury stock	At December 31, 2005
Ordinary shares issued	800,417	291,829	–	1,092,246
Less: Treasury stock	(4,384)	–	52	(4,332)
Ordinary shares outstanding	796,033	291,829	52	1,087,914
Preference shares issued	103,292	–	–	103,292
Less: Treasury stock	–	–	–	–
Preference shares outstanding	103,292	–	–	103,292
Saving shares issued	79,913	–	–-	79,913
Less: Treasury stock	–	–	–	–
Saving shares outstanding	79,913	–	–	79,913
Total Shares issued by Fiat S.p.A.	983,622	291,829	–	1,275,451
Less: Treasury stock	(4,384)	–	52	(4,332)
Total Shares outstanding issued by Fiat S.p.A.	979,238	291,829	52	1,271,119

As described in Note 9, the Mandatory Convertible Facility was extinguished by its conversion to capital stock through subscription by the Lending Banks of an increase in capital stock for consideration, 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 share premium. The operation increased capital stock by 1,459 million euros, other reserves by 682 million euros, and unusual financial income of 858 million euros, net of related costs.

The following matters have relevance 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 may be 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 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, in which case the holder of the warrants may opt to subscribe to the shares in exchange for the warrants.
- 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.
- The resolutions for the capital increases servicing the stock option plans (28 million euros) have been revoked, as the Board of Directors resolved on June 26, 2003 to use ordinary treasury stock to be purchased for this purpose.

Stock-based compensation

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.

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 April 1, 2002	50% 50%
Stock Options 2000	Managers	February 18, 2000	February 18, 2008	28.122	5,158,000	February 18, 2001 February 18, 2002 February 18, 2003 February 18, 2004	25% 25% 25% 25%
Stock Options July 2000	Chairman of Fiat S.p.A.	July 25, 2000	July 25, 2008	25.459	250,000	July 25, 2001 May 14, 2002	50% 50%
Stock Options February 2001	Managers	February 27, 2001	February 27, 2009	24.853	785,000	February 27, 2002 February 27, 2003 February 27, 2004 February 27, 2005	25% 25% 25% 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 October 31, 2003 October 31, 2004 October 31, 2005	25% 25% 25% 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 September 12, 2004 September 12, 2005 September 12, 2006	25% 25% 25% 25%

The Board of Directors of Fiat S.p.A. approved two Stock Option plans in October and November 2003 providing two managers with the right to purchase a pre-determined number of Fiat S.p.A. ordinary shares at a fixed price. These rights may be exercised over a fixed period of time from the vesting date to the expiry date of the plan. The right to exercise the options is subordinated to certain time limits and is contingent upon meeting a pre-established performance.

The contractual terms of these stock option plans were as follows:

Plan	Grant date	Expiry date	Strike price (euros)	No. of options assigned	Vesting date	Vesting portion
Stock Options October 2003	October 1, 2003	October 1, 2010	6.678	598,982	October 1, 2004	1/3*50%+ +1/3*50%*(target performance)
					October 1, 2005	1/3*50%+ +1/3*50%*(target performance)
					October 1, 2006	1/3*50%+ +1/3*50%*(target performance)
Stock Options November 2003	November 15, 2003	November 15, 2010	6.712	446,961	November 15, 2004	1/3*1/3+ +1/3*2/3*(target performance)
					November 15, 2005	1/3*1/3+ +1/3*2/3*(target performance)
					November15, 2006	1/3*1/3+ +1/3*2/3*(target performance)

The two managers to whom these plans relate left the Group in February 2005. Under the stock option contract, the two former employees maintained their right to exercise the vested portion of the options for one month following their date of leaving, although this right was not exercised. As a consequence, the plans concerning these two former employees have ceased.

On March 27, 2003, the Board adopted a resolution to grant to the Chief Executive Officer Mr. Giuseppe Morchio a number of options to purchase Fiat S.p.A. ordinary shares at a fixed price. The exercise rights of this plan vested over period of time starting on the vesting date to the expiry date of the plan. The right to exercise the options was subordinated to certain time limits and was contingent upon meeting a pre-established performance.

Contractual terms of the plan were as follows:

Plan	Grant date	Expiry date	Strike price (euros)	No. of options assigned	Vesting date	Vesting portion
Stock Options March 2003	July 31, 2003	March 27, 2010	5.623	13,338,076	March 27, 2004	20%
					March 27, 2005	1/3*20%+ +2/3*20%*(profit objectives)
					March 27, 2006	1/3*20%+ +2/3*20%*(profit objectives)
					March 27, 2007	1/3*20%+ +2/3*20%*(profit objectives)
					March 27, 2008	1/3*20%+ +2/3*20%*(profit objectives)

Mr. Morchio resigned on May 30, 2004, leading to the expiry of 10,670,461 of these options. The remaining options have all vested and were exercisable until May 30, 2005, but expired unexercised.

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, Mr. Marchionne accrues the right to purchase an annual maximum of 2,370,000 shares. From June 1, 2008, he will have the right to purchase, effective at that date, the residual portion, totalling 3,560,000 shares. Vesting of the last block of stock options is subject to certain pre-determined profitability targets.

Contractual terms of the plan are as follows:

Plan	Grant date	Expiry date	Strike price (euros)	No 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%*(target profitability)

A summary of outstanding stock options at December 31, 2005 is as follows:

	Managers compensation		Compensation as member of the Board	
Exercise price (in euros)	Options outstanding at December 31, 2005	Average remaining contractual life (in years)	Options outstanding at December 31, 2005	Average remaining contractual life (in years)
6.583	–	–	10,670,000	5
10.397	3,046,500	4.8	–	–
12.699	–	–	1,000,000	4
16.526	2,299,000	3.8	–	–
23.708	–	–	1,000,000	2.8
24.853	300,000	3.2	–	–
25.459	–	–	250,000	2.6
26.120	316,000	1.3	–	–
28.122	1,788,000	2.2	–	–
Total at December 31, 2005	7,749,500		12,920,000	

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	10,502,543	16.38	15,587,615	8.21
Granted during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Expired during the year	(2,753,043)	–	(2,667,615)	–
Outstanding at December 31, 2005	7,749,500	17.51	12,920,000	8.75
Exercisable at December 31, 2005	6,987,875	18.28	2,250,000	19.01

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. In practice, this means that by December 31, 2005, IFRS 2 had been applied only to the stock options granted to Mr. Marchionne, for which the estimated fair value is 2.440 euros at December 31, 2005. A binomial pricing model is used to calculated the fair value of the options. The assumptions used under this model are as follows:

Average price of Fiat S.p.A. ordinary shares (euros)	6.466
Historical volatility of Fiat S.p.A. ordinary shares (%)	29.37
Expected dividend yield historical data (years 2003-2005) (%)	0.00
Risk-free interest rate (%)	4.021

The expected volatility of the Fiat S.p.A. ordinary share in the table is its historical volatility, in line with market practice.

The total cost recognised in the income statement for share-based payments linked to Fiat S.p.A. ordinary shares amounts to 10 million euros in 2005 (0.3 million euros in 2004, stated net of the effect of 5.8 million euros for the options which expired during the year).

Stock Option plans linked to CNH Global N.V. ordinary shares

Certain entities of the Agricultural and Industrial Equipment Sector have granted share-based compensation to officers, employees and directors which is linked to CNH Global N.V. ("CNH") shares and whose terms are as follows:

- *The CNH Global N.V. Outside Directors' Compensation Plan ("CNH Directors' Plan")*: this plan, established in 1999, as last amended on May 3, 2005, provides the following benefits for only the independent outside members of the Board of CNH Global N.V.:
  - the payment of an annual retainer fee of USD 65,000 and a committee chair fee of USD 5,000 (collectively the "Annual Fees") in the form of common shares of CNH by way of quarterly stock grants at the end of each Plan Year Quarter, unless otherwise elected (cash or stock options);
  - the payment of a meeting fee of USD 1,250 for each Board or Committee meeting attended;
  - an annual grant of 4,000 options to purchase common shares of CNH that vest on the third anniversary of the grant date ("Annual Automatic Stock Option");

  The Stock Option election gives the independent outside directors the option to purchase common shares at a purchase price equal to the fair market value of the common shares on the date that the Annual Fees would otherwise have been paid to the director. The number of shares subject to such an option will be equal to the amount of Annual Fees that the director elected to forego, multiplied by four and divided by the fair market value determined as indicated in the next paragraph. Stock options granted vest immediately upon grant, but the shares purchased under the option cannot be sold for six months following the date of grant. No directors receive benefits upon termination of their service as directors.

- *The CNH Equity Incentive Plan (the "CNH EIP")*: this plan provides share-based compensation to officers and employees of CNH Global N.V. and its subsidiaries. Certain options vest rateably over four years from the grant date, while certain performance-based options vest subject to the attainment of specified performance criteria but no later than seven years from the grant date. All options expire after ten years. Except as noted below, the exercise prices of all option granted under the CNH EIP are equal to or greater than the fair market value of CNH Global N.V. common shares on the respective grant dates. During 2001, CNH granted stock option with an exercise price less than the quoted market price of its common shares at the date of grant. Under this plan, options may also be granted on restricted shares. Certain restricted shares vest over time, while certain performance-based restricted shares vest subject to the attainment of specified performance criteria.

- Such performance-based restricted shares vest no later than seven years from the award date. Effective for the 2002 plan year only, a special incentive plan was approved which provided a grant of restricted stock to certain senior executives upon meeting a specified financial position target. In 2004, for individuals electing to not take the restricted stock earned under this plan, CNH issued an equivalent number of common shares to individuals who remained employed by CNH as of the vesting date for the restricted shares.
- In 2004 a new performance-vesting long-term incentive award was granted to selected key employees and executive officers, which is subject to their achieving certain performance-based criteria over the three year period 2004-2006. At the end of the 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. A minimum payout from the plan requires meeting certain threshold levels of performance. As a transition to the plan, for the first award under the performance cycle of 2004-2006, participants have an opportunity to receive an accelerated payment of 50% of the targeted award after the first two years of the performance cycle. In 2005, an additional award was approved under the same plan for the 3 year performance cycle 2005-2007.

A summary of outstanding stock options at December 31, 2005 is as follows:

	Directors' plan		Equity incentive plan	
Exercise price (in USD)	Options outstanding at December 31, 2005	Average remaining contractual life (in years)	Options outstanding at December 31, 2005	Average remaining contractual life (in years)
9.15 - 15.70	64,348	8.3	886,260	6.6
15.71 - 26.20	71,055	8.4	–	–
26.21 - 40.00	18,654	5.5	625,000	5.6
40.01 - 56.00	4,460	4.9	–	–
56.01 - 77.05	10,525	4.3	529,810	4.1
Total at December 31, 2005	169,042	7.7	2,041,070	5.6

Changes during the period 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	142,005	22.41	2,464,575	33.68
Granted during the year	31,037	17.90	10,000	18.06
Forfeited during the year	(4,000)	17.28	(249,805)	49.83
Exercised during the year	–	–	(183,700)	16.18
Expired during the year	–	–	–	–
Outstanding at December 31, 2005	169,042	21.71	2,041,070	34.62
Exercisable at December 31, 2005	141,872	22.50	1,747,634	36.76

The Black-Scholes pricing model is used to calculate the fair value of the share-based compensation for the CNH Sector; based on this model, the weighted average fair value of stock options granted for the year ended December 31, 2005 is 10.13 USD for the outside directors' compensation plan and 10.18 USD for the equity incentive plan, determined on the basis of the following assumptions:

	Directors' plan	Equity incentive plan
Option life (years)	5	5
Expected volatility of CNH Global N.V. shares (%)	72.0	71.5
Expected dividend yield (%)	1.3	1.3
Risk-free interest rate (%)	3.9	3.7

The total cost recognised in the income statement for share-based compensation linked to CNH Global N.V. ordinary shares amounted to 1 million euros in 2005 (0.4 million euros in 2004).

Stock Option linked to Ferrari S.p.A. ordinary shares

Under this scheme, on the one hand the employees of Ferrari S.p.A., and on the other the Chairman and the Chief Executive Officer of the company, 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.

Cash-settled share-based payments

Certain entities of the Fiat Powertrain Technologies Sector have agreed with a number of employees a total of four cash-settled share-based payment defined Stock Appreciation Rights (SAR) plans. Under these plans, the 54 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	Vesting date From	Vesting date Until	Outstanding rights on GM $1 2/3 shares at December 31, 2005	Outstanding rights on Fiat S.p.A. shares at December 31, 2005	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	217,936	49.57	15.50	100%*NMC
2002	February 12, 2002	February 12, 2003	February 12, 2010	44,580	205,150	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	218,880	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	205,169	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

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, 2005, the Group measured the fair value of the liabilities generated by these plans using the binomial method based on the following market data:

	GM $1 2/3 share	Fiat S.p.A. ordinary share
Closing price	$ 19.42	€ 7.36
Expected volatility (%)	77.56	28.39
Expected dividend yield (%)	10.30	0.00

The total change in the fair value of these cash-settled share-based payment plans recognised by the Group in the 2005 income statement amounts to 2 million euros.

Treasury Stock

Treasury stock consists of 4,331,708 Fiat S.p.A. ordinary shares for an amount of 28 million euros.

Capital reserve

At December 31, 2005, the Capital reserve represents additional paid-in capital 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.

Revenue reserves

The principal revenue reserves are as follows:

- The legal reserve of Fiat S.p.A. of 447 million euros at December 31, 2005 (447 million euros at December 31, 2004);
- Retained losses totalling 1,052 million euros at December 31, 2005 (1,063 million euros at December 31, 2004);
- The net result before minority interest of 1,331 million euros for the year ended December 31, 2005 (a loss of 1,634 million euros for the year ended December 31, 2004);
- The share based payments reserve of 13 million euros at December 31, 2005 (1 million euros at December 31, 2004).

Income (expense) recognised directly in equity

This item consists of accumulated other comprehensive income at December 31, 2005; 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, 2004	2	29	–	31
Gains (losses) recognised directly in the cash flow hedge reserve	25	–	–	25
Gains (losses) recognised directly in the available-for-sale reserve	–	46	–	46
Exchange gains (losses) on the translation of foreign operations	–	–	(70)	(70)
Net profit (loss)	(5)	–	–	(5)
Balances at December 31, 2004	22	75	(70)	27
Gains (losses) recognised directly in the cash flow hedge reserve	3	–	–	3
Gains (losses) recognised directly in the available-for-sale reserve	–	61	–	61
Exchange gains (losses) on the translation of foreign operations	–	–	861	861
Net profit (loss)	(41)	–	–	(41)
Balances at December 31, 2005	(16)	136	791	911

Minority interest

The minority interest in stockholders' equity of 732 million euros (624 million euros at December 31, 2004) refers mainly to the following companies consolidated on a line-by-line basis:

	% held by minority stockholders	
	At December 31, 2005	At December 31, 2004
Italian companies:		
Ferrari S.p.A.	44.0	44.0
Teksid S.p.A.	15.2	19.5
Foreign companies:		
Fiat Auto Holdings B.V.	–	10.0
CNH Global N.V.	16.1	15.5

Following the finalisation of the Termination Agreement with General Motors on February 13, 2005, the Group reacquired the shares in Fiat Auto Holdings B.V. held until then by minorities and at December 31, 2005 fully owns the company.

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 in Cost of Sales, Selling, General and Administrative costs and Research and development costs. In 2005, these expenses totalled 1,080 million euros (1,070 million euros in 2004).

Defined benefit plans may be unfunded, or they may be wholly or partly funded by contributions by an entity, and sometimes 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 by the Group within twelve months after the end of the period in which the employees render the related service.

Changes in Provisions for employee benefits for the year ended December 31, 2005 are 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
Post-employment benefits:					
Employee severance indemnity	1,179	121	(150)	133	1,283
Pension Plans	977	55	(157)	(3)	872
Health care plans	1,024	76	(64)	66	1,102
Other	262	26	(39)	45	294
Total post-employment benefits	3,442	278	(410)	241	3,551
Other long-term employee benefits	100	136	(28)	8	216
Other provisions for employees	140	18	(13)	7	152
Total provision for employee benefits	3,682	432	(451)	256	3,919

The column Changes in the scope in consolidation and other changes includes exchange gains of 203 million euros, set off by the effects resulting from changes in plans which led to the release of provisions of 106 million euros to income. The effects of changes in the scope of consolidation and other minor changes are also included in this column.

Post-employment benefits and Other long-term employee benefits are calculated on the basis of the following actuarial assumptions:

	At December 31, 2005				At December 31, 2004			
In %	Italy	USA	Uk	Other	Italy	USA	Uk	Other
Discount rate	3.53	5.50	4.75	1-5.25	3.65	5.75	5.25	2-6.7
Future salary increase	2.58	n/a	3.50	2.25-3.5	2.56	n/a	3-3.5	2-3.5
Inflation rate	2.00	n/a	2.75	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	6.88	n/a	n/a	8.75	6.50	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 requested by Italian labour legislation. This provision is settled to retiree employees and, shall be partially paid in advance if certain condition 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 overfunded, 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, shorter term plan benefit obligations are funded by investing in more equity securities; longer 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 multi-employer plan 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 comprises obligations for health care and insurance plans granted to employees of the Fiat Group working in the United States and Canada. These plans, that 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, 2005 and 2004 for post-employment benefits are as follows:

	Employee severance indemnity		Pension Plans		Health care plans		Other	
(in millions of euros)	At December 31, 2005	At December 31, 2004	At December 31, 2005	At December 31, 2004	At December 31, 2005	At December 31, 2004	At December 31, 2005	At December 31, 2004
Present value of funded obligations	–	–	2,514	2,406	–	–	–	–
Less: Fair value of plan assets	–	–	(2,014)	1,623	–	–	–	–
	–	–	500	783	–	–	–	–
Present value of unfunded obligations	1,417	1,243	539	304	1,417	1,186	323	278
Unrecognised actuarial gains (losses)	(134)	(64)	(163)	(105)	(370)	(172)	(28)	(16)
Less: Unrecognised past service cost	–	–	(4)	(5)	55	10	(1)	–
Net liability	1,283	1,179	872	977	1,102	1,024	294	262
Amounts in the balance sheet								
Liabilities	1,283	1,179	872	977	1,102	1,024	294	262
Less: Assets	–	–	–	–	–	–	–	–
Net liability	1,283	1,179	872	977	1,102	1,024	294	262

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)	2005	2004	2005	2004	2005	2004	2005	2004
Current service cost	86	87	48	36	12	12	16	14
Interest costs	33	27	140	144	60	67	9	8
Less: Expected return on plan assets	–	–	(127)	(119)	–	–	–	–
Net actuarial (gains) losses recognised in the year	1	–	–	1	14	–	4	1
Past service cost	–	–	1	1	(11)	–	1	–
Losses (gains) on curtailments and settlements	–	–	–	1	–	–	(1)	–
Plan amendments	–	–	(8)	–	(98)	(22)	–	–
Other	1	–	(7)	–	1	(1)	(3)	–
Total cost (gains) for Post-employment benefits	121	114	47	64	(22)	56	26	23
Actual return on plan assets	n/a	n/a	198	158	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 2005	2004	Pension Plans 2005	2004	Health care plans 2005	2004	Other 2005	2004
Present value of obligation at the beginning of the year	1,243	1,265	2,710	2,593	1,186	1,095	278	275
Service cost	86	87	48	36	12	12	16	14
Interest costs	33	27	140	144	60	67	9	8
Contribution by plan participants	–	–	5	5	7	6	–	–
Actuarial losses (gains)	47	64	129	152	177	188	8	17
Exchange rate differences	–	–	181	(74)	187	(94)	5	(2)
Benefits paid	(150)	(209)	(157)	(149)	(64)	(61)	(39)	(33)
Past service cost	–	–	–	–	(49)	–	2	–
Change in scope of consolidation	158	7	(1)	1	–	–	24	–
Losses on curtailments	–	–	–	1	–	–	(1)	–
Plan amendments	–	–	(8)	–	(98)	(22)	–	–
Other changes	–	2	6	1	(1)	(5)	21	(1)
Present value of obligation at the end of the year	1,417	1,243	3,053	2,710	1,417	1,186	323	278

The effect of plan amendments on the amount recognised for health care costs both in the income statement and in the changes in the present value of obligations, is mainly due to the structural reduction in welfare costs in North America, which led to the recognition of income of 83 million euros arising from the reduction of amounts previously provided by the CNH sector.

Changes in the fair value of plan assets are as follows:

(in millions of euros)	Pension Plans 2005	2004
Opening fair value of plan assets	1,623	1,476
Expected return on plan assets	127	119
Actuarial gains (losses)	71	39
Exchange rate differences	144	(53)
Contribution by employer	177	172
Contribution by plan participants	9	6
Benefits paid	(142)	(135)
Change in the scope of consolidation	1	–
Other changes	4	(1)
Closing fair value of plan assets	2,014	1,623

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, 2005	At December 31, 2004
Third party equity instruments	54	47
Third party debt instruments	42	48
Properties occupied by third parties	1	–
Other assets	3	5

Assumed healthcare cost trend rates have a significant effect on the amount recognised in the 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	21	17
Effect on defined benefit obligation	143	119

27. Other provisions

Changes in Other provisions for the year ended December 31, 2005 are as follows:

(in millions of euros)	At December 31, 2004	Charge	Utilisation	Release to income	Other changes	At December 31, 2005
Warranty provision	893	1,033	(953)	(8)	81	1,046
Restructuring provision	347	378	(217)	(13)	24	519
Investment provision	–	51	–	–	20	71
Other risks	2,368	2,318	(1,548)	(83)	88	3,143
Total Other provisions	3,608	3,780	(2,718)	(104)	213	4,779

The effect of discounting provisions amounts to 9 million euros in 2005 and has been included in the Other changes as has the effect of exchange rate differences amounting to 180 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 245 million euros at December 31, 2005 (148 million euros at December 31, 2004), other costs for exiting activities amounting to 7 million euros at December 31, 2005 (13 million euros at December 31, 2004) and other costs totalling 267 million euros at December 31, 2005 (186 million euros at December 31, 2004).

The total balance at December 31, 2005 relates to corporate restructuring programs of the following Sectors (in millions of euros): Fiat Auto 175 (160 at December 31, 2004); Agricultural and Construction Equipment 72 (36 at December 31, 2004); Commercial Vehicles 109 (43 at December 31, 2004); Metallurgical Products 19 (8 at December 31, 2004); Components 59 (66 at December 31, 2004); Production Systems 48 (17 at December 31, 2004); Services 16 (6 at December 31, 2004); Other sectors 21 (11 at December 31, 2004).

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.

28. Debt

A breakdown of debt and an analysis by due date are as follows:

(in millions of euros)	At December 31, 2005 due within one year	due between one and five years	due beyond five years	Total	At December 31, 2004 due within one year	due between one and five years	due beyond five years	Total
Asset-backed financing	6,907	3,254	49	10,210	6,902	3,223	49	10,174
Other debt:								
Bonds	2,766	2,307	2,561	7,634	2,369	3,029	3,928	9,326
Borrowings from banks	2,877	2,557	128	5,562	8,110	2,266	74	10,450
Loans for banking activities	1,255	–	–	1,255	1,322	4	–	1,326
Other	956	92	52	1,100	751	129	35	915
Total Other debt	7,854	4,956	2,741	15,551	12,552	5,428	4,037	22,017
Total Debt	14,761	8,210	2,790	25,761	19,454	8,651	4,086	32,191

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:

- *Euro Medium Term Note (EMTN Program)*: notes of approximately 5.5 billion euros guaranteed by Fiat S.p.A. have been issued to date under this program. Issuers taking part in the program are Fiat Finance & Trade Ltd. S.A. (for an amount outstanding of 5,426 million euros), and Fiat Finance Canada Ltd. (for an amount outstanding of 100 million euros).
- *Convertible bonds*: these represent the residual debt, 15 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 in 2004 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:
  - Bonds issued by Case New Holland Inc. ("CNH Inc.") in 2004 (bearing coupon interest at 9.25% and repayable on August 1, 2011 for an amount of 1,050 million U.S. dollars, equivalent to 890 million euros) and in 2005 (bearing coupon interest at 6.00% and repayable on June 1, 2009 for an amount of 500 million U.S. dollars, equivalent to 424 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 323 million euros;
  - Other minor issues for a total of 43 million euros.

The 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, when the issuers are 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 periodical 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 Case New Holland 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, 2005 are the following:

	Currency	Face value of outstanding bonds (in millions)	Coupon	Maturity	Outstanding amount (in millions of euros)
Euro Medium Term Notes:					
Fiat Finance & Trade (1)	EUR	1,678	5.75%	May 25, 2006	1,678
Fiat Finance Canada	EUR	100	5.80%	July 21, 2006	100
Fiat Finance & Trade (1)	EUR	500	5.50%	December 13, 2006	500
Fiat Finance & Trade (1)	EUR	1,000	6.25%	February 24, 2010	1,000
Fiat Finance & Trade (1)	EUR	1,300	6.75%	May 25, 2011	1,300
Fiat Finance & Trade (1)	EUR	617	(2)	(2)	617
Others (3)					331
Total Euro Medium Term Notes					5,526
Convertible bonds:					
Fiat Fin. Luxembourg (4)	USD	17	3.25%	January 9, 2007	15
Total Convertible bonds					15
Other bonds:					
CNH Capital America LLC	USD	127	6.75%	October 21, 2007	107
Case New Holland Inc.	USD	1,050	9.25%	August 1, 2011	890
Case New Holland Inc.	USD	500	6.00%	June 1, 2009	424
CNH America LLC	USD	254	7.25%	January 15, 2016	216
Others (3)					43
Total Other bonds					1,680
Fair value adjustments and amortised cost valuation					413
Total Bonds					7,634

(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.

The Fiat Group intends to repay the issued bonds in cash at due date by utilising available liquid resources. At December 31, 2005, the Fiat Group also had unused committed credit lines of 1 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 buybacks, if made, depend upon market conditions, the financial situation of the Group and other factors which could affect such decisions.

The item Borrowings from banks at December 31, 2004 included the 3 billion euros Mandatory Convertible Facility stipulated in execution of the Framework Agreement dated May 27, 2002 with Capitalia, Banca Intesa, SanPaolo IMI and later Unicredit Banca (the "Lending Banks"), for the purpose of providing the Fiat Group with the financial support needed to implement its strategic and industrial plans. As described in Notes 9 and 25, the extinguishment of the Mandatory Convertible Facility and its conversion to capital stock, through the subscription by the Lending Banks of an increase in capital stock for consideration, took place on September 20, 2005. Capital stock increased in this manner from 4,918,113,540 euros to 6,377,257,130 euros.

At December 31, 2004 the item also included 1,147 million euros of financing secured from Citigroup and a small group of banks that was guaranteed by the EDF Put option (reference should be made to details of the EDF Put option described in Note 3 of the Consolidated Financial Statements at December 31, 2004) held by the Fiat Group on its residual interest of 24.6% in Italenergia Bis and the shares in Italenergia Bis pledged by Fiat. In addition, the item included 603 million euros due to the other (bank) stockholders of Italenergia Bis, who acquired 14% of Fiat's interest in Italenergia Bis in 2002, subject to a series of options expiring in 2005. Given the existence of these options, the sale of the 14% interest did not previously satisfy the revenue recognition requirements of IAS18. As described in Note 6, Fiat repaid the mentioned loans during the period with the proceeds of the sale of its interest of 24.6% carried out through the exercise of the Put option, and as a result, the possibility that Fiat will be required to repurchase the 14% holding from these stockholders has been eliminated.

The annual interest rates and the nominal currencies of debt are as follows:

	Interest rate					
(in millions of euros)	less than 5%s	from 5% to 7.5%	from 7.5% to 10%	from 10% to 12.5%	greater than 12.5%	Total
Euro and euro-zone currencies	7,602	5,575	341	–	–	13,518
U.S. dollar	5,686	1,522	928	3	–	8,139
Japanese yen	11	–	–	–	–	11
Brazilian real	195	4	1,088	67	442	1,796
British pound	78	44	–	–	–	122
Canadian dollar	937	–	–	–	–	937
Other	489	672	73	4	-	1,238
Total Debt	14,998	7,817	2,430	74	442	25,761

Financial payables 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, 2005 amounts to approximately to 25,624 million euros (approximately 31,989 million euros at December 31, 2004), 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, 2005 the Group has outstanding financial lease agreements for certain property, plant and equipment whose net carrying amount totalling 96 million euros (65 million euros at December 31, 2004) is included in the item Property, plant and equipment (Note 14). Payables for finance leases included in the item Total other debt amount to 145 million euros at December 31, 2005 (120 million euros at December 31, 2004) and are analysed as follows:

(in millions of euros)	At December 31, 2005 due within one year	due between one and five years	due beyond five years	Total	At December 31, 2004 due within one year	due between one and five years	due beyond five years	Total
Minimum future lease payments	79	59	17	155	21	91	13	125
Interest expense	(4)	(5)	(1)	(10)	(1)	(4)	–	(5)
Present value of minimum lease payments	75	54	16	145	20	87	13	120

Debt secured by mortgages on assets of the Group amounts to 710 million euros at December 31, 2005 (2,510 million euros at December 31, 2004), of which 145 million euros (120 million euros at December 31, 2004) due to creditors for assets acquired under finance leases. Of the amount at December 31, 2004, approximately 1.8 billion euros regarding the financing obtained as part of the Italenergia Bis operation was extinguished in September 2005. The total carrying amount of assets acting as security for loans amounts to 872 million euros at December 31, 2005 (1,630 million euros at December 31, 2004, including of the investment in Italenergia Bis). 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 10,210 million euros (10,174 million euros at December 31, 2004).

29. Trade payables

An analysis by due date of trade payables at December 31, 2005 is as follows:

(in millions of euros)	At December 31, 2005 Due within one year	Due between one and five years	Due beyond five years	Total	At December 31, 2004 Due within one year	Due between one and five years	Due beyond five years	Total
Trade payables	11,773	4	–	11,777	11,654	43	–	11,697

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, 2005 is as follows:

(in millions of euros)	At December 31, 2005	At December 31, 2004
Payables to personnel	483	428
Tax payables	969	764
Social security payables	354	325
Advances on buy-back agreements	2,171	1,941
Other	844	1,103
Total Other payables	4,821	4,561

An analysis of Other payables by due date is as follows:

(in millions of euros)	At December 31, 2005 Due within one year	Due between one and five years	Due beyond five years	Total	At December 31, 2004 Due within one year	Due between one and five years	Due beyond five years	Total
Other payables	3,819	879	123	4,821	3,749	723	89	4,561

Tax payables includes current income tax liabilities for 388 million euros (334 million euros at December 31, 2004)

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 1,334 million euros regards assets included in Property, plant and equipment, with the balance of 837 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 investment 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, 2005 the Group had granted guarantees on the debt or commitments of third parties or associated entities totalling 1,198 million euros (2,360 million euros at December 31, 2004). An amount of 598 million euros of the decrease of 1,162 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.

Fidis Retail Italia (FRI)

The associated company Fidis Retail Italia S.p.A. ("FRI") was set up to take over the European activities of the Automobile Sector in the area of consumer financing for retail automobile purchases. To this end, the activities performed by various companies operating in different countries in Europe were gradually sold to FRI after obtaining the necessary authorisations from the local regulatory agencies. As envisaged by the Framework Agreement signed on May 27, 2002 by Fiat and the "Money Lending Banks" (Capitalia, Banca Intesa, SanPaolo IMI and later Unicredit Banca), on May 27, 2003, the Fiat Group sold 51% of FRI's shares and, as a result, the relative control, to Synesis Finanziaria S.p.A., an Italian company held equally by the four Banks, at the price of 370 million euros, based upon the binding agreements signed by the parties at that time. The sale contract calls for Put and Call options that can be summarised as follows:

- Call Option by Fiat Auto to purchase 51% of Fidis Retail Italia, held by Synesis Finanziaria, exercisable quarterly up to January 31, 2008 (initially up to January 31, 2006, before the extension agreed on February 4, 2005) at a price increased pro rata temporis over the sales price plus additional payments less any distributions.
- Synesis Finanziaria's right to request Fiat Auto to exercise the above purchase option on 51% of Fidis Retail Italia in the event of which by January 31, 2008 (January 31, 2006, before the above-mentioned extension) there is a change in control of Fiat or Fiat Auto (also through the sale of a substantial part of the companies owned by Fiat Auto or one of its brands Fiat, Alfa and Lancia) as set forth in the relative stockholders' agreement between Fiat Auto, Synesis Finanziaria and the four money lending banks.
- So-called "tag along" option on behalf of Synesis Finanziaria if the same events referred to in the preceding point occur after January 31, 2008 (originally January 31, 2006).
- So-called "drag along" option on behalf of Fiat Auto in the event of the sale of the investment after January 31, 2008 (January 31, 2006, before the above-mentioned extension).

As a result of the transaction, FRI was deconsolidated and has repaid all the loans it previously obtained from the centralised treasury department of the Group.

Ferrari

A summary is presented below of the rights arising from the purchase in 2002 of 34% of the capital stock of Ferrari S.p.A. for 775 million euros by Mediobanca S.p.A., within the framework of a consortium set up for the acquisition and placement of the Ferrari shares. The sale contract sets out the following principal elements:

- Mediobanca assumed the responsibility of sole Global Coordinator in charge of coordinating and leading the consortium, in the event of a placement by june 30, 2006.
- Mediobanca cannot sell its Ferrari shares to another group in the automobile industry as long as the Fiat Group maintains a 51% controlling interest in Ferrari. Barring certain specific assumptions, the Fiat Group can not reduce its investment in Ferrari below 51% until the end, depending on the case, of the third or fourth year subsequent to signing the contract.
- Fiat holds a call option that allows it to repurchase the Ferrari shares at any time before June 30, 2006, except during the five months subsequent to the presentation of an IPO application to the competent authorities. The option exercise price is equal to the original price at which the shares were sold plus interest during the period based on the BOT yield plus 4%.
- Mediobanca, moreover, does not hold any put option to resell the purchased Ferrari shares to Fiat, even in the event that the IPO does not occur or is not completed.
- Fiat may share, in declining percentages, in any gain realised by Mediobanca and the other members of the consortium in the event of an IPO.

Teksid

Teksid S.p.A. is the object of a Put and Call contract with the partner Norsk Hydro concerning the subsidiary Meridian Technologies Inc. (held 51% by the Teksid Group and 49% by the Norsk Hydro Group). In particular, should there be a strategic deadlock in the management of the company (namely in all those cases in which a unanimous vote in 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 2% per year is established in the event the option is exercised from the start of 2008 until 2013, thus up to 150% of the relative value).

It should be pointed out that at present the conditions that would give rise to the strategic deadlock are considered to be quite remote.

Fiat S.p.A. is subject to a put contract with Renault (in reference to the original investment of 33.5% in Teksid, now 15.2%).

In particular, Renault would acquire the right to exercise a sale option on the treasury stock to Fiat, in the following cases:

- in the event of nonfulfilment in the application of the protocol of the agreement and admission to receivership or any other redressment procedure;
- in the event Renault's investment in Teksid falls below 15% or Teksid decides to invest in a structural manner outside the foundry sector;
- should Fiat be the object of the acquisition of control by another car manufacturer.

The exercise price of the option is established as follows:

- for 6.5% of the capital stock of Teksid, the initial investment price increased pro rata temporis;
- for the remaining amount of capital stock of Teksid, the share of the accounting net equity at the exercise date.

Sales of receivables

The Group has discounted receivables and bills without recourse having due dates after December 31, 2005 amounting to 2,463 million euros (1,623 million euros at December 31, 2004, with due dates after that date), which refer to trade receivables and other receivables for 2,007 million euros (1,325 million euros at December 31, 2004) and receivables from financing for 456 million euros (298 million euros at December 31, 2004). The increase during the period is mainly connected with the sales of receivables to companies of the Iveco Finance Holdings Limited group, which from June 1, 2005 are no longer consolidated on a line-by-line basis.

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, 2005 the total future minimum lease payments under non-cancellable lease contracts are as follows.

	At December 31, 2005				At December 31, 2004			
(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	71	171	161	403	75	177	160	412

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 condition and results. At December 31, 2005, contingent liabilities estimated by the Group amount to approximately 200 million euros, 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 2005 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 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, 2005, potential obligations with respect to these indemnities are approximately 750 million euros, unchanged from the level at December 31, 2004. The Group have 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.

Fiat has recently 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 Programme" issued in October 2005, 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 three major brands Fiat, Lancia and Alfa Romeo and manufactures and markets automobiles and commercial vehicles.

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 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 will also include Iveco, C.R.F. and the Elasis business which manufactures engines and gear boxes.

The Agricultural and Industrial Equipment (CNH) Sector manufactures and sells tractors and agricultural equipment under the Case IH and the New Holland brands and construction equipment under the Case, New Holland and Kobelco brands.

The Iveco Sector produce and sells commercial vehicles, mainly in Europe, (under the Iveco brand), buses (under the Iveco and Irisbus brands) and special vehicles (under the Iveco, Magirus and Astra brands).

The Components Sector (Magneti Marelli) produces and sells components for lighting systems, engine control units, suspension systems, electronic systems and exhaust systems.

The Production System Sector (Comau) designs and produces industrial automation systems and related products for the automotive industry.

The Metallurgical Products Sector (Teksid) produces components for engines, cast-iron transmissions, and magnesium bodywork components.

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 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.

Segment Capital expenditure, Depreciation and amortisation, and Impairment concern intangible assets and property, plant and equipment.

Other Sector non-cash items comprise the 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, Iveco and CNH Sectors and the Assets of the Other Sectors for Banca Unione di Credito, 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	FPT	CNH	Iveco	Magneti Marelli	Teksid	Comau	Business Solutions	Itedi	Other and eliminations	FIAT Group
2005													
Total net revenues	19,533	533	1,289	1,966	10,212	9,489	4,033	1,036	1,573	752	397	(4,269)	46,544
Net revenues intersegment	(194)	–	(83)	(1,513)	(3)	(355)	(1,473)	(206)	(245)	(422)	(10)	4,504	–
Net revenues from third parties	19,339	533	1,206	453	10,209	9,134	2,560	830	1,328	330	387	235	46,544
Trading profit	(281)	(85)	157	26	698	415	162	45	42	35	16	(230)	1,000
Unusual income (expenses)	(537)	–	–	(22)	(87)	(126)	(35)	(18)	(50)	(28)	(3)	2,121	1,215
Operating result	(818)	(85)	157	4	611	289	127	27	(8)	7	13	1,891	2,215
Financial income (expenses)													(843)
Unusual financial income													858
Result from equity investments	68	–	–	–	39	(54)	(3)	1	(3)	(20)	–	6	34
Result before taxes													2,264
Income taxes													844
Result from continuing operations													1,420
Other information													
Capital expenditure	1,582	20	142	173	255	912	313	45	38	19	20	1	3,520
Depreciation and amortisation	(1,264)	(37)	(128)	(168)	(296)	(539)	(181)	(45)	(27)	(28)	(7)	(20)	(2,740)
Impairment	(151)	–	–	(1)	–	(36)	(16)	–	–	(3)	–	(26)	(233)
Other non-cash items	(1,259)	(34)	(52)	(65)	(1,311)	(617)	(102)	(44)	(53)	(25)	(1)	(166)	(3,729)

(in millions of euros)	Fiat Auto	Maserati	Ferrari	FPT	CNH	Iveco	Magneti Marelli	Teksid	Comau	Business Solutions	Itedi	Other and eliminations	FIAT Group
2004													
Total net revenues	19,695	409	1,175	–	9,983	9,047	3,795	910	1,711	976	407	(2,471)	45,637
Net revenues intersegment	(169)	(10)	(72)	–	(6)	(332)	(1,226)	(112)	(427)	(399)	(9)	2,762	–
Net revenues from third parties	19,526	399	1,103	–	9,977	8,715	2,569	798	1,284	577	398	291	45,637
Trading profit	(822)	(168)	138	–	467	371	165	(39)	40	41	11	(154)	50
Unusual income (expenses)	(590)	(3)	(2)	–	(68)	(24)	(17)	(3)	(10)	(7)	(2)	91	(635)
Operating result	(1,412)	(171)	136	–	399	347	148	(42)	30	34	9	(63)	(585)
Financial income (expenses)													(1,179)
Unusual financial income													–
Result from equity investments	89	–	–	–	20	(22)	3	(3)	(4)	(24)	–	76	135
Result before taxes													(1,629)
Income taxes													50
Result from continuing operations													(1,579)
Other information													
Capital expenditure	1,793	51	143	–	243	737	280	44	23	25	2	(18)	3,322
Depreciation and amortisation	(1,082)	(33)	(108)	–	(302)	(526)	(175)	(50)	(29)	(28)	(6)	(33)	(2,372)
Impairment	(118)	(56)	–	–	–	(21)	(4)	(75)	–	(2)	–	(4)	(280)
Other non-cash items	(549)	(25)	(16)	–	(461)	(487)	(147)	(33)	(15)	(13)	(4)	(121)	(1,871)

(in millions of euros)	Fiat Auto	Maserati	Ferrari	FPT	CNH	Iveco	Magneti Marelli	Teksid	Comau	Business Solutions	Itedi	Other and eliminations	FIAT Group
At December 31, 2005													
Sector operating assets	16,231	235	936	2,362	17,860	7,510	2,363	671	1,091	341	186	915	50,701
Investments	1,780	1	3	6	385	346	13	13	5	1	12	(475)	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	1,255	14,483	6,213	1,620	419	828	437	161	719	42,668
Provision for investments	21	–	–	–	–	46	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

(in millions of euros)	Fiat Auto	Maserati	Ferrari	FPT	CNH	Iveco	Magneti Marelli	Teksid	Comau	Business Solutions	Itedi	Other and eliminations	FIAT Group
At December 31, 2004													
Sector operating assets	15,967	312	837	–	15,224	9,797	2,228	576	1,042	636	161	1,784	48,564
Investments	2,036	–	3	–	338	194	23	13	5	11	8	1,165	3,796
Unallocated Group assets:													
Tax assets													3,182
Receivables from financing activities, Non-current Other receivables and Securities of industrial companies													1,034
Cash and cash equivalents, Current securities and Other financial assets of industrial companies													5,946
Total unallocated Group assets													10,162
Total assets													62,522
Sectors operating liabilities	15,269	302	428	–	12,128	8,342	1,371	389	823	604	165	1,440	41,261
Provision for investments	–	–	–	–	–	–	–	–	–	–	–	–	–
Unallocated Group liabilities:													
Tax liabilities													940
Debt and Other financial liabilities of industrial companies													15,393
Total unallocated Group liabilities													16,333
Total liabilities													57,594

Geographical segment information

Geographical segment information on Net Revenues is based on the geographical location of the Group's customers.

(in millions of euros)	2005	2004
Italy	13,078	14,903
Europe (Italy excluded)	18,518	17,646
North America	6,048	6,020
Mercosur	4,364	3,195
Other areas	4,536	3,873
Net revenues of the Group	46,544	45,637

The total amount of Assets and Capital expenditure by geographical segment are as follows:

	At December 31, 2005		At December 31, 2004	
(in millions of euros)	Assets	Capital expenditure	Assets	Capital expenditure
Italy	24,737	2,075	26,147	2,047
Europe (Italy excluded)	15,908	1,011	18,516	919
North America	15,599	165	13,043	202
Mercosur	4,085	164	3,042	124
Other areas	2,125	105	1,774	30
Total	62,454	3,520	62,522	3,322

34. Information on financial risks

The Group is exposed to 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.

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, 2005 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.

Of Receivables from financing activities amounting to 15,973 million euros at December 31, 2005, balances totalling 205 million euros have been written down on an individual basis; of the remainder, balances totalling 226 million euros are past due up to one month, while balances totalling 408 million euros are past due beyond one month. In the event of instalment payments, even if only one instalment is overdue, the whole amount of the receivable is classified as overdue.

Of Trade receivables and Other receivables totalling 8,053 million euros at December 31, 2005, balances totalling 119 million euros have been written down on an individual basis; of the remainder, balances totalling 400 million euros are past due up to one month, while balances totalling 613 million euros are past due beyond one month.

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.

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 or absorbed by operating and investing activities and on the other the term of debt and its renewal conditions or the liquidity of funds employed.

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;
- 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 2005, the total trade flows exposed to exchange rate risk amounted to the equivalent of approximately 14% of the Group's turnover.

  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.

  The trading flows exposed to changes in these exchange rates amounted in 2005 to about 75% of the total exchange rate risk from trading transactions.

  Other significant exposures regard the exchange rates EUR/CHF, EUR/TRY, USD/CAD USD/AUD, USD/GBP and USD/JPY. None of these exposures, taken individually, exceeded 5% of the Group's total transaction exchange risk exposure in 2005.

  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 that going 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 certain contractual 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 and China. 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 euro 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.

Sensitivity analysis

The potential loss in fair value of derivative financial instruments held by the Group at December 31, 2005 for managing exchange risk (currency swaps forward, currency options and interest rate and currency swaps), which would arise in the case of a hypothetical and unfavourable change of 10% in the exchange rates of the major foreign currencies with the euro, would amount to approximately 273 million euros. Receivables, payables and future trade flows for which detailed hedging operations have been carried out are not included in this analysis. It is reasonable to expect that future changes in exchange rates would produce an opposite economic impact, of an equal or higher amount, on the underlying hedged transactions.

This analysis assumes that, in general terms, an unfavourable and instantaneous fluctuation of 10% in exchange rates compared with the Euro. For currency options sensitivity analysis models have been employed which presuppose unchanged market volatility at the end of the year.

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 the variability of interest rates on the net result, ensuring the correct interest rate matching for financial services companies.

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, 2005, resulting from a hypothetical, unfavourable and instantaneous change of 10% in market interest rates, would have been approximately 33 million euros.

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 sensitivity analysis considers also the effect of the sale of receivables.

A hypothetical, unfavourable and instantaneous change of 10% in short-term interest rates at December 31, 2005, 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 17 million euros.

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.

35. Other information

The income statement includes personnel costs for 6,158 million euros in 2005 (6,167 million euros in 2004).

An analysis of the average number of employees by category is provided as follows:

	2005	2004
Average number of employees		
Managers	2,595	2,644
White-collar	54,489	53,783
Blue-collar	112,987	105,589
Total	170,071	162,016

The aggregate expense incurred in 2005 and accrued at year end for the compensation of key management personnel of the Group amounts to approximately 12 million euros (approximately 12 million euros in 2004). This amount is inclusive of the following:

- the provision charged by the Group in respect of mandatory severance indemnity, amounting to 0.7 million euros (0.7 million euros in 2004);
- the amount contributed by the Fiat Group to a defined contribution fund, amounting to 0.3 million euros in 2005 (0.3 million euros in 2004);
- the amount contributed by the Fiat Group to a special defined benefit plan for certain senior executives (the Individual Top Hat Scheme) amounting to 0.9 million euros in 2005 (0.6 million euros in 2004).

36. Translation of financial statements denominated in a currency other than the euro

The principal exchange rates used in 2005 and 2004 to translate into euros the financial statements prepared in currencies other than the euros were as follows:

	Average 2005	At December 31, 2005	Average 2004	At December 31, 2004
U.S. dollar	1.244	1.180	1.244	1.362
Pound sterling	0.684	0.685	0.679	0.705
Swiss franc	1.548	1.555	1.544	1.543
Polish zloty	4.023	3.860	4.526	4.084
Brazilian real	3.027	2.761	3.635	3.615
Argentine peso	3.637	3.589	3.664	4.045

37. Emoluments to directors and statutory auditors

The fees of the Directors and Statutory Auditors of Fiat S.p.A. for carrying out their respective functions, including those in other consolidated companies, are as follows:

			2005			2004
(in thousands of euros)	Fiat S.p.A.	Subsidiaries	Total	Fiat S.p.A.	Subsidiaries	Total
Directors	8,633	7,640	16,273	5,128	7,167	12,295
Statutory auditors	147	30	177	147	30	177
Total Emoluments	8,780	7,670	16,450	5,275	7,197	12,472

Turin, February 28, 2006

The Board of Directors

By:

Luca Cordero di Montezemolo

Chairman

Appendix 1

Transition to International Financial Reporting Standards (IFRS)

Following the coming into force of European Regulation No. 1606 dated July 19, 2002, starting from January 1, 2005, the Fiat Group adopted International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"). This Appendix provides the IFRS reconciliations of balance sheet data as of January 1 and December 31, 2004, and of income statement data for the year ended December 31, 2004 as required by IFRS 1 – First-time Adoption of IFRS, together with the related explanatory notes.

This information has been prepared as part of the Group's conversion to IFRS and in connection with the preparation of its 2005 consolidated financial statements in accordance with IFRS, as adopted by the European Union.

RECONCILIATIONS REQUIRED BY IFRS 1

As required by IFRS 1, this note describes the polices adopted in preparing the IFRS opening consolidated balance sheet at January 1, 2004, the main differences in relation to Italian GAAP used to prepare the consolidated financial statements until December 31, 2004, as well as the consequent reconciliations between the figures already published, prepared in accordance with Italian GAAP, and the corresponding figures remeasured in accordance with IFRS.

The 2004 restated IFRS consolidated balance sheet and income statement have been prepared in accordance with IFRS 1 – *First-time Adoption of IFRS*. In particular, the IFRS applicable from January 1, 2005, as published as of December 31, 2004, have been adopted, including the following:

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

FIRST-TIME ADOPTION OF IFRS

General principle

The Group applied the accounting standards in force at December 31, 2004 retrospectively to all periods presented, and to the opening balance sheet except for certain exemptions adopted by the Group in accordance with IFRS 1, as described in the following paragraph.

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

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

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

Optional exemptions adopted by the Group

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

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

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

Effects of transition to IFRS on the Consolidated Balance Sheet at January 1, 2004

(in millions of euros)	Italian GAAP	Reclassifications	Adjustments	IAS/IFRS	
Intangible fixed assets:	3,724	–	1,774	5,498	Intangible assets:
Goodwill	*2,402*	–	–	*2,402*	*Goodwill*
Other intangible fixed assets	*1,322*	–	1,774	*3,096*	*Other intangible assets*
Property, plant and equipment:	9,675	(945)	817	9,547	Property, plant and equipment
Property, plant and equipment	*8,761*	(31)	–	–	
Operating leases	*914*	(914)	–	–	
		31	–	31	Investment property
Financial fixed assets	3,950	70	(121)	3,899	Investment and other financial assets
Financial receivables held as fixed assets	29	(29)	–	–	
		914	(50)	864	Leased assets
Deferred tax assets	1,879	–	266	2,145	Deferred tax assets
Total Non-Current assets	19,257	41	2,686	21,984	Non-current assets
Net inventories	6,484	–	1,113	7,597	Inventories
Trade receivables	4,553	(682)	2,678	6,549	Trade receivables
		12,890	7,937	20,827	Receivables from financing activities
Other receivables	3,081	(148)	541	3,474	Other receivables
		407	10	417	Accrued income and prepaid expenses
				2,129	Current financial assets:
		32	–	*32*	*Current equity investments*
		515	260	*775*	*Current securities*
		430	892	*1,322*	*Other financial assets*
Financial assets not held as fixed assets	120	(120)	–	–	
Financial lease contracts receivable	1,797	(1,797)	–	–	
Financial receivables	10,750	(10,750)	–	–	
Securities	3,789	(3,789)	–	–	
Cash	3,211	3,214	420	6,845	Cash and cash equivalents
Total Current assets	33,785	202	13,851	47,838	Current assets
Trade accruals and deferrals	407	(407)	–	–	
Financial accruals and deferrals	386	(386)	–	–	
			21	21	Assets held for sale
TOTAL ASSETS	53,835	(550)	16,558	69,843	TOTAL ASSETS
Stockholders' equity	7,494		(934)	6,560	Stockholders' equity
				7,455	Provisions:
Reserves for employee severance indemnities	1,313	1,503	1,224	*4,040*	*Employee benefits*
Reserves for risks and charges	5,168	(1,550)	(203)	*3,415*	*Other provisions*
Deferred income tax reserves	211	(211)	–	–	
Long-term financial payables	15,418	6,501	14,790	36,709	Debt:
				10,581	*Asset-backed financing*
				26,128	*Other debt*
Total Non-current liabilities	22,110	6,243			
		568	(223)	345	Other financial liabilities
Trade payables	12,588	–	(297)	12,291	Trade payables
Others payables	2,742	–	1,948	4,690	Other payables
Short-term financial payables	6,616	(6,616)	–	–	
Total Current liabilities	21,946	(6,048)			
		211	274	485	Deferred tax liabilities
Trade accruals and deferrals	1,329		(21)	1,308	Accrued expenses and deferred income
Financial accruals and deferrals	956	(956)	–	–	
				–	Liabilities held for sale
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	53,835	(550)	(934)	69,843	TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES

Effects of transition to IFRS on the Consolidated Balance Sheet at December 31, 2004

(in millions of euros)	Italian GAAP	Reclassifications	Adjustments	IAS/IFRS	
Intangible fixed assets:	3,322	–	2,256	5,578	Intangible assets:
Goodwill	*2,140*	–	17	*2,157*	*Goodwill*
Other intangible fixed assets	*1,182*	–	2,239	*3,421*	*Other intangible assets*
Property, plant and equipment	9,537	(874)	774	9,437	Property, plant and equipment
Property, plant and equipment	*8,709*	(46)	–	–	
Operating leases	*828*	(828)	–	–	
		46	–	46	Investment property
Financial fixed assets	3,779	86	160	4,025	Investment and other financial assets
Financial receivables held as fixed assets	19	(19)	–	–	
		828	(88)	740	Leased assets
Deferred tax assets	2,161	–	241	2,402	Deferred tax assets
Total Non-current assets	18,818	67	3,343	22,228	Non-current assets
Net inventories	5,972	–	1,285	7,257	Inventories
Trade receivables	4,777	(755)	1,469	5,491	Trade receivables
		9,662	7,836	17,498	Receivables from financing activities
Other receivables	3,021	(508)	221	2,734	Other receivables
		398	(103)	295	Accrued income and prepaid expenses
				1,237	Current financial assets:
		33	–	*33*	*Current equity investments*
		135	218	*353*	*Current securities*
		599	252	*851*	*Other financial assets*
Financial assets not held as fixed assets	117	(117)			
Financial lease contracts receivable	1,727	(1,727)	–	–	
Financial receivables	7,151	(7,151)	–	–	
Securities	2,126	(2,126)	–	–	
Cash	3,164	1,896	707	5,767	Cash and cash equivalents
Total Current assets	28,055	339	11,885	40,279	Current assets
Trade accruals and deferrals	398	(398)	–	–	
Financial accruals and deferrals	327	(327)	–	–	
			15	15	Assets held for sale
TOTAL ASSETS	47,598	(319)	15,243	62,522	TOTAL ASSETS
Stockholders' equity	5,757	–	(829)	4,928	Stockholders' equity
				7,290	Provisions:
Reserves for employee severance indemnities	1,286	1,432	964	*3,682*	*Employee benefits*
Reserves for risks and charges	5,185	(1,449)	(128)	*3,608*	*Other provisions*
Deferred income tax reserves	197	(197)	–	–	
Long-term financial payables	8,933	9,611	13,647	32,191	Debt:
				10,174	*Asset-backed financing*
				22,017	*Other debt*
Total Non-current liabilities	15,601	9,397	–	–	
		629	(426)	203	Other financial liabilities
Trade payables	11,955	–	(258)	11,697	Trade payables
Others payables	2,565	–	1,996	4,561	Other payables
Short-term financial payables	9,810	(9,810)	–	–	
Total Current liabilities	24,330	(9,181)	–	–	
		197	325	522	Deferred tax liabilities
Trade accruals and deferrals	1,178	–	(48)	1,130	Accrued expenses and deferred income
Financial accruals and deferrals	732	(732)	–	–	
				–	Liabilities held for sale
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	47,598	(319)	(829)	62,522	TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES

Reconciliation of Stockholders' Equity

(in millions of euros)		At January 1, 2004	At December 31, 2004
Stockholders' Equity under Italian GAAP		7,494	5,757
Development costs	A	1,876	2,320
Employee benefits	B	(1,247)	(1,089)
Business combinations	C	–	40
Revenue recognition – sales with a buy-back commitment	D	(180)	(177)
Revenue recognition – other	E	(296)	(375)
Scope of consolidation	F	(371)	(390)
Property, plant and equipment	G	(164)	(150)
Write-off of deferred costs	H	(134)	(115)
Impairment of assets	I	(169)	(282)
Reserves for risks and charges	L	(195)	(256)
Recognition and measurement of derivatives	M	450	145
Treasury stock	N	(32)	(26)
Adjustments to the valuation of investments in associates	P	(152)	(134)
Sales of receivables	Q	(69)	(24)
Other adjustments		(243)	(232)
Accounting for deferred income taxes	R	(8)	(84)
Stockholders' equity under IAS/IFRS		6,560	4,928

Details of the effects of transition to IFRS on the Balance sheet

The final section of this Appendix contains explanatory notes describing the main reconciling items between Italian GAAP and IFRS, which are cross referenced to the following detailed analysis by means of the letters associated with each line item.

Goodwill

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Business combinations - goodwill depreciation write-down	C	–	159
Business combinations - restatement of CNH purchase accounting for deferred tax assets	C	–	(121)
Business combinations - reinstatement of MMSE goodwill	C	–	(21)
		–	17

Other intangible assets

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Development costs	A	2,090	2,499
Write-off of deferred costs	H	(288)	(218)
Impairment of assets	I	–	(10)
Recognition and measurement of derivatives - measurement of borrowings at amortised cost	M	(28)	(32)
		1,774	2,239

Property, plant and equipment

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
to Leased assets - change in balance sheet format		(914)	(828)
to Investment property - change in balance sheet format		(31)	(46)
		(945)	(874)

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Revenue recognition - sales with a buy-back commitment	D	1,001	1,106
Revenue recognition - other - real estate transactions	E	80	49
Scope of consolidation	F	93	90
Property, plant and equipment - elimination of revaluations	G	(242)	(236)
Property, plant and equipment - elimination of depreciation of land	G	85	89
Impairment of assets	I	(168)	(244)
Other adjustments		(32)	(80)
		817	774

Investment property

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
from Property, plant and equipment - change in balance sheet format		31	46
		31	46

Investment and other financial assets

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
from Financial assets not held as fixed assets - change in balance sheet format		56	58
from Treasury stock - change in balance sheet format		32	26
from Financial receivables held as fixed assets - change in balance sheet format		29	19
from Other provisions - investments provision		(47)	(17)
		70	86

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Revenue recognition - other	E	292	342
Scope of consolidation	F	(327)	(180)
Recognition and measurement of derivatives - fair value measurement of investments and securities	M	55	160
Treasury stock	N	(32)	(26)
Adjustments to the valuation of investments in associates	P	(152)	(135)
Other adjustments		43	(1)
		(121)	160

Leased assets

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
from Operating leases - change in balance sheet format		914	828
		914	828

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Revenue recognition - sales with a buy-back commitment for intra-group transactions	D	(41)	(83)
Other adjustments		(9)	(5)
		(50)	(88)

Inventories

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Revenue recognition - sales with a buy-back commitment	D	608	695
Scope of consolidation - SCDR	F	513	582
Recognition and measurement of derivatives	M	3	25
Other adjustments		(11)	(17)
		1,113	1,285

Trade receivables

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
Reclassifications to receivables for financing activities of dealer financing free period		(682)	(755)
		(682)	(755)

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Revenue recognition - sales with a buy-back commitment	D	38	95
Scope of consolidation - SCDR	F	(924)	(789)
Sales of receivables	Q	3,563	2,130
Other adjustments		1	33
		2,678	1,469

Receivables from financing activities

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
from Financial receivables - change in balance sheet format		10,750	7,151
from Financial lease contract receivables - change in balance sheet format		1,797	1,727
from Financial deferred income - measurement at amortised cost		(331)	(198)
to Other financial assets - change in balance sheet format		(261)	(386)
from Securities - change in balance sheet format		105	105
from Other receivables - guarantee deposits arising from securitisations of dealer financing free period		148	508
Reclassifications from trade receivables of dealer financing free period		682	755
		12,890	9,662

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Revenue recognition - sales with a buy-back commitment	D	(194)	(244)
Revenue recognition - other	E	(100)	(106)
Scope of consolidation	F	2,140	1,111
Sales of receivables	Q	6,127	6,997
Other adjustments		(36)	78
		7,937	7,836

Other receivables

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
to Receivables for financing activities - guarantee deposits on securitisations of dealer financing free period		(148)	(508)
		(148)	(508)

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Development costs	A	(208)	(183)
Revenue recognition - sales with a buy-back commitment	D	9	11
Revenue recognition - other real estate transactions	E	–	(110)
Scope of consolidation	F	213	168
Write-off of deferred costs	H	26	18
Sales of receivables	Q	501	475
Other adjustments		–	(158)
		541	221

Accrued income and prepaid expenses

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Employee benefits	B	2	(110)
Other adjustments		8	7
		10	(103)

Current securities

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
from Securities – change in balance sheet format		3,789	2,126
to Cash and cash equivalents for liquid funds and highly liquid debt securities		(3,214)	(1,896)
to Receivables for financing activities - change in balance sheet format		(105)	(105)
from Financial accrued income - change in balance sheet format		45	10
		515	135

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Scope of consolidation - B.U.C.	F	231	210
Other adjustments		29	8
		260	218

Other financial assets

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
from Receivables from financing activities - change in balance sheet format		261	386
from Financial accrued income - change in balance sheet format		201	224
from Financial deferred income		(32)	(11)
		430	599

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Scope of consolidation	F	15	25
Recognition and measurement of derivatives	M	864	232
Other adjustments		13	(5)
		892	252

Cash and cash equivalents

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
from Marketable securities for liquid funds and highly liquid debt securities		3,214	1,896
		3,214	1,896

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Scope of consolidation	F	30	135
Sales of receivables - securitizations' vehicles liquidity	Q	390	572
		420	707

Financial accrued income and prepaid expenses

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
to Debt - change in balance sheet format		(85)	(52)
to Marketable securities - change in balance sheet format		(45)	(10)
to Other financial liabilities - change in balance sheet format		(55)	(41)
to Other financial assets - change in balance sheet format		(201)	(224)
		(386)	(327)

Assets held for sale

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Assets held for sale reclassification		17	12
Other adjustments		4	3
		21	15

Employees benefits

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
from Reserve for employee pensions and similar obligations - change in balance sheet format		1,503	1,432
		1,503	1,432

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Employee benefits	B	1,224	964
		1,224	964

Other provisions

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
to Employees benefits - change in balance sheet format		(1,503)	(1,432)
to Investments and other financial assets, investments provision- change in balance sheet format		(47)	(17)
		(1,550)	(1,449)

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Revenue recognition - sales with a buy-back commitment	D	(283)	(279)
Reserves for risks and charges - vehicle sales incentives	L	260	273
Reserves for risks and charges - other	L	(65)	(20)
Sales of receivables	Q	(51)	(60)
Other adjustments		(64)	(42)
		(203)	(128)

Debt

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
from Financial accrued expenses - change in balance sheet format		123	93
from Financial prepaid expenses - change in balance sheet format		(85)	(52)
to Other financial liabilities - change in balance sheet format		(153)	(240)
from Short term financial payables - change in balance sheet format		6,616	9,810
		6,501	9,611

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Revenue recognition - other	E	673	697
Scope of consolidation	F	2,583	2,078
Recognition and measurement of derivatives	M	813	470
Sales of receivables	Q	10,581	10,174
Other adjustments		140	228
		14,790	13,647

Other financial liabilities

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
from Debt - change in balance sheet format		153	240
from Financial accrued expenses		470	430
from Financial prepaid expenses		(55)	(41)
		568	629

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Recognition and measurement of derivatives	M	(257)	(217)
Other adjustments		34	(209)
		(223)	(426)

Trade payables

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Scope of consolidation	F	(284)	(168)
Other adjustments		(13)	(90)
		(297)	(258)

Other payables

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Revenue recognition - sales with a buy-back commitment	D	1,851	2,031
Scope of consolidation	F	42	47
Other adjustments		55	(82)
		1,948	1,996

Accrued expenses and deferred income

Adjustments

(in millions of euros)		At January 1, 2004	At December 31, 2004
Write-off of deferred costs	H	(35)	(44)
Other adjustments		14	(4)
		(21)	(48)

Financial accrued expenses and deferred income

Reclassifications

(in millions of euros)		At January 1, 2004	At December 31, 2004
to Receivables from financing activities - measurement at amortised cost		(331)	(198)
to Other financial assets - change in balance sheet format – derivatives		(32)	(11)
to Other financial liabilities - change in balance sheet format – derivatives		(470)	(430)
to Debt - change in balance sheet format		(123)	(93)
		(956)	(732)

Effects of transition to IFRS on the Income statement for the year ended December 31, 2004

(in millions of euros)	Italian GAAP	Reclassifications	Adjustments	IAS/IFRS	
Net revenues	46,703	–	(1,066)	45,637	Net revenues
Cost of sales	39,623	675	(1,177)	39,121	Cost of sales
Gross operating result	7,080				
Overhead	4,629	51	21	4,701	Selling, general and administrative costs
Research and development	1,810	1	(461)	1,350	Research and development costs
Other operating income (expenses)	(619)	346	(142)	(415)	Other income (expenses)
Operating result	22	(381)	409	50	Trading Profit
		154	(4)	150	Gains (losses) on the disposal of equity investments
		496	46	542	Restructuring costs
		(243)	–	(243)	Other unusual income (expenses)
		(966)	359	(585)	Operating result
		(641)	(538)	(1,179)	Financial income (expenses)
Result of equity Investments	8	–	127	135	Result from equity investments
Non-operating income (expenses)	(863)	863			
EBIT	(833)	–			
Financial income (expenses)	(744)	744			
Income (loss) before taxes	(1,577)	–	(52)	(1,629)	Result before taxes
Income taxes	(29)	–	(21)	(50)	Income taxes
Net result of normal operations	(1,548)	–	(31)	(1,579)	Results from continuing operations
Result from discontinued operations	–	–	–	–	Result from discontinued operations
Net result before minority interest	(1,548)	–	(31)	(1,579)	Net result before minority interest

Reconciliation of the Net result

(in millions of euros)		2004
Net result before minority interest under Italian GAAP		(1,548)
Development costs	A	436
Employee benefits	B	94
Business combinations	C	53
Revenue recognition – sales with a buy-back commitment	D	1
Revenue recognition – other	E	(20)
Scope of consolidation	F	3
Property, plant and equipment	G	14
Write-off of deferred costs	H	19
Impairment of assets	I	(114)
Reserves for risks and charges	L	(67)
Recognition and measurement of derivatives	M	(454)
Treasury stock	N	–
Adjustments to the valuation of investments in associates	P	(15)
Sales of receivables	Q	(4)
Other adjustments		2
Accounting for deferred income taxes	R	21
Net result before minority interest under IAS/IFRS		(1,579)

Details of the effects of transition to IFRS on the income statement

The final section of this Appendix contains explanatory notes describing the main reconciling items between Italian GAAP and IFRS, which are cross referenced to the following detailed analysis by means of the letters associated with each line item.

Net revenues

Adjustments

(in millions of euros)		2004
Revenue recognition - sales with a buy-back commitment	D	(1,103)
Scope of consolidation	F	16
Reserve for risks and charges - vehicle sales incentives	L	(10)
Sales of receivables	Q	187
Other adjustments		(156)
		(1,066)

Cost of sales

Reclassifications

(in millions of euros)		2004
from Financial income (expenses) for rental companies included in Financial Services		36
from Selling, general and administrative costs - change in income statement format		48
from Other income (expenses) - change in income statement format		524
to Financial income (expenses) for interest costs on defined benefit plans		(127)
from Financial income (expenses) interest compensation to financial services on dealer free period		194
		675

Adjustments

(in millions of euros)		2004
Revenue recognition - sales with a buy-back commitment	D	(1,090)
Employee benefits	B	(37)
Impairment of assets	I	(35)
Other Adjustments		(15)
		(1,177)

Selling, general and administrative costs

Reclassifications

(in millions of euros)		2004
from Cost of sales - change in income statement format		(48)
from Other income (expenses) - change in income statement format		99
		51

Research and development costs

Adjustments

(in millions of euros)		2004
Development costs	A	(461)
		(461)

Other income (expenses)

Reclassifications

(in millions of euros)		2004
to Cost of sales - change in income statement format		524
to Selling, general and administrative costs - change in income statement format		99
to Research and development costs - change in income statement format		1
to Restructuring costs - change in income statement format		508
from Non-operating income (expenses) - change in income statement format		(1,017)
to Other unusual income (expenses) - change in income statement format		231
		346

Adjustments

(in millions of euros)		2004
Business combinations - goodwill depreciation write down	C	174
Business combinations - purchase accounting CNH	C	(121)
Employee benefits	B	72
Impairment of assets	I	(148)
Scope of consolidation	F	(114)
Other adjustments		(5)
		(142)

Gains (losses) on the disposal of equity investments

Reclassifications

(in millions of euros)		2004
from Non-operating income (expenses) - change in income statement format		154
		154

Restructuring costs

Reclassifications

(in millions of euros)		2004
from Other income (expenses) - change in income statement format		508
to Other unusual income (expenses) - change in income statement format		(12)
		496

Adjustments

(in millions of euros)		2004
Reserves for risks and charges - restructuring	L	46
		46

Other unusual income (expenses)

Reclassifications

(in millions of euros)		2004
from Non-operating income (expenses) - change in income statement format		(231)
from Restructuring costs - change in income statement format		(12)
		(243)

Financial income (expenses)

Reclassifications

(in millions of euros)		2004
to Cost of sales for renting companies included in Financial Services		36
from Cost of sales for interest costs on defined benefit plans		(127)
to Cost of sales - interest compensation to financial services on dealer free period		194
from Financial income (expenses) - change in income statement format		(744)
		(641)

Adjustments

(in millions of euros)		2004
Recognition and measurement of derivatives - Equity swap	M	(445)
Other adjustments		(93)
		(538)

Result from equity investments

Adjustments

(in millions of euros)		2004
Adjustments on the valuation of investments in associates	P	87
Other adjustments		40
		127

Description of main differences between italian GAAP and IFRS

The following paragraphs provide a description of the main differences between Italian GAAP and IFRS that have had effects on Fiat's consolidated balance sheet and income statement. Amounts are shown pre-tax and the related tax effects are separately summarised in the item R. Accounting for deferred income taxes.

A. Development costs

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

Under IFRS, the Group has capitalised development costs in the Fiat Auto, Ferrari-Maserati, Agricultural and Construction Equipment, Commercial Vehicle and Components Sectors, using the retrospective approach in compliance with IFRS 1.

The positive impact of 1,876 million euros on the opening IFRS stockholders' equity at January 1, 2004, corresponds to the cumulative amount of qualifying development expenditures incurred in prior years by the Group, net of accumulated amortisation. Consistently, intangible assets show an increase of 2,090 million euros and of 2,499 million euros at January 1, 2004 and at December 31, 2004, respectively.

The 2004 net result was positively impacted by 436 million euros in the year, reflecting the combined effect of the capitalisation of development costs incurred in the period that had been expensed under Italian GAAP, and the amortisation of the amount that had been capitalised in the opening IFRS balance sheet at January 1, 2004. This positive impact has been accounted for in Research and development costs.

In accordance with IAS 36 – *Impairment of Assets*, development costs capitalized as intangible assets shall be tested for impairment and an impairment loss shall be recognised if the recoverable amount of an asset is less than its carrying amount, as further described in the paragraph I. Impairment of assets.

B. Employee benefits

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

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

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

Furthermore, as mentioned in the paragraph "Optional exemptions", the Group elected to recognise all cumulative actuarial gains and losses that existed at January 1, 2004, with a negative impact on opening stockholders' equity at that date of 1,247 million euros.

Consequently pension and other post-employment benefit costs recorded in the 2004 IFRS income statement do not include any amortisation of unrecognised actuarial gains and losses deferred in previous years in the IFRS financial statements under the corridor approach, and recognised in the 2004 income statement under Italian GAAP, resulting in a benefit of 94 million euros.

The Group has elected to use the corridor approach for actuarial gains and losses arising after January 1, 2004.

Furthermore, the Group elected to state the expense related to the reversal of discounting on defined benefit plans without plan assets separately as Financial expenses, with a corresponding increase in Financial expenses of 127 million euros in 2004.

C. Business combinations

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

As prescribed in IFRS 3, starting from January 1, 2004, the IFRS income statement no longer includes goodwill amortization charges, resulting in a positive impact on Other operating income and expense of 162 million euros in 2004.

D. Revenue recognition - sales with a buy-back commitment

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

Under IAS 18 – *Revenue*, new vehicle sales with a buy-back commitment do not meet criteria for revenue recognition, because the significant risks and rewards of ownership of the goods are not necessarily transferred to the buyer. Consequently, this kind of contract is treated in a manner similar to an operating lease transaction. More specifically, vehicles sold with a buy-back commitment are accounted for as Inventory if they regard the Fiat Auto business (agreements with normally a short-term buy-back commitment) and as Property, plant and equipment if they regard 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 duration of the contract. The initial sale price received is accounted for as a 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 duration of the contract.

Opening IFRS stockholders' equity at January 1, 2004 includes a negative impact of 180 million euros mainly representing the portion of the margin accounted for under Italian GAAP on vehicles sold with a buy-back commitment prior to January 1, 2004, that will be recognised under IFRS over the remaining buy-back period, net of the effects due to the adjustments to the provisions for vehicle sales with a buy-back commitment recognised under Italian GAAP.

This accounting treatment results in increases in the tangible assets reported in the balance sheet (1,001 million euros at January 1, 2004 and 1,106 million euros at December 31, 2004), in inventory (608 million euros at January 1, 2004 and 695 million euros at December 31, 2004), in advances from customers (equal to the operating lease rentals prepaid at the date of initial sale and recognised in the item Other payables), as well as in Trade payables, for the amount of the buy-back price, payable to the customer when the vehicle is bought back. In the income statement, a significant impact is generated on revenues (reduced by 1,103 million euros in 2004) and on cost of sales (reduced by 1,090 million euros in 2004), while no significant impact is generated on the net operating result; furthermore, the amount of these impacts in future years will depend on the changes in the volume and characteristics of these contracts year-over-year. Notwithstanding this, these changes are not expected to have a particularly significant impact on Group reported earnings in the coming years.

E. Revenue recognition – Other

Under Italian GAAP the recognition of disposals is based primarily on legal and contractual form (transfer of legal title).

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

Consequently, certain disposal transactions, such as the disposal of the 14% interest in Italenergia Bis and certain minor real estate transactions, have been reversed retrospectively: the related asset has been recognised in the IFRS balance sheet, the initial gain recorded under Italian GAAP has been reversed and the cash received at the moment of the sale has been accounted for as a financial liability.

In particular, in 2001 the Group acquired a 38.6% shareholding in Italenergia S.p.A., now Italenergia Bis S.p.A. ("Italenergia"), a company formed between Fiat, Electricité de France ("EDF") and certain financial investors for the purpose of acquiring control of the Montedison - Edison ("Edison") group through tender offers. Italenergia assumed effective control of Edison at the end of the third quarter of that year and consolidated Edison from October 1, 2001. In 2002 the shareholders of Italenergia entered into agreements which resulted, among other things, in the transfer of a 14% interest in Italenergia from Fiat to other shareholders (with a put option that would require Fiat to repurchase the shares transferred in certain circumstances) and the assignment to Fiat of a put option to sell its shares in Italenergia to EDF in 2005, based on market values at that date, but subject to a contractually agreed minimum price in excess of book value.

Under Italian GAAP, Fiat accounted for its investments in Italenergia under the equity method, based on a 38.6% shareholding through September 30, 2002 and a 24.6% shareholding from October 1, 2002; in addition it recorded a gain of 189 million euros before taxes on the sale of its 14% interest in the investee to other shareholders effective September 30, 2002.

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

This adjustment decreased the stockholders' equity at January 1, 2004 and at December 31, 2004 by an amount of 153 million euros and 237 million euros, respectively. Furthermore this adjustment increased the investment for an amount of 291 million euros at January 1, 2004 and of 341 million euros at December 31, 2004 and financial debt for amounts of 572 million euros at January 1, 2004 and of 593 million euros at December 31, 2004, as a consequence of the non-recognition of the transfer of the 14% interest in Italenergia.

F. Scope of consolidation

Under Italian GAAP, the subsidiary B.U.C. – Banca Unione di Credito, as required by law, was excluded from the scope of consolidation as it had dissimilar activities, and was accounted for using the equity method.

IFRS does not permit this kind of exclusion: consequently, B.U.C. is included in the IFRS scope of consolidation.

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

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

This standard has been applied to all receivables securitisation transactions entered into by the Group (see the paragraph Q. Sales of receivables below), to a real estate securitisation transaction entered into in 1998 and to the sale of the Fiat Auto Spare Parts business to "Società di Commercializzazione e Distribuzione Ricambi S.p.A." ("SCDR") in 2001.

In particular, in 1998 the Group entered in a real estate securitisation and, under Italian GAAP, the related revenue was recognised at the date of the legal transfer of the assets involved. In the IFRS balance sheet at January 1, 2004, these assets have been written back at their historical cost, net of revaluations accounted before the sale, if any. Cash received at the time of the transaction has been accounted for in financial debt for an amount of 188 million euros at January 1, 2004.

The IFRS stockholders' equity at January 1, 2004 was negatively impacted for 105 million euros by the cumulative effect of the reversal of the capital gain on the initial disposal and of the revaluation previously recognised under Italian GAAP, net of the related effect of asset depreciation, as well as the recognition of financial charges on related debt, net of the reversal of rental fees paid, if any. The impact on the 2004 net result is not material.

Furthermore, in 2001 the Group participated with a specialist logistics operator and other financial investors in the formation of "Società di Commercializzazione e Distribuzione Ricambi S.p.A." ("SCDR"), a company whose principal activity is the purchase of spare parts from Fiat Auto for resale to end customers. At that date Fiat Auto and its subsidiaries sold their spare parts inventory to SCDR recording a gain of 300 million euros. The Group's investment in SCDR represents 19% of SCDR's stock capital and was accounted for under the equity method for Italian GAAP.

Under IFRS, SCDR qualifies as a Special Purpose Entity (SPE) as defined by SIC 12 due to the continuing involvement of Fiat Auto in SCDR operations. Consequently, SCDR has been consolidated on a line by line basis in the IFRS consolidated financial statements, with a consequent increase in financial debt of 237 million euros and of 471 million euros at January 1, 2004 and at December 31, 2004, respectively. Opening stockholders' equity at January 1, 2004 was reduced by 266 million euros by the amount corresponding to the unrealised intercompany profit in inventory held by SCDR on that date; this amount did not change significantly at the end of 2004.

G. Property, plant and equipment

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

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

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

The revaluations and land depreciation are not permitted under IFRS. Therefore IFRS stockholders' equity at January 1, 2004 reflects a negative impact of 164 million euros, related to the effect of the elimination of the asset revaluation recognised in the balance sheet, partially offset by the reversal of the land depreciation charged to prior period income statements.

In the 2004 IFRS income statement, the above-mentioned adjustments had a positive impact of 14 million euros in 2004 due to the reversal of the depreciation of revalued assets, net of adjustments on gains and losses, if any, on disposal of the related assets, and to the reversal of land depreciation.

H. Write-off of deferred costs

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

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

I. Impairment of assets

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

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

Under IFRS, intangible assets with indefinite useful lives are tested for impairment annually by a methodology substantially similar to the one required by Italian GAAP. Furthermore, development costs, capitalised under IFRS and expensed under Italian GAAP, are attributed to the related cash generating unit and tested for impairment together with the related tangible assets, applying the discounted cash flow method in determining their recoverable amount.

Consequently, the reconciliation between Italian GAAP and IFRS reflects adjustments due to both impairment losses on development costs previously capitalised for IFRS purposes, and the effect of discounting on the determination of the recoverable amount of tangible fixed assets.

L. Reserves for risks and charges

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

- Restructuring reserve: the Group provided restructuring reserves based upon management's best estimate of the costs to be incurred in connection with each of its restructuring programs at the time such programs were formally decided. Under IFRS the requirements to recognise a constructive obligation in the financial statements are more restrictive, and some restructuring reserves recorded under Italian GAAP have been eliminated.

- Reserve for vehicle sales incentives: under Italian GAAP Fiat Auto accounted for certain incentives at the time at which a legal obligation to pay the incentives arose, which may have been in periods subsequent to that in which the initial sale to the dealer network was made. Under IAS 37 companies are required to make provision not only for legal, but also for constructive, obligations based on an established pattern of past practice. In the context of the IFRS restatement exercise, Fiat has reviewed its practice in the area of vehicle sales incentives and has determined that for certain forms of incentives a constructive obligation exists which should be provided under IFRS at the date of sale.

M. Recognition and measurement of derivatives

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

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

- Instruments designated as "hedging instruments" - under Italian GAAP, the instrument was valued symmetrically with the underlying hedged item. Therefore, where the hedged item was not been adjusted to fair value in the financial statements, the hedging instrument was also not adjusted. Similarly, where the hedged item had not yet been recorded in the financial statements (hedging of future flows), the valuation of the hedging instrument at fair value was deferred.

  Under IFRS:

  - In the case of a fair value hedge, the gains or losses from remeasuring the hedging instrument at fair value shall be recognised in the income statement and the gains or losses on the hedged item attributable to the hedge risk shall adjust the carrying amount of the hedged item and be recognised in the income statement. Consequently, no impact arises on net income (except for the ineffective portion of the hedge, if any) and on net equity, while adjustments impact the carrying values of hedging instruments and hedged items.

  - In the case of a cash flow hedge (hedging of future flows), the portion of gains or losses on the hedging instrument that is determined to be an effective hedge shall be recognised directly in equity through the statement of changes in equity; the ineffective portion of the gains or losses shall be recognised in the income statement. Consequently, with reference to the effective portion, only a difference in net equity arises between Italian GAAP and IFRS.

- Instruments designated as "non-hedging instruments"(except for foreign currency derivative instruments) - under Italian GAAP, these instruments were valued at market value and the differential, if negative compared to the contractual value, was recorded in the income statement, in accordance with the concept of prudence. Under IAS 39 also the positive differential should also be recorded. With reference to foreign currency derivative instruments, instead, the accounting treatment adopted under Italian GAAP was in compliance with IAS 39.

In this context, as mentioned in the consolidated financial statements as of December 31, 2003, Fiat was party to a Total Return Equity Swap contract on General Motors shares, in order to hedge the risk implicit in the Exchangeable Bond on General Motors shares. Although this equity swap was entered into for hedging purposes it does not qualify for hedge accounting and accordingly it was defined as a non-hedging instrument. Consequently, the positive fair value of the instrument as of December 31, 2003, amounting to 450 million euros, had not been recorded under Italian GAAP. During 2004 Fiat terminated the contract, realising a gain of 300 million euros.

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

N. Treasury stock

In accordance with Italian GAAP, the Group accounted for treasury stock as an asset and recorded related valuation adjustments and gains or losses on disposal in the income statement.

Under IFRS, treasury stock is deducted from stockholders' equity and all movements in treasury stock are recognised in stockholders' equity rather than in the income statement.

O. Stock options

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

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

The Group applied the transitional provision provided by IFRS 2 and therefore applied this standard to all stock options granted after November 7, 2002 and not yet vested at the effective date of IFRS 2 (January 1, 2005). No compensation expense is required to be recognised for stock options granted prior to November 7, 2002, in accordance with transitional provision of IFRS 2.

P. Adjustments to the valuation of investments in associates

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

Q. Sales of receivables

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

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

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

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

Under IFRS:

- As mentioned above, SIC 12 - *Consolidation - Special Purpose Entities* states that an SPE shall be consolidated when the substance of the relationship between the entity and the SPE indicates that the SPE is controlled by that entity; therefore all securitisation transactions have been reversed.
- IAS 39 allows for the derecognition of a financial asset when, and only when, the risks and rewards of the ownership of the assets

are substantially transferred: consequently, all portfolios sold with recourse, and the majority of those sold without recourse, have been reinstated in the IFRS balance sheet.

The impact of such adjustments on stockholders' equity and on net income is not material. In particular, it refers mainly to the reversal of the gains arising from the related securitisation transactions on the retail portfolio of receivables of financial service companies, realised under Italian GAAP and not yet realised under IFRS.

With regards to financial structure, the reinstatement in the balance sheet of the receivables and payables involved in these sales transactions causes a significant increase in trade and financial receivables and in financial debt balances, and a worsening in net debt. In particular, in consequence of these reinstatements, trade receivables increase by 3,563 million euros and 2,134 ,euros at January 1, 2004 and at December 31, 2004, respectively; at the same dates, financial receivables increase by 6,127 million euros and 6,997 euros, and financial debt increased by 10,581 million euros and 10,174 million euros, respectively.

R. Accounting for deferred income taxes

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

Appendix II

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 equity investments of the Group is provided below.
The companies on this list have been classified according to percentage of ownership, method of consolidation and type of business. The information provided for each company includes: name, registered office, country and capital stock stated in the original currency. The percentage of Group consolidation and the percentage held by Fiat S.p.A. or its subsidiaries are also shown.

A separate column shows the percentage held of the voting rights at the ordinary stockholders' meeting, when this figure differs from the percentage interest held in the company.

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights

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 Holdings B.V.	Amsterdam	Netherlands	1,000,000	EUR	100.00	Fiat Partecipazioni S.p.A.	90.000	100.000
						Fiat Auto Holdings B.V.	10.000	0.000
Andalcar Motor S.L.	Jerez	Spain	2,186,928	EUR	100.00	Inmap 2000 Espana S.L.	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	
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	
FAL Fleet Services S.A.S.	Trappes	France	3,000,000	EUR	100.00	Fidis Renting Italia S.p.A.	100.000	
Fiat Auto Argentina S.A.	Buenos Aires	Argentina	377,439,448	ARS	100.00	Fiat Auto S.p.A.	65.278	
						Fiat Automoveis S.A. - FIASA	34.721	
						Fiat Argentina S.A.	0.001	
Fiat Auto (Belgio) S.A.	Brussels	Belgium	20,951,220	EUR	100.00	Fiat Finance Netherlands B.V.	99.998	
						Fiat Auto (Suisse) S.A.	0.002	
Fiat Auto Contracts Ltd	Slough Berkshire	United Kingdom	16,000,000	GBP	100.00	Fidis Renting Italia S.p.A.	100.000	
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	60,696,601	EUR	100.00	Fiat Finance Netherlands B.V.	99.998	
						Fiat Auto (Suisse) S.A.	0.002	
Fiat Auto Financial Services (Wholesale) Ltd.	Slough Berkshire	United Kingdom	3,500,000	GBP	100.00	Fidis S.p.A.	100.000	
Fiat Auto Hellas S.A.	Argyroupoli	Greece	60,533,499	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 Kreditbank GmbH	Vienna	Austria	5,000,000	EUR	100.00	Fiat Auto S.p.A.	50.000	
						Fidis S.p.A.	50.000	
Fiat Auto Lease N.V.	Amsterdam	Netherlands	454,000	EUR	100.00	Fidis Renting Italia 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 Auto Holdings B.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	8,000,000	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 S.p.A.	Turin	Italy	2,500,000,000	EUR	100.00	Fiat Auto Holdings B.V.	100.000	
Fiat Auto (Suisse) S.A.	Schlieren	Switzerland	21,400,000	CHF	100.00	Fiat Auto S.p.A.	100.000	
Fiat Auto Trasporti S.r.l.	Turin	Italy	10,000	EUR	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	

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 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	
Fiat CR Spol. S.R.O.	Prague	Czech Republic	1,000,000	CZK	100.00	Fiat Auto S.p.A.	100.000	
Fiat Credit Belgio S.A.	Evere	Belgium	3,718,500	EUR	100.00	Fidis S.p.A.	99.999	
Fiat Credito Compania Financiera S.A.	Buenos Aires	Argentina	119,791,680	ARS	100.00	Fidis S.p.A.	99.999	
						Fiat Auto Argentina S.A.	0.001	
Fiat Distribuidora Portugal S.A.	Lisbon	Portugal	450,300	EUR	100.00	Fiat Auto Portuguesa S.A.	100.000	
Fiat Finance Holding S.A.	Luxembourg	Luxembourg	2,300,000	EUR	100.00	Fidis S.p.A.	99.995	
						Fiat Finance Netherlands B.V.	0.005	
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 Handlerservice GmbH	Heilbronn	Germany	5,100,000	EUR	100.00	Fiat Automobil AG	100.000	
Fiat India Automobiles Private Limited	Mumbai	India	18,780,741,500	INR	100.00	Fiat Auto S.p.A.	100.000	
Fiat India Private Ltd.	Mumbai	India	8,363,617,700	INR	99.87	Fiat Auto S.p.A.	57.532	57.181
						Fiat India Automobiles Private Limited	42.337	42.687
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 Holdings B.V.	100.000	
FIAT Purchasing Poland Sp. z o.o.	Bielsko-Biala	Poland	300,000	PLN	100.00	Fiat Auto Holdings B.V.	100.000	
Fiat SR Spol. SR.O.	Bratislava	Slovack Republic	1,000,000	SKK	100.00	Fiat Auto S.p.A.	100.000	
Fiat Versicherungsdienst GmbH	Heilbronn	Germany	26,000	EUR	100.00	Fiat Automobil AG	51.000	
						Rimaco S.A.	49.000	
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 Faktoring Polska Sp. z o.o.	Warsaw	Poland	1,000,000	PLN	100.00	Fidis S.p.A.	99.950	
						Fiat Polska Sp. z o.o.	0.050	
Fidis Finance Polska Sp. z o.o.	Warsaw	Poland	10,000,000	PLN	100.00	Fidis S.p.A.	99.980	
						Fiat Polska Sp. z o.o.	0.020	
Fidis Hungary KFT	Budapest	Hungary	13,000	EUR	100.00	Fidis S.p.A.	100.000	
Fidis Renting Italia S.p.A.	Turin	Italy	5,800,000	EUR	100.00	Fiat Auto 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	
Finplus Renting S.A.	Madrid	Spain	3,955,986	EUR	100.00	Fidis Renting Italia S.p.A.	100.000	
Inmap 2000 Espana S.L.	Alcalá De Henares	Spain	2,448,955	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	19,749,554	EUR	100.00	Fiat Auto (Belgio) S.A.	100.000	
Leasys S.p.A.	Fiumicino	Italy	77,499,400	EUR	100.00	Fidis Renting Italia S.p.A.	100.000	
Multipoint Sevilla S.A.	Seville	Spain	851,578	EUR	100.00	Inmap 2000 Espana S.L.	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	

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
Savarent Società per Azioni	Turin	Italy	21,000,000	EUR	100.00	Fidis Renting Italia 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	
Tarfin S.A.	Schlieren	Switzerland	500,000	CHF	100.00	Fidis 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	
Targasys Stock SA	Alcalá De Henares	Spain	5,108,799	EUR	100.00	Fiat Auto España S.A.	100.000	

■ Ferrari

Ferrari S.p.A.	Modena	Italy	20,000,000	EUR	56.00	Fiat S.p.A.	56.000	
Charles Pozzi S.a.r.l.	Levallois-Perret	France	959,519	EUR	56.00	Ferrari West Europe S.A.	100.000	
Ferrari Deutschland GmbH	Wiesbaden	Germany	1,000,000	EUR	56.00	Ferrari International S.A.	100.000	
Ferrari GB Limited	Slough Berkshire	United Kingdom	50,000	GBP	56.00	Ferrari International S.A.	100.000	
Ferrari GE.D. S.p.A.	Modena	Italy	31,000,000	EUR	56.00	Ferrari S.p.A.	100.000	
Ferrari International S.A.	Luxembourg	Luxembourg	13,112,000	EUR	56.00	Ferrari S.p.A.	99.999	
						Ferrari N.America Inc.	0.001	
Ferrari N.America Inc.	Englewood Cliffs	U.S.A.	200,000	USD	56.00	Ferrari S.p.A.	100.000	
Ferrari San Francisco Inc.	Mill Valley	U.S.A.	100,000	USD	56.00	Ferrari N.America Inc.	100.000	
Ferrari (Suisse) SA	Nyon	Switzerland	1,000,000	CHF	56.00	Ferrari International S.A.	100.000	
Ferrari West Europe S.A.	Levallois-Perret	France	280,920	EUR	56.00	Société Française de Participations Ferrari - S.F.P.F. S.A.R.L.	100.000	
GSA-Gestions Sportives Automobiles S.A.	Meyrin	Switzerland	1,000,000	CHF	56.00	Ferrari International S.A.	100.000	
Pozzi Rent Snc	Lyon	France	15,256	EUR	56.00	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	56.00	Ferrari International S.A.	100.000	
410 Park Display Inc.	New York	U.S.A.	100	USD	56.00	Ferrari N.America Inc.	100.000	

■ Maserati

Maserati S.p.A.	Modena	Italy	40,000,000	EUR	100.00	Fiat Partecipazioni 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	

■ Agricultural and Construction Equipment

CNH Global N.V.	Amsterdam	Netherlands	321,795,983	EUR	83.90	Fiat Netherlands Holding N.V.	83.810	83.901
						CNH Global N.V.	0.108	0.000
Austoft Industries Limited	Bundaberg	Australia	16,353,225	AUD	83.90	CNH Australia Pty Limited	100.000	
Banco CNH Capital S.A.	Curitiba	Brazil	252,285,242	BRL	83.90	CNH Global N.V.	59.760	
						CNH Latin America Ltda.	40.240	
Bli Group Inc.	Wilmington	U.S.A.	1,000	USD	83.90	CNH America LLC	100.000	
Blue Leaf I.P. Inc.	Wilmington	U.S.A.	1,000	USD	83.90	Bli Group Inc.	100.000	
Case Brazil Holdings Inc.	Wilmington	U.S.A.	1,000	USD	83.90	CNH America LLC	100.000	
Case Canada Receivables, Inc.	Calgary	Canada	1	CAD	83.90	CNH Capital America LLC	100.000	
Case Credit Australia Investments Pty Ltd	St. Marys	Australia	71,516,000	AUD	83.90	CNH Australia Pty Limited	100.000	
Case Credit Holdings Limited	Wilmington	U.S.A.	5	USD	83.90	CNH Capital America LLC	100.000	
Case Equipment Holdings Limited	Wilmington	U.S.A.	5	USD	83.90	CNH America LLC	100.000	
Case Equipment International Corporation	Wilmington	U.S.A.	1,000	USD	83.90	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
Case Europe S.a.r.l.	Le Plessis-Belleville	France	7,622	EUR	83.90	CNH America LLC	100.000	
Case Harvesting Systems GmbH	Neustadt	Germany	281,211	EUR	83.90	CNH America LLC	100.000	
Case India Limited	Wilmington	U.S.A.	5	USD	83.90	CNH America LLC	100.000	
Case International Marketing Inc.	Wilmington	U.S.A.	5	USD	83.90	CNH America LLC	100.000	
Case LBX Holdings Inc.	Wilmington	U.S.A.	5	USD	83.90	CNH America LLC	100.000	
Case Machinery (Shanghai) Co. Ltd.	Shanghai	People's Rep.of China	2,250,000	USD	83.90	CNH America LLC	100.000	
Case New Holland Inc.	Wilmington	U.S.A.	5	USD	83.90	CNH Global N.V.	100.000	
Case United Kingdom Limited	Basildon	United Kingdom	3,763,618	GBP	83.90	CNH America LLC	100.000	
CNH America LLC	Wilmington	U.S.A.	0	USD	83.90	Case New Holland Inc.	100.000	
CNH Argentina S.A.	Buenos Aires	Argentina	29,611,105	ARS	83.90	New Holland Holdings Argentina S.A.	80.654	
						CNH Latin America Ltda.	19.346	
CNH Asian Holding Limited	Ebene	Mauritius	78,571,333	USD	83.90	CNH Global N.V.	100.000	
CNH Australia Pty Limited	St. Marys	Australia	306,785,439	AUD	83.90	CNH Global N.V.	100.000	
CNH Baumaschinen GmbH	Berlin	Germany	61,355,030	EUR	83.90	CNH International S.A.	100.000	
CNH Belgium N.V.	Zedelgem	Belgium	27,268,300	EUR	83.90	CNH International S.A.	100.000	
CNH Canada, Ltd.	Toronto	Canada	28,000,100	CAD	83.90	CNH Global N.V.	100.000	
CNH Capital America LLC	Wilmington	U.S.A.	0	USD	83.90	CNH Capital LLC	100.000	
CNH Capital Australia Pty Limited	St. Marys	Australia	83,248,874	AUD	83.90	CNH Australia Pty Limited	100.000	
CNH Capital Benelux	Zedelgem	Belgium	6,350,000	EUR	83.90	CNH Global N.V.	99.000	
						CNH Capital U.K. Ltd	1.000	
CNH Capital Canada Ltd.	Calgary	Canada	1	CAD	83.90	Case Credit Holdings Limited	99.500	
						CNH Canada, Ltd.	0.500	
CNH Capital (Europe) plc	Dublin	Ireland	38,100	EUR	83.90	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	83.90	CNH Capital America LLC	100.000	
CNH Capital LLC	Wilmington	U.S.A.	0	USD	83.90	CNH America LLC	100.000	
CNH Capital plc	Dublin	Ireland	6,386,791	EUR	83.90	CNH Global N.V.	100.000	
CNH Capital RACES LLC	Wilmington	U.S.A.	1,000	USD	83.90	CNH Capital America LLC	100.000	
CNH Capital Receivables LLC	Wilmington	U.S.A.	0	USD	83.90	CNH Capital America LLC	100.000	
CNH Capital U.K. Ltd	Basildon	United Kingdom	10,000,001	GBP	83.90	CNH Global N.V.	100.000	
CNH Componentes, S.A. de C.V.	São Pedro	Mexico	135,634,842	MXN	83.90	CNH America LLC	100.000	
CNH Danmark A/S	Hvidovre	Denmark	12,000,000	DKK	83.90	CNH International S.A.	100.000	
CNH Deutschland GmbH	Heilbronn	Germany	18,457,650	EUR	83.90	CNH International S.A.	100.000	
CNH Engine Corporation	Wilmington	U.S.A.	1,000	USD	83.90	CNH America LLC	100.000	
CNH Financial Services	Puteaux	France	3,738,141	EUR	83.90	CNH Global N.V.	100.000	
CNH Financial Services A/S	Hvidovre	Denmark	500,000	DKK	83.90	CNH Global N.V.	100.000	
CNH Financial Services GmbH	Heilbronn	Germany	200,000	EUR	83.90	CNH International S.A.	100.000	
CNH Financial Services S.r.l.	Modena	Italy	10,400	EUR	83.90	CNH Global N.V.	100.000	
CNH France S.A.	Le Plessis-Belleville	France	138,813,150	EUR	83.90	CNH International S.A.	100.000	
CNH International S.A.	Luxembourg	Luxembourg	300,000,000	USD	83.90	CNH Global N.V.	100.000	
CNH Italia s.p.a.	Modena	Italy	15,600,000	EUR	83.90	CNH Global N.V.	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 Latin America Ltda.	Contagem	Brazil	674,264,183	BRL	83.90	CNH Global N.V.	87.880	
						Case Brazil Holdings Inc.	10.610	
						Case Equipment International Corporation	1.510	
CNH Maquinaria Spain S.A.	Coslada	Spain	21,000,000	EUR	83.90	CNH International S.A.	99.999	
CNH Osterreich GmbH	St.Valentin	Austria	2,000,000	EUR	83.90	CNH Global N.V.	100.000	
CNH Polska Sp. z o.o.	Plock	Poland	162,591,660	PLN	83.90	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	83.90	CNH International S.A.	99.980	
						CNH Italia s.p.a.	0.020	
CNH Receivables LLC	Wilmington	U.S.A.	0	USD	83.90	CNH Capital America LLC	100.000	
CNH Serviços Técnicos e Desenvolvimento de Negocios Ltda	Curitiba	Brazil	1,000,000	BRL	83.90	Banco CNH Capital S.A.	100.000	
CNH Trade N.V.	Amsterdam	Netherlands	50,000	EUR	83.90	CNH Global N.V.	100.000	
CNH U.K. Limited	Basildon	United Kingdom	91,262,275	GBP	83.90	New Holland Holding Limited	100.000	
CNH Wholesale Receivables LLC	Wilmington	U.S.A.	0	USD	83.90	CNH Capital America LLC	100.000	
Fiatallis North America LLC	Wilmington	U.S.A.	32	USD	83.90	CNH America LLC	100.000	
Flexi-Coil (U.K.) Limited	Basildon	United Kingdom	1,000	GBP	83.90	CNH Canada, Ltd.	100.000	
Harbin New Holland Tractors Co., Ltd.	Harbin	People's Rep.of China	2,859,091	USD	83.90	CNH Asian Holding Limited	99.000	
						CNH International S.A.	1.000	
HFI Holdings Inc.	Wilmington	U.S.A.	1,000	USD	83.90	CNH America LLC	100.000	
JV Uzcaseagroleasing LLC	Tashkent	Uzbekistan	0	USD	42.79	Case Credit Holdings Limited	51.000	
JV UzCaseMash LLC	Tashkent	Uzbekistan	0	USD	50.34	Case Equipment Holdings Limited	60.000	
JV UzCaseService LLC	Tashkent	Uzbekistan	0	USD	42.79	Case Equipment Holdings Limited	51.000	
JV UzCaseTractor LLC	Tashkent	Uzbekistan	0	USD	42.79	Case Equipment Holdings Limited	51.000	
Kobelco Construction Machinery America LLC	Wilmington	U.S.A.	0	USD	54.54	New Holland Excavator Holdings LLC	65.000	
Kobelco Construction Machinery Europe BV in liquidation	Almere	Netherlands	567,225	EUR	62.61	New Holland Kobelco Construction Machinery S.p.A.	100.000	
MBA AG	Bassersdorf	Switzerland	4,000,000	CHF	83.90	CNH Global N.V.	100.000	
New Holland Australia Pty Ltd	Riverstone	Australia	1	AUD	83.90	CNH Australia Pty Limited	100.000	
New Holland Credit Australia Pty Limited	Riverstone	Australia	725,834	AUD	83.90	CNH Capital Australia Pty Limited	100.000	
New Holland Credit Company, LLC	Wilmington	U.S.A.	0	USD	83.90	CNH Capital LLC	100.000	
New Holland Excavator Holdings LLC	Wilmington	U.S.A.	0	USD	83.90	CNH America LLC	100.000	
New Holland Holding Limited	London	United Kingdom	165,000,000	GBP	83.90	CNH International S.A.	100.000	
New Holland Holdings Argentina S.A.	Buenos Aires	Argentina	23,555,415	ARS	83.90	CNH Latin America Ltda.	100.000	
New Holland Kobelco Construction Machinery Belgium SA	Herstal-lez-Liege	Belgium	247,900	EUR	62.61	New Holland Kobelco Construction Machinery S.p.A.	100.000	
New Holland Kobelco Construction Machinery S.p.A.	San Mauro Torinese	Italy	80,025,291	EUR	62.61	CNH Italia s.p.a.	74.625	
New Holland Ltd	Basildon	United Kingdom	1,000,000	GBP	83.90	CNH Global N.V.	100.000	
New Holland Tractor Ltd. N.V.	Antwerp	Belgium	9,631,500	EUR	83.90	New Holland Holding Limited	100.000	
New Holland Tractors (India) Private Ltd	New Delhi	India	194,983,580,400	INR	83.90	CNH Asian Holding Limited	100.000	
O & K - Hilfe GmbH	Berlin	Germany	25,565	EUR	83.90	CNH Baumaschinen GmbH	100.000	
Pryor Foundry Inc.	Oklahoma City	U.S.A.	1,000	USD	83.90	CNH America LLC	100.000	
Receivables Credit II Corporation	Calgary	Canada	1	CAD	83.90	CNH Capital America LLC	100.000	
RosCaseMash	Saratov	Russia	200,000	RUR	32.09	Case Equipment Holdings Limited	38.250	51.000

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
Shanghai New Holland Agricultural Machinery Corporation Limited	Shanghai	People's Rep.of China	35,000,000	USD	50.34	CNH Asian Holding Limited	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 S.p.A.	Orbassano	Italy	5,120,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Fiat Powertrain Italia S.r.l.	Turin	Italy	740,100,000	EUR	100.00	Fiat Auto Holdings B.V.	100.000	
FMA - Fabbrica Motori Automobilistici S.r.l.	Pratola Serra	Italy	306,186,210	EUR	100.00	Fiat Powertrain Italia S.r.l.	100.000	
Powertrain Mekanik Sanayi ve Ticaret Limited Sirketi	Demirtas-Bursa	Turkey	75,329,600,000	TRY	100.00	Fiat Auto Holdings B.V.	99.980	
						Fiat Powertrain Italia S.r.l.	0.020	

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 Netherlands Holding N.V.	100.000	
Amce-Automotive Manufacturing Co.Ethiopia	Addis Ababa	Ethiopia	3,000,000	ETB	70.00	Iveco S.p.A.	70.000	
Astra Veicoli Industriali S.p.A.	Piacenza	Italy	10,400,000	EUR	100.00	Iveco S.p.A.	100.000	
Brandschutztechnik Gorlitz GmbH	Gürlitz	Germany	511,292	EUR	88.00	Iveco Magirus Brandschutztechnik GmbH	88.000	
C.A.M.I.V.A. Constructeurs Associés de Matériels S.A.	Saint-Alban-Leysse	France	1,870,169	EUR	99.96	Iveco Eurofire (Holding) GmbH	99.963	
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	
Euromoteurs S.A.	Garchizy	France	2,098,560	EUR	100.00	Iveco Participations S.A.	100.000	
European Engine Alliance S.c.r.l.	Turin	Italy	32,044,797	EUR	61.30	CNH Global N.V.	33.333	
						Iveco S.p.A.	33.333	
Heuliez Bus S.A.	Rorthais	France	9,000,000	EUR	100.00	Société Charolaise de Participations S.A.	100.000	
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	
Ikarus Trade Kft.	Budapest	Hungary	423,220,000	HUF	100.00	Ikarusbus Jamugyarto RT	99.976	
						Iveco España S.L.	0.024	
Ikarusbus Jamugyarto RT	Budapest	Hungary	974,268,827	HUF	100.00	Irisbus Italia S.p.A.	99.998	
						Iveco France S.A.	0.002	
Industrial Vehicles Center Hainaut S.A.	Charleroi	Belgium	600,000	EUR	100.00	S.A. Iveco Belgium N.V.	95.000	
						Iveco Nederland B.V.	5.000	
Irisbus Australia Pty. Ltd.	Dandenong	Australia	1,500,000	AUD	100.00	Iveco España S.L.	100.000	
Irisbus Benelux Ltd.	Leudelange	Luxembourg	594,000	EUR	100.00	Iveco France S.A.	99.983	
						Société Charolaise de Participations S.A.	0.017	
Irisbus Deutschland GmbH	Mainz-Mombach	Germany	22,000,000	EUR	100.00	Iveco España S.L.	100.000	
Irisbus Italia S.p.A.	Turin	Italy	100,635,750	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	
IVC Nutzfahrzeuge AG	Hendschiken	Switzerland	3,500,000	CHF	100.00	Iveco (Schweiz) 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
IVC Véhicules Industriels S.A.	Morges	Switzerland	1,200,000	CHF	100.00	Iveco (Schweiz) AG	100.000	
Iveco Argentina S.A.	Cordoba	Argentina	130.237.793	ARS	100.00	Iveco S.p.A.	100.000	
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	259,669,998	EUR	100.00	Iveco S.p.A.	100.000	
Iveco Est Sas	Haunconcourt	France	305,600	EUR	100.00	Iveco France S.A.	100.000	
Iveco Eurofire (Holding) GmbH	Weisweil	Germany	30,776,857	EUR	100.00	Iveco Magirus AG	90.032	
						Iveco S.p.A.	9.968	
Iveco Fiat Brasil Ltda	Sete Lagoas	Brazil	170,100,000	BRL	100.00	Fiat Automoveis S.A. - FIASA	50.000	
						Iveco S.p.A.	48.576	
						Iveco Latin America Ltda	1.424	
Iveco Finland OY	Espoo	Finland	200,000	EUR	100.00	Iveco S.p.A.	100.000	
Iveco France S.A.	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	São Paulo	Brazil	684,700,000	BRL	100.00	Iveco S.p.A.	100.000	
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 S.A.	100.000	
Iveco Magirus AG	Ulm	Germany	250,000,000	EUR	100.00	Iveco S.p.A.	53.660	
						Fiat Netherlands Holding N.V.	46.340	
Iveco Magirus Brandschutztechnik GmbH	Ulm	Germany	6,493,407	EUR	100.00	Iveco Eurofire (Holding) GmbH	99.764	
						Iveco S.p.A.	0.236	
Iveco Mezzi Speciali S.p.A.	Brescia	Italy	13,120,000	EUR	100.00	Iveco Eurofire (Holding) GmbH	100.000	
Iveco Motorenforschung AG	Arbon	Switzerland	4,600,000	CHF	100.00	Iveco S.p.A.	60.000	
						Iveco France S.A.	40.000	
Iveco Motors of North America Inc.	Wilmington	U.S.A.	1	USD	100.00	Iveco S.p.A.	100.000	
Iveco Nederland B.V.	Breda	Netherlands	4,537,802	EUR	100.00	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	

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 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	Koln	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 S.A.	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	
S.A. Iveco Belgium N.V.	Zellik	Belgium	6,000,000	EUR	100.00	Iveco S.p.A.	99.983	
						Iveco Nederland B.V.	0.017	
S.C.I. La Méditerranéenne	Vitrolles	France	248,000	EUR	100.00	Iveco France S.A.	50.000	
						Société de Diffusion de Vehicules Industriels-SDVI S.A.S.	50.000	
Seddon Atkinson Vehicles Ltd	Oldham	United Kingdom	41,700,000	GBP	100.00	Iveco Holdings Limited	100.000	
Sicca S.p.A.	Modena	Italy	5,300,000	EUR	100.00	Iveco S.p.A.	100.000	
Société Charolaise de Participations S.A.	Vénissieux	France	2,370,000	EUR	100.00	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 S.A.	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	
Trucksure Services Ltd	Watford	United Kingdom	900,000	GBP	100.00	Iveco Holdings Limited	100.000	
Utilitaries & Véhicules Industriels Franciliens-UVIF SAS	La Garenne	France	1,067,500	EUR	100.00	Iveco France S.A.	100.000	
Zona Franca Alari Sepauto S.A.	Barcelona	Spain	520,560	EUR	51.87	Iveco 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

Magneti Marelli Holding S.p.A.	Corbetta	Italy	254,324,998	EUR	99.99	Fiat S.p.A.	99.991	100.000
Automotive Lighting Brotterode GmbH	Meiningen	Germany	7,270,000	EUR	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting Holding GmbH in liquidation	Innsbruck	Austria	11,952,191	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Automotive Lighting Italia S.p.A.	Venaria Reale	Italy	2,000,000	EUR	99.99	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 Deutschland GmbH	Grasbrunn-Neukerferloh	Germany	25,565	EUR	98.99	Automotive Lighting Rear Lamps Italia S.p.A.	99.000	
Automotive Lighting Rear Lamps Espana S.A.	Llinares del Valles	Spain	9,153,693	EUR	99.99	Automotive Lighting Rear Lamps Italia S.p.A.	100.000	
Automotive Lighting Rear Lamps France S.A.	Saint Denis	France	1,011,536	EUR	99.98	Automotive Lighting Rear Lamps Italia S.p.A.	99.992	

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
Automotive Lighting Rear Lamps Italia S.p.A.	Tolmezzo	Italy	10,000,000	EUR	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting Reutlingen GmbH	Reutlingen	Germany	1,330,000	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Automotive Lighting S.R.O.	Jihlava	Czech Republic	927,637,000	CZK	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting UK Limited	Cannock	United Kingdom	15,387,348	GBP	99.99	Magneti Marelli Holding S.p.A.	100.000	
Fiat CIEI S.p.A.	Corbetta	Italy	624,000	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Iluminacao Automotiva Ltda	Contagem	Brazil	26,533,428	BRL	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Industrial Yorka de Mexico S.A. de C.V.	Mexico City	Mexico	50,000	MXN	99.99	Yorka de Mexico S.r.l. de CV	98.000	
						Industrial Yorka de Tepotzotlan S.A. de C.V.	2.000	
Industrial Yorka de Tepotzotlan S.A. de C.V.	Mexico City	Mexico	50,000	MXN	99.99	Yorka de Mexico S.r.l. de CV	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	99.69	Magneti Marelli do Brasil Industria e Comercio SA	100.000	
Magneti Marelli After Market S.p.A.	Turin	Italy	15,349,500	EUR	99.99	Magneti Marelli Holding S.p.A.	99.999	100.000
Magneti Marelli Argentina S.A.	Buenos Aires	Argentina	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	212,736,263	BRL	99.63	Magneti Marelli Holding S.p.A.	99.634	99.966
Magneti Marelli Components B.V.	Amsterdam	Netherlands	53,600,000	EUR	99.99	Magneti Marelli Holding S.p.A.	100.000	
Magneti Marelli Conjuntos de Escape S.A.	Buenos Aires	Argentina	12,000	ARS	99.99	Magneti Marelli Sistemi di Scarico S.p.A.	95.000	
						Magneti Marelli Argentina S.A.	5.000	
Magneti Marelli Controle Motor Ltda.	Hortolandia	Brazil	108,523,749	BRL	99.99	Magneti Marelli Powertrain S.p.A.	99.997	
						Fiat do Brasil S.A.	0.003	
Magneti Marelli Deutschland GmbH	Russelsheim	Germany	1,050,000	EUR	99.99	Magneti Marelli After Market S.p.A.	100.000	
Magneti Marelli do Brasil Industria e Comercio SA	Hortolandia	Brazil	16,868,427	BRL	99.69	Magneti Marelli Holding S.p.A.	99.695	99.976
Magneti Marelli Electronica SL	Barcelona	Spain	18,388,581	EUR	99.99	Magneti Marelli 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 Eletronica Ltda	São Paulo	Brazil	17,425,695	BRL	99.99	Magneti Marelli Sistemi Elettronici S.p.A.	100.000	
Magneti Marelli Escapamentos Ltda	Amparo	Brazil	65,736,384	BRL	99.99	Magneti Marelli Sistemi di Scarico S.p.A.	99.997	
						Fiat do Brasil S.A.	0.003	
Magneti Marelli Exhaust Systems Polska Sp. z o.o.	Sosnowiec	Poland	15,000,000	PLN	99.99	Magneti Marelli Sistemi di Scarico S.p.A.	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.	99.980	
						Ufima S.A.S.	0.020	
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 France S.a.s.	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	

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 Poland S.A.	Sosnowiec	Poland	10,567,800	PLN	99.99	Magneti Marelli Holding S.p.A.	99.995	
						Fiat Polska Sp. z o.o.	0.005	
Magneti Marelli Powertrain GmbH	Russelsheim	Germany	100,000	EUR	99.99	Magneti Marelli Powertrain S.p.A.	100.000	
Magneti Marelli Powertrain (Shanghai) Co. Ltd.	Shanghai	People's Rep.of China	10,000,000	USD	99.99	Magneti Marelli Powertrain S.p.A.	100.000	
Magneti Marelli Powertrain S.p.A.	Corbetta	Italy	85,690,872	EUR	99.99	Magneti Marelli Holding S.p.A.	99.999	100.000
Magneti Marelli Powertrain U.S.A. LLC	Sanford	U.S.A.	25,000,000	USD	99.99	Magneti Marelli Holding U.S.A. Inc.	100.000	
Magneti Marelli 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 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	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	16,500,000,000,000	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	
Tutela Lubrificantes S.A.	Contagem	Brazil	941,028	BRL	99.99	Magneti Marelli Holding S.p.A.	100.000	
Ufima S.A.S.	Nanterre	France	44,940	EUR	99.94	Magneti Marelli Holding S.p.A.	64.967	
						Fiat Partecipazioni S.p.A.	34.980	
Yorka de Mexico S.r.l. de CV	El Marques Queretaro	Mexico	50,000	MXN	99.99	Magneti Marelli Holding U.S.A. Inc.	100.000	

Metallurgical Products

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Teksid S.p.A.	Turin	Italy	145,817,739	EUR	84.79	Fiat S.p.A.	84.791	
Accurcast Limited in liquidation	Saint John	Canada	39,684,600	CAD	43.24	Meridian Technologies Inc.	100.000	
Compania Industrial Frontera S.A. de C.V.	São Pedro	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	
Jutras Die Casting Limited in liquidation	Saint John	Canada	24,490,715	CAD	43.24	Meridian Technologies Inc.	100.000	
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	Heilbronn	Germany	25,600	EUR	43.24	Meridian Technologies Inc.	100.000	
Meridian Magnesium LLC in liquidation	Wilmington	U.S.A.	4,962	USD	43.24	Meridian Technologies Japan Inc.	90.000	
						Meridian Technologies Inc.	10.000	
Meridian Technologies Inc.	Saint John	Canada	165,423,445	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	
Shanghai Meridian Magnesium Products Company Limited	Shanghai	People's Rep.of China	8,000,000	USD	25.95	Meridian Technologies Inc.	60.000	

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
Société Bretonne de Fonderie et de Mécanique S.A.	Caudan	France	7,000,000	EUR	84.79	Teksid S.p.A.	100.000	
Teksid Acquisition Inc.	Toronto	Canada	66,000,001	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	298,500	MXN	84.79	Teksid S.p.A.	99.967	
						Teksid Inc.	0.033	
Teksid Hierro de Mexico S.A. de C.V.	São Pedro	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

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Comau S.p.A.	Grugliasco	Italy	140,000,000	EUR	100.00	Fiat S.p.A.	100.000	
Autodie International, Inc.	Grand Rapids	U.S.A.	1,000	USD	100.00	Comau Pico Holdings Corporation	100.000	
Comau France S.A.	Trappes	France	18,112,592	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 Belgium N.V.	Zedelgem	Belgium	175,000	EUR	100.00	Comau S.p.A.	99.900	
						Comau France S.A.	0.100	
Comau Deutschland GmbH	Boblingen	Germany	1,330,000	EUR	100.00	Comau S.p.A.	100.000	
Comau do Brasil Industria e Comercio Ltda.	Betim	Brazil	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	46,108,100	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 Ingest Sverige AB	Trollhattan	Sweden	5,000,000	SEK	100.00	Comau S.p.A.	51.000	
						Ingest Facility S.p.A.	49.000	
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 S.p.A.	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	

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	300	ZAR	100.00	Comau South Africa (Pty) Ltd.	100.000	
Comau SA Press Tools and Parts (Pty) Ltd.	Uitenhage	South Africa	100	ZAR	100.00	Comau 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 Service U.K. Ltd	Watford	United Kingdom	260,000	GBP	100.00	Comau S.p.A.	100.000	
Comau (Shanghai) Automotive Equipment Co. Ltd.	Shanghai	People's Rep.of China	1,000,000	USD	100.00	Comau S.p.A.	100.000	
Comau South Africa (Pty) Ltd.	Uitenhage	South Africa	1,001,001	ZAR	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	10,000,000	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	258,355	ARS	100.00	Business Solutions do Brasil Ltda	99.992	
						Fiat Auto Argentina S.A.	0.008	
Business Solutions Deutschland FiatGroup GmbH	Ulm	Germany	200,000	EUR	100.00	Business Solutions S.p.A.	100.000	
Business Solutions do Brasil Ltda	Nova Lima	Brazil	36,915,855	BRL	100.00	Business Solutions S.p.A.	100.000	
Business Solutions 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 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 Iberica S.A.	Madrid	Spain	2,797,054	EUR	100.00	Business Solutions S.p.A.	100.000	
Fiat Servizi per l`Industria S.c.p.a.	Turin	Italy	1,652,669	EUR	99.18	Fiat S.p.A.	36.468	
						Fiat Auto S.p.A.	33.532	
						Business Solutions S.p.A.	7.500	
						Iveco S.p.A.	6.000	
						Magneti Marelli Holding S.p.A.	4.000	
						CNH Italia s.p.a.	3.000	
						Fiat Partecipazioni S.p.A.	3.000	
						Teksid S.p.A.	2.000	
						Comau S.p.A.	1.500	
						C.R.F. Società Consortile per Azioni	1.500	
						Editrice La Stampa S.p.A.	1.500	
Fiat 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.	99.800	
						Fiat Polska Sp. z o.o.	0.200	

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
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.	Levallois-Perret	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	Business Solutions Deutschland FiatGroup 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.	52.800	
						Business Solutions S.p.A.	7.200	
PDL Services S.r.l.	Turin	Italy	105,000	EUR	100.00	Business Solutions S.p.A.	100.000	
Risk Management S.p.A.	Turin	Italy	120,000	EUR	100.00	Business Solutions S.p.A.	100.000	
Sadi Brasil Ltda.	Nova Lima	Brazil	100,000	BRL	100.00	Business Solutions do Brasil Ltda	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	Business Solutions S.p.A.	100.000	
Sestrieres S.p.A.	Sestriere	Italy	16,120,000	EUR	100.00	Business Solutions S.p.A.	70.000	
						Fiat Partecipazioni S.p.A.	30.000	
Sporting Club Sestrieres S.R.L.	Sestriere	Italy	312,000	EUR	100.00	Sestrieres S.p.A.	100.000	
Telexis do Brasil Ltda.	Nova Lima	Brazil	1,400	BRL	100.00	Business Solutions do Brasil Ltda	99.929	
						Fiat do Brasil S.A.	0.071	
Trantor S.r.l.	Milan	Italy	104,000	EUR	100.00	Ingest Facility S.p.A.	100.000	

Publishing and Communications

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
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

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Banca Unione di Credito (Cayman) Ltd	Grand Cayman	Cayman Islands	10,000,000	CHF	100.00	BUC - Banca Unione di Credito	100.000	
BUC - Banca Unione di Credito	Lugano	Switzerland	100,000,000	CHF	100.00	IHF-Internazionale Holding Fiat S.A.	100.000	
Centro Ricerche Plast-Optica S.p.A.	Amaro	Italy	1,033,000	EUR	74.47	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	45,400,000	EUR	97.99	Fiat Auto S.p.A.	35.000	
						Iveco S.p.A.	20.000	
						Magneti Marelli Holding S.p.A.	15.000	
						Fiat Powertrain Italia S.r.l.	10.000	
						CNH Italia s.p.a.	5.000	
						Comau S.p.A.	5.000	
						Teksid S.p.A.	5.000	
						Fiat Partecipazioni S.p.A.	4.000	
						Ferrari S.p.A.	1.000	
Deposito Avogadro S.r.l.	Turin	Italy	100,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Elasis-Società Consortile per Azioni	Pomigliano d'Arco	Italy	20,000,000	EUR	97.85	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 Italia S.r.l.	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 do Brasil Ltda	Nova Lima	Brazil	50,000	BRL	100.00	Fast-Buyer S.p.A.	99.998	
						Fiat Automoveis S.A. - FIASA	0.002	
Fast Buyer France S.a.r.l.	Paris	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	
Fias Fiat Administration und Service GmbH	Ulm	Germany	102,258	EUR	100.00	Iveco Magirus AG	80.000	
						Fiat Automobil AG	20.000	
Fiat Argentina S.A.	Buenos Aires	Argentina	520,002	ARS	100.00	Fiat Partecipazioni S.p.A.	99.990	
						SGR-Sociedad para la Gestion de Riesgos S.A.	0.010	
Fiat Attività Immobiliari S.p.A.	Turin	Italy	65,700,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Fiat do Brasil S.A.	Nova Lima	Brazil	999,684	BRL	100.00	Fiat Partecipazioni S.p.A.	99.932	
						Fiat Gesco S.p.A.	0.061	
						Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	0.007	
Fiat Financas Brasil Ltda	Nova Lima	Brazil	2,469,701	BRL	100.00	Fiat Ge.Va. S.p.A.	99.994	
						Fiat do Brasil S.A.	0.006	
Fiat Finance and Trade Ltd	Luxembourg	Luxembourg	251,494,000	EUR	100.00	Fiat Ge.Va. S.p.A.	99.993	
						Fiat Finance Canada Ltd.	0.007	
Fiat Finance Canada Ltd.	Calgary	Canada	10,099,885	CAD	100.00	Fiat Ge.Va. S.p.A.	100.000	
Fiat Finance Luxembourg S.A.	Luxembourg	Luxembourg	100,000	USD	100.00	Intermap (Nederland) B.V.	99.000	
						Fiat Netherlands Holding N.V.	1.000	
Fiat Finance North America Inc.	Wilmington	U.S.A.	40,090,010	USD	100.00	Fiat Ge.Va. S.p.A.	60.526	
						Fiat S.p.A.	39.474	
Fiat Ge.Va. 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	96.61	Fiat S.p.A.	51.000	
						CNH Italia s.p.a.	10.000	
						Fiat Auto S.p.A.	10.000	
						Iveco S.p.A.	10.000	
						Business Solutions S.p.A.	3.000	
						Comau S.p.A.	3.000	
						Ferrari S.p.A.	3.000	
						Itedi-Italiana Edizioni S.p.A.	3.000	
						Magneti Marelli Holding S.p.A.	3.000	
						Teksid S.p.A.	3.000	
						Fiat Partecipazioni S.p.A.	1.000	

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 Netherlands Holding N.V.	Amsterdam	Netherlands	4,366,482,748	EUR	100.00	Fiat S.p.A.	60.563	
						Fiat Partecipazioni S.p.A.	39.437	
Fiat Partecipazioni S.p.A.	Turin	Italy	3,924,685,869	EUR	100.00	Fiat S.p.A.	100.000	
Fiat 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.	99.904	
						Fiat Auto Poland S.A.	0.029	
						Automotive Lighting Polska Sp. z o.o.	0.010	
						Magneti Marelli Exhaust Systems Polska Sp. z o.o.	0.010	
						Magneti Marelli Poland S.A.	0.010	
						Magneti Marelli Suspension Systems Poland Sp. z o.o.	0.010	
						Teksid Iron Poland Sp. z o.o.	0.010	
						Business Solutions Polska Sp. z o.o.	0.002	
						CNH Polska Sp. z o.o.	0.002	
						Comau Poland Sp. z o.o.	0.002	
						Fidis Faktoring Polska Sp. z o.o.	0.002	
						Fidis Finance Polska Sp. z o.o.	0.002	
						Ingest Facility Polska Sp. z o.o.	0.002	
						Sadi Polska-Agencja Celna Sp. z o.o.	0.002	
						Sirio Polska Sp. z o.o.	0.002	
						Iveco Poland Ltd.	0.001	
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	95.43	Fiat Auto S.p.A.	20.000	
						Fiat S.p.A.	14.000	
						Fiat Partecipazioni S.p.A.	11.667	
						CNH Global N.V.	10.000	
						Iveco S.p.A.	10.000	
						Comau S.p.A.	5.000	
						Ferrari S.p.A.	5.000	
						Itedi-Italiana Edizioni S.p.A.	5.000	
						Magneti Marelli Holding S.p.A.	5.000	
						Teksid S.p.A.	5.000	
						Business Solutions S.p.A.	4.333	
						Fiat Powertrain Italia S.r.l.	2.000	
						Maserati S.p.A.	2.000	
						Fiat Ge.Va. 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	

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
Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	Turin	Italy	300,000	EUR	97.61	Fiat S.p.A.	26.000	
						Fiat Auto S.p.A.	22.000	
						Iveco S.p.A.	17.000	
						CNH Italia s.p.a.	12.000	
						Magneti Marelli Holding S.p.A.	9.000	
						Comau S.p.A.	8.000	
						Business Solutions S.p.A.	3.000	
						Teksid S.p.A.	3.000	
Luganova S.A.	Lugano	Switzerland	3,000,000	CHF	100.00	BUC - Banca Unione di Credito	100.000	
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	88.54	Fiat Partecipazioni S.p.A.	53.205	
						Fiat Auto S.p.A.	17.415	
						Iveco S.p.A.	4.583	
						Fiat Powertrain Italia S.r.l.	2.317	
						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.	0.553	
						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 Ge.Va. 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	

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 Sistemi di Scarico S.p.A.	0.218	
						Astra Veicoli Industriali S.p.A.	0.103	
						Atlanet S.p.A.	0.103	
						Fiat Information & Communication Services società consortile per azioni	0.103	
						Savarent Società 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	
						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	
						Business Solutions S.p.A.	0.040	
						eSPIN S.p.A.	0.040	
						Fast-Buyer S.p.A.	0.040	
						Fiat Media Center S.p.A.	0.039	
						Fiat Powertrain Technologies S.p.A.	0.039	
						Itedi-Italiana Edizioni S.p.A.	0.039	
						Maserati S.p.A.	0.039	
						Orione-Consorzio Industriale per la Sicurezza e la Vigilanza	0.039	
						PDL Services S.r.l.	0.039	
						Risk Management S.p.A.	0.039	
						Sisport Fiat S.p.A.	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.	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

Associated companies and their subsidiaries consolidated on a line-by line basis under IFRS

Automobiles

Società di Commercializzazione e Distribuzione Ricambi S.p.A.	Turin	Italy	100,000	EUR	19.00	Fiat Auto S.p.A.	19.000	
SCDR Automotive Limited	Basildon	United Kingdom	50,000	GBP	19.00	Società di Commercializzazione e Distribuzione Ricambi S.p.A.	100.000	
SCDR (Ireland) Limited	Dublin	Ireland	70,000	EUR	19.00	Società di Commercializzazione e Distribuzione Ricambi S.p.A.	100.000	
SCDR (Switzerland) S.A.	Schlieren	Switzerland	100,000	CHF	19.00	Società di Commercializzazione e Distribuzione Ricambi S.p.A.	100.000	
Società di Distribuzione e Commercializzazione Ricambi - Hellas M.E.P.E.	Argyroupoli	Greece	18,000	EUR	19.00	Società di Commercializzazione e Distribuzione Ricambi S.p.A.	100.000	

Commercial Vehicles

Afin Leasing AG	Vienna	Austria	1,500,000	EUR	40.00	Iveco International Trade Finance S.A.	40.000	
Afin Asigurari S.r.l.	Bucarest	Romenia	225,000,000	ROL	40.00	s.c. Afin Romania S.A.	100.000	
Afin Bohemia	Prague	Czech Republic	30,000	EUR	40.00	Afin Leasing AG	100.000	
Afin Bulgaria EAD	Sofia	Bulgaria	200,000	BGL	40.00	Afin Leasing AG	100.000	
Afin Hungary Kereskedelmi KFT.	Budapest	Hungary	24,000,000	HUF	39.83	Afin Leasing AG	99.583	
Afin Insurance	Sofia	Bulgaria	5,000	BGL	40.00	Afin Bulgaria EAD	100.000	
Afin Slovakia S.R.O.	Bratislava	Slovack Republic	30,000	EUR	40.00	Afin Leasing AG	100.000	
AS Afin Baltica	Tallin	Estonia	800,000	EEK	40.00	Afin Leasing AG	100.000	
OOO Afin Vostok Limited Liability Company	Moscow	Russia	50,000,000	RUR	40.00	Afin Leasing AG	100.000	
s.c. Afin Romania S.A.	Bucarest	Romenia	2,063,200,000	ROL	40.00	Afin Leasing AG	100.000	
UAB Afin Baltica (Lithuania)	Vilnius	Lithuania	35,000	LTT	40.00	Afin Leasing AG	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 Auto Holdings B.V.	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
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
CNH de Mexico SA de CV	São Pedro	Mexico	165,276,000	MXN	41.95	CNH Global N.V.	50.000	
Consolidated Diesel Company	Whitakers	U.S.A.	100	USD	41.95	CNH Engine Corporation	50.000	
L&T Case Equipment Limited	Mumbai	India	240,100,000	INR	41.95	CNH America LLC	50.000	
New Holland HFT Japan Inc.	Sapporo	Japan	240,000,000	JPY	41.95	CNH Global N.V.	50.000	

Commercial Vehicles

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
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.	33.333	
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	
Transolver Finance Establecimiento Financiero de Credito S.A.	Madrid	Spain	9,315,500	EUR	50.00	Iveco S.p.A.	50.000	
V.IVE.RE Gruppo Europeo di Interesse Economico	Turin	Italy	0	EUR	50.00	Iveco S.p.A.	50.000	

Components

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Gestamp Marelli Autochasis S.L.	Barcelona	Spain	2,000,000	EUR	50.00	Sistemi Sospensioni S.p.A.	50.000	

Metallurgical Products

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Hua Dong Teksid Automotive Foundry Co. Ltd.	Zhenjiang-Jangsu	People's Rep.of China	306,688,237	CNY	42.40	Teksid S.p.A.	50.000	

Services

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Global Value Soluçoes Ltda	Nova Lima	Brazil	2,000	BRL	50.00	Business Solutions do Brasil Ltda	50.000	

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights

Subsidiaries 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
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	4,000,000	MAD	100.00	Inmap 2000 Espana S.L.	100.000	
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 Nizhegorod Motors	Nizhnjy Novgorod	Russia	24,660,000	RUR	73.14	Fiat Auto S.p.A.	73.139	73.127

Agricultural and Construction Equipment

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Farmers New Holland Inc.	Wilmington	U.S.A.	650,000	USD	83.90	CNH America LLC	100.000	
Medicine Hat New Holland Ltd.	Ottawa	Canada	951,283	CAD	63.34	CNH Canada, Ltd.	75.500	
Memphis New Holland Inc.	Wilmington	U.S.A.	487,600	USD	81.16	CNH America LLC	96.739	
Northside New Holland Inc.	Wilmington	U.S.A.	250,000	USD	76.35	CNH America LLC	91.000	
Ridgeview New Holland Inc.	Wilmington	U.S.A.	440,000	USD	57.57	CNH America LLC	68.614	
St. Anthony New Holland, Inc.	Wilmington	U.S.A.	300,000	USD	83.90	CNH America LLC	100.000	
St. Catharines New Holland Ltd.	Ottawa	Canada	327,700	CAD	52.79	CNH Canada, Ltd.	62.923	
Sunrise Tractor & Equipment Inc.	Wilmington	U.S.A.	875,000	USD	73.39	CNH America LLC	87.474	
Tri-County New Holland Inc.	Wilmington	U.S.A.	400,000	USD	83.90	CNH America LLC	100.000	

Commercial Vehicles

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Altra S.p.A.	Genoa	Italy	516,400	EUR	66.67	Irisbus Italia S.p.A.	66.670	
F. Pegaso S.A.	Madrid	Spain	993,045	EUR	100.00	Iveco 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	2,870,909,000	COP	100.00	Iveco Venezuela C.A.	99.974	
						Iveco Latin America Ltda	0.026	
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	

Components

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Cofap Fabricadora de Pecas Ltda	Santo Andre	Brazil	62,838,291	BRL	68.14	Magneti Marelli do Brasil Industria e Comercio SA	68.350	
Seima Italiana Auto Svet	Krasnig Oktjabr Kirz	Russia	14,574,000	RUR	99.99	Automotive Lighting Rear Lamps Italia S.p.A.	100.000	

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
Metallurgical Products								
Teksid of India Private Limited Company in liquidation	Bardez-Goa	India	403,713,830	INR	84.79	Teksid S.p.A.	100.000	
Production Systems								
Comau AGS S.p.A.	Grugliasco	Italy	1,000,000	EUR	100.00	Comau S.p.A.	100.000	
Comau Australia Pty. Ltd	Wingfield	Australia	765,589	AUD	100.00	Comau S.p.A.	100.000	
Services								
Atlanet S.p.A.	Turin	Italy	2,000,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Cromos Consulenza e Formazione S.r.l. in liquidation	Turin	Italy	13,000	EUR	76.00	Business Solutions S.p.A.	76.000	
Matrix S.r.l. in liquidation	Turin	Italy	30,000	EUR	99.98	Business Solutions S.p.A.	99.000	
						Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	1.000	
Holding companies and Other companies								
Centro Studi sui Sistemi di Trasporto-CSST S.p.A.	Turin	Italy	520,000	EUR	89.78	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	61.30	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	
Fiat Russia OOO	Moscow	Russia	18,509,050	RUR	100.00	Fiat Partecipazioni S.p.A.	80.000	
						Fiat Attività Immobiliari S.p.A.	20.000	
Isvor Dealernet S.r.l. in liquidation	Turin	Italy	10,000	EUR	98.09	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	
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	
Maserati								
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.	99.995	
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								
Case Credit Wholesale Pty. Limited	St. Marys	Australia	347,750	AUD	83.90	CNH Australia Pty Limited	100.000	
Fermec North America Inc.	Wilmington	U.S.A.	5	USD	83.90	CNH America LLC	100.000	
International Harvester Company	Wilmington	U.S.A.	1,000	USD	83.90	CNH America LLC	100.000	
J.I. Case Company Limited	Basildon	United Kingdom	2	GBP	83.90	Case United Kingdom Limited	100.000	
Commercial Vehicles								
Consorzio per la Formazione Commerciale Iveco-Coforma	Turin	Italy	51,646	EUR	59.76	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	Dover	U.S.A.	20,000	USD	100.00	Iveco France S.A.	100.000	
Iveco Defence Vehicles S.p.A.	Bolzano	Italy	100,000	EUR	100.00	Iveco S.p.A.	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 Eurofire (Holding) 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	
Magneti Marelli Automotive Components (India) Limited	Pune	India	125,000,000	INR	99.99	Magneti Marelli Components B.V.	100.000	
Magneti Marelli Electronic Systems (Asia) Limited	Hong Kong	People's Rep.of China	10,000	HKD	99.99	Magneti Marelli Sistemi Elettronici S.p.A.	99.990	
						Magneti Marelli France S.a.s.	0.010	
Yorka Northamerica Corp.	Southfield	U.S.A.	10,000	USD	99.99	Yorka de Mexico S.r.l. de CV	100.000	

Subsidiaries valued at cost (continued)

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
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	Rome	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	15,000	EUR	60.00	Ingest Facility S.p.A.	60.000	
Fiat Common Investment Fund Limited	London	United Kingdom	2	GBP	100.00	Fiat U.K. Limited	100.000	
Gestione Servizi Territoriali S.r.l.	Turin	Italy	90,000	EUR	60.00	Ingest Facility S.p.A.	60.000	
Polaris Consorzio fra Imprese con Attività Esterna in liquidation	Turin	Italy	3,099	EUR	86.65	Matrix S.r.l. in liquidation	86.673	
Publishing and Communications								
To-dis S.r.l. a socio unico	Turin	Italy	10,000	EUR	100.00	Editrice La Stampa S.p.A.	100.000	
Holding companies and Other companies								
Fast Buyer Middle East A.S.	Bursa	Turkey	95,000,000,000	TRY	98.80	Fast-Buyer S.p.A.	98.800	
Fiat Gra.De EEIG	Watford	United Kingdom	0	GBP	96.12	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 Media Center S.p.A.	Turin	Italy	219,756	EUR	71.43	Fiat Partecipazioni S.p.A.	68.253	
						Fiat S.p.A.	3.175	
Fiat Oriente S.A.E. in liquidation	Cairo	Egypt	50,000	EGP	100.00	Fiat Partecipazioni S.p.A.	100.000	
Fides Corretagens de Securos Ltda	Nova Lima	Brazil	365,525	BRL	100.00	Rimaco S.A.	99.998	
ISVOR DILTS Leadership Systems Inc. in liquidation	Burlingame	U.S.A.	1,000	USD	49.78	Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	51.000	
Isvor Fiat India Private Ltd. in liquidation	New Delhi	India	1,750,000	INR	97.61	Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	100.000	
New Business 16 S.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
New Business 17 S.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Norfinance & Associés S.A. in liquidation	Geneva	Switzerland	4,600,000	CHF	100.00	BUC - Banca Unione di Credito	100.000	
Nuova Immobiliare Cinque S.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Nuova Immobiliare Quattro S.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	
Nuova Immobiliare Tre S.p.A.	Turin	Italy	120,000	EUR	100.00	Fiat Partecipazioni S.p.A.	100.000	

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-Consorzio Industriale per la Sicurezza e la Vigilanza	Turin	Italy	26,605	EUR	94.87	Fiat S.p.A.	81.198	
						Editrice La Stampa S.p.A.	1.980	
						Fiat Auto S.p.A.	1.980	
						Fiat Partecipazioni S.p.A.	1.980	
						CNH Italia s.p.a.	0.990	
						Comau S.p.A.	0.990	
						Fiat Gesco S.p.A.	0.990	
						Fiat Ge.Va. S.p.A.	0.990	
						Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	0.990	
						Iveco S.p.A.	0.990	
						Magneti Marelli Holding S.p.A.	0.990	
						Sisport Fiat S.p.A.	0.990	

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights

Associated companies 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
Fidis Bank G.m.b.H.	Vienna	Austria	4,740,000	EUR	50.00	Fiat Auto S.p.A.	50.000	
Fidis Retail Italia S.p.A.	Turin	Italy	672,076,000	EUR	49.00	Fiat Auto S.p.A.	49.000	
GM-Fiat Worldwide Purchasing B.V. in liquidation	Amsterdam	Netherlands	300,000	EUR	50.00	Fiat Auto Holdings B.V.	50.000	
IN ACTION S.r.l.	Arese	Italy	336,000	EUR	49.90	Fidis S.p.A.	49.900	
Targasys S.r.l.	Turin	Italy	4,322,040	EUR	40.00	Fidis S.p.A.	40.000	

Ferrari

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Ferrari Maserati Cars International Trading (Shanghai) Co. Ltd.	Shanghai	People's Rep.of China	3,000,000	USD	22.40	Ferrari S.p.A.	40.000	

Agricultural and Construction Equipment

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Al-Ghazi Tractors Ltd	Karachi	Pakistan	214,682,226	PKR	36.22	CNH Global N.V.	43.169	
Challenger New Holland Ltd.	Ottawa	Canada	558,700	CAD	25.59	CNH Canada, Ltd.	30.499	
CNH Capital Europe S.a.S.	Puteaux	France	88,482,297	EUR	41.87	CNH Global N.V.	49.900	
CNH Servicios Comerciales, S.A. de C.V.	São Pedro	Mexico	50,000,000	MXN	41.11	CNH Global N.V.	49.000	
Employers Health Initiatives LLC	Wilmington	U.S.A.	0	USD	41.95	CNH America LLC	50.000	
Kobelco Construction Machinery Co. Ltd.	Tokyo	Japan	16,000,000,000	JPY	16.78	CNH Global N.V.	20.000	
LBX Company LLC	Wilmington	U.S.A.	0	USD	41.95	Case LBX Holdings Inc.	50.000	
Megavolt L.P. L.L.L.P.	Wilmington	U.S.A.	500,000	USD	33.56	CNH America LLC	40.000	
New Holland Finance Ltd	Basingstoke	United Kingdom	2,900,001	GBP	41.11	CNH Global N.V.	49.000	
New Holland Trakmak Traktor A.S.	Izmir	Turkey	800,000,000,000	TRY	31.46	CNH Global N.V.	37.500	
Rathell Farm Equipment Company Inc.	Wilmington	U.S.A.	640,000	USD	36.30	CNH America LLC	43.266	
Turk Traktor Ve Ziraat Makineleri A.S.	Ankara	Turkey	47,000,000,000,000	TRL	31.46	CNH Global N.V.	37.500	

Powertrain Technologies

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Powertrain Industrial Services S.C.R.L. in liquidation	Turin	Italy	100,000	EUR	48.00	Fiat Powertrain Italia S.r.l.	24.000	
						FMA - Fabbrica Motori Automobilistici S.r.l.	20.000	
						Fiat Automoveis S.A. - FIASA	2.000	
						Fiat Auto Holdings B.V.	1.000	
						Powertrain Mekanik Sanayi ve Ticaret Limited Sirketi	1.000	

Commercial Vehicles

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Closed Joint Stock Company "AUTO-MS"	Zaporozhye	Ukraine	26,568,000	UAH	38.62	Iveco S.p.A.	38.618	
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	
Machen-Iveco Holding S.A.	Luxembourg	Luxembourg	26,000,000	GBP	30.00	Iveco S.p.A.	30.000	
Otoyol Sanayi A.S.	Samandira-Kartal/Istanbul	Turkey	52,674,386	TRY	27.00	Iveco S.p.A.	27.000	

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	2,868,918	EUR	45.00	Editrice La Stampa S.p.A.	45.000	
Editoriale Corriere Romagna S.r.l.	Forlì	Italy	2,856,000	EUR	40.00	Editrice La Stampa S.p.A.	40.000	
Edizioni Dost S.r.l.	Bologna	Italy	1,042,914	EUR	40.00	Editrice La Stampa S.p.A.	40.000	
Società Editrice Mercantile S.r.l.	Genoa	Italy	4,247,000	EUR	40.00	Editrice La Stampa S.p.A.	40.000	
Holding companies and Other companies								
IPI S.p.A.	Turin	Italy	40,784,134	EUR	10.00	Fiat Partecipazioni S.p.A.	10.000	
Livingstone Motor Assemblers Ltd.	Livingstone	Zambia	20,000,000	ZMK	20.00	Fiat Partecipazioni S.p.A.	20.000	
Lombard Bank Malta PLC	Valletta	Malta	2,025,949	MTL	26.53	BUC - Banca Unione di Credito	26.530	
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	

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights

Associated companies valued at cost

Automobiles

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Car City Club S.r.l.	Turin	Italy	390,000	EUR	33.00	Savarent Società per Azioni	33.000	
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	
Fabrication Automobiles de Tiaret SpA	Wilaya de Tiaret	Algeria	1,225,000,000	DZD	36.57	Fiat Auto S.p.A.	36.571	
Fidis Rent GmbH	Frankfurt	Germany	50,000	EUR	49.00	Fiat Handlerservice GmbH	49.000	
N.Technology S.p.A.	Chivasso	Italy	1,500,000	EUR	20.00	Fiat Auto S.p.A.	20.000	

Ferrari

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Iniziativa Fiorano S.r.l.	Modena	Italy	90,000	EUR	18.67	Ferrari S.p.A.	33.333	

Commercial Vehicles

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
CBC-Iveco Ltd.	Changzhou	People's Rep.of China	664,000,000	CNY	50.00	Iveco S.p.A.	50.000	
Sotra S.A.	Abidijan	Ivory Coast	3,000,000,000	XAF	39.80	Iveco France S.A.	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

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
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	2,400,000,000,000	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	

Metallurgical Products

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
S.A.S.-Società Assofond Servizi S.r.l.	Trezzano sul Naviglio	Italy	520,000	EUR	16.96	Teksid S.p.A.	20.000	

Production Systems

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Consorzio Generazione Forme-CO.GE.F.	San Mauro Torinese	Italy	15,494	EUR	33.33	Comau S.p.A.	33.333	

Services

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Multiservizi Reggio Calabria - Società per Azioni	Reggio di Calabria	Italy	120,000	EUR	29.40	Gestione Servizi Territoriali S.r.l.	49.000	
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

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Le Monde Europe S.A.	Paris	France	3,658,800	EUR	48.45	La Stampa Europe SAS	48.450	
Le Monde Presse S.A.S.	Paris	France	7,327,930	EUR	27.28	La Stampa Europe SAS	27.277	

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
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	
Alcmena S.a.r.l.	Luxembourg	Luxembourg	5,000,000	EUR	20.00	BUC - Banca Unione di Credito	20.000	
Ascai Servizi S.r.l. in liquidation	Rome	Italy	73,337	EUR	25.35	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	
CONFORM - Consorzio Formazione Manageriale	Avellino	Italy	51,600	EUR	34.16	Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	35.000	
Consorzio Oto-BPD in liquidation	Aulla	Italy	103,291	EUR	50.00	Fiat Partecipazioni S.p.A.	50.000	
Consorzio Parco Industriale di Chivasso	Chivasso	Italy	51,650	EUR	23.10	Fiat Partecipazioni S.p.A.	23.100	
Consorzio per lo Sviluppo delle Aziende Fornitrici in liquidation	Turin	Italy	241,961	EUR	30.30	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	48.93	Elasis-Società Consortile per Azioni	50.000	
Consorzio Scire	Pomigliano d'Arco	Italy	51,644	EUR	48.93	Elasis-Società Consortile per Azioni	50.000	
Consorzio Scuola Superiore per l'Alta Formazione Universitaria Federico II	Naples	Italy	127,500	EUR	19.57	Elasis-Società Consortile per Azioni	20.000	
Expo 2000 - S.p.A.	Turin	Italy	2,828,750	EUR	24.50	Fiat Partecipazioni S.p.A.	24.498	
FMA-Consultoria e Negocios Ltda	São Paulo	Brazil	1	BRL	50.00	Fiat do Brasil S.A.	50.000	
Giraglia Immobiliare S.p.A.	Milan	Italy	3,500,000	EUR	28.24	Fiat Partecipazioni S.p.A.	28.240	
Immobiliare Novoli S.p.A.	Florence	Italy	20,640,000	EUR	40.00	Fiat Partecipazioni S.p.A.	40.000	
Interfinanziaria S.A.	Paradiso	Switzerland	1,000,000	CHF	33.33	IHF-Internazionale Holding Fiat S.A.	33.330	
MB Venture Capital Fund I 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	19.46	Ferrari S.p.A.	16.364	
						CNH Italia s.p.a.	12.273	
QSF Qualità Servizi Formazione GEIE	Turin	Italy	10,329	EUR	24.40	Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	25.000	
Tecnologie per il Calcolo Numerico-Centro Superiore di Formazione S.c. a r.l.	Trento	Italy	100,000	EUR	24.50	C.R.F. Società Consortile per Azioni	25.000	
Zetesis S.p.A.	Milan	Italy	283,150	EUR	40.00	Fiat Partecipazioni S.p.A.	40.000	

Other companies valued at cost

Name	Registered office	Country	Capital stock	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Agricultural and Construction Equipment								
Polagris S.A.	Pikieliszki	Lithuania	1,133,400	LTT	9.27	CNH Polska Sp. z o.o.	11.054	
Commercial Vehicles								
Consorzio Bolzano Energia	Bolzano	Italy	12,000	EUR	16.67	Iveco S.p.A.	16.667	
Consorzio Spike	Genoa	Italy	90,380	EUR	15.00	Iveco S.p.A.	15.000	
Services								
H.R.O. Polska Sp. z o.o.	Bielsko-Biala	Poland	400,000	PLN	18.00	Business Solutions Polska Sp. z o.o.	18.000	
Holding companies and Other companies								
Consorzio Sorore	Siena	Italy	9,296	EUR	16.66	Fiat Partecipazioni S.p.A.	16.663	
Consorzio Technapoli	Naples	Italy	1,626,855	EUR	10.87	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.	Luxembourg	Luxembourg	44,887,500	USD	14.29	Fiat Netherlands Holding N.V.	14.286	
Fin.Priv. S.r.l.	Milan	Italy	20,000	EUR	14.29	Fiat S.p.A.	14.285	
IRCC-Istituto per la Ricerca e la Cura del Cancro-Torino S.p.A.	Turin	Italy	15,500,000	EUR	19.36	Fiat Partecipazioni S.p.A.	19.355	
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	


FIAT

03

Fiat S.p.A.

Financial Statements at December 31, 2005

FINANCIAL REVIEW OF FIAT S.P.A.

The following tables, described and commented on below, have been prepared from the company's statutory financial statements at December 31, 2005, to which reference should be made. Pursuant to the provisions of the Italian civil code, the statutory financial statements at December 31, 2005 have been prepared on the basis of the requirements set forth in Italian Legislative Decree no. 127 of April 9, 1991, as amended. Starting from fiscal 2006, Fiat S.p.A. will prepare its statutory financial statements in accordance with International Financial Reporting Standards (IFRS).

Operating Performance

The income statement of the Parent Company showed net income of 223 million euros for the year ended December 31, 2005, against a loss of 949 million euros for the year ended December 31, 2004.

An analysis of this result is provided in the following table:

(in millions of euros)	2005	2004
Adjustments to financial assets	(429)	(1,641)
Investment income	8	683
Net financial expenses	(56)	(137)
Cost of personnel and services net of revenues	(142)	(119)
Net extraordinary income (expenses)	1,121	(13)
Income taxes	(279)	278
Net income/(loss)	223	(949)

Adjustments to financial assets, resulting in costs of 429 million euros, mainly reflected the operating performance of subsidiaries during the fiscal year. In particular, they refer to the write-down in the equity investments held in Fiat Partecipazioni S.p.A. (811 million euros, due to the loss at Fiat Auto), Teksid S.p.A. (53 million euros), Comau S.p.A. (42 million euros) and Business Solutions S.p.A. (52 million euros), net of revaluations for the restoration of the carrying value of the equity investment 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 other minor companies. During 2004, these adjustments resulted in costs of 1,641 million euros, mainly as a result of the write-down of the investment in Fiat Partecipazioni S.p.A. (1,624 million euros), which had been impacted by the negative performance of the Automobiles Sector.

Investment income totalled 8 million euros and consisted of dividends paid by subsidiaries. In 2004 this item also included income of 606 million euros that had its origin in the partial capital repayment by the IHF – Internazionale Holding Fiat S.A. subsidiary.

Net financial expenses totalled 56 million euros, a decrease from the 137 million euros incurred in 2004, due to lower interest expenses as a result of the extinguishment of the Mandatory Convertible Facility and to the increased interest income earned as a result of the higher level of financial assets.

Cost of personnel and services net of revenues amounted to 142 million euros with respect to 119 million euros in 2004.

In particular:

- Cost of personnel and services totalled 187 million euros and consisted of services costs (76 million euros), personnel costs (42 million euros) and, for the remainder, of amortisation and other operating costs. The 20 million euro decrease over the previous fiscal year stemmed for 11 million euros from lower personnel costs and for 9 million euros from lower services costs, depreciation and amortisation and other net costs. The average number of employees in 2005 was 133 (including 11 persons seconded to the principal companies of the Group), against an average number of 151 employees in 2004 (including 12 persons seconded to those Group companies);
- Revenues totalled 45 million euros and consisted of 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 rendered by executives at the main Group companies. The decrease of 43 million euros with respect to fiscal 2004 is mainly due to lower charges for the use of the trademark.

Net extraordinary income amounted to 1,121 million euros and consisted of the net extraordinary gain on the transaction regarding the termination of the Master Agreement with General Motors for an amount of 1,133 million euros, and costs for the restructuring of the Parent Company.

In 2004, net extraordinary expenses were connected with the implementation of the Parent Company's restructuring and reorganisation plan.

Income taxes totalled 279 million euros, an amount which includes the realisation of deferred tax assets of 277 million euros, initially recognised in the financial statements for the year ended December 31, 2004 in relation to the settlement subsequently made with General Motors for the termination of the Master Agreement.

Balance Sheet

The following table provides highlights of the Parent Company's balance sheet:

(in millions of euros)	At 12.31.2005	At 12.31.2004
Fixed assets	5,052	5,342
of which: equity investments	4,983	5,249
Working capital	(314)	99
Total net invested capital	4,738	5,441
Stockholders' equity	7,689	4,466
Net debt (Net liquid funds)	(2,951)	975

Fixed assets refer mainly to equity investments in the principal Group companies, in which Fiat S.p.A. holds a controlling interest.

The net decrease in fixed assets of 290 million euros with respect to December 31, 2004 is mainly due to the decrease of 266 million euros in equity investments as a result of the adjustments to financial assets discussed earlier net of the recapitalisations of the Teksid S.p.A., Comau S.p.A., Business Solutions S.p.A. and Itedi S.p.A. subsidiaries carried out during the year (for a total amount of 165 million euros).

Working capital comprises inventories net of advances received, trade, tax and employee receivables/payables and provisions, which in total result in a net liability of 342 million euros, together with treasury stock of 28 million euros (represented by 4,331,708 ordinary shares). The 413 million euro decrease from December 31, 2004 stems from the reduction in receivables, mainly due to the previously mentioned realisation of deferred tax assets (277 million euros) and the higher amount of receivables sold.

Stockholders' equity at December 31, 2005 totalled 7,689 million euros. The increase of 3,223 million euros with respect to December 31, 2004 is due to the capital increase of resolved by the Board of Directors on September 15, 2005 and subscribed by the financing banks to offset the Mandatory Convertible Facility (3 billion euros), and net income for the year of 223 million euros.

Net liquid funds at December 31, 2005 totalled 2,951 million euros against net debt of 975 million euros at December 31, 2004. These may be analysed as follows:

(in millions of euros)	At 12.31.2005	At 12.31.2004
Financial receivables and cash	(3,059)	(2,321)
Financial payables	117	3,169
Financial accruals and deferrals	(9)	127
Net debt (Net liquid funds)	(2,951)	975

Financial receivables include short-term financing granted to the subsidiary Fiat Ge.Va. S.p.A. falling due in 2006, and cash deposited in a current account with that company.
At December 31, 2004, financial payables consisted primarily of the 3 billion euro Mandatory Convertible Facility granted by a pool of banks in 2002 and extinguished in September 2005 through the previously mentioned subscription to a capital increase.
The reader is referred to the statement of cash flows at the end of the notes to the statutory financial statements of Fiat S.p.A. for a more complete analysis of the items included in the income statement and balance sheet.

Transition to International Financial Reporting Standards (IFRS) by Fiat S.p.A.

As a result of the implementation of European Regulation no. 1606 of July 19, 2002, the Fiat Group has adopted International Financial Reporting Standards (IFRS) for the preparation of its consolidated financial statements with effect from January 1, 2005. On the basis of Italian law implementing this regulation, the statutory financial statements of the Parent Company Fiat S.p.A. will be prepared in accordance with these standards from fiscal 2006.

As a consequence, Fiat is currently making the transition to IFRS for its statutory financial statements and will report its 2006 first half results and prior year comparatives in accordance with IFRS.

This note describes the policies that Fiat has adopted in preparing its IFRS opening balance sheet at January 1, 2005, as well as the main differences in relation to Italian GAAP used to prepare its statutory financial statements up until December 31, 2005.

As part of this transition programme, an opening balance sheet of Fiat S.p.A. at January 1, 2005 will be prepared in accordance with IFRS 1 – *First-time Adoption of International Financial Reporting Standards*, on the basis of the IFRS applicable from January 1, 2006, as published at December 31, 2005. In particular, the amendments to IFRS 4 and IAS 39 issued in 2005 and effective from January 1, 2006 will be applied, which regard the measurement and recognition of financial guarantee contracts in the financial statements of the guarantor and the limitation in the use of the "fair value option" to financial instruments satisfying specific conditions.

FIRST-TIME ADOPTION OF IFRS

General principle

In accordance with IFRS 1, the Parent Company Fiat S.p.A. is required to apply the accounting standards in force at the reporting date for its first IFRS financial statements retrospectively to all periods presented, except for one permitted exemption adopted by Fiat S.p.A. and described in the following paragraph.

The opening IFRS balance sheet at January 1, 2005 will therefore reflect the following differences with the statutory balance sheet prepared at December 31, 2004 in accordance with Italian GAAP:

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

The impact of these adjustments will be recognised directly in opening equity at January 1, 2005, the date of transition to IFRS.

In summary, the assets and liabilities to be included in the statutory financial statements of the Parent Company Fiat S.p.A. prepared in accordance with IFRS will be recognised and measured in the same manner as that used to prepare the financial statements drafted for inclusion in the Group's consolidated financial statements, in accordance with IFRS 1, with the exception of consolidation entries.

OPTIONAL EXEMPTION ADOPTED BY FIAT S.P.A.

Employee benefits: Fiat S.p.A. has elected to recognise all cumulative actuarial gains and losses that existed at January 1, 2005, but will use the corridor approach for those arising after that date.

DESCRIPTION OF THE MAIN DIFFERENCES BETWEEN ITALIAN GAAP AND IFRS

The following paragraphs provide a description of the main differences between Italian GAAP and IFRS that will have effect on the statutory financial statements of Fiat S.p.A.

1. Write-off of deferred costs

Under Italian GAAP, Fiat S.p.A. defers and amortises certain costs (mainly start-up and expansion costs). IFRS require these to be expensed when incurred.

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

2. Valuation of investments in other companies not held as current assets

In the financial statements of Fiat S.p.A. prepared in accordance with Italian GAAP, equity investments included under financial fixed assets (investments in subsidiaries and in other companies) are stated at historical cost, which is written down in the event of an impairment loss; the impairment loss is reversed if in subsequent years the reasons for the write-down no longer apply.

Under IFRS, IAS 27 requires that investments in subsidiaries be either recorded at cost or at their fair value. If there are reasons to believe that all or part of the cost cannot be recovered, the carrying amount must be reduced to the recoverable amount of the investment in accordance with IAS 36. If this loss is subsequently reduced or is entirely recovered, the carrying amount is increased back up to the newly estimated recoverable amount, which may not exceed the amount that would have been determined if no impairment loss had been recorded. Any restoration of the carrying amount is recorded immediately in the income statement.
On the basis of current analyses, the measurement of the carrying amount of subsidiaries using the cost method as stated in IAS 27 is not expected to lead to the recognition of significant differences in the preparation of the IFRS opening balance sheet.

In accordance with IAS 39, investments in other companies represented by available-for-sale financial assets, are measured at their fair value, if this can be determined, and the gains and losses resulting from changes in the fair value are recognised directly in stockholders' equity until the financial assets are disposed of or determined to be impaired. At that time, all gains and losses previously recognised in equity are included in the income statement for the period.
The investment held by Fiat S.p.A. in Mediobanca S.p.A. satisfies these requirements, with its fair value being determined as its stock market quotation at the date of the financial statements. The adoption of IFRS on January 1, 2005 will therefore lead to the recognition of the excess of the stock market price of the investment over its carrying value at that date, with a net positive impact on stockholders' equity.

3. Contract work in progress

As permittted under Italian GAAP, Fiat S.p.A. accounts for contract work in progress at its production cost. This refers in particular to the execution of long-term agreements (contracts signed between Fiat and Treno Alta Velocità – T.A.V. S.p.A.). As a result, revenue is recognised after delivery and when accepted by the customer on a final basis, that is, income is recognised only when the contract is completed.

Amounts received from the customer during the performance of the contract are treated as financial advances and accounted for as a liability under advances from customers, while any amounts paid to subcontractors are booked as advances under inventories.

Under IFRS (IAS 11), when the outcome of a construction contract can be estimated reliably, revenue and expenses regarding construction contracts must be accounted by reference to the percentage of work completed, in this way recognising margins for the contract activity performed up to the balance sheet date. The terms and conditions regarding the legal transfer of title are irrelevant to the reporting of these amounts in the financial statements. Thus, any advances received are deducted from the value of inventories (contract work in progress and advances to suppliers).

Consequently, the adoption of IFRS will entail recognition of the margins earned on contracts, with a positive net impact on stockholders' equity at January 1, 2005.

4. Treasury stock

In accordance with Italian GAAP, Fiat S.p.A. accounts for treasury stock as an asset and records any related value adjustments and gains or losses on disposal in the income statement.

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

5. Sale of receivables

Fiat S.p.A. sells a significant part of its trade and tax receivables through factoring transactions.

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 cash flows from receivables sold.

Under Italian GAAP, all receivables sold through factoring transactions (both with and without recourse) have been derecognised.

Under IFRS, IAS 39 permits the derecognition from assets of a financial asset when, and only when, the risks and rewards of the ownership of the assets are substantially transferred: consequently, all portfolios sold with recourse, and part of those sold without recourse, will be reinstated in the IFRS balance sheet.

6. Employee benefits

Under IFRS, employee severance indemnities (TFR), which are accounted for pursuant to specific statutory rules under Italian GAAP, are considered defined benefit obligations pursuant to IAS 19 – *Employee Benefits*. As a result, they are recalculated using the "Projected Unit Credit Method" under IFRS.

Fiat S.p.A. also grants employees and former employees various forms of benefits (retirement incentives, compensation, bonuses) under past or current supplemental company or individual agreements that are qualified as defined benefit pension plans, just like other long-term benefits. Although these benefits are accrued in the statutory financial statements in a manner that is consistent with Italian GAAP, under IFRS they will need to be accounted for in accordance with IAS 19.

For IFRS purposes, Fiat S.p.A. has elected to recognise all accumulated actuarial gains and losses at January 1, 2005, and this will have a net positive impact on stockholders' equity.

7. Stock options

No obligations or compensation expenses are recognised for share-based payment transactions under Italian GAAP.

In accordance with IFRS 2 – *Share-based Payment*, the full fair value amount of stock options at the grant date is reflected 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. Changes in fair value after the grant date have no impact on the initial measurement.

Fiat S.p.A. will apply the transitional provisions stated in IFRS 2 and therefore will apply this standard to all stock options granted after November 7, 2002 and not yet vested at January 1, 2005, the effective date of IFRS 2. No compensation expense is required to be recognised for stock options granted prior to November 7, 2002.

8. Recognition and measurement of financial receivables and financial debt

Financial receivables consist of short-term financing granted to the subsidiary Fiat Ge.Va. S.p.A., as well as cash deposited on its cash management account. These receivables can be immediately converted into cash and are subject to an insignificant risk of change in value. The transition to IFRS will not impact their amount.

Financial debt at January 1, 2005 principally reflected the Mandatory Convertible Facility. Under Italian GAAP, the gross amount received is recognised. The various fees owed to the lending banks (for the organisation of the facility, for the share subscription commitment, etc.) at different dates (at the beginning, over the years, and upon maturity) are charged against income over the term of the facility (on a pro-rated basis).

Under IFRS, financial debt is recognised at the amounts received stated net of transaction costs and is subsequently measured at its amortised cost using the effective interest method. Adoption of IFRS will thus entail recomputation of the expenses charged to income for the various years affected, with a net positive effect on stockholders' equity at January 1, 2005.

Furthermore, the Mandatory Convertible Facility agreement envisaged that the facility would either be reimbursed in cash or converted into shares subscribed for by the lending banks and through subsequent rights offerings to the stockholders. In the statutory financial statements of Fiat S.p.A. prepared in accordance with Italian GAAP, the conversion of the facility led to an entry for the increase in capital stock and in additional paid-in capital at subscription price, with the counter entry extinguishing the debt.
In the statutory financial statements of Fiat S.p.A. prepared in accordance with IFRS, the increase in capital and in additional paid-in capital is recorded in equity at its current value, in line with the accounting treatment in the consolidated financial statements, with the difference between the subscription price of the new shares (10.28 euros per share) and their current value at the time of subscription (7.337 euros per share) then recognised in the income statement as unusual financial income (858 million euros net of expenses).

9. Recognition and measurement of derivatives

Fiat S.p.A. adopted IAS 39 - *Financial Instruments: Recognition and Measurement on January 1, 2001* to the extent that it is consistent and not in contrast with the general principles set forth in the Italian law governing financial statements. In particular, taking into account the restrictions under Italian law, Fiat S.p.A. maintained that IAS 39 was applicable only in part and only in reference to the designation of derivative financial instruments as "hedging" or "non-hedging instruments" and with respect to the symmetrical accounting of the result of the valuation of the hedging instruments and the result attributable to the hedged items ("hedge accounting"). Those transactions which, according to Fiat S.p.A.'s policy for risk management, are able to satisfy the conditions stated by the accounting principle for hedge accounting treatment, are designated as hedging transactions; the others, although set up for the purpose of managing risk exposure (inasmuch as speculative transactions are not permitted as a rule), are designated as trading transactions.

The main differences between Italian GAAP and IFRS may be summarised as follows:

- Financial instruments designated as "hedging instruments" - under Italian GAAP, the instrument is valued symmetrically with the underlying hedged item. Therefore, where the hedged item has not been adjusted to fair value in the financial statements, the hedging instrument has also not been adjusted. Similarly, where the hedged item has not yet been recorded in the financial statements (hedging of future flows), the valuation of the hedging instrument at fair value is deferred.

  Under IFRS:

  – In the case of a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value is recognised in the income statement and 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. Consequently, no impact arises on net income (except for the ineffective portion of the hedge, if any) or on stockholders' equity, while adjustments impact the carrying values of hedging instruments and hedged items.

  – In the case of a cash flow hedge (hedging of future flows), the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity; the ineffective portion of the gain or loss is recognised in the income statement. Consequently, with reference to the effective portion, only a difference in stockholders' equity will arise between Italian GAAP and IFRS.

- Instruments designated as "non-hedging instruments" (except for foreign currency derivative instruments) - under Italian GAAP, these instruments are valued at market value and the difference, if negative compared to the contractual value, is recorded in the income statement, in accordance with the concept of prudence. Under IAS 39 any positive difference is also recorded. The accounting treatment adopted for foreign currency derivative instruments under Italian GAAP is, however, in line with IAS 39.

Balance Sheet

ASSETS

		At 12.31.2005 (in euros)		At 12.31.2004 (in euros)	
FIXED ASSETS					
Intangible fixed assets	(note 1)				
Start-up and expansion costs		27,627,109		41,726,538	
Concessions, licenses, trademarks and similar rights		91,536		54,868	
Intangible assets in progress and advances		221,163		185,759	
Other intangible fixed assets		362,900		8,187,824	
Total			28,302,708		50,154,989
Property, plant and equipment	(note 2)				
Land and buildings		34,477,620		35,831,465	
Plant and machinery		1,925,748		2,887,128	
Other assets		4,330,833		4,766,873	
Total			40,734,201		43,485,466
Financial fixed assets	(note 3)				
Investments in:					
Subsidiaries		4,856,539,398		5,122,130,119	
Other companies		126,725,012		126,730,177	
Total investments			4,983,264,410		5,248,860,296
Other securities			73,175		74,180
Total			4,983,337,585		5,248,934,476
TOTAL FIXED ASSETS			5,052,374,494		5,342,574,931
CURRENT ASSETS					
Inventories	(note 4)				
Contract work in progress		104,837,856		91,261,958	
Advances to suppliers		8,326,204,876		7,053,456,999	
Total			8,431,042,732		7,144,718,957
Receivables	(note 5)				
Trade receivables (*)		207,965,283		350,602,953	
Receivables from subsidiaries		112,581,102		25,250,689	
Tax receivables (**)		102,569,479		288,901,943	
Deferred tax assets		–		277,000,000	
Receivables from others (***)		35,029,595		32,795,820	
Total			458,145,459		974,551,405
Financial assets not held as fixed assets	(note 6)				
Treasury stock (total par value 21,658,540 euros)			27,709,936		26,413,309
Financial receivables:					
From subsidiaries			3,058,299,491		2,320,580,431
Total			3,086,009,427		2,346,993,740
Cash	(note 7)				
Bank and post office accounts		344,879		324,705	
Cheques		150,356		–	
Cash on hand		–		554	
Total			495,235		325,259
TOTAL CURRENT ASSETS			11,975,692,853		10,466,589,361
ACCRUED INCOME AND PREPAID EXPENSES	(note 8)		13,303,183		6,881,119
TOTAL ASSETS			17,041,370,530		15,816,045,411

Receivables are to be considered as due within the subsequent fiscal year, except the following:

		At 12.31.2005	At 12.31.2004
(*)	Amounts due within one year	207,965,283	350,318,902
	Amounts due beyond one year	–	284,051
(**)	Amounts due within one year	98,067,732	286,720,362
	Amounts due beyond one year	4,501,747	2,181,581
(***)	Amounts due within one year	34,984,515	32,735,791
	Amounts due beyond one year	45,080	60,029

Balance Sheet

LIABILITIES AND STOCKHOLDERS' EQUITY

		At 12.31.2005 (in euros)	At 12.31.2004 (in euros)
STOCKHOLDERS' EQUITY	(note 9)		
Capital		6,377,257,130	4,918,113,540
Additional paid-in capital		1,540,856,410	–
Revaluation reserve under Law No. 413 of 12/30/91		22,590,857	22,590,857
Legal reserve		446,561,762	446,561,762
Treasury stock valuation reserve		27,709,936	26,413,309
Other reserves			
Extraordinary reserve		334,634	1,631,261
Retained earnings/(losses)		(949,100,522)	–
Net income/(loss)		223,019,671	(949,100,522)
TOTAL STOCKHOLDERS' EQUITY		7,689,229,878	4,466,210,207
RESERVES FOR RISKS AND CHARGES	(note 10)		
Reserve for pensions and similar obligations		21,666,308	19,273,212
Other reserves		31,037,811	29,738,650
TOTAL RESERVES FOR RISKS AND CHARGES		52,704,119	49,011,862
RESERVE FOR EMPLOYEE SEVERANCE INDEMNITIES	(note 11)	11,995,621	11,616,488
PAYABLES	(note 12)		
Borrowings from banks		–	3,060,245,135
Advances		8,656,661,821	7,336,405,933
Trade payables		380,335,441	501,654,329
Payables to subsidiaries (*)		222,848,288	222,730,082
Payables to controlling company		–	234,360
Taxes payable		2,749,639	8,986,970
Social security payable		1,717,427	2,797,294
Other payables (**)		22,606,627	26,484,115
TOTAL PAYABLES		9,286,919,243	11,159,538,218
ACCRUED EXPENSES AND DEFERRED INCOME	(note 13)	521,669	129,668,636
■ TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		17,041,370,530	15,816,045,411

Payables are to be considered as due within the subsequent fiscal year, except the following:

(*)	Amounts due within one year	220,225,807	222,730,082
	Amounts due beyond one year	2,622,481	–
(**)	Amounts due within one year	8,976,923	13,491,702
	Amounts due beyond one year	13,629,704	12,992,413

Balance Sheet

MEMORANDUM ACCOUNTS (NOTE 14)

	At 12.31.2005 (in euros)		At 12.31.2004 (in euros)	
GUARANTEES GRANTED				
Unsecured guarantees				
Suretyships on behalf of:				
Subsidiaries	797,456,604		672,385,005	
Others	460,303,341		1,116,275,497	
		1,257,759,945		1,788,660,502
Other unsecured guarantees on behalf of:				
Subsidiaries	7,100,923,987		9,596,883,852	
Others	119,781,615		171,364,028	
		7,220,705,602		9,768,247,880
TOTAL GUARANTEES GRANTED		8,478,465,547		11,556,908,382
COMMITMENTS				
Commitments related to supply contracts		10,906,319,695		10,261,146,601
Commitments related to derivative financial instruments		70,240,610		90,397,500
Other commitments		6,972,168		9,296,224
TOTAL COMMITMENTS		10,983,532,473		10,360,840,325
TOTAL MEMORANDUM ACCOUNTS		19,461,998,020		21,917,748,707

Income Statement

			2005 (in euros)		2004 (in euros)
VALUE OF PRODUCTION	(note 15)				
Revenues from sales and services			20,169,500		59,775,406
Change in contract work in progress			13,575,898		16,859,476
Other income and revenues			11,702,535		11,851,617
TOTAL VALUE OF PRODUCTION			45,447,933		88,486,499
COSTS OF PRODUCTION	(note 16)				
Raw materials, supplies and merchandise			406,725		423,376
Services			76,217,668		109,849,162
Leases and rentals			987,596		949,056
Personnel					
Wages and salaries		22,992,468		29,980,662	
Social security contributions		7,222,924		9,873,787	
Employee severance indemnities		4,087,033		4,088,328	
Employee pensions and similar obligations		3,590,586		2,189,912	
Other costs		3,812,121		6,745,987	
			41,705,132		52,878,676
Amortisation, depreciation and writedowns					
Amortisation of intangible fixed assets		23,745,920		26,496,908	
Depreciation of property, plant and equipment		3,285,314		3,220,295	
			27,031,234		29,717,203
Other operating costs			40,701,141		13,451,449
TOTAL COSTS OF PRODUCTION			187,049,496		207,268,922
DIFFERENCE BETWEEN THE VALUE AND COSTS OF PRODUCTION			(141,601,563)		(118,782,423)
FINANCIAL INCOME AND EXPENSES	(note 17)				
Investment income					
Subsidiaries		–		676,123,797	
Other companies		7,713,904		6,433,015	
			7,713,904		682,556,812
Other financial income					
From securities held as fixed assets other than equity investments		2,072		2,467	
From securities held as current assets other than equity investments		85,750		–	
Other income					
Subsidiaries		101,199,017		63,019,390	
Others		11,415,199		9,955,470	
		112,614,216		72,974,860	
			112,702,038		72,977,327
Interest and other financial expenses					
Subsidiaries		2,941,624		17,686,797	
Others		165,735,025		192,535,010	
			168,676,649		210,221,807
Foreign exchange gains and losses			(58,155)		283,349
TOTAL FINANCIAL INCOME AND EXPENSES			(48,318,862)		545,595,681

Income Statement

		2005 (in euros)		2004 (in euros)	
ADJUSTMENTS TO FINANCIAL ASSETS (note 18)					
Revaluations of:					
Equity investments		526,753,314		–	
Securities held as current assets other than equity investments		1,611,796		–	
			528,365,110		–
Writedowns					
Equity investments		957,542,000		1,639,152,526	
Securities among current assets other than equity investments		–		1,631,261	
			957,542,000		1,640,783,787
TOTAL ADJUSTMENTS			(429,176,890)		(1,640,783,787)
EXTRAORDINARY INCOME AND EXPENSES (note 19)					
Income					
Gains on disposals		615,204		28,000	
Other income		1,135,073,884		1,551,187	
			1,135,689,088		1,579,187
Expenses					
Losses on disposals		1,915,338		428,922	
Other expenses		12,829,210		14,721,837	
			14,744,548		15,150,759
TOTAL EXTRAORDINARY INCOME AND EXPENSES			1,120,944,540		(13,571,572)
INCOME (LOSS) BEFORE TAXES			501,847,225		(1,227,542,101)
Income taxes, current and deferred tax assets and liabilities	(note 20)		278,827,554		(278,441,579)
NET INCOME (LOSS)			223,019,671		(949,100,522)

Notes to the Financial Statements

ACCOUNTING PRINCIPLES AND METHODS

The statutory financial statements at December 31, 2005, which include the Balance Sheet, the Income Statement and the Notes to the financial statements, have been prepared in compliance with the provisions of the Italian Civil Code and provide the additional information required by CONSOB.

As envisaged in Legislative Decree No. 127/1991 the Group has prepared consolidated financial statements.

The valuation criteria used, which are illustrated below, are consistent with those used in the past fiscal year and comply with the provisions of Article 2426 of the Italian Civil Code.

In particular:

Balance Sheet

Intangible fixed assets

Start-up and expansion costs consist of costs incurred in connection with capital increases. They are capitalised on the basis of their estimated useful life. They are amortised on a straight-line basis over five years.

Trademarks are recorded at a value that reflects only the costs incurred for their realisation and the administrative procedure for their registration. To ensure a conservative valuation, this amount is amortised on a straight-line basis over three years.

The other intangible fixed assets are represented by costs expected to benefit future periods and are amortised systematically over the period to be benefited.

Property, plant and equipment

Property, plant and equipment is recorded at acquisition cost plus directly attributable charges. As indicated in a separate schedule, the value of some of these assets includes the inflation adjustments required under the pertinent laws. Improvement costs are added to the value of the assets in question only when they permanently increase their value or useful life. Depreciation is computed on a straight-line basis at rates deemed adequate in view of the estimated useful life of the assets. For assets acquired during the fiscal year, the annual depreciation is taken at half the regular rate. The cost of maintenance and repairs is charged directly to income when incurred.

Financial fixed assets

Financial fixed assets include equity investments and other securities.

Equity investments are stated in the balance sheet at their historical cost and, more exactly, on the basis of the costs incurred or, when business operations are transferred, at the values set forth in the respective contracts in accordance with the appraisals required by law, determined by the LIFO method with annual adjustments. As shown in a separate schedule, some of these assets have been adjusted for inflation, as required by the pertinent laws.

Equity investments in companies that show a permanent impairment in value are written down accordingly.

If in subsequent fiscal years the reasons for these adjustments are no longer valid, the writedowns are reversed. No reversals are made for writedowns recognised prior to the effective date of Legislative Decree No. 127/1991.

Other securities include securities shown at their net purchase price, adjusted for the accrual of any premium or discount earned or incurred upon issuance or purchase, because the securities, which are pledged to fund scholarship grants, are not held for trading purposes.

Inventories

Inventories include contract work in progress and advances to suppliers.

Work in progress relates to long-term contracts (contracts signed between Fiat and Treno Alta Velocità – T.A.V. S.p.A. in connection with the High-Speed Railway Project, described in Note 4) and is valued on the basis of the respective production cost.

Amounts received from the client company T.A.V. S.p.A. while work is in progress are treated as a form of financing and are included among the liabilities under advances, while those paid to the subcontracting consortia are booked under inventories – advances to suppliers.

Revenues are booked when the work is actually delivered and accepted by customers.

Treasury stock

Treasury stock is valued at the lower of its purchase cost (calculated using the LIFO method in annual instalments) and its market value, or the option exercise price when the shares are to be used for stock options.

If in subsequent fiscal years the reasons for these adjustments are no longer valid, the writedowns are reversed.

A corresponding treasury stock reserve for the same amount is recorded in the balance sheet under stockholders' equity. This reserve cannot be used to cover losses.

Receivables and payables

Accounts receivable are shown at their estimated realisable value, which represents the difference between their face value and the adjustments included in the allowance for doubtful accounts. The individual items are shown in the balance sheet net of the respective allowances.

The amount of these allowances is determined in accordance with a prudent estimate of uncollectible amounts, based on past experience, and reflects the risks associated with specific delinquent accounts.

Receivables and payables denominated in the currencies of countries not belonging to the EMU are expressed in euros at the spot exchange rate on the closing date of the fiscal year, and the relative exchange losses and gains are posted to the income statement.

Any net income arising is set aside, for the portion not used to cover any loss for the year, in a special reserve that cannot be distributed until the gain is realised.

Accruals and deferrals

Accruals and deferrals are determined by the accrual method, in accordance with the general principle of assigning revenues and expenses to the accounting period in which they are earned or incurred.

Reserves for risks and charges

Reserves for risks and charges are established to cover costs or liabilities the occurrence of which is probable or certain at the end of the fiscal year, but which are indeterminable either as to amount or timing.

Reserve for employee severance indemnities

The reserve for employee severance indemnities represents the actual liability toward employees accrued as of the end of the fiscal year and is adjusted each year in accordance with current laws and collective bargaining agreements.

Memorandum Accounts

Suretyships and other unsecured guarantees

Suretyships and other unsecured guarantees granted on behalf of subsidiaries and others are posted under memorandum accounts.

Suretyships granted against payment of the leases of subsidiaries are posted in the amount of the provided guarantee; the suretyships for the Sava Notes are posted in the amount of the outstanding notes; the suretyships and other unsecured guarantees granted for financings, bonds, credit lines, commercial paper and other financial instruments of subsidiaries and others are posted for the reimbursement value of these notes at the balance sheet date.

The Other unsecured guarantees include the amount of the risk of withdrawal on sales of receivables with recourse. Receivables sold with recourse are eliminated from the balance sheet; the risk of withdrawal is reported under memorandum accounts and disclosed in the notes.

Suretyships granted by others for enterprise debts, in particular those granted by the Consortia participating in the High-Speed Railway Project to guarantee the successful conclusion of work and the advances posted on the liability side of the balance sheet under advances, are not reported under memorandum accounts but disclosed instead in the notes.

Commitments

The Group's commitments are posted under memorandum accounts in their amount at the balance sheet date. In particular, the supply commitments for the High-Speed Railway Project include the amount of supply commitments envisaged in the original agreements made with Treno Alta Velocità – T.A.V. S.p.A., the amounts envisaged in agreements for alterations during construction, and the respective monetary adjustments.

If the amount of a commitment cannot be quantified, the commitment is not posted under memorandum accounts but disclosed instead in the notes.

Derivative financial instruments

Derivative financial instruments are recorded at inception in the memorandum accounts at their notional contract amount.

More specifically, derivative financial instruments classified as trading instruments insofar as they do not satisfy the requirements for hedge accounting treatment, are valued at their market value and the differential, if negative compared to the contractual value, is recorded in the income statement, under financial income and expenses, in accordance with the principle of prudence. In contrast, for instruments that can be classified as hedging, the effects of the transaction are posted to the income statement in such a way as to offset the effects of the hedged flows.

Income Statement

Dividends

Dividends are recorded in the year when declared by the paying companies.

Financial income and expenses

Financial income and expenses are recorded on an accrual basis.

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

Income taxes

Liability for corporate income taxes due for the fiscal year is determined in accordance with current legislation.

Deferred tax assets and liabilities are determined on the basis of the temporary differences that arise between asset and liability items and the corresponding tax items.

In particular, deferred tax assets are recognised only when it is reasonably certain that they will be recovered. Conversely, deferred tax liabilities are not recognised if it is unlikely that the corresponding obligations will in fact arise.

For a three-year period starting in 2004, Fiat S.p.A. and almost all of its Italian subsidiaries have decided to participate in the national tax consolidation program envisaged in Articles 117 and 129 of the Consolidated Law on Income Tax (T.U.I.R.).
Fiat S.p.A. functions as a consolidating company and determines a single taxable base for the group of companies participating in the tax consolidation program, which thus benefits from the possibility of setting off taxable income with tax losses on a single tax return. Each company participating in the tax consolidation program contributes its taxable income or loss to the consolidating company; Fiat S.p.A. posts a credit in its favour for the IRES (corporate income tax) to be paid. In contrast, for those companies that contribute tax losses, Fiat S.p.A. posts a payable equal to the IRES on the portion of the loss that is actually set off at the group level.

ANALYSIS OF THE INDIVIDUAL ITEMS

Fixed assets

1. Intangible fixed assets

Start-up and expansion costs

At December 31, 2005, they totalled 27,627 thousand euros. They include costs incurred in connection with the capital increases resolved in fiscal 2002, 2003 and 2005 and are amortised over a 5-year period.

The net decrease of 14,100 thousand euros since December 31, 2004 is the result of:

(in thousands of euros)

Capitalisation of costs connected with the capital increase resolved on September 15, 2005	1,363
Amortisation for the fiscal year	(15,463)
Net change	(14,100)

Concessions, licenses, trademarks and similar rights

This item, which amounted to 92 thousand euros at December 31, 2005, includes trademarks owned by the Company, which are amortised over three years.

The net increase of 37 thousand euros compared with December 31, 2004 is the net effect of the following items:

(in thousands of euros)

Capitalisation of expenses for the realisation and registration of new trademarks	122
Amortisation for the fiscal year	(85)
Net change	37

Intangible assets in progress and advances

This item reflects the costs incurred in connection with ongoing administrative procedures required to register trademarks.

With respect to December 31, 2004 it showed a net increase of 36 thousand euros to 221 thousand euros at December 31, 2005.

Other intangible fixed assets

They totalled 363 thousand euros at December 31, 2005 and reflect leasehold improvement costs incurred following the move of representative offices in Rome and Brussels. These costs are amortised according to the term of the leases.

The net decrease of 7,825 thousand euros with respect to December 31, 2004 is the result of:

(in thousands of euros)	
Capitalisation of leasehold improvements	373
Amortisation for the fiscal year	(8,198)
Net change	(7,825)

At December 31, 2004 other intangible fixed assets represented the residual amount yet to be amortised of the commissions and charges paid for organisation of the Mandatory Convertible Facility granted in 2002 by a pool of banks arranged by Capitalia, Banca Intesa, Sanpaolo IMI, and Unicredit Banca that was extinguished on September 20, 2005. They were amortised on a pro-rated basis according to the term of the facility.

2. Property, plant and equipment

At December 31, 2005, property, plant and equipment totalled 40,734 thousand euros (43,485 thousand euros at December 31, 2004). These amounts are net of accumulated depreciation of 22,964 thousand euros at December 31, 2005 and 20,362 thousand euros at December 31, 2004.

The net decrease of 2,751 thousand euros is the effect of the following items:

(in thousands of euros)	
New capital expenditures	1,221
Net disposals	(687)
Depreciation	(3,285)
Net change	(2,751)

Depreciation taken in 2005 was computed using the following rates:

	Depreciation rates
Buildings	3%
Plant and machinery	10%
Furniture	12%
Equipment	20%
Vehicles	25%

3. Financial fixed assets

Equity investments

This item totalled 4,983,264 thousand euros at December 31, 2005, a net decrease of 265,596 thousand euros from December 31, 2004. A breakdown of changes occurred during the year is provided in the following tables:

Increases/(decreases)

(in millions of euros)

Company name and registered office	% owned by Fiat S.p.A.	2004 Book value	Acquisitions Capital increases	Capital reimbursements Disposals	Revaluations (Writedowns)	2005 Book value
Subsidiaries						
Fiat Partecipazioni S.p.A. – Turin	100.00	1,391			(811)	580
Fiat Netherlands Holding N.V. – Amsterdam (Netherlands)	60.56	2,350			376	2,726
Ferrari S.p.A. – Modena	56.00	161				161
Magneti Marelli Holding S.p.A. – Corbetta	99.99	667			144	811
Teksid S.p.A. – Turin	84.79	97	32		(53)	76
Comau S.p.A. – Grugliasco	100.00	83	100		(42)	141
Business Solutions S.p.A. – Turin	100.00	65	23		(52)	36
Itedi - Italiana Edizioni S.p.A. – Turin	100.00	16	10			26
IHF - Internazionale Holding Fiat S.A. – Lugano (Switzerland)	100.00	33				33
Fiat GE.VA. S.p.A. – Turin	100.00	222				222
Fiat Finance North America Inc. – Wilmington (United States)	39.47	13			3	16
Fiat USA Inc. – New York (U.S.A.)	100.00	23			4	27
Other companies		1				1
Total subsidiaries		5,122	165	–	(431)	4,856
Other companies						
Mediobanca S.p.A. – Milan	1.77	93				93
Fin.Priv. S.r.l. – Milan	14.28	14				14
Consortium S.r.l. – Milan	2.76	20				20
Total other companies		127	–	–	–	127
Grand total		5,249	165	–	(431)	4,983

In particular, changes include:

(in thousands of euros)

Capital increases	
Subsidiaries:	
Comau S.p.A.	100,000
Teksid S.p.A.	32,193
Business Solutions S.p.A.	23,000
Itedi – Italiana Edizioni S.p.A.	10,000
Total capital increases	165,193

(in thousands of euros)

Revaluations	
Subsidiaries:	
Fiat Netherlands Holding N.V.	376,100
Magneti Marelli Holding S.p.A.	144,221
Fiat U.S.A. Inc.	4,017
Fiat Finance North America Inc.	2,415
Total	526,753
Writedowns	
Subsidiaries:	
Fiat Partecipazioni S.p.A.	810,700
Teksid S.p.A.	52,986
Business Solutions S.p.A.	52,056
Comau S.p.A.	41,800
Total	957,542
Total revaluations/(writedowns)	(430,789)

The table at the end of these Notes to the Financial Statements contains a list of equity investments and the additional information required under Article 2427 of the Italian Civil Code and the supplemental data recommended by CONSOB, including changes in quantity and value of subsidiaries and associated companies and, for publicly traded companies, a comparison between book value and market value.

The following illustrate the value adjustments to financial fixed assets:

- The revaluation of the equity investment in Fiat Netherlands Holding N.V. reflects the partial restoration of its original carrying value after the writedown recorded in fiscal 2003. This restoration in value was based on the positive operating results reported during the year by its subsidiaries CNH and Iveco, their favourable operating outlook, and the increase in value of CNH's stockholders' equity following recovery of the dollar in 2005, which is the functional currency used to express most of CNH accounts.

- In consideration of the positive performance of Magneti Marelli Holding S.p.A. and its subsidiaries since 2004, and the favourable operating outlook, it was concluded that the reasons for the impairment writedown in 2003 no longer existed. The original book value was consequently restored.
- Revaluation of the equity investments in Fiat U.S.A. Inc. and Fiat Finance North America Inc. constitute a partial restoration of their respective carrying values, which had been written down in 2003 and 2004, mainly due to the devaluation of the dollar against the euro.
- The impairment writedown of the equity investment in Fiat Partecipazioni S.p.A. originated from the losses recorded during the fiscal year by some of its subsidiaries (principally Fiat Auto Holdings B.V. and its subsidiaries) net of the positive effects deriving from the sale of the equity investment in Italenergia Bis to EDF and the higher value of the stake held in Fiat Netherlands Holding N.V., which was determined on the basis of the above described criteria.
- The impairment writedowns of the equity investments in Teksid S.p.A, Comau S.p.A., and Business Solutions S.p.A. reflect permanent losses in value mainly determined in consideration of the negative operating performance during the fiscal year.

It is stated pursuant to Article 2426, Section 3 of the Italian Civil Code, that the book value of the investment in Fiat Netherlands Holding N.V. at December 31, 2005 was 127 million euros higher than the portion of the company's stockholders' equity owned, determined after making the adjustments required by the accounting principles used to draft the consolidated financial statements. In this context, it is recalled that on January 1, 2005 the Fiat Group adopted IFRS for the preparation of its consolidated financial statements, pursuant to EU Regulation no. 1606 of July 19, 2002. Thus, the consolidated financial reporting prepared according to these principles was used for the comparison required pursuant to the abovementioned article of the Italian Civil Code.

The foregoing difference stems principally from the fact that the stockholders' equity of the subsidiary CNH was negatively impacted upon adoption of the new accounting standards. This was due to the immediate recognition of the actuarial losses realised on employee benefit plans that had previously been deferred under the "corridor approach" (which was formerly used to prepare the Fiat Group consolidated financial statements under the previous accounting standards). Therefore if Italian GAAP had continued to be applied, this negative impact would not have been recognised, and consequently this difference is not considered an impairment loss, also in view of the subsidiary's positive earnings prospects.

All the other equity investments in subsidiaries had a carrying value at December 31, 2005 that was less than or equal to the value of stockholders' equity determined in accordance with the aforesaid principles.

Other securities

These consist of listed Italian government securities pledged to fund scholarship grants.
At December 31, 2005, they totalled 73 thousand euros (a value that is also in line with their quotations at December 30, 2005), compared with 74 thousand euros at December 31, 2004.

As regards fixed assets, the tables at the end of these Notes to the Financial Statements include the following:

- the additional information on cost, upward adjustments, writedowns and amortisation and depreciation required under Article 2427 of the Italian Civil Code; and
- as required under Article 10 of Law No. 72 of March 19, 1983, details of the assets held at December 31, 2005 which have been adjusted for inflation pursuant to the relevant laws.

Current assets

4. Inventories

This item consists of costs incurred in connection with the High-Speed Railway Project. Fiat, as general contractor, has signed contracts with Treno Alta Velocità – T.A.V. S.p.A. (which, in turn, had received the order from F.S. S.p.A. - Italian Railways) for the executive design and construction of two high-speed rail lines (Bologna-Florence and Turin-Milan; the latter is split up in the Turin-Novara and Novara-Milan lines). At December 31, 2005, contract prices for the works were the following: 4,297 million euros for the Bologna-Florence line, 4,547 million euros for the Turin-Novara line, and 2,062 million euros for the Novara-Milan line. Fiat S.p.A. has entrusted the CAV.E.T. and CAV.TO.MI. consortia with the design and execution of works, retaining responsibility for coordination and organisation, while project management was subcontracted. The contract for the Turin-Novara and Novara-Milan lines was signed with the CAV.TO.MI. consortium on December 23, 2005.

Financing of the project is carried out by means of advances paid by T.A.V. S.p.A. to Fiat S.p.A., which then transfers to the two consortia the net amounts after deducting its fee (about 3.6%).

The following items are included under Inventories:

- Contract work in progress

  This item, which totalled 104,838 thousand euros at December 31, 2005 (91,262 thousand euros at December 31, 2004), includes cumulative costs for coordination, organisation, and project management work. It refers for 58,417 thousand euros (54,316 thousand euros at December 31, 2004) to the Florence-Bologna line, for 40,862 thousand euros (35,124 thousand euros at December 31, 2004) to the Turin-Novara line and for 5,559 thousand euros to the Novara-Milan line (1,822 thousand euros at December 31, 2004). The item presents an increase in contract work in progress totalling 13,576 thousand euros with respect to the end of 2004.

- Advances to suppliers

  Advances totalled 8,326,205 thousand euros (7,053,457 thousand euros at December 31, 2004) and include advances paid to the Alta Velocità Emilia Toscana - CAV.E.T. (3,358,681 thousand euros) and Alta Velocità Torino-Milano - CAV.TO.MI. Consortia (4,134,962 thousand euros for the Turin-Novara line and 832,562 thousand euros for the Novara-Milan line). The portion of advances paid for work completion totalled 8,011,033 thousand euros as of December 31, 2005. Of this amount, the Bologna-Florence line accounted for 3,273,419 thousand euros (2,835,931 thousand euros at December 31, 2004), the Turin-Novara line for 4,098,522 thousand euros (3,355,210 thousand euros at December 31, 2004), and the Novara-Milan line for 639,092 thousand euros (221,882 thousand euros at December 31, 2004).

This item shows an increase of 1,272,748 thousand euros from December 31, 2004, mainly as a result of the advances paid to CAV.E.T. for 275,179 thousand euros, and to CAV.TO.MI. for 997,667 thousand euros (639,358 thousand euros for the Turin-Novara line and 358,309 thousand euros for the Novara-Milan line).
As explained further on, the item Advances on the liabilities side of the balance sheet includes contractual advances totalling 8,656,662 thousand euros paid by the client company Treno Alta Velocità – T.A.V. S.p.A.

Fiat S.p.A. provided T.A.V. S.p.A. with bank suretyships totalling 1,904,058 thousand euros (646,510 thousand euros for the Bologna-Florence line, 788,545 thousand euros for the Turin-Novara line, and 469,003 thousand euros for the Novara-Milan line) as a guarantee for contractual advances received and proper execution of work. Conversely, the CAV.E.T. consortium provided Fiat S.p.A. with bank suretyships totalling 621,646 thousand euros, as envisaged by contract. The CAV.TO.MI. consortium issued suretyships totalling 759,054 thousand euros for the Turin-Novara line and 450,975 thousand euros for the Novara-Milan line.

5. Receivables

Receivables amounted to 458,146 thousand euros at December 31, 2005. A breakdown of the net decrease of 516,406 thousand euros from the figure at the end of 2004 is provided in the following table:

(in thousands of euros)	At 12.31.05	At 12.31.04	Change
Trade receivables	208,193	350,861	(142,668)
Allowance for doubtful accounts	(228)	(258)	30
Total trade receivables	207,965	350,603	(142,638)
Subsidiaries	112,581	25,251	87,330
Due from Tax Authorities	102,570	288,902	(186,332)
Deferred tax assets	–	277,000	(277,000)
Other (mainly factoring companies)	35,030	32,796	2,234
Total receivables	458,146	974,552	(516,406)

Compared with December 31, 2004, trade receivables decreased by 142,638 thousand euros. These receivables are mainly the result of amounts owed by T.A.V. S.p.A. for works completed in 2005, net of receivables sold.

The liabilities include, under trade payables, the amounts owed to CAV.E.T. and CAV.TO.MI for the receivables to be collected against completed work.

Receivables from subsidiaries at December 31, 2005 primarily refer to the use of the trademark (6,574 thousand euros), receivables for IRES calculated on the taxable income contributed by the Italian companies participating in the national tax consolidation program (74,024 thousand euros) and receivables for IRES sold to Italian subsidiaries for having made tax prepayments on their behalf (30,894 thousand euros). They show a net increase of 87,330 thousand euros with respect to December 31, 2004.

At the end of 2005, tax credits totalled 102,570 thousand euros and included credits for consolidated Group VAT of 79,835 thousand euros (of which 54,695 thousand euros were carried forward and 25,140 thousand euros for interest on requested tax refunds), 10,868 thousand euros for receivables for IRES transferred to Fiat S.p.A. by Italian Group companies that participate in the national tax consolidation program for fiscal 2005, and other minor amounts for 11,867 thousand euros.

There was a net decrease in tax credits of 186,332 thousand euros with respect to December 31, 2004, resulting from:

(in thousands of euros)	
Receivables for IRES sold in factoring	(208,006)
Receivables for IRES sold to Group companies	(30,894)
Receivables for IRES transferred in relation to the national tax consolidation program for fiscal 2005	10,868
Higher consolidated Group VAT receivables	33,859
Miscellaneous items	7,841
Net change	(186,332)

Deferred taxes consist of the balance of deferred tax assets net of deferred tax liabilities. Overall, the temporary differences and relative theoretical tax effects, calculated on the basis of the IRES rate of 33% at December 31, 2005 and at December 31, 2004, can be broken down as follows:

(in thousands of euros)	At 12/31/2005	At 12/31/2004
Deferred tax assets for temporary differences:		
- Writedowns of equity investments deductible in future fiscal years	391,907	632,944
- Taxed reserves for risks and charges and other minor differences	15,547	12,525
Total deferred tax assets	407,454	645,469
Deferred tax liabilities for:		
- Gains (sale of Ferrari S.p.A. stock) deferred for taxation in future fiscal years	(39,736)	(79,602)
Total theoretical benefit on temporary differences	367,718	565,867
Theoretical benefit on tax losses that can be carried forward	141,244	253,936
Value adjustments for assets whose recoverability is not reasonably certain	(508,962)	(542,803)
Total deferred tax assets	–	277,000

Deferred tax assets of 277,000 thousand euros at December 31, 2004 were realised during fiscal 2005 following the payment in February 2005 of the first instalment of the General Motors settlement in relation to the termination of the Master Agreement.

At December 31, 2005 no deferred tax assets on temporary differences and losses carried forward were recognised as there was no reasonable certainty regarding the terms and conditions for their recovery.

Miscellaneous items showed a net increase of 2,234 thousand euros, mainly due to a higher amount of receivables sold in factoring, in expectation of liquidation at the end of the year.

Finally, in regard to the items on the financial statements that represent receivables, it is noted that:

- Amounts of receivables due from companies abroad are not significant.
- There are no receivables with a residual term of more than five years.

6. Financial assets not held as fixed assets

Treasury stock

At December 31, 2005, treasury stock amounted to 27,710 thousand euros and included 4,331,708 ordinary shares, for a total par value of 21,659 thousand euros. These shares are held to cover, on a generic basis, the commitments undertaken in connection with stock option plans for employees. At December 31, 2005, the exercise prices of said stock options were higher than the carrying value of the treasury stock.

The net increase of 1,297 thousand euros with respect to December 31, 2004 can be broken down as follows:

(in thousands of euros)	
Disposals	(315)
Revaluation for partial restoration of value	1,612
Net change	1,297

The revaluation for partial restoration of value (mainly reflecting the writedown recorded in 2004) was made following the increase in market value during 2005, within the limits allowed by the treasury stock valuation reserve recorded in stockholders' equity. On the basis of the market value at December 30, 2005, the value of treasury stock would be equal to 31,764 thousand euros.

Financial receivables

This item totalled 3,058,299 thousand euros at December 31, 2005, compared with 2,320,581 thousand euros at the end of 2004.

This item consists of a fixed rate (4.41%) loan of 2,700,000 thousand euros, due on January 16, 2006, provided to the subsidiary Fiat Ge.Va. S.p.A, and liquidity left on deposit with this same company (358,299 thousand euros). The net increase of 737,718 thousand euros with respect to December 31, 2004 is the result of cash flows for 2005 which benefited from the receipt of 1,135 million euros from General Motors.

7. Cash

Bank and post office accounts

This item, which at the end of December 31, 2005 amounted to 345 thousand euros, showed an increase of 20 thousand euros with respect to December 31, 2004.

Cheques

At December 31, 2005, cheques amounted to 150 thousand euros. At December 31, 2004 there were no cheques.

Cash on hand

There was no cash on hand at December 31, 2005.

8. Accrued income and prepaid expenses

Accrued income

At 10,560 thousand euros, accrued income showed an increase of 8,207 thousand euros from the amount at December 31, 2004. Of this amount, 9,592 thousand euros represent accrued interest on the loan granted to the subsidiary Fiat Ge.Va. S.p.A.

Prepaid expenses

These totalled 2,743 thousand euros at December 31, 2005, for a net decrease of 1,785 thousand euros compared with December 31, 2004, mainly connected with the fees contractually due to TOROC for sponsorship of the XX Winter Olympic Games, applicable to fiscal 2006.

9. Stockholders' Equity

Capital stock

Fully paid-in capital amounted to 6,377,257,130 euros at December 31, 2005 and consisted of 1,275,451,426 shares as follows:

- 1,092,246,316 ordinary shares;
- 103,292,310 preference shares;
- 79,912,800 savings shares;

all with a par value of 5 euros each.

With reference to the capital stock, it should be mentioned that:

- On September 24, 2002 a pool of banks (see Note 12) extended a Mandatory Convertible Facility to Fiat S.p.A. for 3 billion euros due on September 20, 2005. According to the conditions of the facility agreement, the facility could be reimbursed by means of conversion into ordinary Fiat shares, which the banks would be required to subscribe.
- On September 12, 2002, the Extraordinary Stockholders meeting authorised the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, to resolve a capital increase servicing the banks' subscription commitment as envisaged in the Mandatory Convertible Facility agreement.
- On September 20, 2005, the facility was converted in accordance with the agreement and by previous arrangement amongst the parties. This involved offsetting the 3 billion euros in principal owed to the banks by having them subscribe the rights offering resolved by the Board of Directors on September 15, 2005.
- As a result of this capital increase, for 1,459,143,590 euros (from 4,918,113,540 euros to 6,377,257,130 euros), 291,828,718 ordinary shares with a par value of 5 euros each were issued with the same characteristics as those already outstanding (including dividend rights at January 1, 2005). These newly issued shares were reserved for subscription pursuant to Article 2441, Section 7, of the Italian Civil Code to the subscribing banks at the price of 10.28 euros each, with 5.28 euros as a share premium. Pursuant to the facility agreement, the price of 10.28 euros per newly issued share was determined as the average of 14.4409 euros (the stock market quotation of Fiat ordinary stock at the facility date, which was subsequently adjusted) and the weighted average of official market prices for Fiat ordinary stock during the six months preceding the due date of the facility.
- Pursuant to the first three sections of Article 2441 of the Italian Civil Code and Article 134, Section 1, Legislative Decree no. 58/98 (Consolidated Law on Financial Intermediation), the banks subsequently offered these shares to Fiat shareholders at the price of 10.28 euros per share, at the ratio of 149 new shares for every 500 shares owned in any class.

With reference to the capital stock, for completeness of information it is noted that:

- Pursuant to resolutions approved by the Board of Directors on December 10, 2001 and June 26, 2003, capital may be 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 “FIAT ordinary share warrants 2007”. Fiat reserved the right to pay the warrant holders in cash, starting on January 2, 2007, in lieu of the shares to be issued (shares in exchange for warrants), for the difference between the average of the official market price of Fiat ordinary shares in December 2006 and the warrant exercise price, unless this difference exceeds the maximum amount set and previously communicated by Fiat, in which case the warrant holder may opt to subscribe to the shares in exchange for the warrants.

- 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.
- The resolutions for the capital increases servicing the stock option plans (28 million euros) have been revoked, as the Board of Directors resolved on June 26, 2003 to use ordinary treasury stock to be purchased for this purpose.

Additional paid-in capital

At December 31, 2005, additional paid-in capital amounted to 1,540,857 thousand euros, representing an increase of the same amount with respect to December 31, 2004 as a result of the capital increase approved by the Board of Directors on September 15, 2005 and previously commented on.

Legal reserve

The legal reserve totalled 446,562 thousand euros at December 31, 2005 and was unchanged with respect to December 31, 2004.

Treasury stock valuation reserve

The treasury stock valuation reserve totalled 27,710 thousand euros at December 31, 2005, reflecting a net increase of 1,297 thousand euros from December 31, 2004, following the revaluation for partial restoration of value and the reduction recorded following the disposal of treasury shares during the year.
The value of this reserve at December 31, 2005 corresponded to the value approved by the Stockholders Meeting on May 11, 2004, in proportion to treasury stock still owned by the Company.

Other reserves

Extraordinary reserve

At December 31, 2005, the extraordinary reserve totalled 334 thousand euros, with a net decrease of 1,297 thousand euros from the previous year reflecting the counter entries to the aforementioned increase in the treasury stock valuation reserve.

Losses carried forward

This item totalled 949,101 thousand euros at December 31, 2005. This is the exact amount of the change from the previous year and reflects the net loss for fiscal 2004 that was carried forward following a resolution by the Stockholders Meeting on June 23, 2005.

In the tables at the end of the Notes to the Financial Statements the following are illustrated:

- the tax treatment applicable to reserves and capital;
- the origin, possibility of use, and possibility of distribution of items posted under stockholders’ equity.

The table below shows the changes that affected stockholders' equity in 2003, 2004 and 2005:

(in millions of euros)	Total	Capital stock	Additional paid-in capital	Revaluation reserve under Law No. 413 of 12/30/91	Legal reserve	Treasury stock valuation reserve	Other reserves (*)	Retained earnings / losses carried forward	Net income (loss) for the fiscal year
Balance at December 31, 2002	5,933.6	3,082.1	2,327.1	22.6	659.3	20.4	1,111.6	763.1	(2,052.6)
Coverage of the loss for fiscal 2002 through recourse to a portion of the additional paid-in capital	–		(2,052.6)						2,052.6
Utilisation of part of the reserve for purchase of treasury shares with transfer to treasury stock valuation reserve	–					12.8	(12.8)		
Transfer of part of treasury stock valuation reserve to reserve for purchase of treasury shares following writedown of treasury stock	–					(5.1)	5.1		
Allocation to additional paid-in capital of the value of unexercised option rights sold on the stock market	4.5		4.5						
Capital increase from 3,082.1 million euros to 4,918.1 million euros through issue of ordinary shares as resolved by the Board of Directors on June 26, 2003	1,836.0	1,836.0							
Loss for the year	(2,358.8)								(2,358.8)
Balance at December 31, 2003	5,415.3	4,918.1	279.0	22.6	659.3	28.1	1,103.9	763.1	(2,358.8)
Coverage of the loss for fiscal 2003 through recourse to the additional paid-in capital	–		(279.0)						279.0
Coverage of the loss for fiscal 2003 through recourse to portion of the legal reserve	–				(212.8)				212.8
Coverage of the loss for fiscal 2003 through recourse to:									
Extraordinary reserve	–						(112.3)		112.3
Reserve for purchase of treasury shares	–						(971.9)		971.9
Out-of-period income reserve under Article 55 of Presidential Decree No. 917 of 1986	–						(1.9)		1.9
Reserve for capital grants under Article 102 of Presidential Decree No. 1523 of 1967	–						(17.7)		17.7
Reserve for capital grants under Regional Law No. 19/84	–						(0.1)		0.1
Coverage of the loss for fiscal 2003 through recourse to retained earnings	–							(763.1)	763.1
Transfer of part of treasury stock valuation reserve to extraordinary reserve following writedown of treasury stock	–					(1.6)	1.6		
Loss for the year	(949.1)								(949.1)
Balance at December 31, 2004	4,466.2	4,918.1	–	22.6	446.5	26.5	1.6	–	(949.1)
Capital increase from 4,918.1 million euros to 6,377.2 million euros through issue of ordinary shares as resolved by the Board of Directors on September 15, 2005	3,000.0	1,459.1	1,540.9						
2004 loss carried forward	–							(949.1)	949.1
Transfer of part of treasury stock valuation reserve to extraordinary reserve following sale of treasury stock on the stock exchange	–					(0.3)	0.3		
Transfer of part of extraordinary reserve to treasury stock valuation reserve following restoration of value of treasury stock	–					1.6	(1.6)		
Income for the year	223.0								223.0
Balance at December 31, 2005	7,689.2	6,377.2	1,540.9	22.6	446.5	27.8	0.3	(949.1)	223.0

(*) Broken down as follows:	At 12.31.2005	At 12.31.2004	At 12.31.2003
Extraordinary reserve	0.3	1.6	112.3
Out-of-period income reserve under Article 55 of Presidential Decree No. 917 of 12/22/1986	–	–	1.9
Reserve for capital grants under Article 102 of Presidential Decree No. 1523 of 6/30/1967	–	–	17.7
Reserve for capital grants under Regional Law No. 19/84	–	–	0.1
Reserve for purchase of treasury shares	–	–	971.9
Total	0.3	1.6	1,103.9

10. Reserves for risks and charges

Reserve for pensions and similar obligations

This reserve amounted to 21,666 thousand euros at December 31, 2005 and covered severance indemnities and payments and bonuses accrued vis-à-vis employees and retired employees as a result of supplemental collective or individual agreements determined on the basis of actuarial computations.

The net increase of 2,393 thousand euros compared with the end of 2004, may be broken down as follows:

(in thousands of euros)	
Provisions for the fiscal year charged to income	4,391
Utilisation for the fiscal year	(1,998)
Net change	2,393

Other reserves

This item amounted to 31,038 thousand euros at December 31, 2005 and consisted of contractual commissions (23,256 thousand euros) for the listing on the stock market of Ferrari S.p.A. shares which were sold to Mediobanca in 2002, expenses for bonuses to be paid to employees for the achievement of objectives (3,620 thousand euros), expenses for the retirement of personnel in consequence of corporate restructuring plans (4,115 thousand euros) and scholarships (47 thousand euros).

The net increase of 1,299 thousand euros with respect to December 31, 2004 resulted from the following:

(in thousands of euros)	
Provision for the fiscal year charged to income	7,736
Utilisation for the fiscal year, mainly for bonuses granted to employees	(4,599)
Release to income of excess reserve	(1,838)
Net change	1,299

Fiat S.p.A. is still subject to pending lawsuits for damages mainly related to real estate properties that were sold in prior fiscal years. Given the pending nature of these actions, as well as their specific conditions, no reasonable prediction can be made as to their outcome and, as a consequence, the costs that the company might incur.

11. Reserves for employee severance indemnities

At December 31, 2005 this reserve totalled 11,996 thousand euros, a net increase of 380 thousand euros from the end of 2004.

A breakdown of the change is as follows:

(in thousands of euros)	
Provision for the fiscal year charged to income	4,087
Utilisation for the fiscal year	(3,891)
Balance of personnel infragroup transfers and other changes	184
Net change	380

12. Debt

Borrowings from banks

There were no borrowings from banks at December 31, 2005, for a decrease of 3,060,245 thousand euros with respect to December 31, 2004.

The balance at December 31, 2004 was comprised of 3 billion euros for the Mandatory Convertible Facility granted pursuant to the Framework Agreement of May 27, 2002 with Capitalia, Banca Intesa, SanPaolo IMI, and Unicredit Banca (the "Lending Banks") for the purpose of providing the Fiat Group with the financial support it needed to implement its industrial plan. The facility was disbursed on September 24, 2002 by a pool of banks comprising the Lending Banks and BNL, Monte dei Paschi di Siena, ABN Amro Bank, BNP Paribas, Banco di Sicilia, and Banca Toscana (the "Banks"). As previously mentioned at Note 9, the facility was converted on September 20, 2005 through subscription by the Banks of a rights offering, following the capital increase from 4,918,113,540 euros to 6,377,257,130 euros approved by the Board of Directors on September 15, 2005. At December 31, 2004, borrowings from banks also included two years of commissions (60,000 thousand euros) for the subscription commitment that were owed under the agreement to the Banks and paid in 2005.

Advances

Advances totalled 8,656,662 thousand euros and consisted of advances received from Treno Alta Velocità – T.A.V. S.p.A. for the High-Speed Railway Project, as previously described at Note 4, Inventories. They refer mainly to work completion and contractual advances. The Florence-Bologna line accounted for 3,486,925 thousand euros, the Turin-Novara line for 4,304,045 thousand euros and the Novara-Milan line for 865,692 thousand euros. Work completed as of December 31, 2005 amounted to 3,398,254 thousand euros, 4,267,725 thousand euros and 664,444 thousand euros, respectively.

The 1,320,256 thousand euro increase from December 31, 2004 is due to 283,006 thousand euros in advances received for work completed on the Florence-Bologna line, 664,780 thousand euros in advances received for work completed on the Turin-Novara line, and 372,470 thousand euros in advances for work completion on the Novara-Milan line.

T.A.V. S.p.A. has been provided with bank suretyships to secure these advances and proper execution of work for a total of 1,904,058 thousand euros, as described more exhaustively in Notes 4 and 14.

Trade payables

Trade payables stem from services received and amounts due to CAV.E.T. and CAV.TO.MI. for progress payments due for work completed in the fourth quarter of 2005 and paid in the first quarter of 2006. They totalled 380,335 thousand euros at December 31, 2005, a net decrease of 121,320 thousand euros compared with December 31, 2004, mainly due to the amounts due to the CAV.TO.MI. Consortium for the Turin-Novara line.

Payables to subsidiaries

These stood at 222,848 thousand euros at December 31, 2005, showing a net increase of 118 thousand euros from a year earlier.

A breakdown of this item is as follows:

(in thousands of euros)	At 12.31.05	At 12.31.04	Change
Financial payables	117,028	101,746	15,282
Trade payables	4,847	10,683	(5,836)
Payables for consolidated IRES	100,548	71,816	28,732
Other payables	425	38,485	(38,060)
Total payables to subsidiaries	222,848	222,730	118

Financial payables at December 31, 2005 included amounts payable to subsidiaries for their VAT credits, which they transferred to Fiat S.p.A. under the consolidated VAT filing system.

Trade payables reflect the purchase of administrative and general services.

Payables for consolidated IRES refer for 73,591 thousand euros to amounts payable to Italian subsidiaries for IRES calculated on the portion of the tax losses contributed by these companies as part of the national tax consolidation program and offset with the taxable income contributed by other Italian subsidiaries during the year, and for 26,957 thousand euros to advances and other IRES credits transferred to Fiat S.p.A. by the companies participating in this program. Of the latter amount, 14,759 thousand euros were transferred in 2004 and 12,198 thousand euros in 2005.

Payables to controlling company

There were no payables to the controlling company at December 31, 2005, with a decrease of 234 thousand euros with respect to December 31, 2004.

Taxes payable

At December 31, 2005, taxes payable totalled 2,750 thousand euros, a net decrease of 6,237 thousand euros from the figure at December 31, 2004. A breakdown is as follows:

(in thousands of euros)	At 12.31.05	At 12.31.04	Change
VAT payable	–	5,672	(5,672)
Taxes withheld on payments to employees and independent contractors	2,322	2,887	(565)
Miscellaneous items	428	428	–
Total taxes payable	2,750	8,987	(6,237)

Social security payable

This item totalled 1,717 thousand euros at December 31, 2005, a decrease of 1,080 thousand euros from December 31, 2004.

Other payables

At December 31, 2005, other payables amounted to 22,607 thousand euros, for a net year-on-year decrease of 3,877 thousand euros. A breakdown is provided below:

(in thousands of euros)	At 12.31.05	At 12.31.04	Change
Former Chief Executive Officer for retirement incentives to be paid in instalments over 20 years	5,807	6,063	(256)
Directors and employees for fees to be paid	6,191	10,187	(3,996)
Payables to employees who left the Company	8,432	7,472	960
Payables to stockholders of Toro Assicurazioni S.p.A., Magneti Marelli S.p.A. and Comau S.p.A. for public offerings	864	869	(5)
Dividends payable	247	315	(68)
Miscellaneous payables	1,066	1,578	(512)
Total other payables	22,607	26,484	(3,877)

Finally, in regard to payables posted in the balance sheet, it should be noted that:

- The amount of payables to foreign entities is not significant.
- Payables with a residual term of more than five year amount to 10,561 thousand euros.

13. Accrued expenses and deferred income

Accrued expenses

The balance of 503 thousand euros at December 31, 2005 is 129,147 thousand euros lower than the figure at December 31, 2004.

A breakdown of this item is provided below:

(in thousands of euros)	At 12.31.05	At 12.31.04	Change
Interest on the Mandatory Convertible Facility	–	30,258	(30,258)
Commissions on the Mandatory Convertible Facility	–	98,951	(98,951)
Interest due to Intermap (Nederland) B.V.	434	395	39
Other	69	46	23
Total accrued expenses	503	129,650	(129,147)

Deferred income

Deferred income amounted to 19 thousand euros at December 31, 2005, unchanged with respect to the figure reported at December 31, 2004. Deferred income refers to income to be recognised in 2006.

14. Memorandum accounts

Guarantees granted

Unsecured guarantees

Suretyships

Suretyships totalled 1,257,760 thousand euros at December 31, 2005.

They include suretyships provided on behalf of FiatSava S.p.A. to secure a debenture issue (410,303 thousand euros) and to secure Billets de Trésorerie issued by Group companies and third parties (totalling 314,000 thousand euros), bank loans (344,359 thousand euros), and rental obligations for buildings in relation to real estate securitisation operations carried out in previous years (189,098 thousand euros).

The net decrease of 530,900 thousand euros from December 31, 2004 is mainly due to lower guarantees provided to secure Sava debentures (598,064 thousand euros) and rental obligations for buildings (218,834 thousand euros), partially offset by higher guarantees for financings (171,998 thousand euros) and the issuance of Billets de Trésorerie (114,000 thousand euros).

Other unsecured guarantees

This item totalled 7,220,706 thousand euros at December 31, 2005.

It includes the following:

- 7,100,924 thousand euros in guarantees provided on behalf of subsidiaries to secure loans (Banco CNH Capital S.A. 651,973 thousand euros, CNH America LLC 130,103 thousand euros, Fiat Automoveis S.A. 78,040 thousand euros, Iveco Fiat Brasil Ltda 14,724 thousand euros, Magneti Marelli Controle Motor Ltda 3,248 thousand euros, Iveco Latin America Ltda 2,178 thousand euros), bond issues (Fiat Finance and Trade Ltd 5,426,621 thousand euros, Fiat Finance Canada Ltd. 100,000 thousand euros, Fiat Finance Luxembourg S.A. 14,571 thousand euros), credit lines (CNH Capital America LLC 127,130 thousand euros, CNH Capital Canada Ltd. 39,738 thousand euros, New Holland Credit Company LLC 32,920 thousand euros, CNH Capital Australia Pty Ltd 12,057 thousand euros, Fiat India Private Limited 6,686 thousand euros, Comau India Private Limited 201 thousand euros, New Holland Tractors (India) Pty Ltd 73 thousand euros), VAT credits under the Group consolidation process (278,260 thousand euros), as provided under Ministerial Decree of 12/13/79 as amended, and sundry guarantees (182,401 thousand euros);
- 119,782 thousand euros in miscellaneous guarantees.

The net decrease of 2,547,542 thousand euros with respect to December 31, 2004 is due mainly to fewer guarantees on behalf of subsidiaries following the reimbursement of bonds and the extinguishment of financings.

Although they are not included in memorandum accounts, mention is made of the following:

- At December 31, 2005, outstanding trade and other receivables sold without recourse and due after that date totalled 688 million euros (415 million euros in 2004 due after December 31, 2004). The turnover of discounting without recourse totalled 1,537 million euros in 2005 (843 million euros in 2004). At December 31, 2005, there was no risk of recourse against sold receivables as there were no receivables sold with recourse outstanding at that date.

- A new three-year credit line was granted to Fiat Ge.Va. S.p.A. and other Fiat Group subsidiaries as part of an agreement signed on June 22, 2005 with a pool of Italian and international banks coordinated by Citibank International. Under this agreement, Fiat S.p.A. guaranteed use of this credit line by its subsidiaries. At December 31, 2005 this credit line had not been used. It is also pointed out that Fiat S.p.A. granted its subsidiary CNH Global N.V. and its subsidiaries a 1 billion dollar revolving credit line, due at the end of January 2007, which may be drawn by Fiat Group cash management companies.
- In 2005, Fiat Partecipazioni S.p.A. collected the balance from the sale of Fiat Group interest in aviation activities ahead of schedule. Consequently, Fiat S.p.A. assumed a joint obligation with Fiat Partecipazioni S.p.A. towards the purchaser Avio Holding S.p.A. if Fiat Partecipazioni S.p.A. does not satisfy obligations to pay compensation (either in consequence of an arbitration award or a settlement agreement) deriving from the sale agreement signed in 2003 with the seller. Likewise, on the occasion of the sale of the Fiat Group interest in rolling stock and railway systems activities, Fiat S.p.A. assumed obligations to compensate Alstom N.V. if the seller (now Fiat Partecipazioni S.p.A.) of railway activities defaulted on compensation obligations under the sale agreement. A review of these obligations leads us to believe that there is no reasonable likelihood Fiat S.p.A. will incur direct costs for these commitments.

Commitments

Commitments related to supply contracts

This item totalled 10,906,320 thousand euros at December 31, 2005. Of this amount, 4,296,833 thousand euros represent the commitment (corresponding to the contractual amounts) stemming from the agreement executed on May 7, 1996 and the supplemental agreements signed by Fiat S.p.A. and Treno Alta Velocità – T.A.V. S.p.A. for the design and construction of the Bologna-Florence high-speed rail line, 4,547,205 thousand euros for the commitment undertaken pursuant to the agreement of February 14, 2002 and subsequent supplement agreements for the design and construction of the Turin-Novara line, and 2,062,282 thousand euros for the commitment undertaken pursuant to the agreement of July 21, 2004 for the design and construction of the Novara-Milan line. The increase of 645,173 thousand euros compared with December 31, 2004 includes agreements reached during 2005 regarding the Florence-Bologna line, specifically alterations (422,625 thousand euros), and monetary adjustments (49,495 thousand euros), agreements regarding the Turin-Novara line, specifically relating to alterations (38,953 thousand euros) and monetary adjustments (52,343 thousand euros), and the Novara-Milan line, specifically relating to alterations (53,659 thousand euros) and monetary adjustments (28,098 thousand euros).

Fiat S.p.A. has subcontracted design and construction of the works to the CAV.E.T. and CAV.TO.MI. consortia.

Fiat S.p.A. provided T.A.V. S.p.A. with bank suretyships totalling 1,904,058 thousand euros as guarantee for contractual advances received and proper execution of work. These guarantees are not recorded under memorandum accounts since advances are included under Liabilities – Advances. Likewise, the CAV.E.T. and CAV.TO.MI consortia provided Fiat S.p.A. with the contractually envisaged bank suretyships totalling 621,646 thousand euros and 1,210,029 thousand euros, respectively.

Commitments for derivative financial instruments

These totalled 70,241 thousand euros at December 31, 2005, reflecting a decrease of 20,157 thousand euros with respect to December 31, 2004.

The amount at December 31, 2005 represents the notional amount of the equity swap on Fiat shares made to hedge the risk of an increase in the share price above the exercise price of the 10,670,000 stock options granted to Mr. Marchionne. The risk of a significant increase in the Fiat share price above the exercise price for these options (6.583 euros) has been covered through the aforementioned "Total Return Equity Swap" agreement with a reference price of 6.583 euros per share and expiring on October 30, 2006. In accordance with accounting principles, the aforementioned Equity Swap, despite the fact that it was entered into for hedging purposes, cannot be treated in hedge accounting and accordingly is defined as a trading derivative financial instrument. It follows that, in accordance with the principle of prudence, if during the period of the contract the Fiat shares perform positively, the positive fair value of the instrument is not recorded in the income statement; if, instead, the performance is negative, the negative fair value of the instrument is recorded as a cost under financial expenses. At December 31, 2005, the Equity Swap had a positive fair value of 8,002 thousand euros that was not therefore recorded in the financial statements.

At December 31, 2004, commitments for derivate financial instruments amounted to 90,398 thousand euros and referred to the Equity Swap on Fiat shares for 65,830 thousand euros and for 24,568 thousand euros to Forward Rate Agreements made to cover the risks connected with changes in the rate of the Mandatory Convertible Facility.

Other commitments

This item totalled 6,972 thousand euros at December 31, 2005, with respect to 9,296 thousand euros at December 31, 2004, and represents the residuary amount of the commitment, undertaken by Fiat on the occasion of its centennial under a resolution adopted by the Stockholders Meeting on June 22, 1998, to defer, over a ten-year period, the costs incurred to provide courses for a Degree in Automotive Engineering and pay for the renovation of the respective building. The decrease of 2,324 thousand euros from December 31, 2004 reflects the outlays incurred in the year for the management of degree courses.

A summary is presented below of the rights still in place at December 31, 2005 arising from the purchase, during 2002, of 34% of the capital stock of Ferrari S.p.A. for 775 million euros by Mediobanca S.p.A., within the framework of a consortium set up for the acquisition and placement of the Ferrari shares. The sales contract sets out the following principal elements:

- Mediobanca agreed to coordinate and lead the consortium as the sole Global Coordinator, if placement takes place by June 30, 2006.
- Mediobanca cannot sell its Ferrari shares to another automobile manufacturer as long as the Fiat Group maintains a 51% controlling interest in Ferrari. Barring certain specific assumptions, the Fiat Group cannot reduce its investment in Ferrari below 51% until the end, depending on the case, of the third or fourth year subsequent to signing the contract.
- Fiat holds a call option that allows it to repurchase the Ferrari shares at any time before June 30, 2006, except during the five months subsequent to the presentation of an IPO application to the competent authorities. The option exercise price is equal to the original price at which the shares were sold plus interest during the period based on the BOT (listed Italian government securities) yield plus 4%.
- Mediobanca, moreover, does not hold any put option to resell the purchased Ferrari shares to Fiat, even in the event that the IPO does not occur or is not completed.
- If agreed by the parties, Fiat may share in any gain realised by Mediobanca and the other members of the consortium in the event of an IPO.

As part of the sale of Piemongest S.p.A. to Iupiter S.r.l., Fiat S.p.A. guaranteed performance of the residual obligations.

With reference to the stake held by Renault in Teksid S.p.A., it should be noted that Fiat S.p.A. and Renault have agreed that said stake may be resold to Fiat S.p.A. should there be a material change in the conditions upon which the original agreement was based.

15. Value of production

Service revenues

Service revenues, which amounted to 20,170 thousand euros in 2005, are the result of transactions with Group companies.

They mainly refer to amounts due from Fiat Auto S.p.A. for the use of the Fiat trademark and to services rendered by management personnel of Fiat S.p.A. at the main Group companies.

The decrease over 2004 is due to lower bills for the license to use the trademark.

Change in contract work in progress

This item represents mainly costs incurred during the fiscal year for project management, coordination, and organisation in connection with the High-Speed Railway Project and capitalised as part of inventories.

Totalling 13,576 thousand euros in 2005, or 3,283 thousand euros less than in 2004, it mainly consists of services provided by suppliers outside the Group (12,995 thousand euros).

Other income and revenues

Other income and revenues amounted to 11,702 thousand euros in 2005 and include 2,262 thousand euros in rental income from buildings owned by Fiat S.p.A. and leased to Group companies, 6,454 thousand euros in fees paid by miscellaneous companies for services performed by employees or coordinated and continuing collaborators of Fiat S.p.A. in the capacity of Directors, 476 thousand euros in miscellaneous income and expense reimbursements, and 2,510 thousand euros in prior period income, largely represented by bonuses to employees that were accrued in an amount that was greater than what had actually been paid. This item shows a decrease of 150 thousand euros from 2004.

16. Costs of production

Raw materials, supplies and merchandise

This item totalled 407 thousand euros in 2005, against 423 thousand euros in 2004.
It consists mainly of the cost of research publications, office supplies and printed forms.

Services

Service costs amounted to 76,218 thousand euros in 2005, a decrease of 33,631 thousand euros compared with 2004 due to lower expenses for professional services and consulting related to projects of interest to the Group in the administrative and financial areas, which were completed or are in the process of being completed, as well as lower expenses for facilities management services.

Amounts paid to Group companies for services provided totalled 32,670 thousand euros and include support and administrative and financial consulting services (4,493 thousand euros to Fiat Gesco S.p.A., 656 thousand euros to Fiat Ge.Va. S.p.A., and 168 thousand euros to KeyG Consulting S.p.A.); external relations services (1,815 thousand euros to Fiat I&CS S.c.p.A.); office management and maintenance (7,178 thousand euros to Ingest Facility S.p.A.); personnel management and other services (5,170 thousand euros to Fiat Se.p.In. S.c.p.A.); information technology services (223 thousand euros to PDL Service S.r.l. and 1,023 thousand euros to eSPIN S.p.A.); security services (2,924 thousand euros to Consorzio Orione and 1,089 thousand euros to Consorzio Sirio), and internal audit activities (5,038 thousand euros to Fiat-Revisione Interna S.c.r.l.).

Expenses for services provided by others totalled 43,548 thousand euros and include professional services, studies and consulting in the technical field (TAV), legal, administrative, and financial advice for 23,277 thousand euros, sponsorship and advertising expenses of 6,259 thousand euros, information services for 2,870 thousand euros, and insurance and other overhead expenses.

Leases and rentals

Leases and rentals totalled 987 thousand euros in 2005, or 38 thousand euros more than in 2004.

Personnel

This item amounted to 41,705 thousand euros in 2005 and includes provisions to the Reserve for pensions and similar obligations and to "other" reserves for bonuses and severance incentives as well as bonuses for the achievement of objectives. This item shows a decrease of 11,174 thousand euros with respect to 2004 mainly due to lower wage and salary and social security contributions and lower provisions set aside for employee bonuses. The Company's average number of staff decreased from 151 employees in 2004 (83 managers, 63 clerical staff, and 5 blue collar workers) to 133 employees in 2005 (63 managers, 65 clerical staff and 5 blue collar workers).

During 2005, 11 managers were seconded to the Group's main subsidiaries (12 in 2004), which were billed for the respective costs.

Amortisation and depreciation

This item totalled 27,031 thousand euros in 2005 and refers for 23,746 thousand euros to the amortisation of intangible fixed assets and for 3,285 thousand euros to the depreciation of property, plant and equipment. The 2,686 thousand euro decrease with respect to 2004 is mainly due to the lower depreciation rate, with respect to 2004, connected to commissions and costs for organisation of the Mandatory Convertible Facility, which was extinguished in 2005.

Other operating costs

These costs totalled 40,701 thousand euros in 2005. The increase over 2004 is mainly due to the indemnity paid for the unwinding of the agreements with IBM and to contributions made to Group companies for initiatives to enhance the image of the Group.

The item includes fees paid to the Directors, Statutory Auditors and External Auditors. Directors' fees included compensation awarded by the Stockholders Meeting as well as fees set by the Board of Directors for Directors vested with particular offices.

17. Financial income and expenses

Investment income

Income from investments came to 7,714 thousand euros in 2005, a decrease of 674,843 thousand euros compared with 2004.

A breakdown is as follows:

(in thousands of euros)		2005		2004
Subsidiaries				
Dividends distributed by:				
Fiat Ge.Va. S.p.A.		–		70,000
Reimbursements of capital (portion in excess of the reduction of the book value)				
IHF-Internazionale Holding Fiat S.A.		–		606,124
Total subsidiaries		–		676,124
Other companies				
Dividends distributed by:				
Mediobanca S.p.A.	6,777		5,647	
Fin. Priv. S.r.l.	937		786	
Total other companies		7,714		6,433
Total investment income		7,714		682,557

Other financial income

From securities held as fixed assets other than equity investments

This item consists of interest earned on securities pledged to fund scholarship grants.

Income from these securities totalled 2 thousand euros in 2005, in line with 2004.

Securities among current assets other than equity investments

This item amounted to 86 thousand euros in 2005, with an increase of the same amount with respect to December 31, 2004. It refers to the gain realised during the year upon sale of treasury stock on the stock market.

Other income

Other income came to 112,614 thousand euros in 2005, an increase of 39,639 thousand euros compared with 2004. A breakdown is as follows:

(in thousands of euros)	2005		2004	
Subsidiaries				
Interest earned from:				
Fiat Ge.Va. S.p.A.	89,255		48,968	
Other companies	–		335	
Total		89,255		49,303
Fees for suretyships and unsecured guarantees provided on behalf of the following Group companies:				
Fiat Finance and Trade Ltd	2,005		2,299	
Fiat France S.A.	581		396	
Fiat Partecipazioni S.p.A.	529		711	
Banco CNH Capital S.A.	424		297	
F.M.A. – Fabbrica Motori Automobilistici S.r.l.	116		–	
Fiat Auto S.p.A.	113		204	
Ingest Facility S.p.A.	53		201	
New Holland Credit Company LLC	21		212	
Fiat Finance Luxembourg S.A.	4		249	
Fiat Auto Financial Services Limited	–		333	
Other companies	551		561	
Total		4,397		5,463
Income from derivative financial instruments				
Intermap (Nederland) B.V.	6,830		5,010	
Fiat Ge.Va. S.p.A.	–		2,617	
Total		6,830		7,627
Other income		717		626
Total subsidiaries		101,199		63,019
Others				
Interest earned on bank deposits		79		1
Interest earned on amounts receivable from the Tax Authorities		9,464		6,847
Other interest income		36		330
Fees for suretyships provided:				
FiatSava S.p.A.	1,762		2,681	
Other companies	74		97	
Total		1,836		2,778
Total others		11,415		9,956
Total other income		112,614		72,975

Interest and other financial expenses

Interest and other financial expenses amounted to 168,677 thousand euros in 2005, or 41,545 thousand euros less than in 2004.

A breakdown is provided below:

(in thousands of euros)	2005	2004
Subsidiaries		
Interest and other financial expenses paid to:		
Fiat Ge.Va. S.p.A.	–	8,327
Intermap (Nederland) B.V.	2,557	2,379
Total	2,557	10,706
Fees paid to:		
Fiat Ge.Va. S.p.A.	5	151
Interest from derivative financial instruments:		
Intermap (Nederland) B.V.	380	6,830
Total subsidiaries	2,942	17,687
Others		
Interest paid on the Mandatory Convertible Facility	97,288	109,511
Fees paid on the Mandatory Convertible Facility	56,062	70,200
Interest expenses and charges for the sale of receivables	11,695	11,763
Other charges	690	1,061
Total others	165,735	192,535
Total interest and other financial expenses	168,677	210,222

Foreign exchange gains and losses

Net foreign exchange losses totalled 58 thousand euros in 2005, with a net decrease of 341 thousand euros from 2004. The item includes a net loss of 1 thousand euros that has not yet been realised, deriving from the adjustment of receivables and payables denominated in foreign currency at the spot exchange rates on the closing date of the fiscal year.

18. Adjustments to financial assets

Revaluations of equity investments

This item totalled 526,753 thousand euros in 2005 for a change of the same amount with respect to 2004. It includes partial restoration of the original book value of the investments held in Fiat Netherlands Holding N.V. (376,100 thousand euros), Magneti Marelli Holding S.p.A. (144,221 thousand euros), Fiat Finance North America Inc. (2,415 thousand euros) and Fiat U.S.A. Inc. (4,017 thousand euros) which are discussed at Note 3.

Revaluations of securities among current assets other than equity investments

This item amounted to 1,612 thousand euros in 2005, for a change of the same amount with respect to 2004. It reflects the partial restoration of value of treasury stock, which are discussed at Note 6.

Writedowns of equity investments

In 2005 this item totalled 957,542 thousand euros, for a decrease of 681,611 thousand euros with respect to 2004. It refers to the writedowns of the equity investments held in Fiat Partecipazioni S.p.A. (810,700 thousand euros), Teksid S.p.A. (52,986 thousand euros), Comau S.p.A. (41,800 thousand euros) and Business Solutions S.p.A. (52,056 thousand euros), which are discussed at Note 3.

In 2004 writedowns included Fiat Partecipazioni S.p.A. (1,623,973 thousand euros), Isvor Fiat S.c.p.A. (9,547 thousand euros), Fiat Finance North America Inc. (3,976 thousand euros), and Fiat USA Inc. (1,657 thousand euros).

Writedowns of securities included as current assets which do not represent equity investments

This item amounted to 1,631 thousand euros in 2004 and consists of the writedown of treasury stock.

19. Extraordinary income and expenses

Extraordinary income

Extraordinary income totalled 1,135,689 thousand euros in 2005 and consisted mainly of the extraordinary income of 1,135,000 thousand euros received under the settlement for termination of the Master Agreement with General Motors. It also included the adjustment to the sale price of the investment held in the Istituto Europeo di Oncologia S.r.l., which was sold at the end of 2004, and sundry items.

In 2004, it mainly consisted of lower tax expenses with respect to those determined in previous years.

Extraordinary expenses

In 2005 extraordinary expenses totalled 14,745 thousand euros and consisted of expenses connected to the transaction with General Motors (legal expenses and other expenses for 1,890 thousand euros), incentives and expenses for the retirement of personnel in consequence of corporate restructuring plans (10,939 thousand euros) and the adjustment of the sale price of the investment held in the Istituto per la Ricerca e Cura del Cancro S.p.A. sold at the end of the prior fiscal year.

In 2004 these mainly referred to incentives and expenses for the retirement of personnel in consequence of corporate restructuring plans (14,704 thousand euros) and losses on the disposal of investments.

20. Income taxes, current and deferred tax assets and liabilities

Income taxes totalled 278,828 thousand euros in 2005 and include:

- current income taxes (IRES) for 1,828 thousand euros, payable on the income generated by some subsidiaries outside Italy (Article 167 T.U.I.R.) and on the national tax consolidation program (balance of taxes filed for fiscal 2004, net of a benefit for fiscal 2005, for tax losses used to offset taxable income contributed by other subsidiaries); and
- deferred taxes of 277,000 thousand euros stemming from realisation of deferred tax assets reported in the financial statements at December 31, 2004.

On the other hand, in 2004 there was a net tax credit of 278,442 thousand euros, mainly due to the recognition of deferred tax assets of 277,000 thousand euros, as previously discussed at Note 5.

In 2005, taxes represented 55.6% of income before taxes, and the difference with respect to the theoretical IRES rate of 33% is due mainly to the negative effect (28.2%) of impairment adjustments to financial assets (net writedowns of equity investments) carried out in the fiscal year that are not tax deductible, partially balanced by the positive effect (-5.6%) of tax losses carried forward and temporary differences that arose in previous years but, on a prudential basis, have not been accounted for as deferred tax assets.

In 2004, taxes represented 22.7% of income before taxes, and the difference with respect to the theoretical IRES rate of 33% was due mainly to the negative effect of writedowns of equity investments carried out in the fiscal year that are not tax deductible, but partially balanced by the positive effect of deferred tax assets posted in consequence of temporary differences that arose in previous years and tax losses carried forward.

Finally, taxable income for IRAP was negative in 2005 as in 2004.

ANALYSIS OF FIXED ASSETS AND SUPPLEMENTAL INFORMATION

Cost of fixed assets

	Gross value at beginning of fiscal year			Increases		Decreases			Gross value at the end of fiscal year		
							Disposals, sales and contributions				
(in thousands of euros)	Historical cost	Upward adjustments	Total	Reclassifi-cations	Purchases	Reclassifi-cations	Historical cost	Upward adjustments	Historical cost	Upward adjustments	Total
Intangible fixed assets											
Start-up and expansion costs:											
Cost of capital increase to 3,082.13 million euros (Board Resolution of 12/10/01)	19,224		19,224						19,224		19,224
Cost of capital increase to 4,918.11 million euros (Board Resolution of 06/26/03)	56,729		56,729						56,729		56,729
Cost of capital increase to 6,377.26 million euros (Board Resolution of 09/15/05)	–		–		1,363				1,363		1,363
	75,953	–	75,953	–	1,363	–	–	–	77,316	–	77,316
Concessions, licenses, trademarks and similar rights	897		897	28	94		(16)		1,003		1,003
Intangible assets in progress and advances	185		185		65	(28)	(1)		221		221
Other Intangible fixed assets											
Expenses connected with the Mandatory Convertible Facility	33,628		33,628						33,628		33,628
Leasehold improvements	–		–		373				373		373
	110,663	–	110,663	28	1,895	(28)	(17)	–	112,541	–	112,541
Property, plant and equipment											
Land and buildings	45,945	102	46,047						45,945	102	46,047
Plant and machinery	10,057		10,057		30				10,087		10,087
Other fixed assets	7,743		7,743		1,191		(1,370)		7,564		7,564
	63,745	102	63,847	–	1,221	–	(1,370)	–	63,596	102	63,698

	Gross value at beginning of fiscal year			Increases		Decreases				Gross value at the end of fiscal year		
						Permanent losses in value	Disposals Sales					
(in thousands of euros)	Historical cost	Upward adjustments	Total	Capital increases, purchases	Reclassifi-cations	Historical cost	Historical cost	Upward adjustments	Reclassifi-cations	Historical cost	Upward adjustments	Total
Financial fixed assets												
Investments in:												
Subsidiaries	12,555,793	38,576	12,594,369	165,193	5	(9,615)				12,711,376	38,576	12,749,952
Other companies	126,730		126,730						(5)	126,725		126,725
	12,682,523	38,576	12,721,099	165,193	5	(9,615)	–	–	(5)	12,838,101	38,576	12,876,677
Other securities:												
Debt securities	74		74	61			(62)			73		73
	74	–	74	61	–	–	(62)	–	–	73	–	73

Upward adjustments of fixed assets

Classes of assets (in thousands of euros)	Upward adjustments included in gross value at beginning of period	Increases	Deductions for divested assets	Upward adjustments included in gross value at end of period
Property, plant and equipment				
Land and buildings	102			102
Plant and machinery	–			–
	102	–	–	102
Financial fixed assets				
Investments in:				
Subsidiaries	38,576	–	–	38,576

Depreciation and amortisation of fixed assets

Classes of assets (in thousands of euros)	Amortisation and depreciation at beginning of fiscal year	Increases due to additions during the fiscal year	Decreases due to disposals during the fiscal year	Reclassifi-cations	Amortisation and depreciation at end of fiscal year
Intangible fixed assets					
Start-up and expansion costs					
Cost of capital increase to 3,082.13 million euros (Board Resolution of 12/10/2001)	11,534	3,845			15,379
Cost of capital increase to 4,918.11 million euros (Board Resolution of 06/26/2003)	22,692	11,346			34,038
Cost of capital increase to 6,377.26 million euros (Board Resolution of 09/15/2005)	–	272			272
	34,226	15,463	–	–	49,689
Concessions, licenses, trademarks and similar rights	842	85	(16)		911
Other Intangible fixed assets					
Expenses connected with the Mandatory Convertible Facility	25,440	8,188			33,628
Leasehold improvements	–	10			10
	60,508	23,746	(16)	–	84,238
Property, plant and equipment					
Land and buildings	10,216	1,354			11,570
Plant and machinery	7,170	991			8,161
Other fixed assets	2,976	940	(683)		3,233
	20,362	3,285	(683)	–	22,964

Writedowns of financial fixed assets

Classes of assets (in thousands of euros)	Writedowns at beginning of fiscal year	Increases due to additions during the fiscal year	Decreases due to: Disposals during the fiscal year	Decreases due to: Permanent losses in value	Decreases due to: Reversals of writedowns	Writedowns at end of fiscal year
Financial fixed assets						
Investments in:						
Subsidiaries	7,472,239	957,542		(9,615)	(526,753)	7,893,413
Other companies	–					–
	7,472,239	957,542	–	(9,615)	(526,753)	7,893,413

Art. 10, Law No. 72 of March 19, 1983 – Analysis of assets adjusted for inflation as of December 31, 2005

Classes of assets (in euros)	Historical cost not subject to upward adjustments	Historical cost subject to upward adjustments	Upward adjustments permitted by Law No. 74 of 2/11/52	Upward adjustments permitted by Law No. 72 of 3/19/83	Upward adjustments permitted by Law No. 413 of 12/30/91	Upward adjustments included in book value at end of period
Property, plant and equipment						
Land and buildings	45,791,125	154,566	19,385		82,785	102,170
Plant and machinery	10,086,397					–
Other fixed assets	7,564,021					–
	63,441,543	154,566	19,385	–	82,785	102,170

Classes of assets (in euros)	Historical cost not subject to upward adjustments	Historical cost subject to upward adjustments	Valuation reserves	Upward adjustments permitted by Law No. 74 of 2/11/52	Upward adjustments permitted by Law No. 576 of 12/2/75	Upward adjustments permitted by Law No. 72 of 3/19/83	Upward adjustments included in book value at end of period
Financial fixed assets							
Investments in:							
Subsidiaries	12,683,475,444	27,900,031	(7,893,412,506)	41,933	2,123,212	36,411,284	38,576,429
Other companies	126,725,012						–
	12,810,200,456	27,900,031	(7,893,412,506)	41,933	2,123,212	36,411,284	38,576,429

List of investments in subsidiaries and associated companies required under Art. 2427, Section 5, of the Italian Civil Code and additional information specified in the Consob communication of February 23, 1994

- Subsidiaries included in financial fixed assets

Company and registered office	Capital (in euros)	Result for the last fiscal year (in euros)	Stockholders' equity (in euros)	% owned by Fiat S.p.A.	Number of shares	Total book value (in euros)
Fiat Partecipazioni S.p.A. – Turin						
At 12/31/04	3,924,685,869	(1,779,119,739)	1,168,392,316	100.00	3,924,685,869	1,391,492,082
■ Writedown to reflect loss in value						(810,700,000)
At 12/31/05	3,924,685,869	(862,234,014)	306,158,302	100.00	3,924,685,869	580,792,082
Fiat Netherlands Holding N.V. – Amsterdam (Netherlands)						
At 12/31/04	4,366,482,748	157,044,140	3,850,560,371	60.56	57,488,376	2,349,582,656
■ Revaluation for restoration of book value						376,100,000
At 12/31/05	4,366,482,748	207,060,528	4,255,797,815	60.56 +39.44 ind.	57,488,376	2,725,682,656
Ferrari S.p.A. – Modena						
At 12/31/04	20,000,000	41,251,883	165,843,199	56.00	4,480,000	160,675,480
At 12/31/05	20,000,000	52,962,628	218,805,827	56.00	4,480,000	160,675,480
Magneti Marelli Holding S.p.A. – Corbetta						
At 12/31/04	254,324,998	(14,516,304)	612,474,172	99.99	254,301,607	666,932,086
Ordinary shares						
At 12/31/04				100.00	250,500,601	656,936,752
■ Revaluation for restoration of book value						142,065,661
At 12/31/05				100.00	250,500,601	799,002,413
Preference shares						
At 12/31/04				99.39	3,801,006	9,995,334
■ Revaluation for restoration of book value						2,155,653
At 12/31/05				99.39	3,801,006	12,150,987
At 12/31/05	254,324,998	(64,320,893)	548,153,279	99.99	254,301,607	811,153,400
Teksid S.p.A. – Turin						
At 12/31/04	239,600,000	(17,608,985)	113,624,939	80.48	192,834,000	96,644,200
■ Cancellation of shares upon reduction of capital to cover losses					(101,386,790)	
■ Capital stock increase					32,192,800	32,192,800
■ Writedown to reflect loss in value						(52,986,000)
At 12/31/05	145,817,739	(43,497,815)	102,319,924	84.79	123,640,010	75,851,000
Comau S.p.A. – Grugliasco						
At 12/31/04	140,000,000	(10,895,549)	112,186,408	100.00	140,000,000	82,413,200
■ Capital contribution						100,000,000
■ Writedown to reflect loss in value						(41,800,000)
At 12/31/05	140,000,000	(55,231,582)	156,954,825	100.00	140,000,000	140,613,200

List of investments (continued)

Company and registered office		(in euros)	Result for the last fiscal year (in euros)	Stockholders' equity (in euros)	% owned by Fiat S.p.A.	Number of shares	Total book value (in euros)
Business Solutions S.p.A. – Turin							
At 12/31/04		10,000,000	(5,278,785)	13,338,609	100.00	10,000,000	65,360,200
■ Capital contribution							23,000,000
■ Writedown to reflect loss in value							(52,056,000)
At 12/31/05		10,000,000	(31,547,213)	4,791,396	100.00	10,000,000	36,304,200
Itedi - Italiana Edizioni S.p.A. – Turin							
At 12/31/04		5,980,000	(1,265,986)	28,434,950	100.00	5,980,000	15,899,105
■ Capital contribution							10,000,000
At 12/31/05		5,980,000	1,919,935	40,354,885	100.00	5,980,000	25,899,105
IHF - Internazionale Holding Fiat S.A. – Lugano (Switzerland)							
At 12/31/04		64,808,814	181,021,006	245,906,014	100.00	100,000	33,444,877
	CHF	100,000,000	279,315,412	379,432,980			
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			
Fiat Ge.Va. S.p.A. – Turin							
At 12/31/04		224,440,000	47,711,134	291,082,964	100.00	224,440,000	222,262,897
At 12/31/05		224,440,000	21,035,715	312,118,679	100.00	224,440,000	222,262,897
Fiat Finance North America Inc. – Wilmington (United States)							
At 12/31/04		29,432,501	57,785	33,291,985	39.47	150	13,142,000
	USD	40,090,010	78,709	45,347,013			
■ Revaluation for restoration of book value							2,415,000
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	+60.53 ind.		
Fiat U.S.A. Inc. – New York (United States)							
At 12/31/04		12,355,921	207,961	23,240,568	100.00	1,000	23,240,726
	USD	16,830,000	283,264	31,655,978			
■ Revaluation for restoration of book value							4,017,000
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			
Elasis Società Consortile per Azioni – Pomigliano d'Arco							
At 12/31/04		20,000,000	44,342	20,104,768	0.17	33,334	29,974
At 12/31/05		20,000,000	29,905	20,134,672	0.17 +99.83 ind.	33,334	29,974
Fiat Information & Communication Services società consortile per azioni – Turin							
At 12/31/04		800,000	23,846	928,622	51.00	408,000	430,000
At 12/31/05		800,000	26,635	955,257	51.00 p.v. +49.00 ind.	408,000	430,000

List of investments (continued)

Company and registered office	(in euros)	Result for the last fiscal year (in euros)	Stockholders' equity (in euros)	% owned by Fiat S.p.A.	Number of shares	Total book value (in euros)
Fiat Media Center S.p.A. – Turin						
At 12/31/04				–		–
■ Transfer from other companies					6,977	5,165
At 12/31/05	219,757	1,210	220,967	3.17 +68.25 ind.	6,977	5,165
Fiat-Revisione Interna S.c.r.l. – Turin						
At 12/31/04	300,000	26,438	333,308	14.00 p.v.	42,000	42,962
At 12/31/05	300,000	55,930	389,238	14.00 p.v. +86.00 ind.	42,000	42,962
Fiat Servizi per l'Industria S.c.p.A. – Turin						
At 12/31/04	3,850,000	238,346	1,652,669	36.47	1,404,000	515,803
■ cancellation of shares upon reduction of capital to cover losses					(801,312)	
At 12/31/05	1,652,669	349,291	2,001,960	36.47 +63.53 ind.	602,688	515,803
Isvor Fiat Società consortile di sviluppo e addestramento Industriale per Azioni – Turin						
At 12/31/04	300,000	(9,139,001)	539,946	26.00	78,000	–
At 12/31/05	300,000	175,142	715,087	26.00 +74.00 ind.	78,000	–
Orione - Consorzio Industriale per la Sicurezza e la Vigilanza – Turin						
At 12/31/04	26,342	(479,932)	(453,590)	82.01		21,108
At 12/31/05	26,605	60,906	87,511	81.20 +13.86 ind.		21,108
Sirio - Sicurezza Industriale Società consortile per azioni – Turin						
At 12/31/04	56,364	49,478	119,216	1.59		764
At 12/31/05	120,000	14,974	197,826	0.75 +88.50 ind.	901	764
■ Total subsidiaries						4,856,539,398

List of investments in other companies and additional information specified in the Consob communication of February 23, 1994

Other companies included in financial fixed assets

Company and registered office	% owned by Fiat S.p.A.	Number of shares	Total book value (in euros)
Mediobanca S.p.A. – Milan			
At 12/31/04	1.80	14,118,350	92,840,388
At 12/31/05	1.77	14,118,350	92,840,388
		°)	227,108,261
Fin.Priv. S.r.l. – Milan			
At 12/31/04	14.29		14,354,662
At 12/31/05	14.29		14,354,662
Consortium S.r.l. – Milan			
At 12/31/04	2.62		19,529,683
At 12/31/05	2.76		19,529,683
Consorzio Fiat Media Center – Turin			
At 12/31/04	1.85		5,165
Transfer to subsidiaries			(5,165)
At 12/31/05	–	–	–
Consorzio Lingotto – Turin			
At 12/31/04	5.40		279
At 12/31/05	5.40		279
Total other companies			126,725,012

°) Based on market prices on December 30, 2005.

% owned by Fiat S.p.A.
The indirect percentage held in the ordinary capital of subsidiaries is also indicated.

Treasury stock at December 31, 2005

	% owned by Fiat S.p.A.	Number of shares	Book value per share (in euros)	Book value total (in euros)	Par value per share (in euros)	Par value total (in euros)
Ordinary shares						
At 12/31/04	0.45	4,384,019	6.025	26,413,308	5.00	21,920,095
■ Sale		(52,311)	6.025	(315,169)		
■ Revaluation for partial restoration of book value				1,611,797		
At 12/31/05	0.34	4,331,708	6.397	27,709,936 °) 31,764,415	5.00	21,658,540

°) Based on market prices on December 30, 2005

Tax status on equity reserves and other reserves – Presidential Decree No. 917 of December 22, 1986

Description	Total amount of equity reserves and other reserves which would be included in the Company's taxable income in the event of distribution (in euros)	Total amount of other earnings reserves (in euros)	Total amount of equity reserves and other reserves which would not be included in the stockholders' taxable income in the event of distribution (in euros)	Total (in euros)
Additional paid-in capital			1,540,854,410	1,540,854,410
Revaluation reserve under Law No. 413 of Dec. 30, 1991	22,590,857			22,590,857
Legal reserve	352,292,766	32,898,413	61,370,583	446,561,762
Treasury stock valuation reserve		27,709,936		27,709,936
Other reserves				
Extraordinary reserve		334,634		334,634
	374,883,623	60,942,983	1,602,224,993	2,038,051,599

In accordance with specific resolutions of the Stockholders Meeting, the following reserves were transferred to capital stock:

■ Reserve under Art. 34 of Law No. 576 of 12/2/75	453,070,328
■ Revaluation reserve under Law No. 576 of 12/2/75	97,675,103
■ Revaluation reserve under Law No. 72 of 3/19/83	266,350,533
which in the event of distribution would be included in the Company's taxable income, and:	
■ Revaluation reserve under Law No. 74 of 2/11/52	20,052,596
■ Extraordinary reserve	953,046

Origin, possibility of use, and possibility of distribution of Stockholders' equity reserves

Nature/description	At 12.31.05 (in euros)	Possibility of use	Available share (in euros)	Summary of the applications made during the last three years (**): For coverage of losses (in euros)	For other reasons (in euros)
Capital stock	6,377,257,130				
Capital reserves:					
Additional paid-in capital	1,540,856,410	B	1,540,856,410	2,331,583,228	
Legal reserve	61,370,583	B	–	29,241,925	
Revalutation reserve under Law No. 413 of Dec. 30, 1991	22,590,857	A,B,C	22,590,857		
Earnings reserves:					
Legal reserve	385,191,179	B	–	183,536,323	
Treasury stock valuation reserve	27,709,936	–	–		
Extraordinary reserve	334,634	A,B,C	334,634	112,253,586	1,611,796
Total	8,415,310,729		1,563,781,901	2,656,615,062	1,611,796
Portion that cannot be distributed (*)			1,563,781,901		
Residual portion that can be distributed			–		

Legend:
A: For capital increases
B: For coverage of losses
C: For distribution to stockholders

(*) Pursuant to Article 2431 of the Italian Civil Code, additional paid-in capital may not be distributed until the legal reserve equals at least one-fifth of the capital stock. The other available reserves (revaluation reserve and extraordinary reserve) may not be distributed because 27,627 thousand euros in start-up and expansion costs have not yet been amortised (Article 2426, Section 5 of the Italian Civil Code).

(**) For uses of reserves no longer existing at December 31, 2005, reference is made to the schedule of changes in stockholders' equity (note 9).

Statement of cash flows

(in thousands of euros)		2005	2004
A. Initial short - term financial assets		2,218,915	1,303,578
B. Cash flow - operating activities			
Income (loss) for the fiscal year		223,019	(949,101)
Depreciation and amortisation		27,031	29,717
Losses (gains) on disposals of fixed assets		–	595
Income from reimbursement of principal IHF - Internazionale Holding Fiat S.p.A.		–	(606,124)
Writedowns (revaluations) of equity investments		430,789	1,639,153
Net change in reserve for employee severance indemnities and other reserves		4,072	(8,466)
Changes in capital stock		265,562	31,415
		950,473	137,189
C. Cash flow - investing activities			
Investments in fixed assets			
Equity investments		(165,193)	(253,964)
Other fixed assets		(3,116)	(2,711)
Selling price, or redemption value, of long-term investments		688	1,254,823
		(167,621)	998,148
D. Cash flow - financing activities			
Contributions by stockholders (*)		–	–
Repayment of borrowings (*)		–	(250,000)
Change in payables due to banks		(60,000)	30,000
		(60,000)	(220,000)
E. Net cash flow for the period	(B+C+D)	722,852	915,337
F. Final short-term financial assets	(A+E)	2,941,767	2,218,915

(*) The capital increase subscribed by the lending banks to offset the Mandatory Convertible Facility (3 billion euros) was not indicated because it did not give rise to any cash flow.

N.B. Short-term financial assets include financial receivables from subsidiaries and cash, net of payables to subsidiaries for the VAT receivable transferred to Fiat.

Fees paid to Directors, Statutory Auditors and General Managers (in thousands of euros) (Article 78 of Consob Regulation No. 11971/99)

First name and last name	Office held in 2005	Term of office	Expiration (*)	Compensation for office held	Non-cash benefits (**)	Bonuses and other incentives	Other fees
In office:							
Luca Cordero di Montezemolo	Chairman	1/1-12/31	2006	551.2 1)	4.3		6,484.0 2)
John Elkann	Vice Chairman	1/1-12/31	2006	550.0 3)	17.1		
Sergio Marchionne	Chief Executive Officer	1/1-12/31	2006	2,000.0		4,648.0 4)	351.9 5)
Andrea Agnelli	Director	1/1-12/31	2006	77.0			
Angelo Benessia	Director	1/1-12/31	2006	98.0			
Tiberto Brandolini d'Adda	Director	1/1-12/31	2006	77.0			
Flavio Cotti	Director	1/1-12/31	2006	80.0			
Luca Garavoglia	Director	1/1-12/31	2006	92.0			
Gian Maria Gros-Pietro	Director	06/23-12/31	2006	41.3			
Hermann-Josef Lamberti	Director	1/1-12/31	2006	71.0			
Virgilio Marrone	Director	06/23-12/31	2006	41.3 6)			
Vittorio Mincato	Director	06/23-12/31	2006	47.3			
Pasquale Pistorio	Director	1/1-12/31	2006	92.0			
Daniel John Winteler	Director	1/1-12/31	2006	92.0 7)			
Mario Zibetti	Director	06/23-12/31	2006	53.3			3.3 8)
Cesare Ferrero	Chairman of the Board of Statutory Auditors	1/1-12/31	2006	63.0			30.0 9)
Giuseppe Camosci	Statutory Auditor	1/1-12/31	2006	42.0			
Giorgio Ferrino	Statutory Auditor	1/1-12/31	2006	42.0			

(*) 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.

1) The gross annual compensation for the office of Chairman amounts to 500,000 euros.
2) Compensation for the office held in the subsidiary Ferrari inclusive of the variable portion of his compensation. Starting from the fourth year of office, the Chairman and Chief Executive Officer of Ferrari 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, which in 2005 amounted to 2,742 thousand euros. The relevant accrual posted by Ferrari in 2005 amounted to 1.37 million euros. In addition, the Chairman and Chief Executive Officer of Ferrari was granted options for the purchase of 184,000 Ferrari shares at the price of 175 euros per share, exercisable until December 31, 2010. The exercise of 80,000 of said shares is subject to the placement of Ferrari shares on the stock market.
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 the office held in the subsidiaries IHF (342.3 thousand euros) and Buc (9.6 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 2005, the Company posted an accrual of 800.6 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 Statutory Auditor, held until June 8, 2005, in the subsidiary Atlanet.
9) Compensation for the office of Chairman of the Board of Statutory Auditors in Fiat Auto.

Stock Options granted to Directors and General Managers (Article 78 of Consob Regulation No. 11971/99)

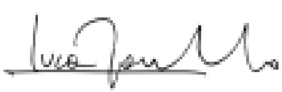
Grantee		Options held at the beginning of the year			Options granted during the year			Options exercised during the year			Options expired in the year	Options held at the end of the year		
First and last name	Office held at the date of the grant	Number of options	Average exercise price	Exercise period (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

* The options are exercisable for one-third of the shares only upon satisfaction of the profitability targets, whose amount and reference period are defined in advance.

Turin, February 28, 2006

The Board of Directors

By:



Luca Cordero di Montezemolo

Chairman

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, 2005, constituted by the consolidated balance sheet, the consolidated statements of income, cash flows and changes in stockholders' equity 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. These consolidated financial statements represent Fiat S.p.A.'s first annual consolidated 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 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 audit of the financial statements of subsidiaries in the Components Sector, which statements reflect total assets representing 3% of consolidated total assets and revenues representing 6% of consolidated revenues, is the responsibility of other auditors.

The consolidated financial statements present for comparative purposes the corresponding data for the year 2004 prepared in accordance with IFRS. In addition, the Appendix 1 to the consolidated 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 Quarterly Report for the 1st Quarter 2005, which we have audited and on which we issued a special purpose auditors' report dated May 19, 2005.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of the Fiat Group as of December 31, 2005, 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

March 2, 2006

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, 2005. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 audit of the financial statements of the subsidiary Magneti Marelli Holding S.p.A., in which Fiat holds an investment which represents 16% of the total investments in shareholdings and 5% of the total assets reported in the financial statements, is the responsibility of other auditors.

For the opinion on the prior year's financial statements, which are presented for comparative purposes as required by law, reference should be made to our auditors' report dated April 5, 2005.

In our opinion, the financial statements referred to above present fairly the financial position of Fiat S.p.A. as of December 31, 2005, and the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

Turin, Italy

March 2, 2006

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 pursuant to Article 41 of Legislative Decree No. 127/1991

Dear Stockholders:

The consolidated financial statements of Fiat S.p.A. at December 31, 2005, including the Balance Sheet, Income Statement and respective Notes, which are being submitted for your consideration, show a net income for the Group of 1,331 million euros. 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) adopted by the European Union.

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, adjusted as necessary to make them compliant with IFRS, 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. In particular, it also includes an appendix specifically dedicated to the transition to International Financial Reporting Standards. The Report on Operations presents fairly the results, balance sheet and financial position, as well as the operations in 2005 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, April 6, 2006

The Statutory Auditors

Cesare Ferrero

Giuseppe Camosci

Giorgio Ferrino

Report of the Board of Statutory Auditors pursuant to Article 153 of Legislative Decree No. 58/1998, and Article 2429, Section 2, of the Italian Civil Code

Dear Stockholders:

Article 153 of Legislative Decree No. 58 of February 24, 1998 envisages that the Board of Statutory Auditors report to the Stockholders Meeting, convened to approve the statutory financial statements, the results of its oversight activity, indicating any omissions or improper transactions it discovered, and empowers it to put forth motions regarding the financial statements, their approval and other matters under its jurisdiction.

This Report is provided in accordance with the abovementioned provision and pursuant to Article 2429, Section 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 Articles of Association, 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 Board of Directors established an Internal Control Committee and a Nominating and Compensation Committee. During the 2005 fiscal year, a Strategic Committee was established.

The system of internal control, which has been created at the Group level, is constantly being upgraded and is operational at the Parent Company and its subsidiaries.

We express a favorable opinion on the Company's system of internal control, and on its ability to check the proper implementation of the internal operating and administrative procedures adopted to ensure that the Company is managed correctly and efficiently, while at the same time identifying, preventing and minimizing financial and operating risks and the danger of fraud. The Board of Statutory Auditors was present at all Internal Control Committee meetings.

Based on our determinations and on the information garnered in previous fiscal years, we further believe that the Company's administrative and accounting system is adequate for the purpose of presenting fairly the results of operations.

The guidelines provided by Fiat S.p.A. to its subsidiaries pursuant to Article 114, Section 2, of Legislative Decree No. 58/98 also appear to be adequate.

The Board of Directors provided us with the Report on Operations for the first half of 2005 within the statutory deadline and published it in accordance with the formalities required by the Consob. It also complied with statutory requirements as regards quarterly reports.

With regard to Consob communications, insofar as they apply to our task, we can confirm the following:

- In its Report on Operations, the Board of Directors provided exhaustive and complete information on the degree of implementation of the systems and procedures needed for the adoption of international accounting standards, which have become mandatory as from the current fiscal year.
- As required by the Consolidated Law on Financial Intermediation (Legislative Decree No. 58/98), the Board of Statutory Auditors has been informed on a constant basis on matters falling under its jurisdiction.
- The checks and audits of the Company conducted by us on a periodic basis revealed no atypical or unusual transactions.
- With regard to intra-Group transactions, the Board of Directors mentions in its Report on Operations that numerous transactions involving the delivery of goods and the provision of services took place between the Company, other Group companies and/or related parties. The Report on Operations further states that these transactions were executed on terms that were competitive with those available in the marketplace for goods or services of similar quality.
- The External Auditors' report neither contains objections nor does it draw attention to any particular event or set forth relevant qualifications or suggestions.
- In 2005, the Board of Directors met 9 times. We were present at all of these meetings. The Board of Statutory Auditors met 23 times. The External Auditors attended five of these meetings.

- The Board of Statutory Auditors received four complaints under Article 2408 of the Italian Civil Code, which are reviewed below. At this point, is not aware of any other memoranda that would require it to take action.
- during the year, we issued the opinions that the Board of Statutory Auditors was obliged to provide by law, and we granted our approval for recognition of 1,363,730 euros in start-up and expansion costs under assets on the balance sheet, in accordance with Article 2426, paragraph 5 of the Italian Civil Code;
- in compliance with the amended 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 Corporate Governance Code of Italian Listed Companies, 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 of the accounting procedures and disclosures to be made in the Group's 2004 consolidated financial statements in regard to material, non-recurring transactions carried out by Fiat S.p.A. or its subsidiaries in the reference fiscal year, for a fee of 37,500 euros;
- Additional auditing work concerning the consolidated balance sheet at January 1, 2004 prepared by the Group in accordance with international accounting standards as a result of changes in the relevant regulatory framework following the enactment of EU Regulation No. 1606 of July 19, 2002, for a fee of 167,000 euros;
- Studies and analyses on the accounting treatment in Form 20-F for fiscal 2004 of significant, non-recurring transactions carried out by Fiat S.p.A. or subsidiaries in the reference year, for a fee of 401,800 euros.
- Preliminary planning activity for auditing of the Fiat Group's internal control over financial reporting envisaged in Section 404 of the Sarbanes-Oxley Act, for a fee of 840,000 euros.
- Additional auditing activity of financial transactions ("comfort letters"), and the activity performed on the Prospectus for the offering to Fiat stockholders of option rights to purchase ordinary shares subscribed by the banks on September 20, 2005, for a fee of 167,500 euros.
- Analysis of the compliance of Sections II and III of the Fiat Group accounting manual for reporting and the consolidated financial statements, drafted in accordance with international financial reporting standards, for a fee of 18,000 euros.
- Subscription of the tax returns and Forms 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;

Complaints Pursuant to Article 2408 of the Italian Civil Code

On July 27, 2005, September 14, 2005, December 16, 2005 and January 30, 2006, respectively, Marco Bava, a Fiat stockholder, filed four complaints pursuant to Article 2408 of the Italian Civil Code. These complaints, which, in each case, were filed shortly before meetings of the Company's Board of Directors, were addressed to the Chairman of the Board of Statutory Auditors of Fiat S.p.A, with copy to the Boards of Directors of Fiat S.p.A. and Fiat Auto S.p.A., and the External Auditors Deloitte & Touche S.p.A. In brief (the actual complaints consist of 6 typewritten pages), the complainant largely criticizes the manner in which Fiat S.p.A. is being managed, alleging that it is jeopardizing the Company's ability to function as a going concern and that it will lead to its liquidation, and asks the Board of Statutory Auditors to determine whether such practices are consistent with sound management principles. Specifically, in the complaints dated September 14, 2005 and January 30, 2006, with regard to the Fiat Group, the complainant:

a) asks who appraised the Mirafiori areas sold to Public Entities;

b) affirms that "the accounts improve because the valuation principles eliminate the industrial costs for industrial restructuring, which as such should be included as ordinary costs for Fiat over the last decade."

After studying in detail the allegations put forth by the complainant and reviewing the complaints both individually and as a whole, we concluded that the portions of the complaints that contain general criticisms of the Company's management practices do not identify improper acts, such as those specifically referred to in Article 2408 of the Italian Civil Code. Earlier in this report, we already discussed the soundness of the Company's management decisions, insofar as they apply to those areas that fall under our jurisdiction pursuant to Article 149, Section 1, of Legislative Decree No. 58 of February 24, 1998.

These matters are not reprehensible but instead involve requests for information. In response, we can affirm that:

- in regard to point a) hereinabove, the northwest area of the Mirafiori plant was sold by the indirect subsidiary Fiat Auto S.p.A. to Torino Nuova Economia S.p.A., pursuant to an agreement under the hand and seal of the notary public Ganelli on December 23, 2005, Notary's Register no. 5462, at a price of 60,000,000 euros for a total area of 300,393 square meters. The value of the sold lots was appraised by Prof. Riccardo Ruscelli (Turin Polytechnic University), who was retained by the Public Entities, and by REAG S.p.A., a company belonging to the American Appraisal Group, which was retained by Fiat Auto S.p.A.;
- in regard to point b), the complainant does not identify improper acts, but asks the Board of Statutory Auditors to seek such acts by auditing the allocation of restructuring costs affecting the entire group, and thus the consolidated financial statements, which are subject to audit by the external auditors pursuant to Article 41 no. 3 of Legislative Decree no. 127 of April 9, 1991. To complete our investigation, we contacted Deloitte & Touche S.p.A., which had been informed of the requests after receiving the complaint itself. This firm informed us:
  - *"In the consolidated financial statements of Fiat at December 31, 2004, which were drafted in compliance with Group accounting principles that conformed with the requirements of Legislative Decree no. 127 of April 9, 1991, interpreted and supplemented by the accounting principles issued by the National boards of "Dottori Commercialisti e dei Ragionieri" and, where there were none and not at variance, by those laid down by the International Accounting Standards Board (IASB), the valuation principle applied for accounting of reserves for current restructuring was described in the notes to the consolidated financial statements in the section "Principles of Consolidation and Significant Accounting Policies," at the subsection "Reserves for risks and charges and employee severance indemnities." The notes to the consolidated financial statements specifically showed how the costs to carry out corporate reorganization and restructuring plans were "provided in the year the company formally decided to commence such plans and the relative costs could be reasonably estimated."*
  - *In the Fiat Group consolidated financial statements at December 31, 2005, which were prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and approved by the European Union, the valuation principle applied to restructuring costs is described in the section entitled "Significant Accounting Policies," at the subsection "Provisions." The notes to the consolidated financial statements specifically state that "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."*

Based on the audits we performed in those areas that fall under our jurisdiction pursuant to Article 149 of Legislative Decree No. 58 of February 24, 1998 and the information received from the External Auditors, we have verified that the statutory financial statements, which show a net income of 223,019,671 euros, compared with a net loss of 949,100,522 euros in the previous fiscal year, have been prepared and presented in accordance with the applicable provisions of law.

Therefore, we recommend that you approve them as they have been submitted to you, together with the motion put forward by the Board to allocate the net income of 223,019,671 euros to partially cover the losses carried forward.

We take this opportunity to thank you for your confidence and to inform you that our term of office has expired.

Turin, April 6, 2006

The Statutory Auditors

Cesare Ferrero

Giuseppe Camosci

Giorgio Ferrino

Other Items on the Agenda and Related Reports and Motions

Motion for approval of the Financial Statements and allocation of net income

Stockholders,

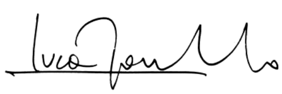
We propose that you approve the Statutory Financial Statements at December 31, 2005.

We also submit for your approval a motion to allocate the net income of 223,019,671 euros to partially cover the losses carried forward, which consequently amount to 726,080,851 euros.

Turin, February 28, 2006

Board of Directors

By:



Luca Cordero di Montezemolo

Chairman

Appointment of the Board of Directors after determining the number of its members and their fees

Stockholders,

The term of the Board of Directors expires on the date of the Stockholders Meeting that approves the financial statements at December 31, 2005.

The Stockholders Meeting is accordingly asked to:

- determine the number of members of the Board of Directors, from a minimum of nine to a maximum of fifteen, as envisaged in Article 11 of the Articles of Association,
- appoint the directors for a new term, considering that the Articles of Association prohibits appointing individuals who are 75 or older,
- set the compensation to be paid to the Directors or define the procedures for determining it.

Accepting the motions made by the Board of Directors with the aim of obtaining a majority of independent directors, the Stockholders Meeting held on June 23, 2005 resolved, with reference to the residual term of office that expires today, to increase the number of directors to the maximum limit allowed by the Articles of Association.

The dimensions of the Company and the growing complexity and specialization of the sectors in which it operates require that the Board of Directors itself represent a diversity of knowledge, experience, and opinions, comprising both generalists and specialists, accumulated at the international level, relating to macroeconomic scenarios and the globalization of markets, particularly the industrial and financial sectors. An adequate range of skills and professional backgrounds is the fundamental premise for a Board to meet the challenges it will face.

The composition of the Board must also strike the right balance amongst executive directors (i.e. those delegated to represent and operate the company) and non-executive directors, so that no individual or group of individuals can exert a dominating influence on the decision-making process.

Finally, the presence of independent directors is essential to protect the interests of stockholders, particularly minority stockholders, and third parties. The contribution of independent directors is also fundamental to the composition and functioning of advisory committees dedicated to the preliminary examination and formulation of proposals regarding risks. These committees are one of the most effective means for combating eventual conflicts of interest.

Since we believe that enhancing protection against potential conflicts of interest is a priority for the Company, particularly in those areas less prone to control by the Stockholders Meeting, we propose that you confirm the principle of maintaining a majority of independent directors. This would implement a fundamental rule issued by the NYSE, although not binding on non-U.S. issuers, while confirming the more selective criteria for determination of independence adopted last year.

These criteria, which are more rigorous than those recently approved upon revision of the Corporate Governance Code of Italian listed companies, are illustrated below. They are based on the absence or insignificance, during the previous three years, of investment in or economic relationships with the Company, its executive directors and managers with strategic responsibilities, its controlling companies or subsidiaries, or kinship ties to the executive directors of these companies.
They also prohibit determination of directors as independent if they were stockholders or directors of leading competitors, rating companies or external auditors engaged by the Company or Group companies in the last three years, or are executive directors at other companies where the Company directors are non-executive directors.

Thus, we propose that you set at fifteen the number of members to the Board of Directors – a number that has proven to be adequate for effective satisfaction of Board duties and diversified composition of the various committees - most of whom satisfy the requirements for independent directors. We also propose that you set the annual compensation for each director in the amount of 50,000 euros, plus an attendance fee of 3,000 euros for each Board or committee meeting that the directors, excluding executive directors, attend. Finally, we propose that the elected directors not be subject to the prohibition envisaged in Article 2390 of the Italian Civil Code.

Turin, March 24, 2006

Board of Directors

By:

Luca Cordero di Montezemolo

Chairman

CRITERIA FOR THE QUALIFICATION OF A DIRECTOR AS "INDEPENDENT"

The Board of Directors of Fiat S.p.A. shall take action as appropriate to ensure that the majority of directors be independent. The term independent shall mean that they:

a) do not have and in the last three years have not had economic, investment, or other relationships either directly, indirectly, or on behalf of third parties with the following:
   - the Company, its subsidiaries and associated companies, or the companies subject to joint control with it;
   - the entity that, either singly or together with others, controls the Company, participates in shareholder agreements for control thereof, or exercises significant influence over it;
   - the executive directors and senior managers with strategic responsibilities at the aforementioned entities;

b) are not and during the last three years have not been executive directors or senior managers with strategic responsibilities at the entities envisaged at point a);

c) have not been directors of the Company for more than nine years, even if not consecutive;

d) are not executive directors at other companies in which one or more executive directors of the Company are non-executive directors;

e) during the last three years have not been partners or directors of a primary competitor of the Company;

f) during the last three years have not been partners or directors of a rating agency that currently is or during the last three years has been in charge of assigning a rating to the Company, a subsidiary of the Company or a company that, even if jointly with others, controls the Company;

g) are not and during the last three years have not been partners, directors or members of the auditing team of an external auditor – or entities belonging to its network – engaged in the last three years to audit the Company, its subsidiaries, the companies subject to joint control with it, or the companies that, even if jointly with others, control or have a significant influence over it;

h) are not close relatives of or live with individuals who are in the situations envisaged hereinabove.

At the time of their appointment, and subsequently in any circumstance that could potentially disqualify a director from being considered independent, and in any case once a year, independent directors shall disclose by means of an appropriate written communication addressed to the Board of Directors any relationship that exists or that is in the process of being set up and which is material pursuant to the above letters a, b, c, d, e, f, g and h.

The independence of directors is assessed by the Board of Directors on the occasion of its periodic meetings, on the basis of the information provided by the single directors on their condition and changes therein. If, during the course of this assessment, the Board of Directors should find that any of the relationships envisaged at point a) exists it may nevertheless express its favourable opinion only if this relationship is insignificant in terms of its nature or amount. The result of the assessments by the Board of Directors is disclosed to the market if changes occur with respect to prior communications.

In order to assess independence, the Board of Directors also considers "indirect" economic or investment relationships, and thus those between, on the one hand, the director, his relatives, the professional partnerships to which the director belongs, the companies that are directly and indirectly controlled by the director or his relatives, and the companies in which these individuals are indirectly directors or employees must be taken into consideration, and on the other hand, the Company, its subsidiaries, associated companies, and those subject to joint control with it, the stockholders that directly or indirectly control or exercise significant influence over it, the entities listed at point g) hereinabove, the executive directors and the senior managers with strategic responsibilities at all the mentioned entities.

The Annual Report on Corporate Governance contains information on the number and identity of independent directors.

Appointment of the Board of Statutory Auditors, its Chairman and determination of the relevant fees

Stockholders,

The term of the Board of Statutory Auditors expires on the date of the Stockholders Meeting that approves the financial statements at December 31, 2005. Thus, you are being asked to appoint a new Board of Statutory Auditors that, pursuant to Article 17 of the Articles of Association, must be comprised by three statutory auditors and three alternate auditors. The minority stockholders have the prerogative of electing one of the statutory auditors and one of the alternate auditors.

Stockholders, either singly or in groups, who own at least 1% of the ordinary stock, may deposit lists with the names of candidates for the post of statutory auditor and alternate auditor. The lists and the declarations signed by the candidates, in which they accept their candidacy and attest that they satisfy the requirements of both the law and the Articles of Association, must be deposited at the registered office of the Company at least ten days before the scheduled date of the stockholders meeting on the first call. In addition to the statutory and regulatory requirements of integrity, professionalism, and independence, the Articles of Association require that all statutory auditors be entered on the Auditors' Register and have at least three years of experience as statutory account auditors.

Furthermore, certification must be deposited for each candidate, listing the posts of director and statutory auditor held at other companies. This information, updated as of the date of the stockholders meeting, shall be provided to the stockholders.

Ownership of 1% or more of the ordinary stock (10,922,463 shares) by those who submit a list must be certified by the authorized intermediaries, unless the securities account is held directly at the Company.

According to the Articles of Association, the first two statutory and alternate auditors will be selected from the list that obtained the highest number of votes, while the third statutory auditor and the third alternate auditor will be taken from the list that obtains the second highest number of votes, all according to the order in which they are indicated on the list.

In compliance with Article 148 of Legislative Decree no. 58/1998, the statutory auditor selected from the list that obtained the second highest number of votes at the stockholders meeting will become Chairman of the Board of Statutory Auditors. Therefore, if these conditions are satisfied, the provision of the Articles of Association envisaging that the first candidate on the first list be Chairman of the Board of Statutory Auditors will not apply.

We propose that you set the compensation of the statutory auditors according to the professional rate schedule for certified public accountants: 42,000 euros for the statutory auditors and 63,000 euros for the Chairman.

Turin, February 28, 2006

Board of Directors

By:

Luca Cordero di Montezemolo

Chairman

Engagement of the External Auditors

Stockholders,

The mandate of Deloitte & Touche S.p.A., formerly Deloitte & Touche Italia S.p.A., as the auditing firm for 2003, 2004, and 2005 expires on the date of the stockholders meeting that approves the 2005 statutory financial statements.

In compliance with Article 159 of Legislative Decree no. 58/1998, as amended by Law no. 262 of December 28, 2005, we propose that since it has reached the end of its second three-year term as external auditors, it be engaged for a six year term, i.e. for fiscal years 2006-2011.

Having deemed it opportune to exploit its familiarity with auditing procedures, on the one hand, and accounting techniques, administrative procedures, and the internal control system, on the other, and also in view of realizing synergies and savings, we have asked Deloitte & Touche S.p.A. to make a proposal for the renewal of the audit engagement. This solution also offers the advantage of continuing the work performed thus far on compliance with the new obligations imposed by the Sarbanes Oxley Act, which the Company must comply with starting in 2006.

We also propose that Deloitte & Touche S.p.A. be engaged to audit the entire Group, and thus including Magneti Marelli Holding and the group of companies that it heads, in order to maximize the synergies that can be realized with respect to compliance with United States regulations and at the same time align the Group to international best practices, which favor having a single auditor for individual groups.

As customary, the auditor's activity consists of:

– the activities envisaged in Articles 155 and 156 of the Consolidated Law on Financial Intermediation, and thus proper bookkeeping and reporting of operations in the accounting records, the consistency of the statutory and consolidated financial statements with the accounting records and audits that are performed, as well as their compliance with applicable regulations;

– limited audits of the first-half reports and the audit procedures approved for auditing of the quarterly reports,

– additional audits of the Form 20-F consolidated financial statements that are prepared for submission to the United States Securities and Exchange Commission.

The estimated annual fee is 170,000 euros. It may change if exceptional or unexpected events occur or if the structure of the Company or the Group changes. Beginning in 2007, it will be adjusted according to the increase in the ISTAT cost of living index.

As part of the Group auditing plan, which is attached to the motion for the engagement of the auditing firm that we are submitting for you approval, Deloitte & Touche S.p.A. and its foreign partners are engaged to audit Italian and foreign subsidiaries, as illustrated in the following outline.

	Euro
Fiat S.p.A.	170,000
Italian subsidiaries subject to complete audits pursuant to Article 165 of Legislative Decree no. 58/1998.	4,301,810
Italian subsidiaries subject to complete audits as part of the audit of the consolidated financial statements.	78,950
Italian subsidiaries subject to limited audits as part of the audit of the consolidated financial statements.	52,900
Total Italian subsidiaries	4,433,660
Foreign subsidiaries subject to complete audits pursuant to local laws and Article 150 of Consob Regulation no. 11971/1999.	10,725,414
Foreign subsidiaries subject to limited audits as part of the audit of the consolidated financial statements.	370,926
Total foreign subsidiaries	11,096,340
GRAND TOTAL	**15,700,000**

Therefore, we propose that Deloitte & Touche S.p.A. be engaged as auditing firm for the six fiscal years from 2006 to 2011, setting its annual fee for activities performed on behalf of your Company in the amount of 170,000 euros.

Turin, February 28, 2006

Board of Directors

By:

Luca Cordero di Montezemolo

Chairman

OPINION OF THE BOARD OF STATUTORY AUDITORS ON THE ENGAGEMENT OF DELOITTE & TOUCHE S.P.A. AS EXTERNAL AUDITORS

Stockholders,

Article 159, paragraph 1 of Legislative Decree no. 58 of February 24, 1998 envisages that:

"The shareholders' meeting shall confer, on the occasion of the approval of the accounts or of the annual meeting […] the engagement to audit the annual accounts and the consolidated accounts on an auditing firm entered in the special register referred to in Article 161, after consulting the board of auditors. The meeting shall determine the fee to which the auditing firm shall be entitled."

We have carefully examined the proposal made by Deloitte & Touche S.p.A., which the directors have proposed to you as the external auditors of the Company for the fiscal years from 2006 to 2011. On the basis of the statute cited above, this has led to our expressing the following opinion in favor of this proposal, with the following observations:

- as far as we know, no situations exist that would cast doubt on the independence of Deloitte & Touche S.p.A. vis-à-vis Fiat S.p.A.;
- our examination of the external auditors' proposal has led us to conclude that it is thorough, in terms of the scheduling and procedures to be applied for a complete and adequate auditing plan, in line with generally accepted accounting principles, with Deloitte & Touche S.p.A. assuming full liability as auditor, pursuant to Article 165, paragraph 1 bis of Legislative Decree no. 58 of February 24, 1998;
- in our opinion, the external auditors' organization and operating structure assure that it will perform audits that are fully consistent with the scope and complexity of the mandate conferred on it;
- Deloitte & Touche S.p.A. is an auditing firm entered in the special register of authorized auditors kept by Consob.

Turin, April 6, 2006

The Statutory Auditors

Cesare Ferrero

Giuseppe Camosci

Giorgio Ferrino

Incentive Plan pursuant to Article 114 Bis of Legislative Decree no. 58/98

Stockholders,

The involvement of management personnel that holds key positions in pursuing objectives relating to the Company's and Group's operating performance allows us to reinforce their loyalty and common interests with stockholders, and represents a fundamental factor for corporate governance.

Moreover, the policy of motivating management by granting them financial instruments representative of the Company's value not only provides the Group with a tool that is widely used and appreciated at the international level but also contributes to the development of confidence in the Company growth and alignment of management interests with Group interests.

Accordingly, we propose that you authorize the adoption of an incentive plan based on financial instruments issued by leading financial institutions connected with Fiat shares. Such a plan would be offered to a maximum of 200 Company and Group managers who have a significant impact on business results. The participation of these employees in this plan may be conditioned on their achieving individual results and/or Group operating and financial objectives. The participating individuals will be designated by the Board of Directors, on recommendation by the Nominating and Compensation Committee.

We will be assisted by international financial institutions that specialize in the development of management motivation and loyalty incentive tools for implementation of the plan. This will involve further elaboration of the financial instruments offered as part of the plan, enhancing their attractiveness within the specific context of Italy, using options that can be exercised through intermediaries and their marketability in accordance with predefined conditions, including their deadlines.

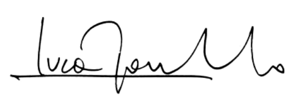
The plan, which can be implemented in several tranches, will have a duration of five years. The financial instruments issued by leading financial institutions cannot be exercised during the first two years, their exercise price will be determined in compliance with applicable tax laws, or at the normal value of the underlying Fiat ordinary stock. A maximum of 20 million shares will be involved in the plan. No purchase of treasury stock by the Company is envisaged.

Therefore, we propose that you authorize the Board of Directors, upon recommendation by the Nominating and Compensation Committee, to execute an incentive plan with the characteristics described above, identifying the beneficiaries and drafting the conditions of the Plan, including the terms and conditions for assignment. At least 15 days before the plan is executed, the market will be provided with the detailed disclosure required pursuant to Article 114 bis of the Consolidated Law on Financial Intermediation.

Turin, March 24, 2006

Board of Directors

By:



Luca Cordero di Montezemolo

Chairman

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